

PERSONNEL AND ANIMAL WELFARE COMMITTEE REPORT relative to City of Los Angeles Deferred Compensation Plan Contracts.

Recommendations for Council action:

1. AUTHORIZE the Board of Deferred Compensation Administration (Board) to negotiate and execute contracts with total combined terms not to exceed five years for all Deferred Compensation Plan services and providers without additional City Council approval.
2. REQUEST the City Attorney to prepare and present an Ordinance to amend Division 10, Section 10.5 of the Los Angeles Administrative Code (LAAC) to provide authority for up to five-year terms for all Deferred Compensation Plan service provider contracts.

Fiscal Impact Statement: The Board reports that there is no fiscal impact. Pursuant to LAAC, Division 4, Chapter 14, all of the City's internal costs of administering the Deferred Compensation Plan are required to be paid exclusively by Plan participants.

Community Impact Statement: None submitted.

Summary:

On November 18, 2015, your Committee considered a September 21, 2015 Board report relative to City of Los Angeles Deferred Compensation Plan Contracts. According to the Board, in 1983 the City of Los Angeles established a Deferred Compensation Plan ("the Plan") under Internal Revenue Code Section 457 as an optional supplementary retirement savings vehicle for all Civilian, Sworn and Los Angeles Department of Water and Power employees who are members of one of the City's three primary defined benefit plans. The City's Plan allows employees to set aside a portion of their compensation up to applicable annual Federal contribution limits on a tax- advantaged basis. The mission of the Plan is to assist City employees in achieving retirement income security.

The City's Plan presently has approximately 41,000 participants and almost \$5 billion in assets. The City Council established a Board of Deferred Compensation Administration to oversee the Plan. The Board is composed of nine members representing the various constituencies of its participant population. City Council has further established the Personnel Department as the Plan administrator. The Board and the Personnel Department have a statutory and fiduciary obligation to act solely in the best interests of Plan participants.

City Council has provided the Board with the authority to contract with service providers to offer administrative, investment, and consulting services. In 2007, Council provided the Board with ongoing authority to enter into contracts with terms up to five years for investment management services. This action benefited Plan participants by creating opportunities for better pricing, higher rates, and greater stability from service providers. For these and other reasons the Board is recommending that the five-year contracting authority exemption previously established for Deferred Compensation Plan investment management services be extended to the Board's other contractual relationships, principally its third-party-administrative and consulting services contracts.

After consideration and having provided an opportunity for public comment, the Committee moved to approve the recommendations contained in the September 21, 2015 Board report and detailed in the

above recommendations. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

PERSONNEL AND ANIMAL WELFARE COMMITTEE



MEMBER

VOTE

KORETZ:

YES

RYU:

ABSENT

HARRIS-DAWSON: YES

ARL

11/18/15

-NOT OFFICIAL UNTIL COUNCIL ACTS-