CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES
REGULAR MEETING SEPTEMBER 20, 2011 – 9:00 A.M.
700 E. TEMPLE STREET, ROOM 350

BOARD MEMBERS:

Present:
Eugene K. Canzano, Chairperson
John Mumma, Vice-Chairperson
Michael Amerian
Michael Perez
Margaret Whelan

Not Present:
Clifford Cannon, First Provisional Chair
Tom Moutes, Second Provisional Chair
Sangeeta Bhatia, Third Provisional Chair
Bob Schoonover

Staff:

Personnel: David Luther
Alejandrina Basquez
Steven Montagna
Natasha Gameroz
Ashley Stracke

City Attorney: Curtis Kidder

1. CALL TO ORDER

The meeting was called to order at 9:11 a.m.

2. PUBLIC COMMENTS

None.

Mr. Canzano recognized Steven Montagna and staff for successfully representing the City of Los Angeles at the NAGDCA conference. Mr. Canzano particularly commended Mr. Montagna for his presentation on the new Roth option and the steps the City of Los Angeles was taking in communicating this information to current and potential participants. Mr. Perez also commended Mr. Montagna for his responses to questions from the audience. Mr. Amerian also commended Mr. Montagna for making the City of Los Angeles stand out for all of the right reasons.

3. MINUTES

A motion was made by Michael Perez, seconded by John Mumma to approve the August 16, 2011 minutes; the motion was unanimously adopted.

4. QUARTERLY INVESTMENT PERFORMANCE REVIEW

Eileen Kwei with Mercer Investment Consulting provided an overview of Deferred Compensation Plan investments for the second quarter of 2011.

Ms. Kwei indicated that the economic recovery lost steam through the second quarter due to higher unemployment rates, anemic consumer spending, and a sluggish housing market. Ms. Kwei commented that a general survey of economists would indicate a 50% probability of a double dip recession. She referred to the bottom of page one, where the Fed Funds Rate held the rate at the target level of 0-25 basis points. Ms. Kwei stated that interest rates are likely to stay low through at least 2013, and Treasury yields are down through the second quarter, although these yields were expected to rally in the third quarter.

Ms. Kwei discussed domestic equity market performance, stating large-cap stocks continue to remain more stable while small-cap stocks were underperforming compared to mid and large-cap stocks. She stated that health care was the strongest performing sector, followed by consumer staples and utilities; energy and financials had the worst returns.

Ms. Kwei further indicated that international equity market performance outperformed U.S. markets; the MSCI EAFE index gained 1.6%. She stated that the out-performance was due to the strong currency return with depreciation of the U.S. dollar. Ms. Kwei stated that emerging markets underperformed the developing markets, and that she expects the MSCI EAFE index to under perform the U.S. markets in the third quarter.

Ms. Kwei indicated that most funds in the Deferred Compensation Plan continued to deliver relatively strong returns despite the difficult market environment. She stated that from a structural standpoint, large cap funds would be 100% index (beginning 2012), mid cap funds 50% index and 50% active, small cap funds a third passive and two-thirds active, and international funds 100% actively managed.

Ms. Kwei stated that on page 15 under asset allocation, the Plan is still seeing growth at a healthy pace. She said that most of the growth is attributed to new contributions as investment returns for the quarter were actually negative. She indicated that significant assets are in the Plan’s stable value fund and lifecycle risk profile options. Ms. Kwei stated that after the restructuring, large cap stocks would comprise 35% of Plan assets.

Ms. Kwei indicated that due to heightened scrutiny on investment fees, Mercer would continue to monitor the latest trends. She stated that every option in the Plan is competitively priced, with the exception of the international equity index fund (which she indicated would not survive in the new structure), as compared to the median net expense ratio.

Ms. Kwei went on to page 19 to discuss performance summary of the Plan funds. She indicated that the Stable Value Fund accounts for 22% of Plan assets and is managed by Galliard. She made note that the Stable Value Fund has six underlying wrap service providers. She stated that JP Morgan, which provides wrap services for approximately 11% of the stable value fund portfolio, has indicated it will be exiting the wrap service market in about a year to a year and a half. She indicated that Galliard is working to find a replacement.

