

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

PROPOSED MINUTES
REGULAR MEETING OF FEBRUARY 21, 2023
CONDUCTED VIA TELECONFERENCE

BOARD MEMBERS

Present:

Thomas Moutes, Chair
Neil Guglielmo, Vice-Chair
Robert Schoonover, First Provisional Chair
Jeremy Wolfson, Second Provisional Chair
Joshua Geller, Third Provisional Chair
Dana H. Brown
Joseph Salazar
Baldemar J. Sandoval

Not Present:

Linda P. Le

PERSONNEL DEPARTMENT STAFF

Paul Makowski, Chief Management Analyst
Esther Chang, Senior Personnel Analyst II
Mindy Lam, Benefits Analyst
Eric Lan, Benefits Analyst

OFFICE OF THE CITY ATTORNEY

Gerald Kim, Deputy City Attorney III

MERCER INVESTMENT CONSULTING

Devon Muir, Principal
Ana Tom-Chow, Associate

VOYA FINANCIAL

Deirdre Jones, Vice President, Strategic Relationship Management
Kelly Montgomery, Client Relationship Manager
Drew Russell, Strategic Initiatives Director

1. CALL TO ORDER

Mr. Moutes called the meeting to order at 9:04 a.m.

2. PUBLIC COMMENTS

There were no public comments.

3. MINUTES

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. Wolfson, to approve minutes of the February 9, 2023, special Board meeting; the motion was adopted by approval of seven Board members (Brown, Geller, Guglielmo, Moutes, Salazar, Schoonover, and Wolfson); one Board member was not present at the time of voting (Sandoval).

4. BOARD REPORT 23-10: QUARTERLY STAFFING REIMBURSEMENTS - FOURTH QUARTER 2022

Presentation Highlights:

Ms. Lam introduced the report and provided the following highlights:

- The Board approves staffing reimbursements on a quarterly basis for Personnel Department and City Attorney staff providing direct support of the DCP, which are funded through the DCP Trust Fund and requires Board approval.
- Fourth quarter 2022 reimbursements totaled \$47,561.87, including \$29,218.36 for the Personnel Department and \$18,343.51 for the City Attorney.

Board Member Comments/Questions & Responses:

There were no comments or questions from the Board.

Board Action:

A motion was made by Mr. Schoonover and seconded by Mr. Guglielmo, that the Board approve reimbursements from the Deferred Compensation Plan (DCP) Reserve Fund to the Personnel Department in the amount of \$29,218.36 and to the City Attorney in the amount of \$18,343.51 totaling \$47,561.87 for staff providing direct support of the DCP during the quarter ending December 31, 2022; the motion was adopted by approval of seven Board members (Brown, Geller, Guglielmo, Moutes, Salazar, Schoonover, and Wolfson); one Board member was not present at the time of voting (Sandoval).

5. BOARD REPORT 23-11: 2023 PARTICIPANT OUTCOME GOALS AND STRATEGIES BASELINE DATA

Presentation Highlights:

Mr. Lan introduced the report and provided the following highlights:

- Data was pulled as of January 3, 2023 to determine the baseline metrics for the goals set for Participation, Contributions, Asset Retention, and Distributions.
- The participation baseline metric is designed to accelerate participation rate for those hired in 2022 by increasing it to 55%.
- The contribution metric is defined as the percentage of active participants who are contributing via percent of pay. The baseline metric is 14% and the goal is 17%.

- The asset retention metric is defined as the average rate of rollovers from 2020 through 2022. The baseline metric is 4.7% and the goal is to maintain that rate.
- The distribution metric is defined as the rate of separated participants taking installment distributions. The baseline metric is 9% and the goal is 12%.
- An updated Communications Calendar is provided as an Attachment.

Board Member Comments/Questions & Responses:

Mr. Wolfson asked about the progress with the DCP’s auto-enrollment feature. Ms. Chang noted that the goal was delayed pending the filling of the DC Plan Manager position.

Mr. Moutes noted staff’s ambitious goals for the 2023 calendar year. Mr. Guglielmo asked if there were comparable metrics from peers. Ms. Chang indicated that the topic could be discussed at the next NAGDCA peer discussion group and that the goals will also serve as an exercise in determining benchmarks to help the DCP learn and set future goals.

6. BOARD REPORT 23-12: BOARD MEETING LOCATION AND FACILITIES UPDATE

Presentation Highlights:

Ms. Chang introduced the report and provided the following highlights:

- DCP Board in-person meetings will resume at its next regular meeting in March.
- The Civil Service Commission room is outfitted with computer and audio equipment that will allow the meeting to also be held virtually, allowing for hybrid meetings that expand access to people wishing to join.
- The DCP Board must now comply with AB 2449, which requires that the Board retain an in-person quorum with exceptions for remote attendance that do not count towards a quorum.
- Consultants are welcome to attend in-person meetings for their presentations, but still have the option to attend and present virtually.
- Staff requests that Board members bring in a video-capable device in order to support the hybrid meeting so that the teleconference experience matches the in-person experience.

Board Member Comments/Questions & Responses:

Mr. Geller asked if the Board room could be set up in advance by staff to eliminate connection issues and provide greater efficiency. Ms. Chang indicated that staff will research to determine if there are additional teleconferencing devices available. Mr. Guglielmo also made the same request and noted that he can return his DCP-issued iPad back to staff to facilitate hybrid meetings if needed.

