

DEFERRED COMPENSATION PLAN BOARD REPORT 13-10

Date: February 6, 2013

To: Board of Deferred Compensation Administration

From: Staff

Subject: Staff Report – Completed & Pending Projects & Activity Report

Members
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
William Raggio
Robert Schoonover
Margaret M. Whelan

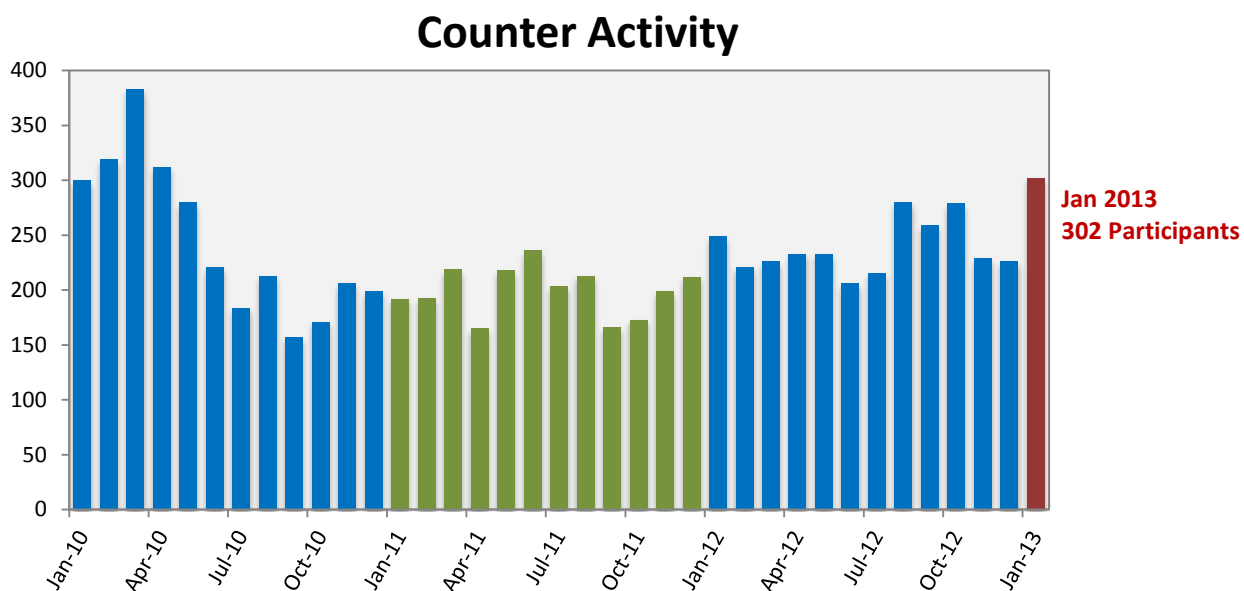
Recommendation:

That the Board of Deferred Compensation Administration receive and file the following information.

Activity Reports:

Counter Activity Employee Benefits Division

Staff has compiled the following results of Counter Activity flow for the month of January 2013. During the month of January, 302 participants visited the Employee Benefits Division to discuss their Deferred Compensation accounts with the Great-West representatives and/or staff. Following are counter activity results from January 2010 through January 2013:

