

ADOPTION OF MINUTES

Provided for Board adoption are the minutes of the Board's September 15, 2015 meeting, as well as amended minutes of the Board's July 21, 2015 meeting. Staff found that a correction needed to be made to the latter as a result of preparing and transmitting the Board's report to City Council regarding its request for five-year contracting authority.

CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES
REGULAR MEETING SEPTEMBER 15, 2015 - 9:00 A.M.
700 E. TEMPLE STREET, ROOM 350

BOARD MEMBERS:

Present:

Michael Amerian, Vice-Chairperson
Cliff Cannon, First Provisional Chair
Thomas Moutes, Second Provisional Chair
Raymond Ciranna, Third Provisional Chair
Wendy G. Macy

Not Present:

John R. Mumma, Chairperson
Robert Schoonover
Linda P. Le
Don Thomas

Staff:

Personnel:	Steven Montagna	Esther Chang	Paul Makowski
	Alexandra Castillo	Matthew Vong	

City Attorney: Curt Kidder

1. CALL TO ORDER

Acting Chairperson Cliff Cannon called the meeting to order at 9:17 a.m.

2. PUBLIC COMMENTS

None.

3. MINUTES

Board action to approve the August 18, 2015 meeting minutes was delayed until a quorum was established. Mr. Cannon moved the meeting forward to item number 6. No action was taken on any subsequently reported item until quorum was established after 9:30 a.m.

After quorum was established, a motion was made by Tom Moutes, seconded by Wendy Macy, to approve the August 18, 2015 Regular Meeting minutes; the motion was unanimously adopted.

4. BOARD REPORT 15-45: PRESENTATION REGARDING REQUEST FOR PROPOSAL FOR THIRD PARTY ADMINISTRATOR (TPA)

Steven Montagna introduced the Board to Wendy Young-Carter from Segal Consulting. He stated Ms. Carter would be the lead consultant working with staff on the Third-Party Administrator (TPA) Request for Proposal (RFP) process. Mr. Montagna began the presentation by stating the purpose of this meeting's report was to introduce and explain the development process of the RFP to the Board. He briefly defined the mission of the procurement process and the major categories of services the Plan was seeking in the RFP. He stated the mission of the City's Deferred Compensation Plan is to help City employees achieve retirement income security, which is the replacement of 100% of "lifestyle income" upon retirement. He indicated the mission of the procurement process was to identify the service provider who could best support the City's Plan in being able to achieve its objectives, which include enrolling employees into the Plan, providing tools and resources necessary for achieving retirement success, and providing support for retirees in order to maintain retirement security over time. He reported on the primary service categories the Plan expected of a TPA which encompasses a multitude of administration, recordkeeping and communication services.

Ms. Young-Carter provided a broad overview of the current status in the defined contribution services industry and highlighted the issues the City's Plan may face as consumers of defined contribution services. She noted a key issue is vendor consolidation and stated many vendors have merged, including most notably the Hancock/New York Life, City Street/Voya, Great West/JP Morgan, and Hartford/Mass Mutual acquisitions. She indicated that in order to operate in the current defined contribution space, the resources in terms of IT technology, processing speeds and computer resources are making it very difficult for smaller vendors. She stated certain economies of scale are needed for a firm to be successful and offer services at an affordable price. She stated we are continuing to see an evolving smaller vendor universe. She stated it is challenging to find a good pool of qualified candidates who can handle large and complex plans. She indicated the evolving business models are making bidders more selective and critical on opportunities because there is significant cost associated with taking on a new client. She stated bidders are looking for a partner that would be a good fit for their organization and the services they provide. She indicated the RFP process should include an open exchange of information so that plan sponsors can evaluate bidders and bidders can evaluate plan sponsor service needs. She explained that it is also important to focus on the process of determining "value-adds" while eliminating custom processes that are unnecessary and prone to errors.

Ms. Young-Carter continued her presentation by discussing marketplace trends and their implications. She stated the bidding process should be streamlined, have reasonable timelines, eliminate unnecessary roadblocks, and have a robust information exchange. She stated the key is to ensure that everyone understands the effort that would be involved in servicing the program. She discussed fee transparency and pricing complexity, and noted it is important to ensure that everyone has a full understanding of all expenses and sources of revenue. She stated the pricing proposal is one of the

most important aspects of the process, and it's important that the Plan receive accurate information regarding the services offered so as to assess the cost of services. She stressed performance standards and the importance of documenting expectations so everyone is on the same page.

Ms. Young-Carter explained best practices of the RFP process. She stated the evaluation process includes the rating of respondents against the Plan's value and mission statement and analyzing all the information provided in order to come to a clear decision on which firm would be the "best fit". She stated accessing participant service preferences and engaging them through focus groups and surveys will help determine what services are important to them. She also suggested identifying the core group of services of the Plan and documenting current operations and services which would enable vendors to understand what the City does and how it operates. She stated this ultimately contributes to successful implementation. She stated it is important to have a response process that is streamlined and comprehensive without being burdensome. She stated one of the goals in the RFP process is to include essay questions and/or situations where a vendor can uniquely talk about their operations and explain how they will add value to the City's Plan. She stated the questionnaire contained in the RFP needs to extract the information the Plan needs to be able to choose between qualified companies. She stated it is important to identify potential misunderstandings of price proposals and if necessary, clarify them with follow up. She stated performance based exams allow the City to assess what it would be like to work with a specific vendor in a collaborative setting in specific areas.