Ms. Kwei indicated there is a study being conducted by the SEC and CFTC (as a result of the Financial Reform Act) to determine whether wrap services are considered swaps. She indicated that she anticipates the study will be completed after September 2011, as public comments opened only in August 2011. Mr. Mumma asked what the implications of the study could be. Ms. Kwei responded that should wrap services be considered swaps, wrap service fees would likely increase significantly; she speculated 20-25 basis points. She continued by indicating that due to the Financial Reform Act, swap contracts were subject to more stringent and heightened regulations regarding margins, clearing, and trading. She also indicated that in 2008, many wrap providers had exited the industry as large stable value funds had lower market ratios – there were rarely any fees paid, and if there were, only 8-10 basis points. She stated many had to put away reserves to pay amounts outstanding.

Mr. Montagna asked Ms. Kwei for more explanation as to the difference between a wrap and a swap. Ms. Kwei stated that a wrap is an insurance coverage specific to stable value funds guaranteeing book value of the underlying fixed income portfolio. She indicated that the goal is to smooth out the performance pattern and amortize that over a longer time period so that participant experience of the fund performance is not as volatile as the underlying fixed income portfolio. Ms. Kwei stated that a swap is generally traded over the counter. She explained that a swap consists of two parties exchanging interest rates (for instance, swapping out a fixed income rate for a floating rate), which are locked in by contract through an intermediary. Ms. Kwei indicated that swaps are traded over the counter and post the events of 2008, the Financial Reform Act mandated many significant requirements in terms of trading in regards to margins and clearing. Mr. John Mumma asked if swaps were traded on all of the exchanges. Ms. Kwei responded that swaps are traded on most of the exchanges.

Ms. Kwei next discussed the performance of the PIMCO fund, which is managed by Bill Gross. She indicated that this fund continued to trail the Barclays Capital US aggregate index. She stated that Pimco's portfolio was positioned where it significantly underweighted Treasuries, which dragged down performance. Mr. Mumma asked whether the changes in management would affect the performance of the fund. Ms. Kwei expressed confidence in the fund over a long term period but stated that changes in management and potential changes in staffing that might affect investment decisions would be monitored; she stated that she did not expect changes in day-to-day operations.

Ms. Kwei went on to page 21 to discuss domestic equity fund performance. She indicated that American Funds has been on "monitor" status since March 2011. She stated that factors of underperformance were underweight in growth and overweight in energy. She stated that the Board had previously decided to terminate the Lazard US Mid Cap Equity Portfolio and map it to the Vanguard Mid-Cap Index Fund in the beginning of 2012. She stated that Lazard continued to underperform in the second and third quarters due to its overweight to energy and underweight to utilities.

Ms. Kwei turned the Board's attention to page 22 of the report to discuss international equities. She indicated that the Fidelity Diversified International Fund is on monitor status. She indicated factors of underperformance were poor stock selection in energy and healthcare (specifically pharmaceuticals) and 8% exposure to emerging markets. She expressed continued confidence in the ability of the fund manager, Bill Bower (who has managed the fund for the last ten years), and that Fidelity should be considered in the upcoming RFP response evaluations.

Ms. Kwei concluded that in a challenging and changing market environment, while equity markets (domestic and international) are down significantly through the third quarter and year-to-date, most options in the Plan are still holding up well and delivering strong relative performance compared to their respective index and universe medians.

5. BOARD REPORT 11-58: STRATEGIC PLAN – RESOURCES

Mr. Montagna stated that developing a strategic plan for the Deferred Compensation Plan, as per previous Board request, was going to be a very large undertaking. Mr. Montagna stated staff would first like to gain agreement from the Board on the assumption of resources available so that they could better formulate achievable objectives for the program around the resource assumptions.

