

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

PROPOSED MINUTES
MEETING OF JUNE 15, 2021
CONDUCTED VIA TELECONFERENCE

BOARD MEMBERS

Present:

Thomas Moutes, Chairperson
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
Baldemar J. Sandoval

PERSONNEL DEPARTMENT STAFF

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

OFFICE OF THE CITY ATTORNEY

Charles Hong, Deputy City Attorney

Voya Financial

Shelley Fredrick, Vice President, Strategic Relationship Management
Cate Zimmerman, Technology Consultant

1. CALL TO ORDER

Mr. Moutes called the meeting to order at 9:01 a.m.

2. PUBLIC COMMENTS

There were no public comments.

3. MINUTES

Board Action:

A motion was made by Mr. Schoonover, and seconded by Mr. Geller, to approve minutes of the May 18, 2021 regular meeting of the Board of Deferred Compensation Administration; the motion was unanimously adopted.

4. BOARD REPORT 21-30: DEFINED CONTRIBUTION (DC) PLAN MANAGER RECRUITMENT AND CANDIDATE REVIEW PROCESS

Presentation Highlights:

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

- One DC Plan Manager position is authorized in the City's fiscal year 2021-22 budget.
- The Board's Chair and Vice-Chair are currently working with the Mayor's Office to request that the position be exempted from civil service.
- Staff anticipates being able to launch the recruitment effort shortly after July 1, 2021.
- The recently executed MOU between the Board and Personnel Department allows the Board to design the content of, and be involved in, the selection process.
- Staff recommends creating an Ad Hoc DC Plan Manager Selection Committee to develop recommendations from the Board to make to the Personnel Department on the design and content of the selection process, including a recruitment plan and materials.

Board Member Comments/Questions & Responses:

Mr. Moutes inquired how updates regarding the recruitment effort would be reported to the Board. Mr. Montagna replied that updates would be provided to the Board in staff reports and that if confidential personnel actions needed to be discussed, staff could inquire with the City Attorney about holding a closed session. Mr. Moutes stated Board members interested in participating on the Ad Hoc Committee should inform Mr. Montagna, and that only four Board members are allowed to be on the Committee per the Board's Bylaws.

Board Action:

A motion was made by Mr. Guglielmo, and seconded by Mr. Ciranna, that the Board establish an Ad Hoc DC Plan Manager Selection Committee to: (a) develop recommendations for the Board to make to the Personnel Department as to the design and content of the selection process, including proposed recruitment materials and the design of the candidate review process; and (b) report back at the Board's July 20, 2021 meeting; the motion was unanimously adopted.

5. BOARD REPORT 21-31: REVISED PLAN DOCUMENT FOR THE CITY OF LOS ANGELES DEFERRED COMPENSATION PLAN

Presentation Highlights:

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

- At the April 20, 2021 Board meeting, the Board requested staff make three additional revisions to the DCP Plan Document.
- The three revisions were:
 - Section 4.03 – clarify that DROP rollovers are an eligible rollover source.
 - Section 9.05 – provide more details regarding acceptable documentation of a participant's death.
 - Section 13 – clarify the role and authority of the Board.

- The revisions are incorporated into the proposed revised Plan document for the Board’s approval.

Board Member Comments/Questions & Responses:

Mr. Ciranna thanked Mr. Montagna, Mr. Hong, and staff for their work on incorporating the proposed changes into the revised Plan Document.

Board Action:

A motion was made by Mr. Ciranna, and seconded by Mr. Geller, that the Board approve the proposed revised Plan Document for the City of Los Angeles Deferred Compensation Plan; the motion was unanimously adopted.

6. BOARD REPORT 21-32: BOARD OF DEFERRED COMPENSATION ADMINISTRATION ELECTIONS – CANDIDATE INFORMATION, QUALIFICATIONS, AND STATEMENT OF QUALIFICATIONS

Presentation Highlights:

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

- The Board requested a report regarding options for providing more candidate information to voters in future Board elections.
- Staff reviewed additional feedback from voters in the following areas:
 - Candidate information – Other than the information provided in the candidate’s statement of qualification printed in the voting materials, no additional information is available on the candidates running for the Board seat.
 - Board member qualifications – Minimum qualifications should be set for running for a Board seat given the responsibility for managing a multi-billion-dollar plan.
 - Statement of qualifications – Statements should be vetted for accuracy by the Board or City Clerk.
- It is important for the Board and staff to ensure objectivity and neutrality for all Board elections.
- Taking a larger role in providing candidate information raises a number of issues that would be more appropriately reviewed in greater depth at the Committee level.
- Staff therefore recommends the Board direct the Plan Governance and Administrative Issues Committee to review and assess the role of the DCP in providing candidate information to voters.

