



Board Report 21-29

Date: May 18, 2021
To: Board of Deferred Compensation Administration
From: Staff
Subject: Deferred Compensation Plan Projects and Activities Report: April 2021

Board of
Deferred Compensation
Administration

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Discussion:

Following are Deferred Compensation Plan (DCP) project and activity updates for April 2021:

A. Operations and Project Updates

- **Fiduciary Responsibilities and Investment Policy Statement (Fiduciary/IPS) Trainings** – The DCP’s Training Policy requires Fiduciary/IPS training to be completed every three years. The next group Fiduciary/IPS training to be provided by the City’s consultants will be scheduled for the third quarter of 2021 and will need to be completed by December 31, 2021 for anyone not participating in the group event. Board member(s) not able to attend the meeting shall be provided with a recording of the training and required to inform staff of their completion of the training by the end of the calendar year. Staff shall also be required to complete these trainings.
- **Fiscal Year (FY) 2021-22 Budget and Citywide Hiring Process Update** – The Mayor’s FY 2021-22 Proposed Budget was released on April 20, 2021. The Proposed Budget included the following DCP-related items:
 - Continuing the Defined Contribution Plan Manager resolution authority position.
 - Realigning funding for all of the positions supporting the DCP (one Defined Contribution Plan Manager, one Senior Personnel Analyst I, two Management Analysts, and one Benefits Specialist) from the General Fund to the Deferred Compensation Plan Trust Fund. As previously reported to the Board, all DCP analyst positions will be reallocated to Benefits Analyst and Senior Benefits Analyst. The reallocation of these positions is expected to be completed within the next month. As funding is now provided directly by the DCP Trust Fund instead of the General Fund, staff will also work with the Personnel Department’s Accounting section to ensure

proper protocols are implemented for accounting and reconciling the funding provided in the budget for the DCP staff positions.

Staff also consulted with the Office of the City Administrative Officer (CAO) regarding the status of the Citywide hiring process. As previously reported to the Board, the CAO advised that as part of the second Financial Status Report (FSR), the Mayor and the Council approved a temporary Citywide moratorium on hiring and promotions on December 21, 2020. The moratorium suspended the current hiring freeze exemption request process overseen by the Managed Hiring Committee (MHC). As part of the third (Mid-Year) FSR, the CAO recommended and the Mayor and the Council subsequently approved reinstating the hiring freeze exemption process overseen by the MHC to allow departments to request approval to hire and promote staff into positions that are essential to public safety, legally mandated, revenue generating, or fully special funded, subject to the availability of funding. The CAO further advised that revisions to the Citywide hiring process may be made as budget hearings are currently in process and additional instruction regarding hiring will most likely be made available once the FY 2021-22 budget is adopted in mid-June.

B. Communications Updates

- **First Quarter 2021 Statements and April 2021 Newsletter** – DCP participant statements for the first quarter of 2021 (three-month period beginning January 1, 2021 and ending March 31, 2021) and the April 2021 newsletter were mailed to DCP participants on April 29, 2021. Participants who elected electronic delivery were sent an email notification on April 23, 2021, informing them that their individual statement and the April 2021 newsletter were available to view and download via the Voya participant website.
- **Beneficiary Inheritance Guide** – Staff worked with Voya to develop a comprehensive beneficiary inheritance guide for DCP participants (**Attachment B**). The user-friendly guide outlines the steps for settling the account of a deceased participant and will be a valuable resource for DCP participants and their beneficiaries. Staff plans to communicate the availability of this new resource via the LA457.com website, social media, and both the DCP quarterly and the Personnel Department’s monthly newsletters.
- **DCP Historical Statements** – As part of the transition of Third-Party Administrator duties from former provider Empower to new provider Voya, a custom data conversion service was developed to transfer all of the Empower quarterly statements (dating back to July 1999) to Voya so that they could be accessible to DCP participants. The logistics involved with accomplishing this were more complicated than anticipated, with older records not being transferred until recently. However, the process has now been completed and all DCP participants have access to their historical quarterly statements dating back (as applicable) to July 1999. This effort assists DCP participants in conveniently maintaining their historical data, supports the environmental and convenience benefits of paperless

statements, and provides ready access in particular for participants involved in divorce proceedings who may need this information in connection with community property settlements.

- **Money Matters Zoom Virtual Meetings** – In October 2020, staff launched “Money Matters” virtual meetings for employees to interact with DCP local retirement counselors via Zoom. During these sessions, local retirement counselors provide education on various DCP topics and answer participant questions.

