

Deferred Compensation Plan BOARD REPORT 12-05

Date: December 27, 2011
To: Board of Deferred Compensation Administration
From: Staff
Subject: Investment Provider Presentations Proposal

*Board of Deferred
Compensation Administration
Eugene K. Canzano, Chairperson
John R. Mumma, Vice-Chairperson
Cliff Cannon, First Provisional Chair
Tom Moutes, Second Provisional Chair
Sangeeta Bhatia, Third Provisional Chair
Michael Amerian
Michael A. Perez
Robert Schoonover
Margaret M. Whelan*

Recommendation:

That the Board of Deferred Compensation Administration approve (a) staff's proposed standardized format for certain elements of investment provider booklet presentations; (b) staff's proposed discussion format for investment provider and quarterly performance review; and (c) staff's proposed change of meeting venue for the Board's investment-focused meetings to the City Hall Tower meeting room, or equivalent location.

Background:

At its June 21, 2011 meeting, the Board approved a staff proposal for enhancing Board meetings by incorporating greater planning, structure, and efficiency. The new structure established a calendar which attempts to group related topics to the greatest extent possible (although certain critical or time-sensitive topics may have to be considered outside the framework of the calendar). The calendar assists the Board, staff and Plan service providers in more efficient project development, reporting, and consideration of various subjects. The calendar for 2012 is provided as an attachment.

One of the features of this new meeting calendar is that investment provider presentations will be consolidated into four Board meetings annually, with multiple providers presenting at each of these meetings within like categories. As an example, the presentation scheduled for March 2012 will feature the Plan's passive managers. In addition, the consultant's quarterly performance reviews will be provided at these meetings.

Staff has held internal discussions to generate ideas for how these provider presentations can be further enhanced to ensure that the discussions are as meaningful, focused and engaging as possible. One of staff's objectives is to standardize certain features of the reporting format, so that certain essential and core pieces of information will be provided consistently by each provider. Attachment B contains staff/Mercer's recommended structure for this standardized format.

In addition, staff is recommending a structure for how the providers will present their information. Staff recommends that the discussions be structured in a "panel" format with

certain modules of information presented concurrently, and in a way that allows for more interaction both among the presenters as well as with the Board, staff, and consultant.

In the past, there have been three primary components of each provider presentation:

- (1) **Corporate Review** – An update on any material facts or circumstances impacting the provider’s corporate viability, including management or ownership changes.
- (2) **Economic/Market Review** – A review of macro trends in the economy and markets which may impact fund performance and results.
- (3) **Performance Review** – A review of fund performance on an absolute and relative basis, and fund fees.

The consultant’s quarterly performance reviews include essentially the same categories. Given this, staff is recommending that each of these categories be presented concurrently by all parties. During the presentation, the consultant would first present its comments and observations within a given category, and the providers would then be given opportunities to present in turn. Staff recommends that the order of presentation of these categories of information follow the sequence noted above. Staff would moderate the discussions. Within each discussion Board members, staff and the consultant could pose questions.

Staff believes that utilizing this format will promote greater interaction between all parties by focusing the discussion on related topics and providing greater opportunities to explore potentially competing perspectives. To facilitate this discussion, staff is recommending that the quarterly investment-focused Board meetings be held at a meeting venue that lends itself more to interactivity. As a result, staff has tentatively reserved the meeting room in the City Hall Tower for the Board’s upcoming investment-focused Board meetings. Staff would propose to continue using this location as long as it is available, and if not available to find an equivalent location.

Submitted by: _____
Steven Montagna

Approved by: _____
Alejandrina Basquez

MONTH	AGENDA TOPICS			
January	Administrative Issues	Communications		Training
February	Administrative Issues	TPA Admin Review		
March	Passive Managers Presentations	Quarterly Investment Review	Investment Issues	
April	Administrative Issues	Communications		
May	Administrative Issues	TPA Admin Review		
June	Active Managers A Presentations	Quarterly Investment Review	Investment Issues	
July	Administrative Issues	Communications		Training
August	Administrative Issues	TPA Admin Review		
September	Active Managers B Presentations	Quarterly Investment Review	Investment Issues	
October	Administrative Issues	Communications		Strategic Planning
November	Fixed Income Managers	Quarterly Investment Review	Investment Issues	
December	Administrative Issues	TPA Admin Review		

PRESENTATION INTRODUCTION (REQUIRED OF ALL PROVIDERS)

SUMMARY INVESTMENT PROVIDER DATA	
FUND MANAGEMENT	
Firm Name	
Fund Name	
Fund Manager	
Manager Tenure w/Firm	
Manager Tenure w/Fund	
Investment Vehicle Type	
ASSETS	
Total Firm Assets Under Management	
Total Firm Assets in Strategy	
Total Assets Managed for City of L.A. DCP	
RETURNS (net of fees)	
1-Year Rate of Return	
<i>Benchmark Return</i>	
<i>Difference</i>	
3-Year Rate of Return	
<i>Benchmark Return</i>	
<i>Difference</i>	
5-Year Rate of Return	
<i>Benchmark Return</i>	
<i>Difference</i>	
10-Year Rate of Return	
<i>Benchmark Return</i>	
<i>Difference</i>	
FEEES	
Expense Ratio for City Holdings	

PRESENTATION BOOKLET OUTLINE

I. Corporate Review

- Update on any material facts or circumstances impacting the provider's corporate viability, including management or ownership changes;
- Review of staffing resources dedicated to investment management operations globally and within any and all sub-classes including specific fund type offered by the City (include biographical information for the latter)
- Assets under management (firm and strategy)

II. Economic/Market Review

- Review of macro trends in the economy and markets which may impact fund performance and expectations.

III. Strategy Background, Portfolio Characteristics, and Performance Review

- History of fund
- Changes in strategy, if any
- Review of current portfolio composition and positioning including, though not limited to:
 - Sector weightings compared to benchmark
 - Top ten holdings of fund and percentages
 - Key portfolio ratios
- Review of fund performance on an absolute and relative basis, including fund fees and performance net of fees. (Benchmark from Plan's Investment Policy Statement should be displayed foremost in performance exhibits)