

CITY OF LOS ANGELES  
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

MINUTES  
MEETING OF FEBRUARY 21, 2006 – 9:00 A.M.  
700 E. TEMPLE, ROOM 350

Board Members:

**Present:**

Shelley Smith, Chairperson  
Joya De Foor, Vice-Chairperson  
Eugene K. Canzano  
Richard Kraus  
Don Keith  
Bill Stein  
Maggie Whelan

Staff:

Personnel: Maryanne Keehn, Personnel  
Steven Montagna, Personnel  
Fernando Campos, Personnel  
Joann Dominguez, Personnel  
Richard Bobb, City Attorney

1. CALL TO ORDER

Joya De Foor called the meeting to order at 9:10 a.m.

2. PUBLIC COMMENTS

Ms. De Foor asked if there were any public comments.

John Hill of the Department of Water and Power (DWP) indicated that the Board should consider offering a money market account or an option to buy U.S. treasury securities in the Self-Directed Brokerage Option ("SDBO") rather than only equity investments.

Ms. De Foor asked if there were any additional public comments. There were no additional public comments.

### 3. MINUTES

Ms. De Foor asked if there was a motion to approve the December 20, 2005 minutes. **A motion was made by Richard Kraus and seconded by Maggie Whelan, approving the minutes of the December 20, 2005 meeting; the motion was unanimously adopted.**

### 4. INVESTMENT PROVIDER PRESENTATION: FISERV/OPTIONS PLUS

Rick Kramer with Great-West Retirement Services; Michael Sanford, Regional Vice-President, and Debbie Stark-Curtis, Senior Technical Analyst, both with Fiserv/Options Plus Investment Support Service were present to review performance data for the City's Self-Directed Brokerage Option ("SDBO"). Ms. Stark-Curtis indicated that Fiserv/Options Plus provided participants a self-directed window with over 2,000 funds from leading fund companies which could be accessed 24/7 via a voice response system and the web. She indicated that Fiserv/Options Plus has unlimited trading and no transactions fees. Ms. Stark-Curtis continued her presentation by reviewing system enhancements, which included general system upgrades, voice response system enhancements, and balance updates by 10:00 P.M. (Mountain Standard Time) each evening. She reviewed SDBO statistical information, voice response system usage, and Web site participant statistics. Ms. Stark-Curtis concluded the presentation by reviewing future option enhancements, which include an extension of the trading deadline and same-day trading of Fiserv Money Market accounts.

Eugene Canzano asked if the voice response system had voice recognition capability. Ms. Stark-Curtis indicated that the current voice response system did not have voice recognition. Mr. Canzano asked if the reason for a decline in voice response usage was attributed to the increase in Web site usage. Ms. Stark-Curtis indicated that more trades were recorded via the website than the voice response system. Shelley Smith indicated that the statistics appear to indicate that more participants are using the SDBO than before and that out of the 1,500 funds available, only 654 funds are actively used. Richard Kraus requested a list of criteria used to determine what funds are made available in the SDBO. Ms. Stark-Curtis indicated that a list of a specific family within the trading platform could be provided but the entire platform consists of 5,104 mutual funds. Mr. Kraus indicated he would like a list for the available Vanguard Funds.

### 5. BOARD REPORT 06-04: REQUEST FOR PROPOSAL ("RFP") - PLAN ADMINISTRATION

Steven Montagna indicated that a PowerPoint presentation would be used to present the results of the plan participant survey. He indicated that additional demographic data will be provided by Mercer Consulting, Plan Consultants, in the near future. Mr. Montagna introduced Jason Jaross with Mercer Consulting to begin the presentation. Mr. Jaross indicated that the overall response rate was 20%, which provided a statistically valid response. He indicated that 81% of the responses received indicate

that Plan participants were satisfied with the City's Deferred Compensation Plan and 72% and 54% were satisfied with the Plan's investment options and services, respectively.

Mr. Montagna continued the presentation by discussing the current plan services. He indicated print materials, phone lines, and the Web site were the three most popular responses in either service familiarity, service utilization, or service preference. Mr. Montagna indicated that this information provides an insight as to how the plan should communicate with participants and the need to tailor future communications to their needs.

Mr. Montagna next discussed fees versus services results. He indicated that based on the results, the Board may wish to be cautious to add services requiring mandatory additional costs. He reviewed results for knowledge of retirement savings, making investment decisions, and automation. He indicated that based on the results, 58% of responding participants preferred to optionally enroll in the City's Deferred Compensation Plan and 42% prefer automatic enrollment as a new service.

Ms. Whelan asked if automatic enrollment is typical in defined contribution plans and indicated that the City's Deferred Compensation Plan had a higher participation rate than Los Angeles County, which offers a 4% match. She expressed concern with automatic enrollment for new hires at lower salaries and the impact it may have. Bill Stein and Ms. Smith concurred with this statement. Mr. Montagna indicated that automatic enrollment was not yet typical in the public sector but the federal government had recently began promoting it.

After the Board discussed the survey results, the Board then discussed the RFP. Mr. Kraus asked if Part G of the RFP was for information purposes only and inquired about survey demographic data. Mr. Montagna indicated that Part G would only be used for informational purposes and would not be rated. He indicated the demographic information would be provided.

