

CITY OF LOS ANGELES  
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES  
REGULAR MEETING FEBRUARY 21, 2012 – 9:00 A.M.  
700 E. TEMPLE STREET, ROOM 350

BOARD MEMBERS:

**Present:**

Eugene K. Canzano, Chairperson  
John R. Mumma, Vice-Chairperson  
Clifford Cannon, First Provisional Chair  
Tom Moutes, Second Provisional Chair  
Sangeeta Bhatia, Third Provisional Chair  
Robert Schoonover  
Margaret Whelan

**Not Present:**

Michael Amerian  
Michael A. Perez

Staff:

Personnel: Alejandrina Basquez  
Steven Montagna  
Natasha Gameroz  
Esther Chang

City Attorney: Curtis Kidder

1. CALL TO ORDER

The meeting was called to order at 9:10 a.m.

2. PUBLIC COMMENTS

None.

3. MINUTES

**A motion was made by Mr. Mumma, seconded by Mr. Schoonover, to approve the January 17, 2012 minutes; the motion was unanimously adopted.**

#### 4. GREAT-WEST QUARTERLY REVIEW

Ms. Usha Archer and Mr. Gary Robison from Great-West presented Plan information and statistics for the quarter ending December 31, 2012. Ms. Archer stated Plan assets had increased largely due to increases in market value, for an ending value of \$3,174,274,110; she indicated this was a \$187 million gain from the previous quarter. Ms. Archer stated Roth assets were a little over \$1 million. She stated the Plan remained fairly flat in the total number of participants, which is attributed to the City's reduced hiring. She noted that average biweekly deferral amounts were up 8% from the previous quarter. She indicated Roth participation was up 50% from the previous quarter, though the average Roth deferral amount had decreased slightly. Ms. Archer added that 35% of participants were contributing less than \$25 per pay period; she stated Great-West would seek to raise awareness of automatic contribution increases.

Ms. Archer indicated that in terms of net cash flow, some participants were moving assets into the profile portfolios, which is for the average participant. She stated that cash inflows to Schwab had decreased from previous quarters and that the largest cash inflows were to the Stable Value Fund. She stated she believed the latter could somewhat be attributed to the fact that the Plan's average participant age was around 49, and older participants were more disposed to stable options.

Ms. Archer stated participant behavior could be seen through contribution allocation. Mr. Canzano indicated he would like to see a year-over-year comparison of the contribution allocation by asset class (referring to pie-chart on page 15). Mr. Montagna indicated a historical chart, possibly over five or ten years, would be beneficial and could be included as a part of the upcoming annual report.

Ms. Archer indicated similar amounts of money were being rolled in and out of the Plan. She indicated there was slightly more rolling out, which could be due to more retirements versus new hires. Mr. Robison also indicated that amounts being rolled out of the Plan would generally be more than the amounts being rolled into the Plan; new hires would roll in what they had saved so far, whereas retired employees could take what they have saved over their employment. Ms. Archer indicated that the top two providers that participants rolled money to were Vanguard and Schwab. Mr. Canzano indicated to staff that a future training subject might be related to the distribution phase. He stated he was more familiar with the accumulation phase and would like to be better able to answer participant questions regarding the distribution phase, such as strategies regarding draw down from Roth and pre-tax funds and which might be better.

Mr. Robison indicated that DROP meetings were still quite popular. He stated Great-West representatives were taking part in DWP and LACERS retirement seminars. Mr. Canzano acknowledged Ms. Bhatia and noted DWP's efforts in providing retirement seminars for its employees. Mr. Cannon asked whether employees are encouraged to participate in seminars that are related to different times or periods of their working career. Mr. Moutes indicated LACERS had broken down their seminars into early, mid,

and late career retirement. Mr. Robison indicated Great-West representatives keep a schedule of these seminars to encourage attendance.

Mr. Canzano asked Great-West to clarify a column heading on page 40, "Ending Balance." Ms. Archer indicated it should have been "Net Cash Flow," and that it would be corrected.

