

CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

PROPOSED MINUTES
MEETING OF APRIL 16, 2019
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
Neil Guglielmo
Hovhannes Gendjian

Not Present:

Linda P. Le

PERSONNEL DEPARTMENT STAFF

Jody Yoxsimer, Assistant General Manager
Steven Montagna, Chief Personnel Analyst
Isaias Cantú, Senior Management Analyst II
Daniel Powell, Personnel Analyst
Kevin Hirose, Personnel Analyst

OFFICE OF THE CITY ATTORNEY

Charles Hong, Deputy City Attorney III

MERCER INVESTMENT CONSULTING

Devon Muir, Principal

1. CALL TO ORDER

John Mumma called the meeting to order at 9:02 a.m.

2. PUBLIC COMMENTS

There were no public comments.

3. MINUTES

A motion was made by Neil Guglielmo, seconded by Robert Schoonover, to approve the minutes of the March 19, 2019 meeting; the motion was unanimously adopted. Hovhannes Gendjian was not present for approval of the minutes. A quorum of the Board was present to vote on this item.

4. BOARD REPORT 19-12: 2018 DCP ANNUAL REPORT

Note: Mr. Gendjian arrived during presentation of the 2018 DCP Annual Report.

Daniel Powell presented the proposed 2018 DCP Annual Report. He stated that the Board is required to report annually to elected officials and DCP participants regarding the administrative and financial conditions of the DCP. He indicated that the 2018 DCP Annual Report includes data related to DCP core goals and metrics, along with highlighting new features and services that were implemented during 2018. He reported that DCP participation ended 2018 at 72%, which is higher than its governmental peer group, at 65%. He stated that the DCP was below target on reaching enrollment goals; however, it obtained record numbers in 2018 with 2,822 enrollments. Raymond Ciranna indicated that he noticed that growth has steadily increased from 1% in 2014 to 4% in 2018 and inquired about growth prior to the last recession. Steven Montagna responded that excluding when the DCP was initially offered in the 1980's, he believed recent growth rates were strong compared to years prior to the recession.

Mr. Powell reviewed contributions and stated in 2018 City employees contributed \$253 million into the DCP, an 11% increase from 2017. He indicated that on a per participant basis City employees contributed \$7,365 in 2018, which is above the NAGDCA reported average contribution of \$4,504. He further indicated that the number of participants making Roth contributions was 3,177, the number making Pre-Tax contributions was 25,194, and those contributing to both accounts was 5,869. He indicated that growth rates of participants using the percent-of-pay feature was continuing to rise and 40% of new enrollees are presently electing this feature.

Mr. Powell stated that 8% of active participants are contributing at the 2018 maximum contribution limits. He indicated that there was a decline in the average participant account balance for the year due to investment market declines. He reviewed DCP assets and rates of return and stated that investment returns were volatile for equities and bonds and the net overall return was -2.53%. He continued with rollover activity, stating that \$138 million was rolled out, \$10 million was rolled over to one of the three City pension systems, and \$95 million was rolled into the DCP. He stated that staff has been releasing surveys to participants who rolled their assets out of the DCP to learn about their reasons for the rollovers and will be presenting survey results to the Board.

Mr. Powell next reviewed loan activity and indicated that there was a slight drop in the number of total loans from the previous year. He indicated that the loan program has been a great

selling point to encourage new enrollments. He next reported on engagement and indicated that in 2018 the DCP Resource Center was launched which included custom videos and the social media page. Mr. Mumma requested that the Board be provided with statistical and traffic information regarding these engagement resources.

Mr. Powell reported overall engagements for the year totaled 299,135. He concluded by reviewing the breakdown of participation by MOU and indicated that as discussions continue with labor organizations about auto enrollment, participation rates are expected to increase. Mr. Mumma requested that the Board's Chairperson letter to the Mayor be revised from "At year-end DCP assets accounts totaled" to "At year-end DCP assets totaled."

Following this discussion, **a motion was made by Thomas Moutes, seconded by Mr. Ciranna, to approve the 2018 DCP Annual Report; the motion was unanimously adopted.**

6. BOARD REPORT 19-14: SEMINAR PARTNERSHIP WITH LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM (LACERS)

Note: Agenda item #6 was taken out of order and presented prior to agenda item #5.

