

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

PROPOSED MINUTES
MEETING OF SEPTEMBER 21, 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
Wendy G. Macy
Baldemar J. Sandoval

Not Present:

Linda P. Le

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

VOYA FINANCIAL

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

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. Guglielmo, and seconded by Mr. Geller, to approve minutes of the August 17, 2021 regular meeting; the motion was adopted by approval of six Board members

(Ciranna, Geller, Guglielmo, Macy, Moutes, Schoonover); one Board member was not present at the time the motion was made and did not vote on it (Sandoval).

4. BOARD REPORT 21-47: SELF-DIRECTED BROKERAGE OPTION – TRADING OF FOREIGN SECURITIES ON THE US OVER-THE-COUNTER MARKET AND ON FOREIGN EXCHANGES

Presentation Highlights:

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

- This report addresses a participant inquiry regarding the inability to purchase a particular foreign security that trades in the over-the-counter (OTC) market.
- Currently, the self-directed brokerage option (SDBO) permits trading of foreign securities that are American Depositary Receipts (ADR), which are traded on the US stock markets and where the underlying security is held by a US financial institution.
- There are two types of ADRs:
 - Sponsored ADRs (currently allowed in the SDBO) – issued by US banks on behalf of the foreign company; categorized by the extent to which the foreign company complies with Securities and Exchange Commission (SEC) regulations and US accounting procedures; require detailed financial information be submitted to US banks as part of filing.
 - Unsponsored ADRs (not currently allowed in the SDBO) – do not have to provide detailed financial information and can be issued by different banks; trade only on the OTC market.
- Staff reached out to Charles Schwab to determine options for permitting the trading of foreign securities on the OTC and foreign exchanges.
 - Schwab indicated 66% of governmental and non-governmental plan sponsor clients, and 47% of governmental clients alone, allow trading of all foreign securities.
- The Board has historically viewed the brokerage window as an investment platform for knowledgeable investors who acknowledge they are solely responsible for their investment choices.
- Staff noted several risks when purchasing shares on foreign exchanges:
 - Currency-exchange risks
 - Regulatory disclosure risks
 - Accountability risks
- Staff was not recommending a change to the current status of not permitting this type of trading, but the Board can request staff develop a recommendation to permit such trading.

Board Member Comments/Questions & Responses:

Mr. Ciranna stated that he is open to allowing this type of trading and asked if this inquiry has been brought up before by other participants and if other plan sponsor policies can be further researched. Mr. Montagna noted that this is the first time this particular issue has been raised and that staff can reach out to other plan sponsors through NAGDCA or Charles Schwab to research other plans' policies on this topic.

Mr. Moutes inquired if there are generic red warning signs that appear when participants make trades through the brokerage window. Mr. Montagna replied that there is a general disclosure that is signed by the participant when enrolling in the SDBO, but not when making individual trades, and that Charles Schwab's platform does not allow for that level of customization.

Mr. Sandoval asked if only qualified investors are allowed to make certain types of trades and if there are any tests for participants to pass in order to make those trades. Mr. Montagna indicated that no restrictions as such are currently in place.

Mr. Guglielmo noted that the DCP currently offers a wide variety of investment options and is concerned about the liability risks if the Board permits this type of trading. Mr. Geller agreed and stated that additional guidance from counsel is required to ensure that the participants who desire this type of trading are appropriately advised regarding the risks of their trades.

Mr. Montagna indicated that staff would report back on this item after additional research was performed as requested.

5. REPORT 21-48: HUMAN RESOURCES AND PAYROLL (HRP) PROJECT UPDATE

Presentation Highlights:

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

- Staff was informed that the payroll and benefits elements of the HRP project have been postponed and will go live one year later than originally scheduled in December 2022, with various non-payroll components going live in segments over the course of the year.
- Additional information and a full calendar of deliverables is still pending.
- Staff regards this postponement as a positive development by providing more time for developing requirements, testing functionality, and managing potential risks.
- Staff will continue to update the Board on the status of the HRP project as needed.

Board Member Comments/Questions & Responses:

Mr. Guglielmo asked if staff was aware that the recommendation to postpone the go-live date which was presented to the Personnel and Animal Welfare (PAAW) Committee was not approved. Ms. Yau stated that the HRP team informed staff and the Controller's Office that the benefits and payroll elements of the project would not go live as planned in January 2022, and that staff was not aware of the PAAW action and would follow up. Ms. Macy stated that the PAAW Committee discussed the other two phases of HRP implementation (Human Capital Management and Compensation) at length and it did not appear that the delay in the go-live for the payroll and benefits elements was not supported by the Committee.

Mr. Moutes asked how Ms. Yau's promotion will affect the team's ability to handle the HRP project. Mr. Montagna indicated that Ms. Lam and Mr. Lan have been involved in all of the HRP discussions and meetings, as well as Mr. Daniel Powell, a former DCP staff member who now works on the Personnel Department HRP team. Mr. Montagna noted that staff plans for continuity by cross training across all DCP functions and that Mr. Powell has been a very helpful

resource in translating the complexities of DCP processes to the Workday personnel responsible for programming these processes in the new HRP system.

