

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

ADOPTED MINUTES
REGULAR MEETING OF DECEMBER 19, 2023
700 E. TEMPLE STREET, ROOM 350
LOS ANGELES, CA 90012

BOARD MEMBERS

Present:

Thomas Moutes, Chair
Robert Schoonover, First Provisional Chair
Jeremy Wolfson, Second Provisional Chair
Joseph Salazar, Third Provisional Chair
Matthew Benham
Dana H. Brown
Carl Lurvey

Not Present:

Neil Guglielmo, Vice Chair
Matthew Benham
Linda P. Le

PERSONNEL DEPARTMENT STAFF

Esther Chang, Defined Contribution Plan Manager
Mindy Lam, Benefits Analyst
Eric Lan, Benefits Analyst

OFFICE OF THE CITY ATTORNEY

Charles Hong, Deputy City Attorney IV

MERCER

Devon Muir, Principal
Ana Tom-Chow, Associate

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 Member Comments/Questions & Responses:

There were no comments or questions from the Board.

Board Action:

A motion was made by Mr. Wolfson and seconded by Mr. Salazar, to approve minutes of the November 6, 2023 special Board meeting; the motion was unanimously adopted.

4. BOARD REPORT 23-38 - FIDUCIARY LIABILITY INSURANCE UPDATE

Presentation Highlights:

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

- The City has a statutory responsibility to defend and indemnify the Board and staff as long as they are acting within the scope of duties of the plan, but can choose to defer its decision until action on a case.
- LACERS, LAFPP, and WPERP each has its own insurances, with differing coverages, premiums, and waivers of recourse.
- While there is increasing litigation within the Defined Benefit (DB) space, staff is not currently aware of specific litigation dealing with similarly situated Defined Contribution (DC) plans.
- The DCP would need to solicit proposals to determine potential insurance premium costs as the underwriting requirements are different for DC plans compared to DB plans.
- Next steps would be to develop an RFP to find an appropriate broker with the Board's approval.

Board Member Comments/Questions & Responses:

Mr. Wolfson asked whether comparisons to other similar DC plans have been made to determine the scope and costs of coverage. Ms. Chang indicated that the next step would be to research other DC plans, and stated that the current budget projections should cover the premium cost, assuming the premiums would be within the range that LACERS or LAFPP were currently paying.

Mr. Moutes stated that he was in favor of Side A coverage as ex officio members of the Board are required to be on the Board and the coverage may provide more incentive and protection for elected representatives to run for the Board. Mr. Moutes stated that aspects of the DCP may allow it to receive a better rate.

Ms. Chang stated that staff will reach out to the Office of the City Administrative Officer and its Risk Management group to discuss whether there might be additional Citywide coverage to leverage and will return to the Board to address the next steps.

Board Action:

A motion was made by Mr. Wolfson and seconded by Mr. Schoonover, to receive and file this report regarding consideration of fiduciary liability insurance for the Deferred Compensation Plan; the motion was unanimously adopted.

5. BOARD REPORT 23-39 - QUARTERLY STAFFING REIMBURSEMENTS - Q3 2023

Presentation Highlights:

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

- The Board reviews and approves staffing reimbursements on a quarterly basis for City Attorney staff who are partially dedicated to the DCP and funded through the DCP Trust Fund.
- Third quarter 2023 reimbursements totaled \$23,088.20 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. Wolfson, to approve reimbursements from the Deferred Compensation Plan (DCP) Reserve Fund to the City Attorney in the amount of \$23,088.20 for staff providing direct support of the DCP during the quarter ending September 30, 2023; the motion was unanimously adopted.

6. BOARD REPORT 23-40 - STATUS OF 2023 DEFERRED COMPENSATION PLAN STRATEGIC INITIATIVES AND CONSIDERATION OF 2024 INITIATIVES

Presentation Highlights:

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

- Staff provided an update on all 2023 strategic initiatives:
 - The DC Plan Manager was filled in late July 2023. For the Senior Benefits Analyst II position, it is anticipated it will be filled in January 2024.
 - It was indicated that a move to a new facility is not recommended until such time that the facilities cost that is included in the City's CAP rate used to reimburse DCP staffing is able to be uncoupled, in order to avoid overpaying for facilities and leasing costs.
 - A new task manager system is being developed to allow staff and Voya to efficiently process and track forms electronically.
 - Staff recommends suspending the Deemed IRA project until staffing resources are available.
 - An update on the 2023 participant outcome goals and strategies will be provided at a subsequent meeting.
- Staff requested Board input on 2024 strategic initiatives.

Board Member Comments/Questions & Responses:

Mr. Wolfson asked if staff has migrated to laptop-based connectivity instead of desktops to allow for greater flexibility and a shared space model. Ms. Chang indicated that the Personnel Department's IT team is assisting staff in implementing this model.

Mr. Wolfson asked about the security of the forms in the new task manager system. Ms. Chang noted that forms currently only require the last four digits of their social security number and that forms are transmitted via Voya's secure messaging system.

Mr. Salazar indicated his interest in expanding the auto-enrollment process for City employees. Ms. Chang stated that the program is currently implemented in the LAPPL MOU, which has proven to be administratively challenging due to a privacy bill protecting police officers requires each officer to elect to have address data shared. Ms. Chang indicated that there is a shortened form that officers complete to provide this address information, but currently DCP local representatives are actively going to academy classes to enroll new officers, who generally enroll at higher rates than the auto-enrollment program's default rate. Mr. Salazar indicated that other civilian labor organizations may be easier to implement.

