

CITY OF LOS ANGELES  
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES  
REGULAR MEETING OF FEBRUARY 19, 2008 – 9:00 A.M.  
700 E. TEMPLE STREET, ROOM 350

Board Members:

**Present:**

Maggie Whelan, Chairperson  
Eugene K. Canzano  
Michael J. Carter  
Richard Kraus  
Rick Rogers

Staff:

Personnel: Maryanne Keehn, Personnel  
Steven Montagna, Personnel  
Natasha Zuvich, Personnel  
Ashley Stracke, Personnel  
JoAnn Dominguez, Personnel  
Richard Bobb, City Attorney

1. CALL TO ORDER

Maggie Whelan called the meeting to order at 9:05 a.m.

2. PUBLIC COMMENTS

None.

3. MINUTES

Mr. Kraus asked that the proposed minutes be amended to reflect the comment made by Maryanne Keehn regarding hardship processing and Great-West's ability to offer broader experience in addition to improved customer service. **A motion was then made by Mike Carter, seconded by Rick Rogers, to approve the minutes of December 18, 2007, as amended; the motion was unanimously adopted.**

4. HARDSHIP WITHDRAWAL APPEALS

Case No. 08-01

The applicant was present. Natasha Zuvich indicated that the applicant had applied and been approved for a hardship withdrawal by Great-West in an amount of \$11,831, which represented the amount of his mortgage arrearage. She indicated that the applicant's problems resulted from debt accumulation resulting from the applicant's spouse's gambling behaviors. She indicated that staff concurred with Great-West's finding that Internal Revenue

Service regulations did not permit an additional amount. The applicant indicated that he still required funds to pay off his mortgage, and that he had not used the initial distribution towards his mortgage. Mr. Montagna indicated that the real question in this case was whether the Board determined the spouse's gambling to be something unforeseen and beyond his control. Several Board members indicated their belief that the spouse's problems were unforeseen to the applicant. Following this discussion, **a motion was made by Eugene Canzano, seconded by Mike Carter, approving a full withdrawal in Case No. 08-01; the motion carried with four affirmative votes (Canzano, Carter, Rogers and Whelan) and one nay vote (Kraus).**

#### Case No. 08-02

The applicant was present. Ms. Zuvich indicated that the applicant was applying in order to provide payment to his spouse as part of a divorce settlement and to avoid having to liquidate his residence in Jordan. The applicant indicated that his wife was in Jordan, as was the presiding judge for his divorce, and that he had been told that if he did not come up with the settlement amount immediately the property in Jordan, in which his mother presently resided, would be sold. The Board's counsel, Richard Bobb, indicated that typically a community property settlement like this would be handled through a Qualified Domestic Relations Order (QDRO), but that in this case given that the divorce was being handled in another country there was no guarantee that the court would recognize the QDRO process as a means of resolving the settlement issues. As a result, **a motion was made by Eugene Canzano, seconded by Mike Carter, approving a partial withdrawal equal to the amount of the mandated court settlement pending receipt of appropriate documentation; the motion was unanimously approved.**

#### 5. INVESTMENT PROVIDER PRESENTATION: HARTFORD LIFE INSURANCE

Paul Meskiewicz, Managing Director, and Seamus Britt, Client Portfolio Manager, both of Hartford Life Insurance, were present to review investment performance for the Hartford Stock, Advisers and Capital Appreciation Funds. Mr. Meskiewicz began by noting that Hartford and its sub-advisor, Wellington Management, collectively had over \$600 billion in invested assets. He briefly reviewed their internal resources and investment approach, noting in particular that Wellington utilized a unique ownership structure in which employees at the analyst level were permitted to become partners of the firm.

He next indicated that the Hartford family of funds had recently been ranked second for overall 3-year performance and declared one of Barron's top 100 fund managers for the seventh year in a row. He reviewed cash flows for each of the three funds offered in the City's Plan, then turned the presentation over to Mr. Britt.

