

DEFERRED COMPENSATION PLAN BOARD REPORT 13-33

Date: August 12, 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
 Ray Ciranna
 Robert Schoonover
 Margaret Whelan

Recommendation:

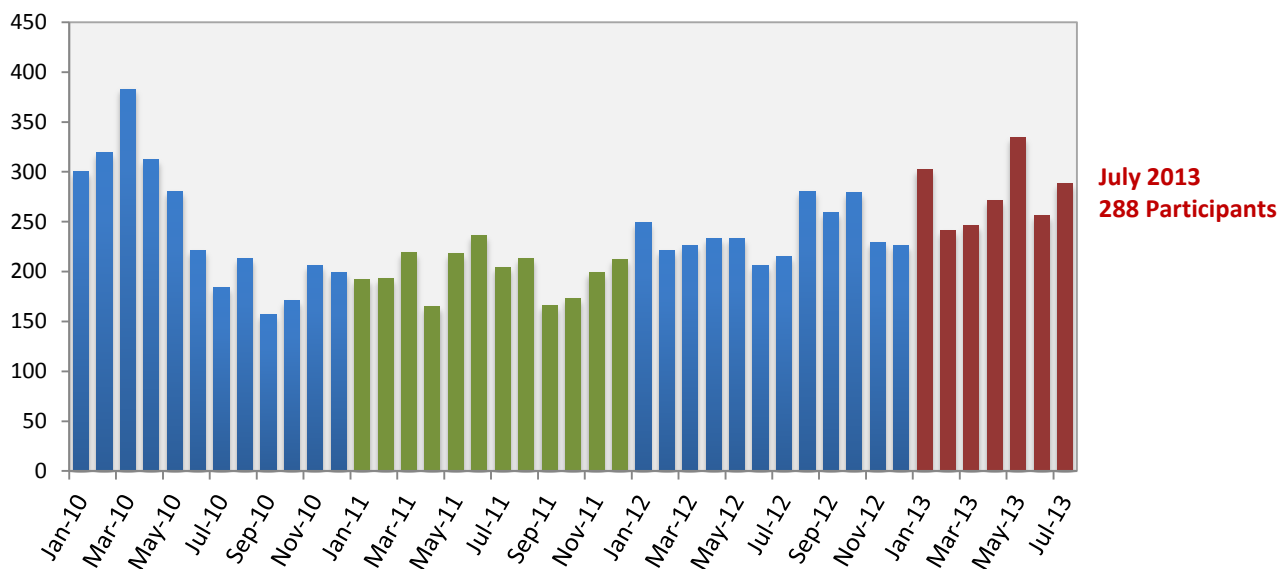
That the Board of Deferred Compensation Administration receive and file the following information.

Activity Reports:

Counter Activity Employee Benefits Division

Staff has compiled the following results of Counter Activity flow for the month of July 2013. During the month of July, 288 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 July 2013:

Counter Activity

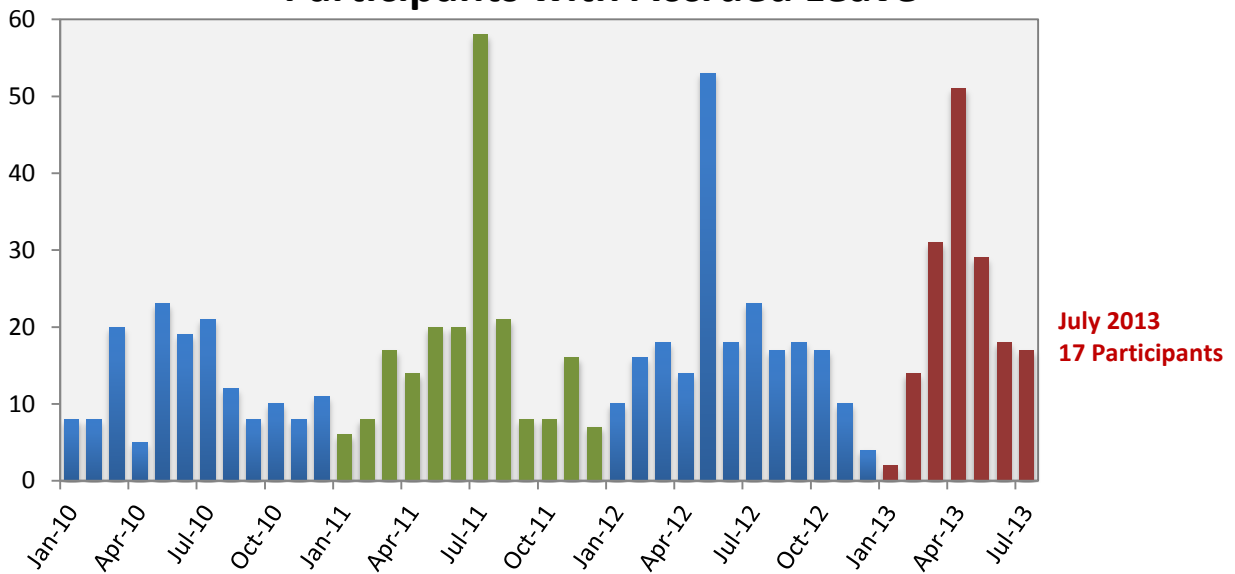


Accrued Leave Activity

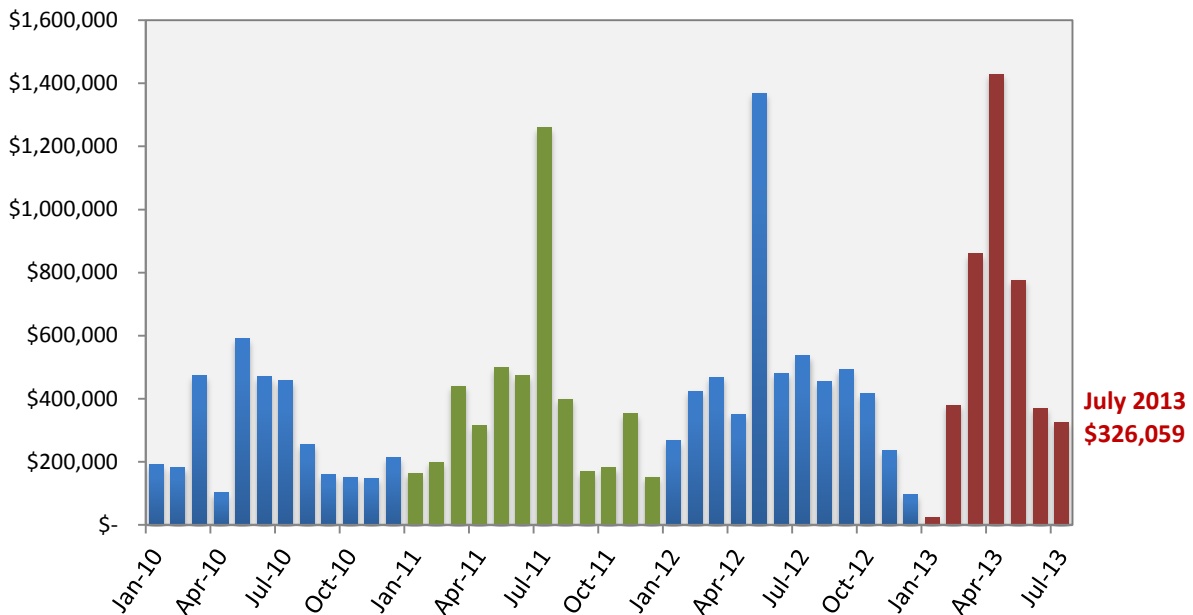
Staff has compiled the following results of Accrued Leave enrollment for the month of July 2013. During the month of July, 17 participants elected to enroll in Accrued Leave and **\$326,059** was contributed into the Plan from their Accrued Leave payouts.