Mr. Wolfson asked whether the election term extension to five years could be done prior to the next election cycle and whether it would apply only to future elections. Mr. Hong noted that further research would be required. Mr. Moutes and Ms. Chang indicated that any changes would require changes to the Administrative Code, which is not likely to be done prior to the next election cycle.

Mr. Wolfson stated that staff has done a tremendous job with the resources provided.

Mr. Moutes asked about the status of the discussions regarding employer match considerations. Ms. Chang stated that there were prior labor discussions and it was thought to provide a recommendation from the DCP regarding the appropriate type of plan vehicle and funding sources. Mr. Moutes suggested an Ad Hoc Committee meeting in 2024 to discuss further.

Mr. Moutes suggested elevating the priority of the DCP Plan audit and deprioritizing the Deemed IRA. Mr. Moutes also requested that staff provide an analysis comparing the various pension systems to determine the value of the DCP and the needs it fulfills.

Board Action:

A motion was made by Mr. Wolfson and seconded by Mr. Salazar, to receive and file the status of the 2023 Strategic Initiatives and recommended the following strategic initiatives for 2024: (a) Consideration of Fiduciary Liability Insurance; (b) Investment Advisory and/or Financial Education Services Review; (c) Initiate DCP Financial Audit; (d) Expand Automatic Enrollment Program (AEP) Participation; (f) Employer Match Considerations; (h) Consideration of 5-Year Term for Elected Board Members; the motion was unanimously adopted.

7. BOARD REPORT 23-41 - 2023 NATIONAL RETIREMENT SECURITY MONTH (NRSM) CAMPAIGN RESULTS

Presentation Highlights:

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

- The 2023 NRSM campaign generated the highest number of engagements of any campaign at 12,525 engagements.
- In-person tabling sessions at LAFPP, DWP, and City Hall were successful, with participants indicating their appreciation for immediate assistance at their work sites.
- There was a 37% increase in website page views, and a 55% increase in retiree engagement, at 1,248 engagements.
- The campaign was successful in generating positive participant actions, with increases in Financial Wellness Assessment completions, enrollments, and contribution changes throughout the duration of the campaign.

Board Member Comments/Questions & Responses:

There were no comments or questions from the Board.

8. QUARTERLY INVESTMENT & ECONOMIC REVIEW: THIRD QUARTER 2023

Presentation Highlights:

Mr. Muir and Ms. Tom-Chow provided the following highlights:

- Page 3 – The third quarter resulted in negative performance across the market, though current fourth quarter figures indicate a rally.
- Page 14 – There were declines due to investment losses, but updated figures indicated that year-to-date as of the time of the meeting, plan assets had increased to \$9.5 billion.
- Page 22 – The DCP’s effective net expense continues to be very low and one of the best in its class.
- Page 23 – The Stable Value Fund did not meet the stated benchmark but this is not indicative of general performance as this type of product will typically trail in a rising interest rate environment; it is a long-term investment and meant to smooth volatility.
- Page 24-26 – The tables show the DCP’s performance summary for its various funds compared to stated benchmarks over time.

Board Member Comments/Questions & Responses:

Mr. Wolfson asked if the chart label on page 20 indicating “Money Market” is indicative of the FDIC-Insured Savings Account option for the DCP. Mr. Muir confirmed that is the case and explained it is general labeling as most of Mercer’s book of business utilizes money market accounts.

Mr. Moutes asked if there is a better benchmark for the Stable Value Fund. Mr. Muir noted that with the current benchmark, it is challenging to benchmark for short-term periods, but that over the long-term it is a good indicator of performance.

**9. BOARD REPORT 23-37: DEFERRED COMPENSATION PLAN
PROJECTS AND ACTIVITIES REPORT: NOVEMBER 2023**

Presentation Highlights:

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

- The IRS released new 2024 contribution limit changes, which were distributed to participants via a Year-End Checklist.
- Required Minimum Distribution (RMD) reminder notices were sent to impacted participants on November 3, 2023.
- The Human Resources & Payroll (HRP) project concluded Cycle 1 of Parallel Testing on November 29, 2023 with 90%+ accuracy of net earnings/deductions. Cycle 2 will aim for 95%+ accuracy of net earnings/deductions, with any variances discussed between the City and labor.
- The DCP received a renewal of the Letter of Exemption from the Canada Revenue Agency, acknowledging the tax-exempt status of the DCP and applying the exemption to its participants on tax withholdings on dividends paid from Canadian securities trading on the U.S. exchange.
- Staff is in process of filling the Senior Benefits Analyst II position.

Board Member Comments/Questions & Responses:

Mr. Wolfson asked how the RMD is distributed for participants with funds only in the Self-Directed Brokerage Account (SDBA). Ms. Chang indicated that there is a minimum required to be held in the Core Accounts and that participants are notified if their Core Funds are not enough to cover the RMD and that action is required.

Mr. Moutes asked if staff are receiving the support required to accomplish HRP testing from Workday. Ms. Chang stated that the process is smoother but that there are many stakeholders involved and communication processes take time to ensure the proper teams are involved.

Ms. Brown indicated her interest in joining the Ad Hoc Committee for Employer Match Program Considerations. Mr. Moutes stated she will be added to the committee.

10. REQUESTS FOR FUTURE AGENDA ITEMS

There were no requests for future agenda items.

11. NEXT MEETING DATE

A regular meeting was noted for January 16, 2024 at 9:00 a.m.

12. ADJOURNMENT

The meeting was adjourned at 10:26 a.m.

Minutes prepared by staff member Eric Lan.