CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES
REGULAR MEETING APRIL 19, 2011 – 9:00 A.M.
700 E. TEMPLE STREET, ROOM 350

BOARD MEMBERS:

Present:	**Not Present:**
Eugene K. Canzano, Chairperson	None.
Richard Kraus, Vice-Chairperson	
John R. Mumma, First Provisional Chair	
Clifford Cannon, Second Provisional Chair	
Tom Moutes, Third Provisional Chair	
Sangeeta Bhatia	
Michael Perez	
Bob Schoonover	
Margaret Whelan	

Staff:

Personnel:	Alex Basquez
	Steven Montagna
	Natasha Gameroz
	Ashley Stracke
	Claudia Guevara
City Attorney:	Curtis Kidder
	Vicky Williams

1. CALL TO ORDER

The meeting was called to order at 9:18 a.m.

2. PUBLIC COMMENTS

None.

3. MINUTES

Mr. Kraus asked that the motion regarding Board Report 11-16 reflect that the Council Report be adopted as amended. Staff indicated that this correction would be made. **A motion was made by Margaret Whelan, seconded by John Mumma to approve the March 15, 2011 minutes as amended; the motion was unanimously adopted.**

4. INVESTMENT PROVIDER PRESENTATION: VANGUARD

Edward McGettigan, Relationship Manager, and David L. Wilson, Senior Analyst, presented for Vanguard. Mr. McGettigan began by stating that they would be discussing the Plan's Vanguard Institutional Index Fund, Vanguard Mid-Cap Index Fund, and the Vanguard Bond Market Index Fund. He asked if the Board had any questions regarding Vanguard as an organization. The Board did not have any questions, so he turned the presentation over to Mr. Wilson.

Mr. Wilson stated that the Vanguard funds were able to perform slightly higher than their respective indices for the following reasons: 1) cash flow management, 2) securities lending and 3) by taking advantage of arbitrage opportunities. Mr. Moutes asked if there were risks involved with Vanguard's securities lending program. Mr. Wilson stated that the firm was conservative with its practices. He explained that Vanguard would lend securities in return for 102% of the value in cash. He stated that the cash was then invested in a 90-day (or less) money market fund. Mr. Perez asked if Vanguard participated in a split arrangement. Mr. Wilson indicated that Vanguard did not.

Referring to page 18, Mr. Kraus asked why the Institutional Index Fund was comprised of 503 stocks, while the S&P 500 Index was comprised of 500 stocks. Mr. Wilson stated that there were several companies in the S&P Index that had multiple classes of stocks and therefore Vanguard has both the share classes. Referring to the Vanguard Mid-Cap Index Fund, Mr. Kraus asked about Vanguard's view on diversification and risk. Mr. Wilson stated that traditionally, larger companies were viewed as more stable than companies with less capitalization. He stated that Vanguard believed that the mid-cap asset class was important for diversification which generally helps stabilize returns over time.

Referring to page 4, Mr. Mumma asked why Vanguard's expenses were considerably lower than its competitors. Mr. McGettigan stated that it was a result of economies of scale and the Vanguard structure, which he described as a "Mutual Mutual Fund Company." He explained that Vanguard was owned by Vanguard's investors and therefore worked at cost.

Mr. McGettigan referred to page 9 and stated that the City was invested in the Institutional Plus share classes for the Total Bond Market and Institutional Index Funds, which are the least expensive share classes available to clients. He stated that in 2010 Vanguard began providing Institutional Plus share class for the Mid-Cap Index Fund and indicated the Plan would be eligible once assets in the fund reached $100 million. He stated that the Plan's current assets in the Vanguard Mid-Cap Index Fund were valued at $90 million. Mr. McGettigan indicated that the expense ratio for the Vanguard Mid-Cap Index Fund Institutional Plus share class would be six basis points compared with the current eight basis points for the institutional share class.

