



CITY OF *Los Angeles* DEFERRED COMPENSATION PLAN

Board Report 22-50

Date: September 29, 2022

To: Board of Deferred Compensation Administration

From: Staff

Subject: 2021 Deferred Compensation Plan Annual Report

Board of Deferred Compensation Administration

Thomas Moutes
Chair

Robert Schoonover
First Provisional Chair

Neil Guglielmo
Second Provisional Chair

Joshua Geller
Third Provisional Chair

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Joseph Salazar

Baldemar J. Sandoval

Jeremy Wolfson

Recommendation:

That the Board approve the 2021 Deferred Compensation Plan (DCP) Annual Report.

Discussion:

Pursuant to Division 4, Chapter 14 of the City of Los Angeles Administrative Code, the Board is required to report annually to the City Council and DCP participants on the administrative and financial conditions of the DCP. This report serves to satisfy this requirement. Once approved, the 2021 DCP Annual Report will be submitted to the City Council, Office of the Mayor, and the City's labor unions, as well as posted on the DCP's website at LA457.com.

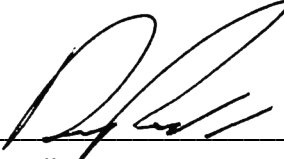
The 2021 DCP Annual Report (**Attachment A**) includes discussion and data pertaining to DCP core goals and metrics related to participation, contributions, asset retention, and distributions. In addition, it includes key indicative data regarding assets, investments, fees, participant engagement, and budget accounts. Going forward, staff's objective is to finalize annual reports within the first quarter of the new calendar year. Staff recommends that the Board approve the 2021 DCP Annual Report.

Submitted by:



Mindy Lam, Benefits Analyst

Submitted by:



Daniel Powell, Senior Personnel Analyst II



CITY OF *Los Angeles*
DEFERRED COMPENSATION PLAN

2021

ANNUAL
REPORT

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LETTER FROM THE BOARD

September 29, 2022

The Honorable Eric Garcetti, Mayor
Honorable Council of the City of Los Angeles
Deferred Compensation Plan Participants

On behalf of the Board of Deferred Compensation Administration (Board), I am pleased to present the 2021 Annual Report for the City of Los Angeles Deferred Compensation Plan (DCP).

As of December 31, 2021, the DCP served 50,814 active and retired City employees, a 0.9% increase from 2020. During 2021, DCP participants contributed over \$320 million to their accounts, an increase of 3% over 2020. In the rising market environment that spanned most of 2021, the DCP's total assets held increased to \$9.3 billion on December 31, 2021 – an increase of 16% from the end of 2020.

While 2021 brought its own set of challenges for the administration of the DCP, the staff and Board led through innovation, good governance, and focusing on attaining participation outcomes despite the various separation incentive programs offered by the City and the slowdown in City hiring during the first half of 2021.

Innovation

- Innovated new methods of outreach for the annual National Retirement Security Month (NRSRM) campaign, including a special video presentation on retirement topics. In 2021 we were recognized by the National Association of Government Defined Contribution Administrators (NAGDCA) with a leadership award for our 2020 NRSRM campaign.

Good Governance

- Adopted revisions to the DCP Plan Document to include adoption of updates from federal legislation, including the Setting Every Community Up for Retirement Enhancement (SECURE) Act and Consolidated Appropriations Act provisions.
- Established an Ad Hoc DC Plan Manager Selection Committee to oversee the recruitment and hiring of a qualified candidate for the approved DC Plan Manager position.
- Completed selections of investment managers for a majority of the DCP's investment mandates through a rigorous RFP search for services.
- Conducted an RFP process to procure a vendor for investments consulting services.

Member Goals and Outcomes

Despite the ongoing impacts from the pandemic, the DCP was able to meet or exceed most of its goals as follows:

- Met one of two participation goals (participation by members with less than one year of service);
- Increased participation in four of the five departments with the lowest participation rates;
- Increased participation by members in four of the five MOUs with the lowest participation rates;
- Increased average employee contribution rates (goal was to maintain rates);
- Increased the number of participants contributing as a percent of pay;
- Decreased the number of retirees who close their accounts (goal was to maintain number);
- Decreased the number of retirees who rolled funds out of their accounts (goal was to maintain number)

Our Board will continue its efforts to encourage participation in the DCP and to provide the best possible outcomes for our participants.

Respectfully submitted



Thomas Moutes, Chairperson
Board of Deferred Compensation Administration

BOARD OF DEFERRED COMPENSATION ADMINISTRATION AND STAFF

Board of Deferred Compensation Administration

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Chairperson

Retired Participant
Representative

Raymond Ciranna

Vice-Chairperson

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Police Pensions

Robert Schoonover

First Provisional Chair

Organized Labor
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Third Provisional Chair

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Retirement System
Participant Representative

Linda P. Le

Retirement Plan Manager
Water & Power Employees'
Retirement Plan

Dana H. Brown

General Manager
Personnel Department

Baldemar J. Sandoval

Los Angeles Fire and
Police Pensions
Participant Representative

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Retirement Plan
Participant Representative

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Benefits Analyst

Claudia Guevara

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City Attorney Staff

Charles Hong

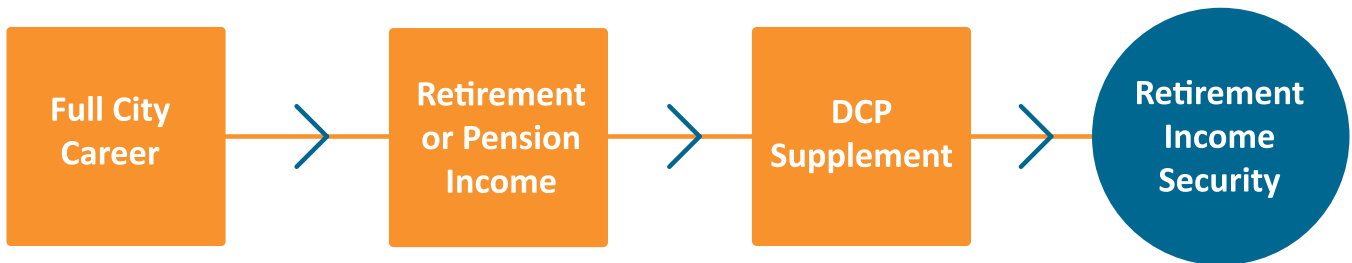
Deputy City Attorney

Vicky Williams

Legal Assistant

OUR MISSION

The mission of the DCP is to support our active and retired participants in achieving and maintaining retirement income security. Retirement income adequacy and financial security are a national focus of attention. For the City's DCP, our focus is both practical and specific. We've defined retirement income security as full replacement of "lifestyle income" upon retirement. Lifestyle income is an employee's nominal salary upon retirement less primary reductions for retirement saving—in simple terms, maintaining one's standard of living. The DCP aims to help participants supplement their retirement or pension income to achieve and maintain retirement income security.



Key Indicators of Success

Participant outcomes are the most fundamental indicators of program success. We focus on four key metrics related to achieving and maintaining retirement income security: **participation**, **contributions**, **distributions**, and **asset retention**.

Full-Time Participation Rate

75%

Average Contributions as % of Salary

6.1%

Distributed Assets Success Rate

98.3%

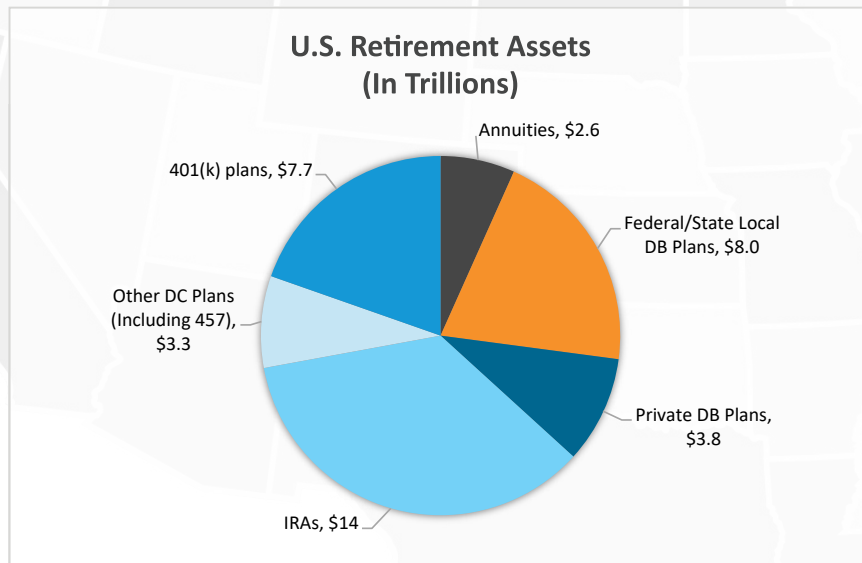
Asset Retention Success Rate

92.3%

U.S. RETIREMENT LANDSCAPE

Retirement Assets in the United States

U.S. retirement assets are distributed across a broad range of individual, corporate, governmental, defined benefit (DB), and defined contribution (DC) accounts. Governmental defined contribution plans represent **\$3.3 trillion** of a total **\$39.4 trillion** in US retirement assets nationally.



Source: Investment Company Institute, "Quarterly Retirement Market Data, Fourth Quarter 2021"

DCP Administration

The Los Angeles City Council established the Board of Deferred Compensation Administration to provide administrative oversight of the DCP. In support of its fiduciary obligations, the Board administers the DCP, contracts with service providers, and operates the DCP in compliance with applicable federal and state law. Dedicated Personnel Department staff are responsible for day-to-day management and administration of the DCP.

Legal Authority for the DCP

The DCP is a tax-advantaged supplemental retirement savings program established in 1983 under Internal Revenue Code (IRC) Section 457 and City of Los Angeles Administrative Code Division 4, Chapter 14. Section 457 plans were created by the United States Congress specifically for state and local government entities. All DCP assets are held in trust for the exclusive benefit of participants and their beneficiaries.

CITY OF LA RETIREMENT ASSETS

City of Los Angeles Retirement Assets

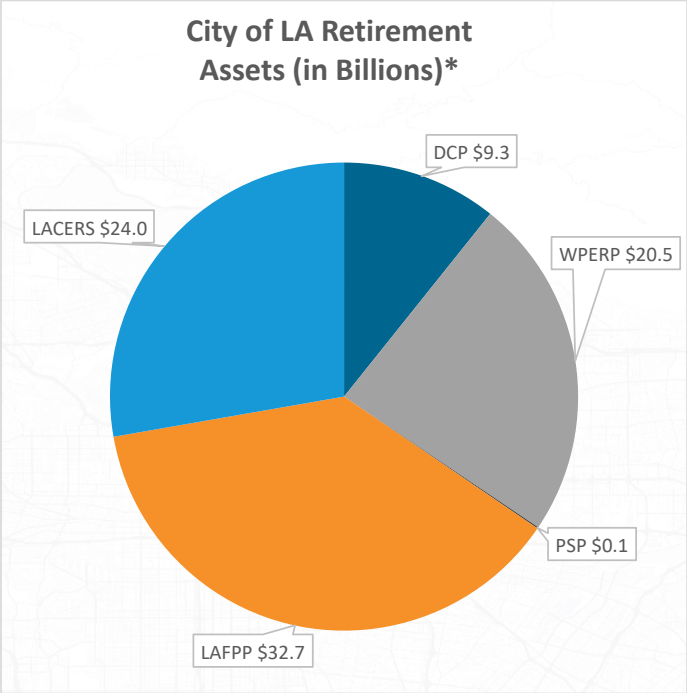
In addition to the DCP, the City provides threedefined benefit retirement plans and one defined contribution plan to support the retirement security of its workforce. As of December 31, 2021, DCP held \$9.3 Billion in assets, representing about 11% of total City retirement assets. Other City retirement plans include:

