

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

ADOPTED MINUTES
REGULAR MEETING OF JUNE 20, 2023
700 E. TEMPLE STREET, ROOM 350

BOARD MEMBERS

Present:

Thomas Moutes, Chair
Robert Schoonover, First Provisional Chair
Joshua Geller, Third Provisional Chair
Dana H. Brown
Linda P. Le
Joseph Salazar

Not Present:

Neil Guglielmo, Vice-Chair
Jeremy Wolfson, Second Provisional Chair

PERSONNEL DEPARTMENT STAFF

Paul Makowski, Chief Management Analyst
Esther Chang, Senior Personnel Analyst II
Mindy Lam, Benefits Analyst
Eric Lan, Benefits Analyst

OFFICE OF THE CITY ATTORNEY

Charles Hong, Deputy City Attorney II

VOYA FINANCIAL

Deirdre Jones, Vice President, Strategic Relationship Management
Kelly Montgomery, Client Relationship Manager
Drew Russell, Director of Strategic Initiatives
La Tanya Harris, Registered Representative

1. CALL TO ORDER

Mr. Moutes called the meeting to order at 9:02 a.m.

2. PUBLIC COMMENTS

There were no public comments.

3. MINUTES

Board Member Comments/Questions & Responses:

There were no comments or questions from the Board.

Board Action:

A motion was made by Mr. Schoonover and seconded by Mr. Salazar, to approve the minutes of the May 16, 2023 Board meeting; the motion was unanimously adopted.

4. BOARD REPORT 23-22: 2023 BOARD ELECTION RESULTS – ACTIVE PARTICIPANT LOS ANGELES CITY EMPLOYEES’ RETIREMENT SYSTEM (LACERS) REPRESENTATIVE BOARD SEAT

Presentation Highlights:

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

- Mr. Matthew Benham was elected with a plurality of votes, with approximately 34.02% of the votes cast for the Active Participant LACERS Representative Board seat.
- Voter participation rate was lower than prior elections, possibly due to a concurrent election for the LACERS Board Active Employee seat.
- Staff will review additional measures for outreach and advertisement to encourage future voter participation.

Board Member Comments/Questions & Responses:

Mr. Moutes noted that the voter participation rate for the LACERS Board Active Employee seat was also low.

Board Action:

A motion was made by Mr. Schoonover and seconded by Mr. Salazar, that the Board receive and file the certified results of the 2023 Regular Election for the Active Participant LACERS Representative Board seat; the motion was unanimously adopted.

5. BOARD REPORT 23-23: DCP BOARD MEETING DATE SURVEY RESULTS

Presentation Highlights:

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

- Staff distributed a survey to the Board to identify any alternate meeting dates and times for the Board’s regular meeting due to conflicting standing commitments.
- Two options identified were the following:
 - The current regular meeting date and time.
 - 3rd Tuesday of the month, from 10:00 a.m. - 12:00 p.m.
- Staff also surveyed the Board regarding incorporating alternates for the ex officio Board members and identified several factors informing the discussion, including fiduciary responsibility, job classification and term length, and amendments to any pertinent legal documents.

Board Member Comments/Questions & Responses:

Ms. Le agreed with the use of alternates for ex officio Board members but did not agree that both parties would remain co-fiduciaries, citing the model utilized by the DWP Board. Mr. Moutes also agreed that the Board should pursue the use of alternates and suggested the Plan Governance and Administrative Issues Committee discuss further.

Ms. Brown indicated that the change in time would be beneficial to enable her to be present. Ms. Chang stated that the survey be revisited when the newly elected Board members are seated. Mr. Moutes asked if the Board would be able to schedule a special meeting in the event that a quorum would only be obtained at a later time. Mr. Hong stated that the Board would be able to convene a special meeting in that circumstance.

Board Action:

A motion was made by Ms. Le and seconded by Ms. Brown, that the Board defer the discussion to the Plan Governance and Administrative Issues Committee and report back; the motion was unanimously adopted.

