

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

PROPOSED MINUTES
SPECIAL MEETING OF AUGUST 29, 2023
700 E. TEMPLE STREET, ROOM 350
LOS ANGELES, CA 90012

BOARD MEMBERS

Present:

Thomas Moutes, Chair
Neil Guglielmo, Vice-Chair
Jeremy Wolfson, Second Provisional Chair
Matthew Benham
Carl Lurvey
Joseph Salazar

Not Present:

Robert Schoonover, First Provisional Chair
Dana H. Brown
Linda P. Le

PERSONNEL DEPARTMENT STAFF

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

OFFICE OF THE CITY ATTORNEY

Charles Hong, Deputy City Attorney II

MERCER

Devon Muir, Principal
Ana Tom-Chow, Associate

VOYA FINANCIAL

Drew Russell, Director of Strategic Initiatives

1. CALL TO ORDER

Mr. Thomas Moutes called the meeting to order at 1:05 p.m.

Mr. Moutes welcomed new Board member, Mr. Matthew Benham, who will be representing active Deferred Compensation Plan (DCP) participants who are also active Los Angeles City Employees/ Retirement System (LACERS) members.

2. PUBLIC COMMENTS

There were no public comments.

3. ANNOUNCEMENT OF DEFINED CONTRIBUTION PLAN MANAGER SELECTION

Ms. Paula Dayes announced the selection of Ms. Esther Chang as the inaugural City of Los Angeles Defined Contribution Plan Manager. Mr. Moutes noted that a nationwide search was conducted and thanked the Personnel Department and fellow Board members for their assistance through the process.

4. MINUTES

Board Member Comments/Questions & Responses:

Mr. Moutes asked if it would be necessary to wait until the Board had taken action on Board Report 23-26 before including Mr. Carl Lurvey for the vote. Mr. Charles Hong indicated that it would be fine to defer to the vote.

Board Action:

A motion was made by Mr. Neil Guglielmo and seconded by Mr. Jeremy Wolfson, to defer the vote on the minutes until after Board Report 23-26; the motion was unanimously adopted.

Upon approval of Board Report 23-26, a motion was made by Mr. Wolfson and seconded by Mr. Guglielmo, to approve the minutes of the June 16, 2023 special Board meeting and June 20, 2023 regular Board meeting; the motion was unanimously adopted.

5. BOARD REPORT 23-26: 2023 BOARD OF DEFERRED COMPENSATION ADMINISTRATION SPECIAL ELECTION RESULTS – ACTIVE PARTICIPANT LOS ANGELES FIRE AND POLICE PENSIONS (LAFPP) REPRESENTATIVE BOARD SEAT

Presentation Highlights:

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

- The Special Election to fill the Active Participant LAFPP Representative Board position was held on July 21, 2023, with Mr. Carl Lurvey receiving approximately 53.29% or the plurality of the votes cast.
- Mr. Lurvey will hold the seat for the remainder of the term that began July 1, 2023 and will end on June 30, 2026.

Board Member Comments/Questions & Responses:

There were no comments or questions from the Board.

Board Action:

A motion was made by Mr. Joseph Salazar and seconded by Mr. Guglielmo, to receive and file the certified results of the 2023 Special Election for the Active Participant LAFPP Representative Board seat; the motion was unanimously adopted.

6. BOARD REPORT 23-27: ELECTION OF OFFICER(S) – THIRD PROVISIONAL CHAIR VACANCY

Presentation Highlights:

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

- The Third Provisional Chair was vacated by Mr. Josh Geller on June 30, 2023 at the expiration of his term.
- The DCP Bylaws indicate that a replacement must be elected once a provisional chair seat is vacated. Ms. Chang noted this would be through the remaining calendar year, as officers were elected every even calendar year and as such the next officer election would occur in January 2024.

Board Member Comments/Questions & Responses:

There were no questions or comments from the Board.

Board Action:

A motion was made by Mr. Wolfson and seconded by Mr. Guglielmo, to elect Mr. Salazar to the position of Third Provisional Chair; the motion was unanimously adopted.

7. BOARD REPORT 23-28: QUARTERLY STAFFING REIMBURSEMENTS - SECOND QUARTER 2023

Presentation Highlights:

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

- The Board approves staffing reimbursements on a quarterly basis for Personnel Department and City Attorney staff who are partially dedicated to the DCP and funded through the DCP Trust Fund, which requires Board approval.
- Second quarter 2023 reimbursements totaled \$38,755.44, including \$9,951.52 for the Personnel Department and \$28,803.92 for the City Attorney.
- Staff indicated the report also provided adjustment of quarterly staffing reimbursements from the third quarter of 2022 through the first quarter of 2023, upon reconciliation with the newly available Special Rates to be applied to FY 2022-23.