Defined Benefit Plans

- Los Angeles City Employees’ Retirement System (LACERS) for civilian employees
- Los Angeles Fire and Police Pensions (LAFPP) for sworn Police and Fire employees
- Water and Power Employees’ Retirement Plan (WPERP) for Department of Water and Power employees

Defined Contribution Plan

- Pension Savings Plan (PSP) for part-time, temporary, and seasonal workers

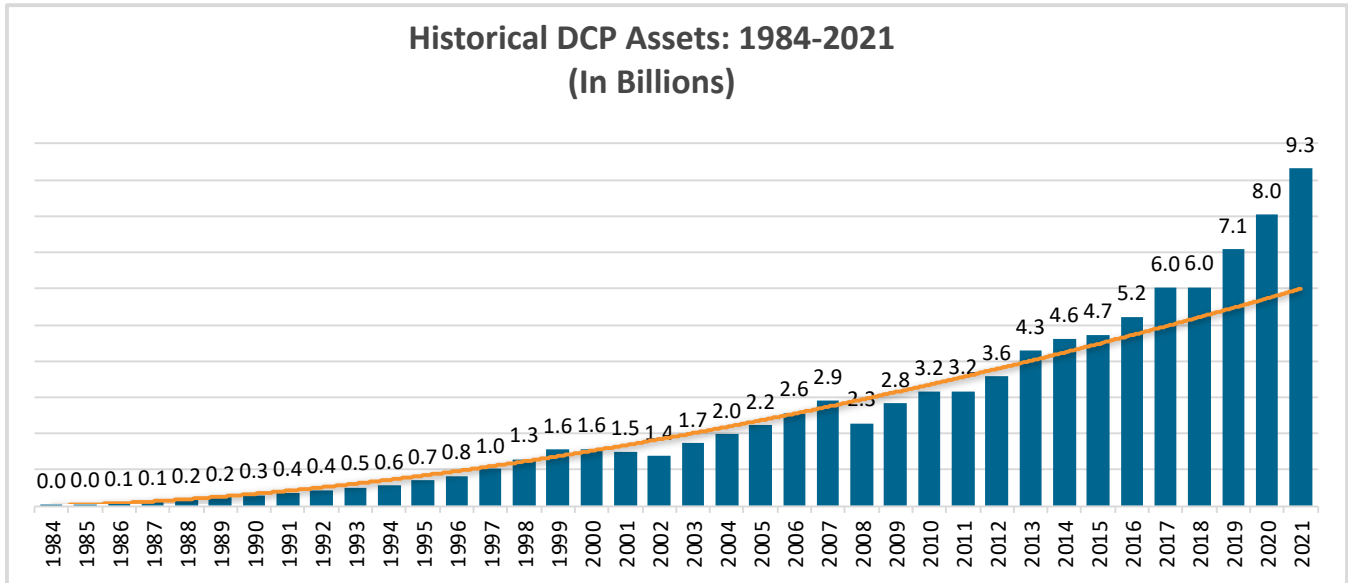


*Unaudited total assets under management as of 12/31/2021

DCP REVIEW: PLAN ASSETS

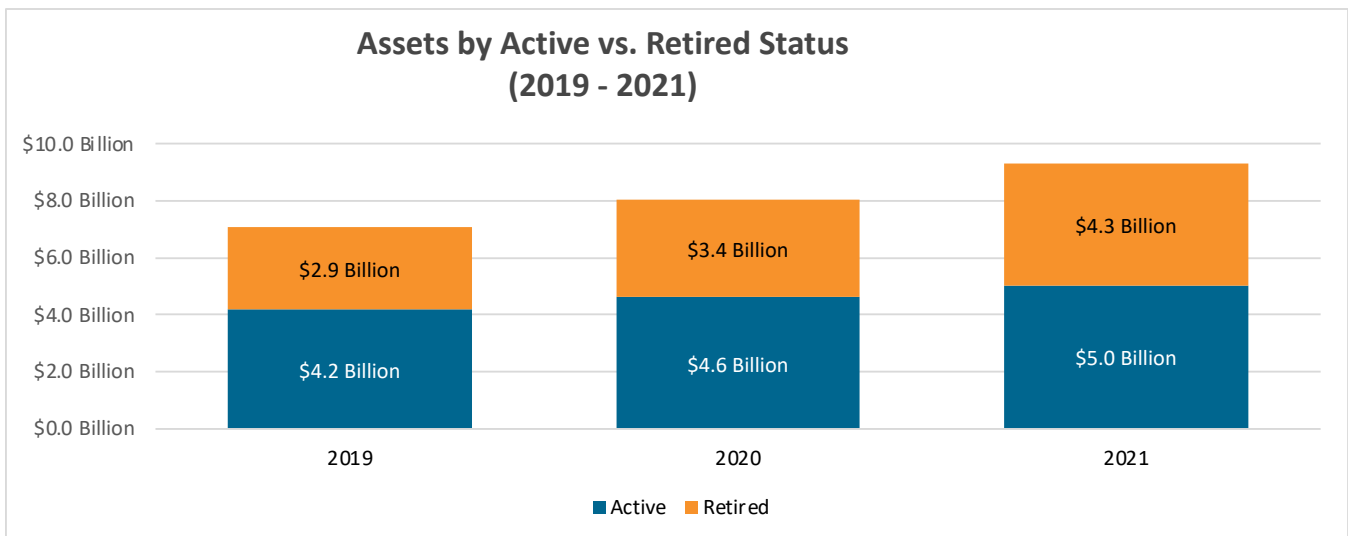
Historical DCP Assets

Beginning with the DCP's first contributions in 1984, assets have generally increased year-over-year, with declines resulting only from periodic major investment market downturns. In 2021, with a steep market incline and healthy cash inflows from participants, DCP assets climbed to a record **\$9.3 billion** at the end of 2021 versus \$8 billion at the end of 2020.



DCP Assets by Active vs. Retired Status

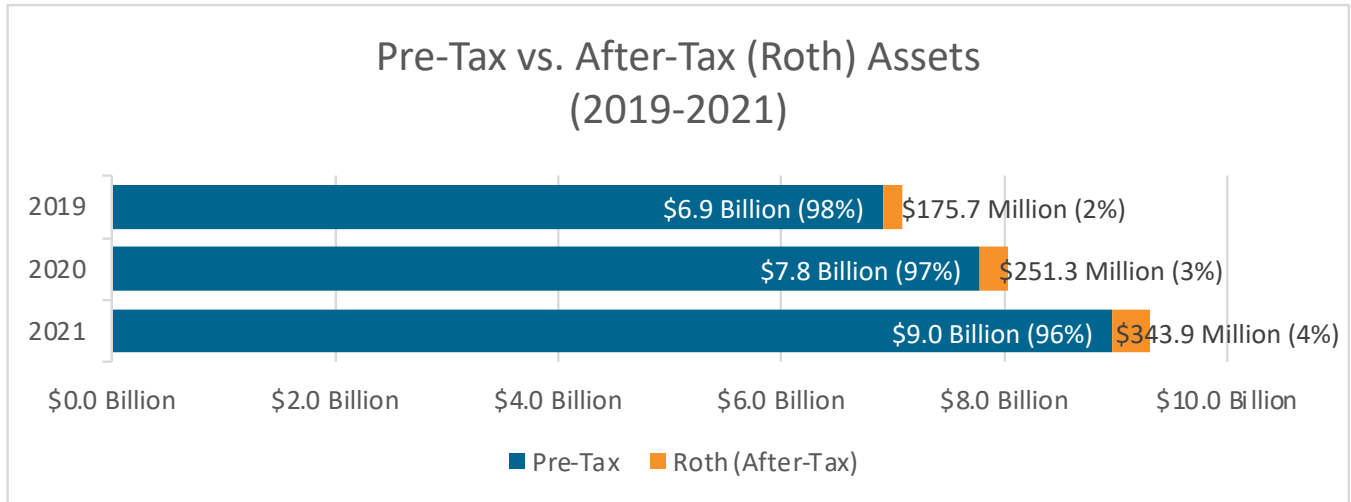
The DCP includes active and retired (or otherwise separated from service) participant accounts. The following chart breaks down total assets by these two populations for the calendar years 2019 through 2021. Notably, total assets of retirees grew by 26% in 2020 compared to the prior year, while active employee participants saw a 9% growth rate over the same period.



DCP REVIEW: PLAN ASSETS

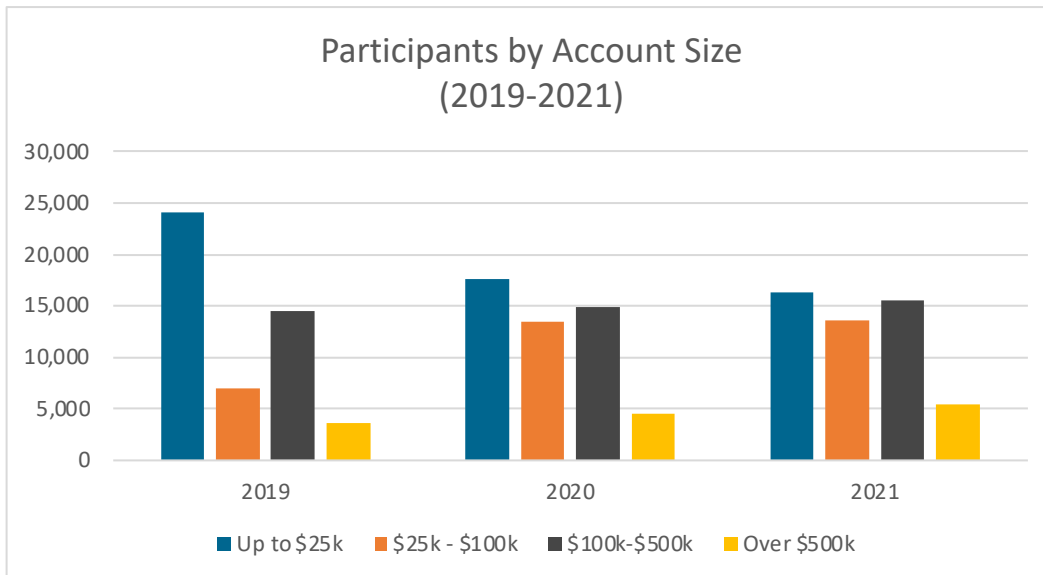
DCP Assets by Tax Status

Participants can contribute both pre-tax and after-tax (Roth) dollars to their accounts. Roth contributions were introduced to the DCP in July 2011. As of the end of 2021, **96%** of total DCP assets were held as pre-tax dollars and **4%** as after-tax (Roth) dollars, compared to 97% and 3% in 2020 respectively. The following stacked bar chart shows Pre-Tax and Roth assets from 2019 to 2021.



DCP Assets by Account Size

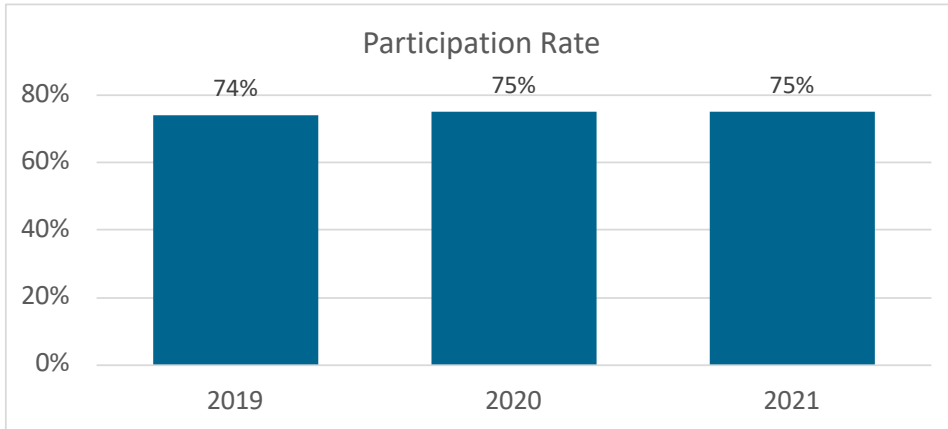
At the end of 2021, the average participant account balance was **\$18,049.21**, a **27%** increase from 2020. The following table and chart break down DCP assets by bands of account size.



