

CITY OF LOS ANGELES  
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES  
REGULAR MEETING NOVEMBER 20, 2012 – 9:00 A.M.  
700 E. TEMPLE STREET, ROOM 350

BOARD MEMBERS:

**Present:**

John R. Mumma, Vice-Chairperson  
Clifford Cannon, First Provisional Chair  
Sangeeta Bhatia, Third Provisional Chair  
Michael Amerian  
Robert Schoonover  
Margaret Whelan

**Not Present:**

Eugene K. Canzano, Chairperson  
Tom Moutes, Second Provisional Chair  
William Raggio

Staff:

Personnel:

Steven Montagna  
Natasha Gameraoz  
Esther Chang

Alejandrina Basquez  
David Luther

City Attorney: Curtis Kidder

1. CALL TO ORDER

The meeting was called to order at 9:05 a.m.

2. PUBLIC COMMENTS

There was no public comment.

3. MINUTES

**A motion was made by Ms. Whelan, seconded by Mr. Cannon, to approve the October 16, 2012 minutes; the motion was unanimously adopted.**

*Mr. Schoonover arrived at 9:38 a.m. and did not vote on this item.*

#### 4. GREAT-WEST QUARTERLY REPORT

Ms. Usha Archer of Great-West Financial presented the quarterly report for the period ending September 30, 2012. She stated plan assets were \$3,539,459,130 at the end of the third quarter, which was an increase of 4% over the last quarter. She indicated Roth balances increased almost 40% quarter over quarter. She stated the overall number of contributing participants had decreased; she indicated there were not many new employees being hired, and as such, the level of participation remained stagnant. She indicated that year-to-date, 600 participants had been added to the Plan. She stated the average biweekly deferral was down 14% since the previous quarter. She stated there were 138 more Roth participants, although the average deferral was down.

Ms. Archer stated the large-cap and stable value funds were the top two funds in assets, and that assets in the self-directed brokerage option had also grown noticeably. She indicated however that the net cash flow of these funds indicated that many participants were repositioning their portfolios likely due to the investment menu change that occurred earlier in the year. Mr. Mumma asked if there was tracking of where the funds were going when withdrawn from the large-cap option. Mr. Robison indicated that the participants likely opted for the self-directed brokerage option once the menu change was implemented.

Ms. Lisa Tilley of Great-West continued with the presentation and reported on Plan distributions, indicating there were a higher number of deaths than usual but an overall decrease in actual distribution dollars. She indicated that the outside IRA providers that participants most roll their funds to have stayed mostly the same, except that Southwest Securities had made the top ten while Fidelity had dropped out.

She indicated Plan loans had seen a spike in February and March, followed by a dip but was increasing once more. She indicated this was fairly typical of all plans; as assets grow and participation increases, the number of loans increases as well. She indicated hardships during the third quarter were primarily due to reasons of prevention of eviction and foreclosure; she stated there had been a slight decrease in the number of hardship requests since the previous quarter. She indicated there had been an increase in the number of participants electing online statement delivery since the previous quarter.

Mr. Robison stated local representatives had been in direct contact with approximately 5,000 employees. He stated the new retiree loan program was very popular; he indicated there may be 20-30 requests in progress and the local office was receiving approximately 5-10 calls a day. Ms. Gameroz indicated retiree loan activity could be included in the monthly staff report. Mr. Robison indicated there had been increased interest in accrued leave due to a recent newsletter article.

Mr. Mumma stated that in his experience, fire stations do not seem to be aware of the Roth savings option. Mr. Montagna stated staff was working on a newsletter that would be sent to all City employees on a regular basis; he indicated that the Roth option would be featured in an article.

## 5. BOARD REPORT 12-53: PLAN WEBSITE CONVERSION

Ms. Chang indicated staff was working with Great-West on the conversion to a new participant website, scheduled to go-live in June 2013. She described the new design and layout in the attachment to the report. She explained staff would do its best in optimizing customization for the Plan within the programmed parameters of the new website. She stated that the structure and layout of the site would largely stay the same as drafted in the attachment. She indicated staff was still working with Great-West on the design site, which would likely utilize imagery that was iconic to Los Angeles. Ms. Chang indicated staff would be providing regular updates to the Board. She stated that staff would also conduct periodic focus groups to best utilize and incorporate participant feedback.

