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DEFERRED COMPENSATION PLAN BOARD REPORT 08-08



Date: March 10, 2008

To: Board of Deferred Compensation Administration

From: Staff

Subject: Department of Water and Power Benefits Statement

Recommendation:

That the Board of Deferred Compensation Administration receive and file the following information regarding Department of Water and Power Benefit Statements.

Discussion:

The Department of Water and Power (DWP) utilizes the services of a third-party-vendor as part of issuing annual benefits statements to its employees. On February 11, 2008, some computer equipment at the vendor's office was stolen. This equipment contained unencrypted confidential data regarding DWP employees.

One of the data items included each member's Deferred Compensation Plan account balance. Staff of the Department of Water and Power's Retirement Office contacted the Deferred Compensation Plan to discuss options for mitigating the risks associated with this theft as they relate to the Plan.

Staff and Great-West Retirement Services have worked with DWP to institute additional safety precautions, including (a) requiring that all DWP participants make address changes in writing (no longer permitting telephonic changes) and (b) requiring that all DWP participants no longer be issued temporary PIN numbers telephonically. Both of these steps should help to mitigate the primary risk, which would be for fraudulent distribution from a participant's account (that distribution being principally in the form of a loan, since active employees would generally not otherwise be able to withdraw from their accounts). Great-West already has rules in place to provide that loan payments are only mailed to a participant's address of record within the system.

Although this situation is unfortunate, staff and Great-West believe that reasonable steps have been taken to minimize potential risks. Staff would like to note that Great-West local and systems staff have been enormously cooperative in supporting DWP's

efforts, participating in numerous conference calls and performing other research efforts, without billing the Plan or DWP for these efforts. Their diligence and support have been greatly appreciated.

Submitted by: _____
Steven Montagna

Approved by: _____
Maryanne Keehn