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

Participants with Accrued Leave

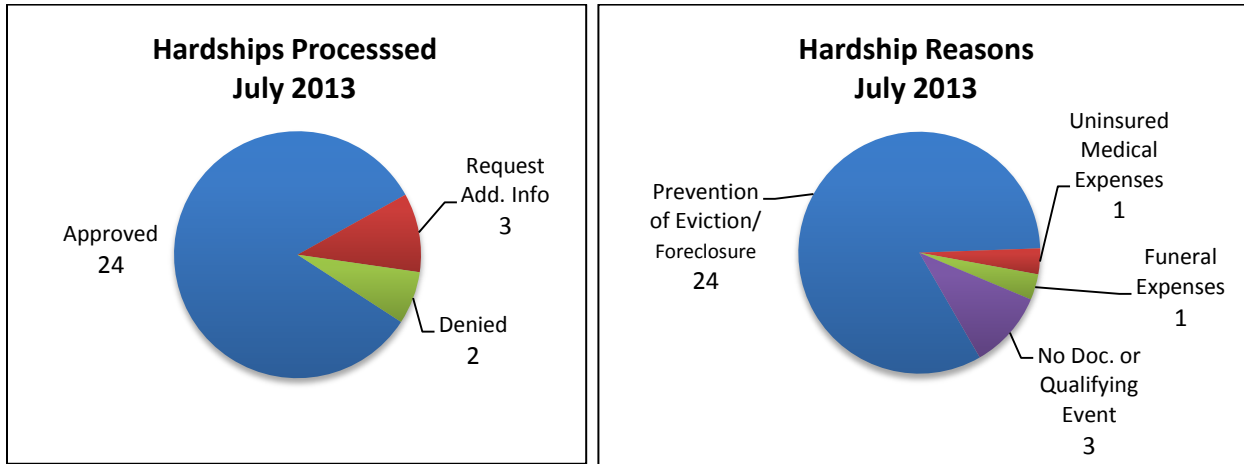


Accrued Leave Deferral Amounts

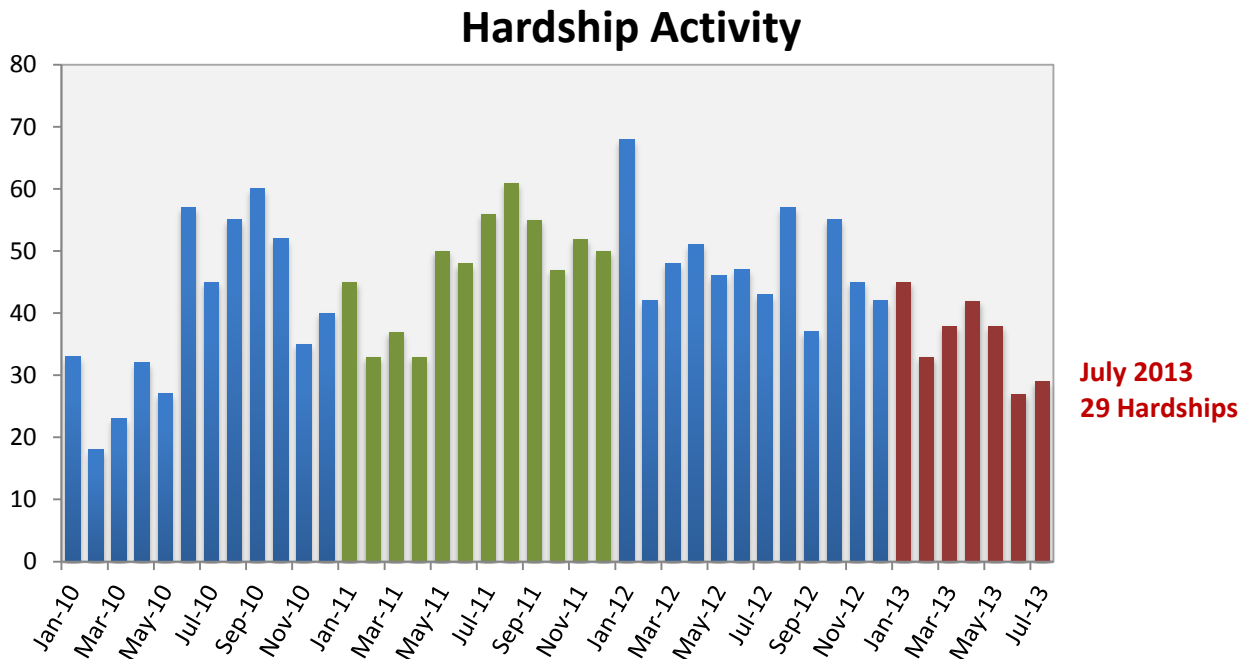


Hardship Activity

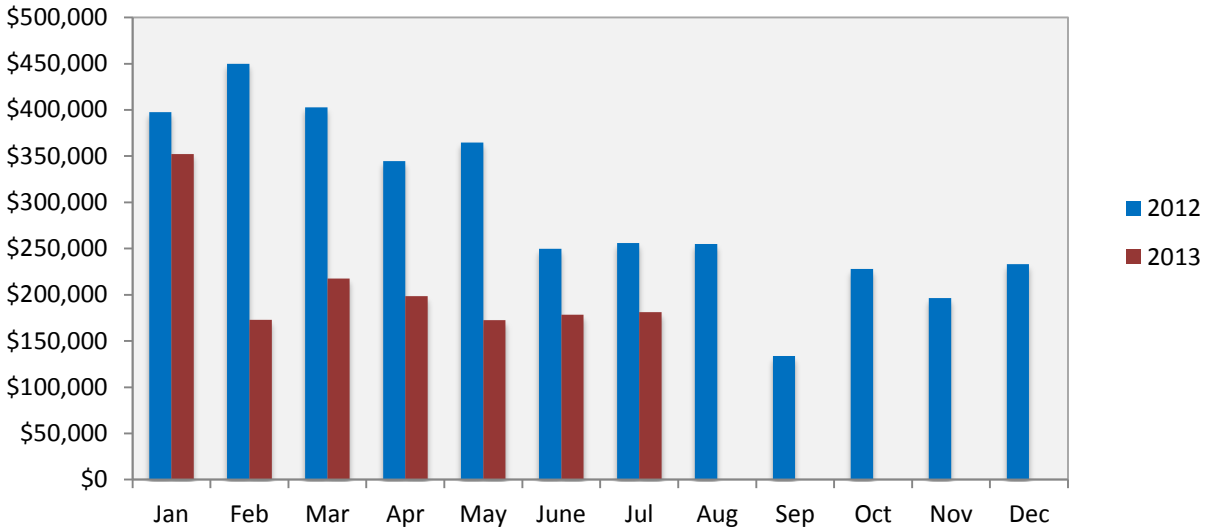
Staff has compiled the following results of hardship processing with Great-West for the month of July 2013. During the month of July, 29 hardship cases were submitted to Great-West. There were 24 cases approved, 3 cases pending further documentation, and 2 cases that were denied. The dollar amount for hardships withdrawn from the plan in July 2013 was approximately **\$181,124**.



