

CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

PROPOSED MINUTES
REGULAR MEETING APRIL 16, 2013 – 9:00 A.M.
700 E. TEMPLE STREET, ROOM 350

BOARD MEMBERS:

Present:

Eugene K. Canzano, Chairperson
John R. Mumma, Vice-Chairperson
Clifford Cannon, First Provisional Chair
Tom Moutes, Second Provisional Chair
Sangeeta Bhatia, Third Provisional Chair
Margaret Whelan

Not Present:

Michael Amerian
William Raggio
Robert Schoonover

Staff:

Personnel:	Steven Montagna	David Luther
	Natasha Gameroz	Esther Chang

City Attorney: Curtis Kidder

1. CALL TO ORDER

The meeting was called to order at 9:15 a.m.

2. PUBLIC COMMENTS

There were no public comments.

Mr. Canzano announced that Ms. Gameroz would be transferring to another department and expressed his appreciation for her work on the Plan. Mr. Montagna stated staff would be submitting an unfreeze request in order to backfill the Management Analyst position that would be vacated by Ms. Gameroz.

3. MINUTES

A motion was made by Mr. Mumma, seconded by Mr. Moutes, to approve the April 16, 2013 minutes; the motion was unanimously adopted.

4. GREAT-WEST QUARTERLY PLAN REVIEW

Ms. Usha Archer of Great-West started the review of the fourth quarter of 2012. She stated Plan assets continued to grow, with Roth assets increasing 28% quarter-over-quarter. She stated assets in the DCP Large-Cap Fund continued to be the largest, with assets in the Stable Value Fund a close second. She indicated that Plan assets have grown 160% since 1999. She stated that while the number of contributing participants had fallen slightly, there were 827 participants that were enrolled in the Plan last year. She stated that the average bi-weekly deferral amount was up quarter-over-quarter. She indicated that as enrollments slowed, the focus would be shifting to encourage participants to save more.

Ms. Archer stated the Plan's profile portfolios indicated an increase of cash flow quarter-over-quarter. She stated 24% of contributions were going into the profile portfolios. She stated that assets continued to flow out of the DCP Large-Cap Fund, which saw a decrease of \$24 million at quarter end. Mr. Gary Robison stated he had seen many participants transfer money into the Stable Value Fund or the FDIC Savings option due to economic uncertainty.

Ms. Lisa Tilley stated there were a larger number of minimum required distributions processed as it was end of the year. She stated that in 2012, \$64 million was rolled into the Plan, while \$67 million was rolled out of the Plan. She stated this was the closest the Plan has come to netting a positive cash flow compared to previous years. Ms. Archer stated that compared to peers, the Plan was doing remarkably well in this area. She indicated the almost positive cash roll-in was an indication the Plan was greatly attractive to participants. Ms. Tilley stated that of the top ten providers receiving rollover funds, Charles Schwab, Wells Fargo, and Vanguard were regularly on the list. She also indicated that for the first time, Morgan Stanley was part of the top ten providers.

Mr. Robison stated counter activity had dropped a bit in the fourth quarter, likely due to the holidays. He stated the biggest topics in the quarter were retiree loans and DROP, as there had been about 200 police officers who retired around January. He stated the Great-West representatives continued to visit other departments such as DWP and Harbor and were receiving positive feedback.

5. BOARD REPORT 13-13: 2012 DEFERRED COMPENSATION PLAN ANNUAL REPORT

Ms. Gameroz reviewed the 2012 Annual Report for the Deferred Compensation Plan. She stated there was a slight decrease in total participant accounts while assets increased 12.74%. She stated salary deferrals fell by 2.8% in 2012 and the overall return for the Plan was 10.06%. Mr. Canzano requested a revision to page two, as the answer to the first question mentioned tax-deferred contributions but not the Roth option. Ms. Gameroz indicated she would make the change.

A motion was made by Ms. Whelan, seconded by Mr. Mumma, to approve the 2012 Annual Report for the City of Los Angeles Deferred Compensation Plan; the motion was unanimously adopted.

6. BOARD REPORT 13-14: RETIREMENT PROJECTION CALCULATOR AND ROADMAP TO RETIREMENT COMMUNICATIONS TOOLS

Ms. Chang stated staff and Great-West have been working to develop two tools, the retirement projection calculator and a web tool to assist participants in managing their accounts. She stated staff had also chosen a communications theme, entitled "Roadmap to Retirement," which provided many parallels to preparing for retirement. She stated the calculator would provide an employee with a holistic view of the City retirement benefit along with the Deferred Compensation Plan benefit. She indicated staff had received an initial prototype from the programmer, Masterypoint, but needed to work on additional revisions. She stated staff was waiting on estimates for exceptions that had not originally been incorporated, such as employees who have not yet qualified for retirement benefits, early retirement reduction factors, and the addition of LACERS Tier 2. She indicated these revisions should be completed within a month. She indicated that focus groups would be held subsequent to the revisions being implemented, and the calculator would then be tested by Board members and the other retirement systems.

Mr. Mumma asked if Board members could be included in the focus groups to better understand the tool and participant feedback. Mr. Montagna recommended a small number of Board members to observe each focus group to ensure the group would be able to provide unhindered feedback. He stated each focus group was normally about 6-8 participants and that up to two Board members might be best for observation. Mr. Canzano also expressed his interest in observing. Mr. Kidder stated that should a Board or committee quorum be present at a focus group, it may constitute a meeting per the Brown Act. Mr. Cannon asked if there were any advantages for retirees to use this tool. Ms. Chang stated the calculator was geared towards those currently contributing, however, she indicated staff would also be working on a retiree calculator.

