

Deferred Compensation Plan BOARD REPORT 12-48

Date: September 28, 2012
To: Board of Deferred Compensation Administration
From: Staff
Subject: Proposed Training Program FY 13/14

*Board of Deferred
Compensation Administration
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Recommendation:

That the Board of Deferred Compensation Administration (a) approve staff's proposed Training/Travel Program for Fiscal Year 13-14; (b) approve the ongoing allocation of unused training funds from each fiscal year to the subsequent fiscal year; and (c) authorize the scheduling and development of a one-day Board member training retreat for Fiscal Year 13-14.

Discussion:

At its July 17, 2012 meeting, the Board approved a Training, Education and Travel Policy developed by staff and the Board's Plan Governance & Administrative Issues Committee (Attachment A). At that time, staff was directed to develop a proposed education program for Fiscal Year 2013/14.

This report addresses each of the major training areas outlined within the Training, Education and Travel Policy. Included within each discussion is a review of the potential resources available for the applicable training category. Those primary training categories are listed as follows:

- Fiduciary Responsibilities
- Legal/Regulatory
- Investments
- Best Practices
- Plan Services & Administration
- Ethics

TRAINING PROGRAM BUDGET

As part of an annual budget adopted at the beginning of each calendar year, the Board sets aside certain funding for training and education purposes. This funding amount has historically increased by 2% each year. The budgetary assumptions used in this report rely on this methodology.

Attachment B, "Proposed Training/Travel Program FY 13-14," provides a summary of recommended training and travel for FY 13/14. There are four categories of expenditures:

- **Conference Training Involving Travel** – This category includes training at major conferences and symposiums where travel (i.e. transportation and hotel costs) would be part of the expense of participation. The list includes eligible conference events which in staff's analysis are relevant to the City's Plan at a reasonable cost.
- **Business Meetings** – This category includes peer-based business meetings of the California Defined Contribution Peer Network as well as site visits to the Third-Party-Administrator (these meetings would be for staff only).
- **Internal or Onsite Training** – This category includes trainings which can be brought to the Board at regular or special meetings.
- **Individual Training Programs** – This category includes educational programs which individuals can enroll in and would generally be conducted at the enrollee's own pace and using electronic and printed materials provided directly to the enrollee.

The Plan's training/education budget for FY 13-14 is \$55,740. The proposed program expenses are in line with the budgeted amount. With respect to conferences, the events listed should be thought of as eligible events, but attendance is limited by an annual ceiling of slots for all Board members/staff. For the subject Fiscal Year, the limit under staff's proposal would be 16. With nine Board members and seven support staff, this equates to **approximately one conference event per Board/staff member per year**, to be selected by the attendee. In the past it has been assumed that most Board members and staff would attend the NAGDCA Conference, but given funding limitations and other conference training opportunities identified by staff, this may not continue to be the case, as individuals could opt to participate in events other than NAGDCA.

The Personnel Department provides staff resources to facilitate travel for Board members and staff. Once the Board approves the proposed program, the Personnel Department will, on behalf of the Board, include those items involving travel as part of its budget for FY 13/14. As the Board is aware, City travel requires approval from the Office of the Mayor. That approval can be facilitated by including the travel item within the City's adopted budget. The proposed travel may or may not be adopted in the budget. In addition, additional authorization from the Office of the Mayor is required in closer proximity to the actual travel date. That approval may or may not be granted.

Previously, unused annual training budgeted amounts have not carried forward to a subsequent time period. Going forward, staff recommends that each fiscal year's unused training funds be allocated to the subsequent fiscal year.

Staff recommends approval of its proposed training program for FY 13-14.

