

# Deferred Compensation Plan BOARD REPORT 14-06

Date: January 21, 2014  
 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:

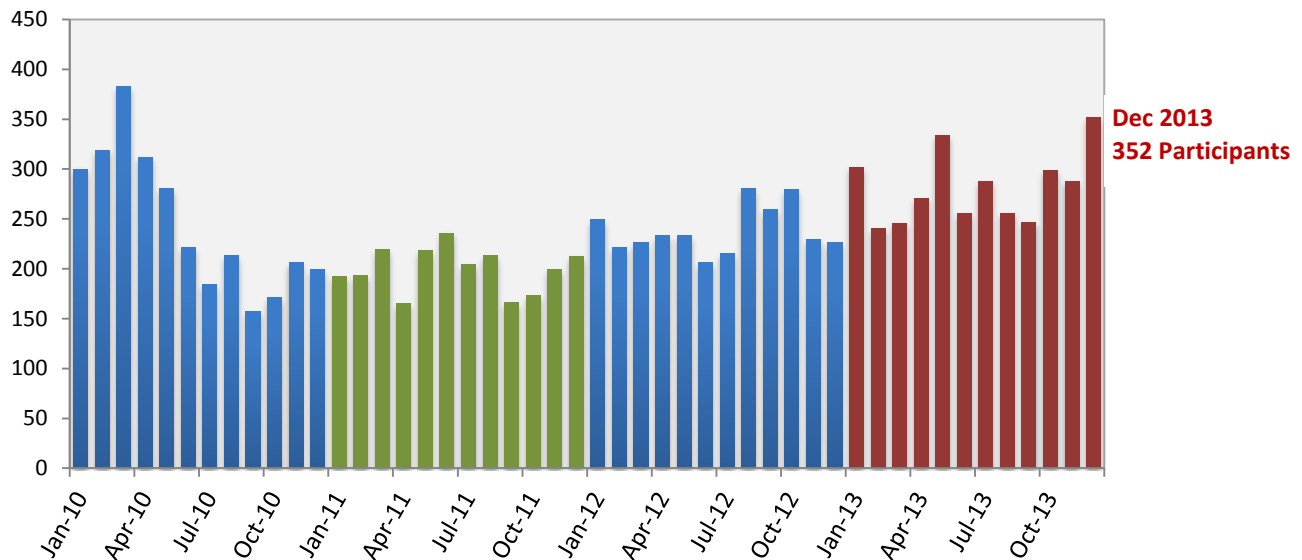
That the Board of Deferred Compensation Administration receive and file the following information.

Activity Reports:

**Counter Activity Employee Benefits Division**

Staff has compiled the following results of Counter Activity flow for the month of December 2013. During the month of December, 352 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 December 2013:

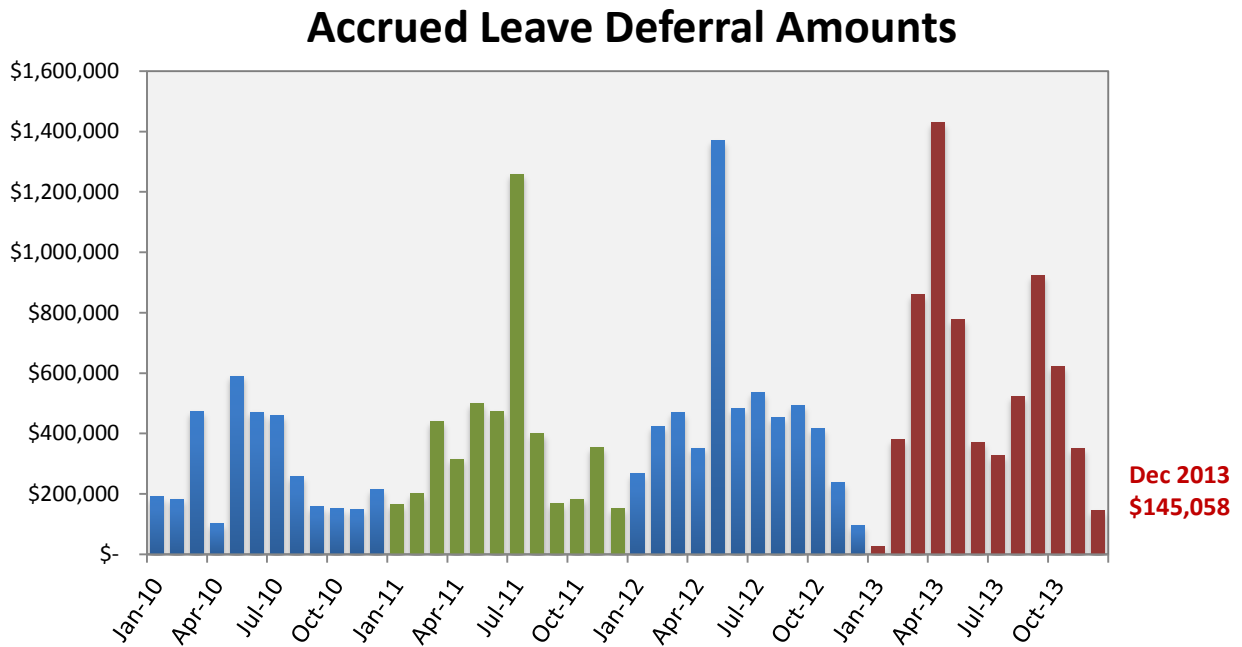
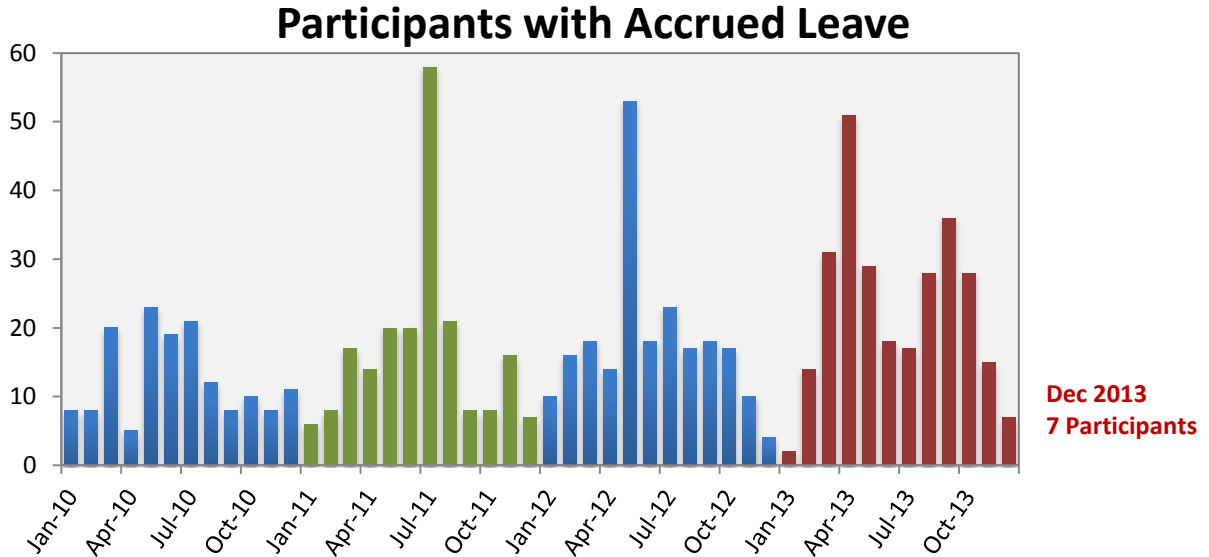
## COUNTER ACTIVITY