Specialized Separation Incentive Program (SIP) meetings are held on the first Tuesday of every month from 12 noon to 1:00 pm and general DCP information virtual meetings are held on the third Wednesday of every month from 12 noon to 1:00 pm. Staff also added a new Enrollment virtual meeting targeted at eligible but not participating employees. Attendance for the April virtual meetings is provided in the chart below:

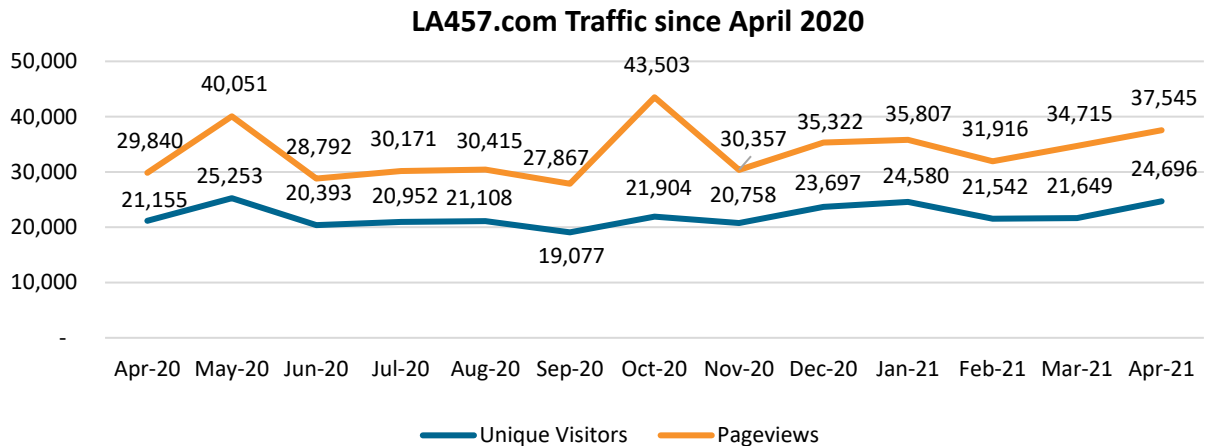
Topic	Date	Attendance
SIP Q&A	April 6, 2021	12
Updating Beneficiaries	April 21, 2021	16
DCP Enrollment	April 28, 2021	41

- **LA457.com Engagement Statistics: April 2021**

LA457.com saw **24,696** unique visitors and **37,545** pageviews. The table to the right provides a review of the top ten website topics accessed by participants during the month.

Top 10 LA457.com Pages in April 2021	Views
1. Home	28,929
2. Contact Us	938
3. FAQs	724
4. Contributions	648
5. Join the Plan	620
6. Retirement Counselor Calendar	542
7. Board Meeting Materials	538
8. Investments Committee Materials	355
9. 2021 Elections	353
10. Your Distribution Options	321

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



C. 2021 DCP Strategic Initiatives Update

Attachment A provides a status review of 2021 DCP Strategic Initiatives as adopted by the Board at its January 19, 2021 meeting.

D. 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 Benefits Analyst II	Plan Governance	40%	Jenny M. Yau
Senior Management Analyst I	Vacant	Plan Administration	100%	Vacant
Management Analyst	Management Assistant	Communications	100%	Eric Lan
Management Analyst	Benefits Analyst	Operations	100%	Mindy Lam
Benefits Specialist	Benefits Specialist	Participant Services	100%	Claudia Guevara
DCP Intern	DCP Intern	Participant Research	100%	Rose Helen Moore
City Attorney				
Assistant City Attorney	Assistant City Attorney	Board Counsel	25%	Curtis Kidder
Legal Assistant	Legal Assistant	Participant Legal Services	40%	Vicky Williams

E. Committee Assignments

As a reminder, Committee openings, particularly for the Plan Governance and Administrative Issues Committee, have been created by recent departures of former Board members. Current or new Board members interested in serving on a Committee should contact staff or the Board Chairperson. Following is the current Committee roster as designated by the Board Chairperson:

Plan Governance and 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
Thomas Moutes	Joshua Geller	Joshua Geller	Raymond Ciranna
	Neil Guglielmo	Baldemar J. Sandoval	Joshua Geller
			Neil Guglielmo

F. Upcoming Board Meetings

Following is a review of upcoming Board meeting agenda items:

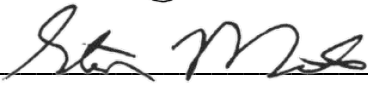
Meeting Date	Proposed Agenda Items
June 15, 2021	<ul style="list-style-type: none">• Third-Party Administrator (TPA) Quarterly Review – Quarter 1 2021• Board Report: Domestic Partners• Board Report: Participant Survey and Communications Plan• Board Report: DCP Plan Projects & Activities Report: May 2021
July 20, 2021	<ul style="list-style-type: none">• Board Report: FY 2021-22 DCP Participant Goals and Strategies• Board Report: 2021 DCP Board Election Results• Board Report: Fiduciary Liability Insurance• Board Report: DCP Plan Projects & Activities Report: June 2021