5. BOARD REPORT 11-21: BYLAWS

Ms. Stracke stated the Bylaws were brought to the Board on February 15, 2011 and indicated that the Board had requested several changes to the document before adoption. She then proceeded to outline the requested changes. Ms. Stracke stated that the Board had requested that the Bylaws elaborate on the Board's fiduciary duties. She indicated that the California State Constitution did not contain provisions regarding the fiduciary duties of 457b plan boards, however, indicated that Board Counsel and staff recommended adding language stating that "Consistent with their fiduciary duties, Board members will strive to meet the highest standards of ethical conduct consistent with the City's Code of Ethics, the Governmental Ethics Ordinance (Municipal Code Chapter IV, Article 9.5) and the Commissioner Ethics Pledge."

Mr. Moutes asked where the Commissioner Ethics Pledge could be found. Mr. Kidder stated that the Ethics Pledge is signed by all the Board members when they join the Board. He stated that he could redistribute the document to the Board. Mr. Mumma asked if the Commissioner Ethics Pledge should be added as an attachment. Mr. Kidder stated that the document was accessible on the City's Ethics website, however, the Board could add the document to the Bylaws.

Ms. Stracke continued by stating that a "Scheduled Review Date" was added to the Bylaws to ensure that the document continued to be relevant to the Board and the Plan. She indicated that staff recommended that the document be reviewed every three years and stated that a space was added to the title page to indicate the next review date. Ms. Stracke also noted that a provision was added to Section 2.2(A)(13) and 3.4(D) to clarify staff's role as a liaison to the Board and vendors and also to clarify that Board members are required to attend all meetings of the Board and assigned Committee meetings.

Ms. Stracke continued by stating that the language in Section 7 regarding vendor contact had initially been written in a manner that appeared as though a Board or staff member could contact a vendor during the procurement process as long as that contact was disclosed. She indicated that staff added provisions to Section 6 and modified language in Section 7 prohibiting contact with vendors 12 months prior to the final contract award. She stated that if a contact did occur, that contact would need to be disclosed in writing to staff. She indicated that staff would make this information available to the rest of the Board and the public.

Ms. Stracke also indicated that the Ralph M. Brown Act had been included as an attachment for the Board's reference. She concluded by noting that Mr. Kraus had asked if the Bylaws should include a provision stating that Board members should act first and foremost in their capacity as a fiduciary of the Plan. She indicated that Board Counsel would like more time to review this and that staff recommended that the Board adopt the Bylaws and amend the document at a later date if Counsel determined it was needed.

Mr. Mumma asked that the documents referred to in Section 2 be included as attachments or have a statement in the provision indicating that they are incorporated by reference. Referring to Section 6.7, Mr. Mumma indicated that he believed that the word “decision” was too narrow and a broader term should be used. Ms. Whelan asked if Mr. Mumma requested this to cover instances where a person may use their power to persuade or influence a decision rather than actually making a decision outright. Mr. Mumma confirmed. Mr. Canzano asked if it could be changed to include “influence a decision.” Mr. Mumma indicated that this would address his concern.

Referring to Section 4.2, Mr. Mumma indicated that another board he was a member of had similar language in their governance policies. He stated that the other board had run into trouble filling the position of a member who effectively resigned but never expressed so in writing. Mr. Montagna stated that he believed this topic was discussed in the Plan Governance and Administrative Issues Committee and it was determined that there was no mechanism in the Los Angeles Administrative Code to allow the Board to remove one of its members. Mr. Kidder confirmed that this was discussed. He also indicated that he agreed with Mr. Mumma that the language could be problematic should a similar event transpire.

Mr. Mumma asked if it would be sufficient to indicate that a Board member should resign either in writing or verbally. Ms. Whelan asked if the provision should include language that would address abandonment of position. Mr. Kidder stated that there would need to be a communication with the constituencies that would start a new election process. Ms. Whelan suggested that the Bylaws indicate that the Board member submit their resignation to the Board Chair or staff. Mr. Mumma indicated that it should also state “preferably in writing.” Mr. Canzano agreed. Ms. Stracke stated that it would be modified to the effect of “any Board member may resign by informing the Board or staff, preferably in writing.”

