

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

PROPOSED MINUTES  
MEETING OF APRIL 27, 2020  
CONDUCTED VIA TELECONFERENCE

**BOARD MEMBERS**

**Present:**

Thomas Moutes, Chairperson  
Raymond Ciranna, Vice-Chairperson  
Robert Schoonover, First Provisional Chair  
Hovhannes Gendjian, Third Provisional Chair  
Joshua Geller  
Neil Guglielmo

**Not Present:**

Wendy G. Macy, Second Provisional Chair  
John Mumma  
Linda P. Le

**PERSONNEL DEPARTMENT STAFF**

Steven Montagna, Chief Personnel Analyst  
Jenny M. Yau, Senior Management Analyst II  
Mindy Lam, Personnel Analyst  
Eric Lan, Management Assistant

**OFFICE OF THE CITY ATTORNEY**

Curtis Kidder, Assistant City Attorney  
Charles Hong, Deputy City Attorney III

**MERCER INVESTMENT CONSULTING**

Devon Muir, Principal

**VOYA FINANCIAL**

Michelle Williams, Vice President Strategic Relationship Management  
Kelly Montgomery, Client Relationship Manager  
La Tanya Harris, Registered Representative  
Luis Chaves Guzmán, Participant Engagement Consultant

**1. CALL TO ORDER**

Thomas Moutes called the meeting to order at 9:05 a.m.

**2. MINUTES**

**A motion was made by Mr. Gendjian, seconded by Mr. Schoonover, to approve the minutes of the February 18, 2020 Board meeting; the motion was unanimously adopted.**

### **3. BOARD REPORT 20-14: CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (CARES ACT) IMPACT ON RETIREMENT PLANS**

Steven Montagna presented this report. He stated that staff is recommending certain actions for the Board to adopt for the DCP to implement that are available as a result of the CARES Act, which was passed by Congress and signed into law a few weeks ago. He explained that the CARES Act contained a broad range of measures intended to help mitigate the impact of the current public health emergency and its economic impacts, and included among those were certain provisions affecting defined contribution plans. He then provided an overview of three primary provisions, two of which are optional for plan sponsors to adopt and one of which is automatic and applies to all defined contribution plans.

Mr. Montagna stated the first provision allows for Coronavirus-Related Distributions (CRDs) which allows qualified individuals as specified under the Act to take in-service withdrawals from their accounts of up to \$100,000. He explained a qualified individual is someone who is impacted by the virus or economic effects of the response to the pandemic. He indicated the distribution must be made in calendar year 2020 and is taxable but no withholding is taken at the time the distribution is made, and that funds can be repaid within three years of the date of distribution.

Next, Mr. Montagna stated that the second provision increases loan limits and provides additional time for loan repayments. He explained the provision allows qualified individuals to take out a loan up to \$100,000 or 100% of their account balance (versus the normal \$50,000 or 50% of the account balance). He indicated the loan can be withdrawn between April and September and qualified individuals may extend their loan repayment schedule by one year.

Mr. Montagna then discussed the third provision regarding Required Minimum Distributions (RMDs). He stated that the CARES Act provides that RMDs be suspended for 2020 and that this provision is automatic and no action is required by the plan sponsor to put this into effect.

Mr. Montagna indicated that due to the unprecedented economic impact of the current crisis and that the City has a very broad and diverse participant population, it is likely that some participants and their spouses or dependents will meet the definition of a qualified individual. He stated resources provided under the CARES Act may be necessary for them to avoid adverse financial consequences greater than the impact on their future retirement security, and as a result staff is recommending the Board approve both the CRD and loan provisions for the DCP.

He concluded by stating that the CRD and loan provisions would be operational for Plan participants in a few working days if adopted by the Board. He indicated staff would communicate the new provisions to Plan participants via the LA457.com website, Citywide email, and other informational distribution channels. He also explained that plan sponsors have until 2024 to amend the Plan Document, and that staff is recommending that these provisions be incorporated into the Plan Document review presently underway with the City Attorney.