## ACCRUED LEAVE ACTIVITY

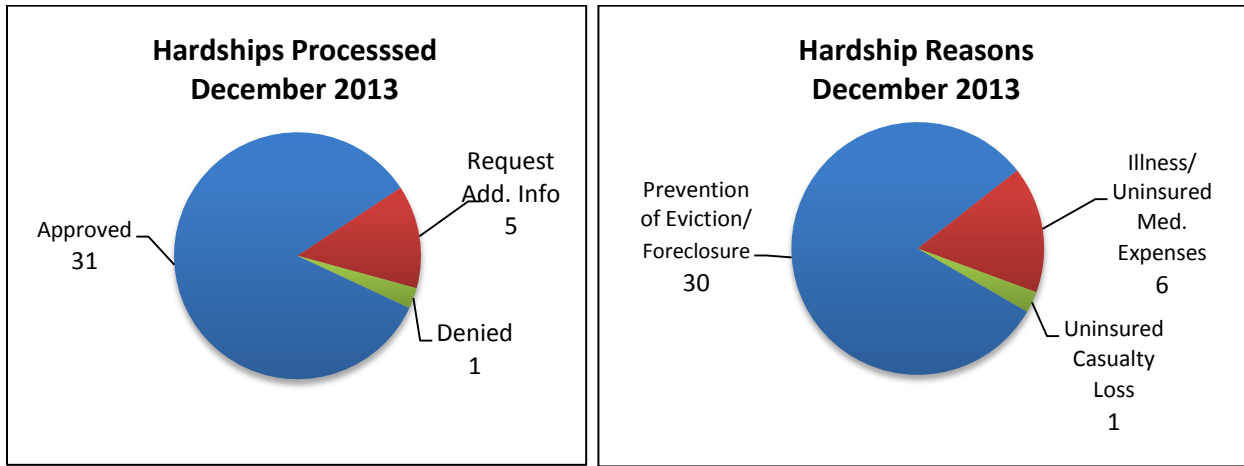
Staff has compiled the following results of Accrued Leave enrollment for the month of December 2013. During the month of December, 7 participants deferred **\$145,058** into the Plan from their Accrued Leave payouts.