Mr. Montagna began by discussing the different funds used to pay the Plan's expenses and the City's internal administrative costs, the Administrative Fee Reserve Fund and the Payroll Fee Trust Fund. He stated that the first is the repository for all administrative fees paid by participants. He indicated almost all expenses are paid out of this account. However, he indicated that the Payroll Fee Trust Fund, which was originally set up as a repository for a fifty-cent fee paid by participants to pay for internal administrative expenses, is now used as a pass-through account. He noted that the fifty-cent fee was eliminated by the Board in 2007. Mr. Mumma questioned why certain funds had to be passed through the Payroll Fee Trust Fund. Mr. Montagna indicated that due to City regulations and policies regarding expenditures, expenses such as City travel were paid out of the Payroll Fee Trust Fund.

Mr. Montagna continued on to discuss projecting out a five-year allocation plan. He referenced a table presented via PowerPoint chart so board members could consider different variables and the changes it would result in.

Mr. Montagna had indicated that the Board had previously adopted a target surplus balance of approximately $1.5 million to be maintained over a rolling five-year period.

He indicated that the balances for the reserve funds have been running at approximately $3 million.

Mr. Montagna next discussed the variables from the table. He stated that at the Plan's inception an asset-based fee model was imposed. He indicated that, in 1999, when Great-West became the Plan recordkeeper, this asset-based fee model was retained even though the contractual obligation became a per-participant flat dollar charge. He stated that the Board made this decision in order to ensure that participants with smaller accounts would not have their accounts unduly impacted by the flat dollar charge.

Mr. Montagna discussed the next assumption in regards to the rate of growth for the Plan. He stated the assumption was reduced from 8% to 5%. He indicated that the reduction in the assumption was based on lower rates of return and decreased employee hiring. He further noted that staff anticipated interest rates would remain low in the next couple of years.

Mr. Perez asked what has been the return for the last five years. Mr. Montagna replied that the Plan's growth rates from 2000-2010 was 5.3%, which included contributions and earnings. Mr. Canzano stated that between the interest rate environment and the amount of assets in fixed accounts, it is reasonable to lower the assumption to 5%. He further stated that the Plan may need to increase the assumption if stronger markets returned.

Mr. Perez asked what the industry generally looked at in terms of time frame. Mr. Montagna stated he was unsure if other Plans made these kinds of projections. Ms. Tilley from Great-West Retirement Services indicated that none of their clients engaged in this kind of comprehensive review.

Mr. Montagna next discussed the enrollment adjustment factor. He stated that 1% might be optimistic, but opportunities still existed. He further noted that most recent growth came from new employees.

Mr. Canzano asked if the Plan's participation rate was 70%. Mr. Montagna responded affirmatively. Ms. Whelan asked what LA County's participation rate was. Ms. Archer responded approximately 70% with a match. Mr. Mumma next asked what the national average rate was. Ms. Archer responded that the national average is approximately 30%.

Mr. Montagna reviewed the stable value fund assumption factor. He stated that as long as interest rates remain low, the stable value fund return will gradually fall. He stated that staff was assuming a 3% rate of return.

Mr. Montagna next discussed the assumptions that staff is using for the remaining variables. He stated that staff is recommending increasing the consulting fees by $25,000 over a three-year period due to upcoming procurement processes.

Mr. Montagna stated that hardships are approximately $100,000 on an annual basis. He stated that staff hoped the number of hardships would be reduced, but this would be driven by the economy.

Mr. Montagna next discussed the optional variables mentioned in prior discussion in regards to providing additional resources for training and outside legal counsel. Mr. Mumma asked if the Plan was spending approximately $50,000 for NAGDCA each year. Mr. Montagna responded that NAGDCA was close to $30,000, and that there are some opportunities for additional training. Mr. Mumma asked if the training budget was accumulating. Mr. Montagna responded no but that the Plan could.

Mr. Montagna demonstrated different variables to show Board members the different outcomes. Mr. Perez asked what the rationale was behind using a $125 cap. Mr. Montagna responded that a prior Board was trying to address the issue that participants with higher account balances were subsidizing participants with lower account balances. Mr. Perez asked if any thought had been given to increase that amount based on the size of the participant's account. Mr. Montagna stated this could be done but would be contrary to the prior approach of moving toward flattening the fee structure. He indicated that Great-West's perspective was that the recordkeeping would be the same for a million dollar account as it would be for a small account. Mr. Canzano stated that he would be willing to look at increasing the cap in the future if needed.

