FRANK T. MARTINEZ
City Clerk

KAREN E. KALFAYAN
Executive Officer

When making inquiries relative to this matter refer to File No.

ITY OF LOS ANGELE
CALIFORNIA

ANTONIO R. VILLARAIGOSA
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 978-1043
General Information - (213) 978-1133
Fax: (213) 978-1040

CLAUDIA M. DUNN
Chief, Council and Public Services Division

www.cityclerk.lacity.org

02-1048

PLACE IN FILES
SEP 17 2007
DEPUTY

September 7, 2007

Board of Deferred Compensation
Board of Civil Service Commissioners
Personnel Department
City Administrative Officer

City Attorney (with blue sheet)
Councilmember Zine
Councilmember Parks

RE: AMENDMENT TO AUTHORIZE THE LOS ANGELES BOARD OF DEFERRED COMPENSATION TO EXECUTE CONTRACT TERMS NOT TO EXCEED FIVE YEARS FOR CERTAIN SERVICES

At the meeting of the Council held August 14, 2007, the following action was taken:

Attached report adopted, as amended	X
Attached amending motion (Zine - Parks) adopted	X
Attached motion (Zine – Parks) adopted	08-17-07
To the Mayor FORTHWITH	08-17-07
Ordinance adopted	08-17-07
Ordinance number	179162
Posted date	09-05-07
Effective date	10-15-07
Mayor approved	08-31-07
Findings adopted	
Negative Declaration adopted	
Categorically exempt	
Generally exempt	

Frank T. Martinez

City Clerk
et

mle
9/1/07

OFFICE OF THE MAYOR
RECEIVED
Mayor's Time Stamp
2007 AUG 23 AM 11:31
CITY OF LOS ANGELES

TIME LIMIT FILES
ORDINANCE

FORTHWITH

RECEIVED
CITY CLERK'S OFFICE
City Clerk's Time Stamp
2007 AUG 23 AM 11:21
CITY CLERK
BY________ DEPUTY

COUNCIL FILE NUMBER 02-1048

COUNCIL DISTRICT ________

COUNCIL APPROVAL DATE August 17, 2007

LAST DAY FOR MAYOR TO ACT SEP 04 2007

ORDINANCE TYPE: ___ Ord of Intent ___ Zoning ___ Personnel ___ General

___ Improvement ___ LAMC X LAAC ___ CU or Var Appeals - CPC No________

SUBJECT MATTER: AMENDING SUBSECTION (A) OF SECTION 10.5 OF THE LOS ANGELES ADMINISTRATIVE CODE, ALLOWING THE LOS ANGELES BOARD OF DEFERRED COMPENSATION TO CONTRACT FOR INVESTMENT MANAGEMENT SERVICES RELATED TO THE CITY OF LOS ANGELES DEFERRED COMPENSATION PLAN FOR PERIODS OF UP TO FIVE YEARS

RECOMMENDATIONS:	**APPROVED**	**DISAPPROVED**
PLANNING COMMISSION		
DIRECTOR OF PLANNING		
CITY ATTORNEY		
CITY ADMINISTRATIVE OFFICER		
OTHER:		

RECEIVED
CITY CLERK'S OFFICE
2007 AUG 31 PM 2:32
CITY CLERK
BY________ DEPUTY

DATE OF MAYOR APPROVAL, DEEMED APPROVED OR *VETO: AUG 31 2007
*VETOED ORDINANCES MUST BE ACCOMPANIED WITH OBJECTIONS IN WRITING PURSUANT TO CHARTER SEC. 29

(CITY CLERK USE ONLY PLEASE DO NOT WRITE BELOW THIS LINE)

DATE RECEIVED FROM MAYOR AUG 31 2007 ORDINANCE NO. 179162

DATE PUBLISHED ________ DATE POSTED SEP 05 2007 EFFECTIVE DATE OCT 15 2007

ORD OF INTENT: HEARING DATE ________ ASSESSMENT CONFIRMATION ________

ORDINANCE FOR DISTRIBUTION: Yes [] No []

etc

SEP 05 2007

sec. 14

ORDINANCE NO. 179162

An ordinance amending Subsection (a) of Section 10.5 of the Los Angeles Administrative Code, allowing the Los Angeles Board of Deferred Compensation to contract for investment management services related to the City of Los Angeles Deferred Compensation Plan for periods of up to five years.

THE PEOPLE OF THE CITY OF LOS ANGELES DO ORDAIN AS FOLLOWS:

Sec. 1. A new subdivision 5 is added to Subsection (a) of Section 10.5 of the Los Angeles Administrative Code to read:

5. Contracts entered into by the Board of Deferred Compensation Administration for investment management services related to the City of Los Angeles Deferred Compensation Plan, unless they are for a term of more than five years, as defined in Subsection (c) of this section.

Sec. 2. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of AUG 17 2007.

FRANK T. MARTINEZ, City Clerk

By ______________________
Deputy

Approved AUG 31 2007

____
Mayor

Approved as to Form and Legality

ROCKARD J. DELGADILLO, City Attorney

By ______________________
RICHARD BOBB,
Deputy City Attorney

Date: August 15, 2007

File No. 02-1048

DE__ARATION OF POSTING ORDINAN__

I, MARIA C. RICO, state as follows: I am, and was at all times hereinafter mentioned, a resident of the State of California, over the age of eighteen years, and a Deputy City Clerk of the City of Los Angeles, California.

Ordinance No. 179162 - Amending Subsection (a) of Section 10.5 of the Los Angeles Administrative Code - a copy of which is hereto attached, was finally adopted by the Los Angeles City Council on **August 17, 2007**, and under the direction of said City Council and the City Clerk, pursuant to Section 251 of the Charter of the City of Los Angeles and Ordinance No. 172959, on **September 5, 2007** I posted a true copy of said ordinance at each of three public places located in the City of Los Angeles, California, as follows: 1) one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; 2) one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; 3) one copy on the bulletin board located at the Temple Street entrance to the Hall of Records of the County of Los Angeles.

Copies of said ordinance were posted conspicuously beginning on **September 5, 2007** and will be continuously posted for ten or more days.

I declare under penalty of perjury that the foregoing is true and correct.

Signed this **5th** day of **September 2007** at Los Angeles, California.

Maria C. Rico

Maria C. Rico, Deputy City Clerk

Ordinance Effective Date: October 15, 2007 **Council File No. 02-1048**

Rev. (2/21/06)

61

VERBAL MOTION

I HEREBY MOVE that Council APPROVE the recommendation of the City Attorney (Item #61, CF 02-1048) relative to contract investment services related to the City of Los Angeles Deferred Compensation Plan:

PRESENT and ADOPT the accompanying ORDINANCE amending Subsection (a) of Section 10.5 of the Los Angeles Administrative Code, allowing the Los Angeles Board of Deferred Compensation to contract with investment management services related to the City of Los Angeles Deferred Compensation Plan for periods up to five years.