DCP REVIEW: PARTICIPATION

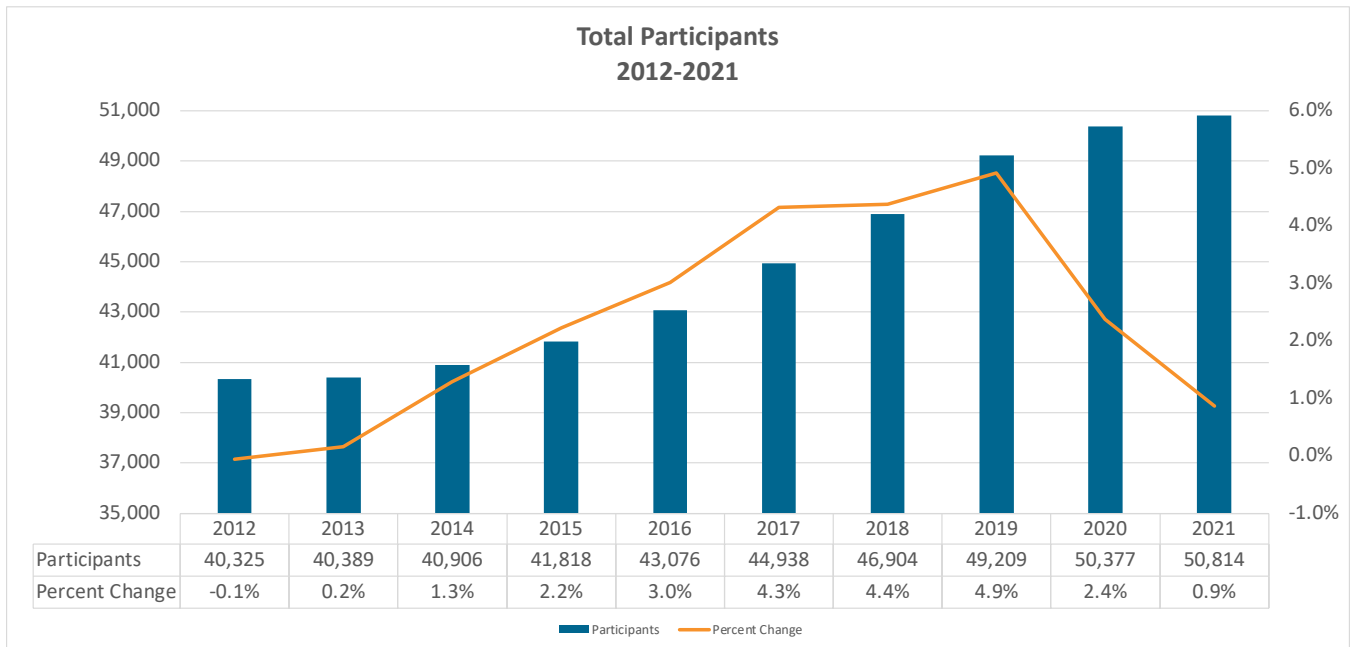
Participation Rate

The DCP participation rate for full-time employees was maintained at 75% in 2021. Overall participation in the DCP was stable despite increasing retirement and the hiring freeze through the first half of 2021, reflecting the DCP’s ongoing enrollment efforts of current employees.



Total Participants

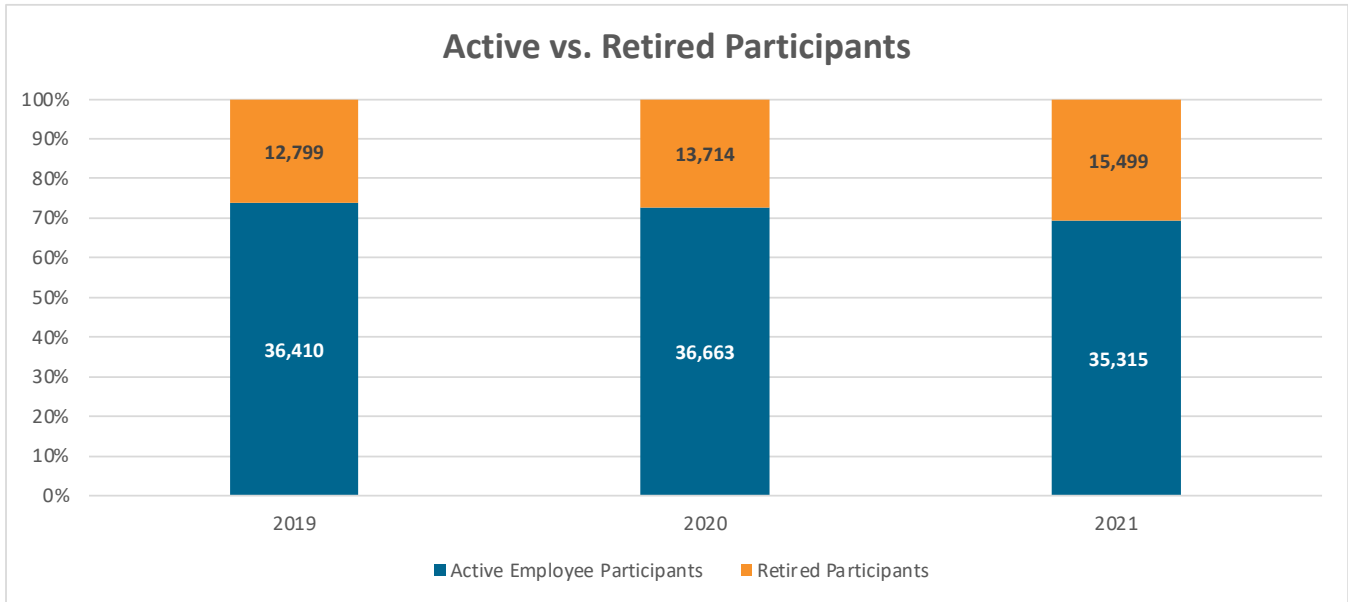
Total participation remained stable, ending 2021 at **50,814** active and retired participants, an increase of **437** or **0.9%** from 2020 despite the impact of multiple separation incentive programs and decreased hiring in the first half of 2021. Continued suspension of in-person office activities continued to complicate targeted outreach typically performed by local retirement counselors. The following ten-year chart provides participation totals and percent changes through 2021. The total participation has also been affected by an increased number of retirees.



DCP REVIEW: PARTICIPATION

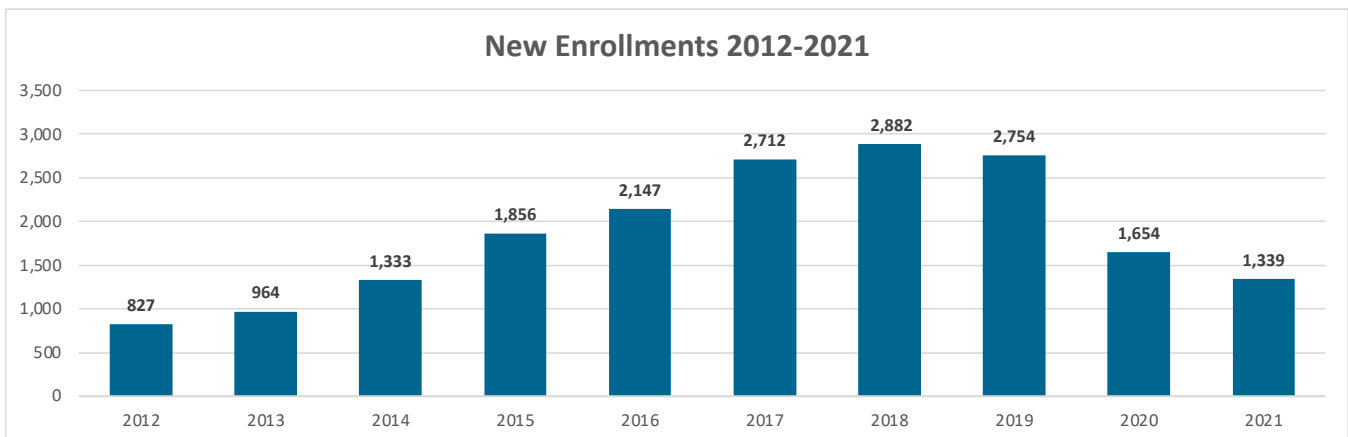
Active Vs Retired Participants

The DCP includes both active employee participants (69%) and those separated from City service (31%). The chart below indicates participants by status since 2019. In 2021, the DCP saw a jump in the number of retirees, following a continuing trend of increasing retired participants, due to Citywide programs during the COVID-19 pandemic such as the Separation Incentive Program which encouraged participants to separate from the City service.



New Enrollments

In 2021, the DCP enrolled **1,340** new participants. The fiscal and financial challenges caused by the COVID-19 pandemic resulted in a Citywide hiring freeze that decreased hiring dramatically through the first half of 2021, limiting the number of new hires eligible to enroll in the program, with the number of enrollments subdued in the third and fourth quarter.