Mr. Amerian asked why the Plan needed such a high surplus of 50%. Mr. Montagna responded that it was to protect participants from volatility in fees. He stated that in 2008-2009, had the Plan not had the surplus, the Plan wouldn't have had enough revenue to pay the contractual obligations to Great-West without a fee increase. Mr. Montagna explained that the Plan would have to increase costs to cover those particular years, then lower costs for the years that it wasn't needed.

Mr. Amerian asked why 50%, or six months, of the Plan's annual operating expenses was used in comparison to a lower percentage. Mr. Montagna responded that originally the Board adopted a fixed amount of $1.5 million and staff changed the methodology in this report to calculate 50% of the Plan's operating expenses, which equals approximately six months of payments to Great-West. He stated that if Plan assets were to decline dramatically, the Plan would have six months to strategize and communicate to participants.

Mr. Perez stated that one of the purposes of the exercise was to determine the amount of resources available for the strategic plan. He asked for the thoughts of staff on whether those resources were enough to carry out a successful strategic plan. Mr. Montagna responded that if the Board was comfortable with these assumptions, then staff would come back with recommended objectives appropriate for the available resources.

Mr. Canzano asked whether staffing levels were constant. Mr. Montagna responded affirmatively. Mr. Perez asked why the staffing costs from the first year to the future years grew so significantly. Mr. Montagna responded that this was due to the incumbents in the current positions being below the authorized class. He stated that the assumption was this would remain true for at least the first year, but the outlying years assumed full salary costs.

Following the discussion, a motion was made by Mr. Perez, seconded by Mr. Mumma, to receive and file the report; the motion was unanimously adopted.

6. BOARD REPORT 11-59: PLENARY AUTHORITY

Ashley Stracke stated that Section IX of the Plan Document authorized the Board to amend the Plan Document and that the Administrative Code allowed the Plan to be amended and terminated by the City. Ms. Stracke explained that "the City" was interpreted to mean all offices, bureaus, and departments of the City. However, to address the ambiguity, Ms. Stracke recommended a change to Section IX of the Plan Document (changes in bold): "**Pursuant to section 4.14109 of the Administrative Code, the** Board **has the full authority to act on behalf of the City to** amend the Plan Document at any time, consistent with applicable law and consistent with the governing provisions of the Plan as contained in the City of Los Angeles Administrative Code."

Mr. Perez expressed that amending the language might be construed to mean that the Board is assuming this power and overstepping the Council's control over the Board. Ms. Stracke indicated the language does not provide additional authority and only clarifies that the Board can amend the Plan Document and make changes to the administration of the Plan. Mr. Montagna sought to clarify that the Administrative Code allows the Council to amend the Plan, whereas the Board has the power to amend the Plan Document. He stated that about ten years ago, there were administrative rules that were listed in the Administrative Code that were moved to the Plan Document. He indicated Council, under the Administrative Code, still has the ability to veto and remand Board decisions.

Mr. Perez asked whether the City Attorney had vetted the language for the proposed revision. Mr. Kidder responded that he believed Mr. Montagna had summed it up appropriately, although there could be clearer references to the Plan versus the Plan Document. Mr. Mumma asked for the timeframe in which Council would have to exercise its veto, if it were to be the case. Mr. Kidder responded that under Charter Section 245 there are a certain number of days specified but he would have to verify. He further commented that the Board already possesses broad authority as listed in the Plan Document, but he would prefer to take a look at it.

Ms. Stracke then explained the Accountability Chart, which was intended as an aide to concisely identify the role of various entities involved in the Plan. Mr. Mumma indicated, given the detail, it would take time to review all of the items in the document.

Mr. Perez indicated that he did not see a process line related to budget approval. Mr. Montagna indicated that could be added in. Mr. Canzano indicated it could be added in between #4 and #5 on page 5 of the chart. Ms. Whelan stated that as far as any line items pertaining to budget approval, she would first like some time to research to see if there are any Charter violations as it relates to General Manager authority.