Mr. Perez suggested that the Board review each section of the Bylaws in sequential order. Mr. Canzano asked if there were additional changes to be made to Section 2. Mr. Moutes referred to Section 2(C) and stated that he did not believe he had seen the Commissioner Ethics Pledge and was unsure if it indicated that the signatory had a fiduciary responsibility to the participant. Mr. Kidder stated that he was not sure if it stated such, however, the Commissioner Ethics Pledge was largely comprised of language found in the Ethics Ordinance.

Mr. Canzano stated that it may be a good idea to include the Commissioner Ethics Pledge as an attachment. Mr. Mumma suggested that both the City’s Code of Ethics and the Commissioner Ethics Pledge be included. Mr. Kidder stated that the Governmental Ethics Ordinance is 25 pages. Mr. Canzano stated that he would like to attach the non-municipal code documents, but include the other two documents referred to in Section 2.1(C). Mr. Mumma indicated that he believed that the Governmental Ethics Ordinance should be included as an attachment since the Ralph M. Brown Act was included.

Mr. Perez indicated that he believed that it would be beneficial to add the City's Code of Ethics and the Commissioner Ethics Pledge. He indicated that the Governmental Ethics Code was lengthy and much of it could be misinterpreted. He stated that he believed it was different than including the Ralph M. Brown Act since the Ralph M. Brown Act could be used at meetings as reference. The Board confirmed that the City's Code of Ethics and the Commissioner Ethics Pledge would be included as attachments.

Referring to Section 2.1(A)(2), Mr. Perez indicated that he believed a provision should be added to explain Charter Section 245. The Board agreed. Mr. Mumma stated that the Governmental Code section for the Ralph M. Brown Act should be cited when the Act is first referenced in the Bylaws. Staff confirmed that this change would be made.

Referring to the topic of the preparation of the agendas, Mr. Perez asked if the Board was satisfied with the current protocol. He suggested an alternative approach would be for staff to prepare the agenda and then submit the draft agenda to the Board or Committee Chair for final approval. Ms. Whelan indicated that she believed the agenda was self-driven since it was determined by topics brought up at previous Board or Committee meetings. Mr. Canzano indicated that the current process was meeting his expectations.

Mr. Canzano stated that one potential pitfall of requiring the Chair's approval may be the unavailability of the Chair to meet a review deadline. Mr. Perez stated that the policy could state that if the Chair is unavailable after a certain number of days, the agenda would be posted as developed by staff. Mr. Perez stated that he was neutral on the topic and indicated that he would support the status quo if the Board was satisfied with the current process. Mr. Kraus asked if there was a provision in the Bylaws that stated that Board members could make requests for future agenda items. Ms. Stracke stated that Section 3.5(E) allowed for this. Mr. Kraus suggested that the provision be moved to Section 3.5(A). The Board agreed.

Mr. Kraus asked if the Bylaws should state the addresses of where the agendas are posted. Mr. Kidder stated that it was not necessary to specify the addresses in the Bylaws, however he indicated that the Bylaws could include a provision that stated that agendas were posted online and in accordance with the Ralph M. Brown Act. Mr. Canzano asked if the locations were disclosed on the Plan's websites. Ms. Stracke stated that they were not but could be.

Ms. Bhatia asked a question regarding Committee assignments. Mr. Mumma suggested posting Committee assignments online. Ms. Stracke stated that the related Board report was posted on the website. Mr. Montagna recommended including the Committee assignments in the staff report. The Board agreed.

Mr. Kraus stated that one of the non-Committee members was required to leave the Investments Committee meeting at the time of voting at the April 18, 2011 meeting. Ms. Stracke stated that this issue was addressed in the Bylaws, however, since the document had not been adopted, a member was required to leave the room since they could vote on the topic. Mr. Kidder stated that it was also due to the fact that the meeting was not noticed as a Special Board meeting. Referring to the language in the draft Bylaws, Mr. Kraus asked if the non-Committee members would be abstaining or simply ineligible to vote. Mr. Kidder indicated that the Bylaws stated that Board members who were not assigned to the Committee may not vote.

