

CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES
SPECIAL MEETING OCTOBER 2, 2014 - 9:00 A.M.
200 N SPRING STREET, ROOM 805

BOARD MEMBERS:

Present:

Eugene K. Canzano, Chairperson
Tom Moutes, Second Provisional Chair
Michael Amerian, Third Provisional Chair
Mary Higgins
David Luther

Not Present:

John R. Mumma, Vice-Chairperson
Clifford Cannon, First Provisional Chair
Ray Ciranna
Robert Schoonover

Staff:

Personnel: Steven Montagna Alejandrina Basquez
 Esther Chang

City Attorney: Curtis Kidder

1. CALL TO ORDER

Eugene Canzano called the meeting to order at 9:20 a.m.

2. PUBLIC COMMENTS

None.

3. BOARD REPORT 14-39: INVESTMENT COMMITTEE RECOMMENDATIONS FOR
FUND SELECTION

Mr. Canzano indicated that Items 3(b) and 3(c) would be deferred to the next regular Board meeting at the request of a Board member as there was no immediate urgency. He stated that the Committee would address Item 3(a).

Steven Montagna stated the fund search process for an active core bond manager had already been underway, with the Committee meeting to select the final provider to recommend to the Board coincidentally scheduled days after the news broke regarding the departure of Bill Gross from PIMCO and the Total Return Fund. He stated that at the finalist meeting, the Committee, staff, and the Plan's investment consultant, Mercer Investments Consulting, discussed the concern that the PIMCO news created a

possibility that a large outflow of cash could occur, which would impact liquidity of the fund as well as perhaps over time impact returns. He indicated that the Committee had also chosen another provider based on its comprehensive review of the finalist funds in the active core bond category. He stated that given this, it seemed prudent to schedule a Special Meeting of the Board to implement the decision to replace PIMCO sooner rather than later. He stated staff and Great-West would be working to implement the transfer of funds on October 14, 2014 should the Board approve the recommendation.

Devon Muir of Mercer Investments Consulting indicated that in September 2014, PIMCO reported an outflow of \$23 billion in assets as compared to a \$4 billion outflow in August. He stated it could be surmised large outflows in September could have been within the last trading days of September.

Michael Amerian stated that even without the announcement of the personnel change, the Committee's review of the finalist funds supported the move to the Loomis Sayles fund, and that the timing was coincidental.

David Luther asked whether there needed to be a special communication to participants and whether participants could still invest in PIMCO through the Plan's self-directed brokerage window. Mr. Montagna stated there was not a requirement to notify participants as there was no fund change within the Plan, only to the underlying provider of the DCP Bond Fund; PIMCO was one of two underlying providers of the DCP Bond Fund, which is comprised equally of a passive and active bond manager. He stated PIMCO was not available as a standalone option in the Plan, but if participants wished, they could invest in various PIMCO funds through the brokerage window. Mr. Canzano noted the Committee conducted a selection process and had narrowed it down to four finalists, of which PIMCO was considered. He stated that irrespective of the personnel change, the Committee's review indicated that the choice for participants was the Loomis Sayles fund and the timing of the change was by chance.

A motion was made by Mr. Luther, seconded by Mr. Amerian, to approve Item 3(a), the Investments Committee's recommendation to select the Loomis Sayles Core Plus Bond Fund and replace the PIMCO Total Return Fund as the active component of the Deferred Compensation Plan Bond Fund; the motion was unanimously approved.

Mr. Canzano indicated items 3(b) and 3(c) would be deferred to the next regular meeting on October 21, 2014.

4. REQUESTS FOR FUTURE AGENDA ITEMS

None.

5. FUTURE MEETING DATES

The next Regular Meeting of the Board is set for October 21, 2014. The next Investments Committee Special Meetings are October 22, 2014 at 1:00 p.m. and October 30, 2014 at 9:00 a.m.

6. ADJOURNMENT

A motion was made by Mr. Amerian, seconded by Mr. Luther, to adjourn the meeting; the motion was unanimously adopted. *The meeting adjourned at 9:28 a.m.*

Minutes prepared by staff member Esther Chang.