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March 5, 2007

The Honorable Russell D. Scott
2007 Presiding Judge of the Superior Court
County of Monterey
240 Church Street
Salinas, CA 93901

RE: Treasurer-Tax Collector's Response to the 2006 Grand Jury Report - Section 8

Dear Judge Scott:

Please find the Treasurer-Tax Collector's responses to the Findings and Recommendations contained in Section 8 of the 2006 Grand Jury Final Report as required under Sections 933 and 933.5 of the California Penal Code.

Findings:

F8.1 *The contract between Monterey County and Great West for the management of the County's 457 Eligible Deferred Compensation Plan has been renewed or extended several times without competitive bid, and without formally evaluating other administrative service providers.*

The Treasurer-Tax Collector agrees with this Finding.

F8.2 *The transfer of the plan administration to the Treasurer-Tax Collector is expected to result in stronger County administration of the program.*

The Treasurer-Tax Collector partially disagrees with this Finding. When the Jury interviewed the Treasurer-Tax Collector on the Deferred Compensation issue, the Assistant County Administrative Officer had previously agreed to transfer the Plan Administrator duties to the Treasurer-Tax Collector subject to Board of Supervisors approval. Subsequently, the Assistant CAO did not proceed with the planned transfer of duties to the Treasurer-Tax Collector, although approval was given to allow the Treasurer-Tax Collector to hire a management employee with the skills and ability to

assist the Treasurer-Tax Collector in managing the Deferred Compensation Plan. The Treasurer-Tax Collector and the Auditor-Controller later recommended the designation of the Deferred Compensation Administrative Committee as Plan Administrator. The Board approved that recommendation on August 15, 2006. The Treasurer-Tax Collector was subsequently selected to Chair the Administrative Committee.

F8.3 *Communications between the County and its employees regarding the plan have been insufficient.*

The Treasurer-Tax Collector partially disagrees with this Finding. During the 3 year period prior to the transfer of Plan Administrator duties to the Administrative Committee on August 15, 2006 communication between the County and plan participant employees was virtually non-existent. Since that time, the Administrative Committee has engaged in a vigorous campaign to improve the communication of all plan activities to all plan participants and potential enrollees.

Recommendations:

R8.1 *Monterey County should put the contract for the County's 457 Eligible Deferred Compensation Plan up for competitive bid. This would lead to a greater likelihood of acquiring the best possible service at the lowest cost to the County.*

The Recommendation has been implemented. A contract has been awarded to a firm specializing in the analysis of 457 plan provider services. It is expected that an RFP will be released in the near future and a contract awarded for plan provider services prior to March 31, 2008.

R8.2 *AON Consulting recommendations should be implemented.*

The Recommendation will not be implemented. The AON recommendations are contained in two separate reports. The first report, dated May 25, 2005, was entitled "Draft for Discussion Purposes – 457 Plan Governance Review Report of Findings." The cover page of the report indicated the material was "Privileged and Confidential Communication…" The second report, dated June 22, 2006, was entitled "Report of Findings and Recommendations – Operational Compliance Review of the Monterey County Section 457 Eligible Deferred Compensation Plan." The cover page of the report indicated the material was "Privileged and Confidential Communication…" and the report was noted as a "Draft – for Discussion Purposes."

On the date the Grand Jury Final Report was released (January 2, 2007) the AON reports had not been issued in final form. On January 10, 2007 the Treasurer-Tax Collector received a email from the County Administrative Office indicating that AON had issued final reports. On January 15, 2007 the Treasurer-Tax Collector contacted the principal

author of the AON reports and inquired on the report status. The AON representative said the two reports can now be considered as final which could be accomplished by simply removing the "Draft for Discussion" notation. It must be noted that AON did not actually release any written Final Report, no changes were made to any of the draft contents and the original dates remained the same. Thus, none of the discussion points raised at the 457 Committee meetings where the AON reports were presented were ever included in the "Final Reports." The Treasurer-Tax Collector believes those discussion points were extensive and germane to the production of a final and professional report. Moreover, the Treasurer-Tax Collector cannot accept the retroactive designation of a draft report to be ordained as a final product by simply removing the draft notation and calling it a Final Report without any change to content or dates. Finally, both reports are still covered with the notice they are "Privileged and Confidential…" Given these circumstances, the Treasure-Tax Collector cannot implement the Jury's Recommendation.

R8.3 *The County should provide additional information to County employees regarding participation in the plan.*

The Recommendation has been implemented. Since the formation of the Deferred Compensation Administrative Committee on August 15, 2006 the Committee has provided extensive communiqués to all plan participants and potential enrollees on all aspects of plan activities.

R8.4 *The new County plan administrator should continue to aggressively administer the plan according to County regulations.*

The Recommendation has been implemented. The Administrative Committee (Plan Administrator) has accomplished the following since its formation on August 15, 2006:

- Held Regular and numerous Special Committee meetings
- Prepared new Bylaws that have been adopted by the Board of Supervisors
- Approved a wide array of new and improved investment products and services from the plan provider
- Formed a Subcommittee to address the plan provider RFP process
- Coordinated with the CAO to provide ongoing administrative support for routine plan activities
- Documented the budgetary requirements for proper plan administration and Committee activity
- Approved funding support for a multi-year financial and operational audit of the 457 plan to be managed by the Auditor-Controller
- Produced and delivered numerous plan participant communiqués pertaining to all plan activities

I wish to thank you and the Jury for the opportunity to respond to the Findings and Recommendations contained in the 2006 Grand Jury Report.

Sincerely,

Lou Solton
Treasurer-Tax Collector