6. BOARD REPORT 23-24: SECURE 2.0 PROVISIONS

Presentation Highlights:

Ms. Chang introduced the report and indicated Ms. Melanie Walker from Segal, who provided the attachment to the report, was also available to answer any questions over the telephone.

Ms. Chang provided the following highlights:

- SECURE 2.0 increases the age to begin Required Minimum Distributions (RMDs) to age 73 beginning in 2023, removes after-tax (Roth) account balance from RMD calculations in 2024, and reduces the missed RMD penalty from 50% to 25% of the amount of the missed payment.
- SECURE 2.0 requires after-tax (Roth) age 50 Catch Up contributions for participants whose wages exceed \$145,000 (indexed) for the prior calendar year.
- SECURE 2.0 increases age-based Catch Up contribution limits to the greater of \$10,000 or 150 percent of the Age 50+ Catch-Up amount for participants who reach ages 60, 61, 62, and 63.
- SECURE 2.0 eliminates the first day of the month requirement for contribution elections.
- Additional optional provisions allow for more ways for participants to withdraw from the DCP, such as for emergency savings purposes.

Board Member Comments/Questions & Responses:

Mr. Moutes asked for clarification on whether City of Los Angeles employees have FICA wages that would determine participation in the after-tax (Roth) requirement for Age 50 Catch Up contributions. Ms. Chang noted that staff will clarify that FICA wages are identified for City employees and will include in the Plan Document revisions.

Ms. Le asked for clarification on the mandatory and voluntary provisions. Ms. Chang stated that the mandatory provisions are those pertaining to the RMD changes, and after-tax (Roth) age 50 Catch Up contributions for high-earning participants. Ms. Le asked if it would be necessary to act on the voluntary provisions at this time, or whether they can be delayed. Ms. Chang stated that the Age 60-63 Catch Up contribution limits can be revisited at a later date, but the elimination of the first day of the month rule would benefit the DCP and be a matter of the timing of files between the City and the third-party administrator.

Mr. Geller asked whether the provision regarding surviving spouse RMD elections is a mandatory provision. Ms. Chang indicated that it is, but that staff would need further time to

review and that it should be a discussion by committee. Mr. Geller asked if any provisions would require changes to the Administrative Code. Ms. Chang and Mr. Hong both noted that there would not need to be changes to the Administrative Code.

Board Action:

A motion was made by Ms. Le and seconded by Ms. Brown, that the Board adopts the following recommendations: (a) adopt the SECURE 2.0 Act provisions related to Required Minimum Distributions that change the beginning age that participants are required to take Required Minimum Distributions, effective in 2023, and excludes Roth account balances in determining the RMD amount, effective in 2024; (b) Adopt the SECURE 2.0 Act provision that requires age 50 catch-up contributions to be after-tax/Roth only for those participants whose FICA wages exceed \$145,000 (indexed) in the prior calendar year, effective in 2024; (d) Adopt the SECURE 2.0 Act provision eliminating the first of the month rule, effective upon enactment; and refer all other discussions to the Plan Governance and Administrative Issues Committee; the motion was unanimously adopted.

7. PLAN ADMINISTRATOR QUARTERLY REVIEW: MARCH 31, 2023

Presentation Highlights:

Ms. Jones, Ms. Montgomery, Mr. Russell, and Ms. Harris provided the following highlights:

- Page 4 – DCP assets grew by 5.5% due to contributions, rollovers, and positive earnings, closing the quarter at \$8.5 billion.
- Page 7 – 46,799 participants have a beneficiary listed on their account.
- Page 8 – The DCP had a positive cash flow of \$5.9 million.
- Page 11 – Voya is planning a direct outreach to participants who are invested in ten or more investment options to provide additional education on investment strategies.
- Page 18 – The average loan amount for quarter 1 of 2023 is around \$14,000.
- Page 19 – The top 5 advisors assessing fees for managing DCP PCRA accounts are Tamar Securities, One Capital Management, Galloway Asset Group, Creative Planning, and Mercer Global.
- Page 21-23 – DCP participant communication campaigns to encourage enrollment, contributions, and installment withdrawals.
- Page 25 – Voya returned to City Hall for in-person visits on Tuesday and Thursday.

