



Board Report 21-07

Date: January 19, 2021
To: Board of Deferred Compensation Administration
From: Staff
Subject: Deferred Compensation Plan Projects and Activities
Report: December 2020

Board of Deferred Compensation Administration
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Discussion:

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

A. Operations and Project Updates

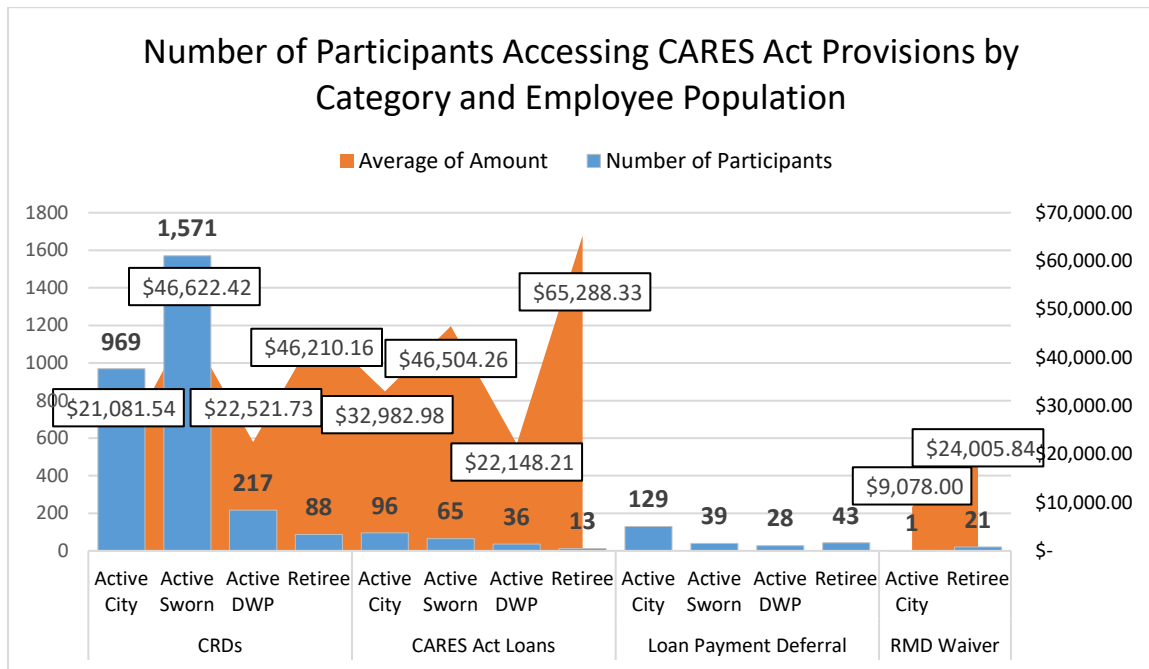
- Coronavirus Aid, Relief, and Economic Security (CARES) Act Update – As of December 31, 2020, Voya received 4,327 calls related to the CARES Act and processed 3,316 applications from DCP participants accessing the CARES Act distribution, loans, and Required Minimum Distribution (RMD) provisions.* CARES Act transactions processed to-date are as follows:
 - 1) Coronavirus-Related Distributions (CRDs) – 2,845 participants; \$102.63 million total; \$36,072 average/participant.
 - 2) CARES Act Loans – 210 participants; \$7.8 million total; \$37,310 average/participant.
 - 3) Loan Payment Deferral – 239 participants.
 - 4) RMD Waiver – 22 participants suspended installment payments, and 5 participants returned funds previously taken out as an RMD.

**Updated data provided by DCP Third-Party Administrator, Voya as of 12/31/20.*

As previously reported to the Board, no additional federal legislation was enacted to extend CARES Act provisions as they apply to Section 457 plans. Accordingly, each of the CARES Act provisions adopted by the Board at its April 27, 2020 meeting terminated at the end of December 2020 as follows. Staff also helped to communicate these year-end deadlines to participants via Citywide email and on LA457.com.

