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DEFERRED COMPENSATION PLAN BOARD REPORT 08-18



Date: April 30, 2008

To: Board of Deferred Compensation Administration

From: Staff

Subject: Self-Directed Brokerage Option

Recommendation:

That the Board of Deferred Compensation Administration (a) receive and file this update regarding transition of the Self-Directed Brokerage Option (SDBO) from Fiserv to Charles Schwab; and (b) direct staff to prepare a policy review/presentation, for consideration by the Board's Investments Committee and subsequently by the full Board, regarding permitting trading of stocks/bonds in the SDBO.

Discussion:

Transition Update - Transition of administration of the Self-Directed Brokerage Option (SDBO) from Fiserv to Charles Schwab continues to proceed smoothly. Initial notice of the pending transition was provided to all Plan participants via an article in the newsletter issued with participant quarterly statements. On May 9th all participants currently invested in OptionsPlus will receive Welcome Kits from Charles Schwab. May 9th will also be the last day that Fiserv will accept new OptionsPlus accounts. The blackout, or "quiet period," will begin June 20th, shortly after the Board's next meeting.

Stock/Bond Trading in SDBO – Staff is in receipt of a communication (attached) issued from the Los Angeles Police Protective League (LAPPL) to the Board Chairperson requesting that the Board consider offering trading of stocks/bonds within the SDBO. In this correspondence, LAPPL indicates that this request is based upon input from their membership and that the interest in stock/bond trading "is especially strong among our members who are in the Deferred Retirement Option Plan ("DROP")."

The issue of stock/bond trading has been discussed by prior Boards, but generally as a sub-topic in the context of debates about whether the City's Plan should consider a different provider for its SDBO. Now that the provider question has been settled, staff believes it would be appropriate to request that staff, working with the consultant,

develop a more exhaustive study of the stock/bond trading issue. This study would review at minimum the following:

- Prevalence of stock/bond trading in other governmental plans;
- Prevalence of stock/bond trading in private sector plans;
- Limitations or plan design considerations in plans which offer stock/bond trading;
- Investor experience in plans which offer stock/bond trading;
- Potential liability issues, if any, and how addressed in plans which offer stock/bond trading.

Once staff and the consultant have conducted this research, staff recommends that the results be initially presented to the Investments Committee and subsequently presented to the full Board. Interested parties such as the LAPPL would of course be welcome to offer additional input as the matter is considered in Committee or when reviewed by the full Board.

Submitted by: _____
Steven Montagna

Approved by: _____
Maryanne Keehn