PRESENTED BY ________________________
DENNIS P. ZINE
Councilmember, 3rd District

SECONDED BY ________________________
BERNARD C. PARKS
Councilmember, 8th District

August 17, 2007

CF 02-1048

Motion + ORDINANCE
ADOPTED
AUG 17 2007
LOS ANGELES CITY COUNCIL
TO THE MAYOR FORTHWITH

O:\Docs\Council Agendas\brian\02-1048.mot.wpd

COUNCIL VOTE

Aug 17, 2007 11:24:57 AM, #5

ITEM NO. (61)
Voting on Item(s): 61
Roll Call

ALARCON	Yes
CARDENAS	Yes
*GREUEL	Yes
HAHN	Yes
HUIZAR	Yes
LABONGE	Absent
PARKS	Yes
PERRY	Yes
REYES	Absent
ROSENDAHL	Yes
SMITH	Yes
WEISS	Yes
WESSON	Yes
ZINE	Yes
GARCETTI	Yes

Present: 13, Yes: 13 No: 0

OFFICE OF THE CITY ATTORNEY
ROCKARD J. DELGADILLO
CITY ATTORNEY

REPORT NO. R07-0305

AUG 15 200.

REPORT RE:

AN ORDINANCE AMENDING SECTION 10.5 OF THE LOS ANGELES ADMINISTRATIVE CODE, AUTHORIZING THE LOS ANGELES BOARD OF DEFERRED COMPENSATION TO EXECUTE CONTRACT TERMS NOT TO EXCEED FIVE YEARS FOR CERTAIN SERVICES

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, CA 90012

Council File No. 02-1048

Honorable Members:

This office has prepared and now transmits for your action the attached draft ordinance, approved as to form and legality. This draft ordinance revises the provisions of the Los Angeles Administrative Code authorizing the City of Los Angeles Board of Deferred Compensation (Board) to execute contracts for terms not to exceed five years for investment management services related to the City of Los Angeles Deferred Compensation Plan (Plan).

Background

On March 18, 2004, the Board transmitted a request to the City Council to authorize the Board to execute contracts for a term not to exceed five years for the administration of, or investment management services related to, the Plan. On May 21, 2004, the City Council instructed this office to draft the ordinance. The draft ordinance was submitted to Council on July 6, 2004 (Report No. R04-0294). Although the Council File notes that the Personnel Committee waived consideration of this

PERSONNEL

AUG 15 2007

02-1048

RECEIVED
CITY CLERK'S OFFICE
2007 AUG 15 AM 11: 57
CITY CLERK
BY ______ DEPUTY

matter, the report was referred to the Personnel Committee Clerk on July 9, 2004, and it has never been heard.

On August 14, 2007, the Council instructed this office to amend the draft ordinance, eliminating the authority of the Board to execute five-year contracts for the administration of the Plan.

Summary of Ordinance Provision

This ordinance revises the provisions of the Los Angeles Administrative Code authorizing the Board to execute contracts for terms not to exceed five years for investment management services related to the Plan.

Council Rule 38 Referral

A copy of this ordinance was sent, pursuant to Council Rule 38, to the General Manager of the Personnel Department in 2004.

If you have any questions, please contact Richard Bobb at (213) 978-7744. He or another member of this office will be available when you consider this matter to answer any questions you may have.

Sincerely,

ROCKARD J. DELGADILLO, City Attorney

By Claudia Culling
CLAUDIA CULLING
Special Counsel - Municipal

CC:RB:vw
Transmittal

ORDINANCE NO. ________________

An ordinance amending Subsection (a) of Section 10.5 of the Los Angeles Administrative Code, allowing the Los Angeles Board of Deferred Compensation to contract for investment management services related to the City of Los Angeles Deferred Compensation Plan for periods of up to five years.

THE PEOPLE OF THE CITY OF LOS ANGELES DO ORDAIN AS FOLLOWS:

Sec. 1. A new subdivision 5 is added to Subsection (a) of Section 10.5 of the Los Angeles Administrative Code to read:

> 5. Contracts entered into by the Board of Deferred Compensation Administration for investment management services related to the City of Los Angeles Deferred Compensation Plan, unless they are for a term of more than five years, as defined in Subsection (c) of this section.

Sec. 2. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of ____________________________.

FRANK T. MARTINEZ, City Clerk

By______________________________
Deputy

Approved_________________________

____
Mayor

Approved as to Form and Legality

ROCKARD J. DELGADILLO, City Attorney

By Richard Bobb
RICHARD BOBB,
Deputy City Attorney

Date: August 15, 2007

File No. 02-1048

61

02-1048

ORDINANCE FIRST CONSIDERATION amending Subsection (a) of Section 10.5 of the Los Angeles Administrative Code, allowing the Los Angeles Board of Deferred Compensation to contract for investment management services related to the City of Los Angeles Deferred Compensation Plan for periods of up to five years.

(Pursuant to Council action on August 14, 2007)

02-1048a.mot

*Adopted as amended by Council action of 8-14-07

File No. 02-1048

**TO THE COUNCIL OF THE
CITY OF LOS ANGELES**

Your PERSONNEL Committee

reports as follows:

PERSONNEL COMMITTEE REPORT and ORDINANCE relative to an amendment to authorize the Los Angeles Board of Deferred Compensation to execute contract terms not to exceed five years for certain services.

Recommendation for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

PRESENT and ADOPT the accompanying ORDINANCE amending Subsection (a) of Section 10.5 of the Los Angeles Administrative Code allowing the Los Angeles Board of Deferred Compensation to contract for the administration of, and investment management services related to, the City of Los Angeles Deferred Compensation Plan for periods of up to five years.

<u>Fiscal Impact Statement</u>: None submitted by the City Attorney. Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

<u>Summary</u>:

At its August 1, 2007 special meeting, your Committee considered a City Attorney report and Ordinance relative to an amendment to authorize the Los Angeles Board of Deferred Compensation to execute contract terms not to exceed five years for certain services. In its April 13, 2007 report, attached to the Council file, the City Attorney states that on March 18, 2004, a request was transmitted to the City Council to authorize the Board to execute contracts for the above-mentioned terms and services related to the Plan. On May 21, 2004, the City Attorney was instructed by the City Council to draft the ordinance. The draft ordinance was submitted to Council on July 6, 2004 and the report was referred to the Personnel Committee on July 9, 2004, but it was not scheduled for Committee and Council consideration.

The City Attorney also reports that on August 17, 2004, the Board awarded a contract for Plan administration to Nationwide Financial Services. On October 5, 2004, that decision was vetoed by the City Council pursuant to Charter Section 245. A subsequent Request For Proposal was issued, and the Board selected Great-West Life and Annuity Insurance Company for Plan administration. A contract is currently being negotiated, and the parties seek to have the authority to contract for a period of five years, as authorized by the Council in 2004.

The City Attorney further reports that this ordinance revises the provisions of the Los Angeles Administrative Code authorizing the Board to execute contracts for terms not to exceed five years for the administration of, and investment management services related to the Plan. A copy of this ordinance was sent, pursuant to Council Rule 38, to the General Manager of the Personnel Department in 2004. The Ordinance dated April 13, 2007 supersedes the one dated July 2, 2004.

