

DEFERRED COMPENSATION PLAN BOARD REPORT 09-33



Date: June 4, 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
Sangeeta Bhatia
Sally Choi
Michael Perez
Kurt A. Stabel

Recommendation:

That the Board of Deferred Compensation Administration:

- (a) Approve the selection of Bank of America, City National Bank and Bank of the West as providers for the new City of Los Angeles Deferred Compensation FDIC-Insured Savings Option;
- (b) Instruct staff and the City Attorney to work with the selected providers in developing the necessary contracts; and
- (c) Authorize the Board Chairperson to execute the contracts.

Discussion:

As indicated and presented at the Board's May 19, 2009 meeting, the Board's consultants at Mercer Investment Consulting completed their review of potential banking institution providers for a the Plan's new multi-vendor City of Los Angeles FDIC-Insured Savings Account. This followed a Request for Proposal process earlier this year which was terminated when only one response was received.

Mercer identified four institutionally viable providers:

- Bank of America
- Wells Fargo
- Bank of the West
- City National Bank

Staff indicated at the last Board meeting that further work needed to be done to determine the viability of each firm with respect to certain criteria. The Board directed staff and the consultant to move forward in determining operational and contracting viability with the four potential providers and return at the next Board meeting with a recommendation for selected vendors.

The additional criteria to be evaluated included the following:

1. **Operational Viability** – The ability to work consistently with one another and the Plan’s record-keeper, Great-West Retirement Services, in terms of interest rate crediting and reporting;
2. **Contracting Viability** – The ability to substantially comply with general City contracting provisions.

With respect to the former, as indicated in the attached consultant’s report, three of the four firms have been identified as being able to meet the operational requirements of the Plan record-keeper. Wells Fargo cannot meet those requirements, and has indicated to staff that based on conversations held between the firm and Great-West Retirement Services, the firm recognizes it cannot meet requirements for less frequent rate-setting, will not be modifying its proposed weekly rate-setting schedule, and is therefore withdrawing from consideration.

With respect to the remaining three firms, each has indicated it can substantially comply with the City’s general contracting provisions. Of course, as is the case with most contracts, issues will likely emerge in contract negotiations needing to be resolved. However, staff’s finding is that given discussions thus far there is a reasonable basis to move forward with provider selections contingent upon the ability of the City and each provider to arrive at mutually acceptable terms.

Given this information, staff is recommending that the Board approve the selection of Bank of America, City National Bank and Bank of the West as providers for the new City of Los Angeles Deferred Compensation FDIC-Insured Savings Option; instruct staff and the City Attorney to work with the selected providers in developing the contracts; and authorize the Board Chairperson to execute the contracts.

Submitted by: _____
Steven Montagna

Approved by: _____
Alejandrina Basquez