Wendy Macy stated that in terms of pricing it was important that we have apples to apples comparisons and to have that information clearly delineated. She also stated that in the public sector arena, the City may be subject to public records requests. She asked for any advice or precautions with respect to any mechanism that may be available in terms of the bids so that proprietary information would not be shared. Ms. Young-Carter suggested the RFP be clear in asking each of the vendors to include with their responses the assumptions they made in determining their pricing so that staff understand all of the drivers that went into their pricing process. She stated that any firm bidding in the public space understands the rules governing public records requests. Board counsel, Curtis Kidder, stated that generally the bids are not subject to disclosure until the decision is made as to the vendor selected. He stated with regards to proprietary information provided by the vendors, language is included in the contract or RFP that states that if they are going to submit proprietary information, it must be identified. He stated if there were a public records request, the vendor would have to step up in litigation to protect their information.

Mr. Cannon asked what individuals would be included in the focus group sessions. Mr. Montagna stated the Plan maintains a pool of volunteers of approximately 130 retired and active participants who could be randomly chosen and invited to participate in surveys and/or focus groups.

Ray Ciranna, in looking at the timeline, asked whether staff was confident in getting this process completed in a timely manner. Mr. Montagna stated staff had set a schedule and would be diligent in meeting all targets. He stated a 6 month window had been built into the timeline for transition and execution of the contract and expected a final decision on a TPA to be made by June of 2016.

Michael Amerian stated that he hoped the process would be user friendly in terms of the City's general contracting requirements in order to encourage and receive as many qualified applicants as possible so as to procure the best possible service for the Plan's members. Mr. Montagna noted this was an important goal, and that it was important to set the right tone in the RFP in order to communicate and separate the services that are required in comparison to services that are desired.

A motion was made Mr. Ciranna, seconded by Mr. Cannon, to receive and file this report and related presentation regarding design of the Deferred Compensation Plan Request for Proposal for Third-Party-Administration; the motion was unanimously adopted.

5. PLAN ADMINISTRATOR QUARTERLY REPORT: 6/30/15

Joan Watkins, Client Relationship Director with Empower Retirement, reviewed the Plan Overview section of the quarterly report and highlighted assets, contributions and participant account balances in the Plan. She indicated assets had grown by a little over 1% for the quarter. She stated contributions increased by 16% and noted that distributions had decreased by 5%. She indicated the Roth program continued to gain in popularity with its assets increasing 12.9% from the previous quarter. She indicated the overall assets for the Plan totaled over \$4.7 billion, which was an increase of over 200% since 2001.

Ms. Watkins continued to review participation information, account balances and asset allocations in the Plan. She stated there are 29,261 contributing Plan participants. She indicated the total number of overall participants was 41,328, which had increased by 43% since 2001. She stated the average median balance was \$50,495 and number of participants with a Roth account was 4,072. She noted the fund changes that occurred during the year and stated the changes in the international fund were completed in June 2015. She stated there was nothing noteworthy in the trends for the fund performance for the quarter. She stated the profile funds continued to gain in popularity and noted the total assets and participants in those funds had increased 3% and 2.5% respectively from the previous quarter. She reported on asset allocations as percentage of the total assets in the Plan, noting that the DCP Large-Cap assets comprised 30% of total assets, the Stable Value Fund was 19% of total assets, and the Profile Fund assets constituted 17% of total assets. She stated average account balances increased to \$113,002. She indicated the total number of participants with an account balance of over one million dollars increased from 108 to 121.

Ms. Lisa Tilley, National Accounts Director with Empower Retirement, provided an Administrative Overview. She stated there were 22 asset transfers to LACERS which totaled just under \$600,000. She indicated the activity for participants over the age of 60 showed that there were 1,774 distributions, 103 loans and 9 service credit purchases. She noted that full distributions had increased for the quarter, but partial distributions had decreased by \$5 million. She reported on the assets rolled in and out of the plan and noted the totals for these transactions were positively outpacing the 2014 and 2015 calendar year totals. She presented a summary of the top IRA providers participants were rolling assets out to.

Ms. Tilley reviewed information on loan activity and indicated the total balance of outstanding loans was \$184.1 million and the average outstanding balance was \$8,849. She stated the number of defaults that occurred during the quarter totaled 70. She noted that loan initiations had dipped during April and May. She reviewed hardship and KeyTalk statistics and stated hardships were slightly lower than the prior quarter and noted the log-ins to the voice response system were down 6% during the quarter. She stated it would be interesting to see what the phone activity in the next quarter would be due to the recent market volatility. She indicated 27.57% of Plan participants currently receive an online statement, which was another 2% increase from the previous quarter. She stated this was really unheard of in comparison to plans of comparable size and noted the efforts that have been made in communication and education regarding electronic statement delivery and overall web use.