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

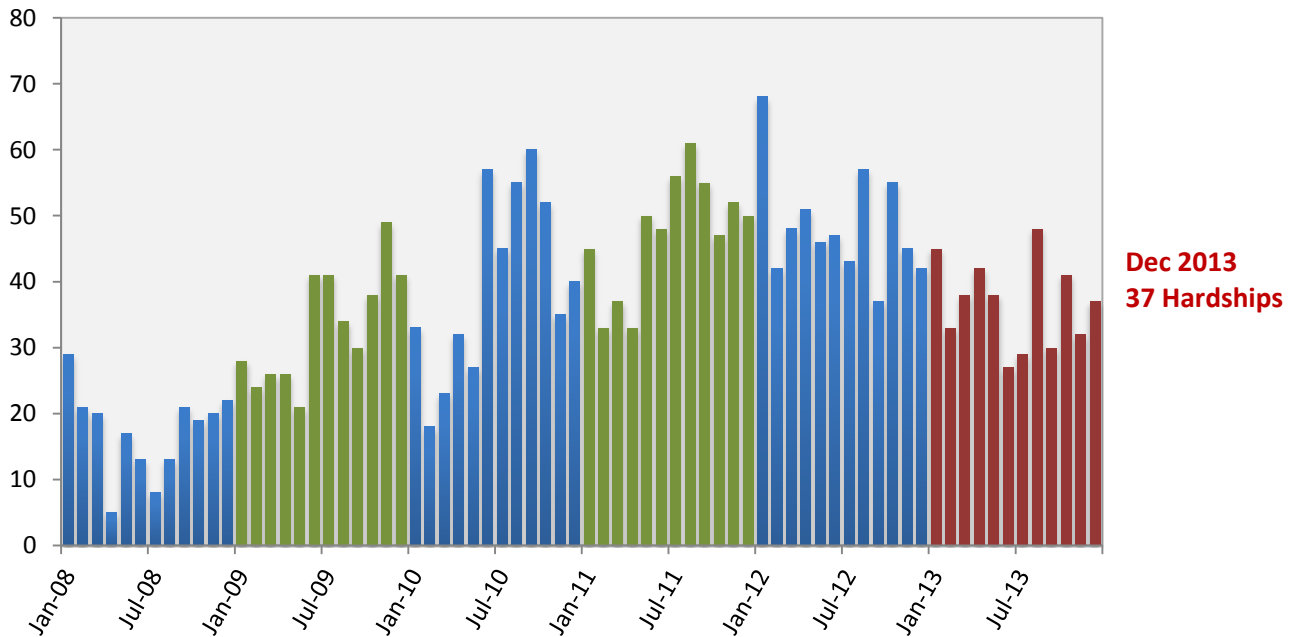


## HARDSHIP ACTIVITY

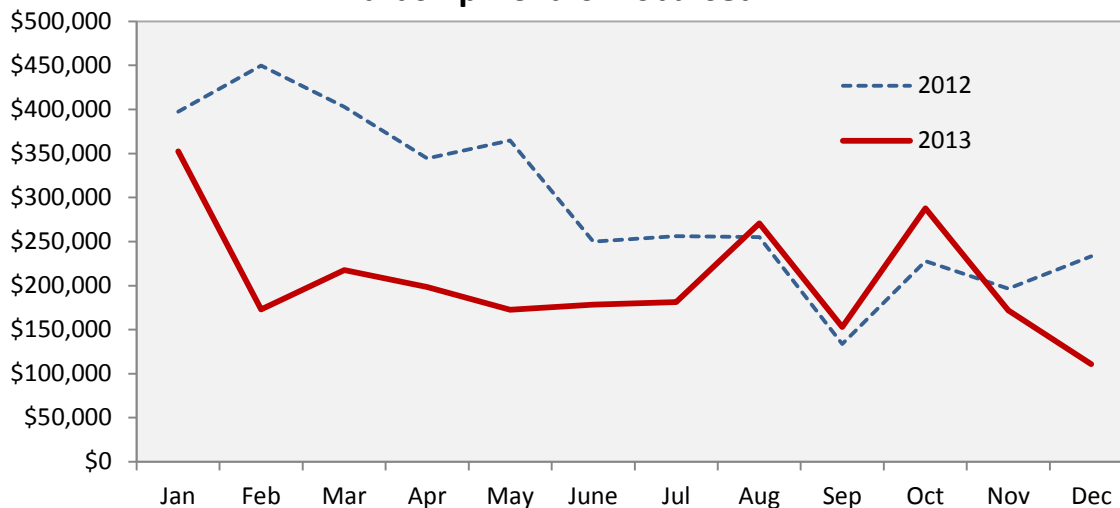
Staff has compiled the following results of hardship processing with Great-West for the month of December 2013. During the month of December, 37 hardship cases were submitted to Great-West. There were 31 cases approved, 1 case was denied, and 5 cases were pending further documentation. The dollar amount for hardships withdrawn from the plan in December 2013 was approximately **\$110,688**.



Following are hardship activity results from January 2008 to December 2013:

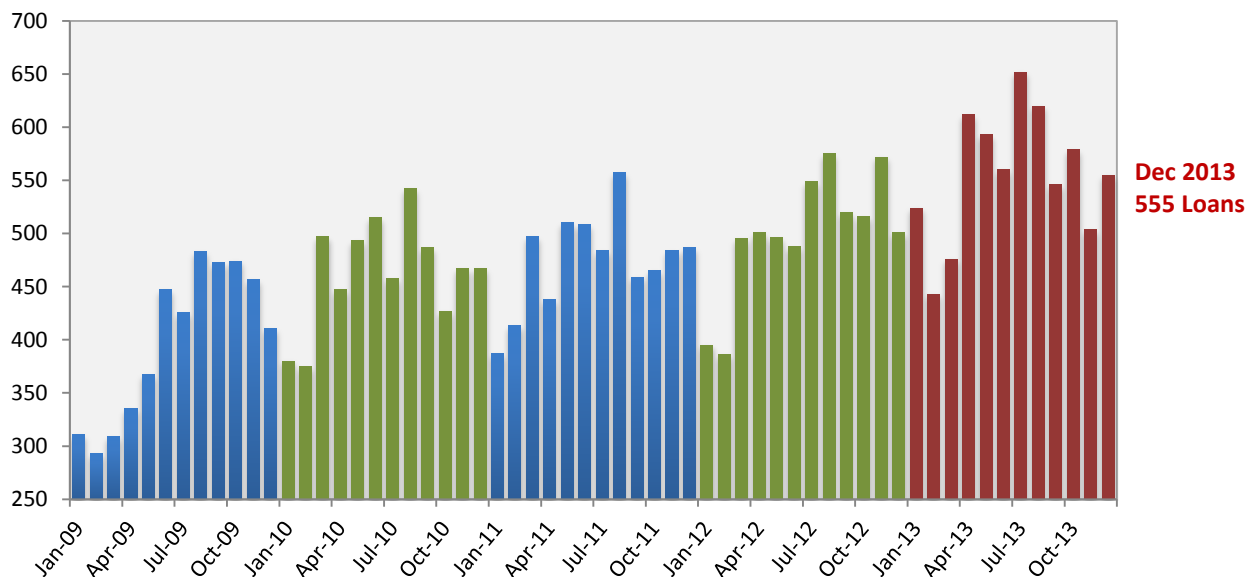


### Hardship Dollars Disbursed

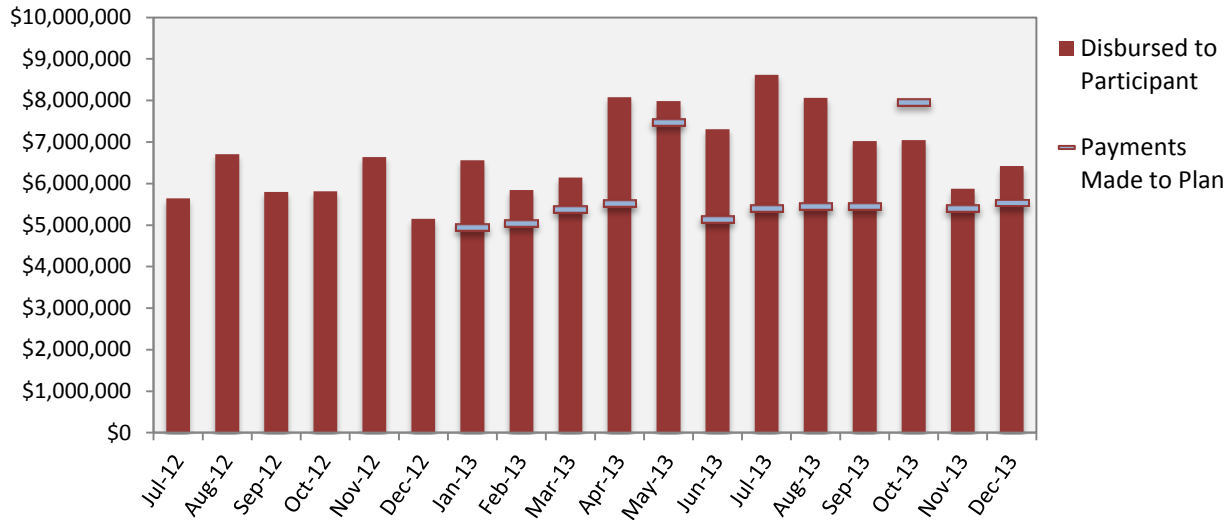


### LOAN ACTIVITY

Staff has compiled the following results of new loans acquired by participants for the month of December 2013. During the month of December, 555 participants elected to obtain a new loan and **\$6,419,291** was withdrawn from the Plan for their loan payouts.



## Loan Dollars

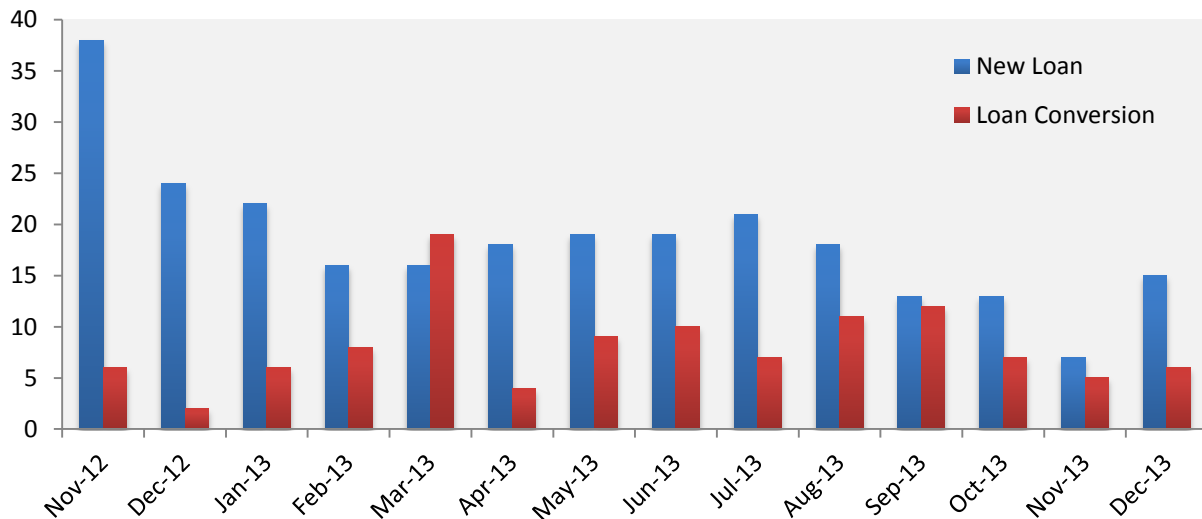


### For Retirees or Terminated Employees

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 December 2013, staff processed 15 new loan requests and 6 requests for loan conversion. **To date, staff has processed a total of 259 requests for retiree loans and 112 requests for conversion.**