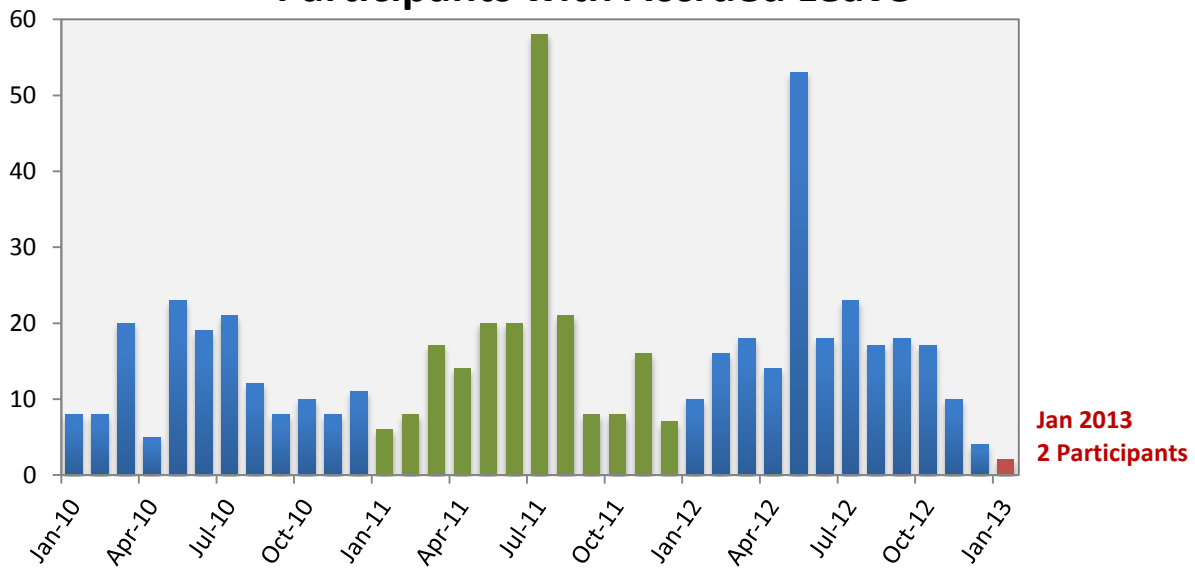


Accrued Leave Activity

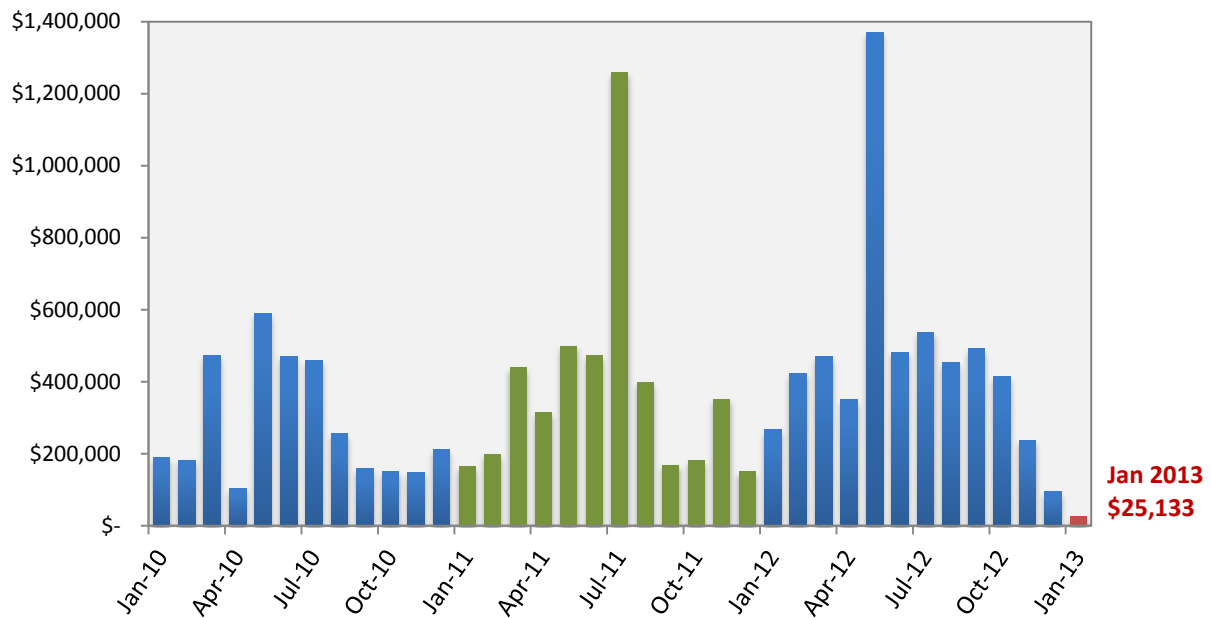
Staff has compiled the following results of Accrued Leave enrollment for the month of January 2013. During the month of January, 2 participants elected to enroll in Accrued Leave and **\$25,133** was contributed into the Plan from their Accrued Leave payouts.

