

Deferred Compensation Plan BOARD REPORT 10-33

Date: August 20, 2010
To: Board of Deferred Compensation Administration
From: Staff
Subject: Deferred Compensation Plan Trustee

*Board of Deferred
Compensation Administration
Eugene C. Canzano, Chairperson
Richard Kraus, Vice- Chairperson
Sangeeta Bhatia
Cliff Cannon
Sally Choi
John R. Mumma
Michael Perez
Maggie Whelan*

Recommendation:

That the Board of Deferred Compensation Administration direct the Plan consultant to (a) evaluate the City of Los Angeles Deferred Compensation Plan's authoritative documents and determine the degree to which they are consistent with best practices for meeting Internal Revenue Code Section 457 trust requirements for governmental plans, and (b) if necessary, make recommendations for modifications/improvements.

Discussion:

At its meeting on June 15, 2010, the Board requested that staff develop draft correspondence to the City Attorney's Office requesting clarification of the question of which entity is acting in the capacity of trustee for the City's Deferred Compensation Plan and what that entity's responsibilities are relative to that role. At its meeting on July 20, 2010, the Board considered staff's proposed correspondence, discussed some potential changes to the wording of the questions, and asked staff to return the matter to the Board for reconsideration. At its meeting on August 17, 2010, the Board discussed the option of, prior to issuing correspondence to the City Attorney, having its consultant conduct an outside review of this issue.

Staff has discussed this matter on a preliminary basis with two of the Plan's principal consultants with Mercer Investment Consulting, Andrew Ness and Beverly Orth. As a result of that conversation, staff and the consultant believe that the focus of review should be on evaluating the City of Los Angeles Deferred Compensation Plan's authoritative documents to determine the degree to which they are consistent with best practices for meeting Internal Revenue Code Section 457 trust requirements for governmental plans, and if necessary make recommendations for modifications/improvements. Staff therefore recommends that the Board direct the consultant accordingly. Findings will be provided to the Board at either its October or November regular meeting date.

Submitted by: _____
Steven Montagna

Approved by: _____
Alejandrina Basquez