

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

PROPOSED MINUTES
MEETING OF AUGUST 17, 2021
CONDUCTED VIA TELECONFERENCE

BOARD MEMBERS

Present:

Raymond Ciranna, Vice-Chairperson
Robert Schoonover, First Provisional Chair
Neil Guglielmo, Second Provisional Chair
Joshua Geller, Third Provisional Chair
Linda P. Le
Wendy G. Macy

Not Present:

Thomas Moutes, Chairperson
Baldemar J. Sandoval

PERSONNEL DEPARTMENT STAFF

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

OFFICE OF THE CITY ATTORNEY

Charles Hong, Deputy City Attorney

MERCER INVESTMENT CONSULTING

Devon Muir, Principal

1. CALL TO ORDER

Mr. Ciranna called the meeting to order at 9:00 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. Geller, to approve minutes of the July 20, 2021 regular meeting; the motion was unanimously adopted.

4. BOARD REPORT 21-41: FISCAL YEAR 2022-23 PROPOSED BUDGET REQUESTS AND DCP TRAINING & TRAVEL PROGRAM

Presentation Highlights:

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

- The Memorandum of Understanding (MOU) between the Personnel Department and the Board provides the Board the ability to independently develop budget recommendations with respect to DCP position authorities within the Personnel Department budget.
- Currently, DCP position authorities and funding for those positions is included as part of the Personnel Department budget. Travel authorities for DCP trainings and conferences were previously included but are no longer included in the budget.
- For the FY 2022-23 proposed budget, staff recommends the Board approve two budget requests:
 - 1) Add regular position authority for the DC Plan Manager position.
 - 2) Request a paygrade determination to elevate the Senior Benefits Analyst I to a Senior Benefits Analyst II position to provide the appropriate level of executive management and oversight.
- As DCP travel authority is no longer included in the budget, staff further recommends that the DCP Training & Travel Program be prepared on an annual basis beginning with calendar year 2022.

Board Member Comments/Questions & Responses:

Ms. Le inquired if Ms. Yau's current position is a Senior Benefits Analyst I or a Senior Benefits Analyst II. Ms. Yau stated that she is currently a Senior Benefits Analyst II and dedicated 40% to the DCP while Mr. Montagna is dedicated 20% to the DCP; together both Ms. Yau and Mr. Montagna serve as senior managers of the DCP until the DC Plan Manager position is filled. Mr. Ciranna asked if Ms. Yau will eventually return back to Employee Benefits. Ms. Yau replied that is to be determined after the DC Plan Manager position is filled.

Mr. Guglielmo supported the position upgrade from Senior Benefits Analyst I to II.

Mr. Ciranna asked if staff has reached out to the CAO regarding the paygrade request. Ms. Yau noted that staff had reached out to the CAO and the CAO advised submitting the request for the paygrade determination as part of the budget process.

Mr. Ciranna inquired why the travel authority is no longer included in the Personnel Department budget. Ms. Yau replied that per the CAO all travel and training is no longer included in any departmental budget and this change was made a few budget cycles ago.

Board Action:

A motion was made by Mr. Guglielmo, and seconded by Mr. Ciranna, that the Board: (a) approve the following requests to be submitted with regards to the FY 2022-23 proposed budget: (i) add regular position authority for one Defined Contribution (DC) Plan Manager position; (ii) request the Office of the City Administrative Officer (CAO), Employee Relations

Division (ERD) to review and make a paygrade determination to elevate the Senior Benefits Analyst I to a Senior Benefits Analyst II position; (iii) authorize the Board Chairperson to approve any documents required to transmit the FY 2022-23 budget requests to the CAO and Office of the Mayor on behalf of the Board; (b) request that the Personnel Department, in cooperation with and on behalf of the Board, jointly submit the afore-noted requests to the Office of the Mayor; and (c) approve the DCP Training & Travel Program to be prepared on an annual basis moving forward with calendar year 2022; the motion was unanimously adopted.

