

CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES
REGULAR MEETING OF MARCH 20, 2007 – 9:00 A.M.
700 E. TEMPLE STREET, ROOM 350

Board Members:

Present:

Maggie Whelan, Chairperson
Eugene K. Canzano
Joya C. De Foor
Richard Kraus

Staff:

Personnel: Maryanne Keehn, Personnel
Steven Montagna, Personnel
Bryan Cowitz, Personnel
Natasha Zuvich, 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

Richard Kraus noted a correction to the date of the discussion of the approved minutes from the prior meeting. **A motion was then made by Richard Kraus, seconded by Eugene Canzano, to approve the minutes of February 20, 2007; the motion was unanimously adopted.**

4. BOARD REPORT 07-05: ELECTION PROCEDURES/PLAN GOVERNANCE

Steven Montagna indicated that staff had drafted election procedures based on procedures currently in place for the Los Angeles City Employees Retirement System and Police & Fire Pensions. Mr. Montagna indicated that the procedures were largely focused on how the City Clerk would conduct its process.

Mr. Montagna indicated that the staff report further addressed the Board's request from the prior meeting to have members of the Administrative Issues Task Force present to attend this meeting. He indicated that scheduling conflicts prevented any of those individuals from

attending, and that in the interest of moving the item along staff proposed that the Board direct staff to reconvene the Task Force and ask them to study the issue of the Pensions representative and then report back to the Board. He noted that this would ensure that all members of the Task Force would have an opportunity to weigh in on the issue.

With respect to the issue of the Pensions representative, Mr. Kraus questioned whether the Board's consideration of the Pensions representative issue would have any effect on the timing of other proposed Board governance changes. Mr. Montagna indicated that it would not, as all those other changes had been approved by the City Council. Ms. Whelan indicated that constituent groups that might have an interest in this issue should be made aware of the Task Force consideration of it. She suggested that labor organizations as well as the Pensions Board be made aware.

Following this discussion, a motion was made by Eugene Canzano, seconded by Richard Kraus, to adopt the proposed Election Procedures for the Board of Deferred Compensation Administration, and to further direct staff to reconvene the Administrative Issues Task Force to re-examine the issue of the Board's Pensions representative; the motion was unanimously adopted.

5. BOARD REPORT 07-06: COMMUNICATIONS & NEW PLAN FEATURES INITIATIVE

Mr. Montagna indicated that staff had placed a recent emphasis on communications excellence for the Deferred Compensation Plan. He stated that this initiative included all aspects of communication for the Plan, including Plan literature, presentations, written and verbal communication with Plan participants, and internal communications. He indicated that a working project for both Great-West as well as Personnel Department Plan staff involved having each individual review a specific communications document or function and develop ways that it could be improved. He stated that the results of this project would be presented to the Board at a future meeting.

Mr. Montagna then indicated that as part of this communications effort staff had been working closely with Great-West to develop new communication materials that would freshly engage Plan participants. Michael Beindorff of Great-West Retirement Services was present to present the initial draft of the new theme. He stated that the theme was centered around Los Angeles' association with the film industry and would be entitled the "Premiere" City of Los Angeles Deferred Compensation Plan. He indicated that the central concept involved encouraging participants and City employees to see the Deferred Compensation Plan within the larger context of their future retirement plans. He indicated that a director icon would be used to guide participants through various aspects of the Plan.

Mr. Montagna noted that the materials prepared at this stage were intended to provide the Board with an outline of the broad theme, but that much work still remained with respect to integrating the theme into all of the Plan's communication materials, including the website. Ms. De Foor asked if the use of these materials would make the website more challenging to navigate. Usha Archer of Great-West Retirement Services replied that there should not be any difference with respect to the speed of the website with this theme vs. the theme currently in use.

Mr. Montagna indicated that staff's proposal was to take the balance of the calendar year to build the theme into all Plan communications and present the new theme to participants as a complete package, rather than offering it piece-meal. He further indicated that staff's recommendation was that the Board take the balance of the year to move forward on a number of potential new Plan design initiatives which might be instituted at the same time, offering the effect of "re-introducing" the Plan and its new benefits to City employees around the beginning of 2008. He reviewed some of these potential enhancements, including retiree loans, improvements to the Plan's brokerage window, changes to the Plan's investment menu, addition of a "Sidecar" IRA to the Plan and studying the issue of offering financial guidance services.

Following this discussion, **a motion was made by Eugene Canzano, seconded by Joya De Foor, (a) approving development/implementation of new communication materials for the Deferred Compensation Plan; (b) directing staff and the Plan Administrator to work together to develop functionality/procedures for implementing retiree loans; (c) referring study of the potential for offering a "Sidecar" IRA to the Plan Investments Committee; and (d) referring study of the potential for offering financial guidance services to the Plan Administrative Issues & Plan Governance Committee; the motion was unanimously adopted.**

6. BOARD REPORT 07-07/07-11: FEE REDUCTIONS/BUDGET STATUS REPORT & REIMBURSEMENTS FOR QUARTER ENDING 12/31/06

Mr. Montagna presented a recommendation from the Plan Governance & Administrative Issues Committee for reducing Plan fees. He began by describing the savings to be realized under the new Great-West contract, which equaled approximately \$1.4 million, or 17%, annually. He noted that absent a fee reduction the surplus in the Plan's revenue accounts would grow to approximately \$3.2 million by the end of 2007.