Ms. Basquez indicated that the chart is supposed to be a summary, not a controlling document. She further stated that a clause could be added to the chart that should a discrepancy arise, the authoritative document would prevail. Mr. Canzano asked if the source document could also be referenced. Ms. Stracke indicated that a disclaimer and section references could be added in. Mr. Montagna added that a revised version would be brought to the Board for review and approval. **A motion was made by John Mumma, seconded by Michael Amerian, to amend Section IX of the Plan Document as outlined within the report; the motion was unanimously adopted.**

Ms. Stracke stated that Mercer and staff surveyed 15 large 457 plans. She stated that there was tremendous variation in the way plans are governed, specifically as to what tasks are delegated or overviewed by political or advisory authority.

Ms. Stracke indicated other entities have different advisory authorities, and some are split in the oversight of administration and investments. Mr. Montagna stated that LA County has to get approval from its Board of Supervisors regarding its TPA contract only. Ms. Montagna stated that it is important having a plan that is as protected as possible from potential influence that is not in the interest of plan participants. He further noted that with the City's Board, it is large and diversified in comparison to other Departments and relatively free from political influence. He stated that the Council veto is a modest safety valve and the Board still retains substantial discretion.

Mr. Canzano asked for clarification regarding what motions still needed action. Ms. Stracke indicated Item C was not acted on yet and would need to be brought back. Mr. Canzano then asked for a motion on Item A. **A motion was made by Mr. Amerian, seconded by Mr. Perez, to receive and file information regarding the survey of local and state plan governance structures; the motion was unanimously adopted.**

Mr. Kidder provided a response to an earlier question regarding the Council timeframe to review Board actions. He stated that per Charter Section 245, Council had a five meeting day period and would need a 2/3 vote to review Board action. Mr. Kidder further noted that Council would then have 21 calendar days to review the item and take action and a 2/3 vote to veto, in order to remand to Board.

Mr. Canzano established a break at 10:51 A.M. The meeting reconvened at 11:01 A.M.

7. BOARD REPORT 11-60: DEFERRED COMPENSATION PLAN TRUSTEE – WELLS FARGO

Ms. Stracke stated that the Board had directed staff to draft an amendment to the Great-West Retirement Services contract to include use of its affiliate Wells Fargo to provide passive trustee services for the Deferred Compensation Plan. She further noted that the Board had taken this action in response to a recommendation from staff and its consultant that making the change would institute a best practice for meeting the Federal trust requirement.

Ms. Stracke stated that staff worked with the Office of the City Attorney in developing both the Great-West contract amendment as well as the Wells Fargo Custodial Account Agreement. She also stated that Great-West had indicated that there would be a $2,500 set-up charge and an annual $2,500 fee, which would be withheld from the Deferred Compensation Plan Reserve Fund account.

Ms. Stracke next stated that Great-West had informed staff that in order for the transaction to appear seamless to participants, the transition from Orchard Trust to Wells Fargo should take place on January 3, 2012. **A motion was made by Mr. Perez, seconded by Mr. Amerian, to a) approve the draft amendment to the current contract with Great-West Retirement Services to include use of its affiliate Wells Fargo to provide passive trustee services, b) approve the Wells Fargo Custodial Account Agreement, and c) approve the January 3, 2012 implementation date; the motion was unanimously adopted.**

8. BOARD REPORT 11-61: INVESTMENT MENU IMPLEMENTATION UPDATE/CITY ATTORNEY RESPONSE REGARDING BOARD ROLE RELATIVE TO INVESMENT MENU

Ms. Gameroz stated that the second phase of implementation involved establishing the DCP Mid-Cap, DCP Small-Cap, and DCP International Funds. She further stated that procurements must take place in 2012 for active growth and active value mid-cap managers, active growth and active value small-cap managers, and active developed, active emerging, and active small-cap markets international managers.