LaTanya Harris of Empower Retirement reviewed statistics regarding participant contacts, meetings/facility visits, and group meetings. She stated Empower staff had been very busy during the quarter and conducted numerous meetings. She stated they had met with approximately 9,625 participants. She stated the popular topics consisted of deferral changes, accrued leaves, catch-ups and distribution requests. She noted there was an increase in DROP requests. She stated there was an increase in participants seeking assistance on using the website, and Empower staff assisted in walking them through the process to educate them on how to make account changes on their own. She indicated there were increased visits to LAX and the Department of Transportation (DOT) and noted a targeted enrollment initiative was ongoing with DOT. She stated there was an increase in beneficiary updates in light of the announcement that was featured in the second quarter newsletter. She reported that the phone activity continued to be busy, and noted that there continued to be at least two people at City Hall during business hours to answer calls and facilitate front counter services.

6. BOARD REPORT 15-46: DCP MID-CAP FUND PRICING ISSUE

Mr. Montagna updated the Board members regarding a pricing problem which impacted the Voya Mid-Cap Fund. He indicated the impact to Plan participants was that the price level at which participants were transacting in the fund was essentially based on numbers that were “stale” and needed to be subsequently updated. He stated that in working with Empower, the issue was resolved by letting the transaction go forward and

subsequently making necessary adjustments to rectify the issue. He stated staff also worked with Empower to communicate these adjustments to Plan participants and indicated that for the most part, there was little feedback from them regarding the pricing error. He stated the issue appeared to be resolved and that any incidental costs that were incurred would be pursued by Empower. He concluded by stating that staff had received indications from Voya that they would be working with the Plan to reimburse any costs.

Quorum had yet to be established by the end of this presentation. Mr. Cannon moved the meeting forward to item number 8.

After quorum was established, and in simultaneous motions for item numbers 8 and 10, a motion was made by Ray Ciranna, seconded by Tom Moutes, to receive and file staff's update regarding a pricing issue related to an underlying component of the DCP Mid-Cap Fund; the motion was unanimously adopted.

7. BOARD REPORT 15-47: PLAN TRAINING/TRAVEL PROGRAM FOR FY 2016-17

Paul Makowski stated the Board adopts a Plan Budget for the calendar year whereas the City's travel program operates on a fiscal year. He stated the Board was being asked to adopt its training program on a fiscal year basis in order coordinate travel funding requests through the City's budget process. He stated the report identifies the Plan's travel program for 2016-17 and noted the overall budget proposal would be \$59,150. He provided an outline of all the future training events in detail, which were similar to events from the previous year. Mr. Moutes commented that as fiduciaries, it was restrictive to look so far in advance without knowing what agendas would look like or what programs would be chosen for the training opportunities listed. He hoped that the Board would be able to make progress with the City in allowing more latitude and flexibility in budget planning for travel programs.

A motion was made by Mr. Ciranna, seconded by Mr. Moutes, to approve the proposed Training Program for Fiscal Year 2016-17; the motion was unanimously adopted.

8. BOARD REPORT 15-48: NATIONAL RETIREMENT SECURITY WEEK 2015

Mr. Makowski updated the Board on the status of the plan for National Save for Retirement Week which was initially presented at the previous month's meeting. He stated National Association of Government Defined Contribution Administrators (NAGDCA) had worked with Congress to introduce the annual National Save for Retirement resolution, renaming the event "National Retirement Security Week." He continued to update the Board on the status of the campaign and noted staff had been working diligently on completing its objectives, which included an interactive exercise for

plan participants, development of video content, and a mayoral proclamation to promote the campaign.

Quorum had yet to be established by the end of this presentation. Mr. Cannon moved the meeting forward to item number 10.

After quorum was established, and in simultaneous motions for item numbers 6 and 10, a motion was made by Ray Ciranna, seconded by Tom Moutes, to receive and file staff's update regarding the 2015 National Retirement Security Week; the motion was unanimously adopted.

9. BOARD REPORT 15-49: BOARD TRAINING RECOMMENATION

Esther Chang stated staff proposed having Mercer Consulting Services conduct training for the Board at the next meeting related to basic investment performance concepts and terminology. She stated the training would also include fund performance comparisons, how to read performance charts, how to distinguish peer and benchmark comparisons, active versus passive management considerations and other analysis. Mr. Ciranna asked that the material for the upcoming training be distributed earlier so that Board members have more time to review the content.

A motion was made by Mr. Ciranna, seconded by Ms. Macy, to approve staff's recommendation to coordinate a Board training regarding technical investment analysis; the motion was unanimously adopted.

10. BOARD REPORT 15-50: PLAN PROJECTS & ACTIVITIES REPORT

Alexandra Castillo presented the monthly staff report and updated the Board on the status of pending Communications, Operations, Administration and Governance projects. She stated the market had experienced significant volatility during the week of August 24, 2015 and indicated that in response, staff had worked with Empower to post a message on the Plan participant website to address the issue. She also stated there was a significant spike in participant web usage and KeyTalk calls during that period.