## Retiree Loans

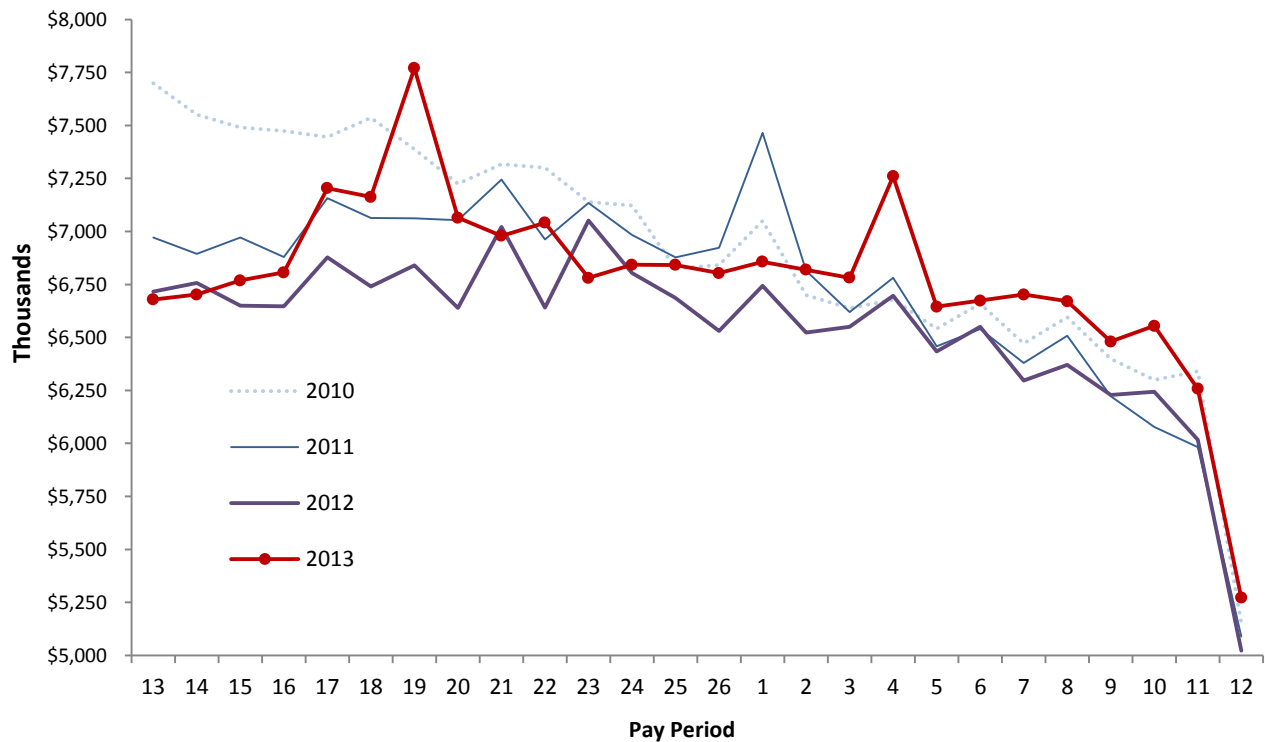


# DEFERRAL TRACKING

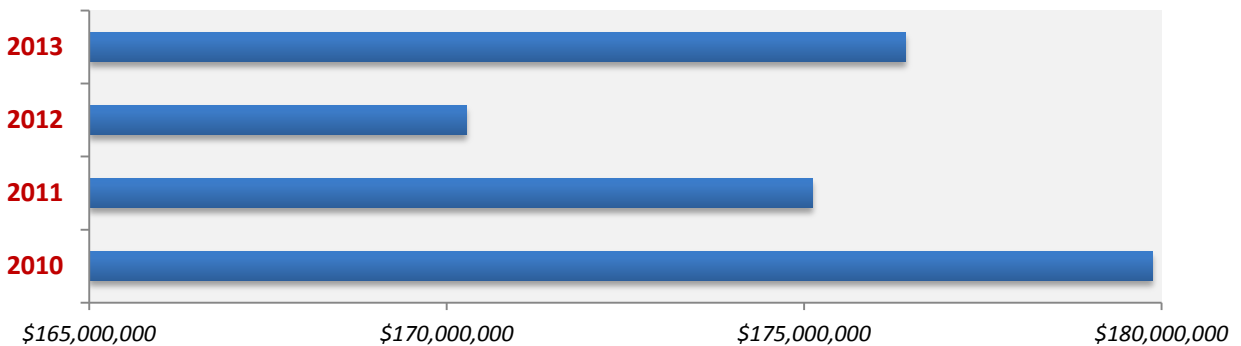
Staff has compiled the following results of bi-weekly deferral cash flows for the month of December 2013 for the City of Los Angeles and Department of Water and Power (DWP). During the month of December, the City and DWP deferred **\$11,529,518** into the Deferred Compensation Plan. This compares to **\$11,039,227** in December 2012, which constitutes a **4.4% increase**, year-over-year.