Board Member Comments/Questions & Responses:

Mr. Wolfson asked whether the appointment of the DC Plan Manager would decrease the reimbursement costs over time. Ms. Lam indicated that future quarterly reimbursements will no longer show Personnel Department staffing costs for partially dedicated positions.

Mr. Benham asked for clarification on the difference between direct costs and indirect costs and asked for examples of indirect costs. Ms. Lam stated that direct costs are specific staff hours billed to the DCP whereas indirect costs could be printing materials, overhead costs, and other salary costs that are not calculated in direct salary costs. Ms. Chang noted that indirect costs account for fringe benefits, building costs, and department administrative support costs, as determined by the Controller's Office. Ms. Chang stated that the Controller's Office releases the rates at various times throughout the year, resulting in the adjustments.

Mr. Moutes stated that the assumptions behind the budget will be reviewed at the next Board meeting, and the Board is aware of the 10-year projection surplus versus the target reserve and is contemplating various expenses that may utilize the reserve.

Board Action:

A motion was made by Mr. Guglielmo and seconded by Mr. Wolfson, to approve reimbursements from the DCP Reserve Fund to the Personnel Department in the amount

of \$9,951.52 and to the City Attorney in the amount of \$28,803.92 totaling \$38,755.44 for staff providing direct support of the DCP during the quarter ending June 30, 2023; the motion was unanimously adopted.

8. BOARD REPORT 23-29: 2023 NATIONAL RETIREMENT SECURITY MONTH (NRSM) CAMPAIGN

Presentation Highlights:

Mr. Eric Lan and Mr. Drew Russell introduced the report and provided the following highlights:

- NRSM is a key campaign for the DCP to engage active participants, retired participants, and non-participating eligible employees to enroll in the DCP, increase contributions, develop sound distribution behaviors in retirement, and generate broader awareness of the DCP.
- The DCP received a 2023 Leadership Recognition Award for its 2022 NRSM campaign, which will be awarded to the plan at the upcoming 2023 Annual Conference of the National Association of Government Defined Contribution Administrators (NAGDCA) .
- NRSM will feature a fun and engaging theme titled “DCP City Fair,” employing the use of gamification to incentivize participation.
- A key focus will be on the retiree population, by providing weekly educational information and highlighting the DCP Financial Wellness Assessment.
- The DCP plans to partner with various pension plans to offer tabling sessions to accommodate the increasing number of in-office employees.
- The objective is to increase engagement, which is anticipated to result in increased enrollment, increased contributions, greater awareness of retirement security, and how the DCP can assist in these efforts.

Board Member Comments/Questions & Responses:

Mr. Benham asked if staff plans to conduct an in-person outreach at any other City locations to reach employees who work in the field. Mr. Lan noted that staff will distribute a Citywide postcard to provide access to employees with alternate work schedules and will consider the use of other off-site tabling in the future. Ms. Chang noted that aside from NRSM, there are currently five Local Retirement Counselors that do conduct outreach in other City areas throughout the year.

Mr. Guglielmo recommended the use of flyers and posters for distribution at yards and recreation centers throughout the City for departments to utilize. Mr. Guglielmo also indicated that LACERS would be able to assist with disseminating information about the NRSM campaign through its email system and on its website. Mr. Salazar agreed and noted that LAFPP would also be able to assist. Mr. Guglielmo noted the potential use of Spanish materials as there are employees who are primarily Spanish-speaking.

Mr. Wolfson asked whether the materials would provide any technical details regarding the SECURE 2.0 provisions. Ms. Chang indicated that the NRSM campaign is geared towards a broad audience and it would be best to present general information about the DCP. Mr. Russell noted that all campaign elements will direct participants to the LA457 website, where specific information regarding plan details and SECURE 2.0 could be found.

Mr. Guglielmo commended the staff and the DCP for its sixth consecutive NAGDCA Leadership Award.

Board Action:

A motion was made by Mr. Wolfson and seconded by Mr. Guglielmo, to approve the proposed 2023 National Retirement Security Month (NRSM) campaign; the motion was unanimously adopted.

