

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

PROPOSED MINUTES
MEETING OF SEPTEMBER 15, 2020
CONDUCTED VIA TELECONFERENCE

BOARD MEMBERS

Present:

Thomas Moutes, Chairperson
Raymond Ciranna, Vice-Chairperson
Hovhannes Gendjian, Third Provisional Chair
Neil Guglielmo
Joshua Geller

Not Present:

Robert Schoonover, First Provisional Chair
Wendy G. Macy, Second Provisional Chair
Linda P. Le
Baldemar J. Sandoval

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

VOYA FINANCIAL

Kelly Montgomery, Client Relationship Manager
La Tanya Harris, Registered Representative

1. CALL TO ORDER

Thomas Moutes called the meeting to order at 9:03 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 August 4, 2020 special meeting of the Board of Deferred Compensation Administration; the motion was unanimously adopted.

4. PLAN ADMINISTRATOR QUARTERLY REVIEW: JUNE 30, 2020

Presentation Highlights:

Kelly Montgomery, Client Relationship Manager with Voya presented the Plan Administrator Quarterly Review for quarter ending June 30, 2020. She highlighted the following items:

- Page 7 – Total number of participants is over 50,000 an increase of 0.75% from the prior quarter, with plan of \$6.99 billion, an increase of 13% from the prior quarter.
- Page 10 – Quarterly net cash flow doubled to \$52.8 million.
- Page 13 – Top three investments are Large Cap and Stable Value Funds, and Schwab Self-Directed Brokerage Option (SDBO).
- Page 16 – SDBO pre-tax accounts grew from 4,094 to 5,301 in the past year.
- Page 19 – Participation goal for employees with less than one year of service will be recalculated for next Board meeting; lowest participating departments increased participation rate in fiscal year 2019-20.
- Page 20 – Contribution rate for fiscal year was 5.48% and the number of participants electing percent of pay increased to 3,064 surpassing goal of 3,000.
- Page 25 – Goal for distributions was not met, partially attributed to disruptions caused by the pandemic and number of full distributions in second quarter 2020.
- Page 26 – Total distributions fell in second quarter of 2020.
- Page 27 – DCP asset retention goal met with percent of retirees who rolled funds out at 4.3% vs. goal of 4.5.
- Page 28 – Majority of participants rolling out funds go to Charles Schwab.
- Page 29 – Significant decrease in Unforeseeable Emergency Withdrawals, possibly due to participants taking out Coronavirus-Related Distributions (CRDs).
- Page 30 – Decrease in the number of loans in the second quarter of 2020 that may also be due to participants taking out a CARES Act loan.
- Page 33 – Doubling of electronic end-of-call surveys after removing verbal survey option; customer satisfaction at 98.3%.
- Page 36 – Save More Journey ongoing; four journeys delivered in quarter two of 2020, 14 participants opened the email, and one participant took action.
- Page 39 – Financial Wellness Journey Dashboard provides evaluation of participants taking Voya's financial wellness assessment as compared to Voya's book of business.
- Page 43 – Comparison of how the City's participants scored in the different pillars of financial wellness compared to Voya's book of business.
- Page 47 – 71% of plan participants used web, mobile, or called over the last 12 months.

Ms. La Tanya Harris presented the following:

- Page 51 – Local Retirement Counselors conducted three virtual enrollment presentations for DWP and one virtual enrollment presentation for Public Works.
- Page 51 – Call activity has decreased, but email activity has increased via the website.

Board Member Comments/Questions & Responses:

Mr. Moutes congratulated Voya and staff on meeting the participant goals despite the overall challenges this year. Regarding page 14, he asked if a single investment could also include portfolio investments. Ms. Montgomery replied yes. Mr. Ciranna recommended revising the title of the chart to provide greater clarity. Regarding page 29, Mr. Moutes asked if activity on CRDs is being tracked separately. Ms. Montgomery confirmed the City is tracking this data and presenting updates in the monthly projects and activities report.

5. BOARD REPORT 20-33: DEFERRED COMPENSATION PLAN (DCP) PARTICIPANT GOALS AND STRATEGIES

Presentation Highlights:

Ms. Jenny Yau introduced this report by indicating that staff examined how the financial and economic climate caused by the COVID-19 pandemic would most likely impact participation, contributions, distributions, and asset retention patterns. She indicated that the proposed more modest goals take into account the impact of the Citywide hiring freeze, furloughs for almost all civilian employees, and the Separation Incentive Program (SIP).

