

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

ADOPTED MINUTES
REGULAR MEETING OF SEPTEMBER 19, 2023
700 E. TEMPLE STREET, ROOM 350
LOS ANGELES, CA 90012

BOARD MEMBERS

Present:

Thomas Moutes, Chair
Neil Guglielmo, Vice-Chair
Matthew Benham
Dana H. Brown
Carl Lurvey

Not Present:

Robert Schoonover, First Provisional Chair
Jeremy Wolfson, Second Provisional Chair
Linda P. Le
Joseph Salazar

PERSONNEL DEPARTMENT STAFF

Paula Dayes, Assistant General Manager
Esther Chang, Defined Contribution Plan Manager
Mindy Lam, Benefits Analyst

OFFICE OF THE CITY ATTORNEY

Charles Hong, Deputy City Attorney II

VOYA FINANCIAL

Deirdre Jones, Vice President, Strategic Relationship Management
Kelly Montgomery, Operations Director
Susan Gebo, Client Relationship Manager
Drew Russell, Director of Strategic Initiatives
LaTanya Harris, Lead Local Counselor

1. CALL TO ORDER

Mr. Moutes called the meeting to order at 9:03 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. Guglielmo and seconded by Ms. Brown, to approve minutes of the August 29, 2023 special Board meeting; the motion was unanimously adopted.

4. BOARD REPORT 23-32: 2024 DCP RESOURCE REVIEW AND FY 2024-25 PROPOSED BUDGET REQUESTS

Presentation Highlights:

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

- An annual resource review is conducted to be submitted in time for the City's proposed budget timeline, and reviewed in Attachment A.
 - Page 2 – the DCP has two main funds: the TPA fund and the DCP Trust fund that is held by the City, making up the DCP Reserve fund.
 - Page 3 – Total projected revenues are \$3.5 million for plan year 2024.
 - Page 4 – Total projected expenditures is \$3.4 million for plan year 2024.
 - Page 5 – The Target Reserve Fund balance is 50% of annual operating expenses and should be \$1.7 million in 2024. The current surplus balance is at \$6.3 million.
 - Page 6-14 – Key assumptions remain mostly unchanged.
 - Staff recommends a net enrollment growth rate assumption of 3% due to increased hiring within the City.
 - Staff recommends modifying the indirect costs rate to 85% for the Personnel Department and 85% to the City Attorney's Office.
- Staff requests the addition of two position authorities (one Senior Benefits Analyst I and one Benefits Specialist) as part of the City's budgeting process to provide administrative support, a line of succession, and knowledge retention.

Board Member Comments/Questions & Responses:

Ms. Brown clarified that the recommendation is that the Board approve of staff's request to proceed with the Personnel Department's budgeting process to add the additional positions. Ms. Chang affirmed and said that staff would submit via the departmental process. Ms. Brown asked if there is currently space available for the additional staff. Ms. Chang noted that a desk-sharing system would need to be implemented given the current space limitations.

Mr. Benham indicated that he supports staff's desire to obtain additional support, but expressed concern over funding the positions from the surplus instead of ongoing revenues. Ms. Chang stated that the assumptions behind the projections hold over a ten years and the surplus has continued to grow over time. Mr. Benham noted that it seems to be prudent to investigate other revenue sources to support the new positions. Ms. Chang indicated that staff would provide the Board with updated projections, a plan regarding possible future fee structures, and additional research regarding ways to utilize the surplus to meet the recommended amount. Ms. Lam also

noted that the current projected expenditures anticipate staff expending the full budget amount, which is not what has historically occurred.

Mr. Lurvey asked if a move to a new facility could result in lower indirect costs to the Personnel Department, indicating that the projections could be more conservative than anticipated. Ms. Chang agreed and noted that further discussions with the Personnel Department are necessary.

Mr. Moutes stated that it is important to review the DCP's fee structure by Spring 2024, and also discuss Investment Advice and Fiduciary Liability Insurance. Mr. Guglielmo also noted a future discussion of plan structure incorporating future matches.

Board Action:

A motion was made by Mr. Guglielmo and seconded by Mr. Benham, to adopt the following Deferred Compensation Plan (DCP) Growth and Expense variable and Fee variable assumptions for use in projecting future DCP Reserve Fund balances: a) DCP Assets Growth Rate – 5.5%; b) Net Participation Growth Rate - 3%; c) Annual Administrative Expenses Growth Rate - 3%; d) Special Rates Increase Factor: Personnel - 85%; e) Special Rates Increase Factor: City Attorney - 85%; f) Stable Value Fund Average Rate of Return - 2%; g) Participant Fees: Annual Basis Point Charge - 0.09%; h) Participant Fees: Annual Dollar Cap - \$115; the motion was unanimously adopted.

A motion was made by Mr. Benham and seconded by Mr. Lurvey, to approve the following requests to be submitted with regard to the City's FY 2024-25 proposed budget: a) Add position authority for one Senior Benefits Analyst I position; b) Add position authority for one Benefits Specialist position; with the understanding that approval is for a budget request to be submitted for the position authorities and that staff is to return to the Board upon approval of the authorities in order to discuss the hiring plan and to provide updated DCP resource projections; the motion was unanimously adopted.