Board Member Comments/Questions & Responses:

Mr. Guglielmo thanked staff for researching the matter further. Mr. Guglielmo noted that LACERS evaluated other public plans and their respective websites to determine how to make information more available to members. Mr. Guglielmo suggested that any information mailed to voters should also be posted on the DCP website. Mr. Guglielmo cautioned against tasking staff with regulating the accuracy of information of information posted on personal websites.

Board Action:

A motion was made by Mr. Guglielmo, and seconded by Mr. Schoonover, that the Board direct the Plan Governance and Administrative Issues Committee (Committee) to review and assess the role of the Deferred Compensation Plan (DCP) in providing candidate information to DCP voters and provide recommendations to the Board for further action; the motion was unanimously adopted.

7. BOARD REPORT 21-33 – DEFERRED COMPENSATION PLAN RESEARCH AND ENGAGEMENT GOALS AND STRATEGIES

Presentation Highlights:

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

- The Board approved 2021 DCP strategic initiatives at the beginning of the year, including two initiatives regarding communications and member outcomes and engagement.
- Staff works with Voya to review and analyze the results of the annual goals set in four areas: participation, contributions, distributions, and asset retention.
- A critical factor missing in the setting of goals is information regarding participant behaviors, attitudes, needs, and opinions.
- Staff proposes the use of periodic surveys to solicit participant feedback that will inform the setting of annual goals and long-term priorities and objectives for the DCP.
- Attachment A includes a Research and Engagement Goals and Strategies Process Management Document which includes the identification of information gaps and the use of micro-surveys to resolve those gaps.
- Attachment B includes drafts of each of the micro-surveys.
- Staff recommends that the Board approve the Research and Engagement Goals and Strategies for calendar year 2021; and the proposed micro-surveys. Upon the Board's approval, staff will begin issuing the surveys within the third quarter of this year.

Board Member Comments/Questions & Responses:

Mr. Sandoval asked how often the surveys would be issued. Ms. Yau replied that the surveys would be issued no less than annually. Mr. Ciranna inquired about the asset-retention micro-survey and if the survey should be more direct in asking if participants are being solicited by providers to move funds out of the DCP. Ms. Yau replied that the survey question could be modified to include a direct question regarding solicitations. Mr. Montagna added that staff recently became aware of individuals attempting to solicit DCP participants. Ms. Fredrick noted that participants may receive emails and postcards to solicit services and that providing information to retirees may aid them in making an informed decision prior to moving funds out of the DCP. Mr. Montagna stated that reaching out to participants directly with this information is more effective than posting information on the website. Mr. Montagna indicated that staff is developing a comprehensive strategy to address the issue.

Mr. Moutes asked staff to consider developing a survey for retirees who have not closed their accounts to better understand their experience and thoughts regarding staying in the DCP. Mr. Schoonover stated that some participants may not move their funds because they are not aware

of the option. Ms. Yau stated that there is little research within the retiree population compared to the active population and staff will work on developing a survey for retirees. Mr. Moutes indicated that it is better to provide all of the information to participants and present a strong case for keeping funds in the DCP. Ms. Le agreed and stated that the information allows participants to make their own decisions.

Board Action:

A motion was made by Mr. Guglielmo, and seconded by Mr. Schoonover, that the Board approve: (a) the Deferred Compensation Plan (DCP) Research and Engagement Goals and Strategies for calendar year 2021; and (b) proposed participation, contributions, distributions, and asset retention (rollovers) micro-surveys; the motion was unanimously adopted.

**8. BOARD REPORT 21-29: DEFERRED COMPENSATION PLAN PROJECTS AND ACTIVITIES
REPORT: MAY 2021**

Presentation Highlights:

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

- The election for the Retiree Representative Board seat was extended from May 13th to May 27th. Based on the unofficial results, Mr. Moutes was declared the winner of the election.
- The DCP budget versus actual expenditures comparison is provided in Attachment C. Moving forward, staff will include budgeted versus actual expenditures in the DCP annual budget that is approved by the Board in the first quarter of the calendar year.
- NAGDCA announced that their annual conference will be conducted virtually from September 13-16, 2021. Due to the low cost and ease of access, staff recommends all Board members and staff attend the annual conference.
- Staff worked with Voya to finalize the forms and internal processes for administering the new Setting Every Community Up for Retirement Enhancement (SECURE) and Consolidated Appropriations Act (CAA) provisions adopted by the Board. A City-wide email was released on May 12th including a FAQs blog post to inform participants of the new provisions. To date, a total of nine participants have utilized the new provisions.
- The Board requested updates to the Board Election Policies and Procedures to add language regarding documenting emergency actions taken by the Board to ensure transparency to the public. Staff recommends the Board approve the proposed language in the recommendation of the report.