Staff member Eric Lan then highlighted the following items:

- Pages 7-8 – Staff proposes increasing the participation rate goal for departments with the lowest participation rate by 1% for FY 2020-21 and expanding outreach efforts to labor organizations, with a new goal to increase the participation rate of the five labor organizations with the lowest participation rate by 1% for FY 2020-21.
- Pages 7-8 – Participation Goal Strategies
 - Staff will implement targeted biannual mailing campaigns, with a return to paper mail becoming more prevalent due to the pandemic; a previous mailing campaign conducted by staff resulted in a 1% to 3% conversion rate.
 - Staff will implement targeted email campaigns by partnering with ITA to generate specific email lists of employees falling into certain outreach categories (e.g. employees with less than three years of City service).
 - Staff will be launching virtual DCP office hours via Zoom allowing the local retirement counselors to meet one-on-one with participants and provide key plan information and answer participant questions.
- Page 9 – Goals for contributions are: 1) Maintain average employee contributions at 5.48% and 2) Increase the number of participants saving as percent-of-pay from 3,064 (9% of contributing participants) to 3,446 (10% of contributing participants).
- Page 9 – Contribution Goal Strategies
 - Continued usage of Voya’s “Save More Journey” and “Restart Savings Journey” while being mindful of the impact of furloughs and the City’s hiring freeze.
 - Virtual DCP office hours will provide an opportunity for local retirement counselors to engage with participants and provide education on the percent-of-pay feature.
- Page 10 – The distribution goal is to maintain the number of retirees who close their accounts to no more than 2.5% of the retiree population (excluding closures of QDRO and beneficiary accounts).

- Page 10 – Distribution Goal Strategies
 - Staff will work with the local retirement counselors to implement point of contact surveys for participants who request to close their account.
 - Staff is working with Voya to assess opportunities to implement a survey at the call center to collect data on why participants close their accounts.
- Page 11 – The asset retention goal is to maintain the number of retirees who roll funds out of their account to no more than 4.5% of the retiree population (excluding closures of QDRO and beneficiary accounts).
- Page 11 – Asset Retention Goal Strategies
 - Staff will work with the local retirement counselors to implement a short survey for collecting and tracking feedback from participants who roll funds out of the DCP.
 - Staff is working with Voya to assess opportunities to implement a survey at the call center to get collect data on why participants choose to roll out funds.
 - Local retirement counselors are encouraging SIP participants to keep their assets in the DCP.
 - Staff will implement targeted communications for employees three years from retirement in order to provide early education.

Board Member Comments/Questions & Responses:

Mr. Ciranna asked for if Segal could explain further why a return to physical mail would be the norm for the foreseeable future. Ms. Wendy Young Carter from Segal stated that a variety of communication media, including both electronic and physical mail, appears to be the most effective method for engaging with participants. Mr. Montagna stated staff will research and provide further information on this topic.

Board Action:

A motion was made by Mr. Ciranna and seconded by Mr. Geller, to adopt staff’s recommended goals related to participation, contributions, distributions, and asset retention for fiscal year (FY) 2020-21 in Attachment A with the exception of FY 2020-21 DCP Participation Goals by Years of City Service (item A, first bullet point on Attachment A); the motion was unanimously adopted.

6. BOARD REPORT 20-34: REQUEST FOR INFORMATION RESULTS – INVESTMENT ADVICE AND FINANCIAL EDUCATION SERVICES

Presentation Highlights:

Mr. Montagna presented this report. He stated the Request for Information (RFI) explored two distinct service opportunities for Investment Advice and Financial Education services. He provided a summary of the four RFI responses and highlighted the following items:

- Page 2 – Cambridge/Four Square
 - Two corporations owned by a husband and wife.
 - Fee Structure: (a) Educational group meeting fee – \$3,000 per day; (b) Individual financial plan – \$375; (c) Investment Advice – 0.75% fee of assets with no fee cap.