The Board sought clarification regarding the definition of a qualified individual under the CARES Act, and Charles Hong noted that eligibility will be based on self-certification by the participant to Voya. The Board urged local retirement counselors to ensure all information is clearly communicated to participants while counseling them on considering CARES Act provisions.

Following this discussion, **a motion was made by Mr. Schoonover, and seconded by Neil Guglielmo to (a) adopt CRDs of up to \$100,000 for qualified individuals in accordance with Section 2202 of the CARES Act; (b) adopt an increased loan limit of up to \$100,000 and extension of repayment periods for qualified individuals in accordance with Section 2202 of the CARES Act; (c) authorize the Board Chairperson to execute a plan sponsor letter of direction to Voya to make adopted CARES Act CRD and loan provisions available to DCP participants as soon as practical; and (d) direct staff to work with the City Attorney and outside tax counsel to draft the Board's adopted CARES Act provisions into the DCP Plan Document as part of its current Plan Document review and update process; the motion was unanimously adopted.**

#### **4. BOARD REPORT 20-15: UPDATE ON DEFERRED COMPENSATION PLAN 2020 BOARD ELECTION FOR ACTIVE LACERS REPRESENTATIVE AND ACTIVE LAFPP REPRESENTATIVE**

Jenny M. Yau presented this report. She stated that after the Board took action at its last meeting to suspend the nominating petitions signature gathering process, staff worked with the City Clerk to update the Election Calendar to reflect the newly adopted procedures and also released a Citywide email announcing the suspension of the signatures gathering process and reminding interested candidates of the deadline to submit nominating materials. She stated that a total of ten candidates – nine for the LACERS seat and one for the LAFPP seat - submitted the necessary materials to be placed on the ballot. She further stated ballots were mailed to eligible voters on April 23<sup>rd</sup>, and that ballots must be received by the City Clerk by May 15<sup>th</sup> in order to be counted. She stated the City Clerk will tally and count the ballots on May 19<sup>th</sup> and the candidate receiving the highest number of votes cast will be declared the winner of the election.

**A motion was made by Mr. Ciranna, and seconded by Mr. Guglielmo to receive and file the update on the Deferred Compensation Plan (DCP) 2020 Board Election for Active LACERS Representative and Active LAFPP Representative; the motion was unanimously adopted.**

#### **5. BOARD REPORT 20-16: ANNUAL BUDGET ADOPTION AND TIMING OF FEE HOLIDAY**

Mr. Montagna presented the DCP's 2020 annual budget for adoption by the Board. He indicated the annual budget was slightly delayed due to the preceding process of reviewing and adopting recommendations from the Plan Governance and Administrative Issues Committee in February regarding assumptions for projecting long-term balances in the Reserve Fund and approval of a fee holiday. He stated that due to recent large market fluctuations, staff used updated data on participant balances as of the end of March to update revenue projections over the full calendar year. He then indicated that due to current market volatility, staff is recommending the fee holiday be deferred until at least the fourth quarter of this year, with the timing and advisability of the fee holiday reassessed after the conclusion of the second quarter of 2020.

**A motion was made by Mr. Ciranna, and seconded by Mr. Guglielmo to (a) adopt the proposed budget for the Deferred Compensation Plan's (DCP) 2020 Plan Year and (b) direct staff to defer the fee holiday until at least the fourth quarter of 2020, but reassess the timing and advisability of the fee holiday after the conclusion of the second quarter of 2020; the motion was unanimously adopted.**

#### **6. BOARD REPORT 20-17: NAGDCA BENCHMARKING DATA**

Mr. Montagna presented this report. He stated that staff is recommending the Board approve DCP participation in a project being coordinated by the National Association of Government Defined Contribution Administrators (NAGDCA) and the Employee Benefits Research Institute (EBRI) to share aggregate plan data as part of a creating an ongoing database of key data used to measure retirement outcomes for governmental plans. He indicated EBRI has a similar database for 401(k) plans and this project would result in a similar resource for governmental plans called the Public Retirement Research Lab (PRRL). He stated participation in the PRRL will produce useful benchmarking data and that only aggregate data and no individual indicative data will be provided from the DCP's recordkeeper, Voya, to NAGDCA.