Board Member Comments/Questions & Responses:

Ms. Le asked if there were any communications campaigns to get more beneficiaries on file. Mr. Russell noted that there are automated campaigns to encourage participants to add a beneficiary to their account. Ms. Le asked if participants who don't use their online accounts are able to get the same campaigns. Ms. Chang noted that there are upcoming campaigns regarding the RMD changes and quarterly newsletter opportunities to highlight the significance of designating a beneficiary. Mr. Salazar suggested that informing participants of the consequences of not designating a beneficiary may encourage them to do so. Mr. Schoonover also noted that while many participants may have a beneficiary on file, they may not consistently update those beneficiaries. Mr. Moutes agreed that this is an important aspect to highlight for participants. Ms. Le asked whether designating a beneficiary is a requirement for joining the DCP and whether it can be featured in the National Retirement Security Month campaign this

year. Ms. Harris stated that the beneficiary form is provided but not required for enrollment purposes.

Mr. Moutes asked if Voya could provide the average balance between sworn and civilian participants as the sworn demographic tends to do an excellent job of encouraging other employees in joining the DCP.

Mr. Moutes asked about the process when a participant defaults on a loan. Ms. Jones stated that the loan is reported as taxable income to the IRS and the participant receives a 1099-R.

Mr. Salazar asked if there is benchmarking information comparing the 22% of DCP participants having at least one loan. Ms. Jones stated that the number of loans offered may vary depending on the plan, but that the rate of participant loans is similar to other plans.

Ms. Le asked how to determine the average cost of fees charged by PCRA advisors. Ms. Jones noted that they can request additional information from Schwab. Ms. Le asked if there was a tool to compare all participant fees across all investment funds. Ms. Chang stated that Mr. Russell and staff are working to create a communications piece to describe all participant fees for the participant to be fully informed.

8. BOARD REPORT 23-25: DEFERRED COMPENSATION PLAN PROJECTS AND ACTIVITIES REPORT: MAY 2023

Presentation Highlights:

Mr. Lan and Ms. Chang introduced the report and provided the following highlights:

- A Schwab Self-Directed Brokerage Account (SDBA) enhancement was provided to simplify the process of opening up a SDBA for participants.
- The special election for Active Participant LAFPP Representative will be held on Friday, July 21, 2023, with two eligible candidates on the ballot. Staff created an elections flier to encourage participants to run as candidates and gained significant interest as a result.
- Staff launched a communications campaign to highlight percent of pay contributions and encourage participants to consider the benefits of contributing as a percentage of their pay.

Board Member Comments/Questions & Responses:

There were no comments or questions from the Board.

9. DEFINED CONTRIBUTION (DC) PLAN MANAGER SELECTION PROCESS INTERVIEWS

Board Member Comments/Questions & Responses:

Mr. Moutes stated that the Board would not go into closed session for the closed session agenda item.

10. REQUESTS FOR FUTURE AGENDA ITEMS

There were no requests for future agenda items.

11. NEXT MEETING DATE

A regular meeting was noted for July 18, 2023 at 9:00 a.m.

12. ADJOURNMENT

The Board commended the service of Board member Jerry Sandoval, who passed away in April 2023. Mr. Moutes indicated a recognition award would be sent to his loved ones to thank him for his service.

Additionally, the Board presented Mr. Geller with a recognition award and expressed appreciation for his contributions and excellent service to the plan.

The meeting was adjourned at 10:24 a.m.

Minutes prepared by staff member Eric Lan.