## Bi-Weekly Deferral Cash Flows

YEAR-OVER-YEAR, BY PAY PERIOD



## Total Annual Deferrals



## ROTH CONTRIBUTIONS

As part of developing metrics for the Deferred Compensation Plan, staff has been re-examining some of the statistics generated for the staff report and Great-West quarterly report. One subject that has come under scrutiny concerns the number of participant accounts with Roth balances.

When the Roth option was first launched, staff began recording the number of new accounts to the Board, but over time this data has become disconnected from the total number of accounts, which includes those who may have begun but then stopped contributing. Staff and Great-West recently re-examined the previous reporting method. As a result, it was found that as of January 6, 2014, **2,324** participants have a Roth account. This figure represents **6.9%** of our actively contributing participants; and **5.8%** of all Plan participants. Staff is in the process of obtaining a report breaking out the active from separated-from-service populations, and can then also report Roth participation percentages looking through that lens as well. The number of accounts in the separated-from-service population should be relatively small, since presumably most of these individuals separated from service before Roth became available in the Plan.

With respect to the question of how many participants are contributing pre-tax dollars only, Roth dollars only, or a combination of both (a question which arose at the last Board meeting), staff was able to obtain the following statistics:

	Employee Count	% of Total
Pre-tax deferral only	25,338	93%
Pre-tax and Roth deferral	1,099	4%
Roth deferral only	767	3%
<b>TOTAL Contributing Participants</b>	<b>27,204</b>	<b>100%</b>

Going forward, the reporting of Roth statistics will be modified further as we obtain more ongoing data.

## GREAT-WEST QUARTERLY REPORT – RESPONSES TO PRIOR QUESTIONS

At the December 17, 2013 meeting, Great-West presented the quarterly report for the 4<sup>th</sup> quarter of 2013. At the meeting, there were several questions raised.

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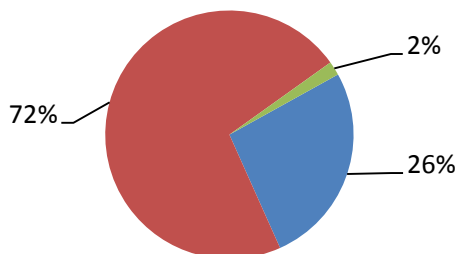
### Question:

Page 4 of the report indicated interest/dividends were significantly higher in 4<sup>th</sup> quarter of 2012; which funds attributed to this dollar amount?

Net Asset Change	4Q 2012	1Q 2013	2Q 2013	3Q 2013
Beginning Balance	\$3,539,459,130	\$3,578,684,906	\$3,793,400,087	\$3,850,557,188
Deposits	\$72,190,565	\$87,647,714	\$81,006,402	\$76,450,383
Net Transfers	(\$143,910)	\$49,610	\$50,400	(\$248,500)
Fees	(\$557,342)	(\$663,880)	(\$674,153)	(\$680,230)
Distributions	(\$57,363,798)	(\$68,926,195)	(\$64,335,620)	(\$65,264,524)
Change in Value	\$21,763,314	\$196,353,452	\$41,066,518	\$163,027,402
Interest/Dividends	\$3,336,946	\$254,479	\$43,553	\$42,357
Ending Balance	\$3,578,684,906	\$3,793,400,087	\$3,850,557,188	\$4,023,884,075
Outstanding Loans	\$150,252,064	\$149,215,032	\$160,901,570	\$169,467,694
Total Assets Including Loans Outstanding	\$3,728,936,970	\$3,942,615,119	\$4,011,458,758	\$4,193,351,770

**Answer:**

- DWS EAFE Equity Index (BT-EAF)
- Fidelity Diversified International (FD-DIV)
- JPMorganChase Certificates of Deposit



**Question:**

On page 19, there was an external transfer under the partial distribution section for \$312.90. What would that have been for?

PARTIAL DISTRIBUTIONS						
TOTALS	\$41,225,117.05	100.0%	2,549	100.0%	\$16,173.05	
CEDO/QDRO	264,439.61	0.6%	15	0.6%	17,629.31	
DEMINIMUS	2,344.19	0.0%	1	0.0%	2,344.19	
DEATH	335,467.16	0.8%	10	0.4%	33,546.72	
HARDSHIP	604,905.62	1.5%	85	3.3%	7,116.54	
LOAN	23,711,247.33	57.5%	1,818	71.3%	13,042.49	
MINIMUM DISTRIBUTIONS	102,470.10	0.2%	20	0.8%	5,123.51	
PLAN TO PLAN TRANSFER	91,190.34	0.2%	4	0.2%	22,797.59	
RETIREMENT	14,128,298.25	34.3%	422	16.6%	33,479.38	
SEP SERVICE	851,961.57	2.1%	48	1.9%	17,749.20	
EXTERNAL TRANSFERS	312.90	0.0%	1	0.0%	312.90	
SERVICE CREDITS	1,132,479.98	2.7%	125	4.9%	9,059.84	

**Answer:**

The \$312.90 was a loan pay-off for insufficient funds. This participant sent in a loan payoff, however her account did not have sufficient funds to pay-off the loan, so her loan had to be “re-established” and the external transfer type was used to handle this.