Ms. Castillo indicated staff had worked with Empower to develop communications to Plan Participants regarding the DCP Mid-Cap Pricing delays issue. She indicated staff continued to work on the National Retirement Security Week campaign which was discussed in more detail in a separate Board report during the meeting. She stated staff and Empower had developed a web banner regarding the implementation of the new In-Plan Roth Conversion option for active Plan participants. She stated this banner would be posted on the participant website and noted the option would be featured as the lead article in the 3rd Quarter newsletter set to mail out in October. She indicated staff continued to work on the DOT Targeted Enrollment Initiative. She indicated postcards were mailed out to plan eligible non-participating DOT employees on August 25th, and

stated that a memo co-signed by the General Manager of DOT and Personnel Department was distributed to DOT employees to encourage participation in the Plan.

Ms. Castillo updated the Board on operations and stated that staff continued to work with Empower to launch the alpha-numeric passcode feature, which would be an option for all current accounts and mandatory for all new accounts effective September 20, 2015. She stated staff was continuing its work on finalizing agreements with Mercer Investment Consulting, Segal Investment Consulting as well as Galliard Capital Management for their stable value fund management services. She stated staff was continuing to research the methodology used to calculate the CAP Rate and would report back to the Board once when its analysis and recommendations were completed.

She concluded her report by addressing a question asked at the previous Board meeting by a Board member who wanted to know whether statements can be sent directly to a participant in electronic format. She stated participants are able to receive their statements electronically. She stated a participant must log into their online account to view any statements or accompanying “stuffers” that were included with their hardcopy mailing. She noted participants would receive e-mail notifications informing them that their statement is ready for viewing and would then have to log into the website to access this information.

After quorum was established, and in simultaneous motions for item numbers 6 and 8, a motion was made by Ray Ciranna, seconded by Tom Moutes, to receive and file staff’s update on Plan projects and activities during July 2015; the motion was unanimously adopted.

Mr. Cannon moved the meeting back to item number 4, and the responsibility of Acting Chairperson was passed to Vice-Chairperson, Mr. Amerian.

11. REQUESTS FOR FUTURE AGENDA ITEMS

None.

12. FUTURE MEETING DATES – October 20, 2015

13. ADJOURNMENT

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

CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED CORRECTED MINUTES
REGULAR MEETING JULY 21, 2015 - 9:00 A.M.
700 E. TEMPLE STREET, ROOM 350

BOARD MEMBERS:

Present:

John R. Mumma, Chairperson
Michael Amerian, Vice-Chairperson
Cliff Cannon, First Provisional Chair
Thomas Moutes, Second Provisional Chair
Raymond Ciranna, Third Provisional Chair
Wendy G. Macy
Don Thomas

Not Present:

Linda P. Le
Robert Schoonover

Staff:

Personnel:

Alejandrina Basquez
Steven Montagna
Alexandra Castillo

Esther Chang
Matthew Vong

City Attorney: Curtis Kidder

1. CALL TO ORDER

John Mumma called the meeting to order at 9:02 a.m.

2. PUBLIC COMMENTS

Retiree and former Board Chairperson Eugene Canzano welcomed Don Thomas, the newly elected Active DWP Participant Representative. He then extended his congratulations to Cliff Cannon for his re-election to the Board.

3. MINUTES

A motion was made by Mr. Cannon, seconded by Wendy Macy, to approve the June 16, 2015 Regular Meeting minutes; the motion was unanimously adopted.

Mr. Mumma moved the meeting forward to item 6.

4. BOARD REPORT 15-34: TRAINING – MAKING BOARD DECISIONS AND AVOIDING CONFLICTS OF INTEREST / BROWN ACT PLAN GOVERNANCE POLICIES & BYLAWS

Steven Montagna stated the Board had previously requested to receive training related to the Brown Act as it relates to the conduct of the Board and how it manages its meetings. He indicated that in addition to the Brown Act training being presented to the Board, there would also be a discussion of the Plan's Governance Policies and Bylaws specifically related to the adopted code of ethics and the execution of RFP processes. He then deferred to Board Counsel Curtis Kidder, who presented information regarding the Brown Act.

Mr. Kidder stated the Brown Act was adopted in 1951 with the intent to require actions of a governmental body, including its deliberations and discussions, be transparent and subject to public review and scrutiny. He stated that for purposes of the Brown Act, a meeting is constituted when there is a majority of a Board or committee that meets at any time or place to discuss items within its purview. He stated this included serial meetings, which is a series of conversations among Board members where discussion or deliberation on an item of business is discussed. He indicated this does not necessarily mean there is quorum at one location, but could happen in a series of locations and discussions where a quorum of the Board or committee reaches a consensus on an item. He indicated serial meetings could be conducted through various forms of communication including over the phone, text or e-mail.

Mr. Kidder described the different types of meetings a Board may convene. He stated a regular meeting is usually set by a formal action of the Board as to the place, date and time it would occur. He stated regular meetings require 72 hours notice with posting of an agenda. He stated another type of meeting could be a special meeting, which requires 24 hour notice with posting of an agenda. He stated the Brown Act does not define the purpose of special meetings, but he noted they are typically used for workshops or for single topics to allow for a focused discussion on an item. He stated a third type of meeting is an emergency meeting which are usually held in response to a fire, earthquake, or other catastrophe.