- Not a platform-based provider – services would be offered within the existing architecture of the DCP meaning a participant using advisory services would do so through the SDBO platform.
- Ms. Young Carter added Cambridge/Four Square offers a fair amount of interactions with participants and asset-based fees may be viewed as less desirable.
- Page 3 – GuidedChoice
 - Offers independent investment advice recordkeeping platform and personalized services within fee structure where participant and plan sponsor fees are capped.
 - Relies on data feed to establish eligibility, provides call center, and provides online platform for participants to interact with and utilize services.
 - Fee Structure: Flat fee for plan sponsor; voluntary participant advisory fee – \$50 annually; voluntary managed account service fee of 0.25% annually, capped at \$250, unusual for the industry.
 - Ms. Young Carter added GuidedChoice is a provider focused on larger companies.
- Page 4 – ICMA-RC
 - ICMA-RC is current Third-Party Administrator (TPA) for City’s Pension Savings Plan.
 - ICMA-RC proposed financial education services only through three onsite staff.
 - Fee Structure – \$0.80 per participant per month for all participants, approximately \$480,000 per year, along with optional \$375 per participant per financial plan.
 - Ms. Young Carter added New York City currently utilizes this service with ICMA-RC proposed but proposal may be viewed as expensive, and they cannot provide managed accounts due to not being the City’s record-keeper.
- Page 5 – Voya
 - Voya is current TPA for the DCP.
 - Voya proposed both financial education and investment advisory services.
 - Voya’s investment advisory services are essentially managed account services offered through Voya Retirement Advisors, LLC (VRA), a proprietary services established by Voya in partnership with Financial Engines.
 - Fee Structure: Financial Planning: \$300 per individual financial plan; VRA Advisory Services – no fee to participants; Managed Account Advisory Services – asset based fees with no fee cap.
 - If the City enabled Voya’s managed account option, further options would be available to all participants and participant accounts would be fully integrated.
 - Current local retirement counselors would also be used for financial education services, but it was not clear how time would be split between current/new duties.
- Page 6 – Key consideration overall was fee structures. The GuidedChoice response was attractive because of proposed pricing caps, additional educational planning content, and unlimited ability to interact virtually with participants and provide educational sessions as part of their base platform fee.

Board Member Comments/Questions & Responses:

Mr. Ciranna asked what the Board’s liability is if the DCP offers investment advisory services. Mr. Montagna stated that providers may offer provide indemnity clauses and assume fiduciary responsibility. Mr. Kidder stated that it is industry standard for the corporations to offer

indemnification, and the City Attorney will defend the Board. Mr. Moutes indicated there is some risk of out-of-pocket expenses if the City decides to not cover the costs of representation. Mr. Ciranna expressed interest in learning more about fiduciary liability insurance. Mr. Ciranna also asked if there was evidence of participant interest in the DCP offering financial education and investment advisory services. Mr. Montagna indicated staff can report back on fiduciary liability insurance and participant survey data regarding participant interest in these service. Mr. Moutes asked if the RFP indicated interest in fee caps when issuing the RFI. Mr. Montagna confirmed yes.

Board Action:

A motion was made by Mr. Guglielmo, and seconded by Mr. Gendjian, that the Board direct staff to schedule a presentation from GuidedChoice regarding its platform and services at the October 20, 2020 Board meeting. An amending motion was made by Mr. Ciranna, seconded by Mr. Guglielmo, to table the prior motion and request that staff prepare information regarding fiduciary liability insurance and past survey results on participant interest in the DCP providing financial education and investment advisory services; the motion was unanimously adopted.

7. BOARD REPORT 20-35: PLAN ADMINISTRATION AND COMMUNICATIONS CONSULTING SERVICES CONTRACT – MAXIMUM COMPENSATION LIMIT

Presentation Highlights:

Ms. Yau presented this report and noted the following:

- The Board previously approved a new five-year contract with Segal to provide plan administration and communications consulting services for the DCP but did not approve a maximum compensation limit, which is typically included in City contracts to ensure an adequate budget is established to cover planned expenditures and to manage spending on the contract within the budgeted amount over the contract term.
- Staff reviewed anticipated consulting services, average number of hours incurred on the prior contract, and the average percentage increase in hourly rates for Segal staff and recommends a maximum compensation limit of \$225,000 on the contract.
- The compensation limit represents a maximum amount only. Actual compensation may be less depending on the actual services engaged by the DCP.

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. Geller, that the Board approve a maximum contract compensation limit of \$225,000 over the five-year contract term with Segal to provide plan administration and communications consulting services for the DCP; the motion was unanimously adopted.