**Question:**

On pages 12-15, the small and mid-cap numbers are reported together. Why are these combined? Can they be reported separately going forward?

**Answer:**

When “Small/Mid Cap Blend” is indicated, this covers two funds - the SSGA Russell Small-Cap (SVRSCS) and the DCP Mid Cap (CLAMCF) Funds. These two funds account for 8% of asset distribution. Going forward, these will be reported separately.



## **STAFF UPDATES**

**Automatic Enrollment** – Staff is drafting a report for the Plan Governance and Administrative Issues Committee to review concerning the design of an auto enrollment program. Specific items in the report are being vetted internally, with the Plan Administrator and Board counsel prior to the Committee meeting. Staff will be working with Committee members to schedule the meeting during the month of February.

**Investment Policy Changes and Fund Searches** – Staff has drafted changes to the Investment Policy Statement to incorporate Board approval for developing a mutual-fund search process. Those draft changes are presently being reviewed by the Board's consultant and are expected to be presented at the Board's February meeting, along with a recommendation for initiating specific fund searches.

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

DCP						
Legend:						
G = Governance						
C = Communications						
O = Operations						
A = Administration						
COMPLETED PROJECTS: DECEMBER 2013						
#	STATUS		PROJECT	DUE DATE	COMPLETED?	NOTES
1	Completed	G	Minutes - November 19, 2013 Meeting	12/31/13	Y	N/A
2	Completed	G	Board Report - Fund Searches	12/31/13	Y	N/A
3	Completed	G	Board Report - Auto Enrollment	12/31/13	Y	N/A
4	Completed	G	Board Report - Training Proposal	12/31/13	Y	N/A
5	Completed	G	Council Report - Contract Extensions	12/31/13	Y	N/A
6	Completed	G	Board Report - Quarterly Budget Review 06/30/13	12/31/13	Y	N/A
7	Completed	G	Board Report - Quarterly Contract Status Update	12/31/13	Y	N/A
8	Completed	G	Board Report - Quarterly Communications Update	12/31/13	Y	N/A
9	Completed	G	Board Report - Nov Staff Report	12/31/13	Y	N/A
10	Completed	C	DROP 2014 Seminar Dates - Flyer	12/31/13	Y	N/A
11	Completed	C	Webtool Options Flyer	12/31/13	Y	N/A
12	Completed	C	DCP Article for LAFPP Actives Newsletter	12/31/13	Y	N/A
13	Completed	C	2014 Annual Limits Flyer & Web Bulletin	12/31/13	Y	N/A
14	Completed	C	All City E-mail - Annual Limits, Web Tools, Loan Reminders	12/31/13	Y	N/A
15	Completed	C	Review of Retirement Calculator Link & Text on LACERS Site	12/31/13	Y	N/A
PENDING PROJECTS						
#	STATUS		PROJECT	DUE DATE	COMPLETED	NOTES
JANUARY 2014						
16	PENDING	G	Metrics Tracking Document	01/31/14		Pending
17	PENDING	G	Minutes - December 17, 2013 Meeting	01/31/14		Pending
18	PENDING	G	Board Report 14-01 - Officer Elections for Board Member Positions	01/31/14		Pending

19	PENDING	G	Board Report 14-02 - Quarterly Budget Review 09/30/13	01/31/14		Pending
20	PENDING	G	Board Report 14-03 - 2014 Budget	01/31/14		Pending
21	PENDING	G	Board Report 14-04- 2014 Elections for LACERS/Pensions Reps	01/31/14		Pending
22	PENDING	G	Board Report 14-05- 2013 Attendance Review	01/31/14		Pending
23	PENDING	G	Board Report 14-06 - Staff Report January 2014	01/31/14		Pending
24	PENDING	G	Correspondence to CAO and City Unions re Auto Enrollment	01/31/14		Pending
25	PENDING	G	Board Elections - Finalize e-minus calendar with the Election Division	01/31/14		Pending
26	PENDING	C	Informational Bulletin- Deferred Comp Trust	01/31/14		Pending
27	PENDING	C	Calculator Promotion Campaign - Develop proposal	01/31/14		Pending
28	PENDING	C	Develop Prototype - Annual Report	01/31/14		Pending
29	PENDING	C	Great-West Reps Flyer - Template Change	01/31/14		Pending
30	PENDING	C	DCP Newsletter - 4th Quarter 2013	01/31/14		Pending
31	PENDING	A	Issue FDIC RFP	01/31/14		Pending
32	PENDING	A	Great-West Contract Amendment Extension PSP Services 2012-2016	01/31/14		Pending
33	PENDING	O	Update PSP Defaulted Addresses	01/31/14		Pending
34	PENDING	O	Optimize Timing of Loan File Feed Run	01/31/14		Pending
35	PENDING	O	Report on Contribution Demographics	01/31/14		Pending
36	PENDING	O	Annual Contributions Audit	01/31/14		Pending
<b>FEBRUARY 2014</b>						
37	PENDING	G	Minutes - January 21, 2014 Meeting	02/28/14		Pending
38	PENDING	G	Board Report - Plan Document Revisions (Loans)	02/28/14		Pending
39	PENDING	G	Board Report - Investment Policy Revisions	02/28/14		Pending
40	PENDING	G	Board Report - Travel Policy Options Report	02/28/14		Pending
41	PENDING	G	Plan Governance & Administrative Issues Committee Meeting - Report on Auto Enrollment	02/28/14		Pending

