

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

PROPOSED MINUTES  
MEETING OF OCTOBER 19, 2021  
CONDUCTED VIA TELECONFERENCE

BOARD MEMBERS

**Present:**

Thomas Moutes, Chairperson  
Raymond Ciranna, Vice-Chairperson  
Neil Guglielmo, Second Provisional Chair  
Joshua Geller, Third Provisional Chair  
Wendy G. Macy  
Linda P. Le  
Jeremy Wolfson

**Not Present:**

Robert Schoonover, First Provisional Chair  
Baldemar Sandoval

PERSONNEL DEPARTMENT STAFF

Steven Montagna, Chief Personnel Analyst  
Mindy Lam, Benefits Analyst  
Eric Lan, Benefits Analyst

OFFICE OF THE CITY ATTORNEY

Charles Hong, Deputy City Attorney

VOYA FINANCIAL

Shelley Fredrick, Vice President, Strategic Relationship Management  
Deirdre Jones, Vice President, Strategic Relationship Management

ICE MILLER

Audra Ferguson-Allen, Partner  
Robert Gauss, Partner

**1. CALL TO ORDER**

Mr. 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 minutes of the September 21, 2021 regular meeting; the motion was unanimously adopted.

**4. BOARD REPORT 21-50: 2021 BOARD OF DEFERRED COMPENSATION ADMINISTRATION SPECIAL ELECTION RESULTS – ACTIVE PARTICIPANT WATER AND POWER EMPLOYEES’ RETIREMENT PLAN (WPERP) REPRESENTATIVE BOARD SEAT**

Presentation Highlights:

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

- The Special Election for the Active Participant WPERP representative was awarded to Mr. Jeremy Wolfson, who won the election with 73% of votes cast.
- Mr. Wolfson has received an orientation training to provide background on the Board and history of the DCP.

Board Member Comments/Questions & Responses:

The Board congratulated Mr. Wolfson.

Board Action:

A motion was made by Mr. Ciranna, and seconded by Mr. Guglielmo, that the Board receive and file the certified results of the 2021 special election for the Active Participant WPERP Representative Board seat; the motion was unanimously adopted.

**5. BOARD REPORT 21-51: DETERMINATION REGARDING TELECONFERENCING OPTION FOR BOARD MEETINGS PURSUANT TO ASSEMBLY BILL 361**

Presentation Highlights:

The Board did not request a presentation on this report.

Board Member Comments/Questions & Responses:

There were no comments or questions from the Board.

Board Action:

A motion was by Mr. Guglielmo, and seconded by Mr. Ciranna, that the Board: (a) adopt the attached Resolution and determine, pursuant to Section 54953(e)(1)(B)-(C) of the California Government Code, as amended by Assembly Bill (AB) 361, that due to the ongoing COVID-19 State of Emergency (COVID Emergency) proclaimed by the Governor on March 4, 2020, conducting Board meetings in person without continuing to provide a teleconference and/or videoconference option for the Board members and the public, would present imminent risks to the health or safety of attendees; and, (b) request that staff report back on November 16, 2021, and every thirty (30) days or fewer through the end of calendar year 2021, for the Board to reconsider the circumstances of the COVID Emergency (or any other applicable County of Los Angeles Department of Public Health (LA County DPH) order) and determine, as required by AB 361, whether the COVID Emergency (or any other applicable LA County DPH order) continues to directly impact the ability of the members to meet safely in person and/or state

or local officials continue to impose or recommend measures to promote social distancing; the motion was unanimously adopted.