- 1) CRDs – The Board adopted CRDs of up to \$100,000 for qualified individuals in accordance with Section 2202 of the CARES Act. The CARES Act allowed for CRDs to be taken between January 1, 2020 and December 31, 2020.
- 2) CARES Act Loans – The Board adopted an increased loan limit of up to \$100,000 for loans made to qualified individuals in accordance with Section 2202 of the CARES Act. The CARES Act allowed these loans to be made to qualified individuals between March 27, 2020, and September 22, 2020.
- 3) Loan Payment Deferral – The Board also adopted an extension of loan repayment periods for qualified individuals in accordance with Section 2202 of the CARES Act. The CARES Act allowed for loan repayments to be delayed by one year for any qualified individual who (1) had an outstanding participant loan balance on or after March 27, 2020, and (2) had loan payments due from March 27, 2020 through December 31, 2020.
- 4) RMD Waiver – Under the CARES Act, RMDs were temporarily suspended in calendar year 2020 and will resume in calendar year 2021.

The number of DCP participants who accessed the CARES Act provisions, including the average amount of CRDs and CARES Act loans in calendar year 2020 is illustrated in the following chart broken out by CARES Act category and DCP participant type.



- **Human Resources and Payroll (HRP) Project Update** – As previously reported to the Board at its last meeting, the City is currently working with new service provider, Workday to implement a new payroll system to replace the City’s current payroll system, PaySR. The proposed timeline to go live with the new payroll system is January 2022. DCP staff continues to work closely with the HRP project team from Workday and the Personnel Department to support the successful transition of DCP eligibility and contribution

processing to the new payroll system. In December 2020, staff began discussions with the HRP project team on potential enhancements to manual DCP-related payroll processes that are currently performed in PaySR. Ongoing meetings will continue through January to determine if these manual processes can be automated in the new payroll system. Additionally, staff is working with Voya and the HRP team to finalize the file layout requirements for the inbound payroll file from Voya to the new payroll system (contributions and loans processing) and outbound census file from the new payroll system to Voya (eligibility data). These requirements will be configured and confirmed through unit testing in the coming months. Staff will continue to provide the Board with an update on the status of the HRP project in the monthly projects and activities report.

B. Communications Updates

- 2021 457(b) Contribution Limits – The Internal Revenue Service announced 2021 contribution limits will remain the same as 2020 contribution limits. The table below shows the current 2021 limits (no change from 2020):

Limit Type	2020	2021
Below Age 50	\$19,500	\$19,500
Age 50 or Older	\$26,000	\$26,000
Catch-Up	\$39,000	\$39,000

The 2021 contribution limits were posted to LA457.com and announced via Citywide email and the Personnel Department’s December 2020 newsletter.

- Self-Directed Brokerage Account (SDBA) – Earlier this year, staff reported to the Board that some participants utilizing the SDBA had not maintained the required \$2,500 minimum balance in the DCP’s Core Funds. Staff indicated they would work with Voya to send a communication to these participants to request that they transfer sufficient funds from their SDBA to the Core Funds to meet the \$2,500 balance requirement and that failure to maintain the minimum balance would result in the DCP taking appropriate action such as selling securities and transferring available cash into the Core Funds to meet the minimum balance requirement.

On July 31, 2020, Voya mailed a letter to 569 participants who had a core balance less than the \$2,500 minimum balance requirement. Subsequently, a reminder letter was sent to these participants on August 20, 2020 requesting the participant transfer funds prior to September 1, 2020. Of the 569 participants, 303 participants took action to transfer sufficient funds from their SDBA to the Core Funds to meet the minimum balance requirement. The local retirement counselors placed calls to 215 of the remaining 266 participants (51 participants did not have phone numbers on file) who did not take any action from the first two letters. On October 1, 2020, Voya mailed a final letter to 185 participants who had taken no action as a result of the prior communication attempts.

Out of the 185 participants, 81 took action and transferred funds to meet the minimum balance requirement. Of the remaining 104 participants, 88 had sufficient liquid cash available to transfer to the Core Funds to meet the minimum balance requirement. These transfers were completed on December 30, 2020. Staff is currently working with Voya on addressing the remaining 16 participants who do not have liquid cash available to transfer and will provide the Board with an update at its next meeting.