Mr. Mumma asked if contribution history would be available on the new website. Mr. Montagna indicated staff had been discussing the issue with Great-West and would be reporting back to the Board with different options. Mr. Mumma asked if there had been consideration of designing one of the custom tiles for participants in the self-directed brokerage option. Mr. Montagna indicated that staff and Great-West were still considering the details of the custom tiles. He indicated that in the initial rollout, there were certain limitations but it could be an idea to be phased in for subsequent updates to the site. Mr. Mumma suggested a communication piece on the home page explaining the Plan's competitive fees for non-participants.

**A motion was made by Ms. Bhatia, seconded by Mr. Schoonover, to receive and file staff's report; the motion was unanimously adopted.**

## 6. BOARD REPORT 12-54: SPECIAL MAILING/FEE DISCLOSURE

Ms. Chang stated the Board had approved staff to move forward on voluntary compliance with the Department of Labor (DOL) fee disclosure requirements for eligible non-participants during the June 2012 Board meeting. She indicated staff had originally intended to mail a short fee disclosure document to the 14,000 eligible non-participants, however, recommended that the Board take advantage of the opportunity to also encourage Plan enrollment. She stated staff added additional material to be sent to these eligible non-participants in order to better explain the benefits of the Plan and to promote enrollment. She indicated the complete packet had been quoted at \$2.06 per participant, which for 14,000 participants was over staff's original anticipated budget. She stated that given the Board's previous concerns over the mailing's value relative to its cost, staff was proposing the mailing be sent to a smaller pilot group of 300 employees. She indicated the pilot group would be a representative sample of the eligible non-participants. She stated that staff would track the effectiveness of the mailing and report back to the Board to determine whether the mailing would be sent out to the entire group of eligible non-participants. She stated that staff would also try and mitigate costs by sending out electronic versions to those employees who had an e-mail address.

Mr. Montagna indicated electronic versions could be sent to another test group to compare responses to the packet based on how it is delivered to the employee. Mr. Cannon expressed concern that the material could be a bit much for a brand new participant. Mr. Montagna indicated there could also be a test group that could receive less material. Mr. Mumma stated the fee disclosure information was important and suggested that if it could be sent electronically, a web link be included to the actual fee disclosure document. Mr. Mumma noted that costs for the mailing could be offset if enough employees did enroll in the Plan.

Mr. Mumma and Mr. Cannon also provided suggestions to revise the material, including recommendations to call out the Plan's lower fees and to clarify the retirement vision flyer's message of starting with \$20 pre-tax and \$20 post-tax, and increasing both by \$20 on an annual basis.

**A motion was made by Mr. Amerian, seconded by Mr. Cannon, to approve a special mailing to a pilot group of non-participants as a means of testing promotion of plan enrollment and voluntary compliance with Department of Labor fee disclosure requirements, in addition to electronically sending out this material to different test groups; the motion was unanimously adopted.**

#### 7. BOARD REPORT 12-55: BUDGET

Ms. Gameroz indicated staff was recommending reimbursements to the Personnel Department for \$104,868.77 and to the City Attorney's Office for \$14,539.93 for the quarter ending June 30, 2012. She indicated staff had also provided a rolling 5-year forecast for expenses for the Plan budget accounts, which incorporated funding for a Senior Management Analyst I position beginning January 2013. She indicated the estimated ending five-year reserve is in alignment with the Plan's target reserve. Mr. Mumma asked about the CAP rates and the timing of their release. Ms. Gameroz indicated CAP rates can be behind by a year or more.

