

CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES
MEETING OF SEPTEMBER 18, 2018
700 E. TEMPLE STREET, ROOM 350

BOARD MEMBERS

Present:

John Mumma, Chairperson
Thomas Moutes, Vice-Chairperson
Raymond Ciranna, First Provisional Chair
Robert Schoonover, Second Provisional Chair
Wendy G. Macy, Third Provisional Chair
Joshua Geller
Hovhannes Gendjian
Neil Guglielmo

Not Present:

Linda P. Le

PERSONNEL DEPARTMENT STAFF

Jody Yoxsimer – Assistant General Manager
Steven Montagna – Chief Personnel Analyst
Isaias Cantú – Senior Management Analyst II
Matthew Vong – Senior Personnel Analyst I
Daniel Powell – Personnel Analyst
Kevin Hirose – Personnel Analyst

OFFICE OF THE CITY ATTORNEY

Curtis Kidder – Assistant City Attorney

MERCER INVESTMENT CONSULTING

Devon Muir – Principal

VOYA FINANCIAL

La Tanya Harris – Registered Representative
Luis Chaves Guzmán – Participant Engagement Consultant

1. CALL TO ORDER

John Mumma called the meeting to order at 9:04 a.m.

2. PUBLIC COMMENTS

There were no public comments.

3. MINUTES

A motion was made by Neil Guglielmo, seconded by Thomas Moutes, to approve the minutes of the August 21, 2018 meeting; the motion was unanimously adopted.

4. INVESTMENT MANAGER PRESENTATION

The presentation from Charles Schwab (Schwab) on the Personal Choice Retirement Account (PCRA) was attended by Robert Jesch, Product Director and Ken Nichols, Relationship Manager. Mr. Nichols began by indicating that Schwab has been with the Plan for approximately 10 years and provides participants access to equities, Exchange Traded Funds (ETFs), fixed income, mutual funds, US traded foreign securities, and options trading. He indicated that there are approximately \$500 million in total assets within the PCRA. He indicated that since 2010 the PCRA had seen strong growth in assets. He indicated that fund advisors are available on PCRA accounts and noted that these advisors are not affiliated with Schwab other than being provided with the platform to conduct business transactions for participants.

Mr. Nichols reported on performance relative to asset mix and indicated that equities comprise a larger share of assets within the PCRA than mutual funds. He stated that since 2015 cash holdings have decreased from 19% to 14%.

Raymond Ciranna inquired about the number of participants using advisors. Mr. Nichols responded that 689 out of 3,592 participant accounts are using PCRA advisors. John Mumma inquired about the fees associated with a PCRA advisor. Mr. Nichols responded that there are no fees coming from Schwab itself and that any fees are arranged between the advisor and participant.

Mr. Nichols reported on the percentage of trades completed via an investment manager, live representative, mobile device, telebroker, and the web application. He indicated that a majority of trades are completed via an investment manager or through the web application. He further provided an overview of the City's Plan in comparison to other governmental plans for the second quarter of 2018.

Neil Guglielmo asked if there was any data as to the performance of the self-directed accounts versus the advisor managed accounts. Mr. Nichols responded that they do not have the ability to track specific advisor versus self-directed performance of PCRA accounts, but individual participants have the ability to track their performance via the web application.

Mr. Mumma commented that based on the second quarter 2018 Schwab report it indicates that a higher percentage of males use PCRA versus females and asked if this was comparable to

the Plan as a whole. Given the higher male percentage in PCRA, Mr. Ciranna asked if there was data showing if males invested in more risk oriented accounts versus females. Steven Montagna responded that staff would research these issues and report back to the Board.

Mr. Nichols next indicated that Schwab has recently redesigned the website of the PCRA; launched cash secured equity puts, effective September 19, 2018; added the trusted contact form in response to the Department of Labor draft fiduciary rule; and added eleven new ETFs to the Mutual Funds OneSource service. He highlighted the multiple channels that participants can use to access their Schwab accounts and commented on the resources available to assist participants with investing.

Robert Schoonover asked about the average loss of the self-directed brokerage accounts during the economic downturn in 2008 as compared to now. Mr. Jesch responded that Schwab does not keep specific data on this; however, they can work with Voya to calculate data on this topic. Mr. Montagna added that staff can work with Schwab and Voya to generate aggregate rate of return information for the account as a whole.