5. BOARD REPORT 21-42: 2021 NATIONAL RETIREMENT SECURITY MONTH (NRSM) CAMPAIGN

Presentation Highlights:

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

- The DCP coordinates a National Retirement Security Month (NRSM) campaign annually to engage and educate participants on retirement security.
- For three consecutive years, starting in 2018, the DCP has received a Leadership Recognition Award for its successful NRSM campaigns.
- The DCP won NAGDCA's prestigious Art Cople award for its 2019 NRSM Campaign.
- For 2021, the NRSM Campaign theme is "Back to the Movies with the DCP" and will include an interactive quiz with questions associating a DCP-related topic with popular movie trivia.
- New to this year's NRSM campaign is a featured webinar produced in conjunction with the Broadcast Retirement Network (BRN) and hosted by Jeff Snyder, a NAGDCA member and interviewer and moderator at prior NAGDCA conferences. The two proposed webinar topics are:
 - Where Should I Retire? Choosing a Retirement Location that Works for You
 - \$mile! Can Changing your Spending Habits Make You Happier?
- Staff will conduct weekly prize drawings for eligible participants who complete the interactive quiz.
- An implementation timeline for the campaign is provided in Attachment A.
- Staff will evaluate engagement metrics and provide a summary report to the Board after the campaign ends.

Board Member Comments/Questions & Responses:

Mr. Geller expressed support for the campaign and his interest in viewing the webinars. Mr. Guglielmo requested that staff provide a link for the webinar to include on the LACERS YouTube channel to further engage participants.

Board Action:

A motion was made by Mr. Schoonover, and seconded by Mr. Guglielmo, that the Board approve the proposed 2021 NRSM campaign; the motion was unanimously adopted.

6. BOARD REPORT 21-43: QUARTERLY STAFFING REIMBURSEMENTS – SECOND QUARTER 2021

Presentation Highlights:

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

- Staff requests the Board approve reimbursements from the DCP Reserve Fund to the Personnel Department in the amount of \$176,834.42 and to the City Attorney in the amount of \$29,089.65 totaling \$205,924.07, for staff providing direct support of the DCP in the second quarter of calendar year 2021 ending June 30, 2021.

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. Ciranna, that the Board approve reimbursements from the Deferred Compensation Plan (DCP) Reserve Fund to the Personnel Department in the amount of \$176,834.42 and to the City Attorney in the amount of \$29,089.65 totaling \$205,924.07, inclusive of the second quarter of calendar year 2021 ending June 30, 2021, for staff providing direct support of the DCP; the motion was unanimously adopted.

7. QUARTERLY INVESTMENT & ECONOMIC REVIEW: SECOND QUARTER 2021

Presentation Highlights:

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

- Page 2 – Capital market performance is strong, a positive sign for the DCP.
 - While rates dropped during the quarter, the year-to-date trend remains strong.
 - International markets have been outpaced by domestic markets.
- Page 3 – There is evidence of inflation driven by the supply imbalance and labor shortages.
- Page 7 – Real estate is one of the top performing sectors in the market.
- Page 14 – There are no changes in the current DCP investment option offerings.
 - There continues to be strong participation in the SBDA brokerage window.
- Page 15 – The DCP has over \$9 billion in assets.
 - Net contributions for the quarter totaled \$138.9 million and investment gains totaled \$458.3 million.
 - There are roughly 5,000 participants with over \$500K in assets.
- Page 18 – Manager Updates:
 - Wells Fargo announced a name change to Allspring Global investments. Additionally, the CEO, Nico Marais will retire from his role at the consummation of the acquisition, but will remain involved with Allspring as a senior advisor. Joseph Sullivan will succeed Marais as CEO.
 - Mercer continues to have confidence in Brandes' deep value investing.
- Page 21 – Mercer expects that the fund net expense ratios will be improved upon with the completion of the evaluation of the investment mandates. A negative net expense ratio means better than median costs for the DCP.

