

CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

PROPOSED MINUTES
MEETING OF OCTOBER 15, 2019
700 E. TEMPLE STREET, ROOM 350

BOARD MEMBERS

Present:

John Mumma, Chairperson
Thomas Moutes, Vice-Chairperson
Raymond Ciranna, First Provisional Chair
Wendy G. Macy, Third Provisional Chair
Joshua Geller
Hovhannes Gendjian
Neil Guglielmo

Not Present:

Robert Schoonover, Second Provisional Chair
Linda P. Le

PERSONNEL DEPARTMENT STAFF

Steven Montagna, Chief Personnel Analyst
Jenny M. Yau, Senior Management Analyst II
Daniel Powell, Senior Personnel Analyst I
Anna Ancheta, Personnel Analyst
Mindy Lam, Personnel Analyst
Sandy Kaur, Administrative Intern II

OFFICE OF THE CITY ATTORNEY

Curtis Kidder, Assistant City Attorney

VOYA FINANCIAL

Michelle Williams, Vice President Strategic Relationship Management
Kelly Montgomery, Client Relationship Manager
La Tanya Harris, Registered Representative
Luis Chaves Guzman, Participant Engagement Consultant

1. CALL TO ORDER

John Mumma called the meeting to order at 9:04 a.m.

2. PUBLIC COMMENTS

There were no public comments.

3. MINUTES

A motion was made by Raymond Ciranna, seconded by Hovhannes Gendjian, to approve the minutes of the July 16, 2019, and August 20, 2019 meetings; the motion was unanimously adopted.

4. PLAN ADMINISTRATOR QUARTERLY REVIEW: JUNE 30, 2019

The Third-Party Administrator quarterly review for the second quarter of 2019 was presented by Voya staff members Michelle Williams, Vice President Strategic Relationship Management; Kelly Montgomery, Client Relationship Manager; La Tanya Harris, Registered Representative; and Luis Chaves Guzmán, Participant Engagement Consultant. Ms. Williams began with a review of the Deferred Compensation Plan (DCP)'s key metrics. She stated that the DCP's assets amounted to \$6.8 billion as of quarter-end. She also indicated that in the past year there has been an upward trend in the total number of participants contributing to the DCP and an increase in the average contribution rate. She reported that during the quarter, \$127 million was transferred into the DCP and \$103 million was transferred out, which resulted in a net cash flow of \$23.8 million.

Ms. Williams reviewed the DCP's population composition and indicated that the retiree segment has continued to grow. She stated that this change supports the DCP's focus on retiree education and communications. She then reviewed participant contributions and indicated that there was a decrease in the number of fixed contributions but a more than double increase in percent-of-pay contributions. She stated that 38% of new enrollees take advantage of the percent-of-pay option. Kelly Montgomery added that the paper contribution form and the online enrollment process set have switched to displaying the percent-of-pay option first since employees tend to select the first option. Neil Guglielmo suggested a feature on the website that could show a participant how their fixed dollar contribution could translate to a percent-of-pay contribution. Ms. Williams noted that the website currently has a feature similar to that functionality and Luis Chaves Guzmán agreed that the DCP might be able to utilize the pop-up feature to target that messaging.

Ms. Williams then reviewed distribution and rollover activity, noting that the figures have stayed constant over the last several quarters. She then reviewed unforeseeable emergency withdrawals and indicated that when these requests are rejected, it is most often due to the request lacking proper support documentation. Mr. Guglielmo suggested that participants who request an emergency withdrawal also be provided with Employee Assistance Program information. Steven Montagna stated that staff and Voya would work together to create a communication piece. Ms. Williams then provided an overview of investment options utilized, loan utilization, and brokerage window usage.

Mr. Chaves Guzmán reviewed the metrics related to participant services and engagement. He provided an update on the automated "journeys" and indicated that engagement increased for the Save More and Restart Saving journeys. He indicated that web enrollments are averaging over 85 per month. Mr. Chaves Guzmán also noted that new participants utilizing percent-of-pay established an average deferral amount of 8.7%. Daniel Powell added that participants make better decisions when enrolling online rather than through paper forms. John Mumma asked if staff has considered reaching out to retirees for their DCP success stories. Mr. Chaves Guzmán answered that Sandy Kaur of the DCP staff has been conducting a survey of retired participants which would provide an opportunity to solicit feedback from retirees. Mr. Powell added that the National Retirement Security Week campaign has a component that asks all participants to provide a video on why they joined the DCP.