Ms. Gameroz next stated that the Board’s Consultant, Mercer Investment Consulting (Mercer) and staff had been working together to develop the first draft RFP for all investment mandates. She further noted that the completed first draft RFP had been sent to the Personnel Department Administrative Services Division (ASD) and Board Counsel for review and that staff would be bringing the RFP to the Board for approval at the October 18, 2011 meeting.

Ms. Gameroz concluded by stating that Ms. Bhatia had asked Board Counsel at the August 16, 2011 meeting for information regarding the Board’s role in the selection and monitoring of investment services. She indicated that Board Counsel’s response was attached to the report.

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

9. BOARD REPORT 11-62: DEFERRED COMPENSATION PLAN BUDGET STATUS REPORT FOR QUARTER ENDING 3/31/11

Ms. Gameroz requested that the Board approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for $135,550.92 and to the City Attorney for $26,026.37. She indicated that CAP 33 rates (which covers FY 10-11) are expected to be released in fourth quarter 2011, so staff had used the previous CAP rates.

Mr. Mumma asked which entity finalizes CAP 32 and CAP 33 rates. Ms. Gameroz stated that these rates are set by the Controller’s Office. Mr. Mumma asked what “CAP” is an abbreviation for and if it is a term that is internal to the City. Ms. Gameroz stated it is an abbreviation for "Cost Allocation Plan”, and represents rates that indicate the City’s indirect compensation costs. Mr. Mumma asked if these numbers are expected to change. Ms. Gameroz indicated that the CAP rates can differ slightly every year, but the long term trajectory for the rate is up.

Mr. Canzano asked for clarification regarding the second line item “Unforeseen Emergency Withdrawal Service” under “Expenditures” on the attachment provided. He questioned whether this was the sum of fees paid on a fixed basis for emergency requests, meaning, are requests still $250 per emergency and would this be a tally of those requests, or 101 incidents. Ms. Gameroz confirmed this was the case and indicated there were quite a few hardships during the time period.

Ms. Gameroz concluded her report and stated that she had omitted the five-year projection as it was provided in a previous report to the Board (Board Report 11-58).

A motion was made by Mr. Mumma, seconded by Mr. Amerian, to approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts of $135,550.92 and $26,026.37 to the Personnel Department and City Attorney, respectively; the motion was unanimously adopted. Mr. Canzano asked for a motion to receive and file the status report as the Board voted only to approve the reimbursements. **A motion was made by Mr. Perez, seconded by Mr. Amerian, to receive and file the report; the motion was unanimously adopted.**

10. BOARD REPORT 11-63: SHARED COMMUNICATION MATERIALS

Mr. Montagna stated that before the NAGDCA conference, one entity had contacted staff regarding using the City's Roth communication materials. He stated that after the conference, approximately 10-12 additional entities inquired about the communication material. Mr. Montagna indicated that it would be practical in the long term to consider combining these types of resources with other entities to create communication materials common to similar plans and provide a higher quality product (such as producing an informational video with the help of several budgets, where an entity could not afford to do so on its own). Mr. Montagna further expressed that the first step the City could take in this endeavor would be to work with other California plans.

Mr. Canzano expressed that he was strongly in support of sharing information, however he would want to ensure that the City would be acknowledged for its work, by way of methods such as printing "courtesy of Los Angeles" on any material as he would consider it an intellectual property.

Mr. Amerian asked if the City had a copyright for any of the Roth communication material, and if not, questioned how these materials could be protected. Mr. Montagna responded that while he was not familiar with copyright law and procedure, he believed there could be an assumed copyright.

Mr. Amerian expressed his concern over potential staff resources that would be diverted away and wanted to ensure that if such an information share would take place, the City and staff would be properly compensated. Ms. Whelan stated that she believed the recommendation should be looked at as an opportunity to create better working relationships with other plan administrators; if the City were to provide this type of information, it could also expect like information and other assistance from other entities. She further stated that if the information share became burdensome on staff and department resources that she would want to consider putting a stop to the practice altogether. Mr. Canzano agreed that he would not want to impede a free flow of information sharing, however indicated again that the City be acknowledged for its work.