Mr. Montagna asked Mr. Kidder if agendizing a Committee meeting as a Special Meeting of the Board implied that if a quorum of the Board was present, they could vote on behalf of the whole Board. Mr. Kidder stated that the Board could state in the Bylaws of who can vote at Committee meetings. He indicated that the meetings were dually agendized to be in accordance with the Ralph M. Brown Act. Mr. Moutes suggested that provision include the intent of only allowing Committee members to vote. The Board agreed.

Mr. Schoonover asked if all Board members were noticed of all Committee meetings. Ms. Stracke confirmed. Mr. Schoonover asked if the Committee assignments could be more clearly displayed in the body of the email. Ms. Stracke confirmed that future emails regarding Committee meetings would include this information.

Referring to Sections 4.1(G) and 4.1(I), Mr. Perez asked why a Committee would select a temporary Chair if a Committee could only take action on an item when the Committee Chair was present. Mr. Montagna stated that the Plan Governance and Administrative Issues Committee had determined that the Committee should still be able to discuss a topic, but not take action. Mr. Mumma asked why a quorum was not needed to conduct a Committee meeting. Ms. Stracke stated that this was how the Committees currently operated. Mr. Perez stated that he believed that a quorum of the Committee should be necessary. He also indicated that he believed that a quorum of a Committee should be able to take action on an item even if the Chair was not present. Mr. Moutes and Ms. Whelan agreed. Mr. Moutes also stated that while a quorum of the Committee should be necessary to take action on an item, he did not believe that a quorum should be required to conduct a meeting. The Board agreed.

Mr. Canzano stated that there had been times when it had been difficult to obtain a quorum for the Committees. Mr. Perez stated that the governance policies of the Fire and Police Pensions System allow the Board Chair to occupy a position on any Committee in order to make quorum. He stated that this could be one way to resolve the attendance concern. He also stated that the Committee could temporarily appoint another Board member to the Committee. Mr. Montagna stated that the current language was modeled after the Los Angeles City Council Committees.

Mr. Kraus stated that he believed that the current process helped avoid problems that might arise because of scheduling conflicts. Ms. Whelan indicated that the current process was reasonable since Committees were only able to make recommendations to the full Board. Mr. Perez stated that if there were scheduling or attendance issues at the Committee level, than it may be beneficial to take the topic to the full Board. He indicated that he believed it was beneficial to have a number of opinions at the Committee level.

Mr. Canzano indicated he felt more comfortable requiring more than one Committee member be in attendance in order to take action rather than requiring a quorum of the Committee to take action. The Board agreed. Mr. Kraus asked if this would keep the provision requiring a temporary chair to be elected in the case the Chair is unable to attend. The Board confirmed that it would.

Referring to Section 7.1(A), Mr. Perez stated that he would like the language to be reworded to emphasize that the section was discussing the "City's Deferred Compensation Plan." He indicated that he would like this added since he also worked with the Fire and Police Pension System. The Board agreed.

Mr. Kraus asked if the Board was required to state in the Bylaws where the Bylaws would be posted. Mr. Kidder indicated that the Board could add this in the Bylaws. Mr. Kraus asked if this could be added to the document. Ms. Stracke stated that a provision could be added that states that the Bylaws would be made available on the website and provided to the Board members upon their election or appointment to the Board. Mr. Mumma asked if the online document could contain hyperlinks to attachments and other references. Ms. Stracke stated that this could be done. **A motion was made by Margaret Whelan, seconded by Michael Perez, to direct staff to incorporate the changes to the Board of Deferred Compensation Administration Governance Policies/Bylaws as discussed at the April 19, 2011 Board meeting and bring the document back to the Board for final adoption at a future meeting; the motion was unanimously adopted.**

