

CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES
SEPTEMBER 19, 2017
700 E. TEMPLE STREET, ROOM 350

BOARD MEMBERS

Present:

John R. Mumma, Chairperson
Michael Amerian, Vice-Chairperson
Wendy G. Macy, Third Provisional Chair
Thomas Moutes
Don Thomas

Not Present:

Cliff Cannon, First Provisional Chair
Raymond Ciranna, Second Provisional Chair
Linda P. Le
Robert Schoonover

PERSONNEL DEPARTMENT STAFF

Jody Yoxsimer – Assistant General Manager
Steven Montagna – Chief Personnel Analyst
Matthew Vong – Management Analyst
Daniel Powell – Personnel Analyst
Leonard Hyman – Management Assistant

OFFICE OF THE CITY ATTORNEY

Curtis Kidder – Assistant City Attorney

MERCER INVESTMENT CONSULTING

Devon Muir – Principal

1. CALL TO ORDER

Mr. Mumma officially called the meeting to order at 9:10 a.m. Review and discussion of Item 1, Plan Administrator Quarterly Review, began prior to the call to order. Public Comments and Approval of the Minutes occurred after the discussion of Item 4.

2. PUBLIC COMMENTS

None.

3. MINUTES

A motion was made by Michael Amerian, seconded by Don Thomas, to approve the

August 22, 2017 meeting minutes; the motion was unanimously adopted.

4. PLAN ADMINISTRATOR QUARTERLY REVIEW

Joan Watkins and La Tanya Harris of Empower Retirement provided a review of Plan data and statistics for the quarter ending June 30, 2017. Ms. Watkins indicated that this would be the last report provided by Empower and that it had been a pleasure working with the City.

Ms. Watkins reported that quarter-over-quarter, the Plan saw a 2.7% increase in assets. She also reported that deposits were down and distributions were down. She reported that there was almost a 12% increase in total Roth contributions. She indicated that there had not been a significant change in how assets were distributed among the asset classes. She said that historical assets within the Plan since 2003 were up 217%.

Ms. Watkins noted that the number of contributing participants had increased, with 605 participants added in the quarter. She stated that the median account balance was up to \$52,168, and that the number of participants with a Roth account had also increased 6%. She stated that the number of participants since 2003 was up 33%. She stated that a significant amount of contributions went out of the large-cap fund into the self-directed brokerage option and international, showing that participants were feeling more confident in the economy.

Ms. Watkins reviewed contributions to each of the Plan's core options. She indicated that 2,193 participants had average account balances over \$500,000. She said that the number of participants with accounts over \$1 million went from 202 to 223.

Ms. Watkins said that the trend in distributions had not changed dramatically since last quarter. She reported that rollovers out were slightly up from last quarter while rollovers in were slightly down. She reviewed the Plan's loan details and noted that the balance of active loans were all up, but not dramatically. She added that the number of loans was also up for the quarter, but still within the average for the Plan.

Ms. Watkins said there was an uptick in hardship requests. She said last quarter there were 69 compared to 82 this quarter, of which 73 were approved. She said the primary reasons for these distributions were due to eviction or preventing foreclosure. She added online statement delivery had reached 37%.

La Tanya Harris then indicated that over the quarter local representatives met or spoken with with 10,511 participants. She noted that the meetings were primarily regarding accrued

leaves, catch-ups, enrollments, and deferral increases as participants prepared for January retirements. She also noted a general increase in the number of service credit purchases for both sworn and civilian civilians. She reported that representatives held 69 group meetings, including regular meetings at Harbor, LACERS, DWP, and LAX. She said the year-to-date number of New Employee Orientations was 38.

Ms. Harris stated that local representatives had met with 2,103 attendees at group meetings. Mr. Mumma asked whether the increase in DWP enrollment was due to new hires or regular employees signing up. Ms. Harris said it was a combination, because DWP new employee orientations could include previous City employees who have transferred over to DWP.

Ms. Harris said that local representatives had held 2,206 individual counseling sessions. She said local representatives had averaged 2,067 phone calls per month, which covered varied topics. Mr. Mumma thanked them for the report and Empower for its services to the Plan, noting that in particular the quarterly reports had been highly responsive to the Board's requests for more data. He further noted that there had been roughly a five-fold increase in assets since Empower had begun administering the Plan, which he said was a job well done.

Steven Montagna said that the Plan began working with Empower in 1999, and prior to that point, the Plan had experienced challenges in modernizing the Plan. He reviewed a number of areas where Empower had worked with the City in partnership to evolve the Plan with new services and features as those became permissible under changes to Federal law. He then presented a plaque to Empower recognizing their efforts and contributions to the Plan.

