

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

ADOPTED MINUTES
SPECIAL MEETING OF MARCH 15, 2022
CONDUCTED VIA TELECONFERENCE

BOARD MEMBERS

Present:

Thomas Moutes, Chairperson
Raymond Ciranna, Vice-Chairperson
Robert Schoonover, First Provisional Chair
Neil Guglielmo, Second Provisional Chair
Dana Brown
Jeremy Wolfson

Not Present:

Joshua Geller, Third Provisional Chair
Baldemar J. Sandoval
Linda P. Le

PERSONNEL DEPARTMENT STAFF

Steven Montagna, Chief Personnel Analyst
Daniel Powell, Senior Personnel Analyst II
Mindy Lam, Benefits Analyst

OFFICE OF THE CITY ATTORNEY

Charles Hong, Deputy City Attorney

VOYA FINANCIAL (VOYA)

Bill MacIntyre, Vice President, Operations and Plan Management
Deirdre Jones, Vice President, Strategic Relationship Management
Kelly Montgomery, Client Relationship Manager
Sarah Balazs, Director, Participant Engagement

1. CALL TO ORDER

Mr. Moutes called the meeting to order at 9:03 a.m.

2. PUBLIC COMMENTS

There were no public comments. The Board welcomed Ms. Dana Brown to the Board as the new General Manager of the Personnel Department.

3. MINUTES

Board Action:

A motion was made by Mr. Ciranna, and seconded by Mr. Wolfson, to approve minutes of February 15, 2022, regular meeting of the Board; the motion was unanimously adopted by the Board.

4. BOARD REPORT 22-14: DETERMINATION REGARDING TELECONFERENCING OPTION FOR BOARD MEETINGS PURSUANT TO ASSEMBLY BILL 361

Board Member Comments/Questions & Responses:

There were no comments/questions from the Board.

Board Action:

A motion was made by Mr. Ciranna and seconded by Mr. Wolfson, 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 COVID-19 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 by the Board.

5. BOARD REPORT 22-15: VOYA MAILING ERROR

Presentation Highlights:

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

- On March 2, 2022, there was a mailing distribution error by Voya in which a letter regarding the DCP's Self-Directed Brokerage Account (SDBA) with Charles Schwab was mistakenly sent to over 64,000 participants and eligible employees instead of the 569 intended participants.
- While confidential information was not released, the mailing error created considerable confusion.
- Staff immediately issued a City-wide email, posted a notice on LA457.com, and responded to nearly 100 phone calls and emails. Notices about the communication error were also disseminated via the call center, a follow-up letter, and an email from Voya.
- Staff has used this event to inform greater operational accountability via contractual performance guarantees.

Mr. MacIntyre noted the following:

- Quality assurance processes were followed to validate the mailing list file to ensure accuracy.
- The error resulted from the attachment of the incorrect file to the task manager system that generates mailings.
- Voya has implemented a new quality assurance step to review the file attached to the task manager system and validate the data.

Board Member Comments/Questions & Responses:

Mr. Wolfson asked for clarification that the error was a result of a manual upload of the file after the two quality control reviews were complete. Mr. MacIntyre confirmed that the employee submitted an incorrect file to the task manager. Mr. Wolfson asked how frequently Voya reviews data to identify participants in the SDBA whose accounts fall below the minimum balance threshold. Mr. Montagna indicated that there is a quarterly review of the data.

Mr. Moutes stated his disappointment with Voya regarding the mailing error while noting that this is Voya's second significant procedural and operational issue, and strongly suggested that Voya review its procedures holistically to ensure that other issues are preemptively mitigated. Mr. MacIntyre thanked the Board for these comments and indicated that Voya is researching automated processes that can avoid future similar errors. Mr. MacIntyre noted one particular implementation of automation is utilizing ACH for the purchase of service credits and anticipates the launch of the feature in 2023.