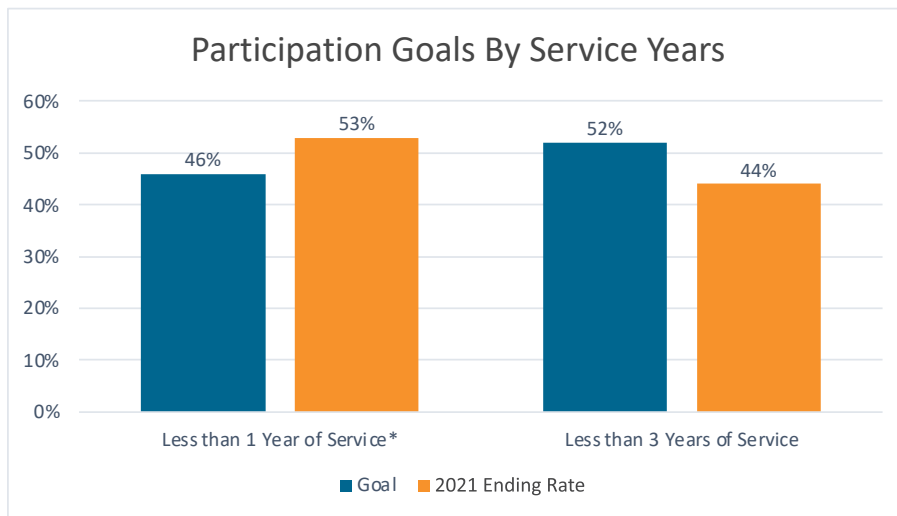
DCP REVIEW: PARTICIPATION

Targeted Participation Goals

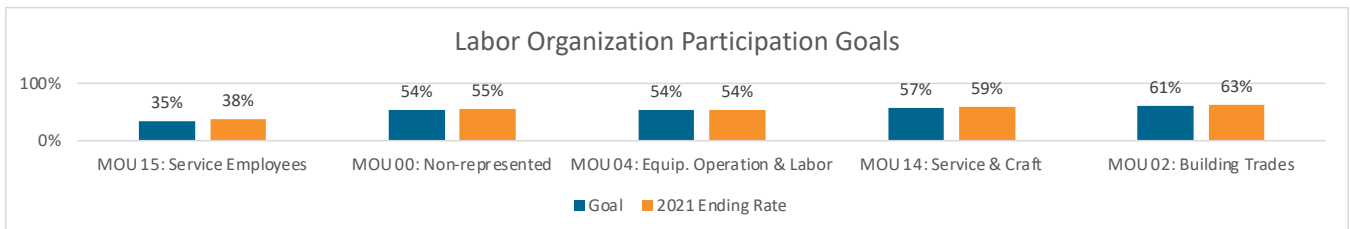
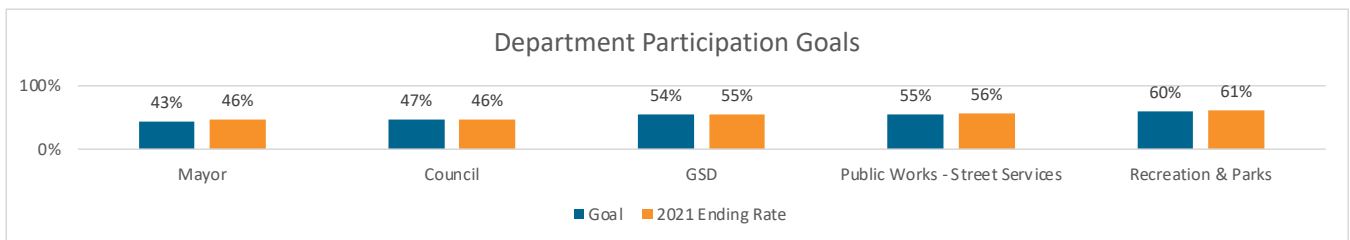
The Board established certain participant goals for an 18-month period from July 1, 2020 through December 31, 2021, refining enrollment goals by targeting populations with lower participation rates. One goal for this time period was to increase the participation rate of employees with less than one year of service by 1%, from 45% to 46%. Another goal focused on increasing the participation rate for participants with less than three years of City service by 1%, from 51% to 52%.

As of December 31, 2021, the participation rate for employees with less than one year of City service was **53%** and the participation rate for employees with less than three years of City service was **44%**.

Upon reviewing results for participation of employees with less than three years of City service, staff determined that each quarter's evaluation measured a modified three-year group, indicating a flaw in the methodology. Moving forward, staff will review and modify the goal and methodology to ensure that progress made in enrolling participants in this population will be reflected in the year-end statistics.



Additionally, the Board established 1% participation growth goals for the five City departments (with more than 50 full-time employees) with the lowest participation rate and the five labor organizations (with more than 50 full-time employees), including non-represented employees with the lowest participation rate. Progress towards these participation goals as of December 31, 2021 is indicated in the following charts.

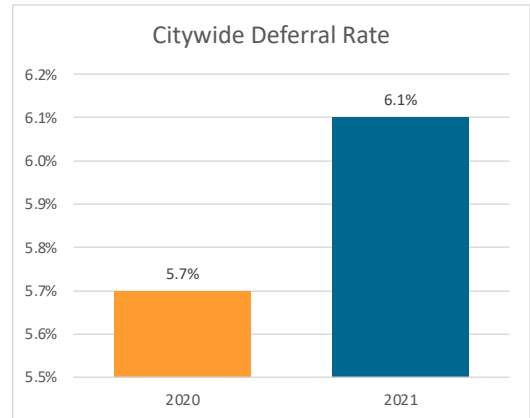


DCP REVIEW: CONTRIBUTIONS

Average Contribution as a Percent of Pay

Average total contributions as a percent of pay are an important indication of employee success in achieving retirement readiness. An employee with an average contribution of approximately 6% of salary over the course of a 30-year career, in combination with retirement and pension benefits, should generally be able to fully reproduce lifestyle income (as defined on page four) upon retirement.

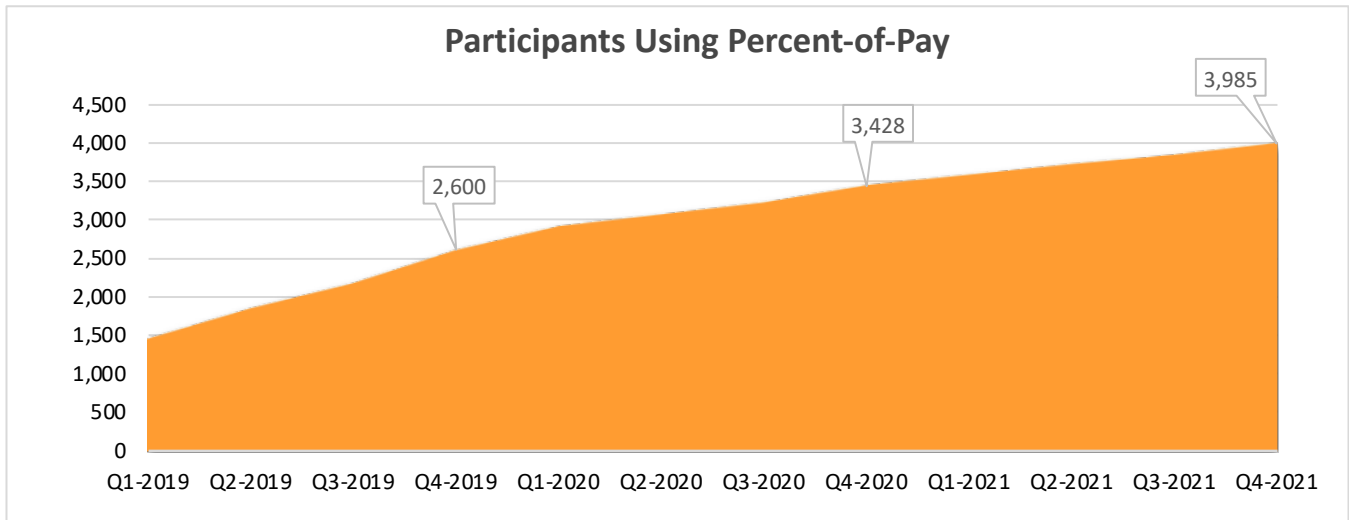
In the aggregate, City employees were contributing **6.1%** of salary to the DCP as of the end of 2021 compared to 5.7% of salary in 2020. This calculation measures aggregate contributions relative to total salaries of both participating and non-participating employees. A rising contribution rate therefore reflects success in both adding new participants as well as promoting higher contributions from existing participants.



Percent-of-Pay Contributions

The DCP's **percent-of-pay contribution option** is a powerful tool for ensuring employees save at levels sufficient to meet their unique lifestyle income replacement targets. With percent-of-pay, participants set aside a specified percentage of their bi-weekly base pay. They will tend to save more over time because contributions automatically increase with salary increases. Participants can also more easily understand their contributions as they relate to future income replacement.

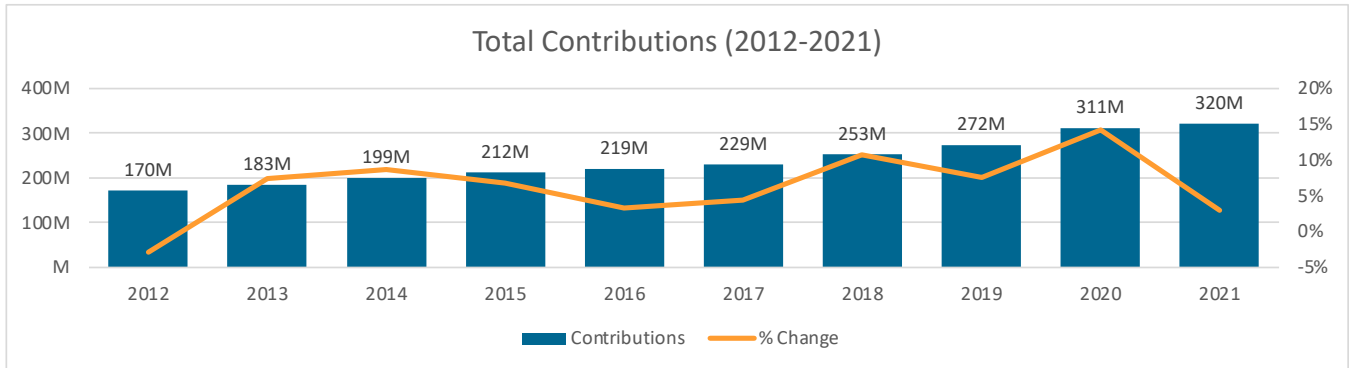
DCP staff and Voya have aggressively promoted percent-of-pay since it was introduced in 2018. As of the end of 2021, **3,985** participants were utilizing this feature, representing 12% of all contributing participants (compared to 3,428 individuals representing 10% of contributing participants in 2020). In addition, **61%** of new enrollees in 2021 chose to contribute as a percent-of-pay, compared to 55% in 2020. These improving results demonstrate the success of DCP promotional efforts.



DCP REVIEW: CONTRIBUTIONS

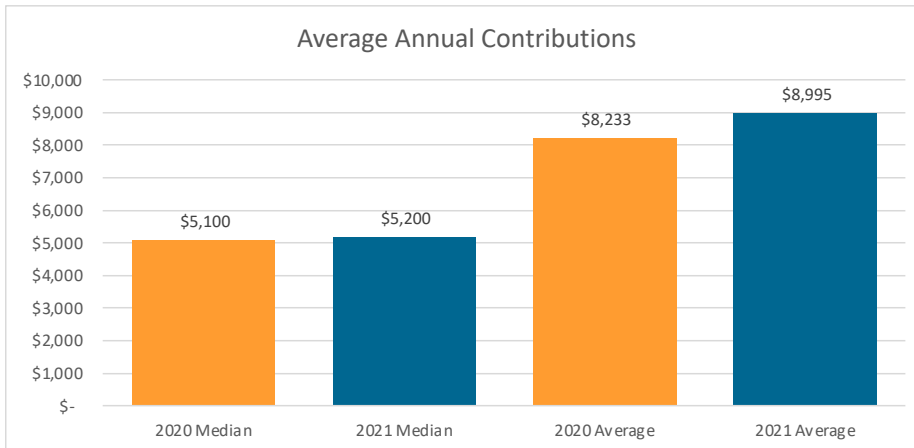
Total Contributions

Aggregate participant contributions are also a key barometer of success for active employees in improving their retirement readiness. In 2021, City employees contributed a total of **\$320,238,216.02** to the DCP, a 3% increase in total contributions from 2020. While 2020 showed a 14% increase in year over year contribution growth, 2021's decrease in the year-over-year contribution growth corresponds with a decrease in net participation growth due partially to restricted hiring practices and increased separations through the City's Separation Incentive Program in 2021.



Average Contribution Amount

Measured in dollars, average annual contributions among contributing employees increased to **\$8,995** in 2021 compared to \$8,233 in 2020. Median contributions increased to **\$5,200** in 2021 from \$5,100 in 2020. As of the end of 2021, participants were contributing an average of either **\$398** or **9%** per paycheck.