Mr. Powell reported the staff and LACERS have been meeting on a monthly basis to discuss how to coordinate efforts between the retiree program and the City's active civilian wellness program. He stated that as a result of those meetings a concept was developed for holding an all-day financial wellness seminar open to both retirees and active employees. He indicated that LACERS has held seminars in the past and presented on a variety of topics specific to LACERS members. He stated that the proposed event would be structured consistent with prior LACERS seminars in that it would be held at a hotel conference facility and participants would be provided with lunch. He stated the event was scheduled for August 3, 2019, and could accommodate up to 300 attendees. He indicated that LACERS had reserved a facility in Ontario, California, which they have used before, and the maximum cost would be approximately \$18,000, which equates to \$60 per attendee.

Mr. Powell stated that the Participant Engagement Committee (Committee) considered the proposal to participate in the seminar at its meeting on April 4, 2019, and recommended participating. He indicated that participation should be viewed as a pilot approach for a new type of participant engagement opportunity, particularly for retirees, and that materials would be published to the DCP Resource Center for participants who were not able to attend. He stated that LACERS inquired about co-funding the event and the Committee recommended funding half of the cost of participants who are both DCP and LACERS members, which would not exceed \$9,000. He indicated that staff has reached out to Fire and Police Pensions and Water and Power to see if they were interested in co-funding attendance by their members as well.

Mr. Mumma asked who would be representing the DCP. Mr. Powell responded that program content was still under development and indicated that there are resources available through

the City's provider for the Employee and Family Assistance Program and that LACERS had an FBI contact who would be presenting on avoiding identity theft, fraud, and scams.

Mr. Ciranna asked if the seminar topics have been outlined and whether an agenda has been created. Mr. Montagna responded that a tentative agenda has been outlined and that staff is meeting with LACERS on a regular basis to refine the seminar topics and presenters. Mr. Guglielmo stated that LACERS sees the seminar as a partnership opportunity to reach out to active as well as retired members and that the plan is to provide a seamless transition from being an active City employee to a retiree. He stated he hoped this pilot program would be successful and support engaging in more collaborative efforts in the future.

Mr. Mumma asked what funding account the seminar would be charged to. Mr. Powell indicated that the seminar would be paid from the DCP's communications account.

Following this discussion, **a motion was made by Mr. Ciranna, seconded by Joshua Geller, to approve the recommendation from the Participant Engagement Committee and staff that the Board approve co-hosting and co-funding a financial wellness seminar in concert with LACERS; the motion was unanimously adopted.**

5. BOARD REPORT 19-13: STABLE VALUE FUND INVESTMENT MANAGEMENT SERVICES REQUEST FOR PROPOSAL (RFP)

Note: Agenda item #5 was taken out of order and presented following agenda item #6.

Isaias Cantú reported on the status of the Stable Value Fund Investment Management Services Request for Proposal (RFP). He explained the RFP contains the following key components: the design, services and features of the DCP; the scope of services; the questionnaire, which will be used to evaluate proposals and assess the services and capabilities of each proposer; and the engagement exercise, which will be used to better understand the resources and investment approach of each proposer. He stated that staff, with technical support provided by Mercer Investment Consulting (Mercer), would evaluate the proposals according to the evaluation categories listed in the RFP and then present the results to the Board. He stated that staff had included a Pledge Form regarding conflict of interest, confidentiality and proposer communications. He indicated the form was reviewed by Board counsel and is in accordance with the Board's Governance Policies/Bylaws relative to procurement processes and contracting.

Mr. Guglielmo inquired about the number of proposals the DCP received during the last procurement process and if experience gained from that process was used towards building the current RFP. Devon Muir responded that the previous procurement cycle was successful and he recalled four or five of the top Stable Value providers responding to the RFP. He indicated that one of the minimum qualifications listed in the RFP was to have at least \$15 billion of Stable Value assets under management which should provide for a strong pool of candidates but not at a level for those that might not have the resources available to meet the needs of the DCP.

He indicated that larger Stable Value managers are able to command better terms in the market. He reported the DCP Stable Value Fund currently has \$1.1 billion in assets.

Mr. Mumma inquired about the proposed released date of the RFP. Mr. Montagna responded that the RFP would be released following Board Counsel final review of the RFP as to form, with a tentative target for releasing the RFP within the next three weeks. Mr. Ciranna inquired if the questionnaire was similar to prior RFPs. Mr. Montagna responded that it was but that the questionnaire had been updated and reorganized to allow for a more efficient review process.

With regard to the Pledge Form, Mr. Ciranna stated that Board members should be required to complete it once and that it be applicable for all investment manager searches or other procurement processes. Mr. Montagna indicated that the Pledge Form was intended to provide both a reminder to Board members as well as greater transparency to the vendor community regarding the Board's commitment to ensure a fair and neutral process throughout the procurement process. He indicated another option would be for staff to remind Board members of their obligations whenever a procurement process is initiated. He indicated that the Board's Governance Policies/Bylaws contain language relating to a code of ethics regarding procurements and contracting.

