

CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES
REGULAR MEETING OF APRIL 17, 2007 – 9:00 A.M.
700 E. TEMPLE STREET, ROOM 350

Board Members:

Present:

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

Staff:

Personnel: Maryanne Keehn, Personnel
Steven Montagna, Personnel
Bryan Cowitz, Personnel
Natasha Zuvich, Personnel
Richard Bobb, City Attorney

1. CALL TO ORDER

Maggie Whelan called the meeting to order at 9:07 a.m.

2. PUBLIC COMMENTS

Cliff Ruff of the Los Angeles Police Protective League was present and indicated he had comments regarding Agenda Item #7, but that he would wait until that item was considered to address them.

3. MINUTES

Richard Kraus noted two corrections to the minutes involving a question regarding the timing of plan governance changes and acknowledging staff and consultant support of the Investments Committee. **A motion was then made by Richard Kraus, seconded by Bill Stein, to approve the minutes of March 20, 2007, as amended; the motion was unanimously adopted.**

4. INVESTMENT PROVIDER PRESENTATION: VANGUARD

Steven Montagna indicated that the Vanguard representative scheduled to appear was not able to attend due to storms on the East Coast. He stated that the presentation would need to be rescheduled for a future date.

5. BOARD REPORT 07-11: QUARTERLY FUND PERFORMANCE REVIEW

Terry Dennison of Mercer Investment Consulting was present to review investment fund performance returns for the periods ending 12/31/06. Mr. Dennison reviewed each of the funds on either Monitor or Watch status. He began with the Hartford Advisers Fund, indicating that the Fund was showing early signs of improved performance in the most recent quarter and that Mercer would be looking for that trend to continue before removing it from Monitor status. With respect to the Fidelity Magellan Fund, Mr. Dennison indicated that the Fund continued to under-perform and that its three and five year performance numbers were so weak it was unlikely to be able to turn things around quickly enough to avoid a recommendation to terminate.

Regarding the Hartford Stock Fund, Mr. Dennison indicated that the most recent quarterly performance numbers had been strong and suggested the Fund may be able to improve upon performance. However, he stated that the Investment Company of America, also on Monitor status, had not shown strength in the most recent quarter and could slip onto the Watch list soon. With respect to the Lotsoff Small Cap Equity Fund, Mr. Dennison stated that this Fund was in a position similar to Fidelity, where its performance had been so weak that it was unlikely to be able to have much impact on its three and five year numbers over the next two quarters.

Mr. Carter asked if the Board could take action immediately to eliminate the two funds on Watch status. Mr. Montagna indicated that the Board's policy permitted action after a minimum of two quarters. He stated that eliminating the Magellan Fund was not particularly problematic because of the Plan's redundancy of large-cap options, but that the Lotsoff Fund might present more challenges because the Plan had only one other small-cap option, and it was passively managed.

Mr. Kraus indicated that he believed the Board should proceed cautiously because it was in the midst of contemplating broad changes to the investment menu. Ms. Whelan asked how long that process would take to complete and Mr. Montagna indicated it could easily take the balance of 2006 if not longer. He stated that if the Board wanted a recommendation for dealing with the Magellan and Lotsoff funds staff could prepare one for the next Board meeting and at the same time move up the discussion of fund consolidation and Plan-branding of funds, which was the key issue related to fund removal.

Mr. Bobb indicated that Board members invested in either of the two subject funds might not be eligible to vote on their removal because of ethics rules. Mr. Canzano and Mr. Kraus indicated several preferred minor changes to the layout of Mercer's presentation booklet. Following this discussion, **a motion was made by Rick Rogers, seconded by Mike Carter, requesting that staff return with a recommendation for eliminating the Fidelity Magellan Fund and Lotsoff Small Cap Equity Fund; the motion was unanimously adopted.**

6. BOARD REPORT 07-12: ELECTIONS STATUS

Board counsel Richard Bobb indicated that the ordinance to effect the Plan governance changes approved by the City Council had been delayed in the City Attorney's Office over a requirement that all Board members be participants in the Plan. Mr. Bobb stated that the specific concern was that Board members might be required to vote on the addition or removal of investment funds in which they might be personally invested, which might disqualify them from acting under City and State ethics rules. He stated that ultimately City Attorney management had approved moving forward with the ordinance, but that due to the time that had elapsed the implementation date needed to be pushed back. He stated that in consultation with Personnel Department staff, initial elections were set for January 1, 2008.

Mr. Bobb advised the Board that Brown Act rules prohibited members from discussing the ordinance at this meeting, although they could discuss the issue of dates and take a position on the question of when the effective dates of the ordinance would be. Mr. Rogers indicated that he believed implementation should begin on a fiscal-year basis rather than calendar year since that had been the traditional point at which governance changes were made for the Board in the past. Ms. Whelan indicated her support for not conducting elections around the time of the holidays, which would tend to discourage participation. Mr. Kraus asked about the possibility of pushing the dates back only slightly and holding a special election. Maryanne Keehn indicated that staff had considered this option but, given that this would be the first time elections would be held for this Board, staff believed it would be confusing for participants to tell them their first election was "special."