Average Paycheck Contributions

\$398

9%

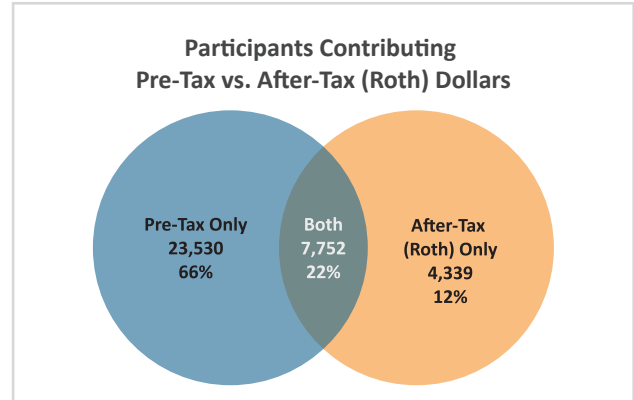
DCP REVIEW: CONTRIBUTIONS

Types of Contributions

Participants can contribute in two tax-advantaged ways:

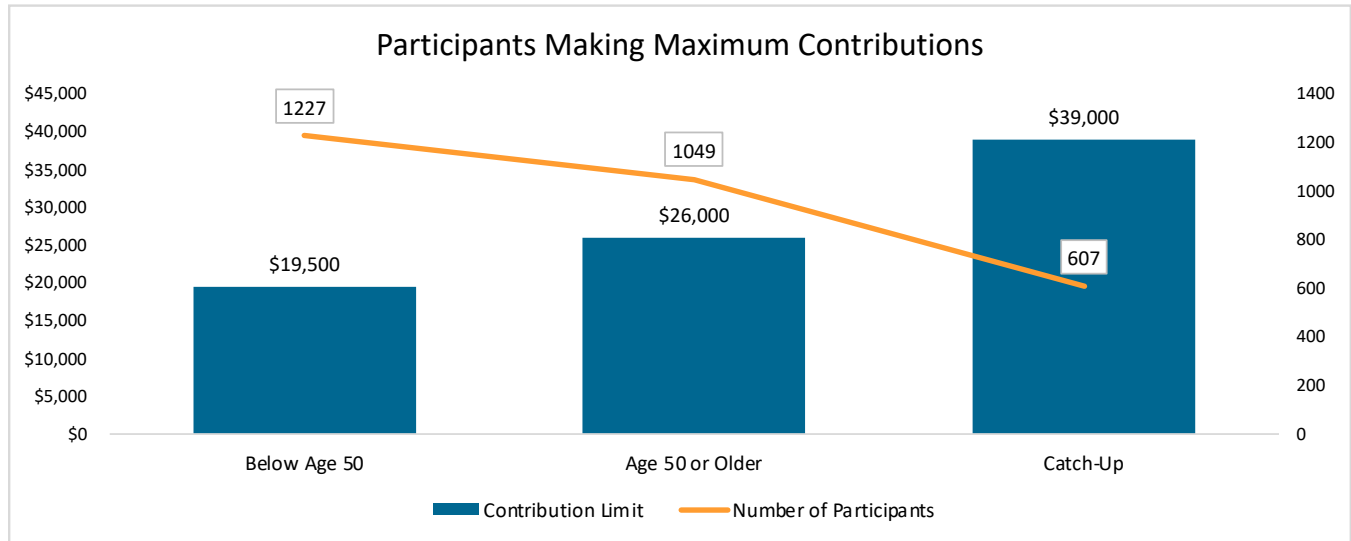
- ✓ Pre-tax: Taxes are deferred when the contribution is made and assessed upon distribution
- ✓ After-tax (Roth): Taxes are paid when the contribution is made; no taxes are assessed on earnings

In 2021, employee pre-tax contributions totaled **\$266 million** and after-tax (Roth) contributions totaled **\$54 million**.



Contribution Limits

Federal law provides for three contribution limits based on age and retirement eligibility status. The contribution limits in effect for 2021 and a count of participants meeting those limits are reflected in the following chart. An outreach effort was made by staff to participants nearing their limit to reach the maximum, resulting in approximately **9%** of the City's active employee participants contributed up to their applicable maximum limit in 2021, compared to 5% in 2020.



DCP REVIEW: ASSET RETENTION—DISTRIBUTIONS

Retired and Separated Participants—A primary goal for the DCP is asset retention, meaning encouraging retired and separated participants to maintain their accounts in the DCP after separation from service (rather than withdrawing funds as distributions or rolling the funds out to other investment managers or advisors).

Upon separation from service, participants may:

- Maintain their funds in the DCP,
- Begin receiving installment payments or periodic partial withdrawals,
- Request a full withdrawal, or
- Roll holdings to another eligible retirement savings plan.

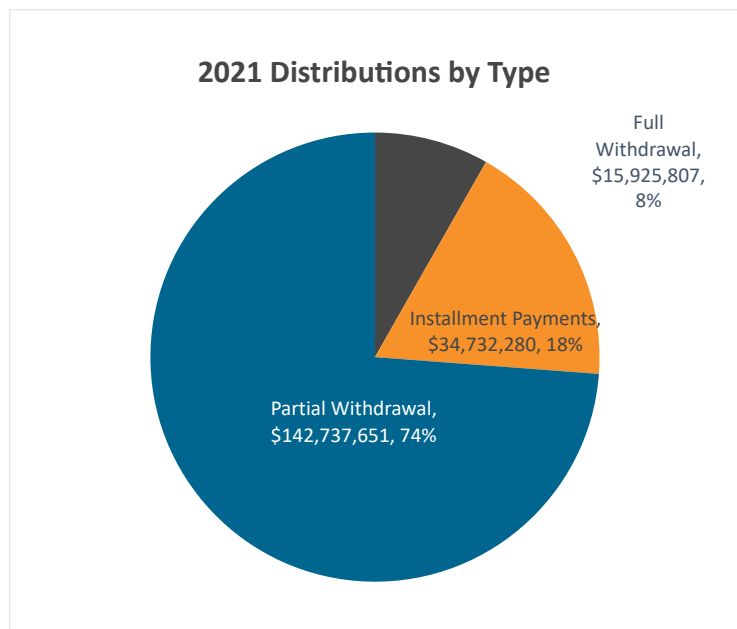
As illustrated in the following table, retired and separated participants maintained **\$4 billion** in the DCP, representing **92.3%** of funds eligible for rollover or withdrawal. Therefore, the DCP’s **Asset Retention Success Rate is 92.3%**.¹

Distribution	Amount	Percent of Total
Assets Maintained in Plan	\$4,285,394,974	92.3%
Installment Payments or Partial Withdrawals	\$177,469,931	3.8%
Full Withdrawals	\$15,925,807	0.3%
Rollover to Eligible Retirement Plans	\$166,455,852	3.6%
Total Assets Eligible for Withdrawal in 2021	\$4,645,246,564	100.0%

Distributions

Retired and Separated Participants—The pie chart to the right illustrates the breakdown of Distributions by Type in 2021. Installment or periodic partial withdrawals suggest participants are using their accounts to promote long-term retirement income security. Full lump sum withdrawals suggest the account is being closed and removed as a future retirement asset. In 2021, **less than 1%** of assets eligible to be withdrawn were distributed as full lump sum withdrawals.

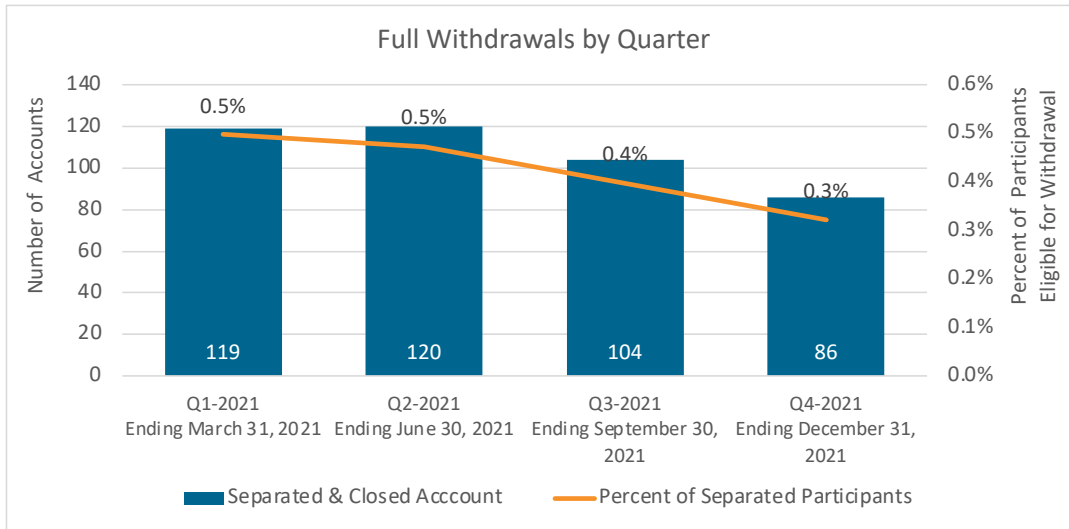
In 2021, a total of 429 participants separated from City service chose to fully withdraw and close their accounts, representing **1.7%** of the separated population in 2021. The DCP maintained a **Distribution Success Rate**, measuring the retention participants who maintained their DCP accounts, of **98.3%**.²



¹ “Asset Retention Success Rate” previously measured only the percent of separated participant funds that were not transferred out of the plan as rollovers, while a separate figure for “Distribution Success Rate” measured separated participant funds that were not withdrawn as distributions, when in reality separated participant funds are generally eligible for both options. Therefore, “Asset Retention Success Rate” now accounts for all retired assets maintained instead of being either distributed or rolled over to another eligible plan.

² Previously, the Distribution Success Rate measured the assets that were not withdrawn as a full distribution. This year’s statistic measures retention of participant accounts.

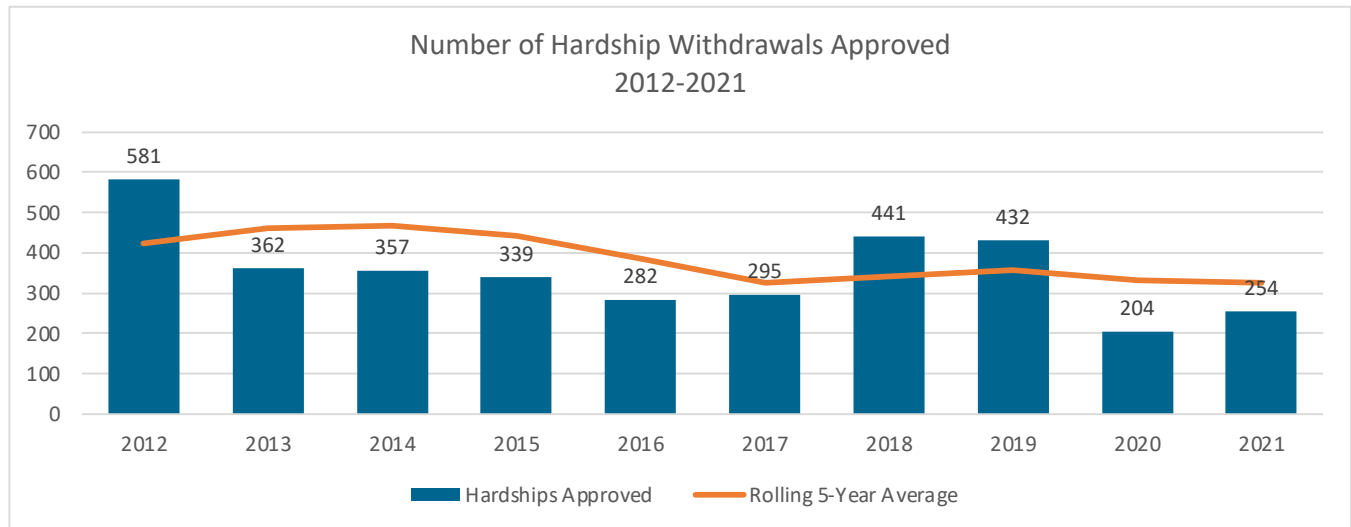
DCP REVIEW: ASSET RETENTION—DISTRIBUTIONS



Required Minimum Distributions—A portion of installment payments are Required Minimum Distributions (RMDs). RMDs are mandatory for those who have reached a certain age threshold and are required to withdraw their funds in minimum amounts in accordance with their life expectancy. The Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) increased the starting RMD age from 70½ to 72 for those who reach age 70½ in 2020 or later.