**A motion was made by Mr. Gendjian, and seconded by Mr. Ciranna to (a) approve the City of Los Angeles DCP participation in NAGDCA's collaborative project with Employee Benefits Research Institute and (b) authorize DCP recordkeeper, Voya, to provide DCP participant- and plan-level data for the Public Retirement Research Lab; the motion was unanimously approved.**

#### **7. BOARD REPORT 20-18: DEFERRED COMPENSATION PLAN PROJECTS AND ACTIVITIES REPORT: FEBRUARY AND MARCH 2020**

Ms. Yau presented this report. First, she welcomed Mr. Guglielmo back to the Board. Next, she provided an overview of the impact of COVID-19 on the administrative operations of the division. She stated that in support of COVID-19 safety measures, all of the DCP counselors and staff are fully telecommuting, with half-day visits to the office once a week by DCP staff to process mail. She further stated that all in-person public counter services have been suspended until further notice, but that the local retirement counselors continue to be available throughout the day by phone and email and participants can schedule an appointment with a counselor on the [www.LA457.com](http://www.LA457.com) website. She also stated that all onsite outreach meetings have been cancelled until further notice and that future meetings will be rescheduled once the City workforce can resume in-person operations. Lastly, she indicated that there was a 27% increase in call center activity and a 24% increase in visits to Voya's website from February to March which is most likely due to reaction to the COVID-19 pandemic and that staff and Voya will continue to monitor the activity and report back on any trends.

**A motion was made by Mr. Schoonover, and seconded by Mr. Ciranna to receive and file the projects and activities report for February and March 2020; the motion was unanimously adopted.**

## **8. PLAN ADMINISTRATOR QUARTERLY REVIEW: DECEMBER 31, 2019 AND SUMMARY UPDATE MARCH 31, 2020**

Mr. Montagna introduced the presentation from Voya by stating that due to market volatility over the last two months, Voya will first present a summary update on activity for quarter ending March 31, 2020 as it relates to certain key indicators such as assets, participants, contributions, and movement of assets. Michelle Williams, Vice President Strategic Relationship Management with Voya highlighted key statistics from the first quarter of 2020. She stated participants contributing as a percent of pay increased by 11% and rollover contributions increased by 14% from the prior quarter. She stated that installment payments decreased by 18% from the prior quarter. She indicated new loans decreased by 35% from the prior quarter. She reviewed call center activity and paperless transactions and stated there was an increase of 150% in fund to fund transfers, 126% in investment election changes, and 264% in investment reallocation transactions.

Kelly Montgomery, Client Relationship Manager with Voya reviewed key metrics and goals for the plan and progress towards achieving those goals. She stated the percent of new employees enrolling in the DCP is currently at 41%, slightly below the target of 43%. She stated that for the five City departments with the lowest participation rates, focused outreach strategies by DCP onsite retirement counselors and targeted communications have resulted in modest increases in participation rates. She indicated participant contributions have increased to 5.32%, just shy of the goal of 5.39%, and there are currently 2,600 participants saving as a percent of pay. She indicated the percent of retirees rolling funds out of their account is currently at 2%.

Luis Guzmán, Participant Engagement Consultant with Voya provided an update regarding participant engagement and activity. He reviewed engagement with the online retirement calculator and noted utilization has been steadily increasing over the past year.

La Tanya Harris, Registered Representative and onsite local retirement counselor with Voya provided an update regarding participant services. She indicated counselors have been discussing market volatility concerns with participants and some inquiries have been received related to the CARES Act.

## **9. REQUESTS FOR FUTURE AGENDA ITEMS**

There were no requests for future agenda items.

## **10. ADJOURNMENT**

The meeting adjourned at 10:10 a.m.

*Minutes prepared by staff member Eric Lan.*