Following are accrued leave activity results from January 2010 to January 2013:

Participants with Accrued Leave

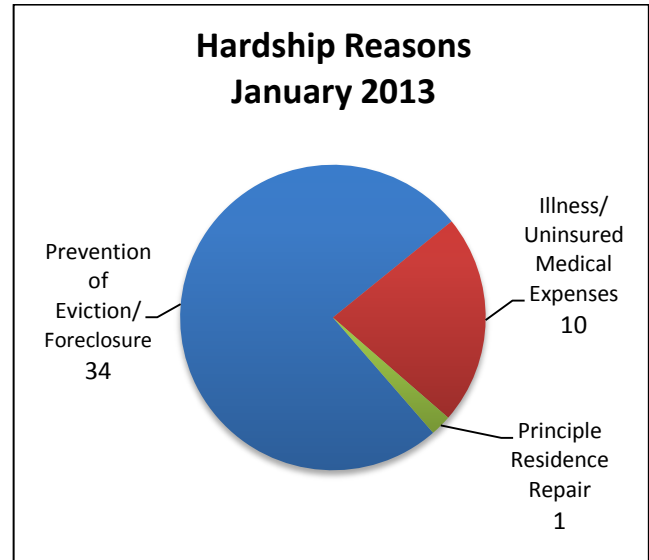
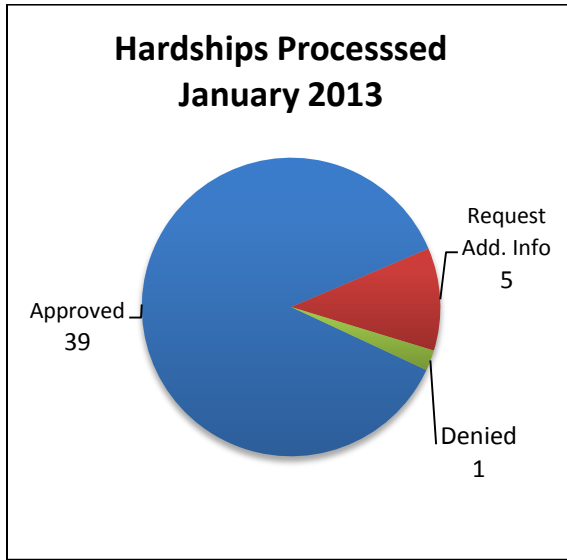


Accrued Leave Deferral Amounts



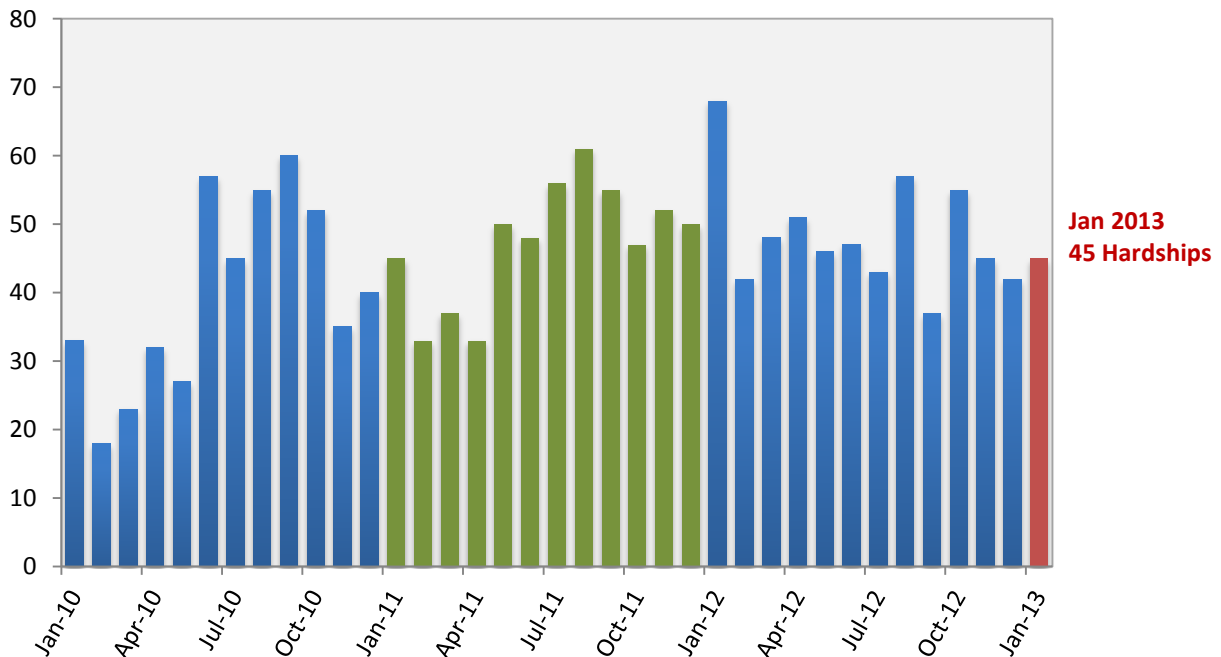
Hardship Activity

Staff has compiled the following results of hardship processing with Great-West for the month of January 2013. During the month of January, 45 hardship cases were submitted to Great-West. There were 39 cases approved, 5 cases pending further documentation, and 1 case that was denied. The dollar amount for hardships withdrawn from the plan in January 2013 was approximately **\$352,247**.