Submitted by:



Jenny M. Yau, Senior Management Analyst II

Approved by:



Steven Montagna, Chief Personnel Analyst

2021 DCP Strategic Initiatives

1. Conduct Defined Contribution (DC) Plan Manager Position Selection Process (New)

Background: At its October 20, 2020 meeting, the Board approved several recommendations with respect to the salary and recruitment considerations for the new DC Plan Manager position, including setting the salary of the classification at the level of Chief Personnel Analyst and requesting exemption of the new position from civil service and an unfreeze to fill the position.

Status: In process. The Executive Employee Relations Committee met on November 19, 2020 to establish the salary of the new DC Plan Manager classification. The ordinance to establish the salary range of the new classification at the level of Chief Personnel Analyst was approved by the Personnel and Animal Welfare Committee on April 7, 2021 and by the City Council on April 14, 2021. Staff is working with the Board Chairperson and Vice-Chairperson regarding requesting exempt status for the position. If and when that occurs and authority is provided to fill the position, staff will return to the Board with a recruitment plan.

2. Develop Board Findings Regarding Filing of Statements of Economic Interests and Related Requirements (New)

Background: In connection with DCP autonomy provisions in the recently adopted Memorandum of Understanding between the Board and Personnel Department, the Board adopted a strategic initiative to establish its findings with respect to identifying positions required to file Statements of Economic Interests and coordinating related requirements.

Status: Completed. Staff's analysis and recommendation were addressed in Board Report 21-09. Staff has been working with the Personnel Department's Personnel Services staff and the City's Ethics Commission to help facilitate and advance updates to the Personnel Department Conflict of Interest Code. Staff will report back to the Board with updates as developments occur.

3. Complete Plan Document Review (Continued)

Background: Staff has been working with Board counsel and the Plan Governance and Administrative Issues Committee to revise the DCP Plan Document.

Status: In process. The revised Plan Document was reviewed by the Board at its April 20th meeting. The Board provided additional feedback and comments which will be incorporated into the next version of the Plan Document for the Board's final review and approval.

4. Complete Investment Manager Searches (Continued)

Background: The Board is in the process of executing provider searches for all of its investment mandates.

Status: In process. On February 16, 2021, the Board selected Galliard Capital Management (Galliard) as the DCP Stable Value Fund provider. Staff is currently working with Galliard staff to negotiate and draft a new five-year contract in consultation with Board counsel.

The results of search processes for DCP passively managed funds were addressed in Board Report 21-19. Staff's report back to the Board regarding options for fee reductions within a collective fund account structure for the proposed Passive Bond and Passive Large-Cap Stock equity strategies is addressed in Board Report 21-26.

Additional Investments Committee meetings will be scheduled to complete the evaluation of search responses for DCP actively managed funds.

5. Complete Investment Advisory and Financial Education Services Review (Continued)

Background: Staff and the Board have been reviewing the potential for offering investment advisory and financial education services. A Request for Information (RFI) for investment advisory and/or financial education services was issued on the City's Los Angeles Business Assistance Virtual Network on March 4, 2020 with responses due on April 7, 2020, resulting in four responses. Staff's evaluation of the responses to the RFI was addressed in Board Reports 20-34 and 20-38.

Status: In process. Staff's updated analysis and recommendations were addressed in Board Report 21-21.

6. Complete Request for Proposal for DCP Investment Consulting Services (New)

Background: The term of the contract with the DCP's investment consultant, Mercer will end on December 31, 2021 (total 6.5 year term). Mercer currently provides three primary categories of services under its contract: (1) ongoing investment performance monitoring and reporting; (2) investment manager searches; and (3) ad hoc miscellaneous research and other assignments.

Status: In process. The draft RFP for DCP investment consulting services was approved by the Board at its March 16, 2021 meeting. The RFP was released on the City's www.labavn.org website on April 14, 2021 with proposals due on May 20th. However, staff became aware of proposed vendors having difficulty logging into the LABAVN website due to a systems update and migration performed by Information Technology Agency (ITA) staff. As a result, the deadlines for each step in the RFP process was extended by minimally three weeks to allow proposed vendors to work with ITA to resolve any login issues (additional time may be provided if technical issues remain unresolved). Staff is continuing to monitor this situation and will adjust deadlines as necessary to ensure vendors are able to access the system to submit their proposals. Staff will continue to update the Board on the status of the RFP in the DCP projects and activities report.