Hardship Withdrawals

Active, Retired, and Separated Participants—The DCP permits hardship withdrawals for participants experiencing unforeseen financial emergencies. Total requests for hardship withdrawals saw a **30% increase** from 2020, presumably attributed to the end of alternative financial assistance from pandemic-related CARES Act provisions that ended December 31, 2020. Likewise, total number of approved requests were up **26%**. Of the withdrawals approved, **50%** were for the purpose of avoiding mortgage foreclosure or eviction, and **45%** were for medical expenses or for illness or accident.

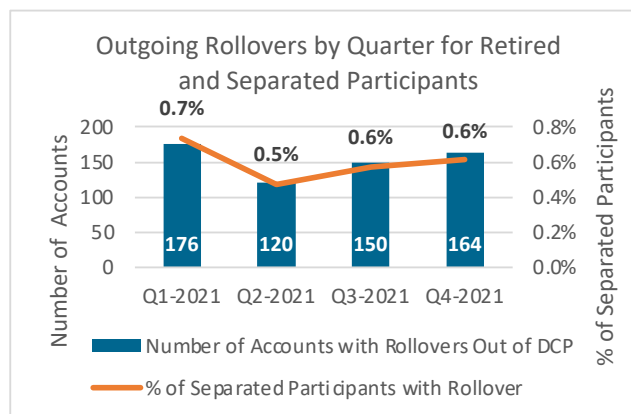


DCP REVIEW: ASSET RETENTION—ROLLOVERS

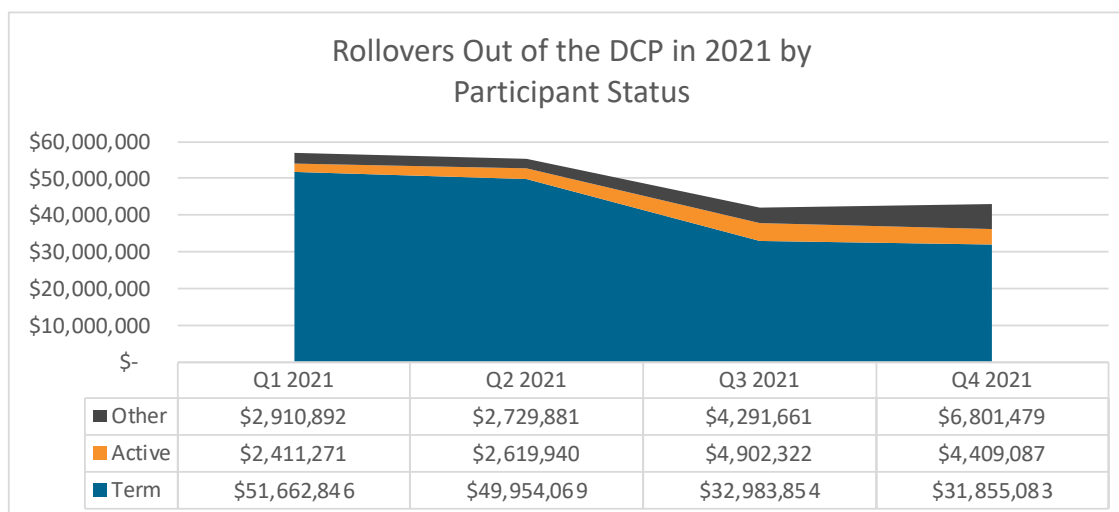
Assets Rolled out of the DCP

Retired and Separated Participants—In 2021, retired and separated participants rolled out approximately **\$166 million** to other plans or investment advisors, representing **3.6%** of only those assets eligible to be rolled out of the DCP (because the participant has retired or otherwise separated from service). A total of **610** retired and separated participants chose to roll funds out of DCP, representing **2.4%** of separated the population.

Active and Other—In 2021, a total of 594 active participants rolled out **\$14 million** for transactions such as purchasing service credits, while a total of **86** participants with QDRO or beneficiary accounts rolled **\$17 million** out of the DCP.



The following chart illustrates the amount of assets rolled out of the DCP in 2021 quarter over quarter. A total of **\$186 million** was rolled out of all participant accounts.

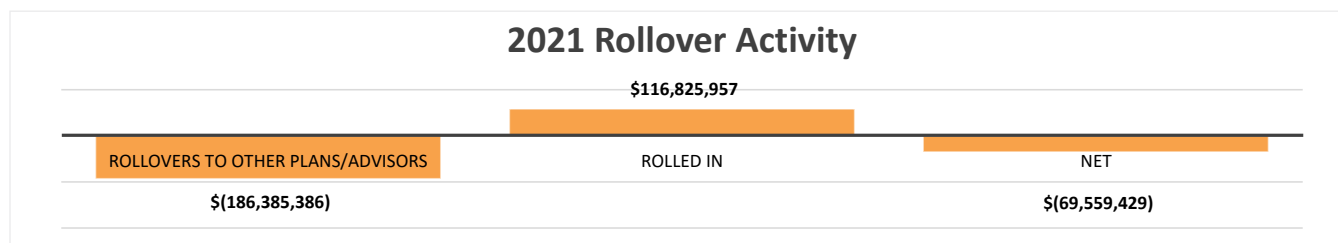


Assets Rolled into the DCP

Actives and Retirees—Active and retired participants have the ability to transfer assets from external accounts from eligible 457(b), 401(a), 401(k), or 403(b) plans, or Individual Retirement Accounts (IRAs), into the DCP. In 2021, they rolled **\$117 million** into the DCP.

Net of Roll-in/Roll-out Transfers

When roll-ins and roll-outs are combined, in 2021 the net difference was **-\$69 million**, or **0.8%** of total ending DCP assets in 2021.

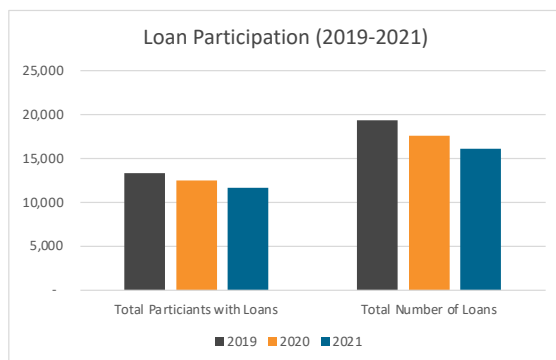
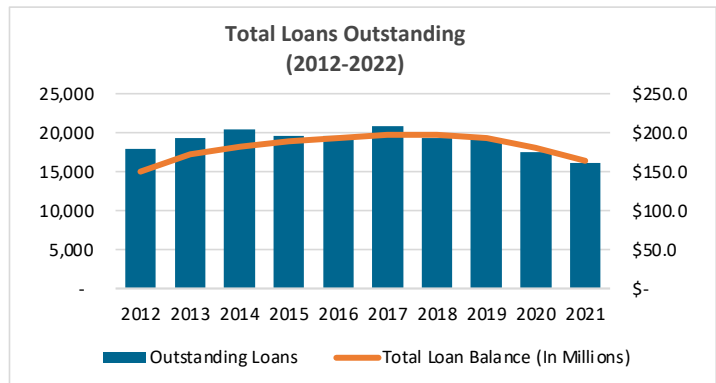


DCP REVIEW: LOANS

Loans

The DCP offers a Loan Program allowing participants to borrow funds from their individual accounts and repay those amounts with interest credited to their accounts. In general, two loan types are permitted: General Purpose (with a repayment term of up to 5 years) and Principal Residence (with a repayment term of up to 15 years). A participant may have up to two loans outstanding at any given time. Both active and retired participants may take loans.

Loans are widely utilized by participants. As of December 31, 2021, **11,672** participants had **16,107** loans outstanding, totaling **\$164** million in borrowed assets. Of the **16,107** outstanding loans, **14,492** are general loans and **1,615** are residential. The chart above provides historical information regarding total DCP loans outstanding over the past ten.



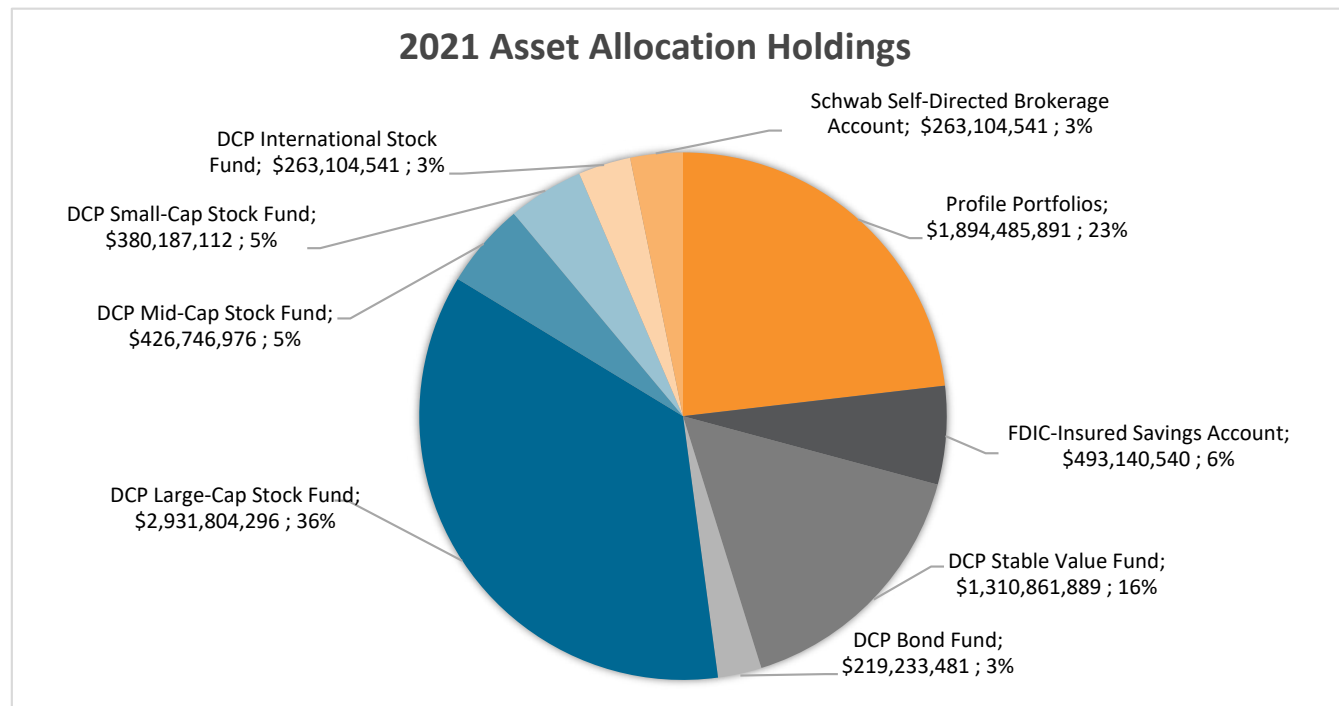
The loan data to the left indicates that the number of new loans taken in 2021 declined by **3%** year-over-year, while the number of loans defaulted in 2021 increased by **74%**, resulting in a significant decrease in loan participation. There has been a steady decrease in loan participation since 2019, with **814** fewer participants holding **1,439** fewer loans on December 31, 2021 over 2020. Although the reason cannot be certain, the decline in loan usage correlates with the continued availability of financial assistance from the three Economic Impact Payments from the IRS in 2021, while the increase in loan defaults may indicate continued financial hardship in the face of the on-going pandemic.

