

CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

PROPOSED MINUTES
REGULAR MEETING OF APRIL 15, 2008 – 9:00 A.M.
200 N. SPRING STREET, ROOM

Board Members:

Present:

Maggie Whelan, Chairperson
Bill Stein, Vice-Chairperson
Eugene K. Canzano
Michael J. Carter
Richard Kraus
Rick Rogers

Staff:

Personnel: Steven Montagna, Personnel
JoAnn Dominguez, Personnel
Richard Bobb, City Attorney
Vicky Williams, City Attorney

1. CALL TO ORDER

Maggie Whelan called the meeting to order at 9:08 a.m.

2. PUBLIC COMMENTS

None.

3. MINUTES

Mr. Kraus noted a correction on page 3 to the discussion regarding fund managers adhering to objectives established in investment management Requests for Proposal. Mr. Canzano noted a titling correction on page 3 as well. **A motion was then made by Richard Kraus, seconded by Eugene Canzano, to approve the minutes of March 18, 2008, as amended; the motion was unanimously adopted.**

4. INVESTMENT PROVIDER PRESENTATION: FIDELITY INVESTMENTS

Matt Loynachan, Vice President, and Brent Hartman, Vice President, both of Fidelity Investments, were present to review performance information for the Fidelity Magellan Fund and Fidelity Diversified International Fund. Mr. Loynachan began by indicating that although the report contained figures as of 12/31/07 he was distributing updated data for the quarter ending 3/31/08.

Mr. Loynachan indicated that the Fidelity Magellan Fund had performed well through 12/31/07. He reviewed some of the factors behind recent market events which had contributed to the

Fund's out-performance. He noted that large company stocks had outperformed small company stocks in 2007 and stated that this represented reversal of a seven year trend. He reviewed some of the data included in the presentation booklet, noting in particular the 23% difference between performance of large-company growth stocks and small company value stocks.

He next indicated that the Magellan Fund had ranked in the top 26% of all funds over a one-year period. Mr. Canzano asked Mr. Loynachan to clarify the meaning of one of the housing charts in the presentation booklet. Mr. Loynachan replied that this chart was an index of price changes in ten metropolitan areas over the past year.

Mr. Loynachan next reviewed the Fidelity Diversified International Fund. He stated that the Fund had benefited from exposure to emerging markets, currently at 15%, as well as having added performance through stock selection. He indicated that the fund manager had strong exposure to industrials which included companies in the solar power industry, and was under-weight in financial stocks. He stated that detractors to performance included holdings in the French market, Italian auto-makers, and stock selection in Japan, even though the Fund had been under-weight in Japan.

Mr. Hartman indicated that the Fund had also benefited from favorable currency exchange rates because it did not hedge its currency exposure. He added that Fidelity provided rebates of a portion of its investment management fees totaling 25 basis points, and that all fees had been reported net of the expense ratio but not net of the rebates. Mr. Kraus noted that the Diversified International Fund had exhibited some slippage lately in its performance numbers and asked Mr. Loynachan to comment. Mr. Loynachan replied that this could be attributed to short-term fluctuations and he believed that the Fund was well-positioned going forward.

The presentation then concluded.

5. BOARD REPORT 08-12: TRAINING/EDUCATION & PLAN BUDGET ACCOUNTS

Mr. Montagna indicated that the Board had recently requested that staff review the Plan's budget accounts and develop a recommendation with respect to expanding training and educational opportunities available to Board members and staff. He stated that staff began by reviewing what had been spent in prior years on NAGDCA conference expenses and then used that as a baseline for developing a recommendation. He indicated that staff's recommendation was for an increase in the total annual budgeted amount to \$50,000, representing an approximate doubling over prior year actual NAGDCA expenditures. He indicated that in prior years actual expenditures generally came in much lower than budgeted amounts because typically all individuals eligible to attend the conference did not end up attending.

Mr. Stein asked if the pension/retirement Board members could discuss the training opportunities provided by their respective boards. Mr. Canzano indicated that DWP Retirement did not have a formal written policy but informally members typically attended 2-3 trainings per year. Mr. Carter indicated that Pensions also did not have a formal policy but off-site training opportunities were provided. Mr. Rogers stated that LACERS did provide a structured training program, produced in-house, for new Board members. He stated that the training took place over 1.5 days and was taught by in-house staff and the consultant. He indicated that fiduciary training was also provided separately.

Mr. Montagna asked if there was an interest in developing a similar in-house training module for new Board members who would be arriving in July. Mr. Kraus indicated that he believed this was an excellent idea and that current Board members might want to attend as well. Mr. Stein indicated that the training could include presentations from staff, the consultant and Great-West.