Mr. Britt indicated that his discussion concerned the Hartford Stock and Advisers Funds, noting that the equity portion of the Advisers Fund was essentially run in the same manner as for the Hartford Stock Fund. He stated that the Stock Fund had experienced some difficulties in the early part of the decade but that in May 2005 management changes were made which resulted in improved performance for periods following those changes. He then discussed the sectors that had added to or detracted from fund performance in 2007 and briefly reviewed how the fund characteristics compared to fund benchmarks.

Mr. Meskiewicz then reviewed the Capital Appreciation Fund, indicating that the Fund was continuing to strongly out-perform its benchmark. He referred the Board to a page in the presentation which demonstrated out-performance over various key periods, including periods encompassing 2007. He indicated that the Fund manager had made a fortunate call approximately three years ago anticipating a rise in commodity demand and the heightened prospects for firms in the Materials industry. He indicated that this bet had begun paying off substantially approximately 18 months ago and was continuing to drive performance. The presentation then concluded.

## 6. BOARD REPORT 08-01: SELF-DIRECTED BROKERAGE OPTION

Mr. Montagna indicated that its report attempted to make transparent the approach and methodology employed by staff to evaluate the two optional Self-Directed Brokerage Option (SDBO) providers available through Great-West. He indicated that staff had assigned relative weighting to each primary category and scored each provider. He then proceeded to review each category for the Board.

With respect to the highest-weighted category, Participant Services, Mr. Montagna indicated that the primary evaluation centered on the websites of the respective providers. He stated that Charles Schwab was scored higher because it was found to be more user-friendly and to offer a number of educational and informational tools which provided added value to Plan participants.

Mr. Montagna next reviewed the Fees category. He stated that neither provider was given a relative advantage over the other because for the most likely transactions there was no real difference in cost. He noted that fees for trading of individual stocks were less expensive with Schwab than with TD Ameritrade. Mr. Montagna indicated that the Schwab platform, because it was much more state-of-the-art and user-friendly, would likely increase participant appetite for trading individual stocks and bonds. Corina Lee, Director with the Los Angeles Protective League, was present and indicated that many of her membership, particularly those participating in the DROP program, were interested in having the ability to trade individual stocks in the brokerage window. She noted that a large group would be retiring soon and she requested that the Board consider acting on this issue as quickly as possible.

With respect to fund choices, Mr. Montagna indicated that TD Ameritrade had a larger fund list and thus was scored higher, but that in reality the expanded fund list offered by Schwab should provide ample choices for participants. Mr. Kraus asked if major fund families were represented in the brokerage window as well, or if the Board had any reason to be concerned that certain major fund families would not be available. Usha Archer of Great-West Retirement Services replied that a review of the funds utilized by Plan participants within OptionsPlus indicated that most of the choices available under OptionsPlus would also be available under either Schwab or TD Ameritrade. Mr. Kraus asked if funds in the current core menu would be available in Schwab. Mr. Montagna indicated that institutional funds would not. Ms. Archer indicated that she expected all the mutual funds would be available.

Mr. Rogers asked about the timing of the transition. Rick Kramer of Great-West Retirement Services was present and indicated that he expected the transition could occur by mid-year. Mr. Kraus asked how funds would be defaulted if a fund offered in OptionsPlus was not

available under Schwab. Ms. Archer indicated that funds would most likely default to a money market account, but that these details would be addressed in the transition plan.

Following this discussion, **a motion was made by Rick Rogers, seconded by Mike Carter, (a) approving Charles Schwab as the new provider for the City's Self-Directed Brokerage Option (SDBO), replacing First Trust/OptionsPlus; and (b) directing staff to develop a transition plan and draft communication to all current OptionsPlus participants regarding this change for consideration at the next Board meeting; the motion was unanimously adopted.**

#### 7. BOARD REPORT 08-02: INVESTMENTS SURVEY

Mr. Montagna indicated that staff and the Investments Committee were recommending adoption of a draft investments survey. He stated that the Committee had met several times to develop and refine the survey, and as a final step had tested the draft with a focus group and made final adjustments. He stated that the Committee believed it was important to focus on the investment issues being contemplated by the Board in terms of menu consolidation and funds branded by asset class, to be as clear as possible in discussing what those might mean, and to keep the survey brief given that the subject matter tended to be complex. He stated that the Committee and staff believed that all of those objectives had been met.