6. BOARD REPORT 11-22: CONSULTANT FOURTH QUARTER REVIEW FOLLOW-UP

Devon Muir, Principal Consultant for Mercer Investment Consulting (Mercer), explained that he would be presenting on several requests from the Board as well as inconsistencies with the prior quarterly report. Referring to Page 4 of Addendum 1, he stated that there was an inconsistency with the benchmark universe used for the Vanguard Mid-Cap Index Fund Institutional (Vanguard Mid-Cap Fund) compared to the benchmark universe used for the Lazard US Mid-Cap Equity Portfolio Institutional (Lazard Mid-Cap Fund). He stated that the universe that Vanguard Mid-Cap Fund was compared to was gross of fees and indicated that it has been corrected to the Mercer Mutual Fund US Equity Mid Cap Core Universe Median. Mr. Canzano asked if the recommendations had changed. Mr. Muir stated that everything was the same with the report in terms of Mercer's recommendations.

Referring to the third item in the Memo, Mr. Muir stated that there were data entry errors that overstated the 5-year performance of the conservative, moderate, and aggressive profile portfolios. He stated that the performance was actually tighter to the custom benchmarks. Mr. Canzano asked if Mercer would be able to use track changes formatting for similar reports in the future. Mr. Muir stated that this would be provided.

On page 3 of the Performance Evaluation Report, Mr. Muir stated that the Board had asked for an explanation of the differences between the hypothetical model and the custom index. Mr. Muir stated that the custom index showed the actual exposures of the portfolios over time. He stated that the only difference between the hypothetical and custom index was that the hypothetical model use the mid-cap exposure all the way back to the inception of that index. He stated that the mid-cap asset class was added in 2009. He indicated that the custom index had no mid-cap exposure until 2009, which was an accurate reflection of what happened. He explained that the hypothetical model showed how the portfolios would have performed had mid-cap been part of their composition at the portfolios' inception. Mr. Muir indicated that while the hypothetical model was informative in terms showing the value of including mid-cap exposure to the profile portfolios, he stated that from a benchmarking perspective it did not add value. He stated that Mercer recommended that the hypothetical model be deleted. Mr. Kraus asked how the custom index was composed. Eileen Kwei, Principal Consultant for Mercer, stated that it was located at the bottom of page 3 of the Performance Evaluation Report.

Mr. Mumma asked if the fee reduction that the Vanguard representatives had discussed was only in regards to exclusive investments. Mr. Muir indicated that this was correct. Mr. Canzano asked if the fee reduction for the Vanguard Mid-Cap index would be honored even if the market made assets dip below $100 million. Mr. Muir stated that the fee reduction was generally honored. Mr. Mumma asked if the different share classes were actually different funds. Ms. Kwei confirmed. Mr. Montagna stated that this was the reason a notice to participants was required when the Plan changed share classes.

Referring to Addendum 2, Mr. Kraus stated that the Plan's overall fees were low, however, some funds may have fee increases as a result of the investment menu changes. He asked if the Plan's objective was to consider participants individually or as a collective whole. Mr. Muir stated that in some cases the fees may be higher, but stated that in all cases the Plan is looking to enhance the funds based on performance net of fees. Ms. Kwei stated that there were ways for the Board to share fees across the participant base if this was an objective. She stated that such a process was more manual and had administrative complexities.

Mr. Muir referred back to page 7 of Addendum 1 and stated that a "Revenue Sharing" column had been added as well as a "Net of Revenue Sharing Expense Ratio." Mr. Canzano referred to the "Style" column, and stated that he would rather have the Profile Portfolios called "Risk Based" or "Profile" funds as long as that was in compliance with industry practices. The Board indicated that they agreed.

Mr. Kraus asked if Mercer had considered providing participants with risk adjusted returns. Mr. Muir stated that a Sharpe ratio as well as a reward to risk ratio were provided to the Board at the end of the profile section in the Quarterly Investment Performance Reviews. Mr. Kraus indicated that he believed that it might benefit participants to provide risk adjusted returns to show the differences in risk versus reward between the Plan's funds. Ms. Kwei stated that risk/return graphs were provided on the Great-West Retirement Services (Great-West) fund fact sheets. Mr. Montagna indicated that it may be difficult to educate participants on risk adjusted returns. Mr. Muir stated that he would caution against a change to risk-adjusted returns. Mr. Canzano referred to page 49 in the Vanguard report and stated that the Plan could provide similar information to participants so that they understood each fund's relative risk. Mr. Montagna stated that he could see using a similar chart in a future news article.