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



Hardship Dollars Disbursed

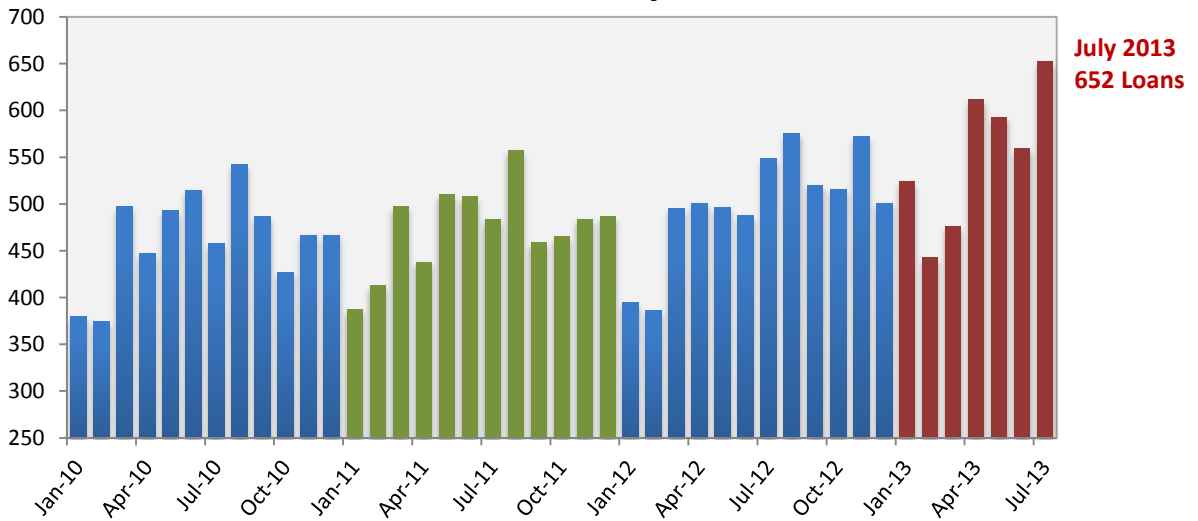


Loan Activity

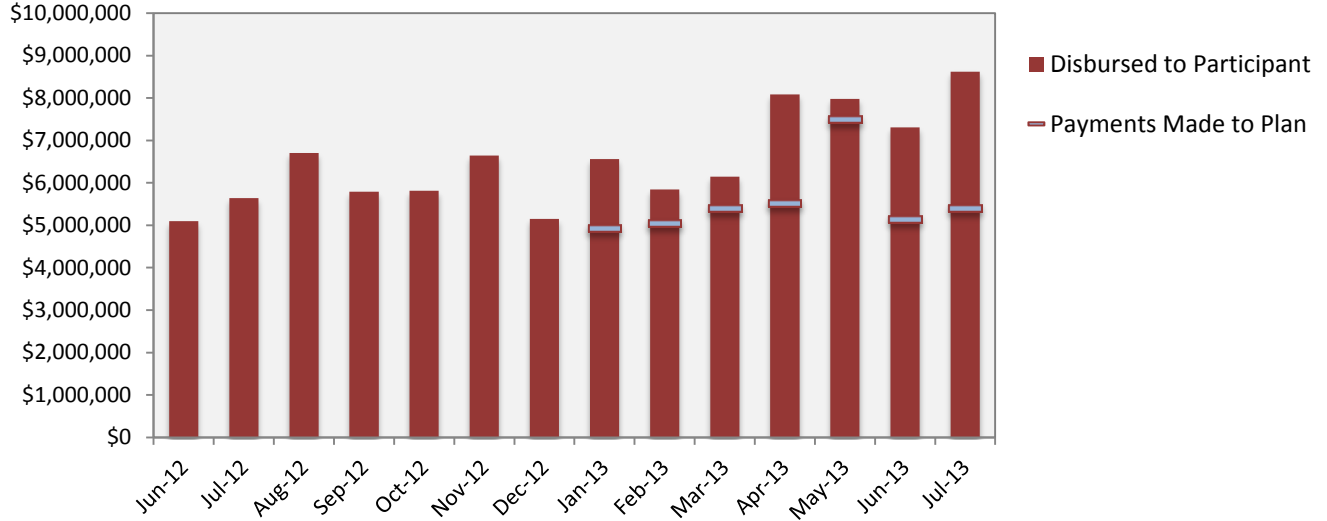
For Active Employees

Staff has compiled the following results of new loans acquired by active employees for the month of July 2013. During the month of July, 652 active employees elected to obtain a new loan and **\$8,621,092** was withdrawn from the Plan for their loan payouts.