Mr. Geller supported Mr. Ciranna's comment and stated that staff should consider a global type of affidavit that is signed when a Board member is appointed/elected to a seat and that staff remind the Board of their obligations during a procurement process. Mr. Moutes indicated he would support a global affidavit; however, he indicated that during his tenure as General Manager of LACERS, policies were set not for those Board members that complied, but for a Board member who might forget their obligations. He stated that given the history of the DCP and the conflict that arose years ago, he would be open to discussing further the frequency of completing the Pledge Form.

Wendy Macy stated that she frequently receives emails from vendors and that the form provides her with a document to refer to. Mr. Guglielmo stated that staff should consider the Pledge Form on an annual basis as opposed to completing the form for every search. He indicated that this would satisfy the Board's commitment to transparency and City ethical standards. Mr. Mumma stated that he would support completing the Pledge Form annually. He then recommended that the Board take no action on Board Report 19-13, item (b) and requested staff to modify the language as necessary and report at the Board's May 21, 2019 meeting.

Following this discussion, **a motion was made by Mr. Ciranna, seconded by Mr. Guglielmo, to (a) approve and authorize release of the RFP for Stable Value Fund Investment Management Services, subject to final approval as to form by City Attorney; the motion was unanimously adopted.**

7. BOARD REPORT 19-15: FY 2019-20 OFFSITE TRAINING PROGRAM INTEREST

Kevin Hirose reported that at its meeting on September 18, 2018, the Board approved the DCP Training Program for Fiscal Year (FY) 2019-20. He requested that Board members provide staff with their training preferences no later than 90 days prior to a scheduled event to allow staff sufficient time to process travel request materials and gain travel authorization. He also indicated that staff would report back on training relative to the budgeted resources. Additionally, he stated that the National Association of Governmental Defined Contribution Administrators (NAGDCA) 2019 Annual Conference is scheduled for September 8-11, 2019 in New Orleans, Louisiana.

Following this discussion, **a motion was made by Mr. Ciranna, seconded by Mr. Geller, to (a) review information regarding offsite conference training events and educational programs for FY 2019-20 and provide staff with training interest requests; and (b) review information pertaining to NAGDCA Annual Conference registration; the motion was unanimously adopted.**

8. BOARD REPORT 19-16: PLAN PROJECTS AND ACTIVITIES REPORT: MARCH 2019

Mr. Cantú stated that staff is continuing to conduct research into cybersecurity and will report to the Board at its May 21, 2019 meeting. He stated that staff recently reconvened the California Defined Contribution Peer Network (CA-DCPN) and will be meeting with participating agencies in Sacramento, California on June 23-24, 2019, to discuss best practices and how to enhance work processes to better meet the needs of participants. He reported that staff is participating in Management Analyst interviews starting the week of April 22, 2019, to fill its staffing vacancy.

Mr. Cantú continued by providing updates on the 2019 DCP Strategic Initiatives and stated that the Professional Services Agreement with Crowe LLP to conduct a financial audit was reviewed by Board Counsel and is pending review by outside tax counsel. He next stated that staff is finalizing its report on the Deemed IRA and following review by Board Counsel and outside tax counsel, findings could be presented as soon as the Board's May 21, 2019 meeting.

Mr. Ciranna commended staff in meeting with the CA-DCPN and stated that networking with the proposed agencies will further enhance the DCP. He asked for further information regarding the cybersecurity report and what staff will present. Mr. Cantú responded that staff is reviewing information from a wide variety of sources, both internal and external, including the DCP's Third-Party Administrator.

Mr. Guglielmo stated that LACERS is considering options on procuring cyber liability insurance and is working with the CAO's Risk Management Division. He indicated that the insurance will provide additional protection and resources available to participants. He indicated that LACERS will share its information with DCP staff.

Following this discussion, a motion was made by Mr. Geller, seconded by Mr. Schoonover, to receive and file the monthly activities report for March 2019, including updates regarding Communications; 2019 DCP Strategic Initiatives Update; Board Information Requests; Completed Projects/Meeting Calendar; Staffing; and Committee Assignments; the motion was unanimously adopted.

9. REQUESTS FOR FUTURE AGENDA ITEMS

The Board did not make any specific requests for future agenda items.

10. ADJOURNMENT

The meeting adjourned at 9:42 a.m.

Minutes prepared by staff member Kevin Hirose