

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

PROPOSED MINUTES  
MEETING OF APRIL 20, 2021  
CONDUCTED VIA TELECONFERENCE

**BOARD MEMBERS**

**Present:**

Thomas Moutes, Chairperson  
Raymond Ciranna, Vice-Chairperson  
Neil Guglielmo, Second Provisional Chair  
Joshua Geller, Third Provisional Chair  
Linda P. Le  
Baldemar J. Sandoval

**Not Present:**

Robert Schoonover, First Provisional Chair  
Wendy G. Macy

**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**

Charles Hong, Deputy City Attorney

**MERCER INVESTMENT CONSULTING**

Devon Muir, Principal

**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 the minutes of the March 16, 2021 regular meeting of the Board of Deferred Compensation Administration; the motion was unanimously adopted.**

#### 4. BOARD REPORT 21-19: PASSIVE INVESTMENT MANAGER SELECTION

##### Presentation Highlights:

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

- The DCP has about \$3.5 billion in passively managed assets which includes the Bond, Large-Cap Stock, Mid-Cap Stock, and Small-Cap Stock funds.
- The recent passive manager search process included a review of respondents to the Core Menu RFP and the results of a mutual fund search process conducted by Mercer.
- Mercer prepared two reports for the Investments Committee provided as attachments to the Board report. The Investments Committee considered Mercer's reports and is recommending that the Board select Vanguard as the provider of all four mandates, that mutual fund vehicles be used for the Mid-Cap Stock and Small-Cap Stock mandates, and that collective investment trusts be used for the Bond and Large-Cap Stock mandates.
- Investment management costs cannot be negotiated with mutual fund vehicles but can be negotiated with collective investment trusts. The Committee's recommendation is that the Board's action be subject to further negotiations and a report back from staff and Mercer regarding any potential additional opportunities for fee reductions with the collective investment trusts.

Mr. Muir noted the following:

- Mercer reviewed six firms meeting the outlined minimum criteria with either an institutional fund or mutual fund.
- The evaluation process consisted of reviewing and assessing all of the evaluation criteria included within the City's Request for Proposal (RFP), including securities lending, performance, and fees.
- There were modest fee savings available to the City as a result of this search cycle.

##### Board Member Comments/Questions & Responses:

Mr. Sandoval asked if the lower cost funds tended to have higher levels of securities lending. Mr. Muir indicated that the more a manager can lend securities, the more revenue they will have to offset fees but also they are taking on a marginal level of additional risk by having loaned out more fund assets.

Mr. Moutes commented regarding his experience with a custodial bank at LACERS and asked if the DCP could influence the securities lending program and the types of investments. Mr. Muir stated that Vanguard is invested in conservative government-like securities and that Mercer is comfortable with the underlying investments.

Mr. Ciranna thanked Mr. Muir, Mercer, and staff for their work and the comprehensive reports provided to the Committee to assist in the evaluation of all of the firms.

##### Board Action:

**A motion was made by Mr. Ciranna, and seconded by Mr. Guglielmo, that the Board select Vanguard to provide passive management services for the Deferred Compensation Plan**

**passively managed components of the DCP Bond, DCP Large-Cap Stock, DCP Mid-Cap Stock, and DCP Small-Cap Stock fund investment options, subject to further negotiations with Vanguard and a report back from staff and Mercer regarding options for fee reductions within a collective fund account structure for the proposed passive bond and passive large-cap equity strategies; the motion was unanimously adopted.**

## **5. BOARD REPORT 21-20: REVISED PLAN DOCUMENT FOR THE CITY OF LOS ANGELES DEFERRED COMPENSATION PLAN**

### Presentation Highlights:

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

- Staff worked with the City Attorney, outside tax council, and Voya to conduct a comprehensive review of the Plan Document.
- In addition, the revised Plan Document codifies actions the Board previously took to adopt certain mandatory and optional provisions of recently enacted federal legislation.

### Board Member Comments/Questions & Responses:

Mr. Ciranna thanked the Committee and staff for conducting a thorough review of the Plan Document. He asked if it would be beneficial to clarify the Internal Revenue Code (IRC) provision regarding DROP in the rollovers section of the document. Mr. Montagna replied, and Mr. Hong concurred, that there should be no issue in tying DROP to the specific IRC provision that applies to that type of a rollover.

