



## Board Report 24-17

Date: April 16, 2024

To: Board of Deferred Compensation Administration

From: Staff

Subject: Plan Governance & Administrative Issues Committee Update and Request to Fill Positions

### Board of Deferred Compensation Administration

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### **Recommendation:**

That the Board provide approval to fill one Senior Benefits Analyst I and one Benefits Specialist position upon inclusion in the 2024-25 City budget, or to otherwise identify a way to bring on these positions and fill to ensure appropriate staff support prior to the upcoming payroll system conversion scheduled for June 2024, as forwarded from the Plan Governance & Administrative Issues Committee for consideration.

### **Background:**

At its August 29, 2023 meeting, the Plan Governance & Administrative Issues Committee (the Committee) last conducted the DCP annual resource review and forwarded key assumptions for the ten-year projection for Board adoption on September 19, 2023. During this meeting, the Board approved a request to add two new positions to the DCP budget and forwarded it for consideration in the City's 2024-25 proposed budget. However, the Board asked that staff return with updated fee projections to ensure the filling of newly requested positions submitted for the 2024-25 budget would not risk the long-term sustainability of the program and whether the plan's fee model might need to be otherwise reconsidered.

### **Discussion:**

On April 8, 2024, the Committee convened to continue the discussion on plan resources and to review the DCP fees structure (see Committee Report [24-01](#)<sup>1</sup>).

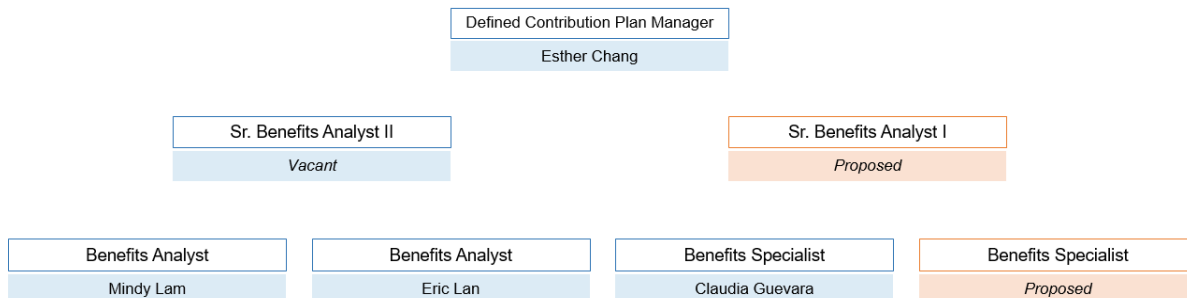
As part of the discussion, the new budget positions being requested were discussed:

- One (1) Senior Benefits Analyst I: This position will mainly act as the Operations Supervisor and provide senior oversight on payroll processing tasks and reconciliation.

<sup>1</sup> <https://la457.com/pgai-committee-materials>

Particularly as the payroll system conversion is set to occur in June, it is imperative that a senior-level position is able to provide additional support and direction to professional staff. More oversight will be required to guide staff with the new processes in Workday and coordination of new reports that will need to be generated. This position will additionally provide an improved structure for the plan's succession purposes, as currently there is no pathway from which the analysts are able to promote (there is a gap between Benefits Analyst and Senior Benefits Analyst II). This will ideally help to retain knowledge and experienced staff, and allow the plan more flexibility in how it staffs the plan.

- One (1) Benefits Specialist: This position will be the second Benefits Specialist for the plan. As the work processes for the new payroll system are anticipated to take more time than current work processes in PaySR, this position will help distribute more of the participant service level transactions and payroll entry tasks that are required from the sole Benefits Specialist. This position will also provide additional coverage and redundancy of staff, as currently, should the sole Benefits Specialist be unavailable, the position's tasks must be absorbed by the analysts and sometimes senior staff due to coverage challenges within a small team. It is envisioned that this position can be staffed at a lower job classification, such as Senior Administrative Clerk.



The Committee members emphasized their concerns of ensuring enough staff resources were available to address anticipated issues with the payroll system conversion. As the scope of potential issues is difficult to predict, the Committee indicated the existing small DCP team could be very challenged to meet the needs of its participants should large-scale adjustments need to be made upon go-live and for the transition period thereafter. Staff has previously noted to the Board that many of the work processes will require more time, review, and reconciliation than is previously required in the PaySR system. As such, staff requests the Board provide approval to fill these positions to ensure potential adverse impact to plan operations and services is mitigated.

Updated Long-Term Projection

DCP plan assets have grown from \$8.92 billion (as of June 30, 2023) to \$9.58 billion (as of December 31, 2023). Utilizing updated plan asset total and participant counts as of December 31, 2023, staff has updated the ten-year projection with the following assumptions:

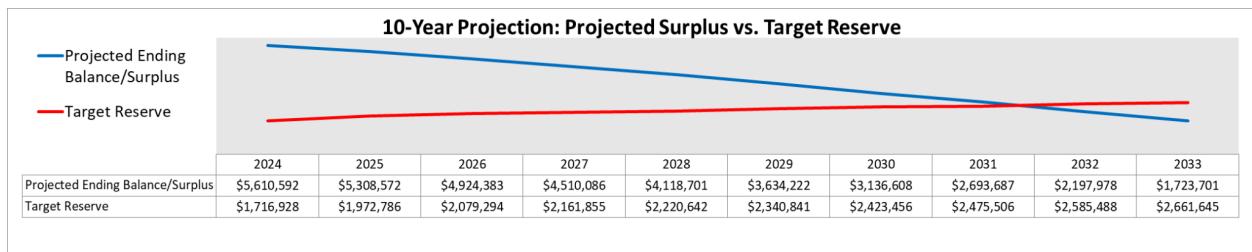
Variable Description	2024 Assumptions
Plan Assets Growth Rate	5.5%
Net Enrollment Growth Rate	3.0%
Administrative Expenses Inflation Factor	3.0%

Indirect Costs Rate: Personnel	85.0%
Indirect Costs Rate: City Attorney	85.0%
Stable Value Fund Average Rate of Return	2.0%
Participant Fees: Basis Point Charge	0.09%
Participant Fees: Annual Dollar Fee Cap	\$115.00

Additionally, the updated projection includes:

- Updated ten-year salary projection, with costs for the two new positions. The projection assumes positions are fully filled through the ten-year period.
- Fiduciary Liability Insurance premium
- Plan audit costs
- Increase in consulting costs (with expectation of additional counsel and investment consulting costs in the future)

As indicated below, the updated projection indicates that by the end of 2031, assuming the plan has expended 100% of planned expenses in previous years, the DCP surplus will begin to dip into the target reserve balance, which has been set to 50% or six months of annual operating expenses.



The Committee and the Board continually review the long-term reserve fund projection, either during quarterly staffing reimbursement reviews or annual plan resource reviews. There will be ongoing opportunities for the Committee or Board to course correct should a need arise in the future and as staff updates the projections with actual expenses.

Continued Committee Considerations

The Committee will continue its discussion to: (1) identify and consider future expenses to the plan, such as whether the plan incorporates an investment advice or education feature; and (2) reaffirm/review the plan's fee structure to determine whether updates are required to ensure long-term sustainability of plan revenues when considering its expenses.

Submitted by: Esther Chang, Defined Contribution Plan Manager