Board Member Comments/Questions & Responses:

Mr. Ciranna thanked staff for including the additional election language and also thanked staff for providing the budgeted versus actual expenditures comparison.

Mr. Ciranna noted a delay in the Investment Consultant Request for Proposal (RFP) due date to June 24, 2021 due to issues with the BAVN portal and inquired if the proposal timeline will be impacted in any way to ensure the process is completed prior to the expiration of the Mercer contract. Ms. Yau replied that staff worked with all of the proposed vendors to resolve the BAVN

technical issues and had built in sufficient lead time in the proposal timeline to allow for contingencies. Mr. Moutes inquired if Mercer’s contract would allow for a month to month provision if the RFP timeline did not work out. Mr. Montagna stated that Mercer’s contract duration has exceeded five years and an extension would require Council approval.

Board Action:

A motion was made by Mr. Ciranna, and seconded by Mr. Sandoval, that the Board approve proposed changes to the Board Election Policies and Procedures regarding documenting emergency actions taken by the Board to ensure transparency to the public (Attachment B); the motion was unanimously adopted.

9. PLAN ADMINISTRATOR QUARTERLY REVIEW: MARCH 31, 2021

Presentation Highlights:

Mr. Montagna provided introductory remarks:

- Voya has done major work in redesigning the website user interface for the platform used by all of its clients.
- Voya will be providing the Board a preview of the redesigned user interface and will also discuss the underlying research and participant feedback which informed the redesign.

Ms. Zimmerman provided a demonstration of the redesigned user interface and highlighted the following:

- Voya performed extensive research by analyzing over 1,500 participant comments, conducting stakeholder interviews, and analyzing customer usage trends over the past two years to identify improvements for redesigning the user interface.
- The redesigned user interface provides a more intuitive navigation for participants to accomplish tasks.
- Based on Voya’s research, 80% of the time, participants are trying to increase contributions, exchange money within accounts, or access their funds.
- The redesign brings these functions up front with large icons for participants to quickly access to perform transactions.
- Various sections on the homepage are now collapsible so that participants can minimize certain sections that are not being used.
- The redesigned user interface will launch on July 18th.
- Mr. Montagna noted that Voya has also redesigned the administrator portal which staff utilizes on a daily basis for administration of participant accounts.

Ms. Frederick presented the Plan Administrator Quarterly Review and provided the following highlights:

- Page 7 – The DCP had 50,572 total participants at the end of quarter one 2021, a 14% increase since Voya’s administration began in 2017.
- Page 7 – DCP assets at the end of quarter one 2021 were \$8.34 billion.
- Page 10 – Net cash flow was \$33.5 million for quarter one 2021.
- Page 13 – The Large Cap Fund constitutes 29.5% of total DCP assets, while the SBDA at 13.5% of participants is higher than Voya’s other clients.
- Page 14 – Most participants are invested in three to four investment vehicles.

- Page 19 – Participation of employees with less than one year of service increased by one percent from the prior quarter.
- Page 22 – Average employee contributions is 5.82%, below Voya’s book of business.
 - Mr. Montagna noted that the City’s method of calculating average contributions is unique from other plans since the DCP includes eligible employees who are not contributing, so this metric is not comparable to Voya’s book of business.
- Page 23 – The number of participants contributing as a percent of pay continues to remain strong with the DCP exceeding this year’s goal ending the quarter at 3,574 participants enrolled in percent of pay.
- Page 27 – The DCP ended quarter one 2021 at \$10.6 million in distributions, which exceeds the prior fiscal year’s total.
- Page 29 – At the end of quarter one 2021, total rollovers equate to about \$126.3 million.
- Page 31 – Requests for unforeseeable emergency withdrawals were primarily for foreclosure or eviction. The main rejection reason was that the participant did not provide appropriate documentation.
- Page 32 – A total of 12,193 participants have a total of 16,097 outstanding loans.
- Page 35 – 11,681 total calls were received in quarter one 2021, with 11,304 calls reaching a customer service associate. The average customer call satisfaction rate was 97.4%.
- Ms. Frederick noted that Voya is working on updating the quarterly report to further refine the presentation of the information and data contained in the report.
- Ms. Fredrick further stated that Voya is planning to hire an Engagement, Data, and Outcomes Specialist to work with a variety of data sources and work with DCP staff to achieve goals established by the Board.
 - Mr. Montagna added that this position will be focused on data analysis and designing and implementing data-driven strategies for achieving DCP objectives and improving participant outcomes. He further noted that this role was requested as part of the contract extension with Voya.

