

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

PROPOSED MINUTES  
MEETING OF OCTOBER 20, 2020  
CONDUCTED VIA TELECONFERENCE

**BOARD MEMBERS**

**Present:**

Thomas Moutes, Chairperson  
Raymond Ciranna, Vice-Chairperson  
Hovhannes Gendjian, Third Provisional Chair  
Joshua Geller  
Neil Guglielmo  
Linda T. Ikegami  
Baldemar J. Sandoval

**Not Present:**

Robert Schoonover, First Provisional Chair  
Wendy G. Macy, Second Provisional Chair

**PERSONNEL DEPARTMENT STAFF**

Steven Montagna, Chief Personnel Analyst  
Jenny M. Yau, Senior Management Analyst II  
Mindy Lam, Personnel Analyst  
Eric Lan, Management Assistant

**OFFICE OF THE CITY ATTORNEY**

Curtis Kidder, Assistant City Attorney

**1. CALL TO ORDER**

Thomas 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. Ciranna, and seconded by Mr. Guglielmo, to approve the minutes of the September 15, 2020 special meeting of the Board of Deferred Compensation Administration; the motion was unanimously adopted.**

#### **4. BOARD REPORT 20-38: FIDUCIARY EDUCATION AND INVESTMENT ADVICE SERVICES – FIDUCIARY CONSIDERATIONS AND SURVEY RESULTS; FEE HOLIDAY REASSESSMENT**

##### Presentation Highlights:

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

- The Board’s fiduciary role and obligation reside in the retention and monitoring of service providers.
- When contracts with service providers are executed, service providers are asked to indemnify the City and defend it from any liability resulting from the services provided under the contract, although that indemnification would not necessarily extend to the Board’s selection and monitoring actions.
- The City has a duty to defend and indemnify the Board and staff acting within the scope of their duties.
- The City may choose to defer its decision to indemnify pending a final disposition of the matter, leading to potential financial exposure of Board members and staff for legal expenses.
- The Board may purchase separate fiduciary liability insurance for those situations where the City would not provide indemnification to the Board, but there are unique considerations in terms of funding the coverage, a topic that may be better referred to the Plan Governance & Administrative Issues Committee for further discussion.

Mr. Curtis Kidder added the following comments:

- The Board is responsible for the selection and monitoring of any consultants and providers.
- A San Diego court case indicates that agency indemnification can be deferred until a final decision is made, requiring the accused to fund their own defense and subsequently request reimbursement of legal fees.

Mr. Montagna added the following comments:

- A November 2015 participant survey indicated significant interest from participants in the DCP providing investment advice services, even if participants had to pay for services.
- Staff recommends deferring execution of the fee holiday and referring study of the financial impacts of offering investment advice services to the Plan Governance Committee.

##### Board Member Comments/Questions & Responses:

Mr. Ciranna noted that the LAFPP Board purchased fiduciary liability insurance. He stated that while rare, there are some occasions in which it may be used. Mr. Moutes asked if the insurance that was purchased included Side A coverage. Mr. Ciranna confirmed yes. Mr. Moutes stated that it would be beneficial for the entire Board, not just the Plan Governance Committee, to receive information about fiduciary liability insurance to ensure that all Board members are educated on this topic. Mr. Guglielmo agreed and stated that the LACERS Board also has fiduciary liability insurance and supports the DCP Board moving in a similar direction.

Mr. Ciranna thanked staff for providing the additional survey information regarding participant interest in the DCP adding investment advice services to its menu of services.

Board Action:

**A motion was made by Mr. Ciranna, and seconded by Mr. Guglielmo, that the Board: (a) direct staff to schedule a presentation from GuidedChoice regarding its platform and services at the January 19, 2021 Board meeting; and (b) defer execution of the fee holiday pending a review by the Plan Governance & Administrative Issues Committee, as part of its annual Deferred Compensation Plan resource review, of the budgetary considerations of offering financial education and investment advice services; and direct staff to report to the Board about options to consider regarding fiduciary liability insurance; the motion was unanimously adopted.**

## 5. BOARD REPORT 20-39: DCP AUTONOMY

Presentation Highlights:

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

- Staff worked with Segal to conduct research into five governmental entities - the states of Ohio, New York, Maryland, Kentucky, and New Hampshire - having a direct reporting relationship between the program staff and their oversight boards and committees.
- A governance-centered model of administration is one in which the oversight Board chooses the program manager and the program staff reports to the Board.
- An agency-centered model of administration is one in which staff reports to an agency which has a relationship to the defined contribution plan but also sits outside of it.
- The Ad Hoc Committee on DCP Autonomy's (Committee) findings are:
  - 1) Precedence exists for a governance-centered model of administration in other defined contribution plans.
  - 2) A governance-centered model of administration would better serve the City of LA DCP because it removes the potential conflict between program and agency needs for assignment of staff resources.
  - 3) A governance-centered model of administration would also allow the Board to select the DC Plan Manager, with that position and staff reporting directly to the Board.
  - 4) The DCP would be better served by advocating directly to the Mayor and Council for its own budgetary needs, including authorization and filling of positions.
- Staff recommends executing a Memorandum of Understanding (MOU) between the Personnel Department and the Board providing the core objectives of DCP program autonomy.
- Additional codification of this relationship within the Administrative Code and City Charter and could be pursued in the future should the Board choose to do so.
- The Personnel Department is supportive of the Board's autonomy efforts and execution of a MOU to achieve the Board's autonomy objectives.
- Staff submitted a fiscal year 2021-22 budget request to establish funding for the DCP staff positions through a special funding source, rather than on a reimbursement method, thereby improving the transparency of funding positions by participant fees.

Board Member Comments/Questions & Responses:

Mr. Moutes thanked Personnel Department General Manager Wendy Macy for her support of DCP autonomy objectives. Mr. Ciranna expressed full support for DCP autonomy indicating that it would further strengthen DCP administration and operation. He also thanked staff for submitting a budget request to change the funding source for the DCP staff positions to a special funding source. Mr. Ciranna asked if the DC Plan Manager position would report directly to the Board Chairperson. Mr. Montagna responded that the Board can design the reporting structure as it wishes. Mr. Guglielmo stated that the DC Plan Manager should report to the entire Board and not just the Chairperson. Mr. Moutes clarified that the Board Chairperson does not direct any staff recommendations but only offers editorial proofing of reports. Ms. Ikegami asked whether all of the DCP staff positions are currently 100% special funded by the DCP. Mr. Montagna replied that the full-time DCP staff positions are close to being 100% special funded by the DCP and once the DC Plan Manager position is filled those partially dedicated positions would no longer be involved with the DCP.

Mr. Kidder noted that the provisions of the MOU will need to be consistent with both the Administrative Code and the City Charter. Mr. Ciranna asked if the Board would have any role in submitting budget requests for the upcoming fiscal year. Mr. Montagna replied that the budget submission deadline has passed but staff will report back to the Board regarding the special funding budget request submitted by staff.

Board Action:

**A motion was made by Mr. Ciranna, and seconded by Ms. Ikegami, that the Board authorize the Board Chairperson to work directly with staff to draft a Memorandum of Understanding (MOU) between the Board and the Personnel Department incorporating elements of autonomy desired by the Board, including with respect to selection and retention of the Defined Contribution (DC) Plan Manager, reporting of the DC Plan Manager to the Board, budget requests to the Office of the Mayor, and administrative tasks, and return to the Board with the proposed MOU for adoption; the motion was unanimously adopted.**

**6. BOARD REPORT 20-40: DEFINED CONTRIBUTION PLAN MANAGER POSITION**

Presentation Highlights:

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

- The Ad Hoc Committee recommends the salary range for the Defined Contribution (DC) Plan Manager classification be equivalent to Chief Personnel Analyst due to the duties and responsibilities of the position and the need to attract talent across the country.
- The Committee also recommends the DC Plan Manager position be exempt from civil service given its fiduciary, leadership, and reporting responsibilities.
- Since filling the position is currently subject to the managed hiring process, staff recommends the Board Chairperson work with staff to submit an unfreeze request.
- The Committee recommends a staff-led recruitment effort using resources available through NAGDCA and other plan sponsors to recruit experienced candidates in the industry.