During the discussion of this item, the City Attorney and the Personnel Department representatives provided an overview of this issue and responded to various related questions from the Committee members. After additional discussion and offering the opportunity for public comment, the Committee recommended adoption of the Ordinance presented by the City Attorney as reflected above. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

PERSONNEL COMMITTEE

Tony Cardenas

AUG 10 2007 - Continued to Aug. 14, 2007

MEMBER	VOTE
ZINE:	YES
CARDENAS:	YES
WESSON:	ABSENT

MLE
8-4-07
#02\#021048.wpd

RPT
ADOPTED
* AS AMENDED
AUG 14 2007
LOS ANGELES CITY COUNCIL
SEE ATTACHED MOTION

AUG 14 2007 - ORDINANCE TO BE PRESENTED ON AUGUST 17, 2007

VERBAL MOTION

I HEREBY MOVE that Council AMEND the Personnel Committee report (Item #52, CF 02-1048) relative to authorizing the Los Angeles Board of Deferred Compensation to execute contract terms not to exceed five years for certain services to REQUEST the City Attorney to amend the ordinance to apply only to investment management contracts.

PRESENTED BY______________________________
DENNIS P. ZINE
Councilmember, 3rd District

SECONDED BY______________________________
BERNARD C. PARKS
Councilmember, 8th District

August 14, 2007
CF 02-1048

No.
ADOPTED
AUG 14 2007
LOS ANGELES CITY COUNCIL
FORTHWITH

O:\Docs\Council Agendas\brian\02-1048.mot.wpd

COUNCIL VOTE

Aug 14, 2007 1:54:55 PM, #22

ITEM NO. (52)
Adopt as Amended

ALARCON	Yes
CARDENAS	Yes
GREUEL	Yes
HAHN	Yes
HUIZAR	Yes
LABONGE	Yes
PARKS	Yes
PERRY	Yes
REYES	Absent
ROSENDAHL	Yes
SMITH	Yes
WEISS	Absent
WESSON	Yes
ZINE	Yes
*GARCETTI	Yes

Present: 13, Yes: 13 No: 0

PERSONNEL COMMITTEE
SUGGESTED NOTIFICATION OF COUNCIL ACTION

Council File No. 02-1048

	Council Member(s)
✓	Interested Department Bd. of Deferred Comp.
	Mayor (with / without file)
✓	Board of Civil Service Commissioners
✓	Personnel Department
✓	City Administrative Officer
✓	City Attorney (with blue sheet / without blue sheet)
	Chief Legislative Analyst
	Controller
	Treasurer
	Information Technology Agency
	Appropriate Pension System
	Appropriate Bargaining Unit (see below / attachment for name and address)

OFFICE OF THE CITY ATTORNEY
ROCKARD J. DELGADILLO
CITY ATTORNEY

REPORT NO. R07-0123

APR 13 2007

REPORT RE:

AN ORDINANCE AMENDING SECTION 10.5 OF THE LOS ANGELES ADMINISTRATIVE CODE, AUTHORIZING THE LOS ANGELES BOARD OF DEFERRED COMPENSATION TO EXECUTE CONTRACT TERMS NOT TO EXCEED FIVE YEARS FOR CERTAIN SERVICES.

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, CA 90012

Council File No. 02-1048

Honorable Members:

This office has prepared and now transmits for your action the attached draft ordinance, approved as to form and legality. This draft ordinance revises the provisions of the Los Angeles Administrative Code authorizing the City of Los Angeles Board of Deferred Compensation (Board) to execute contracts for terms not to exceed five years for the administration of, and investment management services, related to the City of Los Angeles Deferred Compensation Plan (Plan).

Background

On March 18, 2004, the Board transmitted a request to the City Council to authorize the Board to execute contracts for a term not to exceed five years for the administration of, and investment management services, related to the Plan. On May 21, 2004, this office was instructed by the City Council to draft the ordinance. The draft ordinance was submitted to Council on July 6, 2004 (Report No. R04-0294). Although the Council File notes that the Personnel Committee waived consideration of

PERSONNEL APR 18 2007

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2007 APR 13 PM 12: 34

CITY CLERK
BY EGG
DEPUTY

this matter, the report was referred to the Personnel Committee Clerk on July 9, 2004, and it has never been heard.

On August 17, 2004, the Board awarded a contract for Plan administration to Nationwide Financial Services. On October 5, 2004, that decision was vetoed by the City Council pursuant to Charter Section 245. A subsequent Request For Proposal was issued, and the Board selected Great-West Life and Annuity Insurance Company for Plan administration (See Council File No. 04-1749-S2). A contract is currently being negotiated, and the parties seek to have the authority to contract for a period of five years, as authorized by the Council in 2004.

Summary of Ordinance Provision

This ordinance revises the provisions of the Los Angeles Administrative Code authorizing the Board to execute contracts for terms not to exceed five years for the administration of, and investment management services related to the Plan.

Council Rule 38 Referral

A copy of this ordinance was sent, pursuant to Council Rule 38, to the General Manager of the Personnel Department in 2004.

If you have any questions, please contact Richard Bobb at (213) 978-7744. He or another member of this office will be available when you consider this matter to answer any questions you may have.

Sincerely,

ROCKARD J. DELGADILLO, City Attorney

By Claudia Culling
CLAUDIA CULLING
Special Counsel - Municipal

CC:RB:vw
Transmittal

OFFICE OF THE CITY ATTORNEY
ROCKARD J. DELGADILLO
CITY ATTORNEY

REPORT NO. R 04-0293

JUL 0 6 2004

REPORT RE:

DRAFT ORDINANCE AMENDING LOS ANGELES ADMINISTRATIVE CODE SECTION 10.5 OF DIVISION 10 AUTHORIZING THE BOARD OF DEFERRED COMPENSATION ADMINISTRATION TO EXECUTE CONTRACT TERMS NOT TO EXCEED FIVE (5) YEARS FOR CERTAIN SERVICES

The Honorable Los Angeles City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Council File No. 02-1048

Honorable Members:

This office has prepared and now transmits for your action the attached draft ordinance, approved as to form and legality. This draft ordinance revises the provisions of the Los Angeles Administrative Code authorizing the City of Los Angeles Board of Deferred Compensation Administration to execute contracts for terms not to exceed five (5) years for the administration of, or investment management services related to, the City of Los Angeles Deferred Compensation Plan.

Background

On March 18, 2004, the Board of Deferred Compensation Administration transmitted a request to the City Council to authorize the Board to execute contracts for a term not to exceed five years for the administration of, or investment management services related to, the City of Los Angeles Deferred Compensation Plan. On May 21, 2004, this office was instructed by the City Council to draft such an ordinance. The draft has been submitted to the personnel department for review and comment as required by Council Rule 38.