Mr. Ciranna asked about Section 9.05 and what specific documentation the DCP requires when a participant passes away. Mr. Montagna indicated a death certificate is required. Mr. Ciranna asked if the Plan Document should specify that a death certificate is required. He also asked if any other type of notification is acceptable. Mr. Moutes replied that the Plan Document should not operationally bind staff but instead state that documentation is required that is acceptable to the Plan Administrator. Ms. Kelly Montgomery of Voya Financial stated that Voya's other business clients also require a death certificate and no other type of documentation has generally been accepted. Mr. Hong indicated that requiring a death certificate protects the DCP. Mr. Guglielmo stated that LACERS is experiencing issues where family members have been having difficulty accessing a death certificate, particularly if the participant relocated to another country. Mr. Hong indicated that this matter could be further reviewed.

Mr. Ciranna asked about Section 13 regarding the authority of the Board and City Council to oversee the DCP and where ultimate authority resides. Mr. Montagna indicated any modifications would need to ensure that the Board was not taking on authority that the City Council had not granted. Mr. Hong stated that the Plan Document is an articulation of the tax code and that the Board and City Council must function within those boundaries, thus acting as an inherent check on each body's authority. Mr. Moutes asked if adding the language of "fiduciary" would assist with clarifying authority and responsibility. Mr. Ciranna agreed with Mr. Hong that operation of the DCP must be in accordance with the provisions of the IRC.

Mr. Montagna stated that staff will make further revisions to the Plan Document based on the Board's discussion and bring the updated document back to the Board.

Board Action:

No action was taken by the Board on this item.

**6. BOARD REPORT 21-21: INVESTMENT ADVICE AND FINANCIAL EDUCATION SERVICES**

Presentation Highlights:

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

- A Request for Information (RFI) for investment advisory services and/or financial education services was released in February of last year.
- A follow-up report was provided to the Board in October in which staff proposed inviting one of the RFI respondents, GuidedChoice to provide a demonstration of their platform.
- As staff and Segal worked closely with GuidedChoice on the presentation, certain questions arose regarding potential utilization, the constituencies likely to use these services, and the potential ways the DCP could expand resources for participants.
- Staff believes it would be best to address these questions with the Plan Governance and Administrative Issues Committee (Committee), providing an opportunity for deeper consideration and developing a recommended path forward.

Board Member Comments/Questions & Responses:

Mr. Moutes stated the Committee process works very well and indicated his support of staff's recommendation.

Board Action:

**A motion was made by Mr. Guglielmo, and seconded by Mr. Ciranna, that the Board direct the Plan Governance and Administrative Issues Committee to further review investment advice and financial education services with staff and Segal Consulting, including (at the Committee's option) reviewing a demonstration of the GuidedChoice service offering, and provide recommendations to the Board for further action; the motion was unanimously adopted.**

**7. BOARD REPORT 21-22: 2020 DEFERRED COMPENSATION PLAN ANNUAL REPORT**

Presentation Highlights:

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

- The annual report provides an opportunity for staff to review and assess the most meaningful DCP data.
- 2020 was a year unlike any other due to the pandemic. The annual report includes highlights of how the DCP supported participants during the pandemic, through various relief provisions permitted by emergency federal legislation and subsequently adopted by the Board.
- Page 5 – The full-time participation rate increased by 1% from 74% to 75%.

- Page 9 – Despite the initial impact of the pandemic on the financial markets which resulted in a 13% decline in DCP assets in the first quarter of 2020, the subsequent recovery resulted in ending 2020 DCP assets of about \$8.0 billion.
- Page 9 – About 57% of assets are held by active employees versus 43% held by retirees.
- Page 11 – The participation rate grew at a lower percentage compared to 2019 but still resulted in a net 2.4% increase in overall enrollment in 2020.
- Page 12 – Retirees represent 27% of the total DCP participants, a 1% increase from the prior year.
- Page 12 – There was a decrease in new enrollments of about 40% from 2019 due to the Citywide hiring freeze which limited opportunities for new enrollments at the time of hire.
- Page 13 – The report provides updates regarding the Board’s adopted goals relative to its participation targets for departments and labor organizations.
- Page 17 – The report provides CARES Act distributions including the number of participants who took distributions and average distribution amount by participant type.
- Page 20 – The report provides information regarding CARES Act loans and loan payment deferrals.
- Pages 21-22 – The report provides the DCP’s 2020 engagement achievements including its most successful National Retirement Security Month campaign to date and shifting communications, outreach, and in-person meetings to virtual delivery mechanisms.

