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DEFERRED COMPENSATION PLAN BOARD REPORT 06-35



Date: November 13, 2006
To: Board of Deferred Compensation Administration
From: Staff
Subject: Board Committees

Recommendation:

That the Board of Deferred Compensation Administration (a) approve establishing the Plan Investments and re-named Plan Governance & Administrative Issues Committees as permanent standing Committees; (b) direct staff to establish regular meeting dates for both Committees; and (c) authorize the designated chairpersons of both Committees to move items forward even in the absence of co-Committee members at regular meetings.

Discussion:

The Board of Deferred Compensation Administration has established two ad hoc committees: the Plan Governance Committee, which considers administrative issues relating to Plan oversight, and the Investments Committee, which considers issues related to investment choices offered under the Plan. These Committees were originally designated as ad hoc. The Board Chairperson at the time the Committees were created (Shelley Smith) designated the members of those Committees.

Staff has been working with the new Chairperson to look at ways that the committee structure might be improved upon. This report will discuss three areas of potential improvement: (1) the status of the committees, i.e. whether the committees should be made permanent or remain ad hoc; (2) how often they should meet and within what parameters; and (3) membership under the new Chairperson.

Committee Status – The Board originally established the Committees as ad hoc for two principal reasons. First, the Board had not previously utilized a committee structure, so there was an interest in allowing some time to unfold in order to assess workload. In addition, standing committees impose certain additional burdens (e.g. publicizing agendas, taking minutes, etc.) and at the time the Plan did not have new staffing resources that have since been added.

With respect to workload and the Plan's Investments Committee, it has now been established that there are a large number of complex issues needing to be addressed. These include questions regarding the size of the overall menu (e.g. whether some funds should be eliminated for redundancy); the composition of the Plan's asset allocation funds; whether life-

cycle funds should be added to the core menu; whether the Plan should move to a complete separate account structure for all investment categories; the type of brokerage window that should be offered and what should be made available within the window; creating additional components of a Plan investment policy; etc.

There are not as many immediate issues being considered by the Plan Governance Task Force, but they are equally complex and include the following: potential revisions to the Plan Document; development of Board bylaws; and codifying an ethics policy. A recent action by the Board to refer consideration of potential changes to the structure of Plan fees suggests that the Board may need a more broadly defined committee vehicle to study complex issues not strictly related to Plan governance.

Given all this, staff recommends that the Board establish both of its ad hoc committees as permanent, and further that the Plan Governance Task Force be re-named as the “Plan Governance and Administrative Issues” Task Force. Staff believes that permanent committee status is appropriate for what it believes will be an ongoing need for in-depth analysis by both bodies; and broadening the mandate of the Plan Governance Committee to include “administrative issues” will allow the Board to refer a broad range of issues requiring that type of detailed consideration.

Meeting Parameters – If the Committees are permanent they will require regular, formal meeting dates. Staff recommends that because the issues for the Investments Committee are more numerous and immediate, this Committee should be meeting on a monthly basis, while quarterly meetings would be more appropriate for the Plan Governance and Administrative Issues Committee. Staff would work with Committee members to establish initial regular meeting dates (e.g. the first Wednesday of the meeting month).

To ensure that consideration of important issues is not slowed down by scheduling conflicts, staff would further propose that a Chairperson be designated for each Committee and that, similar to the way in which City Council Committee meetings are conducted, the meetings proceed so long as Chairpersons are present. The Chairpersons would thus be empowered to move items forward even absent the presence of other members.

Membership – The Chairperson has announced the following selections for the Board Committees, including designation of Chairpersons:

Plan Governance & Administration

- Eugene Canzano, Chairperson
- Bill Stein

Plan Investments

- Richard Kraus, Chairperson
- Rick Rogers

The Chairperson believes that keeping the Committees to smaller sizes will minimize scheduling issues and provide for more cohesiveness. However, the meetings will be public, subject to the Brown Act, and as a result any Board member interested in attending may do so.

Conclusion

Staff and the Board Chairperson believe that these proposed changes to the Board's Committee structure will allow the Plan to move forward more effectively and efficiently on a number of complex issues facing the City's Plan. Permanency and regular meeting dates will not only promote consideration of these issues, they will also provide more definition and transparency to Plan participants.

Submitted by: _____
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Approved by: _____
Maryanne Keehn