Loan Activity



Loan Dollars



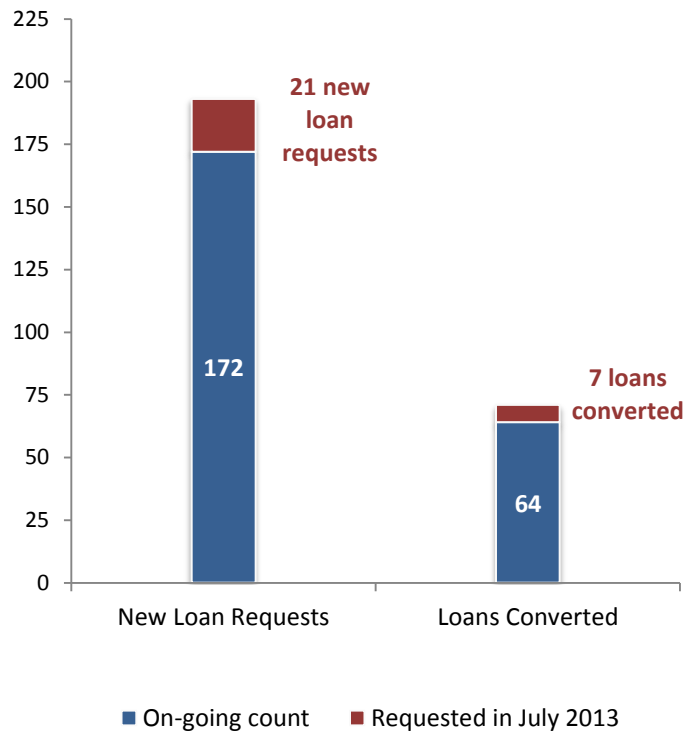
For Retirees or Terminated Employees

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 July 2013, staff processed 21 new loan requests and 7 requests for loan conversion. **To date, staff has processed a total of 193 requests for retiree loans and 71 requests for conversion.**

