

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

PROPOSED MINUTES
MEETING OF AUGUST 4, 2020
CONDUCTED VIA TELECONFERENCE

BOARD MEMBERS

Present:

Thomas Moutes, Chairperson
Raymond Ciranna, Vice-Chairperson
Hovhannes Gendjian, Third Provisional Chair
Neil Guglielmo
Baldemar J. Sandoval

Not Present:

Robert Schoonover, First Provisional Chair
Wendy G. Macy, Second Provisional Chair
Joshua Geller
Linda P. Le

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

MERCER INVESTMENT CONSULTING

Devon Muir, Principal

1. CALL TO ORDER

Thomas Moutes called the meeting to order at 1:06 p.m.

2. PUBLIC COMMENTS

There were no public comments.

3. MINUTES

Board Action:

A motion was made by Mr. Gendjian, and seconded by Mr. Ciranna, to approve the minutes of the June 16, 2020 Board meeting; the motion was unanimously adopted.

4. QUARTERLY INVESTMENT & ECONOMIC REVIEW: JUNE 30, 2020

Presentation Highlights:

Devon Muir, Principal, Mercer Investment Consulting (Mercer) presented the Quarterly Investment & Economic Review. He highlighted the following items:

- Page 2 – The second quarter of 2020 was an improved market environment.
- Page 2 – US equities continued to outperform international equities by up to 15%.
- Page 7 – Large and mid-cap sectors performed well such as the Consumer Discretion category at 36.6% for the second quarter of 2020.
- Page 8 – Valuations have become more attractive, but earnings remain uncertain.
- Page 9 – Corporate bonds have performed well, and the short-term rate is near zero.
- Page 14 – Review of the plan’s investment options, where Mr. Muir noted the recently released Request for Proposal (RFP) for the Stable Value Fund (SVF) option.
- Page 15 – Assets totaled \$7.2 billion, an increase of about \$834.2 million from the prior quarter, and net contributions for the quarter totaled \$136.9 million. Mr. Muir noted that the Deferred Compensation Plan (DCP) average account balance remained healthy.
- Page 17 – Update that Dimensional Fund Advisors (DFA) – US Small Cap Equity Strategy received a “P” (Provisional) rating due to consistent underperformance.
- Page 18 – Increase in Self-Directed Brokerage Option (SDBO) utilization which is now over 10%.
- Page 20 – Overall, DCP fees are less than the benchmark median.
- Page 21 – Management summary and compliance table showing overall strong performance despite modest underperformance in Small Cap and Mid Cap Funds.
- Pages 22-24 – Breakdown of DCP performance as follows:
 - The SVF, which represents 18% of the total plan assets, performed well with decent returns in relation to the benchmark.
 - The DCP Bond Fund outperformed the benchmark but was slightly below the peer group.
 - Risk-Based Funds performed well on the quarter.
 - DCP Mid Cap Stock Fund underperformed but was still in the 7th percentile in comparison to the peer group.
 - DCP Small Cap Stock Fund underperformed relative to the benchmark but still performed well in comparison to the peer group.
 - The MFS International Equity Fund is in the lower 17th percentile.
 - Brandes International Small Cap Equity performed poorly.

Board Member Comments/Questions & Responses:

Mr. Moutes inquired why the quarterly Gross Domestic Product (GDP) numbers are annualized when describing Market Performance on Page 2 since it is unlikely that the quarterly results will repeat over the full year. Mr. Muir stated that annualization of quarterly results allows for comparative analysis and the ability to understand quarterly results contextualized to a full year to evaluate trends on an annual basis. Mr. Ciranna asked if Mercer’s concern with DFA lies with the strategy or with the manager. Mr. Muir stated the concern is regarding strategy effectiveness.