5. BOARD REPORT 17-32: THIRD PARTY ADMINISTRATOR TRANSITION UPDATE

Mr. Montagna indicated that the contract language had been finalized for both the primary services agreement and the trustee agreement, which had been sent to the Mayor who, in turn, sent it to the CAO. He stated that the goal was to have the contract executed by September 26, 2017.

Matt Vong indicated there are key dates that pertain to data file exchanges and payroll processing, in particular for dates and paydays prior to and immediately following the transition date of October 2. He said that Empower will be responsible for providing the incoming feedback files used for executing payroll contributions and loans for the September 21 and 22 paydays for DWP and the City respectively. He noted, however, that Voya will be responsible for posting those payroll deductions to participant accounts on September 29.

Mr. Vong said Empower will also be providing its final inbound file to the City to be uploaded by Plan staff for the October 10 and 11 paydays for DWP and City, respectively. He said, in

advance of these paydays, the City and DWP will transmit to Voya outbound census/contribution files, which will reflect the contributions and/or loan payments that are to be posted to participant accounts for those paydays. He said Voya will be responsible for depositing those contributions and loan payments, which are expected to post between October 11 thru 13. He said staff had also coordinated with City staff and programmer for the City's PaySR system to finalize programming of percentage of pay elections. He said DWP has already completed its programming of the percent of pay contribution elections. Finally, Mr. Vong added that under IRS rules, deferral changes cannot be effective in the same month they are made. Therefore, he stated the earliest payday in which a percent of pay election could take effect would be for the November 7th and 8th paydays for DWP and City, respectively.

Wendy Macy asked, in light of the recent Equifax security breach, what security measures were in place for data exchanges. Mr. Montagna said that staff had developed a robust data security agreement, which goes beyond the obligations that have been previously imposed on vendors. He noted that, as a result of the Equifax breach, the platform that would be built for historical quarterly statements would be changed to protect access to that information. Gavin Gruenberg of Voya indicated there was no direct impact to Voya as a result of the Equifax breach.

Mr. Mumma asked if the historical statements would have account numbers or social security numbers on them. Mr. Gruenberg said he was not aware of what was published on Empower statements but Voya statements would not include social security numbers nor full account numbers. Mr. Montagna said that the Plan was moving away from the social security number on multiple forms.

Daniel Powell said that on October 24, Voya issued its second major communication, the transition newsletter, to all Plan participants. He said that this was also emailed citywide to all employees, and staff followed up with proprietary departments to ensure it reached all City employees. He stated that as of the writing of the report, staff had received roughly 70 inquiries, but was now closer to 100. He said most of the inquiries were basic questions, such as whether the investments are changing.

Mr. Powell stated that staff had also sent 38 letters to participants who had ongoing dollar-cost average transfers or fractional investment contributions elections. He said Voya also sent letters to participants notifying them that the dates of their installment payments would shift. Mr. Powell stated in that the last week of September participants would receive their PINs in the mail, and the following week, participants would receive notification that the Plan had gone live.

Leonard Hyman stated that a Citywide email was sent to City staff that there would be meetings to give information and answer questions about the transition. He said attendance was relatively modest at these six meetings. He said the most-attended meeting was City Hall East where there were 27 attendees, and the least-attended meeting was at Personnel where there were five attendees. He said that the sessions were interactive and well-received, and some City staff asked questions about enrolling in the Plan.

Mr. Montagna introduced the new senior communication specialist with Voya, Luis Guzman. He said Mr. Guzman has significant background in both the financial industry and communications. He said that his role would also include data analysis focused on the Plan's metrics.

Mr. Montagna said that Empower's local office closeout date would be September 22, and Voya would provide full-time staff for the following week. He added that administrative features, such as forms, had been finalized, so participants could currently request Voya forms for post-dated transactions.

A motion was then made by Thomas Moutes, seconded by Mr. Amerian, to receive and file staff update regarding the Deferred Compensation Plan's Third-Party Administrator (TPA) transition.

6. BOARD REPORT 17-33: RESERVE FUND REIMBURSEMENTS

A motion was then made by Mr. Amerian, seconded by Mr. Thomas, to (a) receive and file status report on Deferred Compensation Plan budget accounts for quarter ending 06/30/17; and (b) approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for \$113,828.64 and City Attorney for \$12,227.25 for the quarter ending 06/30/17.

7. BOARD REPORT 17-34; PLAN PROJECTS & ACTIVITIES REPORT

A motion was then made by Mr. Mumma, seconded by Mr. Amerian, to receive and file staff update on Plan projects and activities during August 2017.

8. REQUESTS FOR FUTURE AGENDA ITEMS

None.

9. NEXT REGULAR MEETING DATE – OCTOBER 17, 2017

10.ADJOURNMENT

The meeting adjourned at 9:45 a.m.

Minutes prepared by staff members Daniel Powell, Leonard Hyman, & Matthew Vong