6. BOARD REPORT 21-49: DEFERRED COMPENSATION PLAN PROJECTS AND ACTIVITIES REPORT: AUGUST 2021

Presentation Highlights:

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

- Unofficial results for the Water and Power Employees' Retirement Plan (WPERP) active representative Board seat indicate the seat was won by Mr. Jeremy Wolfson, Chief Investment Officer of WPERP. Mr. Montagna stated he would reach out to congratulate and onboard Mr. Wolfson to the Board.
- Communications Updates
 - National Retirement Security Month (NRSM) – Staff confirmed one of two initially proposed speakers for NRSM.
 - Art N. Caple Award – The DCP was awarded the Art N. Caple President's Award by NAGDCA for the second consecutive year in recognition of its 2020 NRSM campaign.
- Staffing Update
 - Ms. Yau will be leaving the DCP upon receiving a promotion to Chief Management Analyst with the Administrative Services Division of the Personnel Department. Mr. Montagna noted that Ms. Yau has demonstrated particular and noteworthy leadership of the DCP during her tenure.

Board Member Comments/Questions & Responses:

Ms. Yau thanked the Board for their support and encouragement over the last two years working with the DCP. Mr. Moutes thanked Ms. Yau for her contributions and wished her the best moving forward. Ms. Macy also acknowledged Ms. Yau's work with Employee Benefits and the DCP, while stating that her position in Personnel with the Administrative Services Division will allow her to continue to support the DCP. Mr. Guglielmo and Mr. Ciranna expressed congratulations and stated that Ms. Yau was receiving a well-deserved promotion.

Mr. Ciranna asked how soon staff will be able to backfill Ms. Yau's position. Mr. Montagna stated that staff is immediately initiating the search to fill the position.

7. PLAN ADMINISTRATOR QUARTERLY REVIEW: JUNE 30, 2021

Presentation Highlights:

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

- Ms. Frederick introduced Ms. Deirdre Jones as Voya's new Senior Relationship Manager for the DCP.
 - Ms. Jones stated that she has 20 years of retirement plan industry experience, with 14 years of relationship management experience and is working closely with Ms. Frederick to ensure a smooth transition.

- Ms. Frederick then moved on to present the quarterly review ending June 30, 2021 and noted the following highlights:
 - Page 7 – The DCP ended the second quarter at 50,637 participants and total assets at \$8.8 billion.
 - Page 19 – Participation Goals
 - Voya worked with City staff to translate several forms, including the DCP enrollment form to Spanish, to promote participation.
 - 52% participation rate for employees with less than one year of City service.
 - 51% participation rate for employees with less than three years of City service.
 - Page 20 – Recreation and Parks, Public Works – Street Services, General Services have all increased their participation rate while the participation rate of Council and the Mayor’s Office is lower than the goal.
 - Page 21 – All five labor organizations have increased their participation rate since the start of the fiscal year.
 - Page 22 – Average employee contributions are at 5.95% and 3,698 employees are saving as a percent-of-pay.
 - Page 27 – 120 participants took a full distribution.
 - Page 29 – 177 participants rolled over funds into another plan.
 - Page 37 – Voya plans to release “text nudges” as a communication enhancement in Quarter 4 of 2021.
 - Participants will be able to sign up for text message reminders on important DCP topics like updating beneficiaries, restarting contributions, or increasing contributions.
- Secure Act 2.0 is still pending and would potentially eliminate the first of the month rule and penalty free withdrawals for domestic abuse situations. Further updates will be provided to the Board when that information is available.
- Page 69 – Ms. Harris provided an update on the activity of the local office.

Board Member Comments/Questions & Responses:

Mr. Guglielmo asked how the DCP’s participation rates at one year of service and three years of service compare to the City’s peers in Voya’s book of business. Ms. Frederick stated that the DCP is ahead of the curve at over 50% whereas other plans are around 20-30%. Mr. Montagna noted that other plan sponsors generally do not set these kinds of targeted goals making peer comparisons difficult.

Mr. Guglielmo asked if new employee onboarding materials include DCP information. Mr. Montagna replied that new employee orientation packets include DCP flyers, but most onboarding staff typically provide the contact information of the local office for employees to reach out to for more information. Ms. Harris noted that the local office counselors attend new employee orientation meetings to provide DCP information.

Mr. Moutes noted that he would like to see a split of sworn versus civilian new employee participation rates.

Mr. Geller asked if staff has surveyed the Council and Mayor's Office regarding their interest in the DCP since their staff are younger and more likely to move on to other jobs, and if there is any specific communication available to target this group of employees. Mr. Montagna noted the suggestion and stated that as the DCP becomes fully optimized with greater resources, additional targeted engagement campaigns could be developed for specific sub-populations of City employees. Ms. Harris also noted that the local office counselors advise these employees of the many benefits of the DCP including the ability to retain their contributions and earnings in the DCP even if they leave City service. Mr. Geller thanked staff and Voya for its communications work to produce strong results.

8. REQUESTS FOR FUTURE AGENDA ITEMS

There were no requests for future agenda items.

9. NEXT MEETING DATE

A meeting was noted for October 19, 2021, at 9:00 a.m.

10. ADJOURNMENT

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

Minutes prepared by staff member Eric Lan.