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DEFERRED COMPENSATION PLAN BOARD REPORT 06-29



Date: August 3, 2006

To: Board of Deferred Compensation Administration

From: Staff

Subject: Staff Report: Pending Items & Information Items

Recommendation:

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

General Information:

Staffing – Staff is pleased to report that the new Management Assistant position recently added to the City’s staffing authority for the Deferred Compensation Plan has been filled. The new staff member is Natasha Zuvich. Ms. Zuvich has a Bachelor of Science degree in Finance, Real Estate and Law and Business Management, and has recent work experience as a Financial Advisor Assistant and Real Estate Loans Assistant. Her start date is August 21, 2006.

Unfortunately, staff recently learned that the other proposed new Deferred Compensation Plan position, a half-time Accounting Clerk, was not approved in the City’s Fiscal Year 06-07 budget despite previous indications that it would be. The Personnel Department will resubmit its request for this position in the 07-08 budget.

Pending Items:

Interest-Earning Investment Options Review – Staff is working with the Plan consultant on developing a report which will address questions raised in recent Board meetings concerning (1) the rate competitiveness of the Plan’s interest earning-earning investment options; (2) the fee competitiveness of the Plan’s interest earning-earning investment options; and (3) a communication strategy concerning the Board’s recently approved consolidation of the Plan’s General Account and Stable Value Fund. This report is tentatively scheduled for consideration at the Board’s September 19, 2006 meeting.

Investment Performance Review – Pursuant to Board action, the Plan consultant is preparing an investment performance review for the period ending 6/30/06. In this report the consultant will provide recommend criteria for placing funds on a “watch” status and/or removing poor performing funds. This is tentatively scheduled for consideration at the Board’s September 19, 2006 meeting.

Bond Manager Selection – Staff is in the process of scheduling the next meeting of the Plan’s Investments Committee for the purpose of holding interviews with finalists for the Plan’s Core Bond Actively-Managed investment option.

Mid-Cap Fund Introduction – Pursuant to Board approval of adding the Lazard U.S. Mid-Cap Equity Fund to the Plan’s core investment menu, staff and Lazard have confirmed that the institutional version of this fund will be made available to Plan participants effective 10/1/06. The fund has a management fee of 0.93% (vs. 1.23% for the retail version), and will rebate 0.10% back to participants in that fund, for a net cost of 0.83%. The change will be announced on the Plan website and in the September 2006 quarterly newsletter.

DROP Outreach – Staff has developed a draft communication/outreach plan for participants in DROP as well as a special communication package. These documents are presently under review by Great-West’s compliance team. These materials are tentatively scheduled for consideration at the Board’s September 19, 2006 meeting.

Hardship Rules/Policies Presentation – Pursuant to the Board’s request at its July 18, 2006, meeting, a presentation on hardship rules and policies is presently under development and will be presented at an upcoming Board meeting.

Auto Enrollment Plan - Pursuant to the Board’s request at its July 18, 2006, meeting, a report on automatic enrollment is presently under development and will be presented at an upcoming Board meeting.

Plan Governance Meeting: Plan Fee Structure – Pursuant to previous Board action, the Plan Governance Committee will be reconvened in the near term to consider the issue of structuring Plan fees.

Information Items:

Pension Bill Communication – Communication from NAGDCA regarding federal consideration of new pension bill and impact on 457 plans (a fuller discussion of this topic will be scheduled for a future Board meeting).

L.A. Times Article: Making Saving for Retirement Automatic – Discusses automatic enrollment issue and references related pension bill provisions.

Wall St. Journal Article: Adding CDs to 529 Plans – Article regarding growing popularity of offering CDs in 529 savings plans.

Wall St. Journal Article: Retiring Boomers & Market – Article regarding retirement savings and impact on investment markets.

Submitted by: _____
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Approved by: _____
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