

Deferred Compensation Plan BOARD REPORT 15-01

Date: January 14, 2015
To: Board of Deferred Compensation Administration
From: Staff
Subject: Approval of Automatic Enrollment Program (AEP) Core Provisions

*Board of Deferred
Compensation Administration*
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Recommendation:

That the Board of Deferred Compensation Administration (a) approve the recommendation from the Plan Governance & Administrative Issues Committee to adopt core provisions of an Auto-Enrollment Program for the City's Deferred Compensation Plan as summarized in Attachment A of this report; and (b) direct staff to work with Board counsel in drafting the necessary Plan Document changes to implement the Auto-Enrollment Program for subsequent Board review and adoption.

Discussion:

At its November 18, 2014 meeting, the Board considered a report and recommendations from its Plan Governance & Administrative Issues Committee with respect to adopting core provisions of an Auto-Enrollment Program (AEP) for the City's Deferred Compensation Plan. Included within that document is a summary of the recommended core provisions (Attachment A). At that meeting a representative of SEIU Local 721, Ramon Rubalcava, requested that an additional opportunity be provided to employee labor organizations to meet with City staff and provide input as to the design of the AEP. The Board then elected to table consideration of the Auto Enrollment Board Report until such time as staff was able to provide an additional opportunity for employee labor organizations to provide input regarding the program.

Subsequently, in a communication dated December 1, 2014 (Attachment B) the Personnel Department invited all of the City's employee labor organizations to attend a meeting regarding the AEP on December 12, 2014, or otherwise provide additional written input by that date. SEIU Local 721 was represented at the meeting by Mr. Rubalcava. Immediately prior to the meeting staff communicated telephonically with a representative of IBEW Local 18, who asked a series of questions about the proposed program but did not otherwise provide recommendations and did not attend the meeting. No other communications from employee labor organizations on this topic took place or were received by or following December 12, 2014.

During the December 12 meeting, staff clarified some of the details of the program. Mr. Rubalcava raised certain questions regarding the administrative and communication flow of certain aspects of the program. Staff indicated these would be addressed in greater detail as these issues were resolved with the third-party-administrator and presented to the Board as part of the proposed implementation timeline.

Given no substantive proposed changes to the core provisions recommended by the Plan Governance and Administrative Issues Committee, staff recommends that the Board proceed to take action on adopting those provisions as detailed in Attachment A, and further direct staff to work with Board counsel in drafting the necessary Plan Document changes to implement the Auto-Enrollment Program for subsequent Board review and adoption. Board Report #14-51 is provided as Attachment C.

Submitted by:

Steven Montagna

PROPOSED AUTO-ENROLLMENT PROGRAM (AEP) DESIGN OVERVIEW

Eligibility	<p>Employees must meet BOTH criteria:</p> <ol style="list-style-type: none"> 1) Original contributing member to LACERS, LAFPP, or DWP Retirement. 2) Member of bargaining unit, or member of bargaining unit subject to Administrative Code provision, that provides for auto enrollment.
Enrollment and Opt-Out	<ul style="list-style-type: none"> • Once determined eligible, participant is given a 30-day opt out period prior to the first deferral. • After the first deferral, participant has 90 days to request a permissible withdrawal of funds.
Initial Contribution	<p>Rate: Participants will begin with 2% of eligible gross pay</p> <p>Type: 100% Pre-tax</p>
Contribution Escalation	<p>Contribution rate will be increased 0.25% annually, with no maximum cap.</p>
Default Investment	<p>FDIC-Insured Savings Account during the first 90 days subject to permissible withdrawal opt-out provision; Moderate Profile Fund thereafter.</p>

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ATTACHMENT B
PERSONNEL DEPARTMENT
EMPLOYEE BENEFITS DIVISION
200 NORTH SPRING STREET, ROOM 867
LOS ANGELES, CA 90012
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December 1, 2014

To: All City of Los Angeles Employee Labor Organizations

**City of Los Angeles Deferred Compensation Plan –
Development of Auto Enrollment Option**

In correspondence dated October 30, 2014, we provided notice to the City's Employee Labor Organizations that the Board of Deferred Compensation Administration was in the process of developing an Auto Enrollment Program for the City's Deferred Compensation Plan (Attachment A). Employee Labor Organizations were invited to provide input on development of this program by either attending the Board meeting or otherwise sharing feedback with Personnel Department staff supporting the Plan.

On November 18, 2014, the Board met to consider proposed features of the auto enrollment program developed by its Plan Governance Committee (Attachment B). There was a request from an employee organization to allow employee representatives to meet and provide direct input. Following this discussion, the Board requested that Personnel Department staff provide the City's Employee Labor Organizations with an opportunity to meet with Personnel Department staff to provide input on the proposed Auto Enrollment Program.

As a result, feedback is invited to be provided in one of two ways. Employee Organizations may attend a meeting to be held on **December 12, 2014, at 2:00 p.m. in City Hall, Room 805, at 200 N. Main Street.** Alternatively, an Employee Organization can provide input in writing on or before December 12, 2014 by emailing the Employee Benefits Division Chief at steven.montagna@lacity.org or mailing comments to his attention at 200 N. Spring Street, Room 867, Los Angeles CA 90012. Any additional feedback received by Personnel Department staff will be provided in a follow-up report to the Board to be considered at its January 20, 2015 meeting.

The proposed Auto Enrollment Program is detailed in the attached staff report dated November 18, 2014 (Attachment B). If you have any questions, feel free to contact me at (213) 473-3474 or Mr. Montagna at (213) 978-1621. Thank you very much for your attention to this matter.

Alex Basquez, Assistant General Manager
Personnel Department

Enclosures