

**CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION (BOARD)**

ADOPTED MINUTES
MEETING OF JANUARY 18, 2022
CONDUCTED VIA TELECONFERENCE

BOARD MEMBERS

Present:

Thomas Moutes, Chairperson
Raymond Ciranna, Vice-Chairperson
Robert Schoonover, First Provisional Chair
Neil Guglielmo, Second Provisional Chair
Joshua Geller, Third Provisional Chair
Baldemar J. Sandoval

Not Present:

Linda P. Le
Wendy G. Macy
Jeremy Wolfson

PERSONNEL DEPARTMENT STAFF

Steven Montagna, Chief Personnel Analyst
Mindy Lam, Benefits Analyst

OFFICE OF THE CITY ATTORNEY

Charles Hong, Deputy City Attorney

MERCER INVESTMENT CONSULTING

Devon Muir, Principal

VOYA FINANCIAL

Deirdre Jones, Vice President, Strategic Relationship Management
Kelly Montgomery, Client Relationship Manager

1. CALL TO ORDER

Mr. Moutes called the meeting to order at 9:02 a.m.

2. PUBLIC COMMENTS

There were no public comments.

3. MINUTES

Board Action:

A motion was made by Mr. Guglielmo, and seconded by Mr. Ciranna, to approve minutes of the December 21, 2021 regular meeting of the Board; the motion was unanimously adopted.

4. BOARD REPORT 22-01: BI-ANNUAL ELECTION OF OFFICERS

Presentation Highlights:

Mr. Montagna presented the report and indicated that this report recommended the annual election of Board officers.

Board Member Comments/Questions & Responses:

There were no comments or questions from the Board.

Board Action:

A motion was made by Mr. Guglielmo, and seconded by Mr. Schoonover, to elect Mr. Moutes as Board Chairperson, Mr. Ciranna as Vice Chairperson, Mr. Schoonover as First Provisional Chair, and Mr. Geller as Third Provisional Chair; and a motion was made by Mr. Ciranna, and seconded by Mr. Schoonover, to elect Mr. Guglielmo as Second Provisional Chair; the motions were unanimously adopted.

5. BOARD REPORT 22-02: DETERMINATION REGARDING TELECONFERENCING OPTION FOR BOARD MEETINGS PURSUANT TO ASSEMBLY BILL 361

Board Member Comments/Questions & Responses:

Mr. Guglielmo asked if staff or the City Attorney had any update from the State as to how long the Board will be able to continue with virtual meetings. Mr. Montagna indicated that Assembly Bill 361 is effective in local agencies as long as the Governor's emergency declaration is in effect. Mr. Hong noted that the legislation included a provision to allow virtual meetings until 2024 provided the emergency declaration is in effect.

Board Action:

A motion was made by Mr. Ciranna, and seconded by Mr. Guglielmo, that the Board adopt the attached Resolution and find, pursuant to Section 54953(e)(1)(B)-(C) of the California Government Code, as amended by Assembly Bill (AB) 361, that due to the ongoing COVID19 State of Emergency (COVID Emergency) proclaimed by the Governor on March 4, 2020, conducting Board meetings in person without continuing to provide a teleconference and/or videoconference option for the Board members and the public, would present imminent risks to the health or safety of attendees; the motion was unanimously adopted.

6. BOARD REPORT 22-03: DEFERRED COMPENSATION PLAN 2022 BUDGET ADOPTION

Presentation Highlights:

Mr. Montagna presented the report and provided the following highlights:

- Projected revenues and expenses are consistent with the Board's recent adoption of Reserve Fund assumptions and projections, but do not account for the fourth quarter of 2021.
- Projections may still deviate from actual expenditures due to the timing of filling vacant positions, salary levels, and potential office space leasing costs.

- The next resource review will occur in six months, at which point staff will be able to provide a clearer picture of long-term costs.
- Projection of consulting costs may be higher than actual costs, given that the bulk of the investment selection process has concluded, except for work regarding the Deemed IRA.

Board Member Comments/Questions & Responses:

Mr. Ciranna asked if the Board should plan for budgeting contingencies. Mr. Montagna stated that there is sufficient surplus in the Reserve Fund to deal with any contingencies, and that an update on items such as leasing office space and filling vacant positions should be provided in the next few months; he further noted that the budget will be revisited in less than six months as part of advancing the timing of the next annual resource review.

Mr. Guglielmo asked if any of the pension plans would have office space available. Mr. Montagna stated there is potential office space with Los Angeles Fire and Police Pensions and that staff was in the process of gathering information. Mr. Guglielmo indicated support for the opportunity to have office space with one of the three pension plans as it may support collaboration between the DCP and the pension plans.