5. BOARD REPORT 20-27: THIRD-PARTY ADMINISTRATOR (TPA) SERVICE PROVIDER CONTRACT EXTENSION

Presentation Highlights:

Mr. Steven Montagna presented this report. He highlighted the following core elements of negotiations with Voya regarding the extension of the contract for Third-Party Administrator (TPA) services for the DCP:

- Page 3 – Participant administrative 6.7% fee reduction, from \$32.00 to \$30.00 annually.
- Page 3 – Voya agreed to waive the cost for the Human Resources Project implementation which was budgeted in the City’s Fiscal Year 2020-21 budget (\$250,000).
- Page 4 – New Engagement, Data, and Outcomes Specialist resource to create data-driven strategies for achieving DCP goals and improvements in participant outcomes.
- Pages 4 to 5 – Overview of retirement speakers and subject matter experts that Voya would provide to assist the DCP in engaging participants and stakeholders.
- Mr. Montagna highlighted administrative and record-keeping investments Voya has provided during the term of the current contract, further enhancing client services.
- Mr. Montagna noted that extending the contract with Voya for an additional three years with an option to extend for two additional years would require City Council approval.

Board Member Comments/Questions & Responses:

The Board expressed appreciation to staff for the depth and detail of information contained in the report and thanked Voya for working with staff on the terms of the contract extension.

Board Action:

A motion was made by Mr. Guglielmo, and seconded by Mr. Ciranna, that the Board: (a) approve extending the term of Contracts No. C-130070 and C-130069 with Voya to provide TPA and trustee services, respectively, for the DCP for an additional three years from September 27, 2022 to September 26, 2025 for a total eight-year term, with an option to extend for two additional years; (b) instruct staff to negotiate and draft a contract extension with Voya in consultation with Board counsel and authorize the Board Chairperson to execute said contract extension on behalf of the Board, subject to agreement between the City and Voya as to all applicable terms and conditions and approval of the City Council; and (c) authorize the Board Chairperson to sign and submit a communication, pursuant to Mayoral Executive Directive No. 3, from the Board to the Office of the Mayor recommending extension of the contract with Voya for TPA and trustee services for the DCP for an additional three years, with an option to extend for two additional years; the motion was unanimously adopted.

6. BOARD Report 20-28: PLAN ADMINISTRATION AND COMMUNICATIONS CONSULTING SERVICES REQUEST FOR PROPOSALS EVALUATION AND RECOMMENDATION

Presentation Highlights:

Mr. Montagna presented a report recommending the selection of Segal to provide plan administration and communications consulting services for the DCP for a five-year contract term. He provided a brief summary of the staff report:

- He noted Segal’s extensive history and experience in the field of defined contribution plan consulting, especially its work with public sector clients. He further noted Segal’s experienced consulting expertise in support of the DCP’s goals and objectives.
- Page 6 – Summary of the 90-minute engagement exercise, in which Segal discussed strategies to drive and measure participant engagement success, displaying the depth of Segal’s intellectual resources.
- Page 7 – Segal’s fee structure and performance guarantees in which Segal indicated that 100% of its compensation will be placed at risk if the Board or staff are unsatisfied with the work product.

Board Member Comments/Questions & Responses:

Mr. Ciranna asked if it was concerning that only one proposal was received. Mr. Montagna noted that more responses would have been ideal but Segal is one of a few major consulting firms with experience working with large governmental defined contribution plans.

Board Action:

A motion was made by Mr. Ciranna, and seconded by Mr. Gendjian, that the Board: (a) select Segal to provide plan administration and communications consulting services for the DCP for a five-year contract term; (b) instruct staff to negotiate and draft a contract in consultation with Board counsel; and (c) authorize the Board Chairperson to execute said contract 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.

7. BOARD REPORT 20-29: 2020 FEE HOLIDAY UPDATE

Presentation Highlights:

Mr. Montagna presented an update on the 2020 fee holiday. He stated the fee holiday is scheduled to occur in the fourth quarter of 2020, per the Board’s previous action at its April 27, 2020 meeting.

Board Member Comments/Questions & Responses:

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

Board Action:

A motion was made by Mr. Ciranna, and seconded by Mr. Guglielmo, that the Board receive and file an update regarding the 2020 fee holiday; the motion was unanimously adopted.

8. BOARD REPORT 20-30: QUARTERLY STAFFING REIMBURSEMENTS – SECOND QUARTER 2020

Presentation Highlights:

Ms. Jenny Yau presented this report and noted the following:

- Page 1 – Summary breakdown of the total reimbursement costs for the Personnel Department and City Attorney, totaling \$202,931.84.