7. BOARD REPORT 11-23: CALIFORNIA LARGE DEFINED CONTRIBUTIONS NETWORK

Ms. Gameroz stated that staff recommended that the Board approve funding to send two staff members to attend a meeting of the California Large Defined Contribution Plans Network (CALNET) in San Diego, California, on June 2-3, 2011. She stated that the Board had approved attendance to the last CALNET meeting. **A motion was made by Michael Perez, seconded by Tom Moutes, to approve the necessary funding for two staff members to attend a meeting of the California Large Defined Contribution Plans Network in San Diego, California on June 2-3, 2011. The motion was unanimously adopted.**

8. BOARD REPORT 11-24: DE MINIMIS ACCOUNTS

Ms. Gameroz stated that at the April 20, 2010 Board meeting, the Board requested that staff research the number of de minimis accounts in the Deferred Compensation Plan and consider whether there were any benefits to creating a policy to terminate such accounts. She stated that the rationale for doing this would be to reduce Plan expenses. Ms. Gameroz explained that a de minimis account was one that had less than $5,000 and had not been contributed to in the prior two years. She also explained that a previous in service de minimis account distribution could not have been taken.

Ms. Gameroz indicated that as of December 31, 2010, the Plan had 973 accounts (2% of all Plan accounts) that qualified for de minimis distribution. She stated that the IRS contains two provisions for closing de minimis accounts. Ms. Gameroz indicated that for accounts valued between $1,000 and $5,000 the Plan must establish a rollover Individual Retirement Account (IRA), while this was not necessary for accounts valued at less than $1,000.

Ms. Gameroz stated that staff did not recommend closing accounts over $1,000 since the administrative costs in doing so would negate the savings. She stated that Great-West had indicated that only one other client established rollover IRAs for these funds. She indicated that Great-West was unable to provide specific cost information related to the outside vendor, but was informed that it was more than the current cost of maintaining the accounts. Mr. Mumma asked how the Plan would establish an IRA for someone the Plan did not have contact with. Ms. Gameroz indicated that this was one of the difficulties.

Ms. Gameroz stated that staff also did not recommend closing accounts less than $1000 given the potential that the account was owned by a recent employee who had stopped contributions due to furloughs or other hardships. She stated that such an account could also be owned by a terminated employee who left a balance in the Plan after rolling the majority of the funds to an outside plan/investor. Mr. Mumma asked staff to clarify. Ms. Gameroz stated that a participant can leave a portion of their account balance in the Plan in order to roll their money back into the Plan at a later date should they choose to. Mr. Mumma asked if there was a time limit. Ms. Gameroz indicated that there was not.

Mr. Kraus asked if any of these funds could become unclaimed property. Mr. Montagna stated that this could be the case, and was the case for many accounts in the City of Los Angeles Pension Savings Plan. He stated that there were a couple options for the Plan at that point. He indicated that the Plan could escheat the account value to the State of California unclaimed property accounts. He also indicated that there might be an option where the Plan could take over the assets and maintain a record of previous ownership in case a claim was made for those funds. He stated that staff would need to research this further, however. Mr. Kraus stated that the Plan may want to explore this option since the Plan would have theoretically lost contact with these participants.

Mr. Kraus asked if the Plan was still working on developing a side-car IRA and asked if that would change staff's recommendation on how to handle de minimis accounts. Mr. Montagna indicated that including a side-car IRA in the Plan was becoming less appealing and added that while it may be less costly in some respect to move these de minimis accounts to a side-car IRA, the benefit to the participant would be minimal since they would still have an account with the Plan.