- National Retirement Security Month (NRSM) Targeted Mail Campaign – As previously reported to the Board at its September 15th meeting regarding strategies for achieving FY 2020-21 participant goals and outcomes, staff will conduct mail and email campaigns throughout the fiscal year targeted at different categories of employees who are eligible for but not enrolled in the DCP. As part of this year’s 2020 NRSM campaign, staff was able to identify different types of entrants participating in the campaign, including those individuals who took the NRSM quiz but are not currently enrolled in the DCP. On December 15th, staff worked with Voya to conduct a targeted campaign directed towards these entrants and mailed an enrollment postcard and promotional materials to 362 entrants to thank them for participating in the campaign and encouraging them to join the DCP. Staff will report back to the Board on the outcome of this targeted campaign.
- Zoom with the DCP Virtual Meetings – As previously reported to the Board, one of the strategies staff proposed for achieving FY 2020-21 participation goals and outcomes is to conduct DCP virtual meetings. As all in-person appointments and front counter services are cancelled until further notice, staff launched “Zoom with the DCP” virtual meetings for employees to interact with the local retirement counselors via Zoom. During these sessions, the local retirement counselors are available to provide education on various DCP topics and also discuss step-by-step instructions on how to enroll in the DCP.

Staff worked with the local retirement counselors and developed a Zoom with the DCP virtual meetings schedule. The virtual meetings are held on the third Wednesday of every month from 12 noon to 1:00 pm. The schedule also includes virtual meetings for employees participating in the Separation Incentive Program (SIP) occurring on the first Tuesday of every month from 12 noon to 1:00 pm. Staff is now able to utilize custom reports generated by Zoom to report attendance numbers. Attendance at the December 2020 virtual meetings, including updated attendance numbers for the prior meetings are provided in the chart below.

Topic	Date	Attendance
SIP Q&A	October 21, 2020	24
SIP Q&A	November 3, 2020	51
Pre-tax vs After-Tax Roth	November 18, 2020	118
SIP Q&A	December 1, 2020	63
Percent-of-Pay Contributions	December 16, 2020	132

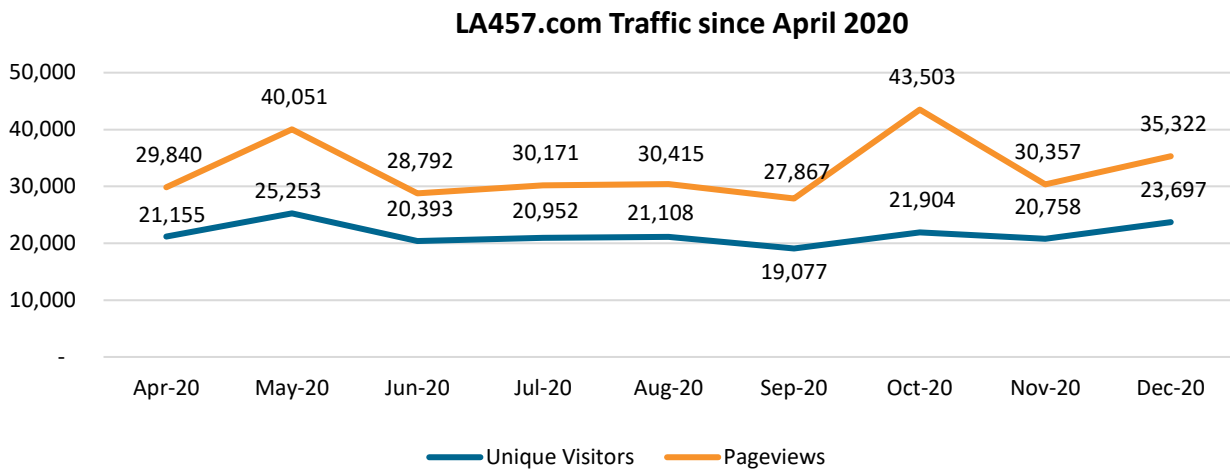
Upcoming 2021 meeting session topics include Investment Options and All About Loans. Staff will continue to monitor attendance and feedback from the virtual meetings and adjust the calendar accordingly, if necessary.

- LA457.com Engagement Statistics: December 2020

December 2020 – LA457.com saw 23,697 unique visitors and 35,322 pageviews. The table on the right provides a review of the top ten website topics accessed by participants during the month.

