

CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES
REGULAR MEETING AUGUST 19, 2014 - 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
Michael Amerian, Third Provisional Chair
Ray Ciranna
David Luther
Robert Schoonover

Not Present:

Mary Higgins

Staff:

Personnel:

Steven Montagna
Esther Chang
Paul Makowski

Alejandrina Basquez

City Attorney:

Curtis Kidder

1. CALL TO ORDER

Eugene Canzano started the meeting at 9:08 a.m.

2. PUBLIC COMMENTS

No public comments.

3. MINUTES

Mr. Canzano and John Mumma both noted corrections to typographical errors. **A motion was made by Mr. Mumma, seconded by Ray Ciranna, to approve the July 15, 2014 Regular Meeting minutes as amended; the motion was unanimously adopted.**

4. GREAT-WEST QUARTERLY REPORT

Joan Watkins of Great-West Financial began review of the second quarter 2014 report. She discussed the Plan Overview section and reviewed participant quarter end assets, historical participants, and net cash flows. Mr. Canzano asked about the large amount of cash flow in to the DCP Mid-Cap Fund and inquired if many participants had shifted money from the DCP Small-Cap Fund in to the Mid-Cap Fund during the quarter. Ms. Watkins indicated that the cash flow allocations cover all transactions and further indicated that the current collected data reported did not clearly identify the quantity of specific small-cap to mid-cap transactions. Ms. Watkins continued to discuss the asset and contribution amounts by asset class, paying special attention to the profile funds and then continued with review of the average account balance.

Ms. Watkins reviewed distribution detail in the Administrative Overview section and indicated that distributions increased by 42% while death claims jumped up to 60% of distributions for the quarter compared to the previous quarter. She then continued to discuss rollovers in and out of the plan. Mr. Mumma asked why Schwab was noted as a prominent recipient of rollovers from the Plan as the Plan utilizes Schwab to provide the self-directed brokerage option. Ms. Watkins indicated that it could be a result of under education or word of mouth. Mr. Montagna noted that the rollover data only included rollovers to IRAs and did not include other options, such as rollover to purchase a LACERS annuity. Mr. Canzano asked whether there might have been any change in allowing a rollover to purchase an annuity from DWP. Mr. Montagna indicated rollovers to purchase DWP annuities were still not permitted.

Ms. Watkins began review of loan statistics for the quarter. Tom Moutes asked if loan dollars using Roth funds are treated differently under the Internal Revenue Code than loans using pre-tax dollars. Ms. Watkins responded negatively. Mr. Canzano asked if participants taking a loan are able to pick which dollar type – Roth or Pre-tax – when they take out a loan. Esther Chang responded negatively. Mr. Montagna indicated that it was a structural record-keeping limitation with the Great-West system across their entire client base. Ms. Watkins indicated that she would check into the issue.

Ms. Watkins then reviewed Hardship, KeyTalk, Internet, and Online Statement statistics. Mr. Canzano asked about the goal for online statements. Mr. Montagna indicated that contractually the City had already received lower pricing from Great-West on an assumption of a higher participation rate in online statements than is presently the rate. He indicated he believed that assumption was around 50%. He stated that further reductions were possible for an even higher percentage, which might be in the range of 60%, but the Plan was nowhere near that level. . He added that the National Save for Retirement Week campaign is web based and indicated that it could drive more attention to the website and online statements. Mr. Mumma asked if a post log-in pop-up could provide notice about online statement delivery. Mr. Montagna responded affirmatively.

Lisa Braun-Ward of Great-West Financial discussed the local office activity and reviewed meetings, counseling sessions, and local office phone calls. Mr. Mumma asked what percentage of the phone calls might be from participants with complaints. Ms. Braun-Ward indicated that although she didn't have that data, she addresses escalated matters and indicated that she had not received any escalated complaints for this past quarter.

5. BOARD REPORT 14-33: FDIC-INSURED SAVINGS ACCOUNT PROVIDER SELECTION

Ms. Chang stated that at the last Board meeting, the Board had approved staff's recommendation to select Bank of the West and East West Bank as providers for the FDIC-Insured Savings Account and to draft the proposed contracts. She indicated that the Board had further instructed staff and the Plan's investment consultant, Mercer Investments Consulting, to conduct an independent search for a third provider for the account option, as the use of the competitive bid process for a second time would prove undesirable and impractical.

Ms. Chang indicated that Mercer had been reaching out to numerous banking institutions to identify those that may express interest to step in as the third provider. She indicated that there were delays in obtaining responses from the providers, and asked Mr. Devon Muir, of Mercer Consulting, to further explain. Mr. Muir indicated that in addition to the banks indicated in the report, he had also reached out to Comerica, Huntington Bank, PNC, Fifth Third, and Regions Bank. He stated he continued to hold discussion and await further information from the banks, but indicated that Union Bank had tentatively confirmed their interest in providing services. Mr. Muir stated that due to the current economic situation, banks were not viewing the FDIC account option as a profitable opportunity. He indicated that costs related to offering FDIC insurance and collateralization were not offsetting the value received from the investment of the funds and having to provide a return on the balance for Plan participants. He stated that there were anticipated changes to banking regulations that could also be adding to the banks' hesitancy.

Mr. Canzano asked whether online banks could be an option, such as Capitol One 360 or ING. Mr. Muir indicated that the initial search had been cast for larger institutions that would be capable of higher capacity, but he would do additional research in that area. Mr. Mumma asked whether it would be prudent to develop communications to participants to inform them of the low rates for this account, and provide education for investing in funds that could produce more yield. Mr. Schoonover advised caution as he indicated the market could correct itself in the near future. Mr. Montagna indicated that some participants were not comfortable with equity risk at all, and that the FDIC option could still be attractive and advantageous in that respect.

