

CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES
REGULAR MEETING OF NOVEMBER 21, 2006 – 9:00 A.M.
700 E. TEMPLE STREET, ROOM 350

Board Members:

Present:

Maggie Whelan, Chairperson
Bill Stein, Vice-Chairperson
Michael Carter
Joya C. De Foor
Richard Kraus
Rick Rogers

Staff:

Personnel: Steven Montagna, Personnel
Bryan Cowitz, Personnel
Natasha Zuvich, Personnel
Richard Bobb, City Attorney

1. CALL TO ORDER

Maggie Whelan called the meeting to order at 9:15 a.m.

2. PUBLIC COMMENTS

Cliff Ruff of the Los Angeles Police Protective League indicated that Board members and staff were invited to the League's annual Christmas function on December 8th at Union Station. John Hill of the Department of Water and Power was present to request that Board member Gene Canzano support Mr. Hill's interest in developing a larger annuity program for the DWP Retirement Plan. Mr. Hill further indicated his interest in developing a more equitable fee structure in light of the growth in the Plan's reserve account and due to the pending fee reduction from Great-West.

3. MINUTES

Richard Kraus requested one addition to the discussion regarding the Bond fund manager selection, to note the Board's acknowledgement of the incumbent fund but it's selection of PIMCO as best-of-class. **A motion was then made by Mike Carter, seconded by Bill Stein, to approve the minutes of October 17, 2006; the motion was unanimously adopted.**

4. BOARD REPORT 06-35 BOARD COMMITTEES

Steven Montagna indicated that staff had prepared recommendations for improvements to the two committees utilized by the Board. Mr. Montagna stated that when the committees were originally created approximately one year previous, the concept was to test them out and assess ongoing workload before making decisions regarding how they should be structured ongoing. Given the prior experience, Mr. Montagna indicated that staff was recommending that the committees be made permanent, that the sizes be reduced to minimize scheduling conflicts, and that chairpersons be designated for each committee with the ability to move items forward to the full Board even if the chairperson was the only one present at a meeting.

Mike Carter asked if the Board wished to consider adding more members to the committees to provide greater opportunity for members to learn about issues. Rick Rogers indicated he did not see a problem with expanding the membership of the committees so long as the chairpersons could move items on to the full Board in the event of scheduling conflicts. Joya De Foor indicated her agreement with the concept of more Board members serving. Ms. Whelan asked which Board members would be interested in serving – Ms. De Foor indicated an interest in the Investments Committee, and Mr. Carter indicated an interest in the Plan Governance and Administrative Issues Committee.

Bill Stein indicated that, given this information, he would make **a motion that the Board of Deferred Compensation Administration (a) approve establishing the Plan Investments and re-named Plan Governance & Administrative Issues Committees as permanent standing Committees; (b) direct staff to establish regular meeting dates for both Committees; (c) authorize the designated chairpersons of both Committees to move items forward even in the absence of co-Committee members at regular meetings; and (d) include Joya De Foor on the Investments Committee and Mike Carter on the Plan Governance and Administrative Issues Committee; the motion was unanimously adopted.**

5. BOARD REPORT 06-36: DEFERRAL OF SICK AND VACATION PAY

Mr. Montagna indicated that this was an issue that staff had been working on over the past year, and that currently the City's payroll systems do not allow an employee to make a post-severance of employment contribution to the Deferred Compensation Plan. He further stated that many individuals retire or otherwise terminate with large balances of accrued leave, and that in particular for those retiring at the beginning of the year it could be quite advantageous to allow them to defer as much of this accrued leave payment to the Deferred Compensation Plan as the contribution limits would allow.

Mr. Montagna indicated that the IRS has established that such deferrals are legal as long as they occur within two and a half months following separation of service. He stated that staff was asking for authorization from the Board to have the Board Chairperson send a communication to the Controller and DWP Payroll requesting that they implement this functionality as soon as possible.

Ms. Whelan thanked staff for pursuing this issue with the City's payroll systems and said that the matter would be of great benefit to employees looking to take full advantage of the new IRS regulatory guidance. Following this discussion, **a motion was made by Richard Kraus, seconded by Mike Carter, directing staff to develop a communication from the Board to the City Controller and DWP Payroll requesting the necessary programming changes to the City's payroll systems to allow for post-severance deferral of accumulated vacation and sick leave into the City's Deferred Compensation Plan; the motion was unanimously adopted.**

6. BOARD REPORT 06-37: DEFERRED COMPENSATION PLAN BROKERAGE WINDOW

Mr. Montagna indicated that the City's Plan currently utilizes a brokerage window providing access to approximately 1,500 no-load mutual funds. He stated that from time to time the Board has looked at the possibility of offering an alternative, more conventional brokerage provider and/or expanding the investment choices offered under the window. He noted that the correspondence submitted to the Board as an attachment to the report represented most of the issues typically expressed by participants in the brokerage window. He stated that with the Plan Administrator decision having been resolved, staff believed it was appropriate for the Board to revisit this issue.

Mr. Stein indicated that the correspondence received by staff was sent as a result of an inquiry initially directed to Mr. Stein by a retiree. Mr. Stein indicated his interest in providing an option that could meet the needs of retired constituents. Mr. Montagna noted that with the expansion of rollover flexibility in Section 457 plans the Board may wish to view the brokerage window issue in terms of being able to offer a product which could compete effectively with brokerage options available to individuals in IRAs, and that this issue affected retirees particularly because they had the option of rolling their funds out of the Plan.

