



Board Report 21-64

Date: December 21, 2021

To: Board of Deferred Compensation Administration
(Board)

From: Ad Hoc DC Plan Manager Selection Committee and Staff

Subject: Recruitment/Selection Process for DC Plan Manager

Board of Deferred Compensation Administration

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Recommendation:

That the Board: (a) authorize the Board Chairperson to, in consultation with staff, draft and submit a communication to the Office of the Mayor renewing the Board's request that the DC Plan Manager position be exempted from civil service; (b) request that staff develop a proposal for the most expedited process practical for securing the services of an executive recruiting firm; (c) recommend to the Personnel Department that the vacant Senior Benefits Analyst I position dedicated to the DCP be filled as soon as practical; (d) recommend to the Personnel Department that it, upon filling the Employee Benefits Division's successor Chief and Senior Benefits Analyst II positions, provide DCP administrative training to these staff so they can support the DCP until the permanent appointment of a DC Plan Manager; (e) solicit a Board member volunteer to serve as an examination rater and request that staff solicit participation from a comparable large plan executive administrator to serve, if available, as an additional rater for the DC Plan Manager examination; and (f) find that final selection interviews should be conducted by all Board members interested in participating.

Discussion:

A. Background

Following is a review and summary of key actions related to the development and selection process for the Deferred Compensation Plan (DCP) Defined Contribution (DC) Plan Manager position:

- On **June 25, 2020**, the Board of Civil Service Commissioners approved the creation of the new DC Plan Manager classification.

- At its **October 20, 2020** meeting, the Board approved several staff recommendations with respect to the recruitment and salary considerations for the DC Plan Manager position, including requesting exemption of the new position from civil service, requesting an unfreeze to fill the position, and setting the salary of the classification at the level of Chief Personnel Analyst.
- On **April 14, 2021**, the City Council approved an ordinance to establish the salary range of the DC Plan Manager classification at the level of Chief Personnel Analyst.
- At its **June 15, 2021** meeting, the Board established an Ad Hoc DC Plan Manager Selection Committee (Committee) to develop recommendations for the Board to make to the Personnel Department as to the design and content of the selection process.
- On **July 7, 2021**, the Committee met to consider certain materials drafted by staff, including proposed recruitment materials.
- On **July 20, 2021**, the Board requested that the Personnel Department initiate the examination development process if indication regarding the request for exempt status was not received from the Mayor's Office by July 23, 2021 (which it was not); and requested that the Personnel Department provide a response regarding elevating the DCP's Senior Benefits Analyst I position to Senior Benefits Analyst II.
- On **August 17, 2021**, the Board approved certain requests for submission with regards to the Fiscal Year (FY) 2022-23 proposed budget, including adding regular position authority for the DC Plan Manager position and requesting the Office of the City Administrative Officer (CAO), Employee Relations Division (ERD) to review and make a paygrade determination to elevate the Senior Benefits Analyst I to a Senior Benefits Analyst II position; the Board further authorized the Board Chairperson to approve any documents required to transmit the FY 2022-23 budget requests to the CAO and Office of the Mayor on behalf of the Board and requested that the Personnel Department submit the aforementioned requests to the Office of the Mayor. Materials were subsequently drafted and reviewed/approved by the Board Chairperson.
- On **November 16, 2021**, the Board modified its instructions to the Committee to request that it develop recommendations for the Board to make to the Personnel Department regarding conduct of the DC Plan Manager selection process up to and including execution of the final selection process and onboarding of the appointee; and further recommended to the Personnel Department General Manager that Steven Montagna be placed in-lieu of the DC Plan Manager position beginning on or around January 1, 2022 and ending with the appointment of a permanent DC Plan Manager but no later than April 29, 2022.
- On **December 8, 2021**, the Committee met to develop recommendations to the Board with respect to the selection process.
- On **December 15, 2021**, the Committee met to discuss consequences of the potentially small number of viable applications available to consider via the examination process.

B. DC Plan Manager Selection Process Update

The examination bulletin was issued on November 18, 2021. Applications were originally due December 9, 2021.

Staff posted the examination bulletin and accompanying recruitment materials in a variety of venues and publications as previously approved by the Board, including the following:

- National Association of Government Defined Contribution Administrators (NAGDCA)
- Pensions & Investments
- Indeed.com
- International Foundation of Employee Benefit Plans (IFEBP)
- LinkedIn
- National Association of State Retirement Administrators (NASRA)

As previously noted to the Board, staff member Steven Montagna has been working with the Personnel Department's Selection Division as a technical consultant to develop the examination process for DC Plan Manager. Shortly before the due date, he was informed that the number of applications received meeting the stated minimum qualifications was small and that the Selection Division would thus extend the due date by one week, as doing so would not otherwise affect the processing timeline.

Staff subsequently met with the Committee to discuss the consequences of a potentially small number of viable applications. The Committee is concerned that the risks for the DCP of being unable to fill this key leadership position on the originally anticipated timeline have grown considerably. Given these risks, the Committee has developed the following considerations and recommended actions to be taken by the Board:

(1) Examination Process

The Committee discussed the fact that although a small number of candidates raises the risks of finding a viable candidate, it does not preclude them. The current examination process may proceed and any qualified candidates can be considered as originally planned.

