

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

PROPOSED MINUTES
MEETING OF MARCH 31, 2020
CONDUCTED VIA TELECONFERENCE

BOARD MEMBERS

Present:

Thomas Moutes, Chairperson
Raymond Ciranna, Vice-Chairperson
Hovhannes Gendjian, Third Provisional Chair
John Mumma
Joshua Geller
Neil Guglielmo

Not Present:

Robert Schoonover, First Provisional Chair
Wendy G. Macy, Second Provisional Chair
Linda P. Le

PERSONNEL DEPARTMENT STAFF

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

OFFICE OF THE CITY ATTORNEY

Curtis Kidder, Assistant City Attorney

MERCER INVESTMENT CONSULTING

Devon Muir, Principal

1. CALL TO ORDER

Thomas Moutes called the meeting to order at 10:06 a.m.

2. ORAL DISCUSSION WITH CITY ATTORNEY

Curtis Kidder, Assistant City Attorney provided an overview of current Brown Act requirements for conducting Board meetings through teleconferencing. He stated that due to the COVID-19 pandemic, three Executive Orders were released by the Governor of California, one of which waives some of the requirements in the Brown Act for conducting a teleconference meeting. Mr. Kidder stated that under normal teleconferencing provisions, remote meeting locations must be posted on the agenda; however, the waiver no longer requires that the remote meeting location be identified. Mr. Kidder also stated that the Executive Order waives the requirement that agendas be posted at each remote location and for remote locations to be accessible to the public

and compliant with the American with Disabilities Act. Mr. Kidder indicated that members of the public must be able to call into the teleconference meeting and provide public comment. He further indicated that the existing rule for a teleconference meeting that all votes must be taken by roll call remains unchanged. Mr. Kidder specified that the waiver of some of the Brown Act requirements will continue as long as a public health emergency is declared and social distancing remains in place. The Board asked whether the waiver of some of the Brown Act requirements will be removed when social distancing requirements are lifted. Mr. Kidder explained that the Executive Order provides that as long as there is public health emergency and/or local health officials require social distancing, waiver of some of the Brown Act requirements will continue.

3. ECONOMIC AND MARKETS REVIEW/UPDATE

Devon Muir, Principal with Mercer Investment Consulting (Mercer) presented Mercer's review of the current market environment. He indicated equity markets will end down in the current quarter by around 20% to 30% depending on market segment. He stated markets have been extraordinarily volatile, with the Dow Jones Industrial Average experiencing its worst quarter ever and the S&P 500 experiencing its worst quarter since 2008. He cited the Federal Reserve Bank of St. Louis' estimate that unemployment rates will reach around 30%. He stated that in order to achieve a "V-shaped" recovery the country will need to flatten the curve of COVID-19 infections. He provided examples of China, South Korea, Singapore, and Hong Kong in which it appears the pandemic has passed but the impact of COVID-19 has still not been fully quantified.

Mr. Muir then discussed the role of the federal government in delivering economic stimulus via monetary policies, such as lowering rates close to zero, helping capital markets function by supporting bond markets, and providing fiscal stimulus. He stated that the Federal Reserve will continue to support financial markets and fiscal and monetary policies are expected to continue for several years to stimulate the economy.

Mr. Muir indicated that Mercer will release capital market projections by asset class. He stated there are two sets of projections: a long-term 20-year projection which is updated quarterly and a short-term 3 to 5-year projection which is updated in real time.

He then provided observations regarding the markets and DCP investment options. He stated that since equity valuations were so rich going into 2020 the correction was bringing them to a more reasonable value. With respect to the DCP FDIC-Insured Savings Accounts, Mercer did not have concerns presently regarding negative interest rates and Bank of the West and East West Bank had confirmed business was continuing as usual. He stated that Galliard, the DCP's Stable Value Fund manager, reported no change in the capacity of wrap contracts. He stated that new wrap contracts will continue to be provided and that even if rates drop below zero, they will still be honored. He stated that the expansion and credit spread has provided an opportunity for Galliard to provide a better yield. He indicated that the DCP Bond Fund was tracking slightly below the U.S. aggregate bond index. He stated that the DCP Large-Cap Fund was tracking the S&P 500 index and the Mid-Cap and Small-Cap funds were tracking close to their benchmarks. He stated the DCP International Fund was down 23.4% and performing close to benchmark. Lastly, he reported that the risk-based profile funds were also performing close to benchmark.