PERSONNEL

JUL - 8 2004

Summary of Ordinance Provisions

This ordinance amends the "Contracts General" provisions of the Los Angeles Administrative Code, which state: "Except as otherwise provided in the Charter or this Code, no board, officer or employee of the City shall make any contract, obligating the City, or any department of the City, to make or receive payments of money or other valuable consideration for a period longer than three years, unless such contract shall have been first approved by the Council." This amendment would authorize the Board of Deferred Compensation Administration to negotiate and execute contracts for terms not to exceed five years in length, rather than three years as currently specified in Section 10.5, for administrative or investment management services for the Deferred Compensation Plan.

Council Rule 38 Referral

Pursuant to Council Rule 38, a copy of the draft ordinance was sent to the Personnel Department and its comments have been incorporated or resolved with the Department.

If you have any questions, please contact Deputy City Attorney Amy Burton at 213-978-7750. Either she or another member of this office will be available when you consider this matter to answer any questions you may have.

Sincerely,

ROCKARD J. DELGADILLO, City Attorney

By: Patricia V. Tubert

PATRICIA V. TUBERT
Chief Assistant City Attorney

PVT/AB/vw

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries relative to this matter refer to File No.

('Y OF LOS ANGELES

CALIFORNIA

JAMES K HAHN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 978-1043
General Information - (213) 978-1133
Fax: (213) 978-1040

HELEN GINSBURG
Chief, Council and Public Services Division

02-1048

PLACE IN FILES
JUN - 8 2004
DEPUTY

June 1, 2004

Honorable James Hahn, Mayor
Board of Civil Service Commissioners
Personnel Department
City Administrative Officer
City Attorney (with blue sheet)
Councilmember Zine
Councilmember Miscikowski
Controller, Room 300
Accounting Division, F&A
Disbursement Division
Chief Legislative Analyst
Board of Deferred Compensation Administration

RE: CITY OF LOS ANGELES DEFERRED COMPENSATION PLAN'S INVESTMENT PROVIDER CONTRACTS

At the meeting of the Council held May 21, 2004, the following action was taken:

Attached report adopted	
Attached motion (Zine - Miscikowski) adopted	X
Attached resolution adopted	
FORTHWITH	X
Mayor concurred	
Findings adopted	
Motion adopted to approve committee report recommendation(s)	
Negative Declaration adopted	
Categorically exempt	
Generally exempt	

J. Michael Carey

City Clerk
et

steno\021048

VERBAL MOTION

I HEREBY MOVE that Council ADOPT the following recommendations of the Board of Deferred Compensation Administration (Item #24, CF 02-1048) relative to the City of Los Angeles Deferred Compensation Plan's investment provider contracts:

1. AUTHORIZE the Board of Deferred Compensation Administration to execute a five-year contract with Hartford Life Insurance Company to continue providing investment management services through June 30, 2009.

2. AUTHORIZE the Board of Deferred Compensation Administration to extend the City's current contract with Galliard Capital Management (previously approved by the Council for a five-year contract term through December 31, 2008) for an additional six months, through June 30, 2009, to coincide with the term of the Hartford contract.

3. AUTHORIZE the Board of Deferred Compensation Administration to extend the City's current contract with Great-West Retirement Services (previously approved by the Council for a five-year contract term through June 30, 2004) for an additional six months, through January 1, 2005, if necessary.

4. AUTHORIZE the Board of Deferred Compensation Administration to release a Request for Proposal in 2004 for a five-year third-party-administrator contract for the Deferred Compensation Plan, negotiate and execute a five-year contact for the selected provider.

5. REQUEST the City Attorney to prepare and present an Ordinance amending Los Angeles Administration Code Division 10, Section 10.5, "Contracts General," to authorize the Board of Deferred Compensation Administration to execute contract terms of up to five years in length for the administration of, or investment management services related to, the City of Los Angeles Deferred Compensation Plan.

Fiscal Impact Statement: The Board of Deferred Compensation Administration reports that there is no fiscal impact. All expenses for the Deferred Compensation Plan are paid for by Plan participants.

(Personnel Committee waived consideration of the above matter)

PRESENTED BY ________________________
DENNIS P. ZINE
Councilmember, 3rd District

SECONDED BY ________________________
CINDY MISCIKOWSKI
Councilmember, 11TH District

May 21, 2004
CF 02-1048

Motion
ADOPTED
MAY 2 1 2004
LOS ANGELES CITY COUNCIL
FORTHWITH

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COUNCIL VOTE

May 21, 2004 11:44:47 AM, #7

ITEM NO. (24)
Voting on Item(s): 24
Roll Call

CARDENAS	Yes
GARCETTI	Absent
GREUEL	Yes
HAHN	Yes
LABONGE	Yes
LUDLOW	Absent
MISCIKOWSKI	Yes
PARKS	Yes
PERRY	Yes
REYES	Yes
SMITH	Yes
VILLARAIGOSA	Yes
WEISS	Yes
ZINE	Yes
*PADILLA	Yes

Present: 13, Yes: 13 No: 0

Please fill this form out before you leave. It will be picked up from this table after the discussion. Thank you, Staff

SPEAKER LIST

DATE: 5-21-2004 ITEM #: 24

NAME	DEPT.	POSITION
Steven Montagna	Personnel	Sr. Personnel Analyst
Maryanne Kleha	Personnel	Chief Management Analyst
Amy Burdon	City Att	

PLEASE SCHEDULE THE FOLLOWING ITEM FOR COUNCIL ON FRIDAY, MAY 21, 2004, per Councilmen Zine's request:

24

Friday, 5/21/04

COMMUNICATION FROM BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ITEM NO. ( ) - Motion Required

02-1048 COMMUNICATION FROM THE BOARD OF DEFERRED COMPENSATION ADMINISTRATION relative to the City of Los Angeles Deferred Compensation Plan's investment provider contracts.

Recommendations for Council action:

1. AUTHORIZE the Board of Deferred Compensation Administration to execute a five-year contract with Hartford Life Insurance Company to continue providing investment management services through June 30, 2009.

2. AUTHORIZE the Board of Deferred Compensation Administration to extend the City's current contract with Galliard Capital Management (previously approved by the Council for a five-year contract term through December 31, 2008) for an additional six months, through June 30, 2009, to coincide with the term of the Hartford contract.

3. AUTHORIZE the Board of Deferred Compensation Administration to extend the City's current contract with Great-West Retirement Services (previously approved by the Council for a five-year contract term through June 30, 2004) for an additional six months, through January 1, 2005, if necessary.

4. AUTHORIZE the Board of Deferred Compensation Administration to release a Request for Proposal in 2004 for a five-year third-party-administrator contract for the Deferred Compensation Plan, negotiate and execute a five-year contact for the selected provider.

5. REQUEST the City Attorney to prepare and present an Ordinance amending Los Angeles Administration Code Division 10, Section 10.5, "Contracts General," to authorize the Board of Deferred Compensation Administration to execute contract terms of up to five years in length for the administration of, or investment management services related to, the City of Los Angeles Deferred Compensation Plan.

Fiscal Impact Statement: The Board of Deferred Compensation Administration reports that there is no fiscal impact. All expenses for the Deferred Compensation Plan are paid for by Plan participants.