## 5. BOARD REPORT 12-11: STRATEGIC PLAN DEVELOPMENT

Mr. Montagna indicated staff has continued to work on the Strategic Plan, with a new portion added that details the goals and objectives of the Plan over the next five-year period. He stated the document and project lists would need to be reviewed and updated. He stated the next steps would be to add any Board comments or feedback regarding this new portion. He indicated that once comments had been incorporated, staff would bring the complete document back to the Board for approval. He stated that staff would also be looking at including policies for implementing the Plan, such as a training and education policy. Mr. Canzano requested that in developing the training and education policy, staff should consider external training for Board members, as it would be beneficial in bringing outside ideas that could be implemented by the Plan.

Mr. Moutes recommended staff include an IRS compliance review. He indicated he would like outside tax counsel to review the Plan Document and ensure its compliance with the IRS Code.

Mr. Mumma recommended that the document be reviewed by the Governance Committee for closer review. Mr. Montagna indicated it was brought to the full board to ensure all members could review and comment. He provided an alternative recommendation: adoption of the Strategic Plan by the Board and subsequent reviews of the document, which could be every six months or annually, by the Plan Governance Committee. Board members indicated agreement with this approach.

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

## 6. BOARD REPORT 12-12: BOARD ELECTIONS FOR DWP & RETIRED REPRESENTATIVE SEATS

Ms. Chang indicated that the Board terms for the DWP Active Participant Representative and Retired Participant Representative seats will be expiring at the end of June 2012. She stated staff was coordinating the administration of the elections with the Office of the City Clerk, Election Division. She indicated Election Day would be May 11, 2012. She indicated staff had reviewed the Election Policies and Procedures and sought to make some minor revisions: first, to add in dates regarding the document's adoption and revision history, and second, to revise language that specified office

closing times in order to provide flexibility for potential staff shortages and/or furloughs. She stated upcoming dates to note were March 23<sup>rd</sup>, which is when nominating petitions are available; April 6<sup>th</sup>, which is when the nominating petitions are due; and April 27<sup>th</sup>, which is when the ballots will be mailed.

Mr. Mumma asked if there might be any legal ramifications in changing the language regarding office closing times. Mr. Kidder indicated there were no requirements in the Administrative Code related to office closing times, so the Board could exercise its discretion.

**A motion was made by Mr. Bhatia, seconded by Mr. Cannon, to receive and file the report; the motion was unanimously adopted.**

7. BOARD REPORT 12-13: CONSULTING SERVICES RFP UPDATE

Mr. Montagna indicated staff had almost completed scoring the responses for the consulting services RFP. He stated staff had scheduled some performance exams, and would complete scheduling the remainder in the coming week. He stated that once staff completed scoring the performance exams, the results would be brought before the Board for approval.

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

8. BOARD REPORT 12-14: PENSIONS & INVESTMENTS EAST COAST CONFERENCE

Mr. Montagna recommended approval for two individuals to attend the Pensions & Investments East Coast Conference. He indicated a number of conference topics were relevant to the Plan and that the Plan would be receiving an Eddy award for its Roth materials. He stated that in the last week, however, staff had learned that the deadline for obtaining the conference hotel room rate was already past. He indicated normal rates were upwards of \$500. He stated other options would be to either contact the conference sponsor to secure the conference rate or stay at a neighboring hotel. He also noted there is a west coast version of the conference in the fall.

Mr. Canzano indicated that the Plan was notified a week before the last Board meeting that it had won the Eddy award. He commented that due to the timing, the approval for the conference was now being considered over thirty days later. He recommended a process be developed to avoid this type of situation, where important deadlines could be missed due to the timing of Board meetings. Ms. Whelan indicated it could be accomplished similarly to the department's travel budget; the Board could list approved conferences for the year and Ms. Whelan could sign off on the expenditures pending Board action. Ms. Whelan indicated that she would hesitate, however, to authorize such

a high hotel rate, even if it was for one person. Ms. Bhatia agreed it should be a reasonable expenditure. Mr. Canzano indicated he would contact Pension & Investments to see what the sponsor could do to secure the conference rate for the City. Mr. Montagna indicated staff would explore options to stay within the recommended cost.