Mr. Ciranna also noted his disappointment with Voya regarding the mailing error since the Board's purpose is to serve its participants and ensure that the communications they receive do not generate further confusion or doubt. Mr. Ciranna also requested that Voya review all of its procedures for both automated and manual processes.

6. BOARD REPORT 22-16: DC PLAN MANAGER SELECTION PROCESS

Presentation Highlights:

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

- On February 24, 2022, the Board held a special meeting to review candidate materials to determine which candidates will proceed to interviews.
- A special meeting will be held on Tuesday, March 15, 2022, between 1:00-4:00 p.m., where the interviews will be held in a closed session.

Board Member Comments/Questions & Responses:

There were no comments or questions from the Board.

7. BOARD REPORT 22-17: PROJECTS AND ACTIVITIES REPORT: FEBRUARY 2022

Presentation Highlights:

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

- Staff welcomed Ms. Brown to the Board and indicated she had been provided onboarding to familiarize her with the program and update her on current projects.
- DCP's Senior Benefits Analyst paygrade request to elevate the second-level position beneath the DC Plan Manager, from Senior Benefits Analyst I to Senior Benefits Analyst II, was approved by the Office of the City Administrative Officer (CAO), effective July 1, 2022.
- The Personnel Department has selected Paul Makowski as the new Chief of the Employee Benefits Division (EBD), allowing Mr. Montagna to move to the DC Plan Manager position. Mr. Makowski started with EBD in 2013 and worked for three years with the DCP.
- Staff toured leasing space in the Neptune building owned by Los Angeles Fire and Police Pensions (LAFPP) and has been in contact with Mr. Guglielmo regarding potential office space leased from the Los Angeles City Employees' Retirement System (LACERS).
- A participant reached out to members of the staff regarding SDBA minimum balance requirements and the collection of participant fees through a forced liquidation of SDBA assets. The participant asked that the SDBA minimum core balance requirements be

removed, but staff recommended against this and indicated that the DCP's requirements are a common practice among defined contribution plan sponsors.

- Staff sent a survey to gather Board member interest in serving on a DCP committee and will provide those results to DCP Chairperson Mr. Moutes so that he can designate committee assignments.

Board Member Comments/Questions & Responses:

Ms. Brown noted a correction in the report that she has been employed full-time with the City since 1987.

Mr. Ciranna asked whether DCP Board meetings would also be held in either of LAFPP or LACERS buildings if the DCP elects to rent out office space. Mr. Powell indicated that this is being reviewed. Mr. Guglielmo stated that LACERS would allow the DCP to use the board room in either the LA Times building or the new Chinatown office to support the DCP.

Mr. Ciranna asked how the DCP's minimum balance requirement for using the SDBA compares to other similar plans. Mr. Powell noted that it is very low and that other plans might require a fixed percentage of the overall account balance rather than a flat amount. Mr. Guglielmo noted that he also received communication from the participant and thanked staff for researching and providing an update to confirm that the DCP's minimum balance requirements are reasonable. Mr. Wolfson also agreed that the minimum balance requirements are reasonable.

Mr. Ciranna asked if there was a targeted timeline for the development of the Investment Menu design and the Deemed IRA. Mr. Montagna stated that staff has been working with Mercer on the Investment Menu design and plans to update the Board at a later date. Mr. Montagna also noted that other adjustments during the leadership transition will be prioritized until the leadership change is complete.

8. PLAN ADMINISTRATOR QUARTERLY REVIEW: DECEMBER 31, 2021

Presentation Highlights and Board Member Comments/Questions & Responses:

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

- Page 4 – Q4 2021 Plan Summary
 - ☐ DCP assets grew by \$972 million and closed at over \$9.3 billion.
 - ☐ DCP participation increased by 282 for the year, and 150 in quarter four.
 - ☐ The total number of loans and average loan balance decreased.
- Page 5 – Effective in July 2022, Participants with emails on file will be automatically defaulted into e-delivery and will also receive an annual notice providing the ability to opt out.
- Page 7 – DCP participants' median balance is \$69,961.
- Page 8 – The percentage of total loans to plan participants has decreased to 32%.
- Page 9 – Fourth quarter typically shows a heavy outflow of cash and the DCP had a negative cash flow of \$42 million.