- Page 3 – Rolling ten-year forecast of the DCP Reserve Fund balance updated with data as of June 30, 2020. Ms. Yau noted the forecast includes the approval of a 50% fee holiday and the fee holiday is expected to generate about \$372,000 in participant savings.

Board Member Comments/Questions & Responses:

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

Board Action:

A motion was made by Mr. Ciranna, and seconded by Mr. Gendjian, that the Board approve reimbursements from the DCP Reserve Fund to the Personnel Department in the amount of \$169,306.26 and to the City Attorney in the amount of \$33,625.58 totaling \$202,931.84, inclusive of the second quarter of calendar year 2020 ending June 30, 2020, for staff providing direct support of the DCP; the motion was unanimously adopted.

**9. BOARD REPORT 20-31: 2020 NATIONAL RETIREMENT SECURITY MONTH (NRSM)
CAMPAIGN**

Presentation Highlights:

Ms. Yau presented this report and noted the following:

- Page 1 explains the change in the duration of the campaign from one week to one month to allow staff greater flexibility to engage with more participants.
- Ms. Yau noted that activities with low barriers to entry such as taking an online quiz often result in the greatest participation rates.
- Ms. Yau provided a brief overview of the proposed 2020 campaign which would include a series of four interactive quizzes with clear and direct “calls to action” for each of the DCP’s three distinct audiences (active participants, retired participants, and non-participating eligible employees).
- Ms. Yau noted staff would employ various communication channels to promote NRSM including postcards, emails, social media, and a dedicated NRSM page on LA457.com.

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. Sandoval, that the Board: (a) approve the proposed 2020 NRSM campaign; and (b) authorize the expenditure of \$2,500 for gift cards to be awarded to participants engaging with the interactive quizzes; the motion was unanimously adopted.

**10. BOARD REPORT 20-32: DEFERRED COMPENSATION PLAN PROJECTS AND ACTIVITIES
REPORT: JUNE 2020**

Presentation Highlights:

Ms. Yau presented this report and noted the following items:

- Updated chart on CARES Act activity comparing the number of participants accessing CARES Act provisions by category and DCP participant type.
- NAGDCA cancelled its in-person conference and will replace it with a virtual conference taking place from October 5-29.
 - The cost of registration for the virtual conference is \$100 per participant.
 - Registrants will be able to access the content as a recording after the conference.
 - Due to the low cost and accessibility of the event, staff encourages all Board members to attend the virtual conference.
- Three new videos created by Voya on investment options, plan loans, and required minimum distributions which are now accessible for viewing on the LA457.com website.
- Update on the status of the 2020 Strategic Initiatives in Attachment A.

Board Member Comments/Questions & Responses:

- Mr. Ciranna asked if there are any in-person Voya appointments taking place in City Hall. Mr. Montagna replied that currently there are no in-person appointments, and that the Department is working on installing protective barriers for safety before it reopens.
- Mr. Ciranna asked whether the Separation Incentive Program (SIP) communication was sent only to eligible members, and whether there will be a follow-up communication. Mr. Montagna stated the communication was posted on the CAO and DCP websites and staff will work with Mr. Guglielmo to determine if further communication is needed.
- Mr. Ciranna asked staff to provide an updated schedule of NAGDCA sessions. He also requested sufficient time be provided to review the draft of the updated Plan Document. Mr. Montagna responded affirmatively to both requests.
- Mr. Ciranna asked whether staff is concerned with a decreasing level of website activity. Mr. Montagna stated that although there was a decrease in total page views, the number of unique visitors increased.

Board Action:

No action was taken.

11. REQUESTS FOR FUTURE AGENDA ITEMS

Mr. Ciranna requested staff to research and report back on the availability of electronic devices for Board members to aid with teleconferencing and accessing digital materials. Mr. Montagna replied that staff will conduct research and survey Board members to determine needs.

12. NEXT MEETING DATE

A meeting was noted for September 15, 2020 at 9:00 a.m.

13. ADJOURNMENT

The meeting was adjourned at 2:18 p.m.

Minutes prepared by staff member Eric Lan.