Kelly Montgomery reviewed enhancements Voya has implemented for the DCP since Voya became the DCP's recordkeeper. She highlighted several items including the new DCP website, the implementation of in-kind brokerage window distributions, participant surveys, auto enrollment, plan sponsor resource management, and allowing rollover contributions directly to the brokerage window. She also indicated

that additional enhancements are underway.

La Tanya Harris reported on the local retirement counselor activity for the quarter. She stated that counselors conducted retirement meetings at 46 libraries with several more meetings still pending. She indicated that she partnered with staff to increase outreach to the Board of Public Works, Engineering, and Street Services. She indicated that the team provided a site visit to a Street Services team working at a street location which opened up additional outreach opportunities. Wendy Macy commended the local retirement staff for reaching out to difficult-to-reach employees, such as field workers. Ms. Harris highlighted the increase of total participant interactions from 7,959 last year to 8,734 in this year's second quarter. She also reported an increase in total site visits, enrollments, meeting attendees, and emails compared to the prior year.

5. BOARD REPORT 19-32: TPA SERVICE PROVIDER CONTRACT

Mr. Montagna indicated that the DCP is two years into its Third-Party Administrator (TPA) contract with Voya and that the contract has three years remaining. He stated that under the Los Angeles Administrative Code the Board has contracting authority for up to five years and that Council approval would be required to execute a contract over a longer term. Mr. Montagna reported that staff has been considering revising the performance guarantees in the TPA contract with Voya to better align the guarantees with the Board's annually adopted goals. He also indicated that staff has been kept apprised of the transition of the City's payroll systems from PaySR to a new human resources payroll system. He stated that the transition will be similar to the conversion process that occurred when the DCP transitioned to Voya in that the file exchange process will need to be re-implemented. He indicated that the file exchange process communicates key information about participant contributions and eligibility between the City and TPA. He further indicated that if staff was to develop a new Request for Proposal for TPA services, it would likely require at least two and a half of years of preparation. Mr. Montagna stated that given those considerations, staff wanted to assess the Board's interest in extending the DCP's five-year contract with Voya. He indicated that staff recommended that the Board direct staff to perform a further review of TPA contract extension considerations and return to the Board with a full report.

Mr. Guglielmo noted that, along with the factors indicated by staff, changing providers frequently might be disruptive to DCP participants. He asked if the DCP has ever been reviewed by an outside firm and requested that staff provide an outside actuarial review in addition to the report on a contract extension. Mr. Montagna responded that the DCP has procured for a plan auditor which will validate that the TPA's recordkeeping is accurate. He also indicated that as part of the DCP's consulting contract with Segal, Segal could be requested to provide feedback on vendor performance.

Mr. Guglielmo asked how long the contract extension would be. Mr. Montagna responded that historically the DCP had implemented extensions from one through five years. Mr. Ciranna asked what was known about the payroll system replacement process thus far. Mr. Montagna said that this issue is still being monitored but noted that at least one fundamental change would be how the payroll system communicates employee status to the recordkeeper. Mr. Guglielmo asked if the City has billed the DCP in connection with a change in the payroll system and if the Board would be made aware if that occurs. Mr. Montagna indicated that the DCP has not received a bill for any system change and that staff would notify

the Board if that were to occur.

Ms. Macy requested that staff regularly update the Board on the transition in payroll systems. Mr. Montagna indicated that there would be TPA costs involved with the payroll system change. Mr. Mumma asked if the changes to the performance guarantees would be an item addressed separately from the contract extension. Mr. Montagna responded given the length of time estimated to implement a contract amendment it may be more expedient to address both issues at once.