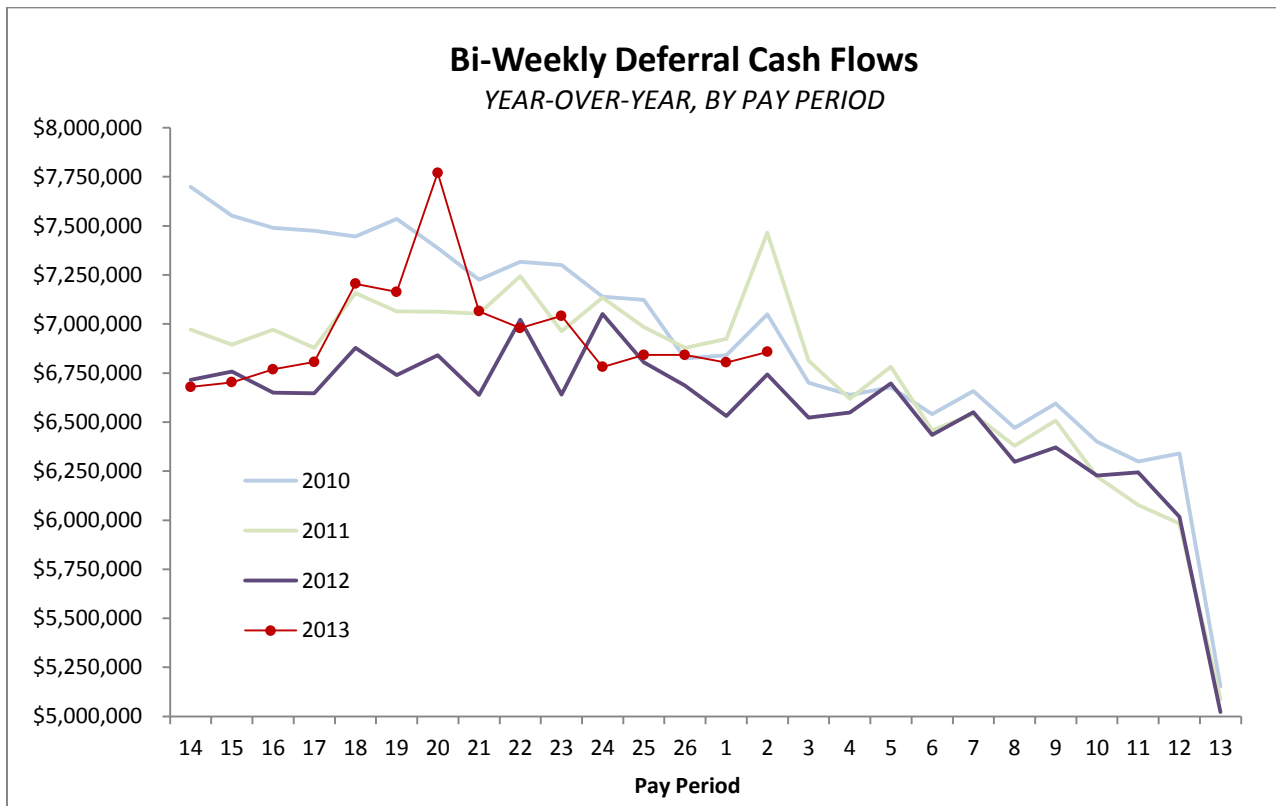
Retiree Loan Count

since Oct. 2012



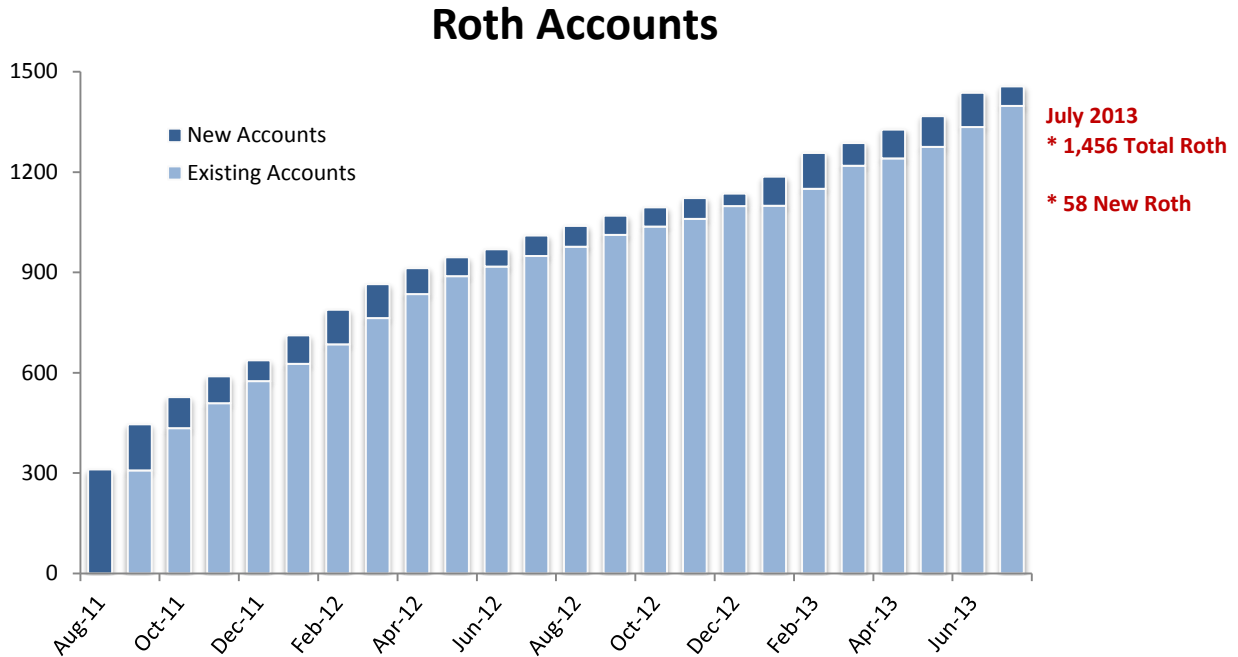
Deferral Tracking

Staff has compiled the following results of bi-weekly deferral cash flows for the month of July 2013 for the City of Los Angeles and Department of Water and Power (DWP). During the month of July, the City and DWP deferred **\$13,661,079** into the Deferred Compensation Plan. This compares to **\$13,274,740** in July 2012, which constitutes a **2.9% increase**, year-over-year.



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 July 2013, there were 58 new Roth accounts established. There are currently a total of 1,456 Roth accounts. This constitutes a **5.1%** participation rate of the 28,467 employees contributing to the plan¹. The chart below illustrates the number of new Roth deferral accounts since August 2011.



¹ There are 28,467 employees contributing to the Plan as of 3/31/2013 (Great-West Quarterly Report).

TRAINING AND TRAVEL UPDATE

Conference Training

At its July 16, 2013 meeting, the Board approved conference-related travel for the 2013-2014 Fiscal Year, subject to final approval by the Mayor's Office. The following upcoming events have been approved by the Mayor's Office:

| Training Conference Event | Conference Dates | Location of Training Event | Number of Board/Staff requesting attendance | Estimated Cost per person |
|---|---|----------------------------|---|---------------------------|
| National Association of Governmental Defined Contribution Administrators (NAGDCA) * | <i>Pre-Conference:</i> September 8 <i>Main Conference:</i> September 9 –11 | Louisville, Kentucky | 14 | \$2,480 |
| Institutional Investor Defined Contribution Symposiums | September 19-20 | Half Moon Bay, California | 1 | \$1,200 |
| International Foundation of Employee Benefit Plans | October 20-23 | Las Vegas, Nevada | 2 | \$2,500 |
| Pensions & Investments West Coast Conference | October 27-29 | San Francisco, California | 2 | \$1,500 |

Staff will individually contact Board members who elected the above travel options to assist in making travel arrangements.

In-Meeting Training

As discussed at the July 16, 2013 Board meeting, a proposed in-meeting regulatory training is pending final execution of a contract with the tax counsel firm Steptoe and Johnson LLP. At the time of writing this report, authority for the contract was approved by the City's Budget & Finance Committee and is awaiting scheduling for review by the full City Council.

