

**CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION (BOARD)**

ADOPTED MINUTES
MEETING OF FEBRUARY 15, 2022
CONDUCTED VIA TELECONFERENCE

BOARD MEMBERS

Present:

Thomas Moutes, Chairperson
Raymond Ciranna, Vice-Chairperson
Robert Schoonover, First Provisional Chair
Neil Guglielmo, Second Provisional Chair
Joshua Geller, Third Provisional Chair
Baldemar J. Sandoval
Jeremy Wolfson

Not Present:

Linda P. Le
Wendy G. Macy

PERSONNEL DEPARTMENT STAFF

Steven Montagna, Chief Personnel Analyst
Daniel Powell, Senior Personnel Analyst II
Mindy Lam, Benefits Analyst
Eric Lan, Benefits Analyst

OFFICE OF THE CITY ATTORNEY

Charles Hong, Deputy City Attorney

MERCER INVESTMENT CONSULTING

Devon Muir, Principal
Ana Tom-Chow, Senior Associate

1. CALL TO ORDER

Mr. Moutes called the meeting to order at 9:03 a.m.

2. PUBLIC COMMENTS

There were no public comments.

3. MINUTES

Board Action:

A motion was made by Mr. Schoonover, and seconded by Mr. Wolfson, to approve minutes of the January 18, 2021 regular meeting of the Board; the motion was adopted by approval of five Board members (Baldemar, Geller, Moutes, Schoonover, Wolfson); two Board members were not present at the time the motion was made and did not vote on it (Ciranna, Guglielmo).

4. BOARD REPORT 22-08: DETERMINATION REGARDING TELECONFERENCING OPTION FOR BOARD MEETINGS PURSUANT TO ASSEMBLY BILL 361

Board Member Comments/Questions & Responses:

There were no comments/questions from the Board.

Board Action:

A motion was made by Mr. Wolfson, and seconded by Mr. Geller, that the Board adopt the attached Resolution and find, pursuant to Section 54953(e)(1)(B)-(C) of the California Government Code, as amended by Assembly Bill (AB) 361, that due to the ongoing COVID-19 State of Emergency (COVID Emergency) proclaimed by the Governor on March 4, 2020, conducting Board meetings in person without continuing to provide a teleconference and/or videoconference option for the Board members and the public, would present imminent risks to the health or safety of attendees; the motion was adopted by approval of six Board members (Baldemar, Ciranna, Geller, Moutes, Schoonover, Wolfson); one Board member was not present at the time the motion was made and did not vote on it (Guglielmo).

5. BOARD REPORT 22-09: RECRUITMENT/SELECTION PROCESS FOR DC PLAN MANAGER

Presentation Highlights:

Mr. Montagna presented the report and provided the following highlights:

- The DC Plan Manager Ad Hoc Selection Committee (Committee) worked with staff to finalize candidate selection materials with a response deadline of February 18, 2022.
- A special Board meeting has been scheduled for February 24, 2022 to review the responses and make a determination regarding which candidates to interview.
- Subsequent meetings to hold interviews will be determined.
- A communication was provided from the Board to the Mayor's Office requesting exemption of the DC Plan Manager position.

Board Member Comments/Questions & Responses:

Mr. Ciranna asked if the Mayor's Office had responded to the Board's communication. Mr. Montagna noted that no response has been received to date. Mr. Moutes stated that subsequent steps can be discussed at a later date. Mr. Ciranna thanked staff for thorough preparation of the candidate materials.

Board Action:

A motion was made by Mr. Schoonover, and seconded by Mr. Guglielmo, that the Board receive and file the update regarding the DC Plan Manager selection process; the motion was unanimously adopted.

6. BOARD REPORT 22-10: 2022 DEFERRED COMPENSATION PLAN STRATEGIC INITIATIVES

Presentation Highlights:

Mr. Montagna presented the report and provided the following highlights:

- Resource Initiatives

- Fill DCP Leadership Positions – The request to elevate the DCP’s Senior Benefits Analyst I position to Senior Benefits Analyst III has neither been approved nor denied but the City Administrative Office (CAO) indicates further review is pending. The Board can send a communication to the Mayor and CAO to provide additional information about the request.
- TPA Strategic Initiatives Director Position – A new Voya Strategic Initiatives Director position will be on-boarded to develop goals to improve participant outcomes. The position was established with Voya during the most recent contract negotiation process and will be filled promptly.
- Budget Policy for the DCP – The Board previously approved staff’s recommendation to develop a more robust budget policy and process. Staff will continue to define process steps, timeline, and objectives for the Board’s communications to City leadership regarding its position priorities.
- Facility Plan for DCP Staff – Staff is creating and implementing a plan for office space arrangement for the incoming DC Plan Manager and for relocating DCP staff.
- Plan Design & Administrative Initiatives
 - Ongoing Investment Menu Design and Review – Staff plans to establish a structure for the ongoing review and design of potential future changes to the DCP investment menu.
 - Implement Deemed IRA – The Investments Committee requested a report back on administrative requirements, additional participant feedback on investment design, and other implementation topics.
 - Initiate DCP Financial Audit – This project was on hold due to vacancies in the DCP leadership staff as well as the City’s change in payroll systems.
- Participant Outcome Initiative
 - Adopt Plan Year 2023 Participant Goals – Recommendations for participant goals will be presented to the Board at a later meeting date.
 - Automatic Enrollment Program (AEP) Supplemental Model – Staff will continue to develop the auto enrollment initiative.
 - Develop Expanded Engagement Plan – Staff anticipates substantial progress once the new Strategic Initiatives Director position is filled.
 - Investment Advisory and/or Financial Education Services Review – The project was previously tabled until key leadership positions were filled in the DCP.