Ms. Whelan asked if, given the Council request for a Socially Responsible Fund, it would be wise to add a question regarding whether participants were interested in such a fund being added to the Plan. She indicated that this could be a way to demonstrate the responsiveness of the Board. Mr. Rogers expressed his concerns that adding such a question might distract from the survey's core objective. Other Board members expressed their view that the survey could be maintained as written. Following this discussion, **a motion was made by Eugene Canzano, seconded by Mike Carter, approving the proposed survey; the motion was unanimously adopted.**

#### 8. BOARD REPORT 08-03: SOCIALLY RESPONSIBLE INVESTMENT FUND

Mr. Montagna indicated that staff was looking for direction from the Board with respect to how to respond to the City Council. Mr. Kraus asked if socially responsible funds were available in the brokerage window. Mr. Montagna responded affirmatively. Board members discussed the fact that the new brokerage window might provide Plan participants with a wider menu of such funds to choose from than was presently offered in the Plan through OptionsPlus. Mr. Carter expressed his concern about adding this fund category to the Plan's core investment menu when participants historically had not shown interest in it. Mr. Kraus asked if the matter could be referred to the Investments Committee as part of its menu redesign deliberations. Staff was requested to draft a response to the City Council which would indicate the Board's interest in expanding the socially responsible choices available to Plan participants with the new brokerage window and the ongoing study of the issue by the Board through its Investments Committee.

## 9. BOARD REPORT 08-04: BUDGET STATUS REPORT/REIMBURSEMENTS

Mr. Montagna and Ms. Zuvich presented this report. Mr. Montagna indicated that projected surplus amounts were little changed from the prior quarter's projections. Mr. Kraus asked why the Personnel Department's reimbursement amount had fallen from the previous quarter, and Ms. Zuvich replied this was because of the temporary vacancy in one of the Management Assistant positions. Following this review, **a motion was made by Mike Carter, seconded by Richard Kraus, approving reimbursements for the quarter ending 12/31/07 from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for \$109,350.31; City Attorney for \$23,921.78; and DWP for \$2,706.66; the motion was unanimously adopted.**

## 10. BOARD REPORT 08-05: STAFF REPORT

Ms. Zuvich indicated that Ashley Stracke had joined the Plan staff, having graduated from the University of Southern California with a degree in Business Administration. Board members welcomed her to the program.

Ms. Zuvich reviewed the hardship statistics for the month of January. Ms. Whelan asked if future charts could include actual numbers in addition to percentages, and Ms. Zuvich indicated they could. Board members indicated that the reporting on hardship activity could continue to be placed in monthly staff reports.

## 11. REQUEST FOR AGENDA ITEM: RICHARD KRAUS RE BOARD MEMBER EDUCATIONAL OPPORTUNITIES

Mr. Kraus indicated that he had requested this agenda item as a result of considering an opportunity to attend a conference for which his union was limited by ethics rules with respect to the amount that it could fund. Ms. Whelan asked why this was the case, and Mr. Kraus indicated his understanding that it was a result of gift limits. Mr. Kraus indicated that he had already made a decision not to attend the conference because of timing issues, but that he thought the Board should consider establishing a budget for educational opportunities outside of NAGDCA. Other Board members indicated that the retirement plans typically established budgets as well as approved lists of conferences and other educational opportunities for their members, and that the Deferred Compensation Plan could do this as well. Staff was requested to return with a report regarding this matter at a future meeting.

## 12. REQUESTS FOR FUTURE AGENDA ITEMS

## 13. NEXT MEETING DATE – MARCH 18, 2008

## 14. ADJOURNMENT

The meeting adjourned at 11:20 a.m.

Minutes prepared by staff member Steven Montagna.