Top 10 LA457.com Pages in December 2020		Views
1.	Home	24,717
2.	Retirement Counselor Calendar	1,265
3.	Contact Us	1,151
4.	Contributions	783
5.	CARES Act Provides Economic Relief to Deferred Compensation Plan Participants	684
6.	Board Meeting Materials	588
7.	Contribution Limits	587
8.	Considering the City of Los Angeles Separation Incentive Program?	508
9.	Your Distribution Options	405
10.	Investments Committee Materials	389

The following chart tracks LA457.com unique visitors and pages viewed since April 2020.



C. 2020 DCP Strategic Initiatives Update

Attachment A provides a status review of 2020 DCP Strategic Initiatives as adopted by the Board at its May 19, 2020 meeting.

D. Other Informational Updates

Voya Financial Advisors and SEC – Staff recently became aware of a settlement involving the Securities and Exchange Commission (SEC) and Voya Financial Advisors (VFA), a wholly owned

subsidiary of Voya Financial. This matter involves VFA retail client accounts only. The matter does not involve Voya Financial's investment management or retirement plan services or clients. In addition, VFA does not provide retail services to the City's DCP. Although this matter is unrelated to the services provided by Voya Financial to the DCP, staff is providing a review to the Board for the Board's information.

The issue primarily concerns receipt of 12b-1 fees, revenue sharing from money market funds in advisory sweep accounts, and the selection of commission-based share classes instead of advisory, non-commissioned share classes for certain illiquid alternative investments (such as non-traded real estate investment trusts). Following are key points:

- "12b-1" fees are fees paid out of mutual fund assets to pay for certain costs of distribution, such as marketing costs, and/or shareholder service costs. 12b-1 fees get their name from the SEC rule that authorizes mutual funds to charge these types of fees.
- Since 2013, the SEC has been concerned about the practice of investment advisors placing their clients into mutual fund share classes charging 12b-1 fees when lower-cost share classes were available, without providing sufficient disclosure of the availability of lower cost share class. In 2018, the SEC announced a self-disclosure initiative (SCDI) under which it invited investment adviser firms to disclose their 12b-1 practices and disclosure to the SEC, in exchange for certain favorable settlement terms. As a result of the SCDI initiative, more than 79 investment advisor firms reached a settlement with the SEC. Because VFA was already under enforcement (meaning working with the SEC) on this matter when the SCDI initiative was announced, it was not allowed to participate in the SCDI initiative.
- Additional firms resolved 12b-1 matters with the SEC outside of the SCDI initiative. The SEC's overall initiative on 12b-1s and disclosure has involved more than 110 firms that have paid out over \$150 million to customers.
- Terms of VFA's settlement include (1) returning certain fee amounts to customers, including interest; (2) paying a civil penalty to the SEC; and (3) retaining an independent compliance consultant in accordance with strict SEC selection guidelines for those consultants.
- VFA's actions also included removing any share classes that would generate 12b-1 fees from funds that would be recommended by its advisors.

As noted previously, this matter did not involve Voya Financial's retirement plan clients, such as the City's DCP, and was limited to advisory services provided to retail clients. In addition, even if it had involved retirement plans, the City does not contract with VFA for advisory services. It should also be noted that the City's DCP does not engage in revenue sharing for any of its investment funds, unlike some governmental plans which do use revenue sharing to offset administrative expenses.

E. Staffing

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	40%	Jenny Yau
Senior Personnel Analyst I	Senior Personnel Analyst I	Plan Administration	100%	Vacant
Management Analyst	Management Assistant	Communications	100%	Eric Lan
Management Analyst	Personnel Analyst	Operations	100%	Mindy Lam
Benefits Specialist	Benefits Specialist	Participant Services	100%	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

F. Committee Assignments

Following is the current Committee roster as designated by the Board Chairperson:

Plan Governance & Administrative Issues Committee	Investments Committee	Participant Engagement Committee	Ad Hoc Committee on DCP Autonomy
Joshua Geller, Chair	Raymond Ciranna, Chair	Neil Guglielmo, Chair	Thomas Moutes, Chair
Hovhannes Gendjian	Joshua Geller	Joshua Geller	Raymond Ciranna
Linda T. Ikegami	Hovhannes Gendjian	Hovhannes Gendjian	Joshua Geller
Thomas Moutes	Neil Guglielmo	Baldemar J. Sandoval	Neil Guglielmo