Mr. Kidder stated that agendas are required to identify the location and time of a meeting and provide brief descriptions of each item of business. He indicated the objective of the printed description is to inform people of what would be discussed so as to allow them enough information to make the decision of whether they would want to come and participate in the meeting. He stated there were two ways to add an item to a published regular meeting agenda. He stated a special meeting could be called, which could be held before or after a regular meeting. He stated there were also situations when an item is brought to the attention of the Board or staff after the posting of the agenda, which could possibly cause undue prejudice to the agency if action is not taken on the item in a timely manner. He stated this allows for the item to be added to the agenda as an emergency item.

Mr. Kidder stated the posting of an agenda is important in that if it is not done in a timely manner, it could potentially render Board actions subject to invalidation. He reviewed the rules regarding voting and stated that a Board must report any actions taken and the votes and/or abstentions of any member present.

Mr. Kidder discussed the rules governing a closed session. He stated closed session votes must be publicly reported if an action is taken during closed session. He stated closed sessions could include such matters such as dealing with anticipated and pending litigation, property negotiations, labor negotiations and items regarding public employment. He stated the Brown Act allows the Board to also go into closed session to discuss hardship withdrawals. He noted that matters discussed within closed session cannot be disclosed without Board authorization.

Mr. Kidder stated there are serious repercussions for violating the Brown Act and indicated it can be a misdemeanor if there is deliberate intent to violate or shield the public from obtaining public information. He stated if the Board has acted on an item that was not properly placed on the agenda, a citizen could submit a "demand to cure" letter within 90 days of the alleged violation. He indicated the Board then would have 30 days to cure by re-noticing the item in compliance with the Brown Act and retake the action. He stated if the Board cures the action, the complainant is prohibited from taking any civil action. He noted that if the complainant prevails in court, not only would the transaction be voided, but he or she would be entitled to an award of attorney fees and costs.

Mr. Thomas asked if Board members could send each other information regarding research for an upcoming Board item without it constituting a meeting. Mr. Kidder indicated as long as it was a one way communication with no additional discussion and/or deliberation, it would not be prohibited by the Brown Act. He stated such a communication could easily evolve into a serial meeting if Board members responded to one another, so it was advised that any such correspondence include specific instructions to not respond to avoid an occurrence of a serial meeting.

Mr. Cannon asked if there were any circumstances when accommodations would have to be provided to the hearing impaired in an open meeting. Mr. Kidder stated that public meetings must be ADA accessible, which would include making accommodations for people with hearing impairment.

Mr. Thomas asked if a quorum of a committee also constituted a meeting. Mr. Kidder confirmed that it did.

A motion was made by Thomas Moutes, seconded by Mr. Thomas, to receive and file training information regarding the Ralph M. Brown Act; the motion was unanimously adopted.

Mr. Montagna proceeded to the Governance Policies and Bylaws ("Bylaws") training component of the presentation. He stated the goal of the Bylaws was to improve

transparency and accountability and ensure the Board and staff were held to the highest standards of ethical conduct.

Mr. Montagna highlighted the key sections and referenced that the Bylaws set an ethical standard that go beyond the legal minimum required by law. He noted it demonstrated the Board seeks to uphold transparency in the decision making process, to make it evident to the public that all the decisions made by the Board are in the best interest of Plan participants. He noted that all of the discussions related to Plan procurements are to be held in open meeting with the Board. He stated outside consultants are only utilized to ensure that the Board and staff have access to additional industry expertise. He indicated that once an RFP is issued, all questions and responses are required to be in writing and are posted publicly, which staff considers a best practice. He stated all selections of contractors are made at the public meetings, and the materials that represent the basis upon which the review panel are making their recommendations are also public information.

Mr. Montagna explained that the Bylaws also address the issue of contact with vendors during the procurement process. He stated the core principle is that Board members and staff agree to not meet or privately communicate with any vendors that may be interested in responding to any procurement or service being sought by the Board at the time. He stated if prohibited contact does take place within the designated window for a particular procurement process, it would disqualify the Board or staff member from further taking part in the search process. Mr. Mumma stated that the heads of the City's three pension systems currently sit on the Board and deal with vendors that may also be involved with the Deferred Compensation Plan's procurement processes. He asked for clarification of whether they were allowed to meet with the same vendor if they were discussing business unrelated to the Plan. Mr. Montagna stated the Bylaws did not bar all communications with prospective vendors, only discussions regarding the services that are being procured under the Plan.