TIME LIMIT FILE - MAY 25, 2004

(LAST DAY FOR COUNCIL ACTION - MAY 25, 2004)

(Personnel Committee waived consideration of the above matter)

IS
05/18/04
#021048.blb.wpd

PERSONNEL COMMITTEE
SUGGESTED NOTIFICATION OF COUNCIL ACTION

Council File No. 02-1048

	Council Member(s)
	Interested Department
✓	Mayor ~~(with /~~ without file)
✓	Board of Civil Service Commissioners
✓	Personnel Department
✓	City Administrative Officer
✓	City Attorney (with blue sheet / without blue sheet)
✓	Chief Legislative Analyst
✓	Controller
	Treasurer
	Information Technology Agency
	Appropriate Pension System
	Appropriate Bargaining Unit (see below / attachment for name and address)
✓	Board of Deferred Compensation Administration

(3)

02-1048 Board of Deferred Compensation Administration's report relative to the Deferred Compensation Plan's investment provider contracts. **(Time Limit File - 5/25/04. Last day for Council to act - 5/25/04.)**

Fiscal Impact Statement Submitted: Yes, by Board of Deferred Compensation Administration

DISPOSITION Continued

(4)

03-1517 Los Angeles Housing Department (LAHD) report relative to the application of the City's Rent Stabilization Ordinance and the Systematic Code Enforcement Program to residential hotels, the practice of evicting residents prior to 30 days of consecutive days of occupancy so as to prevent them from establishing status as a tenant, and related actions. **(Housing, Community and Economic Development Committee, on 4/7/04, took various actions)**

Fiscal Impact Statement Submitted: Yes, by the LAHD

DISPOSITION

(5)

<u>Continued from 4/7/04</u>

04-0263 Community Development Department (CDD) report relative to continuation of Employment Authority for the LA Bridges program. CAO to report.

Fiscal Impact Statement Submitted: Yes, by CDD

DISPOSITION

(6)

03-1250-S59 CAO report relative to the Department of Animal Services' request to exempt from the hiring freeze one Management Analyst I position, to be filled in-lieu by one Volunteer Coordinator position.

Fiscal Impact Statement Submitted: Yes, by CAO

DISPOSITION

PERSONNEL COMMITTEE

WEDNESDAY, APRIL 21, 2004

ROOM 1050, CITY HALL - 2 PM
200 NORTH SPRING STREET, LOS ANGELES, CA 90012

MEMBERS: COUNCILMEMBER DENNIS P. ZINE, CHAIR
COUNCILMEMBER ANTONIO VILLARAIGOSA
COUNCILMEMBER WENDY GREUEL

(Ilene Shapiro - Legislative Assistant - 213-978-1077 or ishapiro@clerk.lacity.org)

Note: For information regarding the Committee and its operations, please contact the Committee Legislative Assistant at the phone number and/or e-mail address listed above. The Legislative Assistant may answer questions, provide materials, and provide notice of matters scheduled before the City Council. Assistive listening devices are available at the meeting; upon 72 hour advance notice, other accommodations, such as sign language interpretation, and translation services will be provided. Contact the Legislative Assistant listed above for the needed services. TDD available at (213) 978-1055.

FILE NO.	SUBJECT
	(1)
04-0610 CD 14	Communication from the Mayor relative to the appointment of Mr. Timothy J. Yoo to the Board of Civil Service Commissioners for the term ending June 30, 2007, to fill the vacancy created by Mr. John Yslas, who resigned effective February 16, 2004. **(Time Limit File - 5/16/04. Last day for Council to act - 5/14/04.)**
	DISPOSITION____________________
	(2)
	Continued from 2/18/04
04-0246	City Administrative Officer (CAO) report and draft Ordinance relative to establishment of salary for the new class of Assistant Treasurer.
	Fiscal Impact Statement Submitted: Yes, by CAO
	DISPOSITION____________________

C.F #02-1048

REPORT FROM

BOARD OF DEFERRED COMPENSATION ADMINISTRATION

TO: **HONORABLE MEMBERS OF THE PERSONNEL COMMITTEE**	DATE: **3/18/04**
REFERENCE:	COUNCIL FILE:
SUBJECT: **DEFERRED COMPENSATION PLAN - INVESTMENT PROVIDER CONTRACTS**	

RECOMMENDATION

That the City Council:

(a) Authorize the Board of Deferred Compensation Administration to execute a five-year contract with Hartford Life Insurance Company to continue providing investment management services through June 30, 2009;

(b) Authorize the Board of Deferred Compensation Administration to extend the City's current contact with Galliard Capital Management (previously approved by Council for a five-year contract term through 12/31/08) for an additional six months, through June 30, 2009, to coincide with the term of the Hartford contract;

(c) Authorize the Board of Deferred Compensation Administration to extend the City's current contact with Great-West Retirement Services (previously approved by Council for a five-year contract term through 6/30/04) for an additional six months, through January 1, ~~2004~~ 5, if necessary;

(d) Authorize the Board of Deferred Compensation Administration to release an RFP in 2004 for a five-year third-party-administrator contract for the Deferred Compensation Plan, negotiate and execute a five-year contract for the selected provider; and

(e) Direct the City Attorney to draft an ordinance amending Administrative Code Division 10, Section 10.5, "Contracts General," to authorize the Board of Deferred Compensation Administration to execute contract terms of up to five years in length for the administration of, or investment management services related to, the City of Los Angeles Deferred Compensation Plan.

FISCAL IMPACT

None. All expenses for the Deferred Compensation Plan are paid for by Plan participants.

SHELLEY I. SMITH, CHAIRPERSON, BOARD OF DEFERRED COMPENSATION ADMINISTRATION

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CITY CLERK
BY DEPUTY

PERSONNEL
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FINDINGS

Background – The City of Los Angeles Deferred Compensation Plan is an optional supplementary retirement savings program established in 1983 under Section 457 of the Internal Revenue Code. The City's sponsorship of this program is provided under City of Los Angeles Administrative Code, Division 4, Chapter 14. The Plan is governed by the City's Board of Deferred Compensation Administration, a seven-member Board comprised of representatives from the City Employees Retirement System, Fire and Police Pension, the Department of Water and Power Retirement Plan, a Certified Union Representative, the General Manager Personnel Department, the City Treasurer, and a retired participant representative. The Board has the authority to enter into contractual relationships for all aspects of administering the program, including services for third-party-administration, investment management, consulting and auditing.

Council has previously authorized the Board to negotiate and execute five-year contract terms for Plan administration (including recordkeeping, communications and enrollment) as well as investment contracts. Two contracts previously approved by Council for five-year terms (the group insurance contract with Hartford Life Insurance Company and the Plan administrative services contract with Great-West Retirement Services) will be expiring in June, 2004. The Board is requesting Council action with respect to both of these contracts, both as they relate to the specific incumbent providers in the near-term as well as the general service relationships employed by the Plan over the long-term. Included in this discussion is a recommendation regarding another service provider, Galliard Capital Management.