(2) Request to Exempt Position

The Committee believes that the lower than hoped for participation in the examination process necessitates renewing the Board's pursuit of exempting the DC Plan Manager position from civil service. In the event the examination process does produce sufficient viable candidates, exempt status for the position would provide opportunities for more direct recruitment efforts, and the ability to calibrate those recruitment efforts as necessary until an appropriate candidate is found. The Committee believes it will be important, as part of that request, for the Board to communicate the importance of establishing the exempt status to protect the interests of DCP participants and the City as DCP plan sponsor. The Committee therefore recommends that the Board authorize the Board Chairperson to, in consultation with staff, draft and submit a communication to the Office of the Mayor renewing the Board's request that the DC Plan Manager position be exempted from civil service. If this effort is successful, it would not preclude

consideration of candidates from the examination process, but it would change the employment status of any individual who is appointed.

(3) Recruitment

Earlier in the DC Plan Manager development process, staff worked with the Board's consultants at Segal to research executive recruitment services. Segal advised that while executive recruiting firms are more typically used for recruitment of defined benefit (DB) plan executives, some plan sponsors prefer the thoroughness and due diligence benefits of using a professional firm. The value of using an executive recruiting firm is that it will conduct the direct outreach; talk to and otherwise vet potential candidates both to assess as well as have a dialogue with the candidate about their unique concerns and considerations (this might be a factor particularly for candidates presently living out of state); and develop a list of finalist candidates.

Segal, on behalf of staff, also previously reached out to the Ohio Deferred Compensation (Ohio DC) and Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP), both of which used an executive recruiting firm to recruit for their executive director positions:

- Ohio DC used an executive recruiting firm to fill its Executive Director vacancy in 2019. The cost of that recruitment was \$63,000 with an additional \$12,000 in related expenses.
- MSRP used an executive recruiting firm to fill its Executive Director position with its fee capped at \$50,000.

Staff also previously researched the Personnel Department's executive recruitment resource. The Personnel Department supports executive recruitment by either performing recruitment directly or facilitating access to a set of pre-approved firms acting as an executive recruiting bench. When the Personnel Department provides assistance, it does so by advertising only, rather than the direct outreach to prospective candidates performed by executive recruiting firms. However, the contract used for executive recruitment is limited to executive positions such as department heads, so the Board would need to separately contract with an executive recruiting firm. The Committee recommends that the Board request that staff develop a proposal for the most expedited process practical for securing the services of an executive recruiting firm.

(4) Interim Personnel Department Staff Support

In Board Report 21-57, staff reported that other contingencies are available in the event the DC Plan Manager selection process did not result in the appointment of a new DC Plan Manager by April 2022, including the following:

- The vacant Senior Benefits Analyst I position dedicated to the DCP has not yet been filled pending completion of the examination process and creation of an eligible list for Senior Benefits Analyst. This would provide higher level oversight and support of the DCP. The Committee recommends that the Board recommend to the Personnel Department that the vacant Senior Benefits Analyst I position dedicated to the DCP be filled as soon

as practical. If this position is elevated to Senior Benefits Analyst II as requested by the Board for the City's FY 2022-23 budget, the change in position status would become effective July 1, 2022.

- The incoming Senior Benefits Analyst II replacing Jenny M. Yau can be provided with training to help support the DCP. As previously discussed, the level of training would be calibrated based on close monitoring of the DC Plan Manager selection process and the timeliness of identifying an acceptable candidate. The incoming Employee Benefits Division (EBD) Chief can also be provided training to provide support to the DCP. The Committee recommends that the Board recommend to the Personnel Department that it, upon filling the Employee Benefits Division's successor Chief and Senior Benefits Analyst II positions, provide DCP administrative training to these staff so they can support the DCP until the permanent appointment of a DC Plan Manager.

(5) Examination Process Support

At its December 8, 2021 meeting, the Committee discussed resources to support the City's DC Plan Manager examination process. Depending on the size of the candidate pool, the Selection Division may conduct civil service examination interviews and would thus need volunteers to serve on the rating panel. Staff member Montagna has agreed to serve. A second rater is required, and a third rater is optional.

The Committee finds that having a Board member would be valuable to help inform the vetting process. Alternatively, an outside rater with defined contribution administrative experience could be solicited to support the City's process¹. As interviewing can represent a substantial time commitment, solicitation of an outside rater volunteer may prove unsuccessful, and it is more critical that a Board member be present to serve as a second rater. Nevertheless, an outside rater would provide additional resources in the examination review process. The Committee therefore recommends that the Board solicit a Board member volunteer to serve as an examination rater and request that staff solicit participation from a comparable large plan executive administrator to serve, if available, as an additional rater for the DC Plan Manager examination.

(6) Final Selection Interviews

Once the examination process is complete, an eligible list will be established and certification interviews could proceed. Alternatively, if the request for exempting the DC Plan Manager position is approved, interviews of viable candidates would be included as part of the review process. The Committee believes that final selection interviews, however held, should be conducted by the Board. Not all Board members would be required to participate, but if a quorum of the Board participated, the City Attorney has advised that such interviews could be held in closed session Board meetings.

¹ As an example, staff member Montagna recently served on a selection panel for the State of California Savings Plus program manager position (an equivalent leadership position for the State's defined contribution plan for State employees).

The interview process can include various process elements (e.g. interview topics and questions, situational exercises, etc.) at a later date. The Committee recommends that the Board find that final selection interviews should be conducted by all Board members interested in participating.

(7) Onboarding Selectee

Following the appointment, certain decisions/actions may be required with respect to the onboarding process, including (for example) funding of any relocation expenses. However, that analysis can be deferred until later in the process.

C. Conclusion

The Committee is focused on supporting the DC Plan Manager selection process as the process continues to unfold. The Committee will continue to meet as necessary to generate recommendations to the Board.



Submitted by:

Steven Montagna, Chief Personnel Analyst