Mr. Montagna noted that when an RFP window has opened, if a Board member or staff is approached by a vendor in any context to discuss the procurement process, the best course of action would be to politely indicate to the vendor that the preference would be to not engage in the conversation. He provided language for potential responses. Mr. Moutes asked if the Board had a policy regarding attendance of a vendor sponsored event at a conference especially when there was an RFP open for that particular kind of service. Mr. Montagna indicated that issue was not addressed specifically in the Bylaws. He noted however that for NAGDCA, the organization had discontinued the practice of allowing vendors to sponsor specific events at the NAGDCA annual conference to better avoid this type of potential conflict. He stated that type of situation could come up in other conferences, however, and noted the Board and staff should be aware of applicable gift limits and identify the amounts attributed to any such events. Mr. Kidder stated that gifts over \$50 have to be reported and gifts worth over \$460 cumulatively on an annual basis from any one vendor is prohibited. He stated attendees should be aware of the gift implications when attending those types of events. Mr. Montagna stated in order to have a completely neutral and merit driven process, staff

recommended that Board members refrain from attending any events sponsored by current and/or potential vendors as long as they were in the midst of the Third Party Administrator (TPA) RFP process. Mr. Mumma echoed Mr. Montagna's recommendation.

Mr. Montagna stated the importance of communicating with Plan participants during the TPA RFP search process. He stated it allowed the Plan to remain transparent about its procurement process and would also allow participants to engage with the Plan and provide any feedback.

Mr. Mumma stated that no current Board members were present when issues occurred during the 2004 RFP process. He asked that Mr. Montagna briefly review what had occurred at that time. Mr. Montagna stated that in 2004, the Board issued a RFP for the TPA contract, and an evaluation panel made a recommendation to the Board for the selection of the highest scoring respondent. He indicated that the Board did not approve the recommendation of the evaluation panel and selected the respondent ranking second highest. He stated the latter firm had proposed higher fees which were being justified by offering a service that was not requested in the RFP. He stated a number of participants were not pleased by this decision. He indicated the City Council eventually became involved in the procurement process and requested the CAO investigate to see whether the procurement process had been conducted appropriately. He stated the CAO review ultimately recommended that the original RFP search be cancelled and a new process be conducted. He indicated that while the Council does not have authority over a Board decision, Council does have the authority to veto the Board's decision, which it chose to do. He stated the firm that had been initially selected subsequently filed a lawsuit, which was ultimately dismissed.

Mr. Montagna stated there were changes to the Board makeup at the time, and the Board took the Council's recommendation and elected to cancel the RFP and restart the process. He indicated a special task force of individual plan participants was formed to review the Plan's governance structure. He stated recommendations from that task force resulted in a change that created the nine-member Board structure that currently exists. He stated another task force was charged with developing recommendations to improve the RFP process.

Mr. Thomas asked if there was a policy in place that would prevent the vendor from including services that were not requested in the RFP. Mr. Montagna stated that in the design of the RFP, it is staff's responsibility to make clear the services being requested and the scoring methodology being used.

Alejandrina Basquez stated staff takes strides to be clear in the type of services being requested. She indicated that if vendors do propose additional services, they would need to identify the costs of these additional services separate from the fee proposal for services indicated in the RFP. She stated this is done so that staff can compare vendors evenly and fairly across the board. She stated that vendors who bundle their services in

such a way that deviates from what was requested in the RFP could potentially be deemed non-responsive.

A motion was made by Mr. Moutes, seconded by Michael Amerian, to receive and file training information regarding Plan Bylaws, specifically as they relate to conflicts of interest and the procurement process and contacts with prospective vendors during procurement processes; the motion was unanimously adopted.

5. BOARD REPORT 15-35: REQUEST FOR PROPOSAL – THIRD PARTY ADMINISTRATOR (TPA)

Alexandra Castillo stated she would be the project lead for the TPA RFP process. She stated her knowledge of the importance of executing proper search processes, one that ensures transparency, objectiveness, as well as one that communicates to participants. She stated she was eager to work with the Board, the Personnel Department team and consultants on this procurement process. She then began to review each item in the report.

Ms. Castillo presented the Board with a Master Procurement and Contracting schedule and stated staff would like to include the TPA and Consulting search processes. She asked that the Board approve and adopt the revised schedule.

A motion was made by Mr. Amerian, seconded by Mr. Cannon, to approve a revised Master Procurements and Contracting Schedule to add TPA and Consulting service provider relationships to its previously adopted Investments search schedule; the motion was unanimously adopted.

Ms. Castillo stated that staff recognizes it is the Board's decision to proceed with a procurement search for services. She stated the current TPA contract would be in its 10th year in 2016. She stated that based on staff analysis in conducting discussions with the Plan's consultant, staff believes it is prudent to conduct a new search. She indicated there have been several changes in the TPA community and the Plan itself. She stated the Plan has a clear perspective of its mission and its intent to be a leader in governmental defined contribution plans. She asked that the Board approve staff's recommendation to move forward with the proposed TPA procurement process in 2015/2016.

A motion was made by Mr. Moutes, seconded by Mr. Amerian, to approve moving forward with a TPA procurement in 2015/2016 with a target implementation date for a new service provider contract to be in place by January 1, 2017; the motion was unanimously adopted.

Ms. Castillo stated consulting and TPA contracts are currently established for three year terms. She stated that staff believes it is in the best interest of the Plan to request from City Council the authority and approval to enter into five year contracting terms for

consulting and TPA contracts as it does for its investment management contracts. She explained the benefits of longer contract terms, which include promoting favorable pricing terms and a greater willingness on the part of vendors to invest in resources for the City's Plan. She stated it also mitigates disruption to participants and reduces consulting costs.