Mr. Stein indicated his only concern with moving the dates was that it might appear self-serving, although he pointed out that this possibility would not need to be contemplated if the City Attorney had not delayed processing the ordinance. Mr. Canzano and Mr. Carter indicated they would be comfortable with a postponed implementation date.

Ms. Whelan indicated she believed it would be beneficial to receive a report and recommendation from staff before acting. As a result, **a motion was made by Rick Rogers, seconded by Bill Stein, requesting that staff return with a recommendation with respect to implementation dates for the Plan governance ordinance; the motion was unanimously adopted.**

7. BOARD REPORT 07-13: DROP ROLLOVER ARTICLE

Mr. Montagna indicated that this article was being presented to the Board for approval after having been reviewed by the Board's consultant and City Attorney. Cliff Ruff, Los Angeles Police Protective League, indicated that he appreciated the content in the article but that his concern was in getting it to DROP participants as quickly as possible. Mr. Carter indicated that the article should also include mention of how participants could roll their funds to the City's Deferred Compensation Plan.

Board members next discussed options for getting information to DROP participants. Mr. Carter indicated that the bi-weekly DROP meetings were difficult for Firefighters to attend. Ms. Keehn indicated that staff and Great-West had visited six Fire stations and would be visiting more.

With respect to direct mailings, Natasha Zuvich indicated that she had experienced difficulty in obtaining a mailing list from Pensions of DROP participants. Mr. Montagna indicated that the Plan did not record department data nor DROP participation so it was not possible to independently isolate DROP participants for a mailing campaign. Mr. Carter indicated he would assist in obtaining such a list from Pensions. Ms. Whelan asked if it would be beneficial to have a letter directed to Pensions from the Board formally requesting assistance. Mr. Carter indicated this might slow the process down as a formal response from the Department might require that the Pensions Board hear the matter. Ms. Whelan indicated that a better approach might be for her to write a letter independently. Mr. Montagna indicated that this letter could address the issue of the mailing list as well as the Board's concerns about City staff making referrals to financial service providers.

Following this discussion, **a motion was made by Richard Kraus, seconded by Bill Stein, approving the draft article regarding DROP rollovers for general use and for publication in sworn Police/Fire periodicals; the motion was unanimously adopted.**

8. BOARD REPORT 07-14: NAGDCA CONSTITUTIONAL AMENDMENT

A motion was made by Rick Rogers, seconded by Bill Stein, supporting the proposed amendment to the Constitution of the National Association of Government Defined Contribution Administrators (NAGDCA); the motion was unanimously adopted.

9. BOARD REPORT 07-15: STAFF REPORT

Mr. Montagna presented the updates in the monthly staff report. He further introduced Gary Robison as the new local account manager for Great-West Retirement Services, indicating that this was a new position which would be focused on coordinating the Plan's communications functions and overseeing local staff. Following some brief discussion, the report was noted as having been received and filed.

10. HARDSHIP APPLICATIONS

The Board first considered the hardship application recommended for approval. **A motion was made by Bill Stein, seconded by Eugene Canzano, to approve a full withdrawal in Case No. 07-16; the motion was unanimously adopted.**

The Board next considered Case No. 07-15. The applicant was present. Bryan Cowitz indicated that the application had been heard at the prior Board meeting but that the applicant had to leave the meeting before it was considered. The applicant indicated that he was applying to pay his property taxes. Board members debated whether the taxes assessed on the applicant could be construed as unforeseen under the rules. A motion was made by Mike Carter, seconded by Eugene Canzano, to approve a full hardship withdrawal in Case No. 07-15; the motion failed with three affirmative votes (Carter, Canzano and Whelan) and three negative votes (Kraus, Rogers and Stein). There was additional debate on the question of whether there was an emergency need. Board members asked staff and the City Attorney to clarify the definition of unforeseen. Mr. Bobb indicated that the Board may wish to approach the question as being what a reasonable person in similar circumstances might do. Mr. Stein asked staff if this information changed its recommendation. Mr. Cowitz indicated it

did not. A motion was made by Mike Carter, seconded by Eugene Canzano, to approve a full hardship withdrawal in Case No. 07-15; the motion failed with three affirmative votes (Carter, Canzano and Whelan) and three negative votes (Kraus, Rogers and Stein). The matter was continued for a fuller Board.

The Board next considered Case No 07-17. The applicant was present. The applicant indicated he had entered into an investment club without realizing some of the costs involved, and was now in danger of losing his investment properties. A motion was made by Mike Carter, seconded by Eugene Canzano, to approve a full hardship withdrawal in Case No. 07-17; the motion failed with three affirmative votes (Carter, Canzano and Whelan) and three negative votes (Kraus, Rogers and Stein). The matter was continued for a fuller Board.

11. REQUESTS FOR FUTURE AGENDA ITEMS

None.

12. NEXT MEETING DATE – MAY 15, 2007

13. ADJOURNMENT

The meeting adjourned at 11:53 a.m.

* Minutes prepared by staff member Steven Montagna