Mr. Moutes asked if there was any language in the Plan Document that would protect the Plan from escheatment. He also asked if there was any requirement for the Plan to escheat assets to the state. Mr. Montagna stated that he was unaware of any legal requirement to do so and indicated that it would need to be reviewed. Mr. Moutes explained that the Los Angeles City Employees' Retirement System (LACERS) was currently in the process of including language to their governing documents that would keep escheatment from occurring within their plan. He stated that their City Attorney had indicated that such action was necessary, at least for California defined benefit plans.

Mr. Mumma indicated that he did not believe it was cost effective to maintain accounts for those participants who have separated from City service and have not had contact with the Plan for a number of years. He stated that the one time set-up cost of an IRA was likely less than the annual account cost borne by participants to keep the funds within the Plan indefinitely. Mr. Montagna indicated that setting up an IRA for those participants was influenced by the issue of who/what entity would hold custody over the assets and asked Lisa Tilley, with Great-West to confirm. Ms. Tilley stated that Wells Fargo, the firm that the Plan would likely use as a custodian, currently does not offer a deemed IRA. She stated that Wells Fargo was currently looking into this.

Mr. Canzano stated that he supported staff's recommendation, however, asked that this topic be addressed at the June CALNET meeting. Mr. Kraus asked if it would be possible to evaluate the Plan's fee structure so that participants paid for their own expenses. Mr. Montagna stated that the potential risk of doing so could be wiping out the account balance of participants with small balances. Ms. Whelan asked if staff had analyzed the demographics of the participants with de minimis accounts. Mr. Montagna stated that staff had not yet completed this analysis, but could do so.

Mr. Cannon asked if the Plan receives notices of death for participants. Ms. Gameroz stated that the Plan was notified through the City's retirement systems, but the Plan did not hire a company for that service. Ms. Bhatia asked how often this information was received by the Plan. Ms. Gameroz stated that the plan received notification monthly. Mr. Mumma asked what the Plan's protocol was once informed of a participant's death. Ms. Gameroz indicated that the Plan would attempt to reach out to the beneficiaries. **A motion was made by Michael Perez, seconded by John Mumma, to receive and file information regarding liquidation of de minimis accounts; the motion was unanimously adopted.**

9. BOARD REPORT 11-25: DEFERRED COMPENSATION PLAN BUDGET STATUS REPORT FOR QUARTER ENDING 09/30/10

Ms. Gameroz stated that staff was recommending reimbursement from the Deferred Compensation Reserve Fund accounts to the Personnel Department for $107,773.09; and City Attorney for $23,402.47. She stated that staff used the final CAP 32 rates for Fiscal Year 2009-2010 since the CAP 33 rates for Fiscal Year 2010-2011 had not yet been released. She further stated that should the final rates differ from the CAP32 rates adjustments would be made in future reports.

Ms. Gameroz noted that a five-year revenue/expense projection was included in the report. She indicated that if the contract extension with Great-West was approved by the City Council, then staff would recommend that the Board refer a review of the revenue and expenses to the Plan Governance and Administrative Issues Committee at that time.

Mr. Kraus asked if the projection would need to be reevaluated in relation to the consulting and custodial account fees. Mr. Montagna stated that the consulting fees for the current contract would be well below the contract ceiling. He also indicated that custodial fees would be minimal. **A motion was made by Sangeeta Bhatia, seconded by Tom Moutes, to receive and file the status report on Deferred Compensation Budget accounts for the quarter ending September 30, 2010.** Referring to the Projected Revenue/Expense chart, Mr. Mumma asked staff to review the “Difference” row. Ms. Gameroz indicated that staff would review this. **The motion was unanimously adopted. A motion was then made by Michael Perez, seconded by John Mumma, to approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for $107,773.09; and City Attorney for $23,402.47 for the period ending September 30, 2010; the motion was unanimously adopted.**

10. BOARD REPORT 11-26: ROTH 457 UPDATE

Ms. Gameroz stated that the implementation date had been pushed to July 1, 2011. She stated that Mercer and staff had completed their Plan Document changes and those were currently with the City Attorney for review. Ms. Gameroz indicated that staff reviewed the work order for the payroll changes before submitting it to the Information Technology Agency (ITA) for production. She also indicated that staff held a meeting with DWP and Great-West on March 22, 2011 to ensure that the new rules and reporting were handled properly.