Board Member Comments/Questions & Responses:

Mr. Moutes thanked staff for continuing to improve the Annual Report each year. Mr. Ciranna noted that the Annual Report looked great and included a lot of helpful information and data.

Mr. Ciranna further noted that the graph on Page 7 regarding City of LA retirement plan assets reflected different ending dates – end of the fiscal year for each retirement plan compared to end of the calendar year for the DCP. Mr. Ciranna stated that LAFPP’s portfolio has since increased as of the end of the calendar year. Ms. Le stated the same was true for WPERP. Ms. Yau replied that staff will reach out to each retirement plan to obtain updated numbers to compare all plans at the end of the calendar year. Mr. Ciranna requested that the graph include a footnote that the end of calendar year number represents an unaudited figure.

Mr. Guglielmo stated that the administrative costs associated with the DCP are incredibly low and there is no reason for any employee within the City to not participate. He further noted that the growth from 1984 of \$17 million to the current \$8.0 billion is incredible. He indicated that the LACERS Annual Report incorporates the use of new software providing user-friendly tools like an interactive glossary to convey additional information and help readers understand common terms and acronyms, for consideration by staff.

Mr. Montagna thanked Ms. Yau, Ms. Lam, Mr. Lan, and Voya for their work on the Annual Report.

Board Action:

**A motion was made by Mr. Ciranna, and seconded by Mr. Guglielmo, that the Board approve the 2020 Deferred Compensation Plan (DCP) Annual Report, with a qualification that staff**

**update the City of LA retirement plan graph to reflect assets for each retirement plan as of the end of the 2020 calendar year; the motion was unanimously adopted.**

## **8. BOARD REPORT 21-23: 2021 BDCA ELECTIONS UPDATE**

### Presentation Highlights:

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

- Six participants submitted the necessary materials to run for the Retired Representative Board seat and the election will proceed as scheduled with the ballots and voting packets to be mailed by the City Clerk in late April and Election Day on May 13<sup>th</sup>.
- Three participants requested materials to run for the Active Water and Power Employees' Retirement Plan (WPERP) Board seat but none of the participants submitted the materials and the required number of nominating signatures to be placed on the official ballot.
- While staff does not know why the three participants did not submit the materials required to run, staff did receive some initial feedback from the candidates noting that the qualifying signatures might be difficult to obtain due to social distancing guidelines and staggered office hours.
- The Board recently lowered the required number of signatures from a minimum of 100 and a maximum of 200 to a minimum of 50 and a maximum of 100 and also approved that the qualifying signatures could be submitted electronically; physical signatures were not required for the WPERP election.
- Since no candidates met the requirements to be placed on the official ballot, the election for the Active WPERP Board seat will be cancelled and the Board should call for a special election to be conducted at a later date.
- Staff is working with the City Clerk to release any necessary communications regarding the cancellation of the election.
- Staff recommends the Board direct staff to report back at its next meeting regarding: (a) a proposed timeline for conducting a special election and (b) a review of the signature-gathering requirement and options for the Board to consider in the upcoming special election.

### Board Member Comments/Questions & Responses:

Ms. Le asked if the election date could be adjusted as it coincides with the WPERP Board Active Member election. Ms. Yau stated that the election and dates are set forth in the Board Policies and Procedures, and Mr. Montagna stated he believed the election timing was further based on Chapter 14 of the Administrative Code, which sets the term of each Board seat and thus would require a change to the Administrative Code.