7. Initiate DCP Financial Audit (Continued)

Background: The contract with Crowe LLP to provide financial audit services for the DCP was executed on December 18, 2020.

Status: Pending. On January, 6, 2021, staff met with Crowe LLP staff to discuss a proposed plan for the commencement of a financial audit. Staff reviewed the information provided by Crowe and staff's analysis and recommendations were addressed in Board Report 21-15. This project is temporarily suspended pending filling staff vacancies.

8. Design Automatic Enrollment Program (AEP) Supplemental Model (Continued)

Background: In May 2018, the Los Angeles Police Protective League (LAPPL) signed a letter of agreement adopting the DCP's AEP. DCP staff subsequently engaged in meetings with labor organization leaders to gather feedback about AEP interest. At its June 18, 2019 meeting, the Board approved staff's recommendation to coordinate a meeting of interested employee labor organizations to gather feedback and gauge interest in the AEP.

Status: 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 anticipates opportunities to proceed with discussions with labor organizations in the second quarter of 2021.

9. Develop Options for Deemed IRA Investment Menu (Continued)

Background: At its December 15, 2020 meeting, the Board reviewed staff's analysis of the Deemed IRA option in Board Report 20-45 and adopted staff's recommendation to direct the Investments Committee to work with staff and the DCP investment consultant to develop options and considerations for a potential alternative investment menu design for the DCP Deemed IRA.

Status: In process. Staff is working with Mercer as part of its evaluation of the Investment Management Services RFP to consider potential investment options for a Deemed IRA. Actual implementation of a Deemed IRA would be determined based on future actions to be taken by the Board.

10. Adopt Fiscal Year 2021-22 Participant Goals (New)

Background. On a fiscal year basis, the Board adopts DCP participant goals related to participation, contributions, distributions, and asset retention.

Status: In process. Staff will be working with Voya to review and analyze the results of the DCP's FY 2020-21 participant goals ending on June 30, 2021. Staff will also take into consideration the current financial and economic backdrop in informing the setting of goals for the new fiscal year which starts on July 1, 2021.

11. Implement Participant Survey Plan (Continued)

Background: The DCP periodically conducts surveys to assess participant feedback on various topics which are useful for the Board’s consideration of service and plan design feature improvements or additions.

Status: In process. Staff has completed a preliminary review of an approach involving shorter and repeated “micro-surveys” to encourage responsiveness and develop trend data over time. Staff has completed the draft surveys and its proposal for issuing the surveys which is tentatively scheduled to be presented to the Board at its June meeting.

12. Develop DCP Communications Strategic Plan (Continued)

Background: The Board adopted as a strategic initiative the development of a DCP communications strategic plan that would provide a roadmap for creating effective and coordinated DCP messaging for the purpose of increasing employee participation, engagement, awareness, and satisfaction.

Status: In process. Staff has completed its draft plan for incorporating creative strategies for obtaining data and feedback from participants and integrating this information into a communications and engagement plan that is flexible and iterative. It is anticipated that the proposed draft plan along with the proposed participant surveys (strategic initiative number 11) will be presented for the Board’s consideration at its June meeting.



Beneficiary Inheritance Guide

LA457

CREATE
AND LIVE YOUR
BEST RETIREMENT



CITY OF *Los Angeles*
DEFERRED COMPENSATION PLAN

The death of a loved one is difficult.

We're here to help.

When you lose a friend or loved one there are often important matters to settle, including financial ones. If you're the beneficiary of a participant in the City of Los Angeles Deferred Compensation Plan (DCP), we're here to support you.

We can help you understand what's involved with creating a beneficiary account and making decisions around taking distributions.

STEP ONE: REPORT THE DEATH

The first step is reporting the death of your loved one to the DCP administrator, Voya, at **844-523-2457**.

STEP TWO: PROVIDE REQUIRED DOCUMENTATION

Voya will confirm the beneficiary designation on file. The beneficiary should be prepared to provide the following information:

- Certified copy of the death certificate
- Beneficiary Social Security number
- Copy of the beneficiary's driver's license for verification of the beneficiary's date of birth and address
- If the Beneficiary is an Irrevocable Trust, a copy of the trust and trust tax I.D.