4. BOARD REPORT 20-12: PROPOSED CHANGES TO BOARD ELECTION POLICIES AND PROCEDURES/PROPOSED EMERGENCY ACTION RELATED TO THE 2020 ACTIVE LACERS REPRESENTATIVE/ACTIVE LAFPP REPRESENTATIVE BOARD ELECTIONS

Mr. Montagna presented this report. He stated that due to the impact of the current health emergency on the workforce, staff is recommending that the Board approve proposed changes to the Board Election Policies and Procedures to provide the Board with emergency powers relative to the conduct of Board elections. He explained that since the workforce is working remotely candidates for the two upcoming elections would likely be challenged to obtain the one hundred nominating petition signatures required to be placed on the ballot. He indicated that staff was recommending that the Board (a) adopt a new Section O – Emergency Board Actions in the Board Election Policies and Procedures providing it with the power to take certain actions, including amending provisions in the Board’s Election Policies and Procedures in the event of an emergency significantly impacting the conduct of an election and (b) assuming adoption of the new Section O, waive the nominating petition signatures gathering requirement as an emergency measure. He stated the City Clerk has indicated it is able to administer the election process. He further stated that should the Board choose to suspend the nominating petition requirement, staff will be able to communicate this on the plan website and via Citywide email immediately.

The Board then discussed the third sentence of the proposed Section O providing for the ability of the Board Chairperson and one other Board member to amend provisions of the Board Election Policies and Procedures in the event the Board is not able to convene in a timely manner. Some Board members expressed concerns changes could be made without convening the entire Board.

Following this discussion, **a motion was made by Mr. Ciranna, seconded by Mr. Guglielmo to (a) adopt the newly proposed Section O – Emergency Board Actions in the Board Election Policies and Procedures to contain the first two proposed sentences only and (b) refer discussion of the issues posed by the third sentence in Section O to the Plan Governance and Administrative Issues Committee; the motion was adopted with five yes votes (Moutes, Ciranna, Gendjian, Mumma, Guglielmo) and one abstention (Geller).**

5. BOARD REPORT 20-13: POSTPONEMENT OF INVESTMENT MANAGEMENT SERVICES AND STABLE VALUE FUND MANAGEMENT SERVICES REQUESTS FOR PROPOSALS (RFPs)

Mr. Montagna reported on the status of the DCP Investment Management Services and Stable Value Fund Management Services RFPs. He indicated that due to the extraordinary COVID-19 related events staff is recommending the Board provide a short period of time to assess their impact on the upcoming RFPs. He stated that staff is working with Mercer to review the impact of the market volatility on procurement data over the past month and how it may impact RFP questions related to the evaluation of key data to assess investment service provider performance. He indicated staff is also recommending extension of the contracts with Galliard, the incumbent Stable Value Fund manager, and Mercer, the DCP’s incumbent investment consultant, for an additional six months to December 31, 2021. He stated adding this time would

not preclude the Board from acting to approve new contracts at an earlier date but would remove the need to go back to the City Council to request a further extension if circumstances warranted.

Mr. Muir stated that given the current highly rated managers and the continuity of those managers serving the DCP, Mercer supports staff's recommendation regarding pausing the RFP issuance. Board members expressed concerns regarding the impact on DCP staffing due to the hiring freeze and deployment of Disaster Service Workers. Mr. Montagna stated the City's hiring freeze impacts most City departments with a few exemptions for proprietary and semi-proprietary departments. Mr. Ciranna recommended that staff draft a communication to the Office of the City Administrative Officer (CAO) and the Mayor's Office requesting that the DCP be exempt from the hiring freeze as the positions are fully funded by participant fees and participants have an expectation that the DCP be adequately staffed.

Following this discussion, **a motion was made by Mr. Ciranna, seconded by Mr. Guglielmo to (a) postpone release of the Deferred Compensation Plan (DCP) Investment Management Services and Stable Value Fund Investment Manager Services RFPs for a minimum of 60 days, with direction to staff to report back within 30 days (or the next available Board meeting after 30 days) with updated findings and recommendations as to when and how to proceed with conducting the procurements; (b) amend approval for extending the term of Contract No. C-127342 with Galliard Capital Management Inc. (Galliard) for investment management services of the DCP Stable Value Fund by adding an additional six months to include a total extension from July 1, 2020 through December 31, 2021 for a total 6.5-year term; (c) amend approval for extending the term of Contract No. C-127171 with Mercer Investment Consulting, Inc. and Mercer (US) Inc. (Mercer) for investment consulting services by adding an additional six months to include a total extension from July 1, 2020 through December 31, 2021 for a total 6.5-year term; (d) direct staff to amend a report to City Council recommending extension of Contract No. C-127342 and Contract No. C-127171 in accordance with the amended conditions noted above and authorize the Board Chairperson and Vice-Chairperson to sign and submit the report; and (e) direct staff to draft a letter from the Board to the CAO and the Mayor's Office requesting that the DCP be exempt from the hiring freeze and authorize the Board Chairperson and Vice-Chairperson to sign and submit the letter; the motion was unanimously adopted.**

6. REQUESTS FOR FUTURE AGENDA ITEMS

Mr. Guglielmo requested a report on the Federal CARES Act and its impact on the DCP and its participants. Mr. Geller requested clarification on the SECURE Act's impact on the DCP and its participants. Mr. Montagna stated both pieces of legislation are being reviewed by staff with the City Attorney and will be addressed in a report to be presented at the Board's next meeting.

7. ADJOURNMENT

The meeting adjourned at 11:22 a.m.

Minutes prepared by staff member Eric Lan.