Mr. Kraus asked if the expanded training budget also applied to staff, and Mr. Montagna indicated yes. Mr. Stein asked if there would be any resistance on training approvals from the Mayor's Office. Ms. Whelan indicated that she did not expect approvals would ultimately be denied, but that the process might take longer than typical to work through.

Following this discussion, **a motion was made by Richard Kraus, seconded by Bill Stein, to (a) approve an increase in the annual budgeted amount for training/education for Board members/staff to \$50,000 annually (adjusted for inflation); and (b) approve increases in appropriation amounts for Plan accounts as identified in staff report 08-12, and authorize staff to make expenditures from these accounts as needed to fund miscellaneous and incidental costs allocable to these accounts; the motion was unanimously adopted.**

6. BOARD REPORT 08-13: TRANSITION OF SELF-DIRECTED BROKERAGE OPTION

Mr. Montagna indicated that this report provided an update on the transition from Fiserv to Charles Schwab. He stated that Great-West would review the timeline with the Board, but staff wished to note that after consulting with Great-West and the City Attorney it appeared authority would be required for the Board Chairperson to execute an amendment to the Great-West contract to make the change in SDBO providers.

The Board elected to first address the contract amendment issue before proceeding to discuss the timeline. **A motion was then made by Bill Stein, seconded by Eugene Canzano, authorizing the Board Chairperson to execute an amendment to the Plan's contract with Great-West Retirement Services to offer Charles Schwab as the new SDBO provider; the motion was unanimously adopted.**

Mr. Kramer then reviewed the timeline. He indicated that the first notification to participants regarding the change in providers would accompany issuance of quarterly statements around 4/28/08. He stated that subsequently more detailed correspondence would be provided to all OptionsPlus participants on 5/9/08, and that this would also be the last day for participants to establish new accounts with OptionsPlus.

He indicated that Schwab would load participant account data on 5/30/08 and would also on this date mail Welcome Kits to participants indicating what would be required for them to go online and set up their Schwab accounts. He indicated that the blackout, or quiet period, would begin on 6/20/08 and would last approximately 4-6 weeks, concluding hopefully around the week of 8/4/08. He stated that this was not a firm date because of the manual re-registration process required for participant fund holdings. Mr. Montagna indicated that participants would be able to trade funds in their Schwab accounts as soon as their holdings were re-registered, meaning that for many individuals their ability to trade could begin well in advance of the 8/4/08 target completion date.

Mr. Canzano asked if there would be any period where participant funds would be out of the market. Mr. Kramer replied that the only funds that would be taken out of the market were the

relatively small number of funds not offered by Schwab – those funds would be placed into the Washington Mutual account, and participants would receive prior notice of this.

7. BOARD REPORT 08-14: BOARD ELECTIONS

Mr. Montagna indicated that staff was providing another elections progress report. He stated that the process was proceeding smoothly, and that beginning on 4/18/08 individuals interested in running for the positions would be able to pick up nominating petitions. Mr. Canzano asked where participants would go for the petitions, and Mr. Montagna indicated it was the Employee Benefits Division office.

Mr. Montagna indicated that participants might experience some confusion because the LACERS Board election was occurring at the same time as the Board of Deferred Compensation Administration election. He indicated that he had received positive participant feedback regarding the Plan having issued advance notice of the election via the special mailing. Mr. Kraus asked that prospective candidates be advised that serving on the Board would be on City time.

8. BOARD REPORT 08-15: STAFF REPORT

Mr. Montagna indicated that Natasha Zuvich had accepted a promotion with the Department of Pensions, and that the Department had tried to provide an opportunity for promotion within the program but had not been successful in securing approval from the Mayor/CAO in time. Mr. Stein asked why this special-funded position would be frozen, and Ms. Whelan replied that the Mayor's Office was actually looking for special-funded vacancies in the event of layoffs, so that individuals could be placed, although she noted that approval for the unfreeze had been received but only after Ms. Zuvich had accepted the Pensions position. There was some further general discussion among Board members regarding layoffs, the potential effects of displacing employees, and vacancies in Pensions and DWP. Mr. Stein indicated that it was unfortunate that the Board could not retain a highly qualified individual when the program was fully funded by participant fees.

Mr. Montagna noted that in the future staff would be providing more assistance in maintaining materials for annual ethic statement filings. Mr. Kraus asked if the hardship activity reports could include the reasons for denial, and Mr. Montagna indicated he would look into this.

9. REQUESTS FOR FUTURE AGENDA ITEMS

None.

10. NEXT MEETING DATE – MAY 20, 2008

15. ADJOURNMENT

The meeting adjourned at 10:23 a.m.

Minutes prepared by staff member Steven Montagna.