Number of New Loans Vs Default Loans (2019 to 2021)

Year	New Loans	Defaulted Loans
2019	6,484	548
2020	5,215	534
2021	5,041	930

DCP REVIEW: INVESTMENTS

Participant investments are well diversified among the major asset class categories within the DCP’s investment menu as well as the DCP’s blended risk-based portfolio funds. DCP asset allocation holdings as of December 31, 2021 are reflected in the following chart:



Investment returns were strong in 2021 for equities and bonds, while interest-bearing investments remained low as the Federal Reserve kept borrowing rates low. The net overall return for the DCP in 2021 was **14.7%**, compared to 12.3% in 2020. Returns by option are indicated below:

2021 Investment Option Rates of Return

Investment Option	1-Year	3-Year	5-Year
FDIC-Insured Savings Account	0.9%	1.8%	1.4%
DCP Stable Value Fund	2.4%	2.5%	2.3%
DCP Bond Fund	9.2%	5.8%	5.4%
Ultra-Conservative Profile	8.9%	5.8%	5.7%
Conservative Profile	12.3%	7.7%	7.9%
Moderate Profile	15%	9.5%	10.2%
Aggressive Profile	15.5%	9.9%	11.2%
Ultra-Aggressive Profile	15.6%	10.2%	12.1%
DCP Large-Cap Stock Fund	18.4%	14.2%	15.2%
DCP Mid-Cap Stock Fund	18.4%	12.5%	13.7%
DCP Small-Cap Stock Fund	17.9%	9.6%	12.5%
DCP International Stock Fund	10.7%	5.6%	9.1%

DCP REVIEW: FEES

Participant Fees

The DCP is committed to maintaining expense levels at a reasonable level consistent with a diverse menu of investment options and excellent customer service. All DCP expenses are required to be paid by participants through administrative fees collected from participant accounts. The DCP collects three types of fees: (1) an annual per-participant fee of 0.09% of assets, with a cap of \$115; (2) investment fees which vary by investment option; and (3) user fees for items such as loan maintenance and overnight delivery of checks.

Fund	Style	Fund Balance	Estimated Fund Expense	Fund Net Expense Ratio	National Median Net Expense Ratio	Net Expense Difference	Expense Rebate	Expense Ratio after Expense Rebate
FDIC-Insured Savings Account	Cash Equivalents	\$493,140,540	N/A	N/A	N/A	N/A	N/A	N/A
DCP Stable Value Fund (Net)	Stable Value	\$1,310,861,889	\$3,500,001	0.27%	0.36%	-0.09%	0.00%	0.27%
DCP Bond Fund	US Fixed	\$219,233,481	\$548,084	0.25%	0.41%	-0.16%	0.10%	0.15%
Ultra-Conservative Profile	Risk-based	\$121,384,688	\$331,729	0.27%	0.60%	-0.33%	0.06%	0.21%
Conservative Profile	Risk-based	\$281,237,017	\$843,711	0.30%	0.60%	-0.30%	0.06%	0.24%
Moderate Profile	Risk-based	\$560,451,412	\$1,961,580	0.35%	0.75%	-0.40%	0.07%	0.28%
Aggressive Profile	Risk-based	\$585,953,289	\$2,226,622	0.38%	0.72%	-0.34%	0.06%	0.32%
Ultra-Aggressive Profile	Risk-based	\$345,459,486	\$1,416,384	0.41%	0.72%	-0.31%	0.05%	0.36%
DCP Large-Cap Stock Fund	US Large Cap Equity	\$2,931,804,296	\$586,361	0.02%	0.16%	-0.14%	0.00%	0.02%
DCP Mid-Cap Stock Fund	US Mid Cap Equity	\$426,746,976	\$1,877,687	0.44%	0.75%	-0.31%	0.23%	0.21%
DCP Small-Cap Stock Fund	US Small Cap Equity	\$380,187,112	\$1,710,842	0.45%	0.85%	-0.40%	0.10%	0.35%
DCP International Stock Fund	International Equity	\$263,104,541	\$1,894,353	0.72%	0.79%	-0.07%	0.03%	0.69%
Schwab Self-Directed Brokerage Account	Brokerage Window	\$1,381,895,605	N/A	N/A	N/A	N/A	N/A	N/A
Total Investment Expense		\$9,301,460,330	\$16,897,354	0.18%			0.03%	0.15%

Investment Fee Comparison

The City's investment consultant reports on how the City's investment management costs compare to median investment fees nationwide. The "Net Expense Difference" column in the table below indicates the City's investment funds are all below benchmark medians.

Total Fees

The per-participant administrative fee assessed by the DCP represents just 0.03% of total assets. In total, DCP investment and administrative fees as a percent of total DCP assets declined from 0.20% in 2020 to 0.18% in 2021. Further savings are anticipated in the coming year as the DCP begins transitioning to new investment service provider arrangements bringing in lower fees resulting from recent procurements.

Expense Category	2019	2020	2021
Total Investment Expense After Expense Rebate	0.17%	0.16%	0.15%
Administrative & Other Expenses	0.04%	0.03%	0.03%
Total "All-In" Expenses Including Administrative & Other Expenses	0.21%	0.20%*	0.18%

*Numbers may not sum to total due to rounding.

DCP REVIEW: ENGAGEMENT

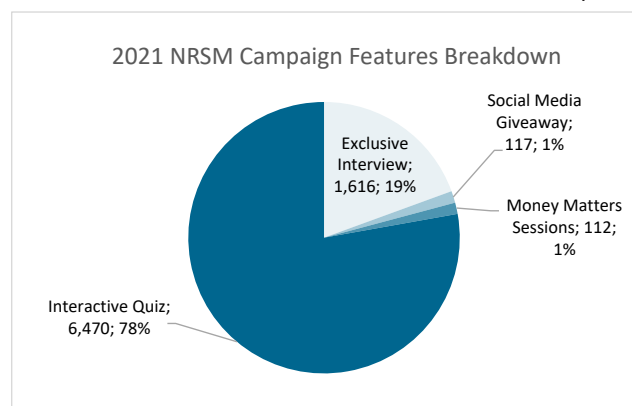
The DCP continues to emphasize participant engagement through innovation and creativity to drive retirement outcomes. Participants benefit from engagement efforts as they better prepare for their retirement security through increasing contributions, reevaluating their retirement savings, or discussing their retirement options with a retirement counselor. Notable engagement achievements in 2021 include the following:

National Retirement Security Month

The annual National Retirement Security Month (NRSM) campaign continues to be the keystone engagement effort for the DCP. In 2021, the DCP featured a campaign titled “Back to the Movies with the DCP” throughout the month of October. This was the most successful campaign to date for the DCP, with more than 23,700 unique pageviews on our NRSM landing page and over 6,400 individuals participating in our interactive quiz. A total of 260 DCP branded prizes were awarded to individuals for participating in our 2021 campaign.



Consistent with the DCP’s innovative drive, new special offerings were featured throughout NRSM this year. The DCP



partnered with the Broadcast Retirement Network (BRN) to produce an exclusive interview with real estate and home relocation expert Scott Fuller. The video, entitled “Relocating in Retirement,” was published on the DCP’s YouTube channel where it garnered 1,569 views. The DCP utilized its social media platform by launching a special Instagram giveaway contest, as well as posting weekly advertising different NRSM offerings. The giveaway post garnered 154 likes and 115 comments and the engagement effort increased the total number of Instagram followers from 532 to 799 during NRSM. Lastly, two special Money Matters zoom sessions were offered during the month, one about enrollment and one about loans, with a total of 112 attendees between the two sessions.

Money Matters – DCP Financial Education Meetings



In 2021, the DCP continued to hold Money Matters zoom sessions; these sessions connected the DCP with its participants despite the ongoing effects of the pandemic. During these sessions, ongoing education on important DCP topics was provided and an opportunity for employees to engage with the DCP’s Local Retirement Counselors in lieu of physical meetings. A total of 25 sessions were offered during 2021, with topics

ranging from Separation Incentive Program Q&A, Beneficiaries, Enrollment, Distribution Options, Investments, Nearing Retirement, Loans, and Contributions. The top attended sessions of 2021 are listed in the chart below:

Topic	Attendees
Distribution Options	155
Percent of Pay	132
Investments Overview	132
Pre-tax vs After Tax Roth	118
Pre-tax vs After Tax Roth	116

DCP REVIEW: ENGAGEMENT

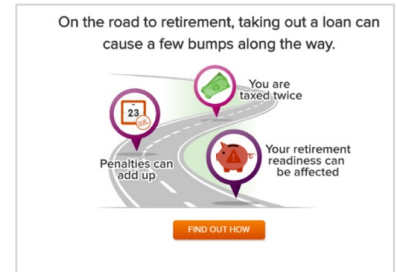


Targeted Mail and Email Campaigns

The DCP continued to use digital and mail communications as its primary source of outreach in 2021. The DCP completed several postcard and email campaigns, including one encouraging participants to explore the revamped participant website, three emails promoting NRSM activities, and an email informing participants of the increased 2022 contribution limits set forth by the IRS.

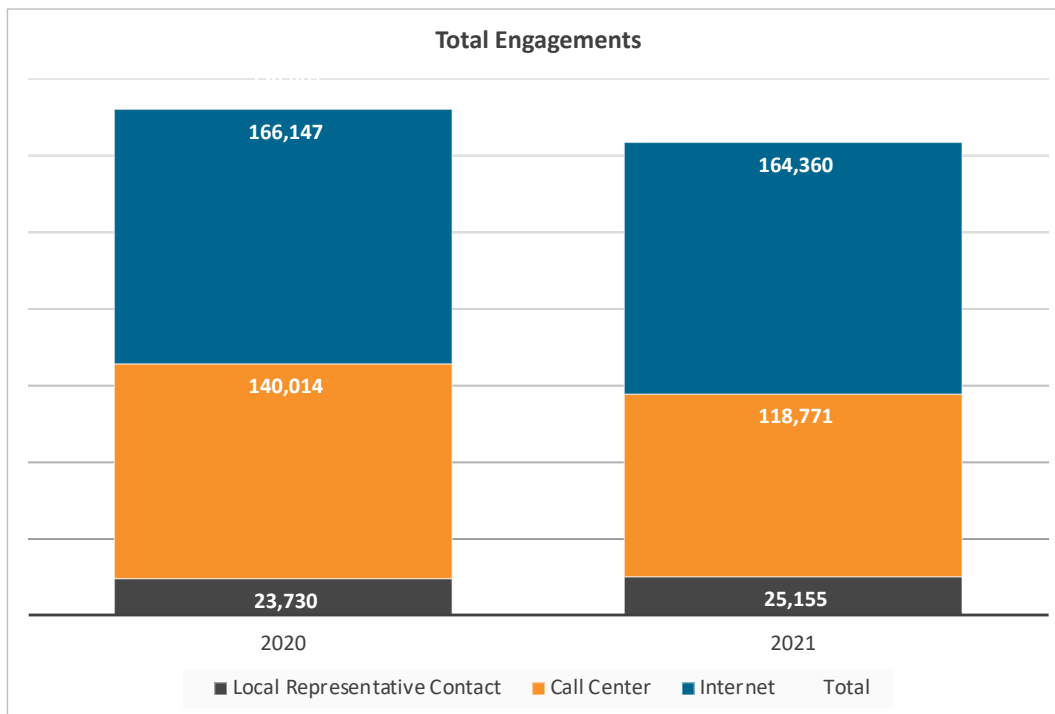
Interactive Loan Guidance

Voya provides interactive loan guidance through the DCP website. In 2021, 2,018 participants accessed the loan guidance, compared to 1,763 participants who went directly to the loan request page. Participants who viewed loan guidance were 16% less likely to take a loan than those who skipped guidance.



Engagement Metrics

Key engagement metrics include the auto-mated phone system, website, and local counselor interactions. While in-person office hours and presentations continued to be limited, there was greater usage of the call center and the web portal. Local retirement counselor contact decreased from the prior year as a result of the pandemic but continued to be utilized by participants, with 25,155 emails, local phone calls, virtual group meeting attendees, and virtual counseling sessions.