TRAINING RETREAT

Training that involves travel is less reliable because it is subject to external approval. In addition, it is generally less efficient because of travel costs and varying Board member availability. As staff has reviewed training resources, it is clear that quality training topics can be brought "to the Board," which has at least three important benefits:

1. Significantly reduces the per-member cost of training
2. Increases opportunities for Board/staff members to participate in the training
3. Provides opportunities for Plan participants to attend trainings (since they will take place in public meeting venues)

Given this, and because the Board's regular meeting calendar is so full, staff is recommending that the Board approve a one-day training retreat in Fiscal Year 13-14. **This training retreat, in combination with the two training modules included as part of the Board's regular meeting schedule, would provide opportunities for all Board members and staff to be trained on an annual basis in all major training categories, irrespective of whether training involving travel is approved or occurs that year or not.**

As part of this training, staff proposes including a strategic planning discussion, which would provide opportunities for less structured dialogue about the Plan's initiatives and objectives. Staff's tentative recommendation for holding the training retreat would be in April/May of each year. The first such retreat would be held in April May 2014.

Approval of the one-day retreat does not replace any potential conference travel. The retreat should be thought of as a base-level training resource that may be supplemented by training involving travel, to the extent the latter is allowed and budgetable.

TRAINING CATEGORY RESOURCE REVIEW

Following is a review of major training categories and available resources.

A. ORIENTATION

Each Board member is offered a staff-led orientation session prior beginning to that member beginning service on the Board. Current Board members have all received this orientation. Orientation is not a recurring training need, therefore it is not included with the other training categories.

B. FIDUCIARY TRAINING

Background - Fiduciary training concerns obligations and responsibilities of Board members, staff and others associated with the Plan who exercise discretion over participant assets as part of their duties. Fiduciary topics are typically included in defined contribution plan conferences. However, staff would recommend a specialized training focused specifically on the broad duties and obligations of a fiduciary, and that the presentation be conducted within a regular Board meeting training module or as part of a one-day training retreat.

Resources – The following resources are available for this type of training:

- (1) Outside counsel with which the City Attorney's Office has a contractual relationship may have fiduciary-law experts who can provide this training.

- (2) Fiduciary law experts may be available through an ad-hoc limited contract designed specifically for this training purpose.
- (3) The Plan consultant

Upon approval of the proposed training program by the Board, staff will return with recommendations for a specific resource in closer proximity to the actual training event.

C. REGULATORY TRAINING

Background - Regulatory training concerns those portions of principally Federal law/regulations relating to the administration of an Internal Revenue Code Section 457 plan. A wide variety of topics can fall within this category. Regulatory training is typically included in defined contribution plan conferences.

Training involving travel provides resources for this type of training. However, since some Board members and staff may be unable to attend these conferences, or because the City's travel approval processes may limit attendance, staff recommends a specialized training focused specifically on a regulatory topic, and that the presentation be conducted within a regular Board meeting training module or as part of a one-day training retreat.

Resources – The following resources are available for this type of training:

- (1) Defined contribution plan conferences
- (2) The Plan's consultant on regulatory matters
- (3) Tax counsel as those resources may be contracted through the Office of the City Attorney

Upon approval of the proposed training program by the Board, staff will return with recommendations for a specific resource in closer proximity to the actual training event.

D. INVESTMENTS

Background - Investments training concerns information related to the selection and review of investment vehicles within a defined contribution plan. Investment topics are typically included in defined contribution plan conferences.

Training involving travel provides resources for this type of training. However, staff would recommend a specialized training focused specifically on investment theories, principles, and products within a defined contribution plan, and that the presentation be conducted within a regular Board meeting training module or as part of a one-day training retreat.

Resources – The following resources are available for this type of training:

- (1) Defined contribution plan conferences
- (2) Investment provider seminars
- (3) Investment Consultant

Upon approval of the proposed training program by the Board, staff will return with recommendations for a specific resource in closer proximity to the actual training event.

E. PLAN SERVICES & ADMINISTRATION

Background - Plan services and administration training concerns participant services and functional processes that primarily fall within the responsibility of the Plan's Third-Party-Administrator (TPA) and staff. Because this training is specific to the Plan, this information would be presented within a regular Board meeting training module or as part of a one-day training retreat.

Resources – The following resources are available for this type of training:

- (1) Third-Party-Administrator (Great-West Retirement Services)
- (2) Staff

This type of training should be at no or minimal cost to the Plan.

F. BEST PRACTICES

Background - Best Practices training concerns information related to the best practices of other comparable plans principally found within the governmental defined contribution arena. Best practices review may be included in defined contribution plan conferences.