G. Upcoming Board Meetings


Following is a review of upcoming Board meeting agenda items:

Meeting Date	Proposed Agenda Items
February 16, 2021	<ul style="list-style-type: none"> Financial Education and Investment Advisory Services Provider Presentation – GuidedChoice Quarterly Investment and Economic Review – Fourth Quarter 2020 Board Report: Fiduciary Liability Insurance Options Board Report: Quarterly Staffing Reimbursements – Fourth Quarter 2020 Board Report: DCP Plan Projects & Activities Report: January 2021
March 16, 2021	<ul style="list-style-type: none"> Third-Party Administrator (TPA) Quarterly Review – Fourth Quarter 2020

	<ul style="list-style-type: none">• Board Report: Proposed Board Meeting Training• Board Report: Request for Proposal – DCP Investment Consulting Services• Board Report: DCP Plan Projects & Activities Report: February 2021
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H. 2021 Meeting Calendar

To assist the Board in planning for upcoming meetings, staff developed a meeting calendar for the 2021 calendar year (**Attachment B**). The meeting calendar includes anticipated reports from staff and presentations from the DCP TPA, investment consultant, and investment providers. The schedule also includes proposed investment manager presentations resuming in July 2021. Investment manager presentations were put on hold as the Board is currently undergoing a procurement for the Stable Value Fund and each of the DCP’s unique investment manager mandates. Once the Board’s investment manager search processes and selections are concluded, presentations will be renewed for the latter half of 2021. Lastly, the calendar provides for a consolidated special meeting date of December 14, 2021, in place of the regular November and December meeting dates. The calendar is subject to change based on Board member availability.

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

Approved by: 
Steven Montagna, Chief Personnel Analyst

2020 DCP Strategic Initiatives

1. Review and Update the Board’s Election Policies and Procedures

Completed. This project was completed in December 2020. Staff and the Plan Governance and Administrative Issues Committee’s recommendations were addressed in Board Report 20-46.

2. Adopt Updated Fiscal Year (FY) 2020-21 Participant Goals and Outcomes

Completed. This project was completed in October 2020. Staff’s analysis and recommendations for FY 2020-21 participant goals and outcomes were addressed in Board Reports 20-33 and 20-41.

3. Design Participant Survey

In process. Staff developed an option for surveying DCP participants using an approach involving shorter and ongoing outreach for participant feedback. The proposed survey approach including the type of information to be solicited from participants and its connection with participant goals and outcomes was addressed in Board Report 20-33. Staff is now developing draft surveys and will present those to the Board at an upcoming meeting.

4. Create Defined Contribution Plan Manager Classification

Completed. This project was completed in October 2020. The recommendations of the Ad Hoc Committee on DCP Autonomy were presented in Board Reports 20-39 and 20-40.

5. Complete Investment Manager Searches

In process. The status of the Stable Value Fund Investment Management Services Request for Proposal (RFP) is addressed in Board Report 21-01. The Investment Management Services RFP was released to the vendor community on August 17, 2020 with a deadline for proposers to submit a response by October 1, 2020. Staff received proposals from 65 firms. All proposals were determined to have passed the City’s general contracting requirements compliance review. Staff is working with Mercer and will schedule ongoing meetings of the Investments Committee in 2021 to evaluate proposals for each of the DCP’s unique investment manager mandates.

6. Complete Plan Document Review

In process. On April 17, 2018, the Board referred review of the Plan Document to the Plan Governance and Administrative Issues Committee (Committee). The intention of this review was not merely to incorporate regulatory updates, but to conduct a comprehensive update and review to ensure it is consistent with applicable law, regulation, and administrative

processes. Eight review sessions occurred between August 2019 and May 2020. In addition to staff and City Attorney review, the draft has also been reviewed by outside tax counsel Ice Miller and the DCP Third-Party Administrator (TPA) Voya. The Plan Governance & Administrative Issues Committee (Committee) met on January 14, 2021 to review the proposed updates to the Plan Document. Upon final action by the Committee, the revised Plan Document will be brought back to the Board for its consideration and adoption.

