

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

ADOPTED MINUTES
MEETING OF APRIL 19, 2022
CONDUCTED VIA TELECONFERENCE

BOARD MEMBERS

Present:

Thomas Moutes, Chairperson
Robert Schoonover, First Provisional Chair
Neil Guglielmo, Second Provisional Chair
Joshua Geller, Third Provisional Chair
Dana Brown
Linda P. Le
Baldemar J. Sandoval
Jeremy Wolfson

Not Present:

Raymond Ciranna, Vice-Chairperson

PERSONNEL DEPARTMENT STAFF

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

OFFICE OF THE CITY ATTORNEY

Charles Hong, Deputy City Attorney IV

SEGAL CONSULTING

Wendy Carter, Vice President
Diane McNally, Senior Vice President of Segal Select

1. CALL TO ORDER

Mr. Moutes called the meeting to order at 9:01 a.m.

2. PUBLIC COMMENTS

A member of the public requested that the Board return to in-person meetings so that members of the public can have discourse with the Board face-to-face.

3. MINUTES

Board Action:

A motion was made by Mr. Schoonover and seconded by Mr. Wolfson, to approve minutes of the March 15, 2021 regular meeting of the Board and March 29, 2022 special meeting of the Board; the motion was unanimously adopted by the Board.

4. BOARD REPORT 22-20: 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. Guglielmo and seconded by Mr. Wolfson, 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 unanimously adopted by the Board.

5. BOARD REPORT 22-21: PROPOSED REVISED GOVERNANCE POLICIES/BYLAWS, FISCAL ADMINISTRATION POLICY

Presentation Highlights:

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

- The DCP's bylaws contain governance policies, including a document of fiscal administration policy.
- The policy contains the following changes:
 - A clear delineation of two distinct budget processes: the Board's annual adoption of the budget, and another for requests for position authorities that require approval in the City's adopted budget.
 - Greater specificity about the target Reserve Fund balance over a ten-year period.
 - The addition of an annual resource review process.
 - The distinction between fully dedicated DCP positions and positions operating on a reimbursement basis.
 - A revised timetable that accounts for the annual budget review process.

Board Member Comments/Questions & Responses:

There were no comments or questions from the Board.

Board Action:

A motion was made by Mr. Guglielmo and seconded by Ms. Brown, that the Board approve proposed revisions to its governance Policies/Bylaws, "Fiscal Administration Policy"; the motion was unanimously adopted by the Board.

6. BOARD REPORT 22-22: INVESTMENT AND ADMINISTRATIVE REVIEW PROCESS ELEMENTS AND MASTER CALENDAR

Presentation Highlights:

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

- The Board previously discussed the benefits of establishing a framework for the ongoing review and design of potential future changes to the DCP investment menu and adopted this as one of its strategic initiatives.
- Staff reviewed five elements of the investment and administrative review process to institutionalize best practices:
 - Defined Contribution Plan design trend and regulatory review – Staff recommends incorporating DCP consultant quarterly trends reports in a formal presentation and discussion on an annual basis.
 - Administrative and Investment Fee Benchmarking Review – Staff recommends the creation of a group of comparable peers that the DCP can partner with and benchmark against over time.
 - Participant Surveys – Staff recommends surveys focused on a few core investment and personal finance items.
 - Investment menu review that would incorporate the prior elements and evaluate the core menu offerings and asset allocation funds biannually.
 - Codification of changes from prior review in the Investment Policy Statement biannually.

Board Member Comments/Questions & Responses:

Mr. Wolfson asked if the review period for the Investment Policy Statement be done bi-annually and on an as-needed basis to provide additional flexibility for the staff. Mr. Montagna agreed and noted that the change would allow staff to update the document when pertinent changes occur.

Mr. Geller asked how staff determined the frequency of the suggested review periods and whether the recommendations were based on best practices suggestions from the consultants. Mr. Montagna indicated that the review periods were designed to align past practice with new process elements that were recommended to develop a timeline that builds in regular reviews. Mr. Geller noted that staff has already undertaken many other medium to long-term projects and encouraged the Board to be sensitive to staff's resources and ensure that there is flexibility in case new priorities emerge. Mr. Montagna stated that staff has discussed with the DCP's consultants and noted that the reviews are consultant-driven and that the timeline and workload are manageable.

Mr. Guglielmo noted that the presented approach is comprehensive and thoughtful, and allows for structured changes regularly.

Board Action:

A motion was made by Mr. Guglielmo and seconded by Mr. Wolfson, that the Board (a) direct staff to amend the proposal to review changes on an as-needed basis in addition to the recommended review frequency, (b) approve proposed investment and administrative review process elements and (C) receive and file information regarding an investment and administrative review master calendar; the motion was unanimously adopted by the Board.