## 6. BOARD REPORT 21-52: INVESTMENTS CONSULTANT RFP RESULTS

### Presentation Highlights:

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

- All three firms (Callan, Mercer, and RVK) were compliant with general contracting requirements.
- Based on the new qualitative evaluation format, all firms received ratings of either “Excellent” or “Very Good.”
- Each firm has the personnel, experience, and resources necessary to fulfill the role of Investment Consultant for the DCP.
- Staff noted several key observations:
  - Depth/Breadth of Resources – Mercer is a larger organization with a generally broader level of organizational resources.
  - Proprietary vs. Outsourced Investment Manager Resources/Databases – Callan and Mercer both provide proprietary investment manager resources and databases, while RVK outsources that work.
  - Asset Allocation Funds – Callan and RVK appear to have more experience with target date funds, instead of risk-based asset allocation funds, although they both appear capable of servicing the DCP.
  - Stable Value and Bank Deposit Savings Accounts – Mercer is the only firm to have a dedicated team focused on stable value and some experience with FDIC-insured bank deposit savings accounts.
  - Transition Management – Mercer provides “Mercer Sentinel” services, which provides transition management without additional contracting relationships.
  - Fee Proposals – The RFP requested fee proposal options of either fixed annual fee, hourly rates, or both. Callan proposed a fixed annual fee, Mercer proposed a hybrid, and RVK proposed both options of a fixed fee or hybrid. The DCP’s costs are typically lumped into two of the five contract years, which resulted in staff evaluating total costs over the full five-year contract period. RVK’s costs were lowest, followed by Mercer, and then Callan.

### Board Member Comments/Questions & Responses:

Mr. Wolfson asked if there is a contract cap that limits costs for investment consulting services. Mr. Montagna replied that the contracts typically include contract ceilings that can be adjusted by the Board if needed over the duration of the contract. Mr. Wolfson also inquired if there was flexibility among the fixed or variable costs in the hybrid proposals. Mr. Montagna replied that this was the case with the incumbent’s contract, which includes fixed fees for investment performance reviews and hourly rates for other services.

Mr. Wolfson asked how the other firms would handle transition management without Mercer’s resources. Mr. Montagna indicated that Callan and RVK stated they would recommend a bench

of transition managers for which the DCP would need to procure and establish contracts. Mr. Ciranna inquired if there are separate costs for utilizing Mercer Sentinel services. Mr. Montagna stated that there would be separate service costs specific to a given project, but that these services would only be used if a future transition occurred. Mr. Moutes asked if there are any prohibitions to using additional transition management firms in addition to Mercer Sentinel. Mr. Montagna indicated there is no obligation to using Mercer Sentinel and that the Board could contract with additional firms if desired.

Mr. Ciranna asked to what degree the investment consultant is used for contract review. Mr. Montagna indicated that the consultant only reviews the specific technical investment-related portions of the contract, as was recently the case with development of the Stable Value Fund contract.

Mr. Ciranna asked how long Mercer has been the incumbent firm for the DCP. Mr. Montagna stated he could not recall specifically but believed they had been in place for at least 20 years.

Mr. Moutes noted that Mr. Muir of Mercer has done an excellent job for the DCP to help the Board understand all aspects of the investment program. Ms. Le indicated that she would be uncomfortable taking a vote without first hearing from the firms. Mr. Ciranna requested that presentations from the firms include greater detail about transition services and that the principals of each firm be present.

Board Action:

**A motion was made by Ms. Le, and seconded by Mr. Geller, that the Board: (a) consider the information in the report regarding the evaluation of proposals received in response to the DCP Request for Proposals for investments consulting services; and (b) request oral presentations from all of the proposers; the motion was unanimously adopted.**

## **7. ICE MILLER FIDUCIARY TRAINING**

Presentation Highlights:

Ms. Ferguson-Allen and Mr. Gauss presented this report and provided the following highlights:

- Page 4 – Defines the “Settlor” as the City of Los Angeles and establishes the terms of the trust and the plan in statutes. The Board is established by ordinance and has administrative responsibilities and fiduciary duties.
- Page 5 – A fiduciary is defined by function and designation.
- Page 6 – The Settlor determines the scope of authority for the fiduciary and the fiduciary holds the authority.
- Page 7 – Fiduciaries are not limited in number, and other groups or individuals can be held responsible as fiduciaries based on their function.
- Page 8 – Fiduciary duties are sourced from the Internal Revenue Service (IRS), Employee Retirement Income Security Act (ERISA), state laws, and for the City in the DCP Plan Document and City of Los Angeles Administrative Code.

