

# Deferred Compensation Plan

## BOARD REPORT 16-05

Date: January 8, 2016

To: Board of Deferred Compensation Administration

From: Staff

Subject: Automatic Enrollment Program (AEP)  
Implementation Update

*Board of Deferred  
Compensation Administration  
John R. Mumma, Chairperson  
Michael Amerian, Vice-Chairperson  
Cliff Cannon, First Provisional Chair  
Thomas Moutes, Second Provisional Chair,  
Raymond Ciranna, Third Provisional Chair  
Linda P. Le  
Wendy G. Macy  
Robert Schoonover  
Don Thomas*

### **Recommendation:**

That the Board of Deferred Compensation Administration:

- a) Receive and file this report providing an update related to implementation of the Deferred Compensation Plan Auto Enrollment Program (AEP), and
- b) Authorize the Board Chairperson to issue a communication on behalf of the Board to the City Controller with respect to implementing the payroll functionality for the AEP.

### **Discussion:**

At its **January 20, 2015** meeting, the Board approved in concept the core provisions for an AEP for the City's Deferred Compensation Plan. At its **May 19, 2015** meeting, the Board adopted changes to the Plan Document incorporating the AEP provisions. On **August 11, 2015**, the City's Executive Employee Relations Committee (EERC) provided approval for bargaining for the automatic enrollment provision within employee Memorandums of Understanding (MOUs).

Staff has met with City Controller staff to discuss implementation of the payroll functionality for the AEP. Staff has held these discussions both solely to discuss the AEP and in relation to other payroll programming requests from the Employee Benefits Division. Most recently, on January 7, 2016, staff was asked by Controller to attend a meeting of the PaySR Project Task and Schedule Working Group, which is made up of representatives from the Mayor's Office, ITA, Controller's Office, Personnel, and the Office of the CAO. The working group is looking to set priorities for PaySR programming requests for 2016 while still ensuring that previously set baseline projects are also completed. PaySR is the City's proprietary payroll and human resources system, and the system within which Deferred Compensation transactions are processed for non-DWP employees.

The working group is currently looking to create a comprehensive list of requests including requests from the Employee Benefits Division, Personnel Department, and other City departments. Staff believes that a communication from the Board to the Steering Committee will assist in relaying the Board's interest in securing the needed programming requests for the AEP. Staff has drafted a communication to come from the Board Chairperson (see attached) and recommends that the Board authorize its release.

Submitted by: \_\_\_\_\_  
Esther Chang

Reviewed by: \_\_\_\_\_  
Alexandra Castillo

Approved by: \_\_\_\_\_  
Steven Montagna

JOHN R. MUMMA  
CHAIRPERSON

MICHAEL AMERIAN  
VICE-CHAIRPERSON

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CLIFF CANNON  
THOMAS MOUTES  
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WENDY G. MACY  
ROBERT SCHOONOVER  
DON THOMAS



ERIC GARCETTI  
MAYOR

January 19, 2016

Honorable Ron Galperin, City Controller  
Attn: Claire Bartels, Chief Deputy Controller  
**200 N. Main Street, Room 300**  
**Los Angeles, CA 90012**

## DEFERRED COMPENSATION PLAN AUTO ENROLLMENT

As Chairperson of and on behalf of the City of Los Angeles Board of Deferred Compensation Administration, the purpose of this correspondence is to request the expeditious implementation of the payroll functionality for an Auto Enrollment Program ("AEP") for the City's Deferred Compensation Plan. The AEP would be open to any Civilian or Sworn employee bargaining unit opting to participate. We are requesting completion of the payroll programming and development of the AEP interface with our Third-Party Administrator by no later than **March 31, 2016**.

The Deferred Compensation Plan (the "Plan") is a voluntary supplemental retirement savings program for regular City employees. The City's Board of Deferred Compensation Administration<sup>1</sup> (the "Board"), provides oversight of the Plan. On May 19, 2015, the Board adopted a provision within its Plan Document to establish the AEP. The AEP would allow new City employees of participating employee bargaining units to be automatically enrolled into the Plan upon original hire, with a default percentage of pay deferred from their paychecks, with such amount to further be automatically escalated each year. Employees will have the ability to opt out of participating both before the first salary deferral is taken and within a special post-contribution 90-day permissible withdrawal window provided by U.S. Treasury Department regulations.

On August 11, 2015, the City's Executive Employee Relations Committee (EERC) approved bargaining for the AEP within employee Memorandums of Understanding (MOUs). The AEP provision must be negotiated into a MOU before it can be implemented for its employees. The Los Angeles Police Protective League (LAPPL) is interested in providing authority in its MOU for participating in the AEP as a pilot group. We now only need the payroll functionality and TPA interface in order to initiate the AEP.

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<sup>1</sup> The Board of Deferred Compensation Administration includes the General Managers of the Los Angeles City Employees' Retirement System (LACERS), Los Angeles Fire and Police Pensions System (LAFPP), and Personnel Department; the Retirement Plan Manager of the Department of Water and Power Employees' Retirement Plan (DWPERP); three elected members of the City's three retirement/pension plans; an Organized Labor Representative; and a Retired Participant Representative.

Automatic enrollment into defined contribution plans is encouraged by the federal government and considered a best practice for improving the retirement income security of the national workforce. It is widely used in the private sector and its prevalence is increasing in the public sector. The City's Plan is exercising a leadership role among California governmental agencies in moving forward with automatic enrollment for its employees. This initiative will establish the City as an auto-enrollment pioneer among California public plans.

The potential financial benefits to City employees from implementing the AEP are tremendous. National research shows that most employees who have their participation in retirement savings plans facilitated by automatic enrollment end up staying with the program. The City's AEP is designed to, in combination with the City's defined benefit retirement plans, create full "lifestyle income" replacement for full-career City employees upon retirement. Relying on voluntary participation efforts alone results in much lower participation rates and fewer employees achieving retirement income security. As a result, it is crucial that the City take the last remaining steps to implement automatic enrollment and help safeguard the retirement future of its workforce.

Should you require any additional information, please contact the Plan's Executive Director and Chief of the Personnel Department's Employee Benefits Division. He can be reached by telephone at (213) 978-1621 or by e-mail at [Steven.Montagna@lacity.org](mailto:Steven.Montagna@lacity.org).

Respectfully,

John R. Mumma, Chair  
Board of Deferred Compensation Administration

cc: Members: Board of Deferred Compensation Administration  
Michael American, Deputy City Attorney and Vice-Chairperson  
Cliff Cannon, Retired Participant Representative and First Provisional Chair  
Tom Moutes, General Manager LACERS and Second Provisional Chair  
Ray Ciranna, General Manager LAFPP and Third Provisional Chair  
Linda P. Lee, Retirement Plan Manager DWPERP  
Wendy G. Macy, General Manager Personnel Department  
Robert Schoonover, Organized Labor Representative  
Don Thomas, Elected DWP Representative