- Page 12 – 19,653 participants are using one investment option holding. The new Strategic Initiatives Director position will be evaluating data to identify future goals related to investment allocations.
- Page 14 – 7,468 participants utilize the SDBA option with over half of the accounts being managed by advisors within Schwab.
- Pages 16-17 – Noted are participation goals by years of service and by lowest participating departments.
- Page 19 – Contribution goals for average employee contributions and those contributing with percent-of-pay have both been met and exceeded.
- Page 20 – 2.4% of participants who separated from City service rolled their funds out of their DCP account.
- Page 21 – 1.7% of participants who separated from City service closed their accounts.
- Page 23 – Voya seeks to increase engagement by providing specific actions through simple steps to drive outcomes.
- Page 24-25 – Calendar of communications projects.
- Page 26 – Financial Wellness Journey Results from personalized messaging and journeys.
- Page 28 – Participant savings rate appears to increase with increased use of digital experiences.
- Page 31 – Voya local counselors had interactions with over 6,500 participants in the fourth quarter.

Board Member Comments/Questions & Responses:

Mr. Wolfson asked how much time participants will receive to make the selection to opt out of the e-delivery service and why Voya chose to automatically default participants into e-delivery. Ms. Jones noted that the Department of Labor’s rule is to require participants to default into e-delivery. Ms. Jones indicated that the change is being implemented across all of Voya’s book of business and that the City of Los Angeles is in the second wave of its entire roll-out. Mr. Montagna stated that staff has been working with Voya to ensure that participants will receive ample notice to opt out of e-delivery. Mr. Montagna further indicated that the opt-in method for e-delivery has been available for participants since the prior administrator but has not experienced significant growth. Mr. Wolfson thanked staff and Voya for the clarification.

Mr. Ciranna asked about the graph on page nine and noted that the 2021 fourth quarter lines are not correct. Ms. Jones apologized and stated that the graph will be corrected.

Mr. Moutes asked if the chart on page 12 could reflect the number of participants who are also using diversified options within the DCP. Ms. Jones confirmed that future presentations will show additional detail.

Mr. Ciranna asked how the participation goal for employees with less than three years of City service was calculated. Mr. Montagna noted that staff recently reevaluated the metric since the denominator is not a static population and instead has been considering a metric focused on static populations. Mr. Wolfson asked if the metric measures those who are enrolled in the DCP

or those who stopped contributions. Mr. Montagna stated that the metric evaluates those who are enrolled in the DCP.

Mr. Ciranna asked if the survey on page 23 was targeted at City of Los Angeles employees or Voya's entire book of business. Ms. Balazs noted that the survey includes all of Voya's accounts and also includes the city's employees. Mr. Ciranna asked if all the data was as of March 31, 2021. Ms. Balazs confirmed and also noted that topics such as wellness and financial future have also been emphasized throughout the pandemic. Mr. Montagna stated as part of the previously requested survey to assess participant interest in a Deemed IRA, other questions such as these and others focused on retirement and investment confidence could be included.

Mr. Wolfson asked about the specific questions from the survey described on page 27 that concluded that only 29% of employees are on track for retirement and why the percentage is so low given that participants also have a pension. Mr. Ciranna also noted he has the same question. Ms. Balazs stated that she will research and follow up with the Board at a later date.

9. REQUESTS FOR FUTURE AGENDA ITEMS

There were no requests for future agenda items.

10. NEXT MEETING DATE

A regular meeting was noted for April 19, 2022, at 9:00 a.m.

11. ADJOURNMENT

The meeting was adjourned at 10:20 a.m.

Minutes prepared by staff member Eric Lan.