8. BOARD REPORT 20-36: FISCAL YEAR 2021-22 TRAINING & TRAVEL PROGRAM

Presentation Highlights:

Ms. Yau presented this report and noted the following:

- Page 1 – Summary of the training and travel program budgeting process for the calendar and fiscal years.
- Page 2 – The proposed budget assumes that organizations will continue in-person trainings in the future, post pandemic.

Board Member Comments/Questions & Responses:

Mr. Ciranna stated there will likely continue to be a mix of online and in-person trainings and, given overall budgetary challenged, recommended the Board set the training and travel budget for fiscal year 2021-22 at the current calendar year 2020 budget of \$33,000.

Board Action:

A motion was made by Mr. Ciranna, and seconded by Mr. Guglielmo, that the Board approve the proposed Fiscal Year (FY) 2021-22 Training & Travel Program at a budget of \$33,000; the motion was unanimously adopted.

**9. BOARD REPORT 20-37: DEFERRED COMPENSATION PLAN PROJECTS AND ACTIVITIES
REPORT: JULY TO AUGUST 2020**

Presentation Highlights:

Ms. Yau and Mr. Kidder presented this report and noted the following:

- Page 1 – Mr. Kidder reviewed revised Fair Political Practices Commission Conflict of Interest disclosure requirements and explained the purpose of the revised requirements is to close a loophole that allowed individuals to avoid announcing conflicts of interest by not being present for certain portions of a meeting. He stated that now any conflict of interest must be reported on Form 51 whether the individual attends the meeting or not.
- Page 2 – Ms. Yau noted the DCP received the NAGDCA Art Caple Award in honor of its 2019 National Retirement Security Week Campaign and that staff will be recording a thank you video for NAGDCA.
- Page 3 – A slight change was made to the 2020 National Retirement Security Month (NRSM) campaign to provide a single quiz rather than four as originally proposed.
- Page 3 – Updated CARES Act activity, including a new chart comparing the number and types of participants utilizing the CARES Act provisions.
- Page 4 – Update on the NAGDCA 2020 virtual conference, including the full conference schedule and agenda topics provided in Attachment C.
- Page 4 – Staff distributed a survey to Board members regarding options for electronic devices. Based on the responses, staff determined that an iPad will provide the best ability to allow Board members to access board reports and teleconferencing software. Staff recommends the Board authorize the purchase of iPads for those Board members who indicate they need such devices for Board business.
- Attachment A provides an update on the status of the 2020 Strategic Initiatives.

Board Member Comments/Questions & Responses:

Mr. Moutes indicated that data regarding participants who are using the CARES Act provisions should also be included in Voya's future quarterly reports to provide a more holistic picture of all

participants taking out loans. Ms. Yau replied that staff would work with Voya to incorporate this data in the Voya reports. Mr. Geller asked about the requirement for requesting a CARES Act loan. Mr. Montagna replied that individuals self-report that they meet the qualifications.

Mr. Ciranna asked if the recommendation to purchase electronic devices also includes the purchase of an iPad pencil. Ms. Yau replied that the recommendation provides for the purchase of the iPad only. The Board requested that staff draft an iPad User Agreement for each Board member receiving a device to sign acknowledging receipt of the device, nullification if the device is damaged, and staff's ability to access and wipe data on the device if it becomes lost or stolen. Mr. Kidder indicated he will provide staff with a draft User Agreement he helped to prepare for another organization to serve as a model for the DCP Board iPad User Agreement.

Mr. Moutes congratulated staff and Voya on receiving the NAGDCA Art Caple Award.

Mr. Ciranna asked if any communications have been prepared regarding Voya's Spanish language participant website. Ms. Yau replied that staff will work with Voya to publicize this new feature once it goes live.

Board Action:

A motion was made by Mr. Ciranna, and seconded by Mr. Guglielmo, that the Board approve the purchase of iPads for those Board members who elect to receive an electronic device for conducting Board business; the motion was unanimously adopted.

10. REQUESTS FOR FUTURE AGENDA ITEMS

There were no requests for future agenda items.

11. NEXT MEETING DATE

A meeting was noted for October 20, 2020 at 9:00 a.m.

12. ADJOURNMENT

The meeting was adjourned at 10:43 a.m.

Minutes prepared by staff member Eric Lan.