Following are hardship activity results from January 2010 to January 2013:

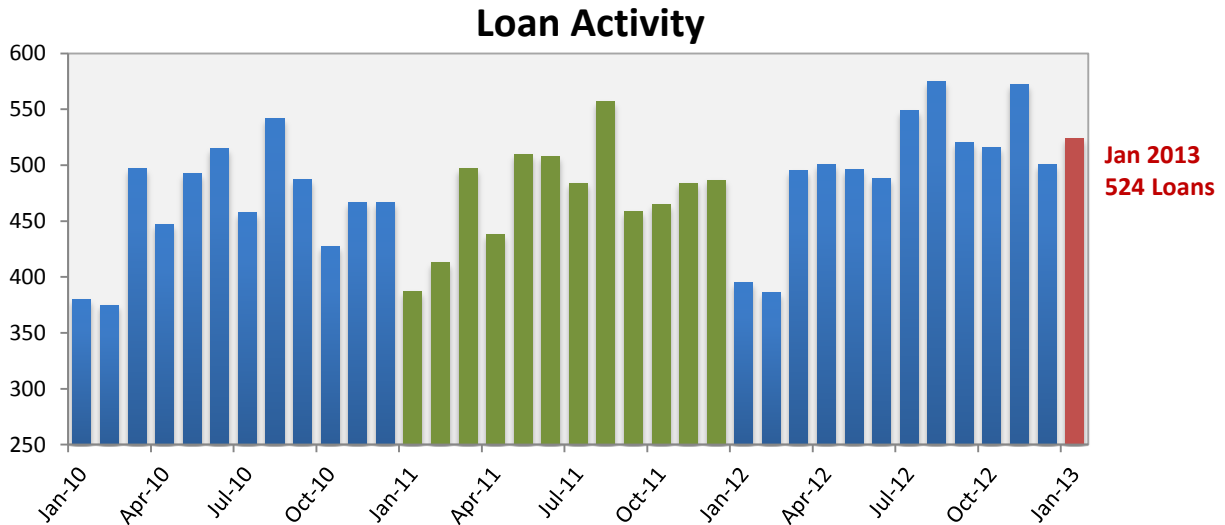
Hardship Activity



Loan Activity

For Active Employees

Staff has compiled the following results of new loans acquired by active employees for the month of January 2013. During the month of January, 524 active employees elected to obtain a new loan and **\$6,563,609** was withdrawn from the Plan for their loan payouts.



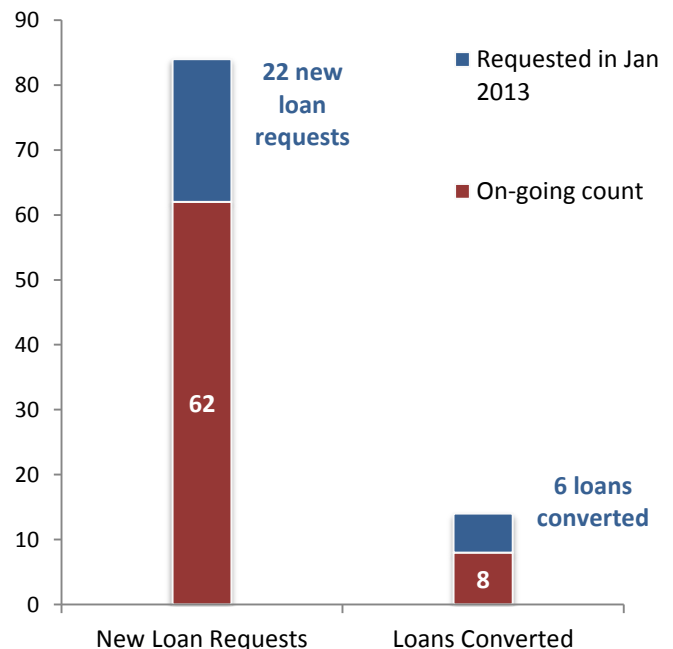
For Retirees or Terminated Employees

In October 2012, the Plan introduced the availability of loans for participants who are retired or otherwise separated from City service. Participants electing this option may pay back the amount borrowed from their account in monthly installments, either by check or by automated payment from their bank account. Additionally, employees who have active loans may, upon retirement or separation of service, request conversion to a retiree loan in order to continue payments rather than requesting a loan offset.