9. BOARD REPORT 23-30: 2023 PARTICIPANT OUTCOME GOALS AND STRATEGIES MID-YEAR UPDATE

Presentation Highlights:

Mr. Lan provided the following highlights:

- The mid-year update to the previously approved Participant Outcome Goals indicates the DCP is on track to achieve the goals.

Board Member Comments/Questions & Responses:

Mr. Moutes asked whether staff had any indication whether those electing percent-of-pay contributions were new enrollments or conversions from specific dollar contributions. Mr. Lan stated that the general narrative is that new enrollees have an easier time conceptualizing specific dollar contributions and that as participants receive further education about the benefits of percent-of-pay, they end up converting to percent-of-pay.

10. QUARTERLY INVESTMENT & ECONOMIC REVIEW: SECOND QUARTER 2023

Presentation Highlights:

Mr. Devon Muir and Ms. Ana Tom-Chow provided the following highlights:

- Page 2 – Capital market continued similarly to the strong first quarter of 2023, with inflation readings being more contained than previously predicted.
- Page 3 – A broad overview of capital market performance shows overall positivity in the market.
- Page 15 – DCP plan assets are at \$9,087.8 million at the end of the second quarter of 2023, with investment gains being \$424.5 million.
- Page 20 – Roughly 20% of assets are invested in the risk profile funds.
- Page 22 – The success of the DCP can be observed in the low effective net expense percentages, lower than the lowest quartile in the institutional categories, with further decreases expected with the implementation of the new contracts.
- Page 24 – The transition to passive management of the DCP Large Cap Fund has resulted in positive performance over time, ranking in the 23rd percentile over a 10-year period.

Board Member Comments/Questions & Responses:

Mr. Guglielmo asked about the situation in China and how it might impact the DCP's ability to invest. Mr. Muir indicated that there is a general trend towards deglobalization and diversification away from a single production source and that there are observations of China growing in debt.

Mr. Moutes asked if there are other benchmarks the DCP should consider using to evaluate the Stable Value Fund. Mr. Muir noted that the current benchmark is a theoretical benchmark, and it is more applicable for long-term projections. Mr. Wolfson asked about the liquidity profile of the Stable Value Fund. Mr. Muir stated that the Stable Value Fund is a highly liquid investment-grade bond portfolio with the manager Galliard.

Mr. Wolfson asked about non-U.S. manager country exposure for investments, given the charts on page 63 which show China being the top detractors in the quarter. Mr. Muir noted Mercer would be able to provide the report on non-U.S. manager country exposure.

11. BOARD REPORT 23-31: DEFERRED COMPENSATION PLAN PROJECTS AND ACTIVITIES REPORT: JUNE AND JULY 2023

Presentation Highlights:

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

- A SECURE 2.0 Act webpage was created to provide information for participants on the newly adopted provisions. A notice was received by staff on August 25, 2023 that the implementation of the Roth-only contributions for high-income earners contributing up to the age 50+ limit has been delayed until 2026.
- The Human Resources Payroll (HRP) conversion is currently undergoing parallel testing to test various contribution scenarios and integration files between the TPA and payroll system.
- Participants experienced a service disruption on the Voya Participant website in late July, which was resolved shortly thereafter.
- New Attachment B provides the Voya Local Retirement Counselor satisfaction survey results from participants who interact with a counselor.

Board Member Comments/Questions & Responses:

Mr. Wolfson asked about the opportunity of receiving a cybersecurity report covering participant education, internal controls, vendor and server security. Mr. Moutes indicated that the discussion could be held with an ad hoc committee that would allow for a more closed discussion. Mr. Guglielmo agreed and supported the request. Mr. Salazar stated that LAFPP has held closed-session board meetings to review cybersecurity, allowing all members of the Board to participate. Ms. Chang indicated that staff would follow up on this request.

Mr. Moutes dissolved the Ad Hoc DC Plan Manager Selection Committee.

Mr. Guglielmo stated interest in learning more about the status of the HRP conversion project as it relates to the DCP, in order that the Board can assist in elevating any concerns to ensure they are appropriately addressed. He requested a report back from staff.

12. REQUESTS FOR FUTURE AGENDA ITEMS

There were no requests for future agenda items.

13. NEXT MEETING DATE

A regular meeting was noted for September 19, 2023 at 9:00 a.m.

14. ADJOURNMENT

The meeting was adjourned at 2:24 p.m.

Minutes prepared by staff member Eric Lan.