

BOARD OF DEFERRED
COMPENSATION
ADMINISTRATION

MARGARET WHELAN
CHAIRPERSON

BILL STEIN
VICE-CHAIRPERSON

EUGENE K. CANZANO
MICHAEL CARTER
JOYA C. DE FOOR
RICHARD KRAUS
RICK ROGERS

DEFERRED COMPENSATION PLAN BOARD REPORT 07-31



Date: July 9, 2007

To: Board of Deferred Compensation Administration

From: Staff and Investments Committee

Subject: Deemed IRAs

Recommendation:

That the Board of Deferred Compensation Administration (a) endorse the addition of a Deemed IRA to the City of Los Angeles Deferred Compensation Plan, which would include authority to offer both a Traditional as well as Roth IRA, but initially only make the Roth available to Plan participants; and (b) authorize staff to transmit the necessary request to the City Council recommending amending the City Administrative Code to permit establishment of a Deemed IRA.

Discussion:

On June 27, 2007, the Investments Committee met to discuss the merits of offering a Deemed, or "Sidecar," IRA to the City's Deferred Compensation Plan. Staff provided a presentation to the Committee (attached); this presentation will also be provided to the Board at its July 17th meeting.

Following its review of the matter, it was the Committee's recommendation that the Board move forward with requesting authority to offer a Deemed IRA in the City's Plan. The Committee found that doing so would expand the utility and benefits offered within the Deferred Compensation Plan significantly.

Presently Plan participants may roll in previously established Traditional IRAs, but may not roll in Roth IRAs. If the Plan offered its own Roth IRA as a "sidecar" to the primary Deferred Compensation Plan, it would provide a vehicle for not only Roth rollovers but for convenient, payroll-deducted new Roth contributions throughout the course of a given tax year. Further, because Roth IRAs represent a very different, post-tax approach to retirement saving (contributions are all after-tax but withdrawals are not taxable), the Committee found that it would open up another option for retirement savings which, particularly in the case of younger employees, might provide better benefits than contributions to the pre-tax 457 plan.

The Committee was not convinced that it made sense at the present time to offer a Deemed Traditional IRA, given the different set of rules that would attach and the education/communication challenges for participants. However, the Committee believed it

made sense to request authority for offering a Deemed Traditional IRA within the City's Administrative Code, thus allowing the Board the option to offer it at a future point if that action was found warranted. Staff's accompanying presentation will further detail the considerations reviewed by the Committee in arriving at its recommendation.

Submitted by: _____
Steven Montagna

Approved by: _____
Maryanne Keehn