In January 2013, staff processed 22 new loan requests and 6 requests for loan conversion. **To date, staff has processed a total of 84 requests for retiree loans and 14 requests for conversion.**

Retiree Loan Count

since Oct. 2012

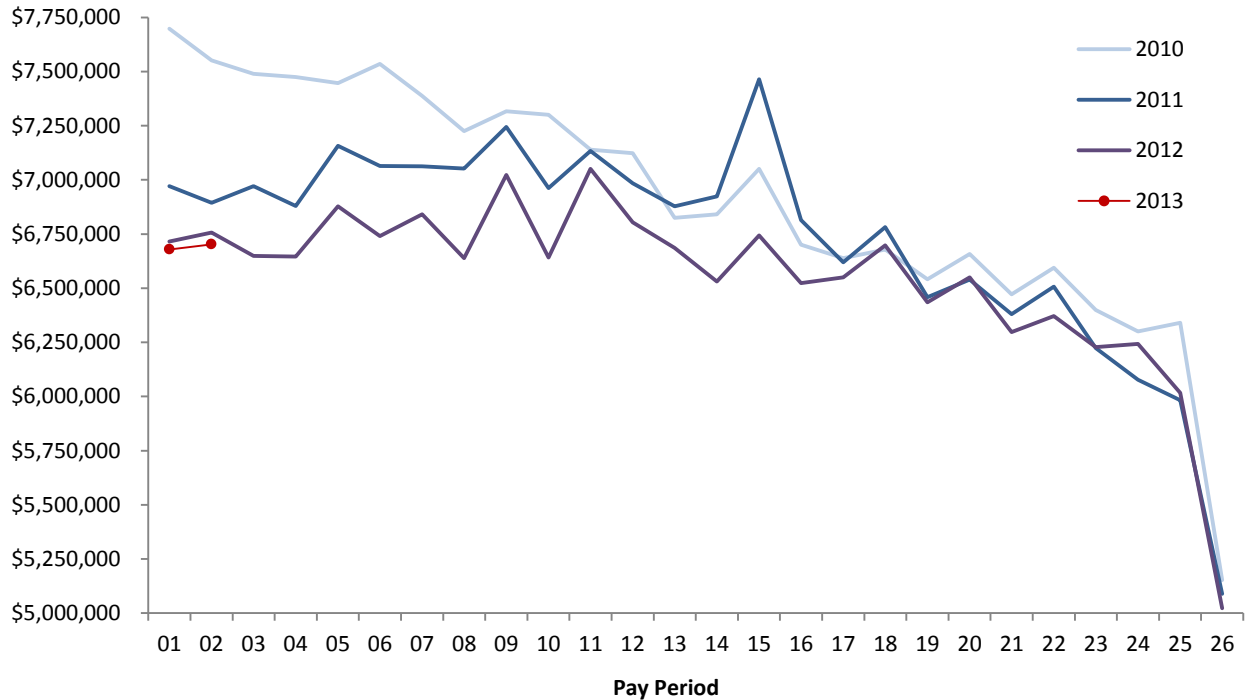


Deferral Tracking

Staff has compiled the following results of bi-weekly deferral cash flows for the month of January 2013 for the City of Los Angeles and Department of Water and Power (DWP). During the month of January, the City and DWP deferred **\$13,381,270** into the Deferred Compensation Plan. This compares to **\$13,473,151** in January 2012, which constitutes a **0.6% decrease**, year-over-year.

