



## Board Report 19-01

Date: January 15, 2019  
To: Board of Deferred Compensation Administration (Board)  
From: Staff  
Subject: 2019 DCP Strategic Initiatives

### Board Members

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### **Recommendation:**

That the Board approve proposed 2019 DCP strategic initiatives including achieving core participant outcomes, conducting an annual revenue/expense review, expanding automatic enrollment participation, completing investment manager searches, conducting a financial audit, conducting a Plan Document review, conducting a Deemed IRA review, conducting an investment advisory/education services review, and developing a strategic communications plan.

### **Discussion:**

At its January 16, 2018 meeting, staff provided the Board with an outline of DCP strategic initiatives for Plan Year 2018. A summary of those initiatives and review of the progress made on each initiative in 2018 is provided in **Attachment A**.

This report identifies proposed strategic initiatives for 2019. Some of these initiatives are new, and some are carried over or modified from 2018. Staff's overriding objective is to align the strategic focus of the DCP around core measurements of participant success as well as excellence in plan design, governance, investment oversight, and communications. Following is a summary of proposed strategic initiatives for Plan Year 2019:

### **A. Implement Strategies to Achieve Goals for Core Participant Outcomes**

At its July 17, 2018 meeting, the Board adopted a set of goals for core participant outcomes for fiscal year (FY) 2018-19. Staff indicated in that report that goals were recommended on a FY rather than calendar year basis in order to correspond with goals/outcomes reporting to the Mayor's Office from the Personnel Department. The Board's adopted goals for FY 2018-19 include:

- (1) Increasing new participant enrollments by 6%
- (2) Increasing contribution elections as a percent of salary by 0.5%, from 6.85% to 7.35%

- (3) Reducing the number of full distributions by 0.5%, from 3.1% of the retiree population to 2.6%
- (4) Reducing the number of full rollovers by 0.5%, from 5.3% of the retiree population to 4.8%

Updates on strategies and results with respect to each of these metrics are now incorporated into quarterly reports submitted to the Board by the DCP Third-Party Administrator (TPA), Voya Financial (Voya). In 2019, developing and implementing engagement strategies for improving outcomes in these core metrics will be discussed in various initiatives presented to the full Board as well as the newly formed Participant Engagement Committee. Staff recommends that achieving core goals for participant outcomes be included as a strategic priority for 2019.

#### **B. Conduct Annual DCP Long-Term Revenues and Expenses Review**

At its March 20, 2018 meeting, the Board approved recommendations from its Plan Governance & Administrative Issues Committee related to reducing participant fees and adopting of the annual budget. The Board further directed staff to convene the Plan Governance & Administrative Issues Committee on an annual basis to review and conduct fee and revenue analyses. Staff will convene the Plan Governance & Administrative Issues Committee in early February and, following this meeting will transmit their recommendations with respect to budget adoption and long-term revenues and expenses. Staff recommends that conducting the annual DCP long-term revenue/expense review be included as a strategic priority for 2019.

#### **C. Expand Automatic Enrollment Participation**

The Board previously adopted provisions of an automatic enrollment program (AEP) into the DCP Plan Document. The AEP was implemented effective September 2018. The first labor organization participating in the AEP is the Los Angeles Police Protective League (LAPPL). As previously communicated to the Board, in 2018 a communication was sent from the Board Chairperson to employee labor organizations providing them with certain key metrics related to their populations and offering meetings to discuss initiatives that might support their members, including the AEP. Several meetings have been scheduled for the month of January. Staff recommends that expanding labor organization participation in the AEP be included as a strategic priority for 2019.

#### **D. Complete Investment Manager Searches**

At its October 16, 2018 meeting, the Board adopted recommendations from the Investments Committee regarding upcoming investment manager searches, including recommendations as to the type of search process (institutional manager procurement and/or mutual fund search) and fund evaluation criteria. The Board is presently concluding its selection process for FDIC-Insured Savings providers. Staff and the Board's investment consultant, Mercer Investment

Consulting (Mercer), are drafting a Request for Proposal (RFP) for those investment mandates for which institutional manager procurements will be conducted. The range of expiration dates for incumbent providers lies between September 2019 and June 2020. Staff recommends that completing DCP investment manager searches be included as a strategic priority for 2019.

#### **E. Conduct Financial Audit**

At its December 18, 2018 meeting, the Board approved the selection of Crowe LLP to conduct a financial audit for the DCP. The audit will be launched following execution of the services agreement with Crowe LLP. Staff recommends that completing a DCP financial audit be included as a strategic priority for 2019.

#### **F. Conduct Plan Document Review**

At its April 17, 2018 meeting, the Board approved conducting a Plan Document review as a strategic priority for 2018. This item has been referred to the Plan Governance & Administrative Issues Committee. Staff has been working with Segal Consulting (Segal) on reviewing the Plan Document and drafting revisions for review by Board counsel and recently selected outside tax counsel. Staff recommends that completing the DCP Plan Document review be included as a strategic priority for 2019.

#### **G. Conduct Deemed IRA Review**

At its April 17, 2018 meeting, the Board directed staff to work with the City Attorney and outside tax counsel to conduct a full review of the regulatory requirements and implications of offering a Deemed IRA and develop recommendations for Board action. Staff has been working with Segal on researching this item and developing its report for review by recently selected outside tax counsel. Staff recommends that completing the Deemed IRA review be designated as a strategic priority for 2019.

#### **H. Conduct Investment Advisory and Financial Education Services Review**

At its April 17, 2018 meeting, the Board approved studying the feasibility of offering investment advisory and financial education services as a strategic priority for 2018. This item has been referred to the Plan Governance & Administrative Issues Committee. Staff has been working with Segal and other plan sponsor peers in developing its report for review by the Plan Governance & Administrative Issues Committee. Staff recommends that completing the investment advisory and financial education services review be designated as a strategic priority for 2019.

#### **I. Develop 2019 Strategic Communications Plan**

At its December 18, 2018 meeting, the Board established a Participant Engagement Committee to work with staff to oversee and provide guidance on the development of new

engagement, communication, and outreach strategies. Developing a strategic communications plan for 2019 that organizes strategies and metrics will be a key initial task for the Participant