- Page 22 – The DCP Small-Cap Stock Fund showed slight underperformance in the quarter.
- Pages 23-25 – Performance Summary
 - Risk-based funds are all outperforming their benchmarks.
 - The DCP Large-Cap Stock Fund is tracking along with the S&P 500.
 - Ms. Tom-Chow stated the Mid-Cap Stock Fund and other Mid-Cap Funds have performed well on the quarter as well, particularly in the industrial, financial, and health care sectors.

Board Member Comments/Questions & Responses:

There were no comments or questions from the Board.

8. BOARD REPORT 21-44: HUMAN RESOURCES AND PAYROLL (HRP) PROJECT UPDATE

Presentation Highlights:

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

- The City is currently undergoing the implementation of a new payroll system from Workday to replace the City’s legacy payroll system, PaySR.
- The anticipated go-live date of the new payroll system is January 2022.
- Staff heavily utilizes the PaySR system to manage DCP eligibility, payroll contributions, and special deferrals for over 38,000 civilian and sworn City employees. Staff are also the sole users of certain legacy PaySR functions pertaining to the administration of DCP special processes such as Accrued Leave Payouts and Catch-Up Contributions.
- For the DCP, the payroll implementation consists of:
 - Establishing two files for managing DCP functions: 1) inbound payroll file from Voya to the new payroll system (contributions and loans processing), and 2) outbound census file from the City’s new payroll system to Voya (eligibility data).
 - Configuration of DCP special processes such as Catch-Up Contributions, Accrued Leave Payouts, contributions processing, refunds, adjustments, and W-2 corrections. These must be configured and sufficiently tested in the new payroll system to ensure accuracy and timely processing.
- The change in the payroll system presents inherent challenges and risks for the DCP as follows:
 - DCP Special Processes – Many of these highly complex processes have yet to be fully configured and still require multiple levels of vetting before testing can begin.
 - Payroll Workstream Involvement – Staff has only recently been invited to participate in the payroll workstream but have not had substantial training or interaction with payroll processing since most of the work done to date involves file exchanges between Workday and Voya.
 - Historical Records – Workday will convert some, but not all, current data in PaySR. The City has proposed storing unconverted PaySR data into a historical database but staff will need to ensure the storage of these historical records contains all of the data that is required to process DCP transactions.
 - Catch-Up Contribution History – While PaySR maintains a historical database of employee “unused balances” to allow employees to make additional higher

contributions to the DCP, staff was informed that the Workday system does not allow for recording this historical data. A solution will need to be identified as this limitation will severely impact staff's ability to approve and process Catch-Up Contributions.

- Testing – Testing dates have not been proposed by Workday resulting in challenges for planning workload and priorities.

Board Member Comments/Questions & Responses:

Mr. Geller noted concern regarding the HRP update and asked if staff's concerns would be sufficient grounds to delay the implementation of the payroll system. Mr. Montagna indicated that staff has sent communications to Workday on behalf of the Employee Benefits Division (EBD) and believed that these concerns are being heard. Mr. Geller stated that staff should let the Board know if any other resources will be needed to support the implementation.

Mr. Ciranna inquired if staff has enough resources to support the implementation effort as there are many competing priorities and projects currently being worked on. Mr. Montagna replied that with respect to the HRP conversion specifically, staff has been able to devote the necessary resources to the implementation thus far but the larger risks are outside Personnel Department control. He indicated that in terms of staff resources more broadly, the DCP resource review which is presented to the Plan Governance and Administrative Issues Committee in the fall would be a good opportunity to discuss longer-term resource planning for the DCP. Mr. Ciranna agreed and stated that if the Workday implementation continues to provide challenges he's concerned staff will be overwhelmed.

Ms. Macy stated that she is involved in the Workday implementation and the Steering Committee in charge of the implementation effort is aware of the concerns raised by EBD. Ms. Macy also indicated that she will express the Board's concerns to the Steering Committee and provide updates when available.

Mr. Ciranna asked when Mercer's contract expires and if the DCP is on track to complete the evaluation of the investment mandates before the contract expiration. Mr. Montagna stated that the contract expires at the end of this year and that the DCP is currently on track to complete the evaluation of the investment mandates by year end.

