



Board Report 22-19

Date: March 29, 2022

To: Board of Deferred Compensation Administration (Board)

From: Staff

Subject: Defined Contribution (DC) Plan Manager Selection Process, Exemption, and Executive Recruitment

Board of Deferred Compensation Administration
Thomas Moutes <i>Chairperson</i>
Raymond Ciranna <i>Vice-Chairperson</i>
Robert Schoonover <i>First Provisional Chair</i>
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Recommendation:

That the Board (a) recommend to the Personnel Department General Manager that a request to the Office of the Mayor to exempt the position of DC Plan Manager be issued concurrently from the Personnel Department General Manager, Board Chairperson, and Board Vice-Chairperson; and (b) request that staff review the services and resources offered by the Personnel Department's contracted executive recruitment providers and prepare a recommendation for the Board to work with a specific provider.

A. Background

The Board, working together with its Ad Hoc DC Plan Manager Selection Committee (Committee) and staff, has taken a number of actions with respect to developing and filling the new Defined Contribution Plan Manager (DC Plan Manager) position. This position provides executive leadership for the Deferred Compensation Plan (DCP). A summary of Board and Committee actions to date regarding the DC Plan Manager position is provided in **Attachment A**.

B. Updates Regarding DC Plan Manager Examination Selection Process and Exemption Request

On March 15, 2022, the Board conducted virtual interviews of the three candidates who responded to the civil service examination certification process for DC Plan Manager. The Board was not able to recommend selection of one of the candidates pursuant to that interview process. Given the fact that all candidates on the eligible list have been provided an opportunity to interview for the position, other options for filling the position must now be considered.

Previously, at its December 21, 2021 meeting, the Board requested that the Board Chairperson work with staff to develop a communication to the Office of the Mayor renewing the Board's request that the DC Plan Manager position be exempted from civil service. That communication was prepared and signed by the Chairperson and Vice-Chairperson, and issued on February 4, 2022, with a response requested by February 25, 2022.

A brief, informal fact-gathering inquiry was received from Alma Guerrero of the Office of the Mayor prior to February 25. Staff subsequently held a meeting with Ms. Guerrero on March 10, 2022, to exchange certain background information regarding the DCP, the DC Plan Manager position, and requirements for the exemption process. A subsequent meeting was held with Ms. Guerrero and Vice-Chairperson Ray Ciranna on March 21, 2022. Based on those discussions and the outcome of the civil service examination process, staff has prepared the following findings and recommendations:

- (1) Exemption Request - Ms. Guerrero indicated that, should the Board wish to pursue exemption of the DC Plan Manager position, a request should be issued from the Personnel Department. Staff has drafted a communication (**Attachment B**) to the Office of the Mayor requesting exemption of the position. If approved, once that communication is received it would proceed consistent with the City's processes for evaluating exemption requests, including consideration by the City Council's Personnel and Animal Welfare (PAAW) Committee. As the Board has already established its wish that the position be exempted, staff recommends that the Board recommend to the Personnel Department General Manager that a request to the Office of the Mayor to exempt the position of DC Plan Manager be issued concurrently from the Personnel Department General Manager, Board Chairperson, and Board Vice-Chairperson.
- (2) Executive Recruitment – Assuming approval of the exemption request, as previously discussed with the Board, an option exists to work with one of the Personnel Department's executive recruitment service providers to help support a recruitment process. The objective of working with an executive recruiter would be to identify a wide pool of candidates to consider for the DC Plan Manager position. The Personnel Department has submitted to the Office of the Mayor draft contracts with three executive recruitment firms. These contracts have been referred for review to the Office of the City Administrative Officer (CAO). It is anticipated that the review and release of the contracts for execution will be completed shortly. Following execution, staff recommends that the Board request that staff review the services and resources offered by the Personnel Department's contracted executive recruitment providers and prepare a recommendation for the Board to work with a specific provider.
- (3) Interim Staffing Plan – Upon the retirement of the acting DC Plan Manager, Personnel Department oversight of the DCP will shift to Employee Benefits Division Chief Paul Makowski and Assistant Division Chief Daniel Powell. To further support the DCP during the period of time that the DC Plan Manager position is vacant, staff is investigating

potential options for staff being loaned to the DCP from other resources to help support critical functions. More information on those potential options will be provided at the Board's next regular meeting to be held on April 19, 2022.



Submitted by:

Steven Montagna, Chief Personnel Analyst

CHRONOLOGY OF DC PLAN MANAGER BOARD AND COMMITTEE ACTIONS

June 25, 2020	The Board of Civil Service Commissioners approved the creation of the new DC Plan Manager classification.
October 20, 2020	The Board approved staff recommendations with respect to 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 at the level of Chief Personnel Analyst.
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.
June 15, 2021	The Board established an Ad Hoc DC Plan Manager Selection Committee to develop recommendations for the Board to make to the Personnel Department regarding selection process design and content.
July 7, 2021	The Committee met to consider certain materials drafted by staff, including proposed recruitment materials.
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.
August 17, 2021	The Board approved 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 that the City Administrative Officer Employee Relations Division make a paygrade determination to elevate the Senior Benefits Analyst I to Senior Benefits Analyst II; 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 afore-noted requests to the Office of the Mayor. Materials were subsequently drafted and reviewed/approved by the Board Chairperson.
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.
December 8, 2021	The Committee met to develop recommendations to the Board with respect to the selection process.
December 15, 2021	The Committee met to discuss consequences of the potentially small number of viable applications available to consider via the examination process.
December 21, 2021	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.