5. BOARD REPORT 18-41: FISCAL YEAR (FY) 19-20 TRAINING/TRAVEL PROGRAM AND TRAINING POLICY REVISIONS

Kevin Hirose reported on the FY 19-20 Training/Travel Program and the proposed revisions to the Board's Training, Education, and Travel Policy (Training Policy). He stated that at the beginning of each calendar year the Board adopts a budget for the Plan and included is an amount allocated for training. He explained that the Board is requested to adopt the training program on a fiscal year basis due to coordination of travel approvals through the City's budget process. He stated that for budget planning, the Board assumes 2% growth; therefore, for FY 19-20 the proposed training budget is \$33,334.

Mr. Hirose explained the proposed revisions to the Training Policy identify various trainings as either mandatory or recommended, the calendar and term when training should be repeated, per person expenditure limits, and agency required training. He indicated that staff was proposing that the policy provide for reporting to the Board on training compliance status at first Board meeting of each calendar year.

John Mumma indicated that the length of time for a new Board member to receive training on the Brown Act is currently listed as six months from the initial Board meeting, but believed the training should be provided sooner. Mr. Montagna responded that staff would work with the Board's legal counsel on developing a module and that staff could amend the Training Policy revisions to have new Board members provided with Brown Act policies concurrent to a Board member's election/appointment.

Following this discussion, **a motion was made by Mr. Gendjian, seconded by Mr. Guglielmo to (a) approve the FY 19-20 Training/Travel Program, and (b) approve proposed revisions to the**

Board's Training, Education, and Travel (Training Policy), as modified; the motion was unanimously adopted.

6. BOARD REPORT 18-42: WEB RESOURCE CENTER AND SOCIAL MEDIA UPDATE

Daniel Powell reported that at its April 17, 2018 meeting, the Board approved staff's recommendation to develop a custom website for the Plan, which would be used to improve education, engagement and communication outreach efforts. He explained and demonstrated the key features of the new website, including the retiree resource center, blog, and video library. He stated that staff is working on additional enhancements to the website, such as counselor appointments, special outreach campaigns, and a local representative events calendar. He stated that upon approval by the Board, the website will launch the week of September 24, 2018.

Mr. Powell updated the Board on the social media campaign and reported that the Plan's Facebook page went live on August 24, 2018. He indicated that content posted to the Facebook page has been in accordance with Board's approval on August 21, 2018. He indicated that the Facebook page announcement is listed on the Plan's website and that a Citywide email will be released announcing the page as well.

Following this discussion, **a motion was made by Mr. Moutes, seconded by Mr. Schoonover to (a) approve the proposed participant engagement website and (b) approve proposed videos for the social media implementation plan; the motion was unanimously adopted.**

7. BOARD REPORT 18-43: PLAN PROJECTS AND ACTIVITIES REPORT: AUGUST 2018

Matthew Vong reported that on September 4, 2018, La Tanya Harris and he participated in a new hire orientation for new Police Academy cadets as part of implementing the Automatic Enrollment Program (AEP) with the Los Angeles Police Protective League (LAPPL). He stated that pending cadet graduations from the academy, staff would report to the Board data regarding the numbers of those enrolling via the AEP vs. voluntary enrollment.

Mr. Powell reported that in accordance with the Board's approval during its July 17, 2018 meeting, staff released two surveys; the first was to retirees who took a full distribution in the second quarter of 2018, and the second was to retirees who initiated a rollover to an external provider. He stated that the surveys asked about participant reasons for taking a full distribution/rollover, their awareness of Plan loans, their satisfaction with taking a full distribution/rollover, their retirement income security comfort level, and any suggestions for Plan improvement. He stated that once sufficient data is received staff will report results to the Board.

Mr. Powell introduced Sandeep Kaur, the Plan's first Administrative Intern. He stated that Ms. Kaur will be assisting the Plan with research with respect to the Plan's retired or recently enrolled populations in the Plan, including what is driving decisions with respect to distributions

and rollovers.

Mr. Powell reported that on October 1, 2018 through October 3, 2018, Matthew Vong and he would conduct a site visit to Voya's headquarters and call center. He stated that staff will observe Voya's recordkeeping and processing operations and engage in a dialogue with Voya's work teams regarding how to enhance and optimize a range of customized workflow processes to better meet the needs of the City's Plan and its participants.

Following this discussion, **a motion was made by Mr. Ciranna, seconded by Mr. Schoonover, to receive and file the staff monthly activity report for August 2018, to include updates regarding Communications; Project Updates; Completed Projects/Meeting Calendar; Staffing; and Committee Assignments; the motion was unanimously adopted.**

8. REQUESTS FOR FUTURE AGENDA ITEMS

Mr. Mumma requested that staff work with Charles Schwab Corporation to have a regularly scheduled update regarding the Self-Directed Brokerage Account.

9. ADJOURNMENT

The meeting adjourned at 10:35 a.m.

Minutes prepared by staff member Kevin Hirose.