

## **Guidance Regarding Board Authority for Investment Options**

The Board's authority to manage the investment of Plan funds and the investment options provided to Plan participants is set forth in the California Government Code, the Los Angeles Administrative Code, the Plan Document and the Investment Policy Statement. In brief, the Board has broad discretion in providing investment options to Plan participants and in managing those options and may change investment options as it deems necessary in order to meet its stated objectives.

### **1) California Government Code**

California Government Code Section 53609 provides that deferred compensation funds can be invested in certain specified investment vehicles, including corporate stocks, bonds and securities, mutual funds and savings and loan accounts, among others. (A complete listing of the types of investments that can be made is set forth in Government Code Sections 53601, 53602 and 53609.) The Government Code does not require that such funds be invested in any particular type of investment vehicle, but rather provides options for the investment of funds.

### **2) Los Angeles Administrative Code**

Chapter 14 of the Los Angeles Administrative Code sets forth the authority of the Board. Section 4.1407 provides that the Board has sole authority for the operation of the Deferred Compensation Plan, subject to Charter Section 245, and is to contract for services to assist it with administration of the Plan and to provide investment options.

Section 4.1405 provides that compensation deferred by Plan participants is to be deposited into individual accounts created for each such participant. The deposited funds are to be invested in such investments as the law may allow and as offered under the Plan.

### **3) Deferred Compensation Plan - Plan Document**

Section X of the Plan Document provides that the Board is authorized to contract for Plan administration, investments and other services related to the administration and oversight of the Plan. The Board is also authorized to periodically review the structure of the City's Plan for the purpose of determining and implementing design changes.

### **4) Investment Policy Statement**

The Investment Policy Statement (Policy) sets forth the Board's objectives and responsibilities for the management of the Plan and the investment of Plan funds. The Board's objectives, as stated in Section 2, include (i) assisting participants in obtaining financial security and accumulating assets for retirement, (ii) providing a menu of high

quality, diversified core investment options that will allow participants of varying risk tolerance to construct portfolios tailored to meet their particular financial goals, (iii) simplifying the menu of core investment options with major asset classes that are easily understood, and (iv) providing access to a broad range of investment opportunities through a self-directed brokerage window.

Section 4 addresses the Board's management of the Plan. Among other duties, the Board is to (i) select Plan investments and determine, with the assistance of the investment consultant and staff, allocation for fund of fund options, and (ii) monitor the Plan's investment performance and make investment option changes when necessary.

The Board's investment consultant is tasked with advising the Board regarding (i) the investment structure of the Plan, fund selection/removal objectives, and guidelines for performance standards, (ii) the appropriateness of each investment manager and each investment fund option, (iii) the performance results for each investment fund option, and (iv) the asset allocation of Plan options which use a fund of fund construction.

The Board's retained investment managers are tasked with making investment decisions and managing assets under their control in accordance with the Board's objectives and performance standards.

The Board's policy on the Plan's investment structure and investment options, as provided in Section 5, consists of three tiers of investment options. The Board has selected various investment options within each tier that allow participants to make investment choices based on, among other things, levels of risks and returns. The Board is to review the list of options periodically and add or remove investment options as it deems necessary.

### **Conclusion:**

In regard to investment menu options, the Board is provided broad discretion in selecting investment vehicles within the confines of the types of investments allowed under the Government Code and which are designed to meet the Board's objectives. This discretion includes evaluating the menu options and making changes as necessary.