

CITY OF LOS ANGELES  
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES  
REGULAR MEETING OF NOVEMBER 27, 2007 – 9:00 A.M.  
200 N. SPRING STREET, ROOM 1010

Board Members:

**Present:**

Maggie Whelan, Chairperson  
Bill Stein, Vice-Chairperson  
Eugene K. Canzano  
Michael J. Carter  
Richard Kraus

Staff:

Personnel: Maryanne Keehn, Personnel  
Steven Montagna, Personnel  
Natasha Zuvich, Personnel  
JoAnn Dominguez, Personnel  
Richard Bobb, City Attorney

1. CALL TO ORDER

Maggie Whelan called the meeting to order at 9:10 a.m.

2. PUBLIC COMMENTS

None.

3. MINUTES

**A motion was made by Bill Stein, seconded by Mike Carter, to approve the minutes of October 16, 2007; the motion was unanimously adopted.**

4. HARDSHIP WITHDRAWAL APPROVALS

**A motion was made by Bill Stein, seconded by Mike Carter, to approve full withdrawals in Case Nos. 07-73, 07-74, 07-75, 07-76, 07-79, 07-82, 07-83, 07-86, and 07-91; and partial withdrawals of \$3,300 (net) in Case No. 07-80 (with authority for staff to distribute additional amounts based on continued documented income loss); \$9,864 (net) in Case No. 07-87; \$28,000 (net) in Case No. 07-88; and \$5,781 in Case No. 07-89 (with authority for staff to distribute additional amounts based on continued documented income loss); the motion was unanimously adopted.**

## 5. HARDSHIP WITHDRAWAL NON- OR CONTESTED APPROVALS

### Case No. 07-58

The Board considered Case No. 07-58. The applicant was present. Natasha Zuvich indicated that staff had calculated lost overtime of \$7,260. Ms. Whelan indicated that she had contacted the Bureau of Sanitation and confirmed that overtime for Refuse Collection Truck Operators was fairly regular. Mr. Canzano indicated that based on that he would be in favor of a hardship distribution in this case without setting a precedent for future overtime cases. Board and staff members discussed whether any precedent would be set by this action. It was clarified that future cases involving Refuse Collection Truck Operators claiming lost overtime could be recommended as routine approvals by staff in the same manner as was presently done for sworn employees. **A motion was then made by Eugene Canzano, seconded by Mike Carter, approving a full withdrawal in Case No. 07-58; the motion was unanimously adopted.**

### Case No. 07-77 (Consideration of Case No. 07-77 occurred at the end of consideration of items 1-11 on the agenda.)

The applicant was not present. Ms. Zuvich indicated that staff was not able to recommend approval based on the fact that the applicant had been suspended, presumably for reasons that were foreseeable and avoidable. As a result, **a motion was made by Mike Carter, seconded by Eugene Canzano, to deny the hardship withdrawal request in Case No. 07-77 without prejudice to the applicant resubmitting the application; the motion was unanimously adopted.**

### Case No. 07-78

The Board next considered Case No. 07-61. The applicant was present. Ms. Zuvich indicated that the applicant was applying for a full withdrawal in order to avoid foreclosure but staff had identified only \$1,410 of net wage loss. The applicant indicated that her husband had experienced wage loss but Ms. Zuvich clarified that his income had actually increased on a gross basis. Board members indicated that they would support a higher withdrawal equal to gross income loss because the couple had formed reasonable expectations regarding that income. As a result, **a motion was made by Bill Stein, seconded by Mike Carter, to approve a net withdrawal of \$1,763 in Case No. 07-78; the motion was unanimously adopted.**

### Case No. 07-85

The Board next considered Case No. 07-62. The applicant was present. Steven Montagna indicated that the applicant was applying to catch up on his car payment and had claimed that the timing of his initial payments on that vehicle was his unforeseen event. The applicant discussed the circumstances associated with his purchase of the vehicle, but Board members indicated they could not identify an unforeseen event. **As a result, a motion was made by Richard Kraus, seconded by Bill Stein, to deny the application in Case No. 07-85; the motion was unanimously adopted.**