7. BOARD REPORT 22-23: DEFINED CONTRIBUTION PLAN MANAGER EXEMPTION AND RECRUITMENT

Presentation Highlights:

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

- The Personnel Department Classification Division released a report to support the exemption request.
- The Executive Recruitment contracts have received the approval of the Mayor's Office and are in the process of gathering signatures.
 - Once the contracts are executed, staff can utilize a template to request services from all the providers, receive information back from the providers, and present the information to the Board to make a final determination.

Board Member Comments/Questions & Responses:

Mr. Moutes thanked staff and indicated that it was good news on the exemption request and the executive recruitment contracts.

Board Action:

A motion was made by Mr. Guglielmo and seconded by Mr. Geller, that the Board receive and file an update regarding the requested exemption and executive recruitment for the Defined Contribution Plan Manager position for the City's Deferred Compensation Plan; the motion was unanimously adopted by the Board.

8. BOARD REPORT 22-24: FIDUCIARY LIABILITY INSURANCE

Presentation Highlights:

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

- The City has a statutory duty to defend and indemnify individual Board members and staff acting in the scope of their duties.
- The City can also further indemnify administrative and criminal actions if conditions are met, or choose to defer its decision regarding indemnification until after the criminal or administrative action has concluded.
 - Board members and staff would be required to fund their legal costs on an interim basis, and potentially permanently if the City decides not to indemnify.
- The City Attorney consulted with outside tax council Ice Miller to determine that participant fees could be used to cover fiduciary insurance.
- Staff noted that any insurance policy would need to provide recourse by the insurer if the fiduciary breached his/her fiduciary obligation.
- Three types of coverages were researched: Side A, Side B, or Side C Coverages.
- Segal Consulting has an insurance brokerage subsidiary supporting plan sponsors and boards/directors in obtaining fiduciary liability insurance and other types of coverages.
- Staff requested that Segal Consulting develop a report for the Board to be presented at its next meeting.

Board Member Comments/Questions & Responses:

Mr. Guglielmo noted that the LACERS's Board of Commissioners has Side A coverage with a direct cost to the Commissioners, and indicated his support of purchasing fiduciary insurance.

Ms. Wendy Carter stated that Segal does provide information on costs and noted that it is sensible to have protection for potential risks. Ms. Diane McNally stated that the underwriting process has become more stringent for defined contribution plans around record-keeping fees, participant fees, and RFP processes.

Mr. Moutes asked if Segal or the City Attorney would be able to provide a report on the Lexin case in the City of San Diego where the Board was sued and the City determined to not advocate and represent the Board initially.

Mr. Wolfson asked if City employees who volunteer on the Board have any additional protections from the City. Mr. Hong stated that the City is required to defend its employees on liability claims within the scope of their employment, but that there is an ongoing issue of whether employees serving on the Board fall within the scope of their employment. Mr. Geller noted that volunteer members of the Board could be considered employees of the Board as well. Mr. Hong agreed and stated that the administrative code recognizes that employees are members of the Board and are given allowances to use time and serve on the Board. Mr. Hong also indicated that he would research and report back to the Board. Mr. Moutes indicated that more research into what protections were available to the Board in the case in San Diego would help inform the Board's decision.

Board Action:

A motion was made by Mr. Guglielmo and seconded by Mr. Schoonover, that the Board receive and file report regarding fiduciary liability insurance and the City's Deferred Compensation Plan; the motion was adopted by approval of six Board members (Brown, Geller, Guglielmo, Moutes, Schoonover, and Wolfson); one Board member was not present at the time the motion was made and did not vote on it (Le).

9. BOARD REPORT 22-25: VOYA MAILING DISTRIBUTION ERROR, PERFORMANCE GUARANTEES, AND PROCESS AND SERVICE IMPROVEMENTS

Presentation Highlights:

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

- Staff will be adding an additional contractual performance guarantee that all of the DCP's custom correspondence will have 100% accurate content, and if not, then a penalty would apply.
- Voya has committed to the following internal process steps:
 - A dedicated manager for priority transaction mailings for improved quality control.
 - Provide an internal account management resource to support the DCP.

- Add a new and formal custom review process that allows the DCP to focus on specific administrative processes on a proactive basis.
- Additional service improvements from Voya include the following:
 - Chatbot services allow participants to receive information.
 - Participants will be able to access their self-directed brokerage option account directly via the Voya platform.
 - Voya is working to develop electronic purchase of service credit fund transfers between the pension systems.

Board Member Comments/Questions & Responses:

Mr. Moutes thanked Voya for their work in reviewing their administrative processes.

10. BOARD REPORT 22-26: PARTICIPANT OUTCOME GOALS AND STRATEGIES REVIEW AND UPDATE

Presentation Highlights:

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

- The report provides a summary of the results for the goals that were set from July 2020 through December 2021.
- The target used to measure participation among employees with less than three years of service was adversely impacted by faulty methodology as the population measured was not static.
- The contribution rate increased to 6% and is calculated as a percentage of eligible payroll, including employees who aren't currently participants.
- Mr. Drew Russell, Director of Strategic Initiatives, has been hired by Voya and has begun to develop and refine new DCP goals based on historical program data.
 - Mr. Russell noted his experience in retirement plans, working in sales, marketing, and operations.
 - Mr. Russell built, launched, and managed a financial wellness program for retirement plan advisors, aiming to improve participant outcomes and overall financial wellness.
- Staff and Voya will be presenting an update on the project approach at the next Board meeting.