Board Member Comments/Questions & Responses:

Mr. Moutes noted that the DCP is pursuing an ambitious agenda but commended staff for selecting important goals. Mr. Guglielmo thanked staff for its work thus far.

Board Action:

A motion was made by Mr. Ciranna, and seconded by Mr. Guglielmo, that the Board approve the following proposed Deferred Compensation Plan strategic initiatives for 2022: Resource Initiatives: (1) Fill DCP Leadership Positions: DC Plan Manager and Senior Benefits Analyst I or II (2) Integrate New TPA Strategic Initiatives Director Position into Goals Development Framework (3) Establish DCP Budget Policy (4) Establish a Facility Plan for DCP Staff; Plan Design

& Administrative Initiatives: (5) Establish Plan for Ongoing Investment Menu Design and Review (6) Implement Deemed IRA (7) Initiate DCP Financial Audit; Participant Outcome Initiatives: (8) Adopt Plan Year 2023 Participant Goals (9) Design Automatic Enrollment Program (AEP) Supplemental Model (10) Develop Expanded Engagement Plan (11) Complete Investment Advisory and/or Financial Education Services Review; the motion was adopted by approval of six Board members (Baldemar, Ciranna, Guglielmo, Moutes, Schoonover, Wolfson); one Board member was not present at the time the motion was made and did not vote on it (Geller).

7. BOARD REPORT 22-11: QUARTERLY STAFFING REIMBURSEMENTS – FOURTH QUARTER 2021

Presentation Highlights:

Ms. Lam presented the report and provided the following highlights:

- The Board approves staffing reimbursements on a quarterly basis for Personnel Department and City Attorney staff providing direct support of the DCP.
- Fourth quarter 2021 reimbursements totaled \$56,162.03, including \$35,542.48 for the Personnel Department and \$20,619.55 for the City Attorney.

Board Member Comments/Questions & Responses:

There were no comments/questions from the Board.

Board Action:

A motion was made by Mr. Ciranna, and seconded by Mr. Wolfson, that the Board approve reimbursements from the Deferred Compensation Plan Reserve Fund to the Personnel Department in the amount of \$35,542.48 and to the City Attorney in the amount of \$20,619.55 totaling \$56,162.03, inclusive of the fourth quarter of calendar year 2021 ending December 31, 2021, for staff providing direct support of the DCP; the motion was adopted by approval of six Board members (Baldemar, Ciranna, Guglielmo, Moutes, Schoonover, Wolfson); one Board member was not present at the time the motion was made and did not vote on it (Geller).

8. SELF-DIRECTED BROKERAGE OPTION PRESENTATION

Presentation Highlights and Board Member Comments/Questions & Responses:

Mr. Ponce, Ms. Avars, and Mr. Jesch presented the report and provided the following highlights:

- Page 2 – Schwab has continued to grow and merged with TD Ameritrade, resulting in a greater number of account holders and expanded call center resources, with future data analytics and resources anticipated.
- Page 3 – Average participant balance is \$184,000, which is larger than other government plans but lower than the general PCRA population.
 - Mr. Wolfson asked why non-governmental account balances appear to be higher. Mr. Jesch replied that many of their plan sponsors may have proportionally larger populations of highly compensated workers.
 - Mr. Wolfson asked if there are differences in how participant outreach and education is handled with the PCRA population or potential participants in the PCRA. Mr. Jesch

indicated that typically materials are made available on the website and when participants enroll.

- Page 4 – Comparison of the top 5 mutual fund holdings between the City of Los Angeles, other government plans, and PCRA population.
 - Mr. Wolfson asked why there is such a high use of index funds within the broader book of business. Mr. Jesch indicated this could be the result of different plan designs.
- Page 5 – Comparison of the top five equity holdings between the City of Los Angeles, other government plans, and PCRA population.
- Page 6 – Schwab continues to develop and incorporate participant surveys to enhance security as part of its focus on risk management.
- Page 7 – Schwab uses an industry leading trading menu.
 - Mr. Wolfson indicated that Schwab’s Intelligent Portfolios is available to individual Schwab investors but not to PCRA participants and asked if this might change. Mr. Jesch confirmed this is the case and that Schwab will continue to review its inclusion on the PCRA defined contribution plan platform.
- Page 8 – 19.1% of all PCRA accounts are managed accounts through the Schwab Affiliated Advisor Program compared to 42% of City of Los Angeles accounts.
- Pages 9 -10 – Trends since 2018 for the City of Los Angeles in various categories such as Assets, Accounts, Trading Channels, trades per account, and assets in cash.
 - Mr. Wolfson asked if TD Ameritrade’s platform will also be available to Schwab participants. Mr. Jesch stated that the goal is to adopt the platform for use for Schwab participants.
 - Mr. Ciranna asked whether assets held in cash are being held for long or short periods of time. Mr. Jesch stated it is difficult to determine but noted that it is good to see the percentage drop from 15% to 10.9%.
- Page 11 - Comparison of the City of Los Angeles vs other similar government plans.
 - Mr. Wolfson asked about the types of government plans used in the comparison. Mr. Jesch stated they attempted to match the City of Los Angeles with comparable entities. Mr. Moutes asked if the plans in comparison also have a defined benefit with PCRA as a supplemental benefit. Mr. Jesch confirmed that was the case.