**A motion was made by Ms. Whelan, seconded by Mr. Schoonover, to a) receive and file staff's report and b) approve reimbursements from the Plan Reserve Fund accounts to the Personnel Department and City Attorney; the motion was unanimously approved.**

#### 8. BOARD REPORT 12-56: EIN REQUEST

Ms. Gameroz indicated that Mercer had previously advised the Board regarding best practices related to meeting Internal Revenue Code Section 457 trust requirements for governmental plans. She indicated that part of the recommendation was for the Deferred Compensation Plan to obtain a federal identification number, or an Employer Identification Number (EIN), from the Internal Revenue Service (IRS). She stated the

Plan was currently using the City's EIN. She stated that should the Plan obtain a separate EIN, it would further distinguish the trust as a separate legal entity. She indicated that Plan counsel had advised that the Plan is likely not required to obtain an EIN as it does not file tax returns with either the IRS or State Franchise Tax Board; however, any application for the EIN should be submitted and signed by the owner or principal officer of the entity responsible for the control, management, and disbursement of trust funds. She indicated that Plan counsel had also advised that the entity may designate a fiduciary or trustee to sign the application on behalf of the responsible entity. She indicated staff's recommendation, given Plan counsel's guidance, was to proceed with the EIN application and to authorize the Board Chair as the designee on behalf of all Board members who are fiduciaries of the Plan.

Ms. Bhatia asked if there were costs associated with the EIN application. Ms. Gameroz indicated there were none. Mr. Mumma confirmed with Ms. Gameroz the application would further distinguish the Plan trust from the City and indicated approval of this action.

**A motion was made by Mr. Cannon, seconded by Mr. Amerian, to authorize the application for a federal Employer Identification Number from the IRS for the City's Deferred Compensation Plan 457(b) Trust and to authorize the Board Chairperson to execute the application on behalf of the Board; the motion was unanimously adopted.**

## 9. BOARD REPORT 12-57: STAFF REPORT

Ms. Chang indicated that Plan activity for the month of October 2012 remained consistent. She indicated that for future reports, staff would begin to include numbers regarding the new retiree loan program, as requested by Mr. Cannon on an earlier item.

Mr. Montagna informed the Board that contribution limits were increasing for 2013. He stated that the under age 50 limit would be \$17,000, the over age 50 limit would be \$23,000, and the catch-up contribution limit would be \$35,000. Mr. Mumma asked how many people were contributing up to their respective maximum limits. Ms. Gameroz indicated approximately 20% of participants. Mr. Mumma asked whether the Plan would be able to directly communicate to these individuals that the limits were increasing. Mr. Montagna indicated that the Plan would be sending out a Citywide announcement and posting a notice to the participant website. Mr. Amerian asked whether staff would be able to send out the announcement, and then follow-up with a direct communication to those that did not increase their limits. Mr. Montagna indicated a report could potentially be run. Ms. Basquez indicated e-mail addresses may not be readily available but staff may be able to send out by mail.

Ms. Gameroz indicated that staff had reached out to Professor Benartzi of UCLA, who had indicated he would be glad to perform a behavioral audit for the Plan. She indicated he was working with another group, the Alliance Global Investor Center, and that they

would be in touch with the Plan. Mr. Mumma asked if there were any anticipated costs. Mr. Amerian stated Professor Benartzi had indicated the audit would be free of charge at the conference for the National Association of Government Defined Contribution Administrators (NAGDCA). Mr. Montagna indicated that staff would return to the Board with recommendations prior to moving forward with the audit once additional information was obtained. Mr. Amerian noted that the Plan should be aware of protecting the privacy of Plan participants depending on the type of information Professor Benartzi would need for his study.

**A motion was made by Mr. Amerian, seconded by Ms. Bhatia, to receive and file staff's report; the motion was unanimously adopted.**

10. REQUESTS FOR FUTURE AGENDA ITEMS

None.

11. NEXT MEETING DATE – DECEMBER 18, 2012

12. ADJOURNMENT

**A motion was made by Mr. Amerian, seconded by Ms. Whelan, to adjourn the meeting; the motion was unanimously adopted. *The Board adjourned at 10:15 a.m.***

*Minutes prepared by staff member Esther Chang.*