

DEFERRED COMPENSATION PLAN BOARD REPORT 09-28



Date: May 12, 2009
To: Board of Deferred Compensation Administration
From: Staff
Subject: Investment Manager Search: FDIC-Insured Savings Option Providers

Members
Eugene K. Canzano, Chairperson
Richard Kraus, First Provisional Chair
Shelley Smith, Second Provisional Chair
Maggie Whelan, Third Provisional Chair
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Michael Perez
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Recommendation:

That the Board of Deferred Compensation Administration direct staff and the consultant to move forward in establishing operational and contracting viability with the four potential FDIC-Insured savings option providers identified in the consultant's analysis, and return at the next Board meeting with a final recommendation for selected vendors.

Discussion:

The Board's consultants at Mercer Investment Consulting have completed their review of potential banking institution providers for an FDIC-Insured Savings Option. As Board members will recall, the objective for this provider search was to find three viable banking institutions as part of a newly structured multi-vendor "City of L.A. FDIC Savings Account." This followed a Request for Proposal process earlier this year which was terminated when only one response was received.

Mercer has identified four potential providers and will review details of their findings at the Board meeting. Each of these vendors is, in the consultant's view, a viable provider from the perspective of its financial stability. However, before final recommendations can be made regarding how many and which firms should be included in the final construction of this option, additional issues will need to be resolved.

There are three core criteria that need to be met with each provider before a recommendation to contract can be finalized. Following is a listing of those criteria and the status of staff's and Mercer's assessment:

1. **Viability** – All vendors have been found to be viable providers with respect to the underlying strength of the financial institution and ability to offer an FDIC-Insured savings vehicle.
2. **Operational Consistency** – The providers must be able to work consistently with one another and the Plan's record-keeper, Great-West Retirement Services, in terms of interest rate crediting and reporting. Currently three of the four (Bank of America, City National Bank, and Bank of the West) can provide consistent interest rate crediting (with the ability to credit on a quarterly or monthly basis), while Wells Fargo indicates it can not (limited to weekly crediting only).

- 3. Contracting Obligations** – The providers must be able to accept all standard terms and conditions of contracting with the City, including especially the ability to meet the City’s Standard Provisions requirements; currently only Bank of America appears to have established that it can meet these contracting obligations (by virtue of having been the only vendor to have completed a response to the previously canceled RFP); the other vendors have yet to assemble their documents and complete their review of the City’s Standard Provisions.

Staff’s recommended objective in moving forward is to establish whether and to what degree each of the prospective vendors can be a viable provider with respect to operational and contracting requirements. As a result, staff is recommending that the Board direct staff and the consultant to move forward with each provider in establishing their viability in these areas and return at the next Board meeting with a final list of proposed providers. It should be noted that one possible outcome is that a determination could be made that there are less than three providers able to fulfill all the requirements for this option. A minimum of one is required in order to receive assets liquidated from JPMorgan Chase/Washington Mutual once those assets are released to the City on September 1, 2009.

Submitted by: _____
Steven Montagna

Approved by: _____
Alejandrina Basquez