### Case No. 07-90

The Board next considered Case No. 07-90. The applicant was present. Mr. Montagna indicated that the applicant was applying to bring his mortgage, property taxes and other debts current, but had indicated the cause of his problems was that he had made a personal loan to his mother. As a result, Mr. Montagna stated, staff was unable to recommend

approval. The applicant indicated he had not made a personal loan, but that the funds were a gift. Mr. Stein asked the applicant whether he was aware at the time he purchased his home of the Melaruse property taxes he would owe, and the applicant indicated he had not been aware. Board members indicated that they were comfortable providing a hardship distribution equal to the value of the Mello-Roos taxes, and advised the applicant that he could use those funds to retire his current Deferred Compensation Plan loan and obtain a larger loan, but that before doing so he might want to obtain financial planning advice. Following this discussion, **a motion was made by Eugene Canzano, seconded by Mike Carter, approving a partial withdrawal of \$4,660 (net) in Case No. 07090; the motion was unanimously adopted.**

## 6. BOARD REPORT 07-40: CONSULTING CONTRACT

Mr. Montagna indicated that staff was requesting authorization from the Board to develop a Request for Proposal (RFP) for consulting services which would provide the Plan with the ability to contract with multiple providers for different categories of consulting services. He stated this would essentially “unbundle” consulting services in a manner similar to the unbundling of Plan administration and investments. He noted that bundling consulting services in the past gave an advantage to firms providing 457 administration consulting, and that taking this step would create a more level playing field.

Mr. Carter asked about how this request related to the recommendation for an increase in funding for the consultant to \$400,000. Mr. Montagna indicated that the recommendation concerning the contract ceiling amount related to the current contract with Mercer Investment Consulting. He stated that this contract was in year two of a three-year contract ending in 2008 and was nearing its current \$300,000 ceiling amount. He further stated that the recommendation concerning the RFP would be for a subsequent contract.

Mr. Kraus asked about the structuring of contract projects and payments. Mr. Montagna replied that to control costs consulting contracts had always been structured around hourly service rates, rather than lump-sum project-based fees.

Mr. Stein indicated his support of unbundling consulting services in the interests of achieving greater competition and better service. Mr. Kraus asked that the staff recommendation be broken into two separate motions. As a result, **a motion was made by Eugene Canzano, seconded by Mike Carter, authorizing staff to draft a Request for Proposal (RFP) for Plan consulting services providing the Board with the ability to enter into separate contracts for Investment, Plan Administration and Communications consulting; the motion was unanimously adopted. A second motion was made by Richard Kraus, seconded by Bill Stein, authorizing staff to prepare, and the Board Chairperson to execute, an amendment to the contract with Mercer Investment Consulting increasing the contract ceiling amount to \$400,000; the motion was unanimously adopted.**

## 7. BOARD REPORT 07-41: SELF-DIRECTED BROKERAGE WINDOW

Mr. Montagna indicated that staff was recommending that the Board direct staff to develop a transition plan for changing brokerage window providers from the incumbent, First Trust, to one of the optional brokerage providers available through Great-West. Mr. Montagna indicated that this recommendation was prompted by a review of pending ownership changes

with First Trust and three primary concerns: (a) that the City's account was now the only account held with First Trust under the OptionsPlus platform; (b) that ownership of this operation was now moving to a single individual; and (c) that First Trust had recently informed Great-West that no improvements or enhancements were planned for OptionsPlus. As a result, stated Mr. Montagna, the City's Plan now had a higher level of risk with an under-performing product that would not be improving, and as a result there did not appear to be a compelling reason to remain with OptionsPlus. Mr. Montagna added that one of the issues that the Board might need to address as part of any transition was to what extent other trading alternatives would be permitted in the brokerage window, including the trading of individual stocks and bonds.

Mr. Carter asked how funds would be transitioned from First Trust to a new provider. Rick Kramer, Director of Government Operations with Great-West Retirement Services, was present in the audience and indicated that these details had not yet been worked out but that Great-West would attempt to transfer assets in-kind to avoid forcing liquidation of share holdings. Mr. Montagna added that in the event of a blackout participants would be advised in advance of the transition so that they would have the option of moving funds on their own.