Training involving travel provides resources for this type of training. However, staff recommends a specialized training focused specifically on a best practice topic, and that the presentation be conducted within a regular Board meeting training module or as part of a one-day training retreat.

Resources – The following resources are available for this type of training:

- (1) Defined contribution plan conferences
- (2) Peer Training (e.g. inviting a governmental plan sponsor peer to provide a presentation to the City)

Upon approval of the proposed training program by the Board, staff will return with recommendations for a specific resource in closer proximity to the actual training event.

G. ETHICS

Background - Ethics training concerns ethics requirements dictated by City/State law as well as adopted by Board policy. This training is required and delivered electronically on an annual basis through the City's Ethics Commission. As a result, it would not need to be included within a regular Board meeting training module or as part of a one-day training

retreat. However, specialized training could be provided by Board counsel or City Attorney ethics experts if a unique issue arose requiring more extensive education.

Resources – The following resources are available for this type of training:

- (1) Ethics Commission
- (2) City Attorney staff

INDIVIDUAL TRAINING PROGRAMS

A NAGDCA-affiliated organization, the International Foundation for Retirement Education (“InFRE”) provides individualized training programs. Training is provided via written materials as well as web-based instruction. One of their programs, the Retirement Plan Administrator Series, appears particularly applicable to the duties and responsibilities of Board members and staff. The program includes four core courses:

1. **Fundamentals of Plan Design:** Covers history and legislative overview of retirement plans; explains features and requirements of all types of defined benefit and defined contribution retirement plans
2. **Fundamentals of Investing:** Addresses trustee-directed and participant-directed investments within retirement plans; explains portfolio management theories, investment policy statements, risk and return, as well as selection and monitoring criteria
3. **Fundamentals of Operations:** Details plan administration and the role of an administrator; contracting for services; administration of distributions and special events; implementing changes to plan design; evaluating and monitoring the retirement plan
4. **Fundamentals of Compliance and Ethics:** Provides an overview of government regulations; plan compliance in operation and form; IRS correction programs; role of independent professionals; ethics for administrators

In addition to the core curriculum, InFRE provides continuing education opportunities on a periodic basis to supplement the core curriculum. These updates address current legislative and regulatory issues as well as trends within the public sector retirement plan community.

The per-member cost of this program is \$550. The proposed training program provides for up to five individuals to enroll in this training.

CONCLUSION

The proposed training program provides a comprehensive approach to ensuring ongoing Board/staff member training in a cost-efficient manner. It would represent one of the most comprehensive training programs for a governmental defined contribution plan of which staff is aware. Staff recommends approval of the program and authorization of a key component, the training retreat.

Submitted by

Steven Montagna

Approved by:

Alejandrina Basquez

**CITY OF LOS ANGELES DEFERRED COMPENSATION PLAN
TRAINING/EDUCATION/TRAVEL POLICIES
BOARD MEMBERS AND STAFF**

Adopted: July 17, 2012

I. DUTY AND RESPONSIBILITY

The Board recognizes that education and training support the proper fulfillment of Board/staff member roles and responsibilities, and that certain expenditures are required in relation to that and in order to exercise due diligence over Plan operations. The Board further recognizes that all such expenses for training, education and travel are paid from participant fees and therefore all expenditures for these purposes must be appropriate and relevant, paid in accordance with City rules, policies and procedures, and the use of funds judicious, such that the expenditure will result in a demonstrable benefit to Plan participants.

II. OBJECTIVE

The objective of the Board's training and education policy is to promote awareness of the following subject areas involved in administering the Plan, and diligence in providing oversight of Plan operations:

- (a) The obligations and role of a fiduciary and the paramount duties of loyalty and prudence.
- (b) Ethics requirements dictated by State/City law as well as adopted by Board policy.
- (c) The legal and regulatory framework for defined contribution plans generally and Section 457 plans specifically.
- (d) The best practices of similar organizations administering similar programs.
- (e) The ongoing administrative operations, processes and practices involving the Plan's service providers and staff.
- (f) Principles of investment manager selection and performance review.

III. TRAINING & EDUCATION PROGRAM

A. Topics/Resources/Applicability

Following is a summary of primary training/education topics; potential training resources; and their customary applicability to Board members and staff.

