



Board Report 20-11

Date: February 18, 2020

To: Board of Deferred Compensation Administration

From: Staff

Subject: Deferred Compensation Plan Projects and Activities
Report: December 2019 and January 2020

Board of Deferred Compensation Administration

John R. Mumma

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Third Provisional Chair

Joshua Geller

Hovhannes Gendjian

Linda P. Le

Lita Payne

Recommendation:

That the Board of Deferred Compensation Administration (Board): (a) receive and file the monthly projects and activities report for December 2019 and January 2020; and (b) approve Hovhannes Gendjian to attend the April 2020 Wharton School Portfolio Concepts and Management Course.

Discussion:

Following are Deferred Compensation Plan (DCP) project and activity updates for December 2019 and January 2020:

A. Regulatory Update

On December 20, 2019, President Trump signed into law the Further Consolidated Appropriations Act, 2020 (H.R. 1865), which included the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019. The SECURE Act includes several changes to rules governing Internal Revenue Code Section 457 retirement programs. Staff has consulted with the DCP's TPA, consultant, and Board counsel and determined that the following provisions of the SECURE Act apply to the DCP:

- A decrease in the voluntary in-service distribution age of 457(b) plans from age 70½ to 59½ (this is optional for plan sponsors – the City's DCP does not presently provide for in-service distributions);
- Penalty-free withdrawals of up to \$5,000 within twelve months from the date of birth or legal adoption of a child (this is optional for plan sponsors to implement);
- An increase in the Required Minimum Distribution (RMD) age from 70½ to 72; and
- Inherited account assets will be required to be withdrawn within ten years of the death of the account owner, with a few exceptions for certain beneficiaries.

DCP staff and the Board’s legal counsel are conducting a comprehensive review of the DCP’s Plan Document. SECURE Act provisions affecting Section 457 plans will be drafted into the revised Plan Document and reviewed by the Plan Governance & Administrative Issues Committee prior to submission for approval by the Board.

Certain provisions of the SECURE Act are mandatory and become effective immediately such as penalty-free withdrawals in case of birth or adoption, the increase of the RMD age to 72, and the modifications to the required distribution rules for designated beneficiaries. Voya, the DCP Third Party Administrator, is already administering mandatory provisions. While these changes are effective immediately, plan sponsors have until December 23, 2023 to formally adopt the new provisions into their plan documents.

B. Training Approval

On December 10, 2019, the Board adopted certain changes to its Training/Education/Travel Policy (Policy). These changes included a requirement that all Board members and staff who wish to attend training as identified in the Training/Travel Program adopted annually by the Board be pre-approved by the Board. The Policy provides, “In reviewing Board member and staff travel, the Board will consider each individual’s role in supporting the Plan, the Plan’s budget for the Training/Travel Program, the value of the training to the Plan, what other training opportunities the individual has attended during the given fiscal year, and any other relevant factors.”

On September 18, 2018, the Board adopted the DCP’s Training Program for FY 2019-20. Included in the training program was the Wharton School investments training. Board member Hovhannes Gendjian expressed interest in attending the training. Through the course of this program year, Mr. Gendjian attended one other external training, the National Association of Governmental Defined Contribution Administrators (NAGDCA) Annual Conference in September of 2018.

The Wharton School Portfolio Concepts and Management course covers core principles of portfolio theory and investment performance measurement. Instruction takes place over 3½ days at the Wharton School in Philadelphia, Pennsylvania. The knowledge gained can assist Board members and staff in the areas of investment performance review, investment provider procurement, and investment menu design.

The per-person cost of attending this training is estimated to be \$7,695 as indicated below:

ITEM	ESTIMATED COST
CONFERENCE REGISTRATION <i>Early-bird Member Cost</i>	\$5,495.00
HOTEL <i>\$291.98 per night x 4; \$255 base rate + taxes at 14.5%</i>	\$1,167.90
AIRFARE	\$600.00
BAGGAGE FEES	\$50.00
AIRPORT PARKING FEES/TRANSPORTATION <i>\$12 x 4</i>	\$48.00
MEALS AND INCIDENTALS <i>\$61 x 3 days full per diem; \$45.75 x2 days prorated per diem</i>	\$274.50
GROUND TRANSPORTATION AT LOCATION	\$60.00
TOTAL ESTIMATE PER ATTENDEE ->	\$7,695.40

As of January 31, 2020, the DCP has spent \$16,201 of the FY 2019-20 travel program budget of \$33,334, leaving \$17,133 for the remainder of the Fiscal Year ending June 30, 2020. There are no other major training expenditures expected for this fiscal year. As a result, staff anticipates total training expenditures will remain within budget. Staff recommends that the Board approve Hovhannes Gendjian to attend the April 2020 Wharton School Portfolio Concepts and Management Course.

C. Communications Updates

- 2020 457(b) Contribution Limits – The Internal Revenue Service announced increased contribution limits for 2020. The table below details the changes:

Limit Type	2019	2020
Below Age 50	\$19,000	\$19,500
Age 50 or Older	\$25,000	\$26,000
Special Catch-Up	\$38,000	\$39,000

The contribution increase was posted to LA457.com and announced via Citywide email, the Personnel Department newsletter, and the DCP’s social media channels.

- Financial Wellness Blog Post – In December, staff posted to LA457.com a blog post encouraging participants to log in to their accounts and utilize the DCP’s Financial Wellness Assessment tool. This resource helps participants evaluate various aspects of their financial lives to determine where they might take action (establish an emergency fund, save more for retirement, purchase insurance, etc.). The post was viewed 829 times and was promoted on the DCP’s social media channels and by the Personnel Department’s monthly newsletter.

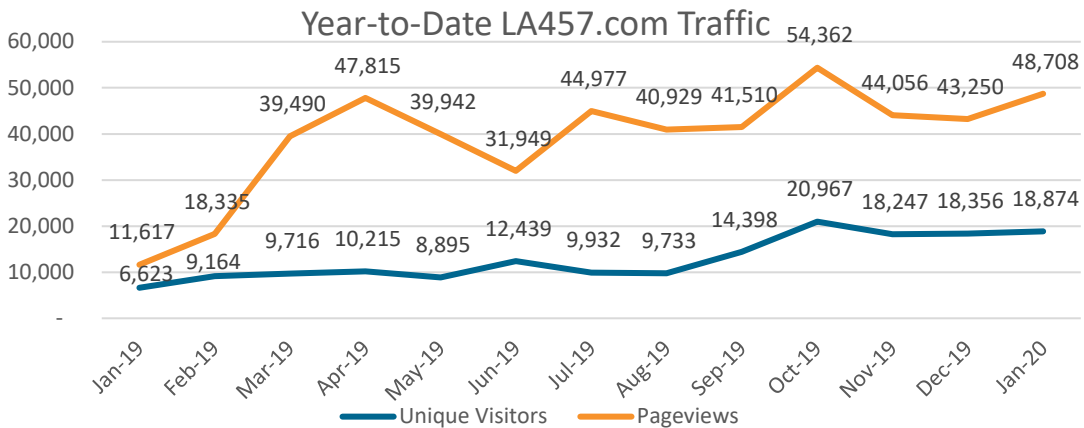


- Employee Assistance Program Resource – In January, staff added a site page and updated the flyer of referrals to the various City Employee Assistance Programs (including those sponsored by the LAWell Civilian Benefits Program, Los Angeles Police Protective League, Unified Firefighters of Los Angeles City, Harbor Department, and DWP). Staff and Voya developed a customer service script incorporating EAP information for participants who inquire about hardship withdrawals.
- Self-Directed Brokerage Account (SDBA) – Voya informed staff that some participants utilizing the SDBA have not maintained the required \$2,500 minimum balance in the DCP’s Core Funds. Staff will be sending communication to these participants requesting they transfer sufficient funds from their SDBA to the Core Funds in order to meet the \$2,500 balance requirement. The communication informs participants that failure to

maintain the minimum balance may result in the DCP restricting new purchases within the SDBA.

- LA457.com** – LA457.com saw 18,356 unique visitors and 43,250 pageviews in December 2019. In January 2020 the site saw 18,874 unique visitors and 48,708 pageviews. The following table provide a review of the top ten website topics accessed by participants during each month. The following chart tracks LA457.com unique visitors and pages viewed since the site was fully rolled out in January 2019.

Top 10 LA457.com Pages in December 2019		Views	Top 10 LA457.com Pages in January 2020		Views
1.	Homepage	35,590	1.	Homepage	41,629
2.	Contribution Limits	1,443	2.	Blog Post: Create a Financial Wellness Plan for the New Year	1,064
3.	Contact Us	791	3.	Contact Us	799
4.	Contributions	723	4.	Join the Plan	383
5.	Percent-of-Pay	654	5.	Contributions	343
6.	Join the Plan	439	6.	Contribution Limits	333
7.	Investment Options	352	7.	Investment Options	333
8.	Loans	286	8.	Board Meeting Materials	302
9.	Board Meeting Materials	248	9.	Percent-of-Pay	296
10.	Your Distribution Options	187	10.	Loans	269



D. National Retirement Security Week Campaign 2019

On October 20, 2019, the DCP launched its 2019 National Retirement Security Week (NRSW) campaign named, “The Best Plans are with Your Friends.” The goal of the campaign was to increase awareness of the DCP and to engage City employees and retirees regarding key areas related to achieving and maintaining retirement income security. Staff and Voya developed a list of retirement-related activities for each of the DCP’s three audiences (active participants, retired participants, and non-participating eligible employees). The participants were asked to log their activities via a short survey to be entered into a gift card drawing. Each activity completed gave the participant an additional contest entry.

The campaign was promoted via postcards, email, promotional video, and social media posts on Instagram and Facebook. During the campaign, 1,029 participants logged a total of 2,320 activities.

Metric	2019	2018
Contest Entrants	1,029	3,264
NRSW Campaign Pageviews	4,734	6,682
Total Account Logins	59,255	39,418
Total Calls Received	2,704	2,563
Enrollments	256	163
Contribution Changes (%)	247	158
Contribution Changes (\$)	1,209	1,161

The activities promoted in the campaign resulted in an overall increase in participant engagement with the DCP. The table to the left compares 2018 and 2019 NRSW engagement metrics. Additionally, the DCP’s social media saw an increase in followers and post “likes” since the campaign. DCP Facebook followers increased from 196 to 436 and Instagram

followers increased from 57 to 254. While the 2019 NRSW campaign did not result in an increase in contest entrants compared to the 2018 campaign, most other areas of engagement increased during this time period, which is the primary objective of the campaign.

E. 2019 DCP Strategic Initiatives Update

Attachment A provides a status review of 2019 DCP Strategic Initiatives as adopted by the Board at its January 15, 2019 meeting. Staff will recommend strategic initiatives for 2020 at the Board’s meeting on March 17, 2020.

F. Staffing

At the Board’s October 15, 2019 meeting, staff provided the Board with information regarding the City’s pending transition of payroll systems. Staff advised the Board that in 2017 the City began the process of seeking a replacement for its custom-built payroll system, PaySR; had selected a new service provider in September 2019; and was expected to launch the conversion/implementation process for the change in payroll systems in 2020. Staff further advised the Board that the PaySR replacement system implementation would be a significant undertaking for the DCP given the important role PaySR plays in communicating eligibility and contribution processing.

The Personnel Department is assembling knowledgeable and expert resources to assist with the City’s conversion efforts. The Employee Benefits Division (EBD) will necessarily be involved with this effort given its three primary programs requiring bi-weekly interfaces with service providers and the City’s payroll systems (the LAwell Civilian Benefits Program, Deferred Compensation Plan, and Pension Savings Plan).

Staff member Daniel Powell has been reassigned within the Personnel Department to support the conversion effort. Mr. Powell will be responsible for, among other duties, overseeing the conversion processes for the EBD’s three programs. His assignment with the payroll system conversion effort is expected to last, minimally, two years.

To provide sufficient resources for the ongoing operation of the DCP, the Personnel Department is in the process of soliciting interest in the position for the purpose of reassigning a replacement for Mr. Powell. This process of replacing Mr. Powell’s position is expected to conclude within the next few weeks. Mr. Powell is expected to continue supporting the DCP on a part-time basis over the next few months until such time as his replacement is capable of assuming the primary duties of the position.

The following table provides a summary of staff positions supporting the DCP.

Position Authority	Incumbent Class	Function	Est. Percent Reimbursed by DCP	Staff Member
Personnel				
Chief Personnel Analyst	Chief Personnel Analyst	Executive Director	20%	Steven Montagna
Senior Personnel Analyst II	Senior Management Analyst II	Plan Governance	30%	Jenny Yau
Senior Personnel Analyst I	Senior Personnel Analyst I	Plan Administration	100%	Daniel Powell
Management Analyst	Personnel Analyst	Communications	90%	Anna Ancheta
Management Analyst	Personnel Analyst	Operations	90%	Mindy Lam
Benefits Specialist	Benefits Specialist	Participant Services	90%	Claudia Guevara
Administrative Intern I	Vacant	Participant Research	100%	Vacant
City Attorney				
Assistant City Attorney	Assistant City Attorney	Board Counsel	25%	Curtis Kidder
Legal Assistant	Legal Assistant	Participant Legal Services	40%	Vicky Williams

G. Committee Assignments

Following are the current Committee rosters as designated by the Board Chairperson:

Plan Governance & Administrative Issues Committee	Investments Committee	Participant Engagement Committee	Ad Hoc Committee on DCP Autonomy
John R. Mumma, Chair	Raymond Ciranna, Chair	Wendy Macy, Chair	John R. Mumma, Chair
Joshua Geller	Hovhannes Gendjian	Joshua Geller	Thomas Moutes
Wendy Macy	Thomas Moutes	Hovhannes Gendjian	Raymond Ciranna
Thomas Moutes	Lita Payne	Lita Payne	Joshua Geller

H. Upcoming Board Meetings

Following is a review of upcoming Board meeting agenda items:

Meeting Date	Proposed Agenda Items
<i>March 17, 2020</i>	<ul style="list-style-type: none"> • TPA Quarterly Review as of December 31, 2019 • Board Report: TPA Contract Extension Options • Board Report: 2020 DCP Strategic Initiatives • Board Report: 2020 Budget Adoption • Board Report: NAGDCA Benchmarking Project • Board Report: DCP Plan Projects & Activities Report: February 2020
<i>April 21, 2020</i>	<ul style="list-style-type: none"> • Board Report: Quarterly Reimbursements, 4Q 2019 • Board Report: 2020 Communications Plan • Board Report: DCP Plan Projects & Activities Report: March 2020
<i>May 19, 2020</i>	<ul style="list-style-type: none"> • Deferred Compensation Plan Annual Report 2019 • Board Report: DCP Plan Projects & Activities Report: April 2020

I. Upcoming Committee Meetings

Committee	Meeting Date	Agenda
Ad Hoc Committee on DCP Autonomy	February 2020	<ul style="list-style-type: none"> • Discussion of trustee designation, roles, and responsibilities
Participant Engagement	March 2020	<ul style="list-style-type: none"> • 2020 Communications Plan

J. Meeting Calendar

To assist the Board in planning for upcoming meetings, staff developed a meeting calendar for the 2020 calendar year (**Attachment B**). The meeting calendar includes anticipated reports from staff and presentations from the DCP TPA, investment consultant, and investment providers. The calendar provides for a consolidated special meeting date of December 8, 2020, in place of the regular November and December meeting dates. The calendar is subject to change based on Board member availability.

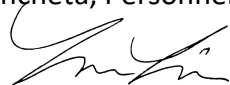
K. Plan Administration Quarterly Review: Q3 2019

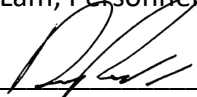
Due to cancellation of the regular Board meeting of January 21, 2020, staff has attached the Plan Administration Quarterly Review for the third quarter of 2019, prepared by Voya, to this monthly projects and activities report (**Attachment C**). Discussion of data in this report will be incorporated into review of the fourth quarter 2019 report to be presented at the Board's regular meeting of March 17, 2020.


L. Meeting Materials and Sustainability

The Personnel Department is taking steps to reduce paper waste in connection with the Mayor's Green New Deal and Sustainable City pLAN. To that end, DCP staff will avoid printing excess meeting materials beyond what is needed. Staff will work with individual Board members to identify their preferences for electronic vs. print materials and confirm delivery preferences. In addition, a smaller number of extra full copies will be made available at meetings.

Submitted by: 
Anna Ancheta, Personnel Analyst


Mindy Lam, Personnel Analyst


Daniel Powell, Senior Personnel Analyst I

Reviewed by: 
Jenny M. Yau, Senior Management Analyst II

Approved by: 
Steven Montagna, Chief Personnel Analyst

2019 DCP Strategic Initiatives

1. Implement Strategies to Achieve Goals for Core Participant Outcomes

This project has been completed. See final fiscal year update in Board Report 19-28.

2. Conduct Annual DCP Long-Term Revenue and Expenses Review

This project was completed on February 19, 2019, and addressed in Board Report 19-07.

3. Expand Automatic Enrollment Program (AEP) Participation

At its June 18, 2019, meeting, the Board approved staff's recommendation to convene a meeting with City labor organizations to gather feedback and gauge interest in the AEP. Once the meeting takes place, staff will provide an update to the Board.

4. Complete Investment Manager Searches

Staff and Mercer have completed the significantly revised Investment Manager Request for Proposal (RFP). The new draft of the RFP reduces the number of questions asked of bidders (in instances where the information is already provided within Mercer's database) and expands the institutional product search to span all mandates. The revised Investment Manager and Stable Value Fund RFPs were reviewed by the City Attorney's Office and by the Investment Committee's meeting on January 14, 2020; recommendations from the Investment Committee are agendaized for the Board's February 18, 2020 meeting.

5. Conduct Financial Audit

The draft Professional Services Agreement with Crowe, LLP is near completion with an expected execution date in the first quarter of 2020. Commencement of audit services is expected to begin immediately afterward.

6. Conduct Plan Document Review

The Plan Document has been reviewed both by Segal Consulting, the DCP's consultant for administrative concerns, and Ice Miller, outside tax counsel for the DCP. DCP and City Attorney staff met regularly to review comments from both firms and to conduct a comprehensive review of the entire document. Through the review sessions, DCP and City Attorney staff are ensuring all language in the Plan Document is consistent with the Los Angeles Administrative Code, applicable state law (including the State of California Probate Code), and best practices related to DCP administration. Staff is also seeking to clarify roles and responsibilities of Board members and Personnel staff in administration of the DCP. Six review sessions occurred between August 2019 and January 2020 and will

continue through the first quarter of 2020. This review will incorporate provisions of the SECURE Act affecting the DCP. The review is nearly complete and the revised Plan Document is expected to be presented to the Plan Governance & Administrative Issues Committee in the second quarter of the year.

7. Conduct Deemed IRA Review

At its June 18, 2019 meeting, the Board reviewed Board Report 19-21 providing a review of the Deemed IRA option. Staff will continue to work with the City Attorney and outside tax counsel to develop a detailed set of Deemed IRA design features for consideration by the Board.

8. Conduct Investment Advisory and Financial Education Services Review

Staff's report detailing its findings was presented to the Plan Governance & Administrative Issues Committee at its November 26, 2019 Board meeting. Staff and the Committee's recommendation to issue a Request for Information (RFI) for both services was approved by the Board at its December 10, 2019 meeting. A draft of the RFI for review by the Board is agendaized for the Board's February 18, 2020 meeting.

9. Develop 2019 Strategic Communications Plan

The Participant Engagement Committee met on October 31, 2019 to participate in a communications workshop facilitated by Segal. The workshop detailed best practices as they relate to retirement communications and how to implement key principles of behavioral finance. It is anticipated a 2020 strategic communications plan incorporating these strategies will be presented to the Committee in the second quarter of the year.

Attachment B

BOARD 2020 MEETINGS CALENDAR		
Meeting Date	Agenda Item	Service Provider Presentation
March 17, 2020	Board Report: Quarterly Reimbursements, Q4 2019	TPA Quarterly Review (Q4 2019)
	Board Report: 2020 DCP Strategic Initiatives	
	Board Report: TPA Contract Extension Options	
	Board Report: 2020 Budget Adoption	
	Board Report: NAGDCA Benchmarking Project	
	Board Report: 2020 Communications Plan	
	Board Report: DCP Plan Projects & Activities Report: February 2020	
April 21, 2020	Deferred Compensation Plan Annual Report 2019	
	Board Report: DCP Plan Projects & Activities Report: March 2020	
May 19, 2020	Board Report: 2020 National Retirement Security Week	Quarterly Investment & Economic Review (Q1 2020)
	Board Report: DCP Plan Projects & Activities Report: April 2020	Investment Manager Presentation
June 16, 2020	Board Report: Review of Financial Education and Investment Advisory Services RFP Results	TPA Quarterly Review (Q1 2020)
	Board Report: Training-Travel FY 20/21	
	Board Report: Quarterly Reimbursements Q1 2020	
	Board Report: DCP Plan Projects & Activities Report: May 2020	
July 21, 2020	Board Report: FY 2020-21 DCP Goals and Metrics Adoption	
	Board Report: 2020 Election Results	
	Board Report: DCP Plan Projects & Activities Report: June 2020	
August 18, 2020	Board Report: Quarterly Reimbursements, Q2 2020	Quarterly Investment & Economic Review (Q2 2020)
	Board Report: DCP Plan Projects & Activities Report: July 2020	Investment Manager Presentation
September 15, 2020	Board Report: FY 2021-22 Training/Travel Budget	TPA Quarterly Review (Q2 2020)
	Board Report: DCP Plan Projects & Activities Report: August 2020	
October 20, 2020	Board Report: NAGDCA Conference Review	
	Board Report: DCP Plan Projects & Activities Report: September 2020	
December 8, 2020 <b style="color: red;">Special Meeting Date	Board Report: DCP Revenue and Expense Review	Quarterly Investment & Economic Review (Q3 2020)
	Board Report: Quarterly Reimbursements, Q3 2020	Investment Manager Presentation
	Board Report: NRSW Campaign Results	
	Board Report: DCP Plan Projects & Activities Report: October and November 2020	