

CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

MINUTES
MEETING OF MAY 17, 2005 – 9:00 A.M.
700 E. TEMPLE, ROOM 350

Board Members:

Present:

Shelley Smith, Chairperson
Joya De Foor, Vice-Chairperson
Sgt. Thomas A. Dawson, Ph.D.
Richard Kraus
Betty J. Porter
Javier Romero
Maggie Whelan

Staff:

Personnel: Maryanne Keehn, Personnel
Steven Montagna, Personnel
Francois Verin, Personnel
JoAnn Dominguez, Personnel
Richard Bobb, City Attorney

1. CALL TO ORDER

Joya De Foor, Vice-Chairperson called the meeting to order at 9:10 a.m.

2. PUBLIC COMMENTS

None.

Ms. Smith joined the meeting.

3. EXECUTIVE SESSION - CLOSED
PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a)
GALVIN v. CITY OF LOS ANGELES, CASE NO. BS 093 076
NATIONWIDE RETIREMENT SOLUTIONS, INC. v. CITY OF LOS ANGELES ET AL,
CASE NO BS 093 525

4. INVESTMENT PROVIDER PRESENTATION: GALLIARD CAPITAL MANAGEMENT

Mike Norman, Principal, and Karl Tourville, Managing Partner, of Galliard Capital Management (“Galliard”) were present to review performance information regarding the Galliard Stable Value Fund. Mr. Norman began by reviewing Galliard’s company history, indicating that Galliard specialized in fixed income investment management and had increased assets under management since 1995 from \$1.8 billion to \$18.7 billion currently.

Karl Tourville continued the presentation by discussing the first quarter 2005 fund characteristics and sector distribution, including its cash/equivalents, investment contracts, and security backed contracts. He continued the presentation by discussing current portfolio holdings and recent/historical investment performance.

Sgt. Thomas Dawson asked if Galliard was part of Wells Fargo Bank. Mr. Tourville indicated that Galliard is a wholly owned subsidiary of Wells Fargo Bank. Javier Romero asked how the benchmark was derived. Mr. Tourville explained that the benchmark was comprised fifty percent of 90 day Treasury Bills and fifty percent of the 1-3 year Treasuries Index. Ms. De Foor commented on the credit quality of the underlying portfolios and asked about the minimum credit rating. Mr. Tourville indicated that an “A+” credit rating was the allowed minimum and that the City’s fund holds less than one percent in that credit quality. Shelley Smith thanked both presenters.

5. BOARD REPORT 05-16: PLAN FEATURE REVIEW FOCUS ON DEFERRED COMPENSATION PLAN FEES

Mr. Montagna provided a PowerPoint presentation focusing on plan fees. He began by indicating that there are three different fees charged by the Plan: administrative fees, investment management fees and the fifty-cent payroll fee. Mr. Montagna discussed in detail all three and the Plan services attached to each fee type. Mr. Montagna indicated the relative size of the revenue collected.

Mr. Montagna next discussed how the manner in which administrative fee revenue was collected from participants by the Plan record-keeper was different than the contractual fee obligation for administrative services. He then discussed how investment management fees are taken out of the returns of the Plan’s investment products, but that the Plan’s investment management fees are substantially below average.

He continued the presentation by discussing where the revenue was held, indicating that the Plan Administrative Fee is held with the record-keeper as a reserve account, which is an asset of the Plan and its participants, and that the approximate balance was \$900,000. With respect to the payroll fee, he indicated that surplus amounts are held in a City-administered interest-bearing account, the current balance for which was \$388,000.

Mr. Montagna indicated that staff's next step was to review and project overall expenditures and revenues from a global perspective. He stated that the first objective was to ensure that the Plan's resource needs were being adequately met and then to review options that might be available to address the growth in reserves.

Mr. Kraus asked if staff had determined an appropriate level of reserve for the plan. Mr. Montagna indicated that this was something staff and the Board had not yet resolved. Ms. Whelan asked whether the Plan had dedicated sufficient resources for legal services and advice regarding fiduciary obligations. Mr. Montagna indicated that some other state and local government plans had different means through which legal assistance might be acquired.

The discussion concluded. Ms. Smith indicated the report would be received and filed.

6. REPORT 05-17: TASK FORCE DEVELOPMENT

Mr. Montagna indicated that 154 individuals had submitted applications to participate in the plan's Administrative Issues Task Force and Plan Governance Task Force. He indicated that each of the two task forces would consist of nine members: five active participants, two retired participants, and two task force chairpersons. Mr. Montagna explained the selection process and indicated that a random drawing determined the membership in each task force. He concluded his discussion by indicating that participants selected have not yet been notified and that staff would start the coordination process to determine meeting locations, dates, and times.

Board members indicated that the Administrative Issues Task Force should be the higher priority so that work could begin on the survey project. Richard Kraus asked whether the Board could take some action to ensure that participants in the task force groups would not have to use their own time when attending meetings. Maggie Whelan indicated her belief that the Board did not have the authority to direct an appointing authority on this matter. Ms. Smith indicated that participating on a task force was a voluntary activity, and asked that staff communicate these issues to volunteers before they began participating.

Following this discussion, Ms. Smith received and filed the report.

7. BOARD REPORT 05-18: REQUEST FOR PROPOSAL – NEW TEMPLATE TO RFP FOR INVESTMENT MANAGEMENT SERVICES

Mr. Montagna indicated that staff was working on improving the template for Board Requests for Proposal ("RFPs"), most immediately in reference to the Board's upcoming RFP for Investment Management Services. He indicated that he was working with City Attorney Richard Bobb on this project, and that their focus was on re-organizing the materials for content clarity, user-friendliness and efficiency in submitting and reviewing responses.

Ms. De Foor asked about the issue of the City's Standard Provisions. Mr. Bobb indicated that parts of the City's Standard Provisions may not apply to the Plan because the Plan does not use City funds. He indicated that the Board should have the option to require only some parts of the City's Standard Provisions if it chose. He concluded by informing Board members that he would provide additional information on the City's Standard Provisions at the next Board meeting.

Mr. Kraus asked for clarification of the column titled "When Modified" in the report. Mr. Montagna indicated that the column is used to isolate different RFP segments into groups so that it was clear when these segments might be modified and who would be responsible. As an example, he indicated that language regarding general contract provisions was something that was really the exclusive purview of the City Attorney.

Following the discussion, Ms. Smith indicated that the report would be received and filed.

8. HARDSHIPS

A motion was made by Maggie Whelan, seconded by Betty Porter, approving a full hardship distribution in Case No. 05-11; the motion was unanimously adopted.

9. NEXT MEETING DATE: JUNE 21, 2005

10. ADJOURNMENT

A motion was made by Thomas Dawson, seconded by Maggie Whelan, to adjourn the meeting; the motion was unanimously adopted. The Chairperson adjourned the meeting at 10:34 a.m.

* Minutes prepared by staff member Fernando Campos/Steven Montagna