Board Member Comments/Questions & Responses:

Ms. Le inquired if the website changes will also be applied to the mobile app. Ms. Zimmerman noted that the website is mobile optimized and that some functionality updates will be released in November of 2021. Ms. Fredrick noted that a future enhancement will be to update beneficiaries on the mobile app.

Mr. Moutes asked how City specific customizations will be represented on the redesigned website. Ms. Zimmerman indicated that the customizations will be retained and in some cases emphasized more by the redesign.

Mr. Sandoval inquired which competitors have the most progressive website design and Voya’s placement amongst its competitors. Ms. Zimmerman indicated that Voya is among the best and that the redesign aims to provide greater accessibility for the most important transactions to eliminate clicks for participants and drop-offs. Mr. Montagna expressed support for the participant driven process which informed the website redesign.

Mr. Moutes asked about potential security concerns regarding beneficiary designations by individuals other than members. Mr. Montagna stated that there is no change in the beneficiary designation process. Ms. Zimmerman confirmed, adding that only the location of this function on the website has changed.

Mr. Ciranna and Mr. Sandoval noted their appreciation and support for the website redesign.

Regarding the Plan Administrator Quarterly Review, Ms. Le inquired how much of the rollover activity is to buy time from pension plans versus rolling over to other plans. Ms. Frederick noted that Voya could do additional research on this topic and provide it to the Board.

Ms. Le asked if it was possible to break out the data in the quarterly review for actives versus retirees. Mr. Montagna noted that the Annual Report has begun to do that and anticipates being able to include more of this type of analysis moving forward when the new Engagement, Data, and Outcomes Specialist is hired.

10. BOARD REPORT 21-35: DOMESTIC PARTNERSHIPS WITHIN THE DEFERRED COMPENSATION PLAN

Presentation Highlights:

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

- The DCP follows federal law for naming beneficiaries. For a 457 plan, there are two primary categories: persons, or specific individuals, and non-persons, such as a trust or charity.
- Beyond naming beneficiaries, there are a set of rules for handling distributions once a participant has passed away.
- Those rules pertain to a spouse, a non-spouse person, and a non-person.
- Generally, spouses are able to defer distributions for a longer period of time than non-spouses and non-persons.
- Domestic partners are treated similarly to non-spouses because federal law does not recognize domestic partnerships.
- When a participant passes away, verification of the identity of the claimant is required but proof of the type of relationship is not required.
- Under California law, domestic partnerships will impact the division of property due to a divorce or death without a named beneficiary.
 - A domestic partner registered with the State of California accrues community property interest in a participant's account in the same way a spouse accrues community property interest and can claim that interest either as part of a divorce settlement or as a beneficiary claim after the participant's death.
 - In these cases, staff and Voya work closely with the City Attorney's Office to comply with either instructions that come from the court in a divorce proceeding, or in accordance with state probate law if a beneficiary claim has been filed.

Board Member Comments/Questions & Responses:

Mr. Ciranna thanked staff for providing the report and asked if the DCP uses the State registry for purposes of verifying domestic partners. Mr. Montagna replied that in cases where the domestic partner is not the named beneficiary, but has a community property interest, the DCP would investigate if the individuals are registered as domestic partners with the State. Mr. Ciranna asked if this is done regardless of registration with the City of Los Angeles. Mr. Montagna indicated that the City has multiple registries, that registration of domestic partners is not established with the DCP, and that the DCP would defer to the State's registry to verify domestic partnerships. Mr. Moutes asked if there are any efforts within the DCP industry or NAGDCA to implement a legal changes at the federal level to recognize domestic partners. Mr. Montagna replied he is not aware of any current efforts on this matter.

11. REQUESTS FOR FUTURE AGENDA ITEMS

There were no requests for future agenda items.

12. NEXT MEETING DATE

A meeting was noted for July 20, 2021 at 9:00 a.m.

13. ADJOURNMENT

The meeting was adjourned at 10:44 a.m.

Minutes prepared by staff member Eric Lan.