



Board Report 20-02

Date: February 18, 2020

To: Board of Deferred Compensation Administration

From: Staff

Subject: Defined Contribution Plan Executive Director Classification and Position Authority

Board of Deferred Compensation Administration

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Recommendation:

That the Board of Deferred Compensation Administration (Board):

- (1) Receive and file the status update on the creation of a Defined Contribution Plan Executive Director classification and position authority;
- (2) Adopt the creation of a Defined Contribution Plan Executive Director classification as a strategic initiative for the Deferred Compensation Plan (DCP); and
- (3) Approve the proposed class specification for Defined Contribution Plan Executive Director to be submitted to the Personnel Department's Classifications Division for approval by the Civil Service Commission.

Discussion:

At its April 18, 2017 meeting, staff provided the Board with options for improving the stability of staffing resources, succession planning, and adapting/enhancing resources to keep pace with the future growth of the DCP. At that meeting, the Board adopted a recommendation that a new classification of Defined Contribution Plan Executive Director be created to provide dedicated senior-level management of the DCP. This report provides a summary of the key considerations in adopting this recommendation, including a status update on and proposed Board actions to support the creation of the new classification and position authority.

A. Current Status on Creation of the New Classification of Defined Contribution Plan Executive Director

Progress on establishing the Defined Contribution Plan Executive Director classification has been slower than anticipated as other strategic priorities, including the DCP transition in Third-Party Administrators, took greater precedence, and because at the time the Board acted staff initially approached this executive director project as primarily involving a simple change in classification

from one position to another. However, the position to be exchanged has been occupied for most of the time since the Board's action and more recently, staff recognized that the creation of the new classification will instead require the approval of a new position authority. A new position authority would indirectly result in increased City general fund costs. As a result, in the fall of 2019 staff prepared, and the Personnel Department subsequently submitted, a request for approval of a new Defined Contribution Plan Executive Director position authority within the Personnel Department's fiscal year 2020-21 budget. The position authority is subject to the approval of the Mayor and the Council through the budget process and approval/establishment of the new classification by the Civil Service Commission.

B. Adoption of New Strategic Initiative for the DCP

As the decision-making process regarding this position request is now proceeding, staff believes it is important for the Board to demonstrate the significance of the DCP's need for this classification and position authority by adopting the creation of a Defined Contribution Plan Executive Director classification as a strategic initiative for the DCP (a full report on the remaining strategic initiatives for the DCP will be provided for the Board's consideration at its February 2020 meeting). Following are key considerations for establishing this strategic initiative:

(1) Program Management Background

The Board has administrative responsibility, including contracting authority, for the DCP. The Board is supported by City staff who are employees of the Personnel Department's Employee Benefits Division. Presently, the DCP utilizes two staffing resources to provide senior-level oversight of the DCP. First, the DCP uses the civil service classification of Senior Personnel Analyst II to manage the DCP. This position is responsible for the overall management of the administrative, operational, contractual, supervisory, and communications functions of the DCP. The percentage of time this position is allocated to the DCP has historically been 60%. In addition to these duties, 40% of the position has historically been dedicated to the supervision of the Employee Benefits Division's Human Resources Benefits budget as well as its Commute Options & Parking Program. This position is currently filled.

The Senior Personnel Analyst II reports to the Employee Benefits Division Chief. The Employee Benefits Division Chief is also responsible for oversight of the City's Civilian LAwell Benefits Program, LIVEwell Wellness Program, Commute Options and Parking Program, Human Resources Benefits Budget, Unemployment Insurance Cost Containment Program, and Pensions Savings Plan (PSP), the mandatory retirement plan for part-time, temporary, and seasonal employees who are not members of one of the City's three other defined benefit plans.

(2) Fiduciary Responsibility for Plan Assets under Administration

The Board and staff both serve as fiduciaries to the DCP. Fiduciaries hold a legal and ethical relationship of trust to the DCP, its participants, and beneficiaries and are held to the highest ethical and legal standards in managing the DCP and its assets. As of December 31, 2019, the DCP

had \$7.1 billion in assets and 49,898 participants. Over the next ten years, DCP assets are projected to reach over \$9 billion, and participant accounts over 60,000. A dedicated management-level fiduciary to manage the program's increasing assets and participant level is critical.