January 18, 2022	The Board (a) requested that staff work with the Ad Hoc DC Plan Manager Selection Committee to develop a work experience questionnaire, advisory essay, position and process overview, and interview questions, for use as applicable in the DC Plan Manager selection process; and (b) approved moving forward with advancing the selection process.
January 26, 2022	The Ad Hoc DC Plan Manager Selection Committee finalized the work experience questionnaire, advisory essay, and position and process overview.
February 18, 2022	Materials (including the work experience questionnaire, advisory essay, and position and process overview acknowledgment) were received from three candidates.
February 24, 2022	The Board met in a special meeting to confidentially review candidate submissions for the purpose of proceeding to virtual interviews of three candidates on March 15, 2022.
March 15, 2022	The Board met in a special meeting to confidentially conduct interviews of three candidates for the DC Plan Manager position. The Board was not able to recommend selection of one of the candidates pursuant to that interview process.

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INTERIM GENERAL MANAGER

_____, 2022

The Honorable Eric Garcetti
Mayor, City of Los Angeles
City Hall, 3rd Floor 200 North Spring Street
Los Angeles, CA 90012

Attention: Alma Guerrero

SUBJECT: EXEMPTION REQUEST – DEFINED CONTRIBUTION PLAN MANAGER FOR THE CITY OF
LOS ANGELES DEFERRED COMPENSATION PLAN - PERSONNEL DEPARTMENT

On behalf of and in collaboration with the City of Los Angeles Board of Deferred Compensation Administration (Board), the Personnel Department respectfully requests that the position of Defined Contribution (DC) Plan Manager, Code 9152, in the Personnel Department be exempted from civil service in accordance with Los Angeles City Charter Provision Article X, Section 1001(b).

Background

The City of Los Angeles Deferred Compensation Plan (DCP) is the City's supplemental retirement savings program available to all employees who are contributing members of one of the City's three defined benefit pensions plans. As of December 31, 2021, the DCP had \$9.3 billion in assets and over 50,000 participants. The Board is responsible for administration of the DCP.

The DCP is primarily supported by City staff who are employees of the Personnel Department's Employee Benefits Division. In June 2020 a new job classification of DC Plan Manager was established to provide for the specialized skill set and experience needed to provide full-time program oversight, continuity in executive leadership, and protect the City's fiduciary interests as a municipal plan sponsor.

Exempting DC Plan Manager from Civil Service

The job classification was originally intended to be exempt, but as the path forward for exemption appeared challenging, in July 2021 the Board opted to move forward with attempting to fill it through a civil service examination process. This was done so that sufficient time was available to find an acceptable candidate and fill the position prior to the expected departure of the incumbent leadership.

The civil service examination process resulted in a list of only six eligible candidates. Given the small candidate pool, the Board, at its meeting on December 21, 2022, acted to renew its request to exempt the position. A communication was issued from the Board to the Office of the Mayor on February 22, 2022, requesting Mayor's Office support for the exemption.

Concurrently the Board proceeded with a certification selection process of the examination list, and interviews were held on March 15, 2022. Only three candidates were responsive to the certification and the Board was not able to recommend a selection.

The Board continues to believe that the position should be exempted, as this was the original objective when creating the classification. Exempt status establishes a higher level of accountability, which is crucial for this position given its primary role in:

- Playing a pivotal role in supporting the City's obligation as plan sponsor to observe its fiduciary obligations relative to DCP participants.
- Ensuring that policy and administrative actions at all times reflect the best interests of the DCP and its participants.
- Providing executive leadership for staff and contracted investment and administrative service providers overseeing billions in participant investments.
- Performing a wide array of executive management, reporting, and compliance duties.

Governing Considerations

Collectively, the Board, the Mayor, and the City Council exercise important fiduciary responsibilities for the DCP (unlike the City's defined benefit pension plans, for which the City's elected officials do not hold a direct fiduciary relationship because those plans are accorded a greater measure of independence under State law and the City Charter). Fiduciaries hold a legal and ethical relationship of trust to their programs, participants, and beneficiaries. Decisions made by any of these bodies can materially affect the interests and financial outcomes of the DCP and its participants.

Governmental defined contribution plans were largely established in the 1980s. Four decades later, they now hold over \$2.4 trillion in participant assets. Along with these growing assets, new plan features permitted or required by federal law, as well as a more complex regulatory/compliance framework, have raised potential risks of sanctions and investor lawsuits.

The Board believes exempting the position is appropriate not only because of the significant fiduciary, oversight, and executive duties of the position, but also because it confers upon the Board and the City greater flexibility to promptly terminate anyone in the position who has breached those duties. A position of such financial and fiduciary import deserves the unique accountability that is accorded exempt status. Given its responsibilities and risks, we believe the DC Plan Manager belongs in the most impactful tier of the City's exempted positions.

Conclusion

The adoption of the DC Plan Manager position was an important action in support of the City’s role, for which we are greatly appreciative of elected official support. As a next crucial step, designating the position as exempt will provide for the highest level of accountability possible within the City’s human resource framework. This will provide another layer of protection for both our participants as well as the City. Accordingly, the Board respectfully requests that the DC Plan Manager position be exempted from civil service.

If you have any questions regarding this matter or need any additional information, please contact our acting DC Plan Manager, Steven Montagna, at steven.montagna@lacity.org or (213) 978-1621. You are also welcome to reach out to the Board Chairperson, Thomas Moutes, at tom.moutes@gmail.com; Vice-Chairperson, Ray Ciranna, at Ray.Ciranna@lafpp.com; or to me at dana.brown@lacity.org. Thank you very much for your consideration of this request.

Sincerely,

Dana H. Brown, Personnel Department General Manager
Member, Board of Deferred Compensation Administration

Thomas Moutes, Chairperson
Board of Deferred Compensation Administration

Raymond Ciranna, Vice-Chairperson
Board of Deferred Compensation Administration