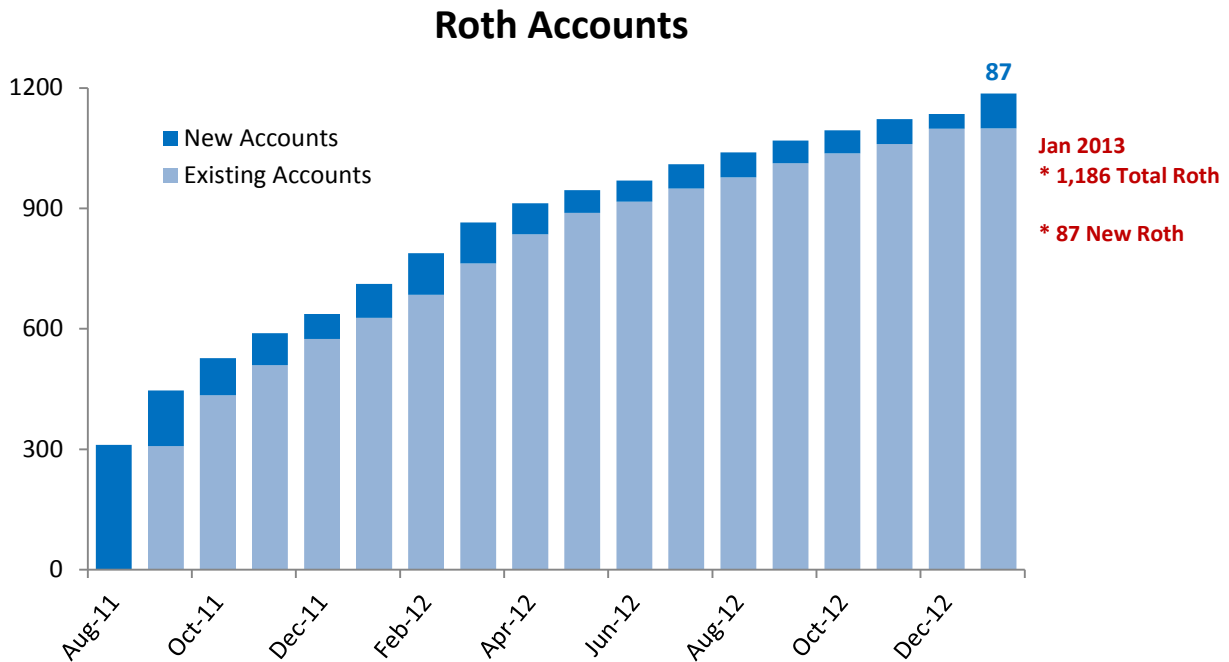
Bi-Weekly Deferral Cash Flows

YEAR-OVER-YEAR, BY PAY PERIOD



Roth Accounts

The Roth deferral option was made available to participants starting July 2011, with actual deferrals being made by August 2011. For the month of January 2013, there were 87 new Roth accounts established. There are currently a total of 1,186 Roth accounts. This constitutes a **4.2%** participation rate of the 28,529 employees contributing to the plan¹. The chart below illustrates the number of new Roth deferral accounts since August 2011.



Updates and Information

- As a result of the January Board meeting not being held, staff and the Board Chairperson have discussed some revisions to the Board's upcoming meeting schedule. The Board's March meeting will include a training from Mercer regarding real assets as potential investment options within a defined contribution plan, as well as a performance update and Great-West's quarterly review of Plan data. The investment managers previously scheduled to present at the Board's March meeting will be moved to its June meeting. Beginning in April the Board will return to its regular schedule.
- Staff member Steven Montagna will not be present at the Board's March meeting, as he will be attending the NAGDCA Board's annual trip to Washington D.C. The purpose of this trip is for NAGDCA leadership to consult with congressional staff

¹ There are 28,529 employees contributing to the Plan as of 9/30/2012 (Great-West Quarterly Report).

members regarding potential tax and regulatory changes affecting defined contribution plans.

- Bank of America is increasing the rate on their allocation of the Bank Deposit Savings account. The crediting rate was previously 10 basis points plus the daily average of the Fed Fund effective rate, less FDIC fees; the new rate will be 12 basis points plus the daily average of the Fed Fund effective rate, less FDIC fees. Staff is preparing a Board report and draft contract amendment to formalize the change, for consideration at the Board's March meeting.
- Staff is working with Great-West to implement a change in share class for the Vanguard Mid-Cap Fund. This was an item reviewed by the Board last year. Once implemented, the expense ratio for this option will be lowered from 8 basis points to 6 basis points.