9. BOARD REPORT 21-45: RESUMING IN-PERSON BOARD MEETINGS

Presentation Highlights:

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

- Effective June 15, 2021, Governor Newsom terminated the Stay at Home Order and issued an Executive Order which extended the Brown Act waivers to September 30th.
- Unless the Executive Order is extended or modified beyond September 30th, staff will plan to return to in-person Board meetings, beginning with the October 19th meeting.
- Board meetings will be held in the Civil Service Commission Boardroom at Personnel in a hybrid approach as follows:

- Staff will attend in-person and prepare the Boardroom for in-person attendance. Seats have been roped off to allow for six feet of social distancing.
- All participants choosing to attend the meeting in-person will be required to wear a mask, regardless of vaccination status.
- Board members may choose to attend virtually or in-person.
- If a Board member chooses to attend virtually, Brown Act requirements for attending the meeting virtually must be followed.
- DCP vendors and consultants have the option to attend meetings in-person or virtually, based on their own company protocols for out-of-state travel.
- Staff is researching a permanent dial-in option for participants to listen into Board meetings.
- Staff also reached out to LACERS, LAFPP, and the Civil Service Commission (CSC) regarding their plans to return to in-person meetings.
 - LAFPP and LACERS have already or will be returning to in-person meetings using a hybrid approach similar to the plan proposed by staff.
 - The CSC plans to return to in-person meetings in October should the Executive Order not be extended.
- The City Council has reconvened meetings in Council Chambers but only fully vaccinated individuals are allowed inside the Council chambers and City Hall remains closed to the public with no date set for when it will reopen to the public.
- The situation remains fluid and staff will notify the Board if there are any changes to the current plan to resume in-person meetings.

Board Member Comments/Questions & Responses:

Mr. Ciranna asked if there is a monitor in the room that would allow in-person participants to see virtual participants, such as vendors. Ms. Yau indicated that a large monitor was recently installed in the CSC boardroom.

Mr. Guglielmo inquired about parking for Board members meeting in-person. Ms. Yau replied that staff will work with Board members to arrange parking for Board members attending in-person.

**10. BOARD REPORT 21-46: DEFERRED COMPENSATION PLAN PROJECTS AND ACTIVITIES
REPORT: JULY 2021**

Presentation Highlights:

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

- WPERP Election Update – The WPERP special election is currently underway.
 - The special election calendar and information on how to run as a candidate were mailed to eligible participants in July. The information was also posted to the DCP special election webpage at LA457.com.
 - Five candidates have submitted their materials to run for the Board seat.
 - Election Day is September 16, 2021.

- Award Recognition – The DCP was awarded NAGDCA’s Leadership Award for its successful 2020 NRSM campaign. As the top scoring submission in the NRSM category, the DCP is also eligible to receive the prestigious Art Caple President’s Award. The winner will be announced at this year’s NAGDCA conference.
- Communications Updates:
 - Voya Participant Website Upgrade – The upgraded website went live on July 18th. Staff conducted a mail and email campaign with a teddy bear giveaway to encourage participants to check out the upgraded website. Staff will report back on the outcome of this campaign at the Board’s next meeting.
 - Targeted Sworn Outreach – Staff sent a custom email to 110 sworn eligible but non-enrolled employees encouraging them to join the DCP. To date, 16 employees or 15% have enrolled in the DCP.
- DCP 2021 Strategic Initiatives – A status update on each of the strategic initiatives is provided in Attachment A.

Board Member Comments/Questions & Responses:

Mr. Ciranna asked if staff received any feedback on the Voya participant website upgrade. Ms. Yau replied that staff has not received any feedback from participants to date, and Mr. Montagna that typically low reaction is an indication that participants are not having difficulty easily accessing desired resources notwithstanding the changes.

11. REQUESTS FOR FUTURE AGENDA ITEMS

There were no requests for future agenda items.

12. NEXT MEETING DATE

A meeting was noted for September 21, 2021, at 9:00 a.m.

13. ADJOURNMENT

The meeting was adjourned at 10:34 a.m.

Minutes prepared by staff member Eric Lan.