Board Member Comments/Questions & Responses:

Mr. Guglielmo noted that an important emphasis of the DCP is for participants to enroll early in their career and contribute money throughout to save enough for retirement, and highlighted two processes to consider: auto-enrollment into the DCP, and a competitive matching program. Mr. Montagna indicated that auto-enrollment is the number one means of enrolling individuals in the DCP, and competitive match is secondary. Mr. Schoonover noted that the County of Los Angeles provides a match but also stated that there is a risk of employees only contributing up to the match amount.

11. BOARD REPORT 22-27: NEW OFFICE FACILITY

Presentation Highlights:

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

- New office space for the DCP staff would allow for space for the new DC Plan Manager expected to be hired later in the year, as well as room for staff growth.
- Potential spaces would benefit the staff by providing enclosed offices for all professional staff to ensure improved confidentiality, dedicated conference space to meet with DCP service providers, and adequate space for the number of program staff to grow.
- Los Angeles Fire & Police Pensions (LAFPP) is leasing a location that offers ample space, proximity to the Civic Center, dedicated parking, and potential design to fit the DCP's particular needs.
- Staff is also in discussions with Los Angeles City Employees' Retirement System (LACERS) to potentially lease space in the LA Times Building or the new building on North Broadway.

Board Member Comments/Questions & Responses:

Mr. Geller asked how the space will be influenced by telecommuting opportunities for the staff. Mr. Powell noted that office space would accommodate the full complement of staff working in the office, but also be flexible for telework services with the DCP's service providers or Board members. Mr. Geller also asked if the new office space would have room for on-site Voya personnel as well. Mr. Powell indicated that staff anticipates for the Voya retirement counselors to staff in the City Hall location as it provides central services, but is open to changes if another opportunity arises.

Mr. Geller also noted that LAFPP is considering floor planning on the other levels of their building to adjust to potential telecommute opportunities.

12. BOARD REPORT 22-28: HUMAN RESOURCES PAYROLL

Presentation Highlights:

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

- In February of 2022, the Employee Benefits Division (EBD) management met with staff from Information Technology Agency (ITA) and Workday to discuss processes to improve the payroll system transition for EBD's programs. The requests were the following:
 - Comprehensive documentation detailing current payroll/benefits operations of the current complex programming in PaySR that would need to be designed in the new system.
 - The process to identify risks and develop contingency plans.
 - Mutually agreed-upon project plans to ensure that Voya has adequate time to implement necessary system changes.
 - Workday coordinator resource to be dedicated to supporting the DCP and addressing work-stream needs.
 - Stakeholder communication that provides regular status reviews and updates from the HRP team.

- The City procured the services of Gartner, Inc. to support the project as an independent quality assurance consultant by providing go-live readiness assessments.

Board Member Comments/Questions & Responses:

Mr. Moutes noted the good news and was encouraged by the independent entity for the go-live readiness assessment.

13. BOARD REPORT 22-29: PROJECTS AND ACTIVITIES REPORT: MARCH 2022

Presentation Highlights:

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

- NAGDCA updated staff on the passing of HR 2954, Securing a Strong Retirement Act, or Secure Act 2.0 by the House of Representatives, with the notable change to eliminate the first day of the month rule.
- Voya's updated Quarterly Review Q4 2021 update with the correction and requested additional information was provided.
- Staff has launched a new social media campaign called "Tuesday Tips" to promote various DCP features and services on Instagram and Facebook.

Board Member Comments/Questions & Responses:

Mr. Moutes noted that the committee assignments will be finalized soon.

14. COMMENDATORY PRESENTATION

Presentation Highlights and Board Member Comment:

Mr. Moutes noted that in honor of Mr. Montagna's final meeting before his retirement, the Board and staff dressed formally, despite meeting remotely, as a gesture of respect and appreciation. Ms. Brown provided background on Mr. Montagna's long career with the City of Los Angeles. Several Board members expressed their thanks and appreciation for Mr. Montagna's service and leadership. Mr. Moutes presented a commendatory proclamation from Mayor Eric Garcetti and a commendatory plaque from the Board to Mr. Montagna.

Mr. Montagna expressed his appreciation and gratitude for having been able to serve with the DCP and shared farewell remarks.

15. REQUESTS FOR FUTURE AGENDA ITEMS

There were no requests for future agenda items.

16. NEXT MEETING DATE

A regular meeting was noted for May 17, 2022, at 9:00 a.m.

17. ADJOURNMENT

The meeting was adjourned at 10:35 a.m.

Minutes prepared by staff member Eric Lan.