Mr. Montagna noted that due to varying work schedules, there may be opportunities to change signature gathering requirements, and that staff will report back with options. Mr. Ciranna expressed reservations with reducing signature requirements further. Mr. Ciranna asked if staff could increase its outreach efforts to raise awareness of the election. Ms. Yau replied that a letter was mailed to all eligible members of the WPERP notifying them of the upcoming election and

their eligibility to run for the seat. Mr. Montagna indicated that staff can look into this further and include this in its report back to the Board.

Board Action:

**A motion was made by Mr. Ciranna, and seconded by Mr. Geller, that the Board direct staff to: (a) report back at its next meeting in May regarding a proposed timeline for conducting a special election for the Active WPERP Representative Board seat and (b) review the signature-gathering requirement and provide options for the Board to consider in the upcoming Active WPERP Representative special election; the motion was unanimously adopted.**

**9. BOARD REPORT 21-24: DEFERRED COMPENSATION PLAN PROJECTS AND ACTIVITIES  
REPORT: MARCH 2021**

Presentation Highlights:

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

- Page 1 – The Segal contract was executed on March 31<sup>st</sup> and the Galliard and Mercer contract extensions were approved by Council on April 14<sup>th</sup>. Staff is working with Galliard and Mercer to collect the necessary signatures to execute the contracts.
- Pages 1-2 – Voya successfully completed outreach to the remaining outstanding Self-Directed Brokerage Account (SDBA) members with 15 of the 17 participants having sufficient funds to collect the quarterly administrative and SDBA fees. Of the remaining two outstanding, one is deceased and the other is a beneficiary whom Voya will attempt to contact again based on updated information provided by LexisNexis.
  - Voya is working on implementing a systems enhancement that would prevent distributions and loans if the Core balance falls below the \$2,500 minimum.
- Page 2 – Voya will be launching an upgraded participant website in the summer of 2021. Staff will work with Voya to communicate key changes to participants and also schedule a demonstration for the Board at an upcoming meeting.
- Page 4 – New job classifications of Benefits Analyst and Senior Benefits Analyst were approved by the Civil Service Commission. Following the lead of LAFPP and LACERS, Employee Benefits Divisions is reallocating all of its analyst positions to these new job classes, including the positions supporting the DCP. The new job classes provide a salary range that is approximately 4% higher than the Management/Personal Analyst and Senior Management/Personnel Analyst job classifications. The reallocations are expected to be completed within the next two months.
- Page 4 – Claudia Guevara, Benefits Specialist, will continue to telecommute and retain her position with the DCP under the City's emergency telecommuting policy. The change will have no operational impact on the DCP.
- Page 4 – Staff worked with Voya on an innovative approach to hire the DCP intern through Voya via a temporary employment agency. Ms. Rose Helen Moore is the new DCP intern effective March 25<sup>th</sup>. The DCP will reimburse Voya for the cost of the intern position, which is currently budgeted in the DCP annual budget.
- 2021 DCP Strategic Initiatives – Updates on the status of each initiative is provided in Attachment A.

Board Member Comments/Questions & Responses:

Mr. Ciranna asked if the Benefits Specialist telecommute agreement will be a temporary or long-term. Ms. Yau indicated that the employee stated her intent to retire in two to three years, which provides adequate time to find a replacement.

**10. CLOSED SESSION ITEM**

Mr. Moutes stated there were no updates available for the closed session agenda item.

**11. COMMENDATORY PRESENTATION**

Presentation Highlights:

Mr. Moutes thanked Mr. Gendjian for his service to the Board. He stated that it has been a pleasure working with Mr. Gendjian and acknowledged his dedication to the DCP and its participants. Mr. Montagna presented several gifts and a commendatory plaque to Mr. Gendjian. Both Mr. Moutes and Mr. Guglielmo also expressed their thanks and appreciation for the Mr. Gendjian's service.

Mr. Moutes thanked Ms. Linda T. Ikegami for her service to the Board. Mr. Montagna noted the same recognition gifts and commendatory plaque will be mailed to Ms. Ikegami.

**12. REQUESTS FOR FUTURE AGENDA ITEMS**

There were no requests for future agenda items.

**13. NEXT MEETING DATE**

A meeting was noted for May 18, 2021 at 9:00 a.m.

**14. ADJOURNMENT**

The meeting was adjourned at 10:35 a.m.

*Minutes prepared by staff member Eric Lan.*