PROJECT UPDATE
(reflects project activity for period 12/01/12 through 01/31/13)

DCP						
Legend:						
G = Governance						
C = Communications						
P = Procurements/Contracts						
A = Administration						
COMPLETED PROJECTS: DECEMBER 2012/JANUARY 2013						
#	STATUS		PROJECT	DUE DATE	COMPLETED	NOTES
1	Completed	G	Minutes 11-20-12 Meeting	12/31/12	12/31/12	N/A
2	Completed	G	Board Report - Retirement Calculator	12/31/12	12/31/12	N/A
3	Completed	G	Board Report - CA-DCPN Meeting February 2013	12/31/12	12/31/12	N/A
4	Completed	G	Board Report - Staff Report for December	12/31/12	12/31/12	N/A
5	Completed	C	2013 Annual Limits - Flyer and Web	12/31/12	12/31/12	N/A
6	Completed	C	Meet Your Rep Online Calendar	01/31/13	12/31/12	N/A
7	Completed	G	Minutes - 12/18/12 Meeting	01/31/13	1/31/2013	N/A
8	Completed	G	Board Report - Quarterly Communications Report	01/31/13	1/31/2013	N/A
9	Completed	G	Board Report - Staff Report	01/31/13	1/31/2013	N/A
10	Completed	C	4Q 2012 Newsletter	01/31/13	1/31/2013	N/A
11	Completed	C	DCP Participant Photos/Stats for Newsletter	01/31/13	1/31/2013	N/A
12	Completed	C	2013 Annual Limits - Targeted Mailing & E-mail	01/31/13	1/31/2013	N/A
13	Completed	G	Board Report - RFP General Contracting Requirements	01/31/13	1/31/2013	N/A
14	Completed	G	Board Report - Strategic Plan Finalization and Update	01/31/13	1/31/2013	N/A

15	Completed	G	Board Report - SDBO Pre-Tax & After-Tax Account Separation	01/31/13	1/31/2013	N/A
16	Completed	G	Board Report - Budget for Plan Year 2013	01/31/13	1/31/2013	N/A
17	Completed	G	Board Report - Quarterly Budget Review for 09/30/12	01/31/13	1/31/2013	N/A
18	Completed	G	Board Report - Board Member Attendance Review	01/31/13	1/31/2013	N/A
19	Completed	G	Board Report - Contract Status Update	01/31/13	1/31/2013	N/A

PENDING PROJECTS

#	STATUS		PROJECT	DUE DATE	COMPLETED	NOTES
1	PENDING	G	Board Report - Bank of America Contract Amendment	01/31/13		Pending
2	PENDING	C	DCP Bi-Monthly Newsletter	01/31/13		Pending
3	PENDING	G	Board Report - Staff Report	02/28/13		N/A
4	PENDING	G	Board Report - Behavioral Finance Review	02/28/13		N/A
5	PENDING	G	Board Report - Plan Document Revisions (Loans)	02/28/13		Pending
6	PENDING	G	Board Report - Historical Contribution History	02/28/13		Pending
7	PENDING	G	Board Report - Contractor Evaluation Policy	02/28/13		Pending
8	PENDING	G	Board Report - Covered Calls and Protective Puts w/in SDBO	02/28/13		Pending
9	PENDING	G	Board Report - DROP Mailing	02/28/13		Draft materials developed and now being revised
10	PENDING	C	Draft Citywide Memo re Marketing by Non-Contracted Financial & Benefit Services Providers	02/28/13		Pending
11	PENDING	A	Retirement Calculator - Develop Prototype w/Great-West	03/31/13		Pending
12	PENDING	A	Online Distribution Functionality	03/31/13		Great-West reviewing functionality
13	PENDING	P	Finalize Consulting Contract w/Mercer Consulting	03/31/13		Under Development
14	PENDING	P	Great-West Contract Amendment Extension PSP Services 2012-2016	03/31/13		Pending
15	PENDING	C	Board Report - Quarterly Communications Report	03/31/13		Pending
16	PENDING	G	Review of CA Governmental Plan - Demographic Files	03/31/13		Pending
17	PENDING	C	Board Report - EZ Enrollment Form	03/31/13		Pending
18	PENDING	G	Investments Committee Meeting: Investment Policy Statement - Termination	03/31/13		Pending
19	PENDING	G	Annual Report - DCP	03/31/13		
20	PENDING	G	Annual Reports 2011 and 2012 - PSP	03/31/13		Pending
21	PENDING	C	Board Report - Social Media Options	03/31/13		Pending
22	PENDING	C	Online Distribution Communications Document	03/31/13		Pending
23	PENDING	C	Quarterly Communications/Admin Meeting	03/31/13		Pending