5. BOARD REPORT 23-33: HUMAN RESOURCES & PAYROLL (HRP) PROJECT UPDATE

Presentation Highlights:

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

- The HRP project has progressed to testing in Phase 2, where employees are able to enter time off requests and review paychecks in the system, including DCP deductions.
- Parallel testing of the full system functionality is being done in conjunction with the current payroll system to determine differences and their acceptability within narrow margins of error.
- Staff has been testing DCP processes such as the biweekly deferrals and loan repayments through the Voya file integration feed to the City system.
- A challenge with the HRP project is the communication with different work streams (payroll team, benefits reporting team, etc.) that all handle portions of the entire project.
- Many DCP processes still need to be tested as staff is waiting to receive confirmation or decisions from the Payroll team.
- Staff anticipates needing to develop manual processes to control the records and ensure the payroll process will be done correctly.
- Staff anticipates errors with incorrect deductions and will be preparing to handle corrections.

- Communications about the payroll changes have been taking place and staff is reminding participants to review their contributions at the end of the year and the start of next year after implementation.

Board Member Comments/Questions & Responses:

Mr. Lurvey noted that sworn departments will likely continue to use legacy systems to track employee time and asked if those participants will be affected adversely. Ms. Chang stated that all departments will continue to be paid via the new HRP system so DCP contributions should not be affected.

Ms. Brown asked if any Board members were present during the original PaySR conversion process and if any issues were identified during the conversion. Mr. Guglielmo stated that he did not notice any problems with the contributions. Ms. Brown stated that Workday has worked with many large municipalities. Mr. Guglielmo noted that the matrix shows many items still pending, in testing, or not available, and asked if the Board is able to provide any support to the DCP staff. Mr. Moutes also noted concern with the number of untested issues still pending.

Mr. Guglielmo asked if the new HRP system is able to catch missed contributions due to legal settlements, as that is an issue that has not been resolved in the current payroll system. Ms. Chang has stated that participants or departments often will reach out to DCP staff to coordinate one-time contributions when there are lump sum payments.

Board Action:

A motion was made by Mr. Guglielmo and seconded by Mr. Benham, that the Board receive and file this report; the motion was unanimously adopted.

6. PLAN ADMINISTRATOR QUARTERLY REVIEW: JUNE 30, 2023

Presentation Highlights:

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

- Page 4 – High market volatility often leads to high digital engagement; the City’s engagement is lower than in prior quarters possibly indicating that employees are less anxious in this current environment.
- Page 5 – City employees had an increase of 7% in future investment allocations, compared to a 1.2% rate in Voya’s book of business.
- Page 6 – Total Plan assets were \$9.08 billion.
 - There were over \$51 million in fund transfers out of Stable Value Fund, with 26% of the funds going to the SDBA option and 20% going to DCP Large Cap Fund.
- Page 8 – 89% of participants have a named Beneficiary on file with future reminders of updating Beneficiaries appearing on communications.
- Page 9 – 13,680 total sworn participants, which is 80% of the active participant population, and represents 36% of the total plan assets.
- Page 10 – 38,239 total civilian participants, making up 64% of total plan assets.
 - Mr. Moutes noted that slide 10 should say “Average Civilian Balance” and “Median Civilian Balance”.
- Page 11 – The second quarter had more pre-tax and Roth contributions and fewer distributions than the prior quarter.

- Page 15 – The Local Counselors will be doing outreach to a pilot group of participants who are utilizing multiple portfolio funds to provide information on how investment options are structured within the DCP.
- Page 19 – The number of loan defaults has decreased and new loans have increased.
- Page 21-24 – Review of the prior quarters’ communication campaigns.
- Page 26 – Local Representatives are seeing an increasing amount of in-person site visits.

Board Member Comments/Questions & Responses:

Mr. Guglielmo asked what are the types of concerns that participants have from the call center satisfaction survey. Ms. Jones noted that they can present the data in a future report.

Mr. Moutes noted that some participants may have good reason not to list a beneficiary or may be comfortable with how the State law addresses asset distribution.

Mr. Guglielmo asked how the City’s median and average participant balances compare to peer benchmarks. Ms. Jones stated that the City’s balances are higher, and Voya is working to aggregate data across databases to allow plans to compare against similar plans.

Ms. Montgomery stated that she will be transitioning to a different role overseeing Voya’s various plan managers. Ms. Gebo will be taking over as Client Relationship Manager.

7. BOARD REPORT 23-34: DEFERRED COMPENSATION PLAN PROJECTS AND ACTIVITIES REPORT: AUGUST 2023

Presentation Highlights:

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

- IRS released additional guidance regarding the implementation of the Roth Age 50+ contributions, providing an additional two-year administrative period.
- Staff has made changes to the one-time contribution process and the leave of absence loan process.
- Staff is working with Voya to schedule a Cybersecurity session with an expert at a future meeting.

Board Member Comments/Questions & Responses:

There were no comments or questions from the Board.

8. REQUESTS FOR FUTURE AGENDA ITEMS

There were no requests for future agenda items.

9. NEXT MEETING DATE

A regular meeting was noted for October 17, 2023 at 9:00 a.m.

10. ADJOURNMENT

The meeting was adjourned at 10:28 a.m.

Minutes prepared by staff member Eric Lan.