9. QUARTERLY INVESTMENT & ECONOMIC REVIEW: FOURTH QUARTER 2021

Presentation Highlights:

Mr. Muir and Ms. Tom-Chow presented the report and provided the following highlights:

- Page 2 – General optimism in the market with the major concern being inflation driven by supply and demand imbalances.
- Page 3 – Performance Summary
 - US Equity Market S&P 500 increased 11%.
 - Growth stocks led the market in the large-cap but value stocks led in small-cap.
 - Energy sector was favored in the fourth quarter.
 - The Fixed Income Bloomberg Aggregate decreased 1.5% due to concern about inflation and federal action.
 - Real estate performed well in the quarter.

- Page 8 – Expectation is to continue to see strong growth despite recent volatility.
- Page 14 – No changes in the investment lineup.
- Page 15 – Plan assets totaled \$9,472.9 million with 50,814 participants.
- Page 18 – Galliard Capital Management announced that SEI Trust Company will replace Wells Fargo Bank as the trustee of Galliard’s collective investment trusts.
- Page 19 – Asset growth of \$1.2 billion year over year.
- Page 21 – 0.18% basis points for net expense ratio including administrative costs.
- Page 23 – Performance Summary
 - FDIC will likely be responsive to the increase in federal funds and the expectation is for a higher level of yield.
 - All risk-based fund returns have generally exceeded their stated benchmarks.
- Page 24 – All funds performed well, with returns ranging from 14.3% to 28.7% on the year.

Board Member Comments/Questions & Responses:

There were no comments or questions from the Board.

10. BOARD REPORT 22-12: ANNUAL TRAINING REVIEW

Presentation Highlights:

Ms. Lam presented the report and provided the following highlights:

- Attachment A shows the training completion status of Board members and DCP staff.
- In 2022, most members of the Board and staff will need to complete the Ethics and Open Government training, assigned at the direction of the Ethics Commission.
- The Board previously adopted a training program with outside training pre-approved by the Board through June 30, 2022.
- Staff will subsequently bring the Travel and Training program approval to the Board, with training opportunities for the latter half of 2022.

Board Member Comments/Questions & Responses:

Mr. Wolfson asked if the mandatory training required by the City fulfills training responsibilities.

Ms. Lam confirmed that the City’s required employee training does fulfill the requirements.

**11. BOARD REPORT 22-13: DEFERRED COMPENSATION PLAN PROJECTS AND ACTIVITIES
REPORT: JANUARY 2022**

Presentation Highlights:

Mr. Montagna presented the report and provided the following highlights:

- Board Member Wendy Macy is leaving the Personnel Department and wanted to express her appreciation in working with the Board.
- The Employee Benefits Division (EBD) Senior Benefits Analyst II position has been filled by Daniel Powell, a former employee of the DCP from 2016 through 2020. Mr. Powell transferred to another division within the Personnel Department to assist with the City’s payroll conversion process and has returned to EBD to support DCP program continuity.
- FIAM and MFS have provided fee reductions, which resulted in a reduced blended expense ratio for the International Fund to 0.52%.

- Staff is working with Mercer to manage the contract development process for the new investment contracts. The City Attorney's Office is reviewing a template for the managers and staff will have individual meetings with each manager.
- Staff provided an update on the recent Supreme Court decision, Hughes v. Northwestern University, indicating that while the ruling does not impact non-ERISA plans such as the DCP, it does reinforce the general importance of ensuring a plan sponsor's fund selection and review process apply to all of the DCP's investment options. Staff will collaborate with the City Attorney's Office and consultants at Segal and Mercer to determine any enhancements resulting from this ruling.

Board Member Comments/Questions & Responses:

Mr. Ciranna asked if there was additional information that staff would like to provide regarding the participant correspondence included in the staff report. Mr. Montagna stated that staff has had further conversations with Voya but the implementation of the requested changes to its recordkeeping system will not be immediate.

12. REQUESTS FOR FUTURE AGENDA ITEMS

There were no requests for future agenda items.

13. NEXT MEETING DATE

A regular meeting was noted for March 15, 2022, at 9:00 a.m.

14. ADJOURNMENT

Mr. Moutes indicated that the meeting was adjourned at 10:45 a.m. and in honor and recognition of Board Member Wendy Macy's work and service to the Deferred Compensation Plan.

Minutes prepared by staff member Eric Lan.