24	PENDING	G	Board Report - review of consistency of access to separating City employees	03/31/13		Pending
25	PENDING	C	Create Catch-Up Flyer Incorporating Roth	03/31/13		Pending
26	PENDING	C	Loan Highlights Flier Revisions	03/31/13		Pending
27	PENDING	G	Board Report - Contribution History & Rollovers	03/31/13		Pending
28	PENDING	G	Board Report - SAS Form from Great-West	04/30/13		Pending
29	PENDING	A	Domestic Partners Research and Discussion with City Attorney and California Peers	04/30/13		Pending
30	PENDING	C	Revise Distribution Form	04/30/13		Pending
31	PENDING	C	Revise Enrollment Guide	04/30/13		Pending
32		G	Board Report - Retirement/Pension System Retired Loan Payments	04/30/13		Pending
33	PENDING	G	Review and report back on City of New York financial advice program	05/31/13		Pending
34	PENDING	G	Board Report - Merrill Lynch - Communication to Outside Vendors	05/31/13		Pending
35	PENDING	G	Beneficiary Addresses	05/31/13		Pending
36	PENDING	G	Review and report back on PIMCO hedge fund strategy	05/31/13		Pending
37	PENDING	C	Communications Plan: List of alternative DC publications and outlets (LACERS, Pensions, Union pubs, etc.)	05/31/13		Pending
38	PENDING	G	Board Report - Proxy Share Voting	05/31/13		Pending
39	PENDING	C	DROP Brochure Ad	05/31/13		Pending
40	PENDING	C	DROP Brochure	05/31/13		Pending
41	PENDING	C	Notification of Participants - Catch-Up Eligibility	05/31/13		Pending
42	PENDING	C	Pre-Audit Testing - Phase II	05/31/13		Pending
43	PENDING	C	Revise Pension Savings Plan Highlights	05/31/13		Pending
44	PENDING	G	Retirement Plan Summit	05/31/13		Pending
45	PENDING	G	Revisit Plan Audit	05/31/13		Pending
46	PENDING	A	PSP Account Consolidation	05/31/13		Pending
47	PENDING	G	Research adding other Plan type in to increase savings opportunities (from 8/21/12 BDCA meeting)	05/31/13		Pending
48	PENDING	G	Statistical Project: Refined Count of Non-Contributing Participants	05/31/13		Pending
49	PENDING	G	Board Report - Transition Manager Procurement	05/31/13		Pending
50	PENDING	G	Deemed IRA Implementation	06/30/13		Pending
51	PENDING	C	Eddy 2013 Awards	06/30/13		Pending
52	PENDING	C	Online Enrollment Communications Document	06/30/13		Pending

53	PENDING	A	Online Enrollment Functionality	06/30/13		Staff tested web functionality, errors identified; Great-West reviewing
54	PENDING	C	Website Conversion	06/30/13		Pending

Staffing Summary – Following is a summary of staff positions supporting the Deferred Compensation Plan:

Position Authority	Incumbent Class	Est. Percent Reimbursed by DCP	Staff Member
Personnel			
Chief Personnel Analyst	Chief Personnel Analyst	20%	Alejandrina Basquez
Senior Personnel Analyst II	Senior Personnel Analyst II	60%	Steven Montagna
Senior Personnel Analyst I	n/a	100%	Vacant
Management Analyst II	Management Analyst II	90%	Natasha Gameroz
Management Analyst II	Personnel Analyst II	90%	Esther Chang
Benefits Specialist (prior incumbent left under ERIP)	Clerk Typist	90%	Claudia Guevara
City Attorney			
Assistant City Attorney	Assistant City Attorney	25%	Curt Kidder
Legal Assistant	Legal Assistant	40%	Vicky Williams

Committee Membership

Plan Governance & Administrative Issues Committee
<i>Eugene Canzano, Chair</i> Cliff Cannon John Mumma Margaret Whelan

Investments Committee
<i>John Mumma, Chair</i> Sangeeta Bhatia Tom Moutes

Submitted by: _____
Esther Chang

Reviewed by: _____
Steven Montagna

Approved by: _____
Alex Basquez