Mr. Montagna discussed the proposed rating factors. Ms. Smith asked if Board Members had additional comments, questions, and/or objections. Mr. Stein commended staff for their work on the RFP. Ms. De Foor indicated she was pleased with the proposed RFP and that she is planning to submit a copy of it to the GFOA/COBRA Committee to consider using the proposed RFP as best practice. Mr. Canzano complimented staff for their excellent work. Mr. Montagna replied that many people were involved in production of the final document. Mr. Kraus also concurred with the other Board members and asked for several minor changes. Mr. Montagna indicated that the changes would be included in the final version of the RFP.

Following the discussion, **a motion was made by Bill Stein, seconded by Joya De Foor, approving the proposed Request For Proposal ("RFP") for Plan Administration as amended; the motion was unanimously adopted.**

Ms. Smith asked the Board to consider the second part of the item to establish an RFP Review Committee. Mr. Montagna indicated the proposed Review Committee would consist of himself, Wendy Young-Carter, and either a retired Section 457-plan administrator, active Section 457-plan administrator, or other city department manager/contract expert. He indicated staff's preference would be to have an experienced individual with Deferred Compensation expertise. Mr. Stein indicated that he would prefer minimal or no hourly expense for the outside rater. Ms. Smith indicated that she would prefer an active state or local government official.

Ms. Whelan indicated that the proposed RFP is clear and straightforward compared to the last RFP for Plan Administration. She indicated that a city department manager/contract expert could provide adequate experience in the RFP review process. Ms. De Foor indicated that an outside rater would increase credibility and independence for the review process. Mr. Canzano indicated that if the Board were seeking expertise, then an outside rater would be appropriate. Mr. Kraus suggested a four-member committee with both an outside rater and a city employee.

Following the discussion, a motion was by Bill Stein, seconded by Maggie Whelan, establishing an RFP Review Committee utilizing an outside rater from another City department; the motion failed with four nays (Canzano, De Foor, Keith, Kraus) and three ayes (Smith, Stein, Whelan). Ms. De Foor moved to establish an RFP Review Committee utilizing an outside active Section 457 Plan Administrator; the motion was not seconded. **A motion was made by Eugene Canzano, seconded by Maggie Whelan, establishing an RFP Review Committee utilizing a Retired Section 457 Plan Administrator; the motion was carried with six ayes (Canzano, De Foor, Keith, Smith, Stein, and Whelan) and one nay (Kraus).**

## 6. BOARD REPORT 06-05: MARKETING CESSATION

Lonnie Eldridge, Deputy City Attorney from the Office of the City Attorney was present to review the City's policy on lobbying activities of current and former City officials and commissioner participation in the contracting process. Mr. Eldridge referred the Board to sections 49.5.11 and 49.5.17 of the Los Angeles Municipal Code. He indicated that a violation of either ordinance is a misdemeanor and that the Ethics Commission is scheduled to conduct a presentation to the Board in March 2006 related to gift rules, ethics, and conflict of interest. He indicated that section 49.5.11 prohibits any lobbying activity while serving as a member of a Board. Mr. Eldridge continued by discussing section 49.5.17. He indicated that section 49.5.17 prohibits any type of involvement from Board members or Commissioners when awarding a contract. He indicated that it further provides exceptions to the rule including; (a) involvement when acting as a Board and (b) involvement of a Board approved committee of at least two or more Board members.

Ms. Whelan asked if the amendments to the Municipal Code had been provided to General Managers. Mr. Eldridge indicated he would research the concern. Mr. Stein asked if Board members must file a conflict of interest statement. Mr. Eldridge indicated

that Board members may do so voluntarily. Ms. Whelan indicated concern that the Board still does not have a code of ethics. Mr. Stein indicated his concern about this as well.

#### 7. BOARD REPORT 06-06: RETIRED PARTICIPANT SEMINARS

Mr. Montagna indicated that approximately 25 retired participants attended the first retired participant seminar held on February 2, 2006 at the Embassy Suites Hotel by the Los Angeles International Airport. He indicated that the seminar was successful and that the future challenge was encouraging retirees to attend. Mr. Stein indicated he attended the seminar and that GWRS did a great job engaging retirees in the presentation. Ms. Smith thanked both Mr. Montagna and GWRS for their efforts. Mr. Kraus asked how the seminar was publicized. Mr. Montagna indicated it was announced in the quarterly newsletter and on the website.

#### 8. BOARD REPORT 06-07: STAFF REPORT & INFORMATION ITEMS

Ms. Smith indicated that the information provided by staff was useful and the report would be received and filed.

#### 9. HARDSHIPS

Ms. Smith asked if there was a motion to approve hardship Case No's. 06-04 and 06-05. **A motion was made by Bill Stein, seconded by Joya De Foor, approving full hardship distributions in Case No's. 06-04 and 06-05; the motion was unanimously adopted.**

#### 10. NEXT MEETING DATE: MARCH 21, 2006

#### 11. ADJOURNMENT

**A motion was made by Maggie Whelan, seconded by Eugene Canzano, to adjourn the meeting; the motion was unanimously adopted and the meeting adjourned at 11:20 a.m.**

\* Minutes prepared by staff member Fernando Campos