

Deferred Compensation Plan

BOARD REPORT 16-14

Date: March 10, 2016

To: Board of Deferred Compensation Administration

From: Staff

Subject: Solicitations from Financial Services Firms

*Board of Deferred
Compensation Administration
John R. Mumma, Chairperson
Michael Amerian, Vice-Chairperson
Cliff Cannon, First Provisional Chair
Raymond Ciranna, Second Provisional Chair
Wendy G. Macy, Third Provisional Chair
Linda P. Le
Thomas Moutes
Robert Schoonover
Don Thomas*

Recommendation:

That the Board of Deferred Compensation receive and file this report regarding responding to solicitations to Deferred Compensation Plan participants from financial services firms not affiliated with the City's Deferred Compensation Plan.

Discussion:

Staff recently became aware of an email solicitation to City employees from a representative of a financial services firm named Steel Peak Wealth Management (see Attachment A). The email was apparently sent to approximately one thousand or more City employees. The solicitation was specifically focused on marketing services in relation to the City's Deferred Compensation Plan Self-Directed Brokerage Option (SDBO).

The email states that, *"We partner with two of the largest and most reputable third-party custodians in the industry: Charles Schwab and TD Ameritrade,"* but then states that, *"We are not affiliated or employed by these custodians in any way."* It goes on to state that they have *"assisted many of your colleagues in determining whether or not this option is the right fit"* and offer to *"take you through the same process, where we provide a complimentary one-on-one consultation."* They then offer to create a *"financial plan with investment recommendations and research tailored specifically to you and your financial needs. With this information, you can then compare our recommendations with what you currently have in place to see for yourself if the PCRA option is right for you. There is no cost or obligation."* Finally, the email indicates, that, *"For more information on our services and to download a brochure, please visit this link: [City of LA 457 Plan Option](#)."*

The email was brought to the attention of staff by a number of Plan participants who received it, expressing confusion as to whether the firm was part of the City's Plan and also asking how the firm acquired employee contact information. Staff contacted the individual who sent the email, who indicated that she obtained the email addresses from public sources and did not know if the recipients were necessarily Deferred Compensation Plan participants. She further indicated that she had sent the communication to approximately one thousand City employees.

As of the time of writing this report, staff is in the process of drafting a response to come from the Board Chairperson to Steel Peak Wealth Management requesting that they cease sending the emails. That communication will be presented to the Board at the March 16, 2016 meeting.

Staff is also reviewing other options the Plan may have in response to the solicitation. Financial service firm solicitations, in some form or another, have been a recurring phenomenon for the City's Plan. Staff is identifying a communications response to clarify for Plan participants who its authorized service providers are, as well as address the topic of raising participant awareness regarding potential investment advisory fees from external providers and how those fees may compare to the City Plan's fees and services. Staff will provide further updates regarding this matter at the Board meeting.

Submitted by:

Steven Montagna

TEXT OF COMMUNICATION FROM STEEL PEAK WEALTH MANAGEMENT

Dear _____,

As you may be aware, you have a unique benefit within the City of LA Deferred Compensation Plan which enables city employees to have the luxury of choosing from thousands of investment options that results in a personalized plan, while still maintaining all the same benefits (i.e. pre-tax contributions, tax-deferred growth, etc.). This benefit is called the Personal Choice Retirement Account (PCRA), and it is held at Charles Schwab. You may set up this option directly through your benefits department, and the funds never leave your 457.

Steel Peak Wealth Management is an independent financial planning and investment advisory firm. We partner with two of the largest and most reputable third-party custodians in the industry: Charles Schwab and TD Ameritrade. We are not affiliated or employed by these custodians in any way.

Our firm has assisted many of your colleagues in determining whether or not this option is the right fit. We would like to offer to take you through the same process, where we provide a complimentary one-on-one consultation (not a seminar) in-person or via tele/video conference. You will be given a financial plan with investment recommendations and research tailored specifically to you and your financial needs. With this information, you can then compare our recommendations with what you currently have in place to see for yourself if the PCRA option is right for you. There is no cost or obligation.

For more information on our services and to download a brochure, please visit this link:

[City of LA 457 Plan Option](#)

Please contact my office line directly at [818-835-8727](tel:818-835-8727), or simply reply to this email, to schedule a meeting or tele/video conference at your convenience.

Best Regards,

Kelsey Thomas
Wealth Advisor

Steel Peak Wealth Management, LLC ®
21650 Oxnard Street, Suite 2300
Woodland Hills, CA 91367
Direct: [\(818\) 835-8727](tel:818-835-8727)
Main: [\(818\) 835-8720](tel:818-835-8720)
Kelsey.Thomas@spwm.com
www.steelpeakwealth.com

Steel Peak Wealth Management has selected Charles Schwab & Co., Inc and TD Ameritrade, Inc., as primary custodians for our clients' accounts. Schwab Advisor Services and TD Ameritrade Institutional serve independent investment advisory firms like ours which includes the custody, trading and support services of Charles Schwab & Co., Inc. and TD Ameritrade, Inc. As a registered broker-dealer and a member of the Securities Investor Protection Corporation (SIPC), Charles Schwab and TD Ameritrade are subject to certain

regulations intended to protect assets held in brokerage accounts maintained at Charles Schwab and TD Ameritrade. Steel Peak is not affiliated with Charles Schwab or TD Ameritrade.

Securities offered through Purshe Kaplan Sterling Investments, member FINRA/SIPC, Headquartered at 18 Corporate Woods Blvd, Albany, NY, 12211. Purshe Kaplan Sterling Investments and Steel Peak Wealth Management LLC are not affiliated companies.

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