Hartford Contract – The City has a long and complex contractual relationship with Hartford Life Insurance Company dating back to the Plan's inception in 1983. Hartford was one of two companies chosen by the City at that time to operate as a "bundled" provider, meaning that they were responsible for providing both administrative services for their participants (e.g. recordkeeping, communications and enrollment) as well as investment products in the form of fixed and variable annuities.

In the early years of Section 457 plan administration, insurance companies established themselves as primary service providers with bundled administrative/investment service arrangements such as that provided by Hartford. However, in the late 1990's larger governmental plans across the country began moving away from these types of arrangements. Older group insurance contracts tended to include onerous provisions, such as contract termination fees and restrictions, which Plan sponsors began to find increasingly unpalatable as assets held by governmental plans rose, the provider market matured and greater competition was fostered. In the City's case, the original contract with Hartford included surrender charges on its variable fund products, expensive annuity fees and transfer restrictions and penalties on its fixed income offering, the Hartford General Account.

When the Board of Deferred Compensation Administration restructured the Plan in July 1999, the Hartford contract was renegotiated. The Board was able to secure significant cost savings as well as a reduction (though not elimination) of the restrictions and penalties associated with the General Account. Hartford agreed to eliminate surrender charges on all of its variable fund products (eliminating a participant liability estimated at the time to be $9.7 million) and to reduce its annuity fees by 80%. In exchange, the Board agreed to allow four of the investment options previously provided by Hartford to continue in the City's Plan, including the Hartford General Account.

As noted, however, while some of the adverse consequences of eliminating the Hartford General Account were reduced, they could not be completely eliminated. Hartford still had considerable leverage at that point in time. As the most recent contract term has neared its end, the Board has, in recent negotiations, secured Hartford's agreement in concept for still more favorable terms. At the conclusion of what the Board is recommending be another successor contract, all of the assets held by Hartford will be placed on a level playing field with other investment products offered within the City's Plan.

Under the proposed new contractual arrangement, Hartford's variable funds will see further fee reductions. The annuity fees associated with this product will be completely eliminated, and an ongoing fee "rebate" will be provided to participants in these funds. The net effect of this fee reduction will be an enhanced return to participants totaling 0.20% compared to the current fee structure.

With respect to the General Account, the Board has negotiated a plan to, over the next five-year contract term, gradually transition the General Account assets into a new stable value structure. In addition, all of the fixed income assets held by Hartford will be consolidated, for representational purposes with respect to Plan participants, as a single "blended" fixed income offering together with the Galliard Stable Fund, another fixed investment option within the City's Plan. Although the City will retain both of the underlying investment providers, Plan participants will be provided a single fixed income offering and receive one blended rate. This will provide a number of benefits to Plan participants:

- The Plan's fixed income product offerings will be substantially simplified, helping to address participant confusion regarding the differences between the Hartford and Galliard products;
- Overall credit risk in the fixed income category will be reduced by removing Hartford funds from a general account structure, in which the City's Plan is technically a creditor to the account, to a stable value structure, in which the Plan would be a shareholder in the stable value fund;
- By consolidating assets the City's Plan will have greater leverage over fees in future bid processes;
- The applicability of transfer restrictions between like fixed income products (referred to as "equity wash") will be substantially reduced since there will no longer be two fixed income products (although equity wash would still apply on transfers to and from the Washington Mutual savings products);
- At the end of the next five-year contract term, the City's Plan will have complete flexibility with respect to all assets within the Plan's single fixed income category. This will provide the greatest degree of freedom possible for the Board of Deferred Compensation Administration to select fixed income providers providing low-cost fee structures in combination with effective asset management. Assets in the General Account will no longer be effectively "held hostage" in the City's Plan to termination restrictions or penalties.

To achieve these goals, however, the City must extend its contractual relationship with Hartford for an additional five-year period. The City Attorney's Office advises that, given the adverse consequences to Plan participants of immediate termination of the Hartford contract, a compelling basis exists upon which to extend this contract without conducting a bid process. Indeed, the Hartford product as currently constituted is not a product which the Board would otherwise seek to have in the Plan. General accounts are less desirable than stable value products because of their higher relative level of credit risk and less desirable fee and rate crediting structures. Under the terms presently being finalized with Hartford, these problems will be eliminated through the gradual transition from a general account to a stable value structure.

Galliard Contract – Once Hartford General Account assets have been fully transferred to a stable value arrangement, all of the City's fixed income assets will be maintained in like fashion. Therefore, the Board believes that it will make the most sense to place all of its stable value assets out to bid at that point in time, thereby leveraging the City's bargaining power to the greatest extent possible.

The current City contract with Galliard Capital Management, previously approved by Council for a five-year contract term, ends December 31, 2008. The Board believes it is prudent to secure authority for the Board to extend this contract for six months, through June 30, 2004, such that both the Hartford and Galliard holdings will be on an identical track and can be placed out to bid at that point simultaneously.

Five Year Contracts – The Board is in the process of developing and issuing a Request for Proposal for third party administrative services for the City's Deferred Compensation Plan. The incumbent contract is held with Great-West Retirement Services and will expire 6/30/04.

This is another contract for which Council previously approved a five-year contract term. In the past the Board has requested, and Council has approved, five-year contract terms for administrative and investment management services related to the Deferred Compensation Plan because of the unique nature of the services provided. For these contracts, which are fundamentally investment related, it is typically to the City's benefit to have contract terms exceeding three years in order to secure the most favorable fee arrangements for Plan participants. Indeed, the City's Plan is one of the lowest-cost in the nation - a high level of administrative services are provided consistent with a low-cost fee structure, and extremely effective investment management from reliable providers is provided through institutional funds which take full advantage of the considerable size of the City's asset base.

However, in no small measure the Board's success in securing these favorable contracting relationships is also a result of the flexibility that Council has provided to the Board in the past to negotiate and contract with various providers. The flexibility of offering five-year contract terms has been a vital component of this flexibility. For example, with respect to the administrative services of the type provided by Great-West a contract term limited to, for example, one to three years presents a substantial degree of risk to the provider because of the up-front investment that is required to administer a program of the City's size. For the provider to address that risk, two outcomes are possible: either fees will rise marginally to a level higher than that which would be offered for a longer contract term, or the provider will take on some measure of financial risk that has the potential to undermine its financial viability (and its ability to offer consistently low fees) over the long term. Neither of these outcomes is desirable or advantageous for the City's Plan or its participants.

The benefits of longer contract terms must, of course, be balanced against the equally beneficial outcomes of routinely "testing the market" and requiring service providers to compete against one another and demonstrate their capabilities and efficiencies. Although each contractual relationship will vary, in general five-year contract terms appear to provide a sensible medium for this program. Therefore, to avoid the repetition of submitting frequent requests for approval of five-year contracts (as has been the case in recent years) for what essentially are the same administrative and investment management services that the Plan has always provided and will continue to need to provide, the Board is requesting that Council direct the City Attorney to draft an ordinance amending Administrative Code Division 10, Section 10.5, "Contracts General," authorizing the Board of Deferred Compensation Administration to execute contract terms of up to five years in length for the administration of, or investment management services related to, the City of Los Angeles Deferred Compensation Plan.