Following this discussion, **a motion was made by Rick Rogers, seconded by Bill Stein, referring study of options for structuring the Plan's brokerage window to the Board's Investments Committee and requesting that the Committee return to the full Board with its findings; the motion was unanimously adopted.**

7. BOARD REPORT 06-38: BUDGET STATUS REPORT 03/31/06

Mr. Montagna indicated that apart from the recommended reimbursement to the Personnel Department, the Board should take note of the Plan's rising surplus. Mr. Montagna noted that Plan assets had risen to a level where they were producing ever larger levels of excess revenue, placing the Board in the position of being able to pass along a fee reduction to Plan participants. He stated that this matter would be discussed in detail by the Board's Plan Governance & Administrative Issues Committee, but that options to be considered included eliminating the payroll fifty-cent fee as well as providing more equity in the Plan's administrative fees.

Following this discussion, **a motion was made by Mike Carter, seconded by Richard Kraus, (a) receiving and filing the status report on Deferred Compensation Plan budget accounts for the quarter ending 06/30/06; and (b) approving reimbursement from the**

Deferred Compensation Plan Trust Fund #896 to the Personnel Department for \$41,176.54 for the quarter ending 06/30/06; the motion was unanimously adopted.

8. GREAT-WEST QUARTERLY REVIEW

Usha Archer of Great-West Life was present to review Plan statistics for the quarters ending 09/30/06 and 06/30/06. Ms. Archer began by noting the Plan's growth in assets to \$2.4 billion. She indicated that there had been movement of assets within Plan investment options, with significant growth in the Washington Mutual products and reduction in the Hartford General Account.

Ms. Archer stated that group meetings and participant contacts had slowed over the summer months. She indicated that she was grateful for the invitation received from the Police Protective League at its "In-and-Out Days" as well as proactive efforts from the Department of Recreation and Parks. Mr. Stein indicated his concern that no meetings had been conducted at the Harbor Department and offered his assistance if a lack of cooperation was identified. With respect to participant phone contacts at the local office, Ms. Archer indicated that those contacts had declined due to improved scripting on the "Keytalk" menu to direct individuals to the Denver office on issues for which contact with that office was necessary.

Mr. Carter asked about the possibility of offering auto enrollment in the City's Plan. Mr. Montagna indicated that staff would be presenting a report on that topic at the next Board meeting. Ms. De Foor indicated that she had some concerns about the ability of Great-West staff to respond to questions in a presentation provided by Great-West to City Treasurer staff. Ms. Archer indicated she would investigate this.

Ms. Whelan asked about the issue of outside salespeople approaching City employees for financial management services. Ms. Archer indicated that she had some anecdotal information that such contacts were occurring. Cliff Ruff of the L.A. Police Protective League was in the audience and indicated that he had similar anecdotal information. Ms. Whelan asked if staff and Great-West could report back on this matter. Mr. Montagna indicated that the recently issued letter on this topic from the Board to Department General Managers and Departmental Personnel Officers had generated positive feedback.

Mr. Kraus asked for some modifications to the Great-West report, including adding the consultant's status findings on the Plan's investment options. Ms. Archer indicated she would address this in future reports.

9. BOARD REPORT 06-38: STAFF REPORT

Mr. Montagna briefly reviewed the report. He noted that the report included an update and attachments concerning the outsider solicitation issue previously discussed by the Board.

10. HARDSHIP APPLICATIONS

The Board first considered those hardship applications recommended for approval for which no applicant was present. **A motion was made by Mike Carter, seconded by Bill Stein, to approve a partial withdrawal of \$58,300 in Case No. 06-45, and full withdrawals in Case Nos. 06-47, 06-49, and 06-51, respectively, ; the motion was unanimously adopted.**

The Board next considered Case No. 06-46. The applicant was present. The applicant indicated his financial emergency was primarily due to his loss of overtime income. **A motion was made by Mike Carter, seconded by Bill Stein, to approve a partial withdrawal of \$34,461 (net) in Case No. 06-46; the motion was unanimously adopted.**

The Board next considered Case No. 06-48. The applicant was present. The applicant indicated that she was applying because her child support payment had increased. There was discussion among the Board members regarding the precedent of not approving hardship withdrawals for child support. Mr. Rogers stated that it might be appropriate to identify a child support increase as an unforeseen event if, as in the present case, the child support payment had remained static for a significant period of time and then changed. **A motion was then made by Mr. Rogers, seconded by Bill Stein, to approve a full withdrawal in Case No. 06-48; the motion was adopted by a vote of 5-1 (Carter, Kraus, Rogers, Stein and Whelan in favor; De Foor opposed).**

The Board next considered Case No. 06-50. The applicant was not present. **A motion was made by Joya De Foor, seconded by Mike Carter, denying the application in Case No. 06-50; the motion was unanimously adopted.**

10. REQUESTS FOR FUTURE AGENDA ITEMS

None.

11. NEXT MEETING DATE – DECEMBER 19, 2006

12. ADJOURNMENT

The meeting adjourned at 11:05 a.m.

* Minutes prepared by staff member Steven Montagna