42	PENDING	C	Revise Plan Highlights	02/28/14		Pending
43	PENDING	C	Web Page Content Update	02/28/14		Pending
44	PENDING	C	Participant Survey Proposal - Plan Satisfaction	02/28/14		Pending
45	PENDING	C	Implement Benefits Landing Page (to included DCP)	02/28/14		Pending
46	PENDING	G	Statistical Project: Refined Count of Active vs. Separated Participants	02/28/14		Pending
47	PENDING	C	Create Catch-Up Flyer Incorporating Roth & Revise Catch up Form/Flyer re Accrued Leave	02/28/14		Pending
48	PENDING	C	Enrollment Guide Revision	02/28/14		Pending
49	PENDING	C	Revise Plan Highlights	02/28/14		Pending
<b>UPCOMING</b>						
50	PENDING	G	2013 Annual Report - DCP	TBD		Pending
51	PENDING	O	Online Enrollment Functionality	TBD		Pending
52	PENDING	C	Board Report - Social Media Options	TBD		Pending
53	PENDING	C	Board Report - EZ Enrollment Form	TBD		Pending
54	PENDING	C	Draft Citywide Memo re Marketing by Non-Contracted Financial & Benefit Services Providers	TBD		Pending
55	PENDING	C	Loan Highlights Flier Revisions	TBD		Pending
56	PENDING	C	Revise Distribution Form	TBD		Pending
57	PENDING	C	Accrued Leave - Flier and Form Revisions	TBD		Pending
58	PENDING	C	KeyTalk and Web Guide - Revisions	TBD		Pending
59	PENDING	C	Distribution Options Guide - Tax and Loan revisions	TBD		Pending
60	PENDING	C	Roth 457 Intro Guide Revise/Redesign	TBD		Pending
61	PENDING	G	Board Report - review of consistency of access to separating City employees	TBD		Pending
62	PENDING	G	Board Report - Contribution History & Rollovers	TBD		Pending
63	PENDING	G	Board Report - SAS Form from Great-West	TBD		Pending
64	PENDING	G	Review of CA Governmental Plan - Demographic Files	TBD		Pending
65	PENDING	G	Board Report - Historical Contribution History	TBD		Pending
66	PENDING	G	Board Report - Contractor Evaluation Policy	TBD		Pending

67	PENDING	G	Board Report - DROP Mailing	TBD		Pending
68	PENDING	G	Board Report - Retirement/Pension System Retired Loan Payments	TBD		Pending
69	PENDING	O	Domestic Partners Research and Review with City Attorney and California Peers	TBD		Pending
70	PENDING	C	DCP Glossary	TBD		Pending
71	PENDING	C	Participant Survey - Metrics demographic	TBD		Pending
72	PENDING	G	Investments Committee Meeting: Investment Policy Review - Termination	TBD		Pending
73	PENDING	G	Review and report back on PIMCO hedge fund strategy	TBD		Pending
74	PENDING	C	Communications Plan: List of alternative DC publications and outlets (LACERS, Pensions, Union pubs, etc.)	TBD		Pending
75	PENDING	G	Board Report - Proxy Share Voting	TBD		Pending
76	PENDING	C	DROP Brochure Ad	TBD		Pending
77	PENDING	C	DROP Brochure	TBD		Pending
78	PENDING	C	Notification of Participants - Catch-Up Eligibility	TBD		Pending
79	PENDING	O	Pre-Audit Testing - Phase II	TBD		Pending
80	PENDING	C	Revise Pension Savings Plan Highlights	TBD		Pending
81	PENDING	G	Revisit Plan Audit	TBD		Pending
82	PENDING	A	PSP Account Consolidation	TBD		Pending
83	PENDING	G	Research adding other Plan type in order to increase savings opportunities (from 8/21/12 BDCA meeting)	TBD		Pending
84	PENDING	G	Auto-Glide Investment Allocations	TBD		Pending
85	PENDING	G	Board Report - Transition Manager Procurement	TBD		Pending
86	PENDING	G	Deemed IRA	TBD		Pending
87	PENDING	C	Online Enrollment Communications Document	TBD		Pending
88	PENDING	C	DCP Bi-Monthly Newsletter	TBD		Pending
89	PENDING	G	Retirement Plan Summit	TBD		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
<b>Personnel</b>				
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
<b>City Attorney</b>				
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**

*Eugene K. Canzano, Chair*  
 Cliff Cannon  
 John R. Mumma  
 Margaret Whelan

**Investments Committee**

*John R. Mumma, Chair*  
 Sangeeta Bhatia  
 Eugene K. Canzano  
 Tom Moutes

Submitted by: \_\_\_\_\_  
 Esther Chang

Reviewed by: \_\_\_\_\_  
 Steven Montagna

Approved by: \_\_\_\_\_  
 Alejandrina Basquez