Board Member Comments/Questions & Responses:

Mr. Moutes thanked staff and the Committee for their work on advancing this effort forward. Mr. Hovhannes stated that due to technical issues, he was absent for this portion of the meeting and was unable to vote on the Committee's recommendation to the Board.

Board Action:

**A motion was made by Mr. Ciranna, and seconded by Mr. Geller, that the Board: (1) Authorize the Board Chairperson to work with staff to: a) Submit a communication on behalf of the Board to the Office of the City Administrative Officer (CAO) recommending that the salary range of the new Defined Contribution (DC) Plan Manager classification be set at a level consistent with the salary range for the classification of Chief Personnel Analyst; b) Submit a communication on behalf of the Board to the Office of the Mayor requesting that the DC Plan Manager resolution authority position be exempted from the civil service provisions of the City Charter, pursuant to Charter Section 1001(b)(1); c) Work with staff to submit an unfreeze request on behalf of the Board and the Personnel Department to the CAO and Managed Hiring Committee to fill the DC Plan Manager resolution authority position; and (2) Upon approval of the salary range for the DC Plan Manager classification, exempt status, and authority to fill the position, direct staff to submit a final proposed recruitment plan and materials for approval by the Board; the motion was adopted by six Board members (Moutes, Ciranna, Geller, Guglielmo, Ikegami, Sandoval); one Board member did not vote on this motion (Gendjian).**

**7. BOARD REPORT 20-41: DEFERRED COMPENSATION PLAN (DCP) FY 2020-21  
PARTICIPATION GOALS AND STRATEGIES BY YEARS OF SERVICE**

Presentation Highlights:

Mr. Lan presented this report and provided the following highlights:

- Staff refined the reporting methodology for reporting participation of employees with less than one year of service resulting in a final result of 40% enrollment of this group in FY 2019-20, with the refined methodology to result in more precise measurement of this metric moving forward.
- Staff proposes using various strategies such as targeted mailing and email campaigns, virtual DCP office hours, local retirement counselor outreach, and special campaigns targeted towards non-enrolled employees to achieve FY 2020-21 participation goals.

Board Member Comments/Questions & Responses:

There were no comments and/or questions from the Board.

Board Action:

**A motion was made by Mr. Guglielmo, and seconded by Mr. Gendjian, that the Board adopt staff's recommended FY 2020-21 participation goals by years of service as follows: (1) Increase participation of employees with less than one year of City service by 1%, from 40% to 41%; and (2) Increase participation of employees with less than three years of City service by 1%, from 52% to 53%; the motion was unanimously adopted.**

**8. BOARD REPORT 20-42: DEFERRED COMPENSATION PLAN PROJECTS AND ACTIVITIES  
REPORT – SEPTEMBER 2020**

Presentation Highlights:

Ms. Yau presented this report and provided the following highlights:

- Ms. Linda Ikegami was introduced as a new Board member, replacing Ms. Linda Le as the Retirement Plan Manager of the Water and Power Employees' Retirement Plan.
- Staff updated the CARES Act chart on page 2 to showcase the breakdown of the number of participants utilizing the CARES Act provisions by category and employee population.
- Voya launched the Spanish participant website on September 20, 2020. Staff plans to prepare a blog and social media posts to advertise the availability of this new feature.
- The National Retirement Security Month campaign is currently underway and the results of the campaign will be presented to the Board at its December meeting.
- An update on the progress of the 2020 Strategic Initiatives is provided in Attachment A.
- The November Board meeting will be cancelled. Two Committee meetings are planned in October and November 2020.

Board Member Comments/Questions & Responses:

Mr. Guglielmo noted that the proposed Board meeting scheduled for December 8, 2020 will conflict with the LACERS Board meeting. Mr. Moutes asked that staff survey the Board to find a new date for the December meeting. Mr. Montagna confirmed staff will survey the Board.

Mr. Ciranna thanked staff for providing additional information regarding Segal's research on physical mail.

**9. REQUESTS FOR FUTURE AGENDA ITEMS**

Mr. Ciranna requested staff to research and report back on fiduciary liability insurance options.

**10. NEXT MEETING DATE**

A meeting was noted for December 8, 2020 at 9:00 a.m.

**11. ADJOURNMENT**

The meeting was adjourned at 10:06 a.m.

*Minutes prepared by staff member Eric Lan.*