PROJECT UPDATE
(reflects project activity for period 07/01/13 through 7/31/13)

| DCP | |
|--------------------|--|
| Legend: | |
| G = Governance | |
| C = Communications | |
| O = Operations | |
| A = Administration | |

| COMPLETED PROJECTS: JULY 2013 | | | | | | |
|-------------------------------|-----------|---|--|----------|-----------|-------------------------------|
| # | STATUS | | PROJECT | DUE DATE | COMPLETED | NOTES |
| 1 | Completed | A | Retirement Calculator - Board Member Testing | 07/31/13 | 7/31/2013 | BDCA Special Meeting, 7/16/13 |
| 2 | Completed | G | Minutes - June 2013 BDCA Meeting | 07/31/13 | 7/31/2013 | Completed |
| 3 | Completed | G | Board Report 13-23 Training Programs | 07/31/13 | 7/31/2013 | Completed |
| 4 | Completed | G | Board Report 13-24: Committee Referrals | 07/31/13 | 7/31/2013 | Completed |
| 5 | Completed | G | Board Report 13-25: Quarterly Budget Review | 07/31/13 | 7/31/2013 | Completed |
| 6 | Completed | C | Board Report 13-26- Quarterly Communications Update | 07/31/13 | 7/31/2013 | Completed |
| 7 | Completed | G | Board Report 13-27 - Quarterly Contract Status Update | 07/31/13 | 7/31/2013 | Completed |
| 8 | Completed | G | Board Report 13-28 - Staff Report June 2013 | 07/31/13 | 7/31/2013 | Completed |
| 9 | Completed | C | Newsletter - 2013 Second Quarter | 07/31/13 | 7/31/2013 | Completed |
| 10 | Completed | C | Retirement Calculator - Retirement Systems Testing | 07/31/13 | 7/31/2013 | Demos on 7/30/13 |
| 11 | Completed | C | Account Management Web Tool - Final Prototype Design to Programmer | 07/31/13 | 7/31/2013 | Prototype ETA: 8/23/2013 |

| PENDING PROJECTS | | | | | | |
|------------------|---------|---|--|----------|-----------|---------------------------------|
| # | STATUS | | PROJECT | DUE DATE | COMPLETED | NOTES |
| 1 | PENDING | A | Finalize Consulting Contract w/Mercer Consulting | 08/31/13 | | Pending Mayor's Office Approval |
| 2 | PENDING | G | Minutes - July 16, 2013 Meeting | 08/31/13 | | Pending |
| 3 | PENDING | G | Investments Committee Meeting - Procurements | 08/31/13 | | Pending |
| 4 | PENDING | G | Board Report - Strategic Plan Review | 08/31/13 | | Pending |
| 5 | PENDING | G | Board Report - SDBO Options Trading | 08/31/13 | | Pending |
| 6 | PENDING | G | Board Report - Strategic Planning | 08/31/13 | | Pending |
| 7 | PENDING | G | Board Report - Fee Disclosure Update & Non-Employees | 08/31/13 | | Pending |

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|----|---------|---|---|----------|--|---|
| 8 | PENDING | G | Board Report - Bank of America Contract Amendment | 09/30/13 | | Pending |
| 9 | PENDING | G | Board Report - Staff Report August | 08/31/13 | | Pending |
| 10 | PENDING | G | Bank of the West - Draft Contract Amendment | 09/30/13 | | Pending |
| 11 | PENDING | A | Retirement Calculator - Finalize Prototype | 09/30/13 | | Pending |
| 12 | PENDING | C | Account Management Web Tool - Finalize Prototype | 09/30/13 | | Pending |
| 13 | PENDING | G | Board Report - Plan Document Revisions (Loans) | 09/30/13 | | Pending |
| 14 | PENDING | G | Board Report - Historical Contribution History | 09/30/13 | | Pending |
| 15 | PENDING | G | Board Report - Contractor Evaluation Policy | 09/30/13 | | Pending |
| 16 | PENDING | G | Board Report - DROP Mailing | 09/30/13 | | Draft materials developed and now being revised |
| 17 | PENDING | C | Draft Citywide Memo re Marketing by Non-Contracted Financial & Benefit Services Providers | 09/30/13 | | Pending |
| 18 | PENDING | A | Online Distribution Functionality | 09/30/13 | | Great-West reviewing functionality |
| 19 | PENDING | A | Great-West Contract Amendment Extension PSP Services 2012-2016 | 10/31/13 | | Pending |
| 20 | PENDING | G | Review of CA Governmental Plan - Demographic Files | 10/31/13 | | Pending |
| 21 | PENDING | C | Board Report - EZ Enrollment Form | 10/31/13 | | Pending |
| 22 | PENDING | G | Investments Committee Meeting: Investment Policy Statement - Termination | 10/31/13 | | Pending |
| 23 | PENDING | G | Annual Reports 2011 and 2012 - PSP | 10/31/13 | | Pending |
| 24 | PENDING | C | Board Report - Social Media Options | 09/30/13 | | Pending |
| 25 | PENDING | C | Online Distribution Communications Document | 09/30/13 | | Pending |
| 26 | | C | National Save for Retirement Week - Promotion | 11/30/13 | | Pending |
| 27 | PENDING | G | Board Report - review of consistency of access to separating City employees | 11/30/13 | | Pending |
| 28 | PENDING | C | Create Catch-Up Flyer Incorporating Roth | 11/30/13 | | Pending |
| 29 | PENDING | C | Loan Highlights Flier Revisions | 11/30/13 | | Pending |
| 30 | PENDING | G | Board Report - Contribution History & Rollovers | 11/30/13 | | Pending |

