

DEFERRED COMPENSATION PLAN BOARD REPORT 13-34

Date: August 29, 2013
 To: Board of Deferred Compensation Administration
 From: Staff
 Subject: Communication Plan for Options Trading in Self-Directed Brokerage Option

*Board of Deferred
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Recommendation:

That the Board of Deferred Compensation Administration approve staff’s proposed communication plan announcing options trading in the Self-Directed Brokerage Option (SDBO).

Background

At its August 20, 2013 meeting, the Board approved trading of covered calls and protective puts in the Deferred Compensation Plan Self-Directed Brokerage Option (SDBO). The Board indicated that options trading could proceed as soon as practical and requested that staff return with a recommendation regarding communicating the change. The Board further indicated a preference for a communications approach that would not appear to be promoting options trading and not involve an undue expense for the Plan. Options trading was made effective in the City’s Plan on August 28, 2013.

Great-West Retirement Services indicates that the SDBO provider, Charles Schwab, cannot provide custom or targeted messaging on its website because its web platform is universal across all of its clients. As a result, staff has thus identified the following three options for communicating the change:

Option	Audience	Form of Communication	Estimated Cost
Option A - U.S. Mail Notice	SDBO Participants Only	Letter	\$ 2,100.00
Option B - U.S. Mail/Email Hybrid Notice	SDBO Participants Only	Letter	\$ 500.00
Option C - Plan-Wide Notice via Quarterly Newsletter	All Plan Participants	Short Notice	\$ -

For Option A, the estimated cost of a U.S. mail special mailing to SDBO participants only is \$2,100. With respect to Option B, staff has access to some, but not all, email

addresses for SDBO participants, and could thus issue a partial U.S. mail/partial e-mail communication to SDBO participants that would cost approximately \$500.

Staff's proposal for Option C is to include a brief note regarding the change in the Plan's quarterly newsletter, which goes to all Plan participants, with language similar to the following:

"Notice to Participants in the Self-Directed Brokerage Option (SDBO) - Trading of covered calls and protective puts is now included among available trading choices within the SDBO. The City's Plan does not provide counseling or educational services with respect to any SDBO trading choices, including covered calls and protective puts. Participating in the SDBO presumes investors are knowledgeable about the risks, features and fees of self-directed investing."

Staff recommends Option C. A special mailing to SDBO participants, even with admonishments concerning the considerations involved in trading options, has some level of inherent promotion in it by virtue of its delivery method. Of all the options, Option C appears to be the least likely to be interpreted as promotional. In addition, there would be no cost to the Plan because the notice would simply be included as a minor news item in an existing communication vehicle.

The next quarterly newsletter will be released in the third week of October. On or before its release, the Plan's SDBO Fact Sheet will be updated to include options as one of the available trading vehicles.

Submitted by _____
Steven Montagna

Approved by: _____
Alex Basquez