(3) DCP Scope and Responsibilities

The fiduciary, administrative, operational, investment, and oversight responsibilities of the DCP cannot be overstated. When governmental defined contribution plans such as the City's DCP were initially created in the 1980s, they were generally treated as just one of many employee benefit programs. Three decades later, these programs have grown exponentially in size, prominence, and fiduciary oversight responsibilities. Governmental defined contribution assets reached \$2.5 trillion nationally in 2018, representing over 40% of total governmental retirement assets. The City's DCP reached \$1 billion in assets in 1997; less than 20 years later, it is approaching \$7 billion. For many government agencies, including the City's, defined contribution plans are rivaling defined benefit plans both in assets as well as total participation.

A complex regulatory framework and fiduciary oversight responsibilities have raised the risks of regulatory sanctions and investor lawsuits. It is necessary that governmental plans, including the DCP, evolve to appropriately align their staff resources to the scope, seriousness, and risks now inherent to program administration.

(4) Alignment of Staffing Resources

While the Senior Personnel Analyst II position is allocated at 60%, demands on the current position have expanded rapidly in recent years, particularly to address new elected official, stakeholder, and Department initiatives related to benefit program design and administration, wellness, improved employee commuting practices, engagement on improved sustainability practices in alignment with the Mayor's Green New Deal, and cybersecurity protection. As such, this position's time allocated to the DCP has declined.

The Employee Benefits Division Chief currently *partially* fills the resource gap, but this is unsustainable, especially as it relies on the incumbent's unique 25-year experience with and institutional knowledge of the DCP. It does not provide for effective succession planning both in terms of experience with the DCP but also, crucially, knowledge of the highly technical aspects of defined contribution plans.

Over the next ten years, DCP assets are projected to reach over \$9 billion, and participant accounts over 60,000. Should a vacancy or multiple vacancies occur at the executive levels of program administration, the City cannot assume that lower-level DCP staff will possess the skills or experience required to assume this level of program oversight. Nor should the City assume that the knowledge and experience required to administer a defined contribution plan is likely to be found within other City staff, even at executive levels. While the City's defined benefit

retirement plans may appear to offer a potential reserve of applicable experience, in fact, they function very differently by possessing:

- Wholly different regulatory frameworks;
- Fundamentally different service administration designs (defined benefit self-administered plan recordkeeping vs. defined contribution contracted recordkeeping); and
- Different investment portfolio constructions, procurements, and investment provider relationships.

Given these challenges, the Board adopted staff's recommendation that a new classification of Defined Contribution Plan Executive Director be created to be 90% dedicated to the DCP and 10% dedicated to the City's Pension Savings Plan (PSP). The new classification would replace the Senior Personnel Analyst II classification as the position authority for providing primary senior leadership support of the DCP. Creating a new classification will:

- 1) Provide expert and dedicated management of the DCP and PSP;
- 2) Provide for effective succession planning by establishing the ability to recruit from both external as well as internal candidates; and
- 3) Place the DCP in a better position to meet its fiduciary, administrative, operational, investment, and oversight responsibilities.

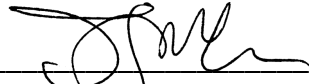
Staff recommends that the Board adopt the creation of a Defined Contribution Plan Executive Director classification as a strategic initiative for the DCP.

C. Class Specification for the New Classification of Defined Contribution Plan Executive Director

The Personnel Department's Classifications Division is responsible for reviewing all requests for the creation of a new classification, including the justification for, and the class specification of, the new classification. Based on this information, the Classifications Division provides a recommendation to the Board of Civil Service Commissioners for approving or not approving the creation of a new classification.

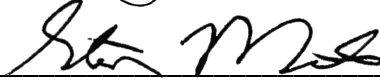
Staff has completed a draft class specification for the new classification of Defined Contribution Plan Executive Director provided in **Attachment A**. The draft class specification outlines the distinguishing features, examples of duties, and knowledge, abilities, and minimum qualifications of the class. Staff recommends that the Board approve the proposed class specification for Defined Contribution Plan Executive Director to be submitted to the Personnel Department's Classifications Division for approval by the Civil Service Commission.

Submitted by:



Jenny M. Yau, Senior Management Analyst II

Approved by:



Steven Montagna, Chief Personnel Analyst

THE CITY OF LOS ANGELES



CIVIL SERVICE COMMISSION

CLASS SPECIFICATION

11/19/19 DEFINED CONTRIBUTION PLAN EXECUTIVE DIRECTOR

Summary of Duties: The Defined Contribution Plan Executive Director (Executive Director) serves as the administrative manager over the City of Los Angeles Deferred Compensation Plan (DCP) and Pension Savings Plan (PSP). This position is responsible for overall management of the administrative, operational, contractual, supervisory, and communication functions of the DCP and PSP. The Executive Director acts as the DCP staff advisor to the Board of Deferred Compensation Administration (Board) and Manager of the PSP; applies sound supervisory principles and techniques in building and maintaining effective staff support for the DCP/PSP, while fulfilling equal employment opportunity responsibilities; directs contracted service providers; advances the missions of the DCP/PSP; and does related work.

Distinguishing Features:

The Executive Director directs the daily administrative activities and operations of the DCP/PSP and staff. The Executive Director carries out decisions and directives of the Board and General Manager Personnel Department, including implementing policy and program directives; procuring for the DCP/PSP various service providers; developing and overseeing administrative, investment management, and consulting contracts; and providing analysis regarding a variety of policy, plan design, and administrative matters. The Executive Director oversees and is primarily responsible for ensuring that DCP/PSP staff support the Board and General Manager Personnel Department in executing their fiduciary roles for the DCP/PSP and their participants.

The unique role of this position requires that the Executive Director be knowledgeable and have expertise with respect to the administration of defined contribution plans and the federal laws and regulations governing them. The Executive Director must further have knowledge of and experience in investment related plan design decision-making.

The Executive Director works under minimal supervision and exercises considerable independent judgment in completing assignments. An employee in this classification must be able to obtain and analyze information, make recommendations regarding actual or potential policy issues, and develop and execute strategies to help fulfill each DCP/PSP core mission and goals. Any assignments completed are reviewed in terms of results obtained and objectives accomplished in relation to adhering to policy and direction.

Examples of Duties: The examples listed are neither all inclusive, nor restrictive. Management reserves the right to further define duties based on operational needs. These duties may apply to either or both the DCP and PSP:

- Oversees activities with the overall responsibility for improving participant outcomes in designated key areas, including but not limited to improving participation, salary deferrals, asset retention, and overall participant retirement income security;
- Makes recommendations related to the administration of the DCP/PSP, including development of programs and participant services, implementing new procedures and

- policies relevant to the Board's or Personnel Department's oversight, and executing procurements and contracted service provider relationships;
- Maintains data and submits reports regarding statistics including, but not limited to plan assets, asset allocation, participation levels, contributions, distributions, incoming/outgoing rollovers, loans, participant engagement and transaction activity, and participant satisfaction in order to identify trends, establish goals, and drive future success;
 - Provides oversight of and direction to third-party service providers to ensure all contractual service obligations are met;
 - Prepares complex and comprehensive written and statistical reports, makes effective oral presentations, and/or presents correspondence to the Board, Elected Officials, Department management, and/or the public;
 - Confers with consultants, attorneys, and other internal and external experts on issues relevant to the administration and improvement of the DCP/PSP;
 - Develops and modifies service provider and participant outcome goals and strategies, and evaluates their success using appropriate metrics;
 - Develops and executes all DCP/PSP procurements, including drafting of Requests for Proposal (RFPs), issuing RFPs in accordance with City procedure, evaluating and scoring vendor responses, and developing thorough analyses and reports/recommendations for action;
 - Develops and oversees contracts with DCP/PSP service providers, including coordination with legal counsel to assist in the review of legal documents, and developing and administering mechanisms for evaluating service provider compliance and service fulfillment;
 - Ensures that the DCP/PSP meet their overall objectives, and completes projects within established deadlines;
 - Maintains effective relationships with DCP/PSP stakeholders including Elected Officials, human resource liaisons, labor partners, City management, and other City departments;
 - Develops and refines best practices by working with peers engaged in administering defined contribution plans and participating in regional and national plan sponsored networks;
 - Directs, plans, assigns, supervises, and reviews the work of professional and paraprofessional staff engaged in activities related to administering the DCP/PSP;
 - Directs staff and service provider development of all DCP/PSP engagement and informational strategies, campaigns, and materials, including website content, forms, newsletters, brochures, quarterly statements, seminars and webinars, video productions, and other educational publications and/or outreach meetings;
 - Maximizes staff productivity through effective communication and motivation; and applies job-related criteria in selecting, training, assigning work, mentoring, evaluating, and disciplining staff.

Qualifications: The Executive Director must have the following knowledge and abilities:

Knowledge of:

- Federal laws and regulations pertaining to Internal Revenue Code Section 457 defined contribution plans and other applicable defined contribution plan legislative authority or provisions;
- The administrative and operational requirements of managing a public sector defined contribution retirement program;

- Investing concepts and principles, including modern portfolio theory, and investing products and services;
- Contracting processes and contract administration;
- Principles and applications of public administration including human resource management, budget development and oversight, and other fiscal management;
- The documents governing the City's internal administration of the DCP/PSP, including but not limited to Administrative Code provisions, Plan Documents, Governance Policies and Bylaws, Investment Policy Statements, and other applicable City and DCP/PSP policies;
- Supervisory principles and practices, including planning, delegating, motivating, mentoring, and managing the work of staff;
- Techniques of training, instructing, and evaluating work performance.

Ability to:

- Maintain, interpret, explain, and adhere to policies, rules and regulations as they relate to defined contribution plans;
- Plan, organize, and direct the activities of staff involved in administering the DCP/PSP, and develop staff through effective communication and performance feedback;
- Successfully collaborate with senior leaders and executive staff with diverse competencies (audit, finance, technology, legal, and investment) in a collaborative and team-oriented way.
- Analyze and conduct research and prepare detailed written analysis and recommendations to resolve these issues;
- Prepare, explain, and interpret charts, graphs, spreadsheets, and projections;
- Prepare reports, and present and explain complex technical, statistical, and financial information to the Board, City Officials, Department Management, the media, and the public in a clear, effective and direct manner;
- Deal tactfully and effectively with individuals at all levels, including but not limited to the Board, City Officials, and Department management;
- Understand and apply City Personnel rules, policies, and procedures, including Civil Service Rules, Memoranda of Understanding, equal employment/affirmative action, City Charter, and Division IV (General Employment) of the Administrative Code in interacting with City staff, including managing subordinate staff;
- Establish and maintain a positive work environment to enhance both employee morale and maximize productivity; and
- Effectively manage deadlines and competing priorities.

Minimum Requirements:

- Demonstrated experience working with oversight boards, commissions, and outside consultants; and
- Two years of full-time paid professional experience within the City in a classification at least at the level of Senior Management Analyst I, or in a classification which is at least at that level and which provides experience in administrative analysis, benefits administration, and/or retirement plan administration; or
- Graduation from a recognized four-year college or university and four years of full-time paid professional experience in defined contribution plan administration for a state or local governmental agency, including minimally two years of supervisory experience; or

- Graduation from a recognized four-year college or university and four years of full-time paid professional experience in a senior leadership capacity with a public retirement fund, benefits administrator, retirement services provider or consultant, or other complex financial or retirement services organization.

License: A valid California driver's license may be required.

Physical Requirements: Strength to perform average lifting of less than 5 pounds and occasionally over 15 pounds; good speaking and hearing ability; and good eyesight.

Those with medical limitations may be able to perform the duties of some positions in this classification with reasonable accommodation. The decision to accommodate someone's limitations will be made on an individual basis and depends on the types of limitations, what the hiring department can reasonably do to accommodate them, and the specific qualifications for the job.

As provided in Civil Service Commission Rule 2.5 and Section 4.55 of the Administrative Code, this specification is descriptive, explanatory and not restrictive. It is not intended to declare what all of the duties, responsibilities, and required qualifications of any position shall be.