| | | | | | | |
|----|---------|---|---|----------|--|---------|
| 31 | PENDING | G | Board Report - SAS Form from Great-West | 11/30/13 | | Pending |
| 32 | PENDING | O | Domestic Partners Research and Discussion with City Attorney and California Peers | 11/30/13 | | Pending |
| 33 | PENDING | C | Revise Distribution Form | 11/30/13 | | Pending |
| 34 | PENDING | C | Revise Enrollment Guide | 11/30/13 | | Pending |
| 35 | PENDING | G | Board Report - Retirement/Pension System Retired Loan Payments | 11/30/13 | | Pending |
| 36 | PENDING | G | Board Report - Quarterly Contract Update | 12/31/13 | | Pending |
| 37 | PENDING | G | Beneficiary Addresses Implementation | 12/31/13 | | Pending |
| 38 | PENDING | C | DCP Glossary | 12/31/13 | | Pending |
| 39 | PENDING | G | Review and report back on City of New York financial advice program | 12/31/13 | | Pending |
| 40 | PENDING | G | Review and report back on PIMCO hedge fund strategy | 12/31/13 | | Pending |
| 41 | PENDING | C | Communications Plan: List of alternative DC publications and outlets (LACERS, Pensions, Union pubs, etc.) | 12/31/13 | | Pending |
| 42 | PENDING | G | Board Report - Proxy Share Voting | 12/31/13 | | Pending |
| 43 | PENDING | C | DROP Brochure Ad | 12/31/13 | | Pending |
| 44 | PENDING | C | DROP Brochure | 12/31/13 | | Pending |
| 45 | PENDING | C | Notification of Participants - Catch-Up Eligibility | 12/31/13 | | Pending |
| 46 | PENDING | C | Pre-Audit Testing - Phase II | 12/31/13 | | Pending |
| 47 | PENDING | C | Revise Pension Savings Plan Highlights | 12/31/13 | | Pending |
| 48 | PENDING | G | Revisit Plan Audit | 12/31/13 | | Pending |
| 49 | PENDING | A | PSP Account Consolidation | 12/31/13 | | Pending |
| 50 | PENDING | G | Research adding other Plan type in order to increase savings opportunities (from 8/21/12 BDCA meeting) | 12/31/13 | | Pending |
| 51 | PENDING | G | Auto-Glide Investment Allocations | 12/31/13 | | Pending |
| 52 | PENDING | G | Statistical Project: Refined Count of Non-Contributing Participants | 12/31/13 | | Pending |
| 53 | PENDING | G | Board Report - Transition Manager Procurement | 12/31/13 | | Pending |
| 54 | PENDING | G | Deemed IRA Implementation | 12/31/13 | | Pending |

| | | | | | | |
|----|---------|---|---|----------|--|---|
| 55 | PENDING | C | Online Enrollment Communications Document | 12/31/13 | | Pending |
| 56 | PENDING | A | Online Enrollment Functionality | 12/31/13 | | Staff tested web functionality, errors identified; Great-West reviewing |
| 57 | PENDING | C | Website Conversion | 12/31/13 | | Pending |
| 58 | PENDING | C | DCP Bi-Monthly Newsletter | 12/31/13 | | Pending |
| 59 | PENDING | G | Retirement Plan Summit | 12/31/13 | | Pending |

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

| Position Authority | Incumbent Class | Function | Est. Percent Reimbursed by DCP | Staff Member |
|--|-----------------------------|----------------------------|---------------------------------------|---------------------|
| Personnel | | | | |
| Chief Personnel Analyst | Chief Personnel Analyst | Division Chief | 20% | Alejandrina Basquez |
| Senior Personnel Analyst II | Senior Personnel Analyst II | Plan Manager | 60% | Steven Montagna |
| Senior Personnel Analyst I | n/a | Administration | 100% | Vacant |
| Management Analyst II | Management Analyst II | Operations | 90% | Paul Makowski |
| Management Analyst II | Personnel Analyst II | Communications | 90% | Esther Chang |
| Benefits Specialist (prior incumbent left under ERIP) | Clerk Typist | Participant Services | 90% | Claudia Guevara |
| City Attorney | | | | |
| Assistant City Attorney | Assistant City Attorney | Board Counsel | 25% | Curt Kidder |
| Legal Assistant | Legal Assistant | Participant Legal Services | 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

Approved by: _____
Steven Montagna