Educational Category	Topic	Potential Training Sources	Board Member Training	Staff Training
Orientation	Overview of Plan history, statistics, governance, demographics, fees, and administration.	Personnel Department Staff; third-party-administrator	x	
Fiduciary Responsibilities	Review of fiduciary responsibilities of administering the Plan	External fiduciary training specialists; consultant; Board counsel; third-party-administrator	x	x
Ethics Responsibilities	Review of State and City ethics laws as they relate to contracting, conflict-of-interest, and other topics	Bi-annual State/City training	x	x
Legal/Regulatory	Review of Federal laws and regulations related to administration of a Section 457 plan	Conferences; consultant; third-party-administrator	x	x
Best Practices	Review of best practices of other defined contribution plan administrators	Peer networks; conferences; consultant; third-party-administrator	x	x
Plan Services & Administration	Monitoring of services/operations of Plan third-party-administrator	Site visits for staff; operations training for Board members	x	x
Investments	Review of principles of investing, investment monitoring, and investment menu design relevant to defined contribution plan administration	Consultant; conferences; external training specialists	x	x

B. Internal/In-Meeting Education Resources

The Board may utilize in-house resources periodically at regular Board meetings or organized as stand-alone sessions, available from the following:

- (a) *Personnel Department Staff* – Personnel Department staff may provide expert resources regarding the City’s internal administrative operation of the program, as well as the institutional history of development of rules, policies and procedures.
- (b) *City Attorney Staff* – City Attorney staff may provide expert resources regarding fiduciary, ethics, and legal/regulatory matters.
- (c) *Plan Administrator* – The City’s Plan Administrator may provide expert resources regarding fiduciary law, legal/regulatory matters, best practices of other plans and plan services and administration.
- (d) *Consultant* – The Board’s consultant may provide expert resources regarding fiduciary law, legal/regulatory matters, best practices of other plans, and investment-related issues.

- (e) *Subject Matter Experts* – Subject matter experts may provide expert resources regarding fiduciary law, legal/regulatory matters, best practices of other plans, and investment-related issues.

C. External/Non-Local Education Resources

- (a) *Conferences* – External conference events may provide expert resources regarding fiduciary law, legal/regulatory matters, best practices of other plans, and investment-related issues.
- (b) *Business Meetings* – External business meetings of professionals in the field of defined contribution administration may provide expert resources regarding fiduciary law, legal/regulatory matters, best practices of other plans, and investment-related issues.

D. Annual Education Program

In July of each year staff will prepare for Board adoption a proposed education program for the fiscal year which begins one year following. Once adopted, Personnel Department staff, on behalf of the Board, will include any travel requests related to the annual education program in the Personnel Department’s proposed budget.

In instances where Board members or staff identify seminars, conferences, or meetings involving travel which has not been previously included and adopted in the Personnel Department’s budget, Personnel Department staff will facilitate the necessary request for approval.

The education program will include the names of eligible external conferences and training events that Board and staff members may attend. The program will include a maximum number of training slots (including all Board members and the professional staff who support the Plan) for the fiscal year. Because there are limited resources and a limited number of training slots, these slots will be offered to Board members and staff on a sequential basis, such that any Board member or staff who declines or is unable to participate in one training opportunity will be provided first opportunity to participate in a subsequent training opportunity.

IV. TRAINING, EDUCATION AND/OR TRAVEL EXPENDITURE AUTHORIZATION AND REIMBURSEMENT

The following policies will govern all travel in support of training and training and education expenditures paid for by the Plan:

- (a) All training, education, and travel in support of training expenditures must be pre-approved by the Board and Council and Mayor as applicable.
- (b) Notwithstanding subsection (a) the Board Chairperson shall have authority, with the concurrence of the General Manager Personnel Department, to authorize training, education, and/or travel in support of training expenditures of up to \$2,500 per person per event in those instances where an opportunity