Ms. Chang stated that as Mercer continued to search for and identify a third provider, the Plan needed to address the immediate need for continuity of service, as the current provider contracts are set to expire on September 30th. She stated that at the time of the

writing of the report, the intent had been that Bank of the West maintain its 50% account allocation, with East West Bank taking the 25% allocation that City National is assigned. She indicated that the Plan had informally understood that Bank of America would be able to continue services for its 25% allocation, however, subsequent to the writing of the report, Bank of America had informed the Plan that it needed additional time for upper management to review whether to continue providing this service to the Plan, or possibly take a lesser amount than the 25% allocation. Ms. Chang indicated that staff and Mercer would continue to remain flexible and work to find a solution and maintain continuity for this option.

A motion was made by Mr. Mumma, seconded by Michael Amerian, to receive and file the update regarding the search for a third provider, provider allocations, and the Responsible Banking Ordinance as these matters relate to the Deferred Compensation Plan FDIC-Insured Savings Account options; the motion was unanimously adopted. A second motion was made by Cliff Cannon, seconded by Mr. Mumma, to direct staff to seek an extension of the contract with Bank of America for a one-year period, through September 30, 2015; the motion was unanimously adopted.

6. BOARD REPORT 14-34: NAGDCA AND TRAVEL UPDATE

Paul Makowski reviewed the newly revised June 2014 edition of the City travel policy released by the City Controller. He indicated revisions to the policy would affect the processing of travel requests and reimbursements, both of which might require Mayoral approval for Board of Deferred Compensation Administration members. He also indicated that the actual procedures for the traveler are similar to previous policy, requiring the travelers to obtain and submit sufficient documentation for all travel expenses. He indicated that the new policy takes the Controller out of the travel reimbursement approval process and requires them to audit reimbursements at later dates, which could cause all or a portion of a travel reimbursement to be declared as taxable income to the employee if the Controller finds the reimbursement to not be in accordance with City policy. He then reminded the Board that all travel documents are public records.

Mr. Makowski then informed the Board that travel approval was granted for all Board members attending the National Association of Governmental Defined Contribution Administrators annual conference in San Antonio and reminded attendees to book their air travel. He then indicated that travel guides would be distributed to all NAGDCA conference attendees, as done in prior years.

Mr. Mumma asked about the meal amounts for travel and the requirement to retain receipts. Mr. Makowski indicated that the per diem meal amounts for each travel location would vary and that staff would provide the rate for the traveler for each event. He also indicated that it was highly recommended that travelers retain all receipts for

meals purchased and reminded the Board of the Los Angeles Administrative Code section that requires travelers to submit receipts for any single meal over \$25.

A motion was made by Mr. Amerian, seconded by Mr. Mumma, to receive and file the report regarding City travel policies and the 2014 NAGDCA Conference; the motion was unanimously adopted.

7. BOARD REPORT 14-35: NATIONAL SAVE FOR RETIREMENT WEEK 2014

Mr. Montagna discussed the proposed Retirement Security Survey and indicated that the survey questions geared towards retired participants are intended to gather information not previously collected by the Plan to assess the overall retirement experience for retirees. He indicated that the Retirement Security Survey was one key milestone of the National Save for Retirement Week campaign that will target both Active and Retired participants. He then asked for the Board to review the survey and provide any feedback on the proposed questions.

Mr. Mumma asked if providing responses to the survey would update participant records. Mr. Montagna responded negatively. Mr. Canzano asked if a note could be added to the survey to clearly inform participants that their answers would not update or change their records. Mr. Montagna responded affirmatively. Mr. Moutes asked about adding retirement plan questions such as Years of Service and Pension Tier. Mr. Mumma asked about adding Medical/Disability retirement, Deferred Retirement Option Program, and online statement access questions. Mr. Canzano asked about adding in beneficiary questions. Mr. Amerian asked about adding Early Retirement Incentive Program questions. Mr. Montagna responded affirmatively to all questions.

Mr. Canzano asked about the calculator webinar listed as a key milestone and if the webinar would be offered during City time. Alex Basquez indicated that the webinar would be held during the day, but that it would be recorded and posted to the website for later viewing.

A motion was made by Mr. Mumma, seconded by Mr. Amerian, to approve the proposed Retirement Security Survey to be distributed as part of the Deferred Compensation Plan engagement/awareness campaign for National Save for Retirement Week; the motion was unanimously adopted.

8. BOARD REPORT 14-36: STAFF REPORT

Ms. Chang reviewed the staff report covering activity through July 2014. She reviewed statistics for counter activity, accrued leave, hardships, deferrals, and Roth statistics. **A motion was made by Mr. Amerian, seconded by Mr. Ciranna, to receive and file the staff report; the motion was unanimously adopted.**

9. REQUESTS FOR FUTURE AGENDA ITEMS

There were no requests made.

10. FUTURE MEETING DATES

The next Regular Meeting of the Board is set for October 21, 2014.

Mr. Canzano noted that Great-West representative Ron Nichols is scheduled to provide seminars in September.

Mr. Canzano reviewed the upcoming dates for the Plan Governance Committee and the Investments Committee. Mr. Ciranna asked whether the Board would be convened for a special meeting before the October meeting, in light of the ambiguity of the FDIC account provider situation. Mr. Montagna indicated a special meeting could be convened should Board action be needed.

11. ADJOURNMENT

A motion was made by Mr. Mumma, seconded by Mr. Ciranna, to adjourn the meeting; the motion was unanimously adopted. *The meeting adjourned at 10:35 a.m.*

Minutes prepared by staff member Paul Makowski.