Mr. Montaga stated that the communications attachment showed all of the communications projects related to implementing Roth. He indicated that a primary communication piece had been drafted and a focus group had been conducted regarding the piece. He stated that the feedback was positive and the document would be brought to the Board at the May 17, 2011 meeting. Mr. Kraus asked if the communications regarding Roth would affect the communications on the new investment menu roll-out. Mr. Montagna stated that the bulk of the Roth communications would happen before the communications regarding the investment menu changes.

Mr. Cannon asked if the Roth conversion would be available for retirees. Ms. Gameroz stated that staff was still reviewing this. Mr. Montagna stated that the Plan was waiting for regulations before implementing this option.

Mr. Canzano asked if all indications were that the Plan would meet the July 1, 2011 implementation date. Ms. Gameroz confirmed and stated that testing would begin in June. Ms. Basquez also added that staff had a contingency plan if the programmers were unable to complete the changes in time. **A motion was made by Richard Kraus, seconded by Clifford Cannon, to receive and file information regarding implementation of a Roth 457 savings option within the Deferred Compensation Plan; the motion was unanimously adopted.**

11. BOARD REPORT 11-27: BOARD ELECTIONS

Ms. Stracke stated that nominating petitions for the LACERS and Fire and Police Pensions representative positions were made available from March 25, 2011 to April 8, 2011. She indicated that candidates were required to obtain at least 100 signatures of Plan participants who were also members of the respective retirement systems. She stated that six candidates returned petitions for the LACERS representative position, one of which did not obtain a sufficient number of signatures. Ms. Stracke stated that the following participants were candidates for the LACERS representative position: Michael Amerian, Eva Bitar, Nam Huynh, Carlos Mejia, and Irene Sae Koo. She also stated that John Mumma was the only candidate for the Fire and Police Pensions representative position.

Ms. Stracke indicated that the final participant rosters would be given to the City Clerk on April 20, 2011 and that the ballots would be mailed out at the end of April. She indicated that the ballots would need to be returned by May 20, 2011 and the results would be finalized by June 3, 2011. **A motion was made by Sangeeta Bhatia, seconded by Richard Kraus, to receive and file information regarding upcoming elections for the Board of Deferred Compensation Administration; the motion was unanimously adopted.**

12. BOARD REPORT 11-28: STAFF REPORT

Ms. Gameroz stated that in March 219 participants visited the Employee Benefits Division and seventeen participants enrolled in Accrued Leave. She indicated that thirty-seven hardship cases were requested with twenty-nine approved, two denied, and six pending further documentation.

Ms. Gameroz indicated that an additional graph was provided showing hardship activity since Great-West began processing claims. She stated that 497 participants obtained a new loan in March. She ended by stating that there was a 5.3% year-over-year reduction in deferrals. **A motion was made by Tom Moutes, seconded by Michael Perez, to receive and file information contained in Board Report 11-28; the motion was unanimously adopted.**

13. ORAL REPORT – LOS ANGELES PUBLIC LIBRARY "LANGUAGE OF MONEY" PROGRAM

Mr. Kraus stated that the Los Angeles Public Library received a grant from the Financial Industry Regulatory Authority (FINRA) and the American Library Association to help create a financial literacy program. He stated that this included three main components: 1) Workshops, 2) Purchase of additional materials, and 3) an Enhanced website regarding financial literacy. He recommended that the Plan include this information on the website. He also extended the offer to the Personnel Department and the City's retirement systems.

14. REQUESTS FOR FUTURE AGENDA ITEMS

None.

15. NEXT MEETING DATE – May 17, 2011

16. ADJOURNMENT

A motion was made by Clifford Cannon, seconded by Michael Perez, to adjourn the meeting; the motion was unanimously adopted. The meeting was adjourned at 12:04 p.m.

Minutes prepared by staff member Ashley Stracke.