- for immediate training is identified and there is insufficient time to bring the training request to the full Board without either (a) losing the training opportunity or (b) creating the likelihood for significantly higher travel expenses due to the proximity of the training event to the next available Board meeting. In no event shall the costs of a training authorized pursuant to this subsection exceed the average per-person conference expense provided for in the Annual Education Program. Staff shall provide a report on expenditures authorized under this provision to the full Board at the next regular Deferred Compensation Board meeting or as soon as feasible.
- (c) All Board members and staff will comply with the travel guidelines set forth in Division 4, Chapter 5, Article 4 of the Los Angeles Administrative Code, and with the travel policies and guidelines set forth by the Office of the City Controller (attached).
 - (d) To be eligible to attend and be reimbursed for an external conference or training event, all Board members and staff attending are expected to attend all regular days of the event.
 - (e) Reimbursement of training and travel expenses will not be made absent the attendee submitting all necessary documents completed to the satisfaction of Controller guidelines and within the deadlines established by the Controller, including but not limited to travel expense worksheets, required receipts, and conference evaluations.

PROPOSED TRAINING/TRAVEL PROGRAM FY 13-14

EXTERNAL TRAINING										
Conference Travel (Eligible Conferences)	Tentative Date(s)	Approx. Per Member Cost	Approx. # Attendees	Maximum Cost	Fiduciary	Ethics	Regulatory	Best Practices	Plan Services	Investments
Natl Assn of Governmental Defined Contribution Administrators (NAGDCA)	Sep-13	\$ 2,500	TBD	TBD	x		x	x		x
Pensions & Investments East Coast or West Coast Conference	Oct-13 / Mar-14	\$ 2,500	TBD	TBD	x		x	x		x
International Foundation of Employee Benefit Plans	Nov-13	\$ 2,500	TBD	TBD	x		x	x		x
Institutional Investor Defined Contribution Symposia	Sep-13 or Apr-14	\$ 2,500	TBD	TBD	x		x	x		x
PIMCO Institute Investment Seminars	Sep-13 or Jun-14	\$ 2,500	TBD	TBD	x					x
Plan Sponsor Council of America	Sep-13	\$ 2,500	TBD	TBD	x		x	x		x
Mercer Global Investments Forum	Jun-14	\$ 2,500	TBD	TBD	x		x	x		x
Plan Sponsor National Conference	Jun-14	\$ 2,500	TBD	TBD	x		x	x		x
Total Conference Travel Slots		\$ 2,500	16	\$ 40,000						
Business Meeting Travel	Tentative Date(s)	Approx. Per Member Cost	Approx. # Attendees	Maximum Cost	Fiduciary	Ethics	Regulatory	Best Practices	Plan Services	Investments
California Defined Contribution Peer Network Meeting(s)	Jun-14	\$ 500	2	\$ 1,000	x		x	x		x
Third-Party Administrator Site Visit	Apr-14	\$ 500	2	\$ 1,000					x	
Total Business Meeting Travel Slots		\$ 500	4	\$ 2,000						

PROPOSED TRAINING/TRAVEL PROGRAM FY 13-14

INTERNAL/ONSITE TRAINING										
Training	Tentative Date(s)	Approx. Per Member Cost	Approx. # Attendees	Maximum Cost	Fiduciary	Ethics	Regulatory	Best Practices	Plan Services	Investments
Fiduciary (at City)	TBD	\$ 333	15	\$ 5,000	x					
Regulatory (at City)	TBD	\$ 333	15	\$ 5,000			x			
Investments (at City)	TBD	\$ 67	15	\$ 1,000						x
Best Practices (at City)	TBD	\$ 200	15	\$ 3,000				x		
Total On-site Training Costs				\$ 11,000						
INDIVIDUAL TRAINING PROGRAMS										
Training	Tentative Date(s)	Approx. Per Member Cost	Approx. # Enrollees	Maximum Cost	Fiduciary	Ethics	Regulatory	Best Practices	Plan Services	Investments
INFRE Retirement Plan Administrator Series	n/a	\$ 550	5	\$ 2,750	x		x	x		x
Total Training Program Costs				\$ 2,750						

TRAINING EXPENDITURES FY 13/14

\$ 55,750

TRAINING BUDGET FY 13/14

\$ 55,740

DIFFERENCE

\$ (10)