He then described the equity issues considered by the Committee, including the fact that participants with larger account balances paid a much larger share of Plan fees, and the fact that participants who were no longer contributing did not pay any of the Plan's payroll fees. He summarized the Committee's recommendations that the payroll fee be eliminated, that administrative fees be capped at \$100,000 and \$100, that the asset-based fee be reduced across-the-board to 10 basis points, and that the Plan target a surplus reserve of approximately \$1.25 to \$1.50 million.

Regarding the assumptions used in the Committee's calculations, Mr. Montagna indicated that the key variable was the rate at which Plan assets would grow. He presented data showing that since 2000 the Plan's growth rate had averaged approximately 8%, and that the Committee felt comfortable using this rate as its assumption over the next five years.

Ms. Whelan asked if the City's full staffing costs were presently being reimbursed. Mr. Montagna replied that they were being reimbursed using formulas previously approved by the City Council. Ms. Whelan indicated her interest in identifying, and potentially reimbursing, staffing costs to the maximum extent possible. Mr. Montagna indicated that doing this could potentially significantly affect the assumptions used by the Committee. Ms. Whelan indicated that she believed it was appropriate to investigate this given the general formal intent of the City to have the Plan be fully self-sustaining. As a result, **a motion was made by Richard**

Kraus, seconded by Eugene Canzano, referring the fee reduction proposal back to the Plan Governance & Administrative Issues Committee with the request that they determine the impact of fuller reimbursement to the City for the Plan's salary and related costs; the motion was unanimously adopted.

The Board then took action on Board Report 07-11 concerning reimbursement to the Personnel Department for its administrative expenses. **A motion was made by Eugene Canzano, seconded by Joya De Foor, approving reimbursement from the Deferred Compensation Plan Trust Fund #896 to the Personnel Department for \$63,321.53 for the quarter ending 12/31/06; the motion was unanimously adopted.**

7. BOARD REPORT 07-08: INVESTMENT MENU DESIGN CHANGES

Mr. Montagna indicated that he was providing an update to the Board on behalf of the Plan's Investments Committee regarding the work they had been doing on potential improvements to the Plan's investment menu. Mr. Montagna indicated that as a result of their hard work, the Committee had identified a range of key issues to be resolved and believed that it made more sense to consider these issues at the full Board level so that all the Board members would have the benefit of the information. He indicated that the first issue scheduled for review concerned the Plan's brokerage window, since the question of what could be made available in the brokerage window might affect potential changes to the core investment menu. He stated that this presentation was tentatively scheduled for the Board's April meeting, and additional issues would be presented at subsequent meetings. Mr. Kraus indicated he wanted to acknowledge the hard work of the consultant and staff in assisting the Committee. The report was noted as having been received and filed.

8. BOARD REPORT 07-09: DEFERRED COMPENSATION PLAN 2006 ANNUAL REPORT/GREAT-WEST QUARTERLY REPORT

Mr. Montagna presented the Plan's 2006 Annual Report. He indicated that since much of the data included in the Great-West report for the quarter ending 12/31/06 was redundant of data provided in the Annual Report, staff and Great-West would not review all of the data exhaustively but rather respond to specific questions from Board members.

Mr. Kraus asked for some minor modifications to the Annual Report, to be made in the 2006 version if practical or addressed in future reports. Following this discussion, **a motion was made by Richard Kraus, seconded by Eugene Canzano, approving the 2006 Annual Report; the motion was unanimously adopted.**

9. BOARD REPORT 07-10: STAFF REPORT

Mr. Montagna presented the updates in the monthly staff report. Following some brief discussion, the report was noted as having been received and filed.

10. HARDSHIP APPLICATIONS

The Board first considered those hardship applications recommended for approval. Mr. Kraus indicated he had questions on Case No. 07-13. **A motion was made by Eugene Canzano, seconded by Richard, Kraus, to approve a partial withdrawal of \$7,500 in**

Case No. 07-16; the motion was unanimously adopted. Following some questions from Mr. Kraus regarding the appropriate approval amount in Case No. 07-13, a **motion was made by Richard Kraus, seconded by Joya De Foor, to approve a partial withdrawal of \$10,305 (net) in Case No. 07-13; the motion was unanimously adopted.**

The Board next considered Case No. 07-14. The applicant was not present. Following a brief discussion, **a motion was made by Joya De Foor, seconded by Eugene Canzano, to deny the hardship application in Case No. 07-14; the motion was unanimously adopted.**

The Board next considered Case No. 07-15. Staff indicated that the applicant had been present earlier but had left the meeting. Board members asked Richard Bobb if the Board could reconsider the item if the applicant wished to have it heard at a later date. Mr. Bobb indicated they could do so if that provision was made part of the motion. **A motion was then made by Eugene Canzano, seconded by Joya De Foor, to deny the hardship application in Case No. 07-15, without prejudice to the applicant having the matter reconsidered at a later date; the motion was unanimously adopted.**

11. REQUESTS FOR FUTURE AGENDA ITEMS

None.

12. NEXT MEETING DATE – April 17, 2007

13. ADJOURNMENT

The meeting adjourned at 10:21 a.m.

* Minutes prepared by staff member Steven Montagna