If the beneficiary of a deceased participant is an estate, Voya requires the following documentation prior to processing the request:

- Certified copy of death certificate
- Notarized or court stamped Estate Affidavit, which lists the City of LA Deferred Compensation Plan as an asset and names the rightful heirs to the funds
- Certified document stating the Executor/Executrix of the estate
- IRS Form SS-4

Please submit documentation to Voya:

VIA REGULAR US MAIL

Voya
Attn: City of LA Deferred
Compensation Plan
P.O. Box 389
Hartford, CT 06141

VIA OVERNIGHT DELIVERY

Voya
Attn: City of LA Deferred
Compensation Plan
One Orange Way
Windsor, CT 06095

STEP THREE: DECIDE WHEN AND HOW YOU WILL TAKE A DISTRIBUTION

Prior to taking any action consult with a tax advisor. Once the account has been established, you are eligible to initiate a distribution from the account. However, different distribution rules apply to (a) spousal beneficiaries, (b) non-spouse beneficiaries, or (c) non-person beneficiaries. Reference the table at right for specific details.

**NON-PERSON
(TRUST, ESTATE,
CHARITY)**

	SPOUSE	NON-SPOUSE*	
Account Transfer	Spouses can establish beneficiary accounts and remain in the DCP.	Non-spouses can establish beneficiary accounts and remain in the DCP.	Non-persons can establish beneficiary accounts and remain in the DCP.
Required Minimum Distributions (RMDs) Under Internal Revenue Code Section 401(a)(9) and the SECURE Act Section 401	<p>If the participant's death occurs on or prior to 12/31/19, spouse can defer commencement of distributions until the deceased participant would have attained age 70½.</p> <p>If the participant's death occurs after 12/31/19, spouse may defer commencement of distributions until the deceased participant would have attained age 72.</p> <p>Upon reaching the applicable required commencement of distribution date, Required Minimum Distributions (RMDs) are required over the spouse's life expectancy. RMDs must be taken by April 1 following the calendar year in which the deceased participant would have reached age 70½ or 72. Subsequent distributions are required every year by December 31.</p>	<p>If the participant's death occurs on or prior to 12/31/21 and RMDs had previously begun, the RMDs must resume by December 31 of the year after death. The entire account must be distributed by December 31 of the year containing the 5th anniversary of the participant's death.</p> <p>If the participant's death occurs after 12/31/21, a non-spouse may defer the balance for up to ten years following the participant's death the entire account must be distributed by 12/31 of the year containing the 10th anniversary of the participant's death (excepting Special Rules for Eligible Designated Beneficiaries – see below).</p>	<p>A trust or estate may defer the balance for up to five years following the participant's death. The entire account must be distributed by December 31 of the year containing the 5th anniversary of the participant's death.</p>

Special Rules for Eligible Designated Beneficiaries (For participants passing away after 12/31/21)

An eligible designated beneficiary is defined as: (i) a surviving spouse of the employee, (ii) disabled or chronically ill individuals, (iii) individuals who are not more than 10 years younger than the employee, or (iv) a child under the age of majority. For individuals who meet this definition, they may take RMDs over their life expectancy following the death of the plan participant provided they continue to meet the criteria of an "eligible designated beneficiary."

A spouse beneficiary would have until end of the year in which the participant would have reached age 72 to begin receiving RMDs.

Payment Options	<p>Lump-sum or partial account distribution (funds are withdrawn and tax is owed on the distribution amount).</p> <p>Installment payments (establish recurring ongoing automatic payments and tax is owed on the distribution amount).</p> <p>Rollover to an Individual Retirement Account (IRA) or other employer sponsored retirement plan that permits rollovers (funds are transferred from the DCP to another program or account; no tax is owed since the funds are not being distributed to the beneficiary).</p>	<p>Lump-sum or partial account distribution (funds are withdrawn and tax is owed)</p> <p>Installment payments (establish recurring ongoing automatic payments)</p> <p>Rollover to an Individual Retirement Account (IRA) (this is not a taxable event)</p>	<p>Lump-sum or partial account distribution (funds are withdrawn and tax is owed)</p> <p>Installment payments (establish recurring ongoing automatic payments)</p> <p>No Rollover option</p>
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IMPORTANT

Trusts

Trust executors may need legal advice to determine if the beneficiary account will be established as non-spouse or non-person.

Outstanding Loans

If a deceased participant has an outstanding loan at the time of death, the loan automatically defaults under the participant's Social Security Number as a taxable distribution. The participant will receive a 1099-R at the end of the year to be filed along with their taxes for the year it defaulted.

If you have any questions or need to obtain additional plan or account information, please go online at LA457.com or call the Service Center at 844-523-2457.

CONTACT US



844-523-2457



LA457.com



Retirement Counselors

City Hall Service Center,
200 N. Spring Street, Room 867,
Los Angeles, CA 90012
8:00 a.m. – 4:00 p.m., M – F
213-978-1601

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