Ms. Chang stated that the purpose of the account tune-up tool was to assist participants in providing them with a simple way to maintain their accounts. She indicated staff was working with Great-West to finalize the "Roadmap to Retirement" concept prior to developing the tool. Mr. Canzano asked whether this tool would assist participants in understanding beneficiary rules. Ms. Chang indicated this tool would not, however, she stated that staff would be developing a piece to communicate the rules. Mr. Montagna stated that the rules for beneficiary payment were very complex and it seemed no other plan had implemented an effective communication strategy. He stated staff was in discussion with its Plan consultant and would be working on this communication effort.

Ms. Chang indicated that the go-live date for both tools would be in August or September. She stated these tools would be rolled out along with the new website in

order to leverage an opportunity to re-engage participants. She stated that once these tools were complete, staff would begin to apply this concept to all Plan communication materials.

Ms. Whelan asked when the focus groups for the calculator would be held. Ms. Chang indicated end of May. Ms. Whelan expressed her concern over those who may not be savvy with computer-based tools, with consideration to the City's aging workforce. Ms. Chang stated that she would ensure a cross-section of employees would be included in the focus group.

A motion was made by Mr. Cannon, seconded by Mr. Moutes, to receive and file staff's report; the motion was unanimously adopted.

7. BOARD REPORT 13-15: NAGDCA LEGISLATIVE UPDATE

Mr. Montagna provided an update regarding his recent trip with the NAGDCA Board to speak with key legislators in Washington D.C. to discuss NAGDCA's legislative priorities regarding defined contribution plans. He stated NAGDCA was generally seeking to maintain fundamental benefits of the current regulatory structure, particularly in the face of potential tax reform. He indicated broad tax reform could happen quickly and have the potential to affect public pension plans.

Mr. Montagna stated the Department of Labor and other entities had also expressed interest in the City of Los Angeles Plan retirement calculator and account maintenance web tool, which should provide insight into participant behavior.

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

8. BOARD REPORT 13-16: QUARTERLY BUDGET REVIEW AND REIMBURSEMENTS

Ms. Gameroz stated staff was recommending reimbursement from the Plan Reserve Fund accounts to the Personnel Department for \$125,468.12 and to the City Attorney for \$33,935.46, both for quarter ending December 31, 2012. She stated that the Plan's budget surplus over the next five-year period decreased slightly to a little over \$1 million. She indicated the Plan's budget will be reviewed in additional detail by the Governance Committee when it also revisits the Plan's Strategic Plan this year.

A motion was made by Mr. Mumma, seconded by Mr. Moutes, to receive and file staff's report; the motion was unanimously adopted.

A motion was made by Mr. Moutes, seconded by Mr. Cannon, to approve quarterly reimbursements from the Deferred Compensation Plan Reserve Fund

accounts to the Personnel Department for \$125,468.12 and City Attorney for \$33,935.46 for quarter ending 12/31/12; the motion was unanimously adopted.

9. BOARD REPORT 13-17: QUARTERLY COMMUNICATIONS
ACTIVITY REPORT

Ms. Chang stated staff was working on several projects. She indicated staff was on schedule with the new website layout and Great-West had initiated the actual build of the site. She stated the newsletter was finalized and would shortly be printed and mailed. She stated the non-participant fee disclosure was sent out to three different pilot groups and that staff would hope to have results at the next Board meeting. She also reviewed upcoming projects for the Plan and summarized projects completed in the first quarter of 2013.

A motion was made by Mr. Cannon, seconded by Mr. Mumma, to receive and file staff's report; the motion was unanimously adopted.

10. BOARD REPORT 13-18: CONTRACT STATUS UPDATE

Ms. Chang reviewed the current status of Plan contracts. Mr. Moutes requested additional detail regarding the status of the Mercer contract. Mr. Montagna stated the contract itself was complete but was pending the City approval process, which required approval from the Mayor's Office and the Office of the CAO. Mr. Luther stated there was a delay in getting contracts approved and that he had seen even the critical contracts be delayed four to five months. He stated he would reach out to facilitate the approval of the contract.

A motion was made by Mr. Moutes, seconded by Mr. Cannon, to receive and file staff's report; the motion was unanimously adopted.

11. BOARD REPORT 13-19: STAFF REPORT

Ms. Chang reviewed staff's report for March 2013. She indicated there was a slight increase in accrued leave activity. She also stated a new chart was included to show loan dollars disbursed next to loan dollars paid back into the Plan. She stated deferrals have increased year-over-year.

Mr. Montagna stated that in terms of staffing, the Plan would need to seek an unfreeze of the Management Analyst position that would be vacated by Ms. Gameroz. He indicated the process through which an unfreeze request would need to be approved, via the City's Managed Hiring Committee (MHC), could prove lengthy. He asked the Board if the Chair might provide a letter to the MHC to attempt at expediting the unfreeze request, given the position was crucial to the success of the program and

because the position was also entirely funded by fees. Mr. Moutes also stated that the fiduciary risk of not backfilling the position should also be indicated in the letter. Mr. Canzano agreed and indicated he would also make himself available should he be needed to attend any meeting on behalf of the Board.

A motion was made by Mr. Cannon, seconded by Mr. Moutes, to direct staff to write a letter to the Managed Hiring Committee in order to request approval for the unfreeze; the motion was unanimously adopted.

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

12. REQUESTS FOR FUTURE AGENDA ITEMS

None.

13. NEXT MEETING DATE – MAY 21, 2013

14. ADJOURNMENT

A motion was made by Mr. Cannon, seconded by Ms. Whelan, to adjourn the meeting; the motion was unanimously adopted. *The meeting was adjourned at 10:38 a.m.*