Board Action:

A motion was made by Mr. Ciranna, and seconded by Mr. Guglielmo, that the Board adopt the proposed Deferred Compensation Plan budget for Plan Year 2022; the motion was unanimously adopted.

7. BOARD REPORT 22-04: SELECTIONS FOR DCP ACTIVELY MANAGED MANDATES: INTERNATIONAL DEVELOPED MARKETS EQUITY, INTERNATIONAL SMALL-CAP EQUITY, INTERNATIONAL EMERGING MARKETS EQUITY; SMALL-CAP VALUE AND CORE PLUS FIXED INCOME FEE UPDATES; DEEMED IRA UPDATE

Presentation Highlights:

Mr. Montagna presented the report and provided the following highlights:

- Three international mandate funds are recommended for approval.
- The report provides updates that Neuberger improved its cost proposal while Columbia and Manulife did not, which was expected as their pricing was already competitive.
- The Investments Committee requested a report back to the full Board regarding the Deemed IRA.

Mr. Muir presented the remaining items of the report and provided the following highlights:

- International finalists were MFS, FIAM, and Columbia; all three finalists are Collective Investment Trusts (CITs) producing projected savings of approximately \$1.2 million.
- The current effective expense ratio is .70% and the blend of the recommended funds expense ratio is 0.55%.

Board Member Comments/Questions & Responses:

Mr. Ciranna asked if Mercer could provide a blended expense ratio of the newly chosen funds. Mr. Muir noted that the blended expense ratios would be provided in future reports.

Board Action:

A motion was made by Mr. Ciranna, and seconded by Mr. Schoonover, that the Board (a) approve five-year contract terms for the MFS International Equity Fund, the FIAM Select International Small-Cap Trust, and the Columbia Emerging Markets Opportunity Trust, all collective investment trusts, as providers for the DCP International developed markets, small-cap, and emerging markets (respectively) components of the DCP International Fund, with the effective dates of the contracts to be determined; (b) direct staff to negotiate and draft the necessary contracts with MFS, FIAM, and Columbia, including the finalization of investment management fees, in consultation with Board counsel; and (c) authorize the Board Chairperson to execute said contracts on behalf of the Board, subject to agreement between the City and the provider as to all applicable terms and conditions and all necessary approvals; the motion was unanimously adopted.

8. BOARD REPORT 22-05: RECRUITMENT/SELECTION PROCESS FOR DC PLAN MANAGER

Presentation Highlights:

Mr. Montagna presented the report and provided the following highlights:

- The DC Plan Manager eligible list was expected to be finalized soon.
- The first stage of the process would involve vetting and information exchange with the candidates prior to an interview.
 - The goal is to provide the candidates with a detailed description of the position and nuances of City processes.
 - Candidates would also be asked to related their work experience to the DCP's specific duties.
 - Candidates would also be requested to submit an advisory essay.
- Board members would determine which candidates would be interviewed.
- Staff and the Board Chairperson have drafted a letter that is being reviewed by the City Attorney for the position exemption.
- Personnel Department has identified four firms that can aid with executive recruitment and "hard-to-fill" positions as well, and contracts are being drafted.

Board Member Comments/Questions & Responses:

Mr. Ciranna asked if all candidates are external to the City. Mr. Montagna confirmed.

Board Action:

A motion was made by Mr. Guglielmo, and seconded by Mr. Ciranna, that the Board (a) request that staff work with the Ad Hoc DC Plan Manager Selection Committee to develop a work experience questionnaire, advisory essay, position and process outline, and interview questions, for use, as applicable, in the DC Plan Manager selection process; and (b) move

forward with advancing the selection process based on the timeline outlined in the staff report; the motion was unanimously adopted.

9. INVESTMENT POLICY STATEMENT TRAINING

Presentation Highlights:

Mr. Muir presented the report and provided the following highlights:

- Page 2 - DCP Investment Policy Statement (IPS) serves as a roadmap to investment oversight that the Board and staff follow to monitor the DCP.
- Page 3 – The primary objective of the DCP is to assist employees and their beneficiaries in accumulating assets in a tax efficient manner.
- Page 4 – The IPS lists the responsibilities of the Board members, investment consultants, investment managers, TPA and custodian.
 - Responsibilities can be delegated, but the Board still retains ultimate obligation to provide oversight.
- Page 5 – The DCP Board utilizes a three-tier investment structure, sorted by asset allocation, core options, and a brokerage window.
 - An investment structure review could consider participant engagement with the lineup and if there are any benefits to adding or consolidating options, for example, a prior investment structure review considered real assets.
- Page 7 – A two-fold process for search and procurement allows the DCP to select the most competitive bids.
- Page 8 – The IPS details the Board’s minimum requirements for investments.
- Page 9 – Qualitative and quantitative investment option performance evaluations are listed in the IPS.
- Page 10-12 – Benchmarks assess relative performance and should be measurable, investable, and have a known construction process.
- Page 13 – The DCP’s capital preservation vehicles are the Stable Value Fund and FDIC Savings Account, both of which have custom benchmarks.
- Page 14 – Mercer provides due diligence notes for a qualitative assessment of investment managers.
- Page 15-17 – Expense monitoring is done by evaluating net expense differences to make sure that the DCP is able to receive the best services for its costs.