With respect to the upcoming administrative services contract, staff requests specific Council approval for a five-year contract term for the successor provider. In addition, with respect to the incumbent contract with Great-West, staff requests a six-month extension, if necessary, in the event a replacement provider is selected . Due to the enormous difficulties involved with transitioning administrative services from one provider to another, additional time would be needed in order to execute the transition effectively. However, it should be noted that the Board's decision regarding this RFP process is expected to be made prior to June 2004, the expiration of the current contract. If Great-West is reselected, a six-month extension will probably be unnecessary and the successor contract term will likely be set for July 2004 through June 2009. The six-month extension would most likely only be utilized in the event of a transition to a new provider.

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries relative to this matter refer to File No.

02-1048

ITY OF LOS ANGELE
CALIFORNIA

JAMES K. HAHN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 978-1043
General Information - (213) 978-1133
Fax: (213) 978-1040

HELEN GINSBURG
Chief, Council and Public Services Division

PLACE IN FILES
JUL - 2 2002
DEPUTY

June 12, 2002

Board of Civil Service Commissioners
Personnel Department
City Administrative Officer
City Attorney
Board of Deferred Compensation
Administration

Chief Legislative Analyst
Controller, Room 1200
Accounting Division, F & A
Disbursement Division

RE: DEFERRED COMPENSATION PLAN'S INVESTMENT PROVIDER CONTRACTS

At the meeting of the Council held June 12, 2002, the following action was taken:

Ordinance number	
Effective date	
Publication date	
Mayor approved	
Mayor vetoed	
Mayor failed to act - deemed approved	
Motion adopted to approve attached report recommendation(s)	
Motion adopted to approve communication recommendation(s)	X
To the Mayor FORTHWITH	
Findings adopted	
Mitigated Negative Declaration adopted	
Categorically exempt	
Generally exempt	

J. Michael Carey
City Clerk
bs

steno\021048

FF 7/2/02

PERSONNEL COMMITTEE
Report/Communication for Signature

Council File Number: 02-1048

Committee Meeting Date: 6-4-02

Council Date: 6-12-02

COMMITTEE MEMBER	YES	NO	ABSENT
Councilmember Dennis Zine, Chair	✓		
~~Councilmember Holden~~			
~~Councilmember Miscikowski~~			✓

Remarks Authorized Chairperson, Bd. of Deferred Comp. Admin. to:
(a) execute ~~agreements~~ contract amendments with incumbent investment providers for extension through 12/31/02; and
(b) negotiate & execute contract terms of up to 5 yrs. w/any institutional investment providers (see Communication)

Ilene Shapiro, Legislative Assistant -- Telephone 978-1077

Please Schedule for Wed. Jun/12, 2002 6-12-02

JUN 0 7 2002

39

COMMUNICATION

TO CITY CLERK FOR PLACEMENT ON NEXT REGULAR COUNCIL AGENDA TO BE POSTED

#51

File No. 02-1048

TO: LOS ANGELES CITY COUNCIL

FROM: COUNCILMEMBER DENNIS P. ZINE, CHAIR
PERSONNEL COMMITTEE

	Yes	No
Public Comments		XX

COMMUNICATION FROM CHAIR, PERSONNEL COMMITTEE relative to the Deferred Compensation Plan's investment provider contracts.

Recommendation for Council action:

AUTHORIZE the Chairperson, Board of Deferred Compensation Administration to:

a. Execute amendments to contracts for incumbent investment providers of the Deferred Compensation Plan's Stable Value, Large-Cap Active, Small-Cap Active and Small-Cap Passive investment managers, extending them for a six-month period, through December 31, 2002; and

b. Negotiate and execute contract terms of up to five years with any institutional investment providers selected as a result of its current Request for Proposal for Socially Responsible, Stable Value, Large-Cap Active, Small-Cap Active and Small-Cap Passive investment managers.

Fiscal Impact Statement: The Board of Deferred Compensation Administration reports that there is no fiscal impact. The management costs of these investment funds are paid for entirely by Deferred Compensation Plan participants.

Summary:

In its report dated May 9, 2002, the Board of Deferred Compensation (Board) states that the City of Los Angeles Deferred Compensation Plan is an optional supplementary retirement savings program established in 1983 under the Los Angeles Administrative Code, Division 4, Chapter 14. The Plan is governed by the City's Board of Deferred Compensation Administration, which includes representatives from the City Employees Retirement System (Shelley Smith, who serves as Chairperson), a Certified Union Representative (Michael Galvin, who serves as Vice-Chairperson) Fire and Police Pension (Michael Carter), Department of Water and Power Retirement Plan (Daniel Mirisola), a retired participant representative (Betty J. Porter), the General Manager Personnel Department (Margaret M. Whelan) and the City Treasurer (Joya C. De Foor).

The Board independently selects the investment options for the Plan, all of which are administered by the Plan recordkeeper, Great-West Life & Annuity Insurance Company (Great-West). Most of the investment options are provided through mutual fund accounts opened through Great-West. Some of these options, however, require individual contracts with investment providers.

All fund offerings which require contractual agreements must, per City procurement rules, be placed out to bid not less than once every three years. Presently, contracts with the current providers of the core Stable Value Fund, the core Large-Cap Stock Fund (actively managed) the core Small-Cap Stock Fund (actively managed) and the core Small-Cap Stock Fund (passively managed) are scheduled to expire on June 30, 2002. The Board is in the midst of a manager search which, due to the large size of the City's Plan, is attracting significant interest from the investment provider community. As a result of this large response, it is anticipated that the review and selection process will not be completed by the time the current contracts expire. As a result, the Board is requesting authority to extend the current contracts with the incumbent providers for a six-month period, through December 31, 2002.

Five-Year Investment Contracts - As a result of its Request for Proposal process, the Board may renew or select what are referred to as "institutional" funds for the City's Plan. Institutional funds are investment products which are geared towards large retirement programs such as the City's Deferred Compensation Plan, generally offer lower costs because of higher volume, and require contracts with the providers. In the past, the Board has obtained extremely favorable pricing arrangements by selecting institutional funds, but believes that the limits on contract term length may present some difficulties in maintaining continuity in the Plan's investment menu, effecting smooth transitions if and when changes are made, and fitting the investment review of these products within the broader review process that occurs for other funds offered in the City's Plan.

Council has previously authorized the Board to negotiate and execute five-year contract terms for Deferred Compensation Plan Administration (which includes recordkeeping, communications and enrollment). The Board is requesting that the same authorization be provided for execution of investment contracts. The Board believes that this will enhance the Plan's ability to negotiate the most favorable terms (particularly with respect to investment management fees) for Plan participants and to effect a program that is responsive to participant desires for high-quality investment choices as well as continuity in the offering of investment choices. Notwithstanding the contract term length, the Board will continue its "at-will" termination clauses in all institutional provider contracts such that should there be significant negative changes in fund performance, fund management, or various other factors upon which fund managers are regularly reviewed, the Board would have the ability to terminate the contract at the City's convenience.