Following this discussion, **a motion was made by Mr. Mumma, seconded by Mr. Ciranna, to direct staff to return with a report on TPA contract extension considerations including extension duration, performance guarantees, payroll system changes, and any outstanding issues. The motion was unanimously adopted.**

6. BOARD REPORT 19-33: TRAINING AND TRAVEL PROGRAM

Mindy Lam reported on the fiscal year 2020-21 Training/Travel Program. She stated that at the beginning of each calendar year, the Board adopts a budget for the DCP and includes an amount allocated for training. She explained that the Board is requested to adopt the training program on a fiscal year basis due to coordination of travel approvals through the City's budget process. She indicated that staff was not proposing significant changes from the previous fiscal year's Training/Travel budget. Mr. Mumma asked what the DCP has spent on training and travel for the current year and if the amount equaled at least 50% of the training and travel budget. Mr. Powell indicated that the current year's spending has been higher than some previous years due to traveling for Wharton Training. Ms. Macy asked when the preference sheet for attending the training will be sent to Board members. Mr. Montagna responded that the preference sheet is generally sent at the beginning of a calendar year when the DCP's budget is adopted.

Following this discussion, **a motion was made by Mr. Ciranna, seconded by Mr. Moutes to approve the FY 19-20 Training/Travel Program; the motion was unanimously adopted.**

7. BOARD REPORT 19-34: DCP PROJECTS AND ACTIVITIES REPORT: AUGUST THROUGH SEPTEMBER 2019

Mr. Powell reported on the National Association of Government Defined Contribution Administrators (NAGDCA) Conference of 2019, which was held in September. He indicated that the DCP was well represented by Board members and staff and received an award for the DCP's 2018 National Retirement Security Week campaign.

Mr. Powell discussed an issue regarding the policy for travel reimbursement under the Training/Education/Travel Policy. He indicated that the current policy defines "staff" as a Personnel Department employee who has his/her compensation reimbursed in whole or in part by the DCP. He noted that this precludes the Personnel Department Assistant General Manager and City Attorney staff that support the DCP from attending DCP-related training. He stated that staff recommends directing staff to amend the policy with a review provided by the Plan Governance and Administrative Issues Committee.

Mr. Mumma requested that the revised language be drafted and reviewed by the City Attorney before the meeting. Mr. Moutes asked if waiving the policy in order to address the issue of Personnel Department AGM Paula Dayes' travel reimbursement for the recent NAGDCA would cause any issues. Assistant City Attorney Curtis Kidder indicated that he would need some time to review the Policy. Mr. Mumma asked if the Personnel Department could reimburse Ms. Dayes' costs and be reimbursed by the DCP through the quarterly billing. Mr. Montagna responded that staff would need to investigate the issue further. Mr. Ciranna also asked who approves travel. Mr. Montagna responded that currently the travel policy includes procedures for travel expenditure approvals, but does not require Board approval for individual staff or board member travel. Mr. Mumma suggested that the matter be agendaized at the next Plan Governance & Administrative Issues Committee meeting.

After this discussion, **a motion was made by Mr. Moutes, seconded by Mr. Guglielmo, to waive or amend the travel policy subject to the City Attorney's review. A second motion was made by Mr. Mumma, seconded by Mr. Guglielmo, to pay the bill for Ms. Dayes' costs, subject to the waiver or amendment of the travel policy in the first motion. Both motions were approved unanimously.**

Mr. Powell reported that Charles Schwab recently dropped all transaction fees for its clients, including its brokerage window customers. He indicated that staff would develop communications content to announce this change.

Mr. Montagna introduced Jenny Yau to the Board and indicated that she will be supporting the DCP going forward. He indicated that she has worked with the Employee Benefits Division's LAwell program since 2016 and reported that she oversaw the recent transition of the program's TPA. He also indicated that while there would be no Board meeting in November, the projects and activities report includes a preview of committee meetings planned for the near future.

Following this discussion, **a motion was made by Mr. Gendjian, seconded by Mr. Moutes, to receive and file the monthly projects and activities report for August through September 2019, and to direct all committees to meet as directed; the motion was unanimously adopted.**

7. REQUESTS FOR FUTURE AGENDA ITEMS

There were no requests for future agenda items.

8. ADJOURNMENT

The meeting adjourned at 10:20 a.m.

Minutes prepared by staff members Anna Ancheta and Mindy Lam.