Board Member Comments/Questions & Responses:

Mr. Ciranna asked how frequently the Board should review the IPS. Mr. Muir indicated that the IPS is reviewed every three years. Mr. Ciranna asked how the DCP would determine participant engagement with the current lineup. Mr. Muir replied that the review could look at participant demographic data within each option. Mr. Ciranna inquired when the next investment structure review would take place. Mr. Muir replied that Mercer could develop a plan for review.

Mr. Moutes stated that structuring the investment option review one year prior to contract expiration would allow for a regular review and that demographic data including age and years of service within risk profile funds would be a helpful analysis. Mr. Ciranna added that the IPS

review should be done a minimum of two years before contracts expire. Mr. Montagna suggested the review could begin even earlier given the process steps and time needed to prepare for new procurements and contracts.

Mr. Ciranna asked if the Board should review the ratios for the risk allocated profiles since the DCP just selected new managers. Mr. Muir stated that the new managers should not change the allocations, but that capital market expectations have changed and so a future review of the allocations based on a 20-year expectation of risk and return should be conducted every three to five years. Mr. Montagna indicated that staff would work with Mercer to prepare a comprehensive plan for an investment review process and return to the Board with recommendations.

10. PLAN ADMINISTRATOR QUARTERLY REVIEW: SEPTEMBER 30, 2021

Presentation Highlights:

Mr. Montagna introduced the presentation by indicating that Voya and staff have been working closely to refine quarterly review materials in order to focus the data around core goals, but that the process would be an iterative one where new Voya and staff resources would work with staff and the Board to align the reviews around ever more refined goals and strategies.

Ms. Jones, Ms. Montgomery, and Ms. Harris presented the report and provided the following highlights:

- Page 4 – Q3 Plan Summary
 - Total assets closed at \$8.82 billion, an increase of .001%.
 - Participant count increased by 70 to 50,663 participants.
 - 14,000 participants engaged with the City’s Retirement Calculator and 22% of those participants took action as a result.
- Page 6 – Plan Overview
 - Participant Average Balance is \$174,102, which is higher than the Voya benchmark.
- Page 7 – The DCP had positive cash flow of \$12.29 million.
- Page 10 – The average number of participant investment option holdings of 2.7 funds is similar to the Voya benchmark of 2.8 funds.
- Page 11 – The number of loans from participants within the DCP is trending lower.
- Page 14-20 – Since the Board moved participant outcome goal measurement to a calendar year basis, the report will continue to track goals through the end of 2021.
 - As Voya moves forward with hiring a strategic initiatives director, there will be additional resources and focus on initiatives.

Board Member Comments/Questions & Responses:

Mr. Moutes asked if the impact of the pandemic has affected the DCP’s ability to meet participant goals. Ms. Montgomery stated that there had been impact in some areas and not others.

11. BOARD REPORT 22-06: 2021 BOARD AND COMMITTEE MEETING ATTENDANCE REVIEW

Presentation Highlights:

Mr. Montagna presented the report and stated that the report provides a review of Board member attendance at Board and Committee meetings in 2021, with one correction on Mr. Guglielmo's attendance being 10 out of 12, instead of 10 out of 11 meetings.

Board Member Comments/Questions & Responses:

There were no comments or questions from the Board.

12. BOARD REPORT 22-07: DEFERRED COMPENSATION PLAN PROJECTS AND ACTIVITIES REPORT: DECEMBER 2021

Presentation Highlights:

Mr. Montagna presented the report and provided the following highlights:

- Employee Benefits Division has made a selection decision regarding its vacant Senior II position previously occupied by Ms. Yau, and an announcement would be forthcoming.

Board Member Comments/Questions & Responses:

Mr. Ciranna asked how much work is spent assisting participants at year-end. Mr. Montagna noted that staff addresses participant issues throughout the year but the end of the year is always particularly active.

13. REQUESTS FOR FUTURE AGENDA ITEMS

Mr. Moutes noted there was a request for a report back on office space leasing as well as a plan for Investment Policy Statement review. Mr. Ciranna asked for a report about wire transfers between Voya and LAFPP for participant rollovers.

14. NEXT MEETING DATE

A regular meeting was noted for February 15, 2022, at 9:00 a.m.

15. ADJOURNMENT

The meeting was adjourned at 10:58 a.m.

Minutes prepared by staff member Eric Lan.