At a regular meeting on June 4, 2002, the Chair of the Personnel Committee concurred with the recommendations of the Board of Deferred Compensation Administration. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

Councilmember Dennis P. Zine, Chair
Personnel Committee

IS
6/5/02
#021048.wpd

ADOPTED
MOTION ADOPTED TO APPROVE COMMUNICATION RECOMMENDATION
JUN 12 2002

LOS ANGELES CITY COUNCIL

COUNCIL VOTE

Jun 12, 2002 10:55:16 AM, #2

Items for Which Public Hearings Have Not Been Held - Items 11-50
Voting on Item(s): 11-16,18-37,39-43,45-50
Roll Call

BERNSON	Yes
GALANTER	Absent
GARCETTI	Yes
GREUEL	Yes
HAHN	Absent
HOLDEN	Yes
LABONGE	Yes
MISCIKOWSKI	Yes
PACHECO	Absent
PERRY	Yes
REYES	Yes
RIDLEY-THOMAS	Yes
WEISS	Yes
ZINE	Yes
*PADILLA	Yes

Present: 12, Yes: 12 No: 0

PERSONNEL COMMITTEE
SUGGESTED NOTIFICATION OF COUNCIL ACTION

Council File No. 02-1048

- [ ] Council Member(s) ______
- [ ] Interested Department ______
- [x] Mayor (~~with/~~without file)
- [x] Board of Civil Service Commissioners
- [x] Personnel Department
- [x] City Administrative Officer
- [x] City Attorney
- [x] Chief Legislative Analyst
- [x] Controller
- [ ] Treasurer
- [ ] Information Technology Agency
- [ ] Appropriate Pension System
- [ ] Appropriate Bargaining Unit
- [x] ~~Jan Perry, Census 2000, CDD~~ Board of Deferred Compensation Administration
- [ ] ______
- [ ] ______
- [ ] ______
- [ ] ______

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries
relative to this matter
refer to File No.

TY OF LOS ANGELE
CALIFORNIA

JAMES K. HAHN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 978-1043
General Information - (213) 978-1133
Fax: (213) 978-1040

HELEN GINSBURG
Chief, Council and Public Services Division

02-1048

May 21, 2002

PERSONNEL COMMITTEE

In accordance with Council Rules, communication from the Chairperson, Board of Deferred Compensation relative to Deferred Compensation Plan - Investment Provider Contracts, was referred on May 21, 2002, to the PERSONNEL COMMITTEE.

J. Michael Carey
City Clerk
amm

RECEIVED
CITY CLERK'S OFFICE

REPORT FROM

2002 MAY 20 PM 1:53

CITY CLERK

BY________

BOARD OF DEFERRED COMPENSATION ADMINISTRATION

TO: **HONORABLE MEMBERS OF THE CITY COUNCIL**	DATE: **05/09/02**
REFERENCE:	COUNCIL FILE:
SUBJECT: **DEFERRED COMPENSATION PLAN - INVESTMENT PROVIDER CONTRACTS**	

RECOMMENDATION

That the City Council authorize the Chairperson, Board of Deferred Compensation Administration, to

(a) Execute amendments to contracts for incumbent investment providers of the Deferred Compensation Plan's Stable Value, Large-Cap Active, Small-Cap Active and Small-Cap Passive investment managers, extending them for a six-month period, through December 31, 2002; and

(b) Negotiate and execute contract terms of up to five years with any institutional investment providers selected as a result of its current Request for Proposal (RFP) for Socially Responsible, Stable Value, Large-Cap Active, Small-Cap Active and Small-Cap Passive investment managers.

FISCAL IMPACT

None. The management costs of these investment funds are paid for entirely by Deferred Compensation Plan participants.

DISCUSSION

The City of Los Angeles Deferred Compensation Plan is an optional supplementary retirement savings program established in 1983 under City of Los Angeles Administrative Code, Division 4, Chapter 14. The Plan is governed by the City's Board of Deferred Compensation Administration, which includes representatives from the City Employees Retirement System (Shelley Smith, who serves as Chairperson), a Certified Union Representative (Michael Galvin, who serves as Vice-Chairperson) Fire and Police Pension (Michael Carter), Department of Water and Power Retirement Plan (Daniel Mirisola), a retired participant representative (Betty J. Porter), the General Manager Personnel Department (Margaret M. Whelan) and the City Treasurer (Joya C. De Foor).

SHELLEY I. SMITH, CHAIRPERSON, BOARD OF DEFERRED COMPENSATION ADMINISTRATION

PERSONNEL

MAY 21 2002

The Board independently selects the investment options for the Plan, all of which are administered by the Plan recordkeeper, Great-West Life & Annuity Insurance Company (Great-West). Most of the investment options are provided through mutual fund accounts opened through Great-West. Some of these options, however, require individual contracts with investment providers.

All fund offerings which require contractual agreements must, per City procurement rules, be placed out to bid not less than once every three years. Presently, contracts with the current providers of the core Stable Value Fund, the core Large-Cap Stock Fund (actively managed) the core Small-Cap Stock Fund (actively managed) and the core Small-Cap Stock Fund (passively managed) are scheduled to expire on June 30, 2002. The Board is in the midst of a manager search which, due to the large size of the City's Plan, is attracting significant interest from the investment provider community. As a result of this large response, it is anticipated that the review and selection process will not be completed by the time the current contracts expire. As a result, the Board is requesting authority to extend the current contracts with the incumbent providers for a six-month period, through December 31, 2002.

Five-Year Investment Contracts – As a result of its RFP process, the Board may renew or select what are referred to as "institutional" funds for the City's Plan. Institutional funds are investment products which are geared towards large retirement programs such as the City's Deferred Compensation Plan, generally offer lower costs because of higher volume, and require contracts with the providers. In the past, the Board has obtained extremely favorable pricing arrangements by selecting institutional funds, but believes that the limits on contract term length may present some difficulties in maintaining continuity in the Plan's investment menu, effecting smooth transitions if and when changes are made, and fitting the investment review of these products within the broader review process that occurs for other funds offered in the City's Plan.

Council has previously authorized the Board to negotiate and execute five-year contract terms for Deferred Compensation Plan Administration (which includes recordkeeping, communications and enrollment). The Board is requesting that the same authorization be provided for execution of investment contracts. The Board believes that this will enhance the Plan's ability to negotiate the most favorable terms (particularly with respect to investment management fees) for Plan participants and to effect a program that is responsive to participant desires for high-quality investment choices as well as continuity in the offering of investment choices. Notwithstanding the contract term length, the Board will continue its "at-will" termination clauses in all institutional provider contracts such that should there be significant negative changes in fund performance, fund management, or various other factors upon which fund managers are regularly reviewed, the Board would have the ability to terminate the contract at the City's convenience.