Ray Ciranna asked for clarification on whether the Board would be requesting a permanent change to its authority to enter into five-year contracts or if this was specifically for the TPA RFP. Mr. Montagna affirmed staff would be requesting this authority for all Plan contracts going forward. Mr. Thomas asked if the Board would retain the right to offer shorter contracts. Mr. Montagna stated that was correct and noted that even within the execution of a five-year contract, a contract would include provisions which allow the Board to cancel the contract if it determined a compelling reason existed to do so before the end of its term as long as there was appropriate notice. Mr. Mumma asked that the motion to approve this recommendation be amended to authorize the Board Chair to sign and transmit the Council report once prepared by staff.

A motion was made by Mr. Cannon, seconded by Ms. Macy, to approve requesting City Council approval to expand Board authority to enter into five-year contracts for Deferred Compensation services to include TPA, consulting and all other administrative services, and authorize the Board Chair to sign and transmit the Council report; the motion was unanimously adopted.

Ms. Castillo reported on the TPA RFP development process and stated three key elements would be the areas of focus: developing appropriate participant communication, updating RFP review criteria, and establishing guidelines for vendor contacts. She stated staff would be reporting back to the Board on a communication outreach plan to participants that is geared toward informing them of this RFP process.

Mr. Mumma asked what the Plan was expecting in terms of feedback and how the Plan would conduct the participant outreach. Mr. Montagna indicated staff wanted to take some time to define what would be part of the process. He stated there were a number of options which include conducting a survey or a focus group.

A motion was made by Mr. Ciranna, seconded by Mr. Thomas, to approve moving forward with the proposed tentative calendar for TPA RFP development; the motion was unanimously adopted.

Mr. Montagna indicated staff desired to distribute a pledge form which would be reflective of the principles that were outlined in the code of ethics within the Plan's Bylaws, related to procurements. He noted however that staff was not able to finalize the form prior to the Board meeting date. He stated that once the form was finalized, it would be transmitted to the Board. Mr. Cannon asked if the document needed to be signed by Board members and if it was required to be signed every time the Board initiated an RFP process. Mr. Montagna stated staff would like to institutionalize this as

best practice and stated signing the pledge form would be specific for this process and indicated this would then be repeated prior to each initiation of a procurement. Mr. Mumma indicated motion 5(e) would be addressed at a future meeting when staff finalizes the document.

Mr. Montagna stated staff recommended an issuance of an RFI to assess TPA interest in administering the Pension Savings Plan (PSP) on a stand-alone basis, separate from administration of the Deferred Compensation Plan. He stated staff also wanted to assess whether there were vendors interested in administering the recordkeeping portion of the PSP without being awarded the investment management services related to the PSP. He stated the information collected would assist the Personnel Department in making its decision on what would be appropriate when initiating the RFP process for the PSP and whether or not to bundle services with the Plan's TPA RFP.

Mr. Thomas asked if there were any benefits to have the PSP administered alongside the DCP. Mr. Montagna stated it made transactions such as rollovers of funds from the PSP to the DCP much easier and convenient to execute; he indicated there may also be pricing advantages. Mr. Mumma asked for further clarification on the Board's authority over the PSP. Mr. Montagna indicated that under the City's Administrative Code, the PSP is under authority of the Personnel Department General Manager with the Board acting in an advisory role only. Mr. Mumma asked if it was mandated that the funds for PSP participants be invested in a single option as it was currently and whether there was an option to elect more risk. Mr. Montagna stated that under the regulations contained in Internal Revenue Code 3121 governing PSP plans, there is special provision which requires the plan to provide a guaranteed rate of return. He stated it is interpreted to mean that the PSP money cannot be invested in something where the participant would be at risk to lose their principle.

A motion was made by Mr. Cannon, seconded by Mr. Thomas, to receive and file an update regarding the Personnel Department's plans for exploring options for third-party-administration of the Pension Savings Plan; the motion was unanimously adopted.

6. BOARD REPORT 15-36: TARGETED ENROLLMENT INITIATIVE UPDATE

Esther Chang provided the Board with an update of the Plan's targeted enrollment initiative for the Department of Transportation (DOT). She stated staff had identified approximately 660 DOT employees who were not participating in the Plan but were eligible to do so. She presented a coordinated timeline for the initiative which indicated the main focus of the campaign would occur around September. She indicated staff had reached out to DOT's personnel section to request support for encouraging DOT employees to participate in the Plan. She stated Empower staff had already made a presence at one of their DOT benefits fairs and would have a presence at mandatory safety meetings for their Crossing Guards.

Ms. Chang stated Empower staff would be reaching out to City Union publications in order to explore additional options of marketing the campaign. Additionally, she indicated a communication would be sent from the General Manager of DOT to employees to encourage participation in the plan and announce outreach activities. She stated postcards identifying six future meeting dates would be disseminated to the targeted employee population and posters would be provided to supervisors to help market the campaign. She concluded her report by stating staff would be measuring enrollment results from July through the end of October.