APPENDIX

DCP Revenue and Expenses

DCP Annual Budget Review
Administrative and Operating Expenses
Year Ending 12/31/21

REVENUE & EXPENSE LINE ITEMS		
STARTING BALANCE		
City Fund 896 Balance - 1/1/2021	\$	104,200.70
TPA Fund - 1/1/2021	\$	4,383,238.39
TOTAL STARTING BALANCE	\$	4,487,439.09
REVENUES		
Interest Earnings on Fund 896	\$	1,383.02
Miscellaneous Credits to Fund 896	\$	30.00
Interest Earnings on TPA Fund	\$	80,944.78
Revenue from Fees Deducted from Participant Accounts	\$	3,067,414.49
Miscellaneous Credits to TPA Fund	\$	26,771.72
Total Revenue/Fees	\$	3,176,544.01
TOTAL ASSETS (STARTING BALANCE + REVENUE/FEES)	\$	7,663,983.10
EXPENDITURES		
Fund 896: Communications Expenses	\$	(2,179.79)
Fund 896: Training/Travel/Education Expenses	\$	-
Fund 896: Consulting Costs	\$	-
Fund 896: Staff Salary Reimbursement	\$	(817,118.81)
Fund 896: Office and Administrative Expenses	\$	(8,214.62)
TPA Fund: Contractual Fees Paid to TPA	\$	(1,649,811.00)
TPA Fund: Consulting Costs	\$	(531,163.95)
TPA Fund: Communications Expenses	\$	(5,216.00)
TPA Fund: Training/Travel/Education Expenses	\$	(2,600.00)
TPA Fund: Elections Administration	\$	(50,590.44)
TPA Fund: Salary Reimbursement (For DCP Intern)	\$	(15,067.60)
TOTAL EXPENDITURES	\$	3,081,962.21
INTER-FUND TRANSFERS		
Transfer Deposit: Fund 896 from TPA Fund	\$	(817,118.81)
Transfer Deposit: Fund 896 from TPA Fund	\$	(906,280.83)
TOTAL INTER-FUND TRANSFERS	\$	89,162.02
ENDING BALANCE		
Actual City Fund 896 Ending Balance – 12/31/21	\$	(95,219.31)
Actual TPA Fund Ending Balance – 12/31/21	\$	(4,397,639.56)
ACTUAL TOTAL ENDING BALANCE	\$	4,492,858.87
ENCUMBRANCES/LIABILITIES		
Outstanding Staffing Reimbursements from Prior Quarter(s)	\$	(411,703.60)
Funds in Transit from TPA Fund to City Fund 896	\$	(89,162.02)
TOTAL ENDING BALANCE LESS LIABILITIES	\$	4,436,696.84

APPENDIX

5-Year Historical Revenues & Expenditures

	Year Ending				
Starting Balance	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
City Fund 896 Starting Balance	62,314	44,304	30,927	44,425	114,549
TPA Fund Starting Balance	3,308,222	3,104,611	3,232,973	3,923,478	3,965,355
Total Starting Balance	3,370,536	3,148,915	3,263,900	3,967,903	4,079,904
Revenues/Fees					
Interest Earnings on City Fund 896 and TPA Fund	61,992	62,916	88,854	106,487	119,596
Revenue from Fees Deducted from Participant Accounts	2,614,920	2,062,764	2,777,114	2,707,933	2,817,100
Credits and Adjustments	0	0	256,176	1,216	31,024
Total Revenues/Fees	2,676,912	2,125,680	3,122,144	2,815,636	2,967,720
TOTAL ASSETS (Starting Balance + Revenues/Fees)	6,047,448	5,274,595	6,386,044	6,783,539	7,047,624
Expenditures					
Contractual Fees Paid to TPA	(1,562,667)	(1,204,745)	(1,533,177)	(1,555,451)	(1,625,371)
Travel/Training/Education (Fund 896 + TPA Fund)	(15,532)	(8,581)	(23,601)	(25,721)	(1,700)
Governmental Meetings	0	0	0	0	0
Office and Administrative Expenses	(4,264)	(6,402)	(16,173)	(8,140)	(6,911)
Staffing Reimbursements	(909,834)	(477,517)	(677,356)	(797,777)	(785,409)
Consultant Costs	(186,362)	(142,397)	(103,465)	(306,991)	(92,336)
Communications	(58,966)	(17,504)	(8,231)	(10,053)	(256)
Election Administration	0	(41,667)	(56,138)	0	(48,202)
GWRS Asset Allocation Fund Management	(91,000)	(53,250)	0	0	0
GWRS Hardship Administration	(65,500)	(55,250)	0	0	0
Wells Fargo Custodial Fees	(5,000)	(3,750)	0	0	0
Total Expenditures	(2,899,125)	(2,011,063)	(2,418,141)	(2,704,134)	(2,560,185)
Inter-Fund Transfers					
Transfer Deposit to City 896 Fund	909,849	477,517	727,357	897,777	785,409
Transfer Withdrawal from TPA Fund	(909,834)	(477,517)	(727,357)	(897,777)	(785,409)
Total Inter-Fund Transfers	15	0	0	0	0
Ending Balance					
Actual City Fund 896 Ending Balance	44,304	30,927	44,425	114,549	104,201
Actual TPA Fund Ending Balance	3,104,611	3,232,973	3,923,478	3,965,355	4,383,238
Total Ending Balance	3,148,915	3,263,900	3,967,903	4,079,904	4,487,439
Encumbrances/Liabilities					
Staffing Requirements	(100,164)	(165,754)	(208,285)	(184,996)	(411,704)
Total Ending Balance Less Liabilities	3,048,751	3,098,146	3,759,618	3,894,907	4,075,735

APPENDIX

Participation by Department (Full-Time and Half-Time)

Department Name	Active	Total Eligible	Participation Rate
Aging	23	34	68%
Airports	2,022	2,950	69%
Animal Services	191	312	61%
Building & Safety	596	895	67%
Cannabis Regulation	19	31	61%
CAO	91	111	82%
City Attorney	679	927	73%
City Clerk	77	117	66%
Civil and Human Rights	6	11	55%
Community Investment for Families Department	34	52	65%
Controller	104	131	79%
Convention Center & Tourism	7	8	88%
Council	179	400	45%
Cultural Affairs	37	75	49%
Disability	11	25	44%
Economic & Workforce Development	64	100	64%
El Pueblo	7	13	54%
Emergency Management	13	18	72%
Employee Relations	2	3	67%
Ethics	22	30	73%
Fire & Police Pensions	93	114	82%
Fire (Civilian)	260	343	76%
Fire (Sworn)	3,108	3,371	92%
GSD	672	1,242	54%
Harbor	676	830	81%
Housing	404	587	69%
ITA	241	324	74%
LACERS	138	167	83%
Library	625	1,101	57%
Mayor	81	175	46%
Neighborhood Empowerment	17	24	71%
Office of Finance	208	278	75%
Office of Public Accountability	3	3	100%
Personnel	368	496	74%
Planning	276	396	70%
Police (Civilian)	2,196	2,759	80%
Police (Sworn)	8,453	9,502	89%
Public Works - Board	86	113	76%
Public Works - Contract Administration	210	296	71%
Public Works - Engineering	574	742	77%
Public Works - Sanitation	1,820	2,803	65%
Public Works - Street Lighting	199	276	72%
Public Works - Street Services	601	1,065	56%
Recreation & Parks	1,082	3,729	29%
Transportation	1,071	1,548	69%
Water and Power	7,371	10,571	70%
Youth Development Department	3	5	60%
Zoo	141	245	58%

APPENDIX

Participation by MOU (Full-Time and Half-Time, Excluding DWP)

MOU	Active	Total Eligible	Participation Rate
MOU 00: Non-Represented	426	817	52%
MOU 01: Administrative	1,699	2,264	75%
MOU 02: Building Trades	575	919	63%
MOU 03: Clerical	2,540	4,466	57%
MOU 04: Equip. Operation & Labor	1,700	3,570	48%
MOU 05: Inspectors	597	836	71%
MOU 06: Librarians	212	279	76%
MOU 07: Recreation Assistants	85	989	9%
MOU 08: Professional Engineering & Scientific	1,119	1,399	80%
MOU 09: Plant Equip. Operation & Repair	232	302	77%
MOU 10: Professional Medical	53	82	65%
MOU 11: Recreational	225	336	67%
MOU 12: Supervisory Blue Collar	569	753	76%
MOU 13: Supervisory Building Trades	86	120	72%
MOU 14: Service & Craft	485	821	59%
MOU 15: Service Employees	283	772	37%
MOU 16: Supervisory Librarians	75	90	83%
MOU 17: Supervisory Prof. Engineering & Scientific	435	487	89%
MOU 18: Safety / Security	1,078	1,747	62%
MOU 19: Supervisory Technical	224	273	82%
MOU 20: Supervisory Administrative	1,011	1,217	83%
MOU 21: Technical	777	1,121	69%
MOU 22: Fire Chief Officers	92	94	98%
MOU 23: Firefighters & Fire Captains	3,015	3,276	92%
MOU 24: Police Officers, Lts. and Below	8,347	9,393	89%
MOU 25: Police Officers, Capt. and Above	108	111	97%
MOU 26: Port Pilots	13	13	100%
MOU 27: L.A. Port Police Command Officers	16	17	94%
MOU 28: L.A. General Services Police Officers	14	16	88%
MOU 29: Deputy City Attorneys	360	481	75%
MOU 30: L.A. Airport Peace Officers	318	392	81%
MOU 31: Confidential Attorneys	18	31	58%
MOU 32: Management Attorneys	15	17	88%
MOU 34: Crossing Guards	41	160	26%
MOU 36: Management Employees	547	670	82%
MOU 37: Executive Administrative Assistants	90	101	89%
MOU 38: L.A. Port Police Assoc.	100	111	90%
MOU 39: L.A. Airport Supervisory Peace Officers	68	76	89%
MOU 40: Airport Police Command Officers	7	7	100%
MOU 61: Senior Administrative and Administrative Analysts	41	48	85%
MOU 63: Personnel Director	12	12	100%
MOU 64: Confidential Senior Personnel Analyst	59	64	92%
MOU 65: Park Ranger	23	27	85%

APPENDIX

Historical DCP Assets and Net Growth Rate

Year	Assets	% Change
1984	\$ 17,990,298	N/A
1985	\$ 48,584,697	170%
1986	\$ 84,762,277	74%
1987	\$ 126,921,243	50%
1988	\$ 180,395,336	42%
1989	\$ 249,105,465	38%
1990	\$ 303,691,355	22%
1991	\$ 378,018,448	24%
1992	\$ 441,306,161	17%
1993	\$ 516,401,147	17%
1994	\$ 564,392,235	9%
1995	\$ 702,779,928	25%
1996	\$ 831,689,383	18%
1997	\$ 1,029,129,147	24%
1998	\$ 1,285,271,264	25%
1999	\$ 1,564,440,301	22%
2000	\$ 1,578,565,882	1%
2001	\$ 1,508,545,448	-4%
2002	\$ 1,373,444,396	-9%
2003	\$ 1,737,260,679	26%
2004	\$ 1,973,665,625	14%
2005	\$ 2,230,031,810	13%
2006	\$ 2,566,734,158	15%
2007	\$ 2,909,282,960	13%
2008	\$ 2,279,918,897	-22%
2009	\$ 2,828,435,629	24%
2010	\$ 3,154,860,910	12%
2011	\$ 3,174,274,111	1%
2012	\$ 3,578,684,906	13%
2013	\$ 4,277,754,120	20%
2014	\$ 4,622,493,622	8%
2015	\$ 4,726,682,745	2%
2016	\$ 5,221,905,502	10%
2017	\$ 6,027,047,090	15%
2018	\$ 6,037,310,346	0%
2019	\$ 7,087,584,205	17%
2020	\$ 8,035,190,777	13%
2021	\$ 9,307,962,971	16%

Board of Deferred Compensation Administration

Personnel Department – Employee Benefits Division

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