Mr. Carter asked whether a change in providers was likely to prompt more interest in the Self-Directed Brokerage Window. Usha Archer, Senior Account Manager with Great-West Retirement Services, was present in the audience and indicated that a new state-of-the-art provider could generate more interest in the Self-Directed Brokerage Window, particularly if individual stock trading was allowed.

Mr. Montagna indicated that staff and Great-West would return to the Board with a comparison of the features available through the two alternate providers available through Great-West, TD Ameritrade and Charles Schwab. **A motion was then made by Eugene Canzano, seconded by Bill Stein, directing staff and Great-West Retirement Services to prepare a transition plan and recommendations for migrating the City's Self-Directed Brokerage Option (SDBO) from the current provider to one of the other providers available through Great-West; the motion was unanimously adopted.**

#### 8. BOARD REPORT 07-42: TRANSITION OF HARTFORD AND GALLIARD FUNDS

Mr. Montagna indicated that this report provided an update on the transition process for the fixed account funds held in the Plan. He stated that two positive developments had occurred since the Board last looked at this issue. First, he indicated that the Plan would not be required to contract separately with a wrap services provider, which would save considerable time on implementation, and that Mercer and Hartford had developed a plan whereby Hartford would contract for those services directly.

In addition, he stated Hartford had indicated its willingness to complete the transfer of fund assets over a period of 1.5 years, meaning that by June 2009 the Board could place all the Plan's fixed account assets out to bid. He stated that this compared favorably with the 4-5 year transition process initially estimated by Hartford. Mr. Montagna further stated that participants should enjoy an immediate increase in yield once the transition process was initiated. The item was noted as having been received and filed.

## 9. BOARD REPORT 07-43: STAFF REPORT

Mr. Montagna noted that Bryan Cowitz had left the Division for a promotional opportunity with another Department and his hard work and productive output would be missed. He further indicated that Committee meetings would be taking place the following day, and that an announcement regarding upcoming investment fund changes would be issued the first week of December. The report was noted as having been received and filed.

## 10. BOARD REPORT 07-44: PREMIERE COMMUNICATION MATERIALS

Mr. Montagna and Gary Robison of Great-West Retirement Services presented the new enrollment brochure created under the "Premiere" theme previously approved by the Board. Board members commented favorably upon the materials. Mr. Robison indicated that the final version of the booklet would include pockets so that frequently updated ancillary materials such as performance returns could be inserted.

Mr. Montagna indicated that one pending issue was who the signatory on the cover letter should be. Board members agreed that ideally both the Mayor and the Board Chairperson would sign. Mr. Canzano asked if the reference to Pensions should include "Fire and Police" and Mr. Carter indicated it should. Mr. Carter asked if the coloring on the asset allocation pie charts was accurate, and Mr. Robison indicated that the colors did indeed appear to be out of synch with the color scheme and needed to be corrected. Mr. Kraus asked if the reference on that same page to the Plan's other core options could be made more prominent on the page, and Mr. Montagna suggested a way to highlight them.

The item was noted as having been received and filed.

## 11. GREAT-WEST QUARTERLY & COMMUNICATIONS REPORTS

Mr. Robison and Mr. Kramer presented these reports. Mr. Kramer began by reviewing asset totals for the Plan, noting that the Plan was just shy of three billion in assets. He then reviewed the participation numbers, and Ms. Whelan indicated she was impressed by the continued strong growth in the number of new participant accounts.

Mr. Kramer next reviewed cash flow statistics, indicating that the Washington Mutual Liquid Account continued to receive strong inflows. He then discussed the breakdown of assets and contributions by asset class, as well as the breakdown of participant accounts by asset values, noting that sixteen participants now had accounts in excess of one million dollars.

Mr. Robison reviewed local office statistics. Ms. Whelan asked about the difference between columns for "attendees" and "individuals" on the chart breaking down group meetings by department, and Mr. Robison replied that "individuals" referred to the number of people that the representatives had one-on-one contact with at those meetings. He further discussed the Plan's website statistics, indicating that use of the web by participants continued to grow sharply.

The presentation concluded.

12. REQUESTS FOR FUTURE AGENDA ITEMS

None.

13. NEXT MEETING DATE – DECEMBER 18, 2007

14. ADJOURNMENT

The meeting adjourned at 11:25 p.m.

Minutes prepared by staff member Steven Montagna.