



BOARD REPORT 18-31

Date: June 19, 2018
To: Board of Deferred Compensation Administration
From: Staff
Subject: Plan Projects and Activities Report: May 2018

Board of Deferred Compensation Administration

John R. Mumma
Chairperson

Vacant
Vice-Chairperson

Raymond Ciranna
First Provisional Chair

Robert Schoonover
Second Provisional Chair

Wendy G. Macy
Third Provisional Chair

Cliff Cannon

Neil Guglielmo

Linda P. Le

Don Thomas

Recommendation:

That the Board of Deferred Compensation Administration receive and file staff monthly activity report for May 2018, to include updates regarding Communications; Governance; Automatic Enrollment Implementation Update; Quarterly Investment & Economic Review Informational Update; Investment Manager Presentation Informational Update; Completed Projects/Meeting Calendar; Staffing; and Committee Assignments.

Discussion:

Following are updates on certain key items for May 2018.

A. Communications

- The Personnel Department's Employee Benefits Division is coordinating a "Wellness Festival" for active employee members of the LAwell Civilian Employee Benefits Program. Voya Financial and Plan staff will be participating by staffing a booth for this event. The Wellness Festival will take place June 26, 2018 at the City Hall East (South Plaza) from 11:00 a.m. to 1:00 p.m. Voya and Plan staff will use this opportunity to promote the Plan's core mission in supporting City employees to achieve retirement income security.
- Voya Financial confirmed that 2018 first quarter Plan participant statements and newsletter were mailed to Plan participants May 17-19, 2018. Participants that elected eDelivery were sent an email notification informing them that their individual statement was available to view and download via the Plan's website.

B. Governance

Board of Deferred Compensation Administration 2018 Special Election – Staff continues to work with the City Clerk to coordinate the special election for the Los Angeles City Employees' Retirement System (LACERS) Active Participant Representative. The following candidates are running for this seat: Joshua Geller, Jack Kayajian, Leo

Martinez, and Robert Potter. Ballots for the special election were mailed on June 7, 2018 and Election Day is scheduled for June 22, 2018. The last day to certify the result of the election to the Board is July 6, 2018. Staff anticipates that the elected member for the LACERS Active Participant Representative seat will attend the first meeting on July 17, 2018. Staff will schedule an orientation with the new elected Board member prior to the July 17, 2018 Board meeting.

Officer Election(s) - An election by the Board to fill the vacant Vice-Chairperson officer position, and any other officer vacancies that may result from this action, will be agendaized for the July 17, 2018 meeting.

C. Automatic Enrollment Implementation Update

At their meeting on May 30, 2018, the Board of Directors for the Los Angeles Police Protective League (LAPPL) approved participation in the Deferred Compensation Plan's Automatic Enrollment Program (AEP). Staff will work with LAPPL and the Office of the City Administrative Officer (CAO) to execute a Letter of Agreement to their current Memorandum of Understanding (MOU) to authorize participation in the AEP.

D. Quarterly Investment & Economic Review Informational Update

At its May 15, 2018 meeting, the Board reviewed Mercer Investment Consulting's Performance Evaluation Report for the First Quarter of 2018. The report indicated that the Plan's Stable Value Fund was at 17.4% of assets in March 2018 vs. 19.3% of assets in March 2017. The Board requested further information with respect to inflows/outflows for the Stable Value Fund. The following table provides summary data for the period January 1, 2016 through March 31, 2018:

Quarter	Starting Balance	Contributions	Distributions	Transfers In	Transfers Out	Ending Balance	Distributions as a % of Assets	Transfers Out as a % of Assets
2016Q1	\$ 962,367,181	\$34,246,416	\$(30,466,157)	\$69,464,949	\$(30,490,096)	\$ 1,009,724,061	3.17%	3.17%
2016Q2	\$ 1,009,724,061	\$36,558,341	\$(24,615,264)	\$50,973,875	\$(30,524,666)	\$ 1,047,128,826	2.44%	3.02%
2016Q3	\$ 1,047,128,826	\$57,107,623	\$(30,121,809)	\$46,435,856	\$(31,581,653)	\$ 1,094,532,246	2.88%	3.02%
2016Q4	\$ 1,094,532,246	\$12,173,713	\$(26,055,943)	\$56,100,128	\$(45,956,061)	\$ 1,096,322,551	2.38%	4.20%
2017Q1	\$ 1,096,322,551	\$28,352,569	\$(29,826,223)	\$46,775,370	\$(58,056,573)	\$ 1,088,551,380	2.72%	5.30%
2017Q2	\$ 1,088,551,380	\$26,671,308	\$(25,978,409)	\$31,545,060	\$(33,144,394)	\$ 1,092,820,476	2.39%	3.04%
2017Q3	\$ 1,092,820,476	\$17,907,528	\$(22,400,211)	\$41,827,195	\$(31,632,973)	\$ 1,103,562,432	2.05%	2.89%
2017Q4	\$ 1,103,562,432	\$ 8,844,598	\$(17,338,888)	\$27,953,112	\$(61,074,669)	\$ 1,070,063,587	1.57%	5.53%
2018Q1	\$ 1,070,063,587	\$26,747,763	\$(32,553,804)	\$81,976,141	\$(68,476,482)	\$ 1,083,341,728	3.04%	6.40%
Average	\$ 1,062,785,860	\$27,623,318	\$(26,595,190)	\$50,339,076	\$(43,437,507)	\$ 1,076,227,476	2.51%	4.06%