Ms. Brown stated that the Civil Service Commission is not allowing for any remote participation except via audio for public comment and asked if there are concerns with audio feedback. Ms. Chang stated that staff completed a test run with multiple devices and resolved the feedback issue. Mr. Moutes stated that staff could gradually integrate technology into the in-person meetings to ensure that the meetings will run smoothly.

Mr. Salazar noted that LAFPP also had a similar discussion and concluded that any remote attendance under AB 2449 exceptions must be on video for the duration of the meeting and must also announce any individuals in attendance over the age of 18. Mr. Kim stated that under AB 2449, Board members using the exception must use audio and visual equipment. Mr. Moutes asked if the public must also have access to the meeting via audio and video. Mr. Kim stated that the City Attorney's office will research and update the Board.

7. QUARTERLY INVESTMENT & ECONOMIC REVIEW: FOURTH QUARTER 2022

Presentation Highlights:

Mr. Muir provided the following highlights:

- Page 2 – Stocks and bonds both performed poorly throughout 2022 due to rising interest rates.
- Page 15 – Assets for the DCP at quarter-end were \$8.2 billion, increasing by \$352.8 million from the previous quarter.
- Page 17 – DCP investment search recap was provided.
- Page 19 – Breakdown of the DCP Assets by investment option type.
- Page 23 – The FDIC-Insured Savings Account has increased in overall percentage of DCP Assets to 7.2% from 5.2% the previous quarter and indicated a blended rate of 3.6828% for the quarter.
- Page 22-24 – DCP Assets performance summary with respect to benchmarks.

Board Member Comments/Questions & Responses:

Mr. Wolfson asked what is the average duration of the fund's underlying portfolio. Mr. Muir noted page 28, which shows an effective duration of around 3 years with a net blended yield between 1.66 - 2.26% for the stable value fund.

Mr. Wolfson asked whether there are average years of service per asset distribution for participants. Mr. Muir noted that Mercer does not provide that data in this report, but that Voya may be able to provide the information.

Mr. Moutes asked about the DCP's progress with the investment contracting process. Ms. Chang indicated that staff is working through the contracting language and is making progress.

8. PLAN ADMINISTRATOR QUARTERLY REVIEW: DECEMBER 31, 2022

Presentation Highlights:

Ms. Jones, Ms. Montgomery, and Mr. Russell provided the following highlights:

- Page 14 – Review of the provisions in Secure Act 2.0, which are effective January 1, 2023.
 - RMD age change.
 - Elimination of the first day of the month rule.
 - Exemptions from early withdrawal penalty for certain state and local government corrections officers and those who are terminally ill.
 - Self-certification of hardship withdrawals (optional).
 - Qualified disaster distributions without specific legislation (optional).

- Page 15 – Review of the provisions in Secure Act 2.0, which are effective January 1, 2024.
 - Elimination of Roth 401K RMD requirements.
 - In-plan emergency savings accounts (optional).
 - In-plan emergency withdrawals and repayments (optional).
 - Catch-up provision required to be Roth for higher income participants (over \$145,000 in the prior year).
- Page 16 – Review of the provisions in Secure Act 2.0, which is effective January 1, 2025.
 - Creation of a federal database for lost participants and plans by 12/29/2025.
 - Higher catch-up contribution limits for participants ages 60-63 (optional).
- Page 17
 - Year-end plan assets were \$8,035,340,110.
 - Average account balance was \$155,501 and participants with balances increased by 825.
- Page 33 – 2022 Communications Activities Recap
- Page 42 – Voya Local counselors are working with City staff to engage with participants in person.

Board Member Comments/Questions & Responses:

Mr. Moutes noted that participants must be made aware of tax consequences of taking advantage of the new provisions that allow participants to withdraw funds more easily.

Mr. Wolfson indicated that many employees at LADWP will likely be impacted by the future Catch-up provision requiring Roth contributions for higher-income participants and asked if the system would automatically input the contributions to the right fund. Ms. Chang stated that the requirements would need to be built into the new payroll system and will be discussed further after the current payroll conversion. Ms. Chang also noted that the provision currently has a paragraph accidentally omitted that eliminates all catch-up contributions, but organizations such as NAGDCA are aware and are working to clean up the guiding language.

Ms. Jones noted that there was a request to see data that would explain account balances versus tenure. Mr. Wolfson noted that it was something of interest to see balances from a service year standpoint. Mr. Moutes indicated that he would like data on account balances versus pension type.

9. BOARD REPORT 23-13: DEFERRED COMPENSATION PLAN PROJECTS AND ACTIVITIES REPORT: JANUARY 2023

Presentation Highlights:

Mr. Lan and Ms. Chang introduced the report and provided the following highlights:

- 1099-R tax forms were sent to participants who took a distribution in 2022.
- SECURE 2.0 webinars and resources are provided for the Board.
- Staff launched a January enrollment campaign with 177 new enrollments in January 2023, an increase from the average of 136 new enrollments.
- Staff issued a notice of marketing emails and solicitations from non-City providers in the January/February Personnel Department monthly Newsletter.

Board Member Comments/Questions & Responses:

There were no comments or questions from the Board.

10. REQUESTS FOR FUTURE AGENDA ITEMS

There were no requests for future agenda items.

11. NEXT MEETING DATE

A regular meeting was noted for March 21, 2023 at 9:00 a.m.

12. ADJOURNMENT

The meeting was adjourned at 10:46 a.m.

Minutes prepared by staff member Eric Lan.