Mr. Perez asked what types of risk could be associated with this type of action as he would not want to see the City being held potentially liable for a participant's investment decisions in another plan. Mr. Perez continued by asking what exactly the City would be providing to other entities (the use of the Roth characters, the actual materials the City uses, or just general information). He expressed that he would want to see some sort of waiver of liability and a contract or other document that would specifically address the permissions of use. Mr. Kidder indicated the City Attorney had an attorney with appropriate knowledge of copyright law that could advise.

Ms. Basquez further added that the information sharing should be with other like agencies and not with consultants or other non-governmental agencies. Mr. Amerian questioned whether or not that would mean staff would have to obtain approval for each agency requesting this information. Mr. Canzano responded that the decision would be deferred to staff, with consideration of Ms. Basquez's recommendation.

A motion was made by Mr. Perez, seconded by Mr. Mumma, to share the City's Roth communication materials with other like governmental agencies. Mr. Amerian asked for clarification regarding whether the City would be taking steps to protect itself from liability. Mr. Canzano indicated that counsel would be discussing and clarifying liabilities and permissions. Mr. Kidder asked if the motion included approval to proceed with a copyright if it was warranted. Mr. Canzano summarized that the motion provided staff discretion in determining the necessary steps to carry out the sharing of the communication material, with consideration to the concerns that Board had discussed. He further clarified that should it be outside of that scope, appropriate actions should be brought back to the Board for discussion and/or approval. **The motion was unanimously adopted.**

11. BOARD REPORT 11-64: STAFF REPORT

Ms. Gameroz summarized staff activity for the month of August 2011. She indicated that counter activity had increased slightly in the month of August and Accrued Leave Activity had decreased significantly since July (in number of participants as well as dollar amount), but this was only because July numbers were high due to the number of retirees at the end of June (credited to health-care subsidies).

Ms. Gameroz continued with deferral tracking, and indicated that bi-weekly deferral cash flows had increased 0.71% over the year. Mr. Mumma asked if deferral rates were lower in 2007 and if there was more maxing out at that time. Ms. Gameroz and Mr. Montagna indicated they did not have that data. Mr. Canzano offered that based on his personal knowledge, at some point the deferral rate was higher than it is currently. **A motion was made by Mr. Michael Amerian, seconded by Mr. John Mumma, to receive and file the report; the motion was unanimously adopted.**

13. REQUEST FOR FUTURE AGENDA ITEMS

None.

14. NEXT MEETING DATE – October 18, 2011

15. ADJOURNMENT

Before the Board made a motion to adjourn, Mr. Montagna announced that Ms. Stracke would be transferring to another division within the Personnel Department in order to broaden her experience in the personnel field. He recognized and commended the work she had performed in support of the Deferred Compensation Plan. Mr. Mumma asked if there would be a replacement, and Mr. Montagna indicated that Ms. Esther Chang would be transferred in from another division of Personnel. Ms. Whelan stated that the department tries to rotate staff to cross-train and broaden an employee's experience. Ms. Whelan indicated that Ms. Stracke would soon be handling EEO investigations and training and was one of about nine employees to be rotated within the department. Mr. Mumma expressed concern over the timing of the transfer as staff had just attended the NAGDCA conference; he commented that the training just received would not be fully utilized. Mr. Canzano expressed regret over Ms. Stracke's transfer and commended her work within the division. Mr. Perez also expressed regret and suggested that in the future, interdepartmental transfers and staffing could also be addressed somehow in the strategic plan. Ms. Whelan stated that since Personnel Department staff is mostly general-funded, the department must take steps to enrich employee experience in order to mitigate transfer of talented individuals to proprietary departments. Mr. Montagna concluded by again acknowledging Ms. Stracke and expressing gratitude for her work, with mention to her recent responsibility in revising the Board's bylaws.

A motion was made by Ms. Whelan, seconded by Mr. Mumma, to adjourn the meeting; the motion was unanimously adopted. The meeting was adjourned at 12:10 p.m.

Minutes prepared by staff members Esther Chang and Natasha Gameroz.