- Page 10 – Fiduciaries have a duty to diversify investments, to act with care and diligence, to act for the exclusive purpose of providing benefits or paying reasonable plan expenses, and to delegate responsibilities outside of experience.
- Page 14-19 – Fiduciaries have a duty to loyalty that is independent of preconceived notions, that is impartial, and that is undivided to members and beneficiaries.
- Page 22-29 – Fiduciaries have a duty to delegate in accordance with the plan that does not absolve them of a responsibility to monitor the investments or experts used by the plan. It is recommended to conduct regular investment reviews, compare expenses and asset classes, determine a watch list or replacement list, and consider adopting an Investment Policy Statement.
- Page 31-35 – Examples of litigation can be helpful, despite differences in types of plans.
- Page 41 – Statutory indemnification may be available but courts often have a focus on procedural prudence, which reiterates the importance of documenting decisions.

Board Member Comments/Questions & Responses:

Mr. Moutes asked how the City Council acts as fiduciary in its ability to approve or veto Personnel Department budgets, which impact the DCP. Ms. Ferguson-Allen indicated that this tension exists in other government plans wherein a governing legislature plays a role in implementing or approving certain actions, but that the Settlor does not have the same level of fiduciary responsibility as the governing body. Mr. Gauss added that the governing body has a fiduciary responsibility to communicate with the Settlor in areas where their action can cause risk to adhering to its fiduciary responsibility. Mr. Moutes indicated that by definition, the City Council does have fiduciary responsibility. Mr. Wolfson asked about legal responsibility if the City Council rejects a Board’s decision, which may result in fiduciary failure. Ms. Ferguson-Allen indicated the importance of documenting decisions so that there is accountability and documentation. Mr. Moutes stated that in the presence of co-fiduciaries, both parties are responsible to keep the other accountable for its fiduciary responsibility.

Mr. Guglielmo thanked Ice Miller for the training and indicated his concern regarding the awareness of elected officials of their fiduciary responsibility and the need for similar training. Mr. Moutes noted one recent example involved the Board’s request that the DC Plan Manager be approved as an exempt position but a response was not provided on a timely basis. Mr. Geller indicated that a plan sponsor’s action or lack of action can impair the Board and asked if there are other means to improve relationships outside of political conversations. Mr. Montagna stated that there may be opportunities to improve education and raise awareness.

**8. BOARD REPORT 21-53: DEFERRED COMPENSATION PLAN PROJECTS AND ACTIVITIES  
REPORT: SEPTEMBER 2021**

Presentation Highlights:

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

- HRP Conversion Update – The Personnel and Animal Welfare (PAAW) Committee met on October 6, 2021 to continue discussion of the phased implementation approach and recommend approval to City Council.

- National Retirement Security Month (NRSM) 2021 – The NRSM Campaign continues to progress and has achieved over 2,000 engagements as of mid-October.
- DC Plan Manager – The job announcement is on schedule to be issued on November 18, 2021, and will incorporate the exam bulletin and recruitment materials previously presented to the Board with slight adjustments referring to the exam process.

Board Member Comments/Questions & Responses:

Mr. Ciranna noted that the next Investments Committee Meeting will be held on October 20, 2021 and invited Board members to attend. Mr. Ciranna also asked staff to review the November agenda since the Board is also requesting firm interviews of Investment Consulting RFP respondents.

**9. REQUESTS FOR FUTURE AGENDA ITEMS**

There were no requests for future agenda items.

**10. NEXT MEETING DATE**

A meeting was noted for November 16, 2021, at 9:00 a.m.

**11. ADJOURNMENT**

The meeting was adjourned at 10:21 a.m.

*Minutes prepared by staff member Eric Lan.*