E. Investment Manager Presentation Informational Update

Brandes Investment Partners, L.P. (Brandes) provided an investment manager presentation at the Board’s May 15, 2018, meeting. A question was raised with respect to whether the off-index percentage (meaning the percentage of total fund holdings held in investments not included within the relevant benchmark index) was in the 60% range historically. Brandes indicated they did not have this information readily available and would report back. A response was subsequently prepared by Brandes and is included in the table below. Staff has asked for Brandes’ commentary with respect to why the off-index percentages have grown larger over the last decade; that information was not available as of the finalization of this report but a verbal update will be provided at the Board meeting.

As of Date	Off-Index
12/31/2007	40%
12/31/2008	42%
12/31/2009	44%
12/31/2010	46%
12/31/2011	52%
12/31/2012	56%
12/31/2013	60%
12/31/2014	59%
12/31/2015	55%
12/31/2016	58%
12/31/2017	64%
3/31/2018	63%

F. Completed Projects/Meeting Calendar

Attachment A provides a list of monthly completed projects, as well as a calendar of upcoming Board meetings and proposed topics.

G. Staffing

Following is a summary of staff positions supporting the Deferred Compensation Plan:

Position Authority	Incumbent Class	Function	Est. Percent Reimbursed by DCP	Staff Member
Personnel				
Chief Personnel Analyst	Chief Personnel Analyst	Executive Director	20%	Steven Montagna
Senior Personnel Analyst II	Senior Management Analyst II	Operations Manager	30%	Isaias Cantú
Senior Personnel Analyst I	Senior Personnel Analyst I	Administration/Policy	100%	Matthew Vong
Management Analyst	Personnel Analyst	Metrics/Communications	90%	Daniel Powell
Management Analyst	Personnel Analyst	Governance/Special Projects	90%	Kevin Hirose
Benefits Specialist	Sr. Administrative Clerk	Participant Services	90%	Claudia Guevara

City Attorney				
Assistant City Attorney	Assistant City Attorney	Board Counsel	25%	Curt Kidder
Legal Assistant	Legal Assistant	Participant Legal Services	40%	Vicky Williams

H. Committee Assignments

Following is the current committee roster as designated by the Board Chairperson:

Plan Governance & Administrative Issues Committee
John R. Mumma, Chair

Investments Committee
Raymond Ciranna, Chair
Neil Guglielmo

Submitted by: _____
Kevin Hirose

Approved by: _____
Steven Montagna

COMPLETED PROJECTS & UPCOMING MEETINGS CALENDAR

COMPLETED PROJECTS: MAY 2018		
#	STATUS	PROJECT
1	Completed	Board Report: Plan Audit RFP
2	Completed	Board Report: Auto Enrollment Update
3	Completed	Board Report: Quarterly Reimbursements 1Q 2018
4	Completed	Board Report: Social Media Engagement
5	Completed	Board Report: Plan Projects & Activities Report

BDCA UPCOMING MEETINGS CALENDAR		
Meeting Date	Agenda Item	Presentation
July 17, 2018	Board Report: Investment Manager Searches	Fiduciary/Investment Policy Statement Training
	Board Report: 2018 National Retirement Security Week Campaign	
	Board Report: Goals, Strategies, and Metrics	
	Board Report: Election Results	
	Board Report: Plan Projects & Activities Report	
August 21, 2018	Quarterly Reimbursements, 2Q 2018	Quarterly Investment & Economic Review (2Q 2018)
	Board Report: Plan Projects & Activities Report	Investment Manager Presentation - MFS
September 18, 2018	Board Report: FY 2018-19 Travel Budget	TPA Quarterly Review as of June 30, 2018
	Board Report: Board Training Recommendations	
	Board Report: Plan Document Review	
	Board Report: Plan Projects & Activities Report	