Mr. Mumma noted the back of the postcard indicated there would be a prize giveaway, and asked what that entailed. Ms. Chang stated that staff was still discussing options, but noted that \$25 gift cards have been given out in the past for a previous campaign. Mr. Mumma asked about the source of funding for the gift cards. Ms. Chang stated the gift cards would be funded by the Plan's communications budget.

A motion was made by Mr. Cannon, seconded by Mr. Moutes, to receive and file staff's update regarding the Deferred Compensation Plan's Targeted Enrollment Initiative; the motion was unanimously adopted.

7. BOARD REPORT 15-37: AUTO ENROLLMENT PROGRAM (AEP) UPDATE

Ms. Chang stated the Board had previously approved the core provisions for the AEP at its January meeting. She also indicated changes to the Plan document incorporating the AEP had been adopted at its May meeting. She presented a timeline for the program and indicated the next steps would be to hold initial meetings with staff from the Office of the Controller as well as DWP payroll and set up discussions with Los Angeles Police Protective League representatives. She concluded her report by stating that staff would report back monthly on the progress of this project.

A motion was made by Mr. Amerian, seconded by Ms. Macy, to receive and file a report providing an update related to implementation of the Deferred Compensation Plan AEP; the motion was unanimously adopted.

Mr. Mumma moved back to item 4 of the agenda.

8. BOARD REPORT 15-38: STATUS OF DCP CONTRACTS AND PROCUREMENTS

Ms. Castillo presented the quarterly update to the Board regarding the status of current contracts and procurements. She stated staff was working on executing the contracts for Galliard, Mercer Investment Consulting, Segal Consulting as well as the Bank of the West. She indicated an additional update would be provided at the next Board meeting regarding execution of these contracts. Additionally she stated staff would be working on the procurement for the TPA services contract. She concluded by stating staff was

preparing a report about the third banking provider for the FDIC Insured account, which would be presented at the August meeting.

A motion was made by Mr. Amerian, seconded by Mr. Moutes, to receive and file the quarterly report regarding the status of Deferred Compensation Plan contracts and procurements; the motion was unanimously adopted.

9. BOARD REPORT 15-39: PLAN PROJECTS & ACTIVITIES REPORT

Ms. Chang presented the monthly staff report and updated the Board on the status of pending Communications, Operations, Administration and Governance projects. She stated staff had finalized the 2nd quarter newsletter, which would be sent out at the end of the month. She indicated staff was also working on proposals for National Save for Retirement Week, which would officially occur from October 15th through the 24th.

Ms. Chang reported on operational projects and stated the Plan recently had a final fund change, which occurred on June 26th. She indicated the DCP International Fund was introduced and the passive component of DCP Small Cap Fund was updated. She stated there were no significant comments from participants to date regarding this recent fund change. She provided an update on the implementation of the in-plan Roth conversion and stated staff was currently working with Empower to clarify the procedural and operational details. She noted that an announcement would be incorporated in next quarter's newsletter and stated the participant website would also be updated to include a notice.

Ms. Chang stated staff continued to work on metrics projects related to the targeted enrollment initiative and periodically tracked enrollments by department. She indicated staff was also tracking different data points for departmental metrics efforts. She stated staff continued to work on the CAP rate and noted that staff met numerous times with the Controller's Office and the Personnel Department's Administrative Services Division, and would report back to the Board. She indicated the recently updated Plan Document was uploaded to the participant and Board websites. She concluded her report by stating that a letter was provided to the Board membership from the Board Chair to update Committee assignments.

Mr. Ciranna asked about the new law change, HR 2146, related to public safety officers and distributions taken at age 50. Ms. Chang stated that staff had a call scheduled with Empower to discuss the item and coordinate the communication of the new change in the law; she indicated staff was also working with Fire and Police Pension staff to try and collaborate on the communications.

Mr. Montagna noted there was a request for staff to meet with a Chinese delegation from the Chinese Ministry of Finance. He stated staff met and provided information to this group regarding the Plan and its methods of measuring success.

A motion was made by Mr. Amerian seconded by Mr. Cannon, to receive and file staff's update on Plan projects and activities during June 2015; the motion was unanimously adopted.

10. REQUESTS FOR FUTURE AGENDA ITEMS

Per Mr. Ciranna's request, Mr. Mumma asked that an update be provided regarding the future RFI for the Pension Savings Plan.

11. FUTURE MEETING DATES – August 18, 2015

12. CLOSED SESSION

Mr. Kidder stated no closed session was necessary and provided a brief update in open session. He indicated the court issued its opinion on the Bolan beneficiary case on June 29, 2015, which ruled in favor of the City and the Plan. He stated the City drafted and submitted an order pursuant to the direction of the court and indicated once the court approved the order, the petitioner would have 60 days to file an appeal. He stated the funds in the account would be held until the end of the appeal period and indicated that if no appeal was filed within this timeframe, the matter would be concluded and the funds would be distributed to the domestic partner, unless the Plan heard otherwise from the court.

13. ADJOURNMENT

A motion was made by Mr. Amerian, seconded by Mr. Thomas, to adjourn the meeting; the motion was unanimously adopted. *The meeting adjourned at 11:14 a.m.*