**A motion was made by Mr. Mumma, seconded by Mr. Cannon, to approve funding for one Board and one staff member to attend the Pensions & Investments 2012 Defined Contribution East Coast Conference, so long as travel expenses were consistent with the amounts identified in the staff report; the motion was unanimously adopted.**

#### 9. BOARD REPORT 12-15: INVESTMENT MENU IMPLEMENTATION

Mr. Montagna indicated that the investment manager RFP has been approved by the Board but not released yet due to concern over the Business Inclusion Program (BIP), which is one of the City's general contracting requirements. He stated the BIP essentially is a sub-contracting outreach program. He stated that it is difficult for contractors to understand what is being requested of them, in addition to the confusion the contractors encounter when they need to indicate how they have met the requirement. He indicated there was concern that there may be numerous viable institutional providers that would not or choose not to meet this requirement. He stated staff had learned that LACERS and Pensions were exempt from the BIP based on their status as retirement plans and fiduciary obligations to their participants. He indicated staff is recommending the Board pose a question to the City Attorney to determine if the same exemption could be applied to the Deferred Compensation Plan.

Mr. Moutes stated that although the City Attorney advised that LACERS was not subject to the BIP based on the plenary authority granted to the Board by the California Constitution, the Mayor requested that proprietary departments including LACERS adopt a policy similar to the BIP. He indicated LACERS adopted the following policy on March 8, 2011: *"It is the policy of the City under the Business Inclusion Program to help ensure that all businesses, including certified Minority Business Enterprise, Women Business Enterprise, Other Business Enterprise, Small Business Enterprise, Emerging Business Enterprise, and Disabled Veterans-Business Enterprise have an equal opportunity to do business with the City. LACERS strongly encourages all bid respondents to make an effort to include members of these groups in any subcontracting work to be performed if awarded the contract and provide in their proposal a list of all subcontractors anticipated to be used in the performance of these services."* Ms. Bhatia indicated DWP Retirement also asks for information regarding a company's practices related to the BIP, but that it is not a requirement for consideration in a RFP.

Mr. Kidder indicated the issue is whether the Board has the same status as the other retirement boards per the City Charter and California Constitution; if so, the next question would be whether the Board could adopt a policy similar to the LACERS policy.

Mr. Mumma made a motion to request a determination from the City Attorney as to the Plan's status to receive the same exemption as the other retirement systems, and if not, to determine whether the Plan could adopt a policy as a substitute. Mr. Kidder stated he would report-back on the determination, and indicate whether the Board needs to comply with the City's contracting requirements, with consideration to the Board's interest in adopting a policy similar to LACERS. Mr. Montagna asked for additional information and guidance in terms of how to resolve the conflict between fulfilling the core obligation for doing what is best for participants and meeting a procurement obligation. Mr. Kidder indicated he would include that in the review.

**A motion was made by Mr. Mumma, seconded by Mr. Moutes, to approve staff's recommendation, as amended; the motion was unanimously adopted.**

#### 10. BOARD REPORT 12-16: STAFF REPORT

Ms. Chang indicated staff had compiled information for the January staff report. She stated: 249 participants visited the public counter; 10 participants elected to defer their accrued leave, for a total amount of \$266,435; 56 hardship cases were approved for a total of \$397,418 disbursed, mainly for reasons of prevention of eviction/foreclosure; 395 participants elected to obtain a new loan, for a little over \$4 million dollars disbursed from the Plan; a little over \$13.4 million was deferred into the Plan, which was a decrease of 0.03% year-over-year; and 769 new Roth accounts had been established since August 2011, with 85 new requests in January.

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

#### 11. REQUESTS FOR FUTURE AGENDA ITEMS

Mr. Canzano requested ideas on additional Roth outreach as he believed a vast majority of City employees were not aware of this option. Mr. Montagna indicated that the topic is an ongoing consideration; he added that it is in the strategic plan for the following year. He stated that he also hoped to address Roth outreach through different communication methods that the Plan would be exploring.

Ms. Bhatia asked that staff provide a status on the request to view total participant contributions and the availability of that information through the participant website.

#### 12. NEXT MEETING DATE – March 20, 2012

### 13. ADJOURNMENT

**A motion was made by Mr. Cannon, seconded by Mr. Mumma, to adjourn the meeting; the motion was unanimously adopted.** The Board adjourned at 10:50 a.m.

*Minutes prepared by staff member Esther Chang.*