7. Initiate DCP Financial Audit

In process. The contract with Crowe LLP was executed on December 18, 2020. On January, 6, 2021, staff met with Crowe LLP staff to discuss a proposed plan for initiating the financial audit. An update on the status of this project is provided in Board Report 21-03.

8. Complete an Investment Advisory and Financial Education Services Review

In process. Staff's evaluation of the responses to the Request for Information (RFI) for financial education and/or investment advisory services is addressed in Board Reports 20-34 and 20-38. A presentation by one of the firms, GuidedChoice that submitted a response to the RFI is scheduled for the Board's February 16, 2021 meeting.

9. Expand Automatic Enrollment Program (AEP) Participation

In process. Staff has developed a discussion document for the City's labor organizations with respect to designing a supplementary optional AEP model. Under this option, labor organizations could elect a model providing for a higher default contribution rate, higher and faster auto escalation of the contribution rate, and/or applying automatic enrollment to current non-participating employees (not just new hires). Staff will work with the Board's Labor Representative on the timing of engaging labor organizations on this topic.

10. Develop a Strategic Communications Plan

In process. In connection with designing the participant survey, staff is also working on developing a strategic communications plan to serve as a long-term plan for delivering effective and coordinated DCP messaging with the ultimate goal of increasing employee participation, engagement, awareness, and satisfaction. Staff will schedule review of the draft plan by the Participant Engagement Committee prior to bringing it to the full Board.

11. Conduct Deemed IRA Review

Completed. At its June 18, 2019 meeting, the Board reviewed Board Report 19-21 providing a review of the Deemed IRA option. Staff worked with the City Attorney and outside tax counsel to develop a detailed set of Deemed IRA design features for consideration by the Board. Staff's review and analysis is addressed in Board Report 20-45.

ATTACHMENT B

2021 DCP BOARD MEETINGS CALENDAR		
Meeting Date	Agenda Item	Service Provider Presentation
March 16, 2021	Board Report: Proposed Board Meeting Training	TPA Quarterly Review (Q4 2020)
	Board Report: Request for Proposal – DCP Investment Consulting Services	
	Board Report: DCP Plan Projects & Activities Report: February 2021	
April 20, 2021	Deferred Compensation Plan 2020 Annual Report	N/A
	Board Report: Participant Survey Plan	
	Board Report: DCP Plan Projects & Activities Report: March 2021	
May 18, 2021	Board Report: Quarterly Reimbursements – Q1 2021	Quarterly Investment & Economic Review (Q1 2021)
	Board Report: DCP Communications Strategic Plan	
	Board Report: DCP Plan Projects & Activities Report: April 2021	
June 15, 2021	Board Report: Training/Travel FY 2021/22	TPA Quarterly Review (Q1 2021)
	Board Report: Filings of Statements of Economic Interest and Related Requirements	
	Board Report: DCP Plan Projects & Activities Report: May 2021	
July 20, 2021	Board Report: FY 2021-22 DCP Participant Goals and Strategies	Investment Manager Presentation
	Board Report: 2021 Board Election Results	
	Board Report: DCP Plan Projects & Activities Report: June 2021	
August 17, 2020	Board Report: Quarterly Reimbursements – Q2 2021	Quarterly Investment & Economic Review (Q2 2021)
	Board Report: DCP Plan Projects & Activities Report: July 2021	
September 21, 2021	Board Report: FY 2022-23 Training/Travel Budget	TPA Quarterly Review (Q2 2021)
	Board Report: NRSM 2021 Campaign	
	Board Report: DCP Plan Projects & Activities Report: August 2021	
October 19, 2021	Board Report: Deemed IRA Investment Menu Options	Investment Manager Presentation
	Board Report: DCP Plan Projects & Activities Report: September 2021	
December 14, 2021 Special Meeting Date	Board Report: 2022 DCP Resource Review	Quarterly Investment & Economic Review (Q3 2021)
	Board Report: Quarterly Reimbursements – Q3 2021	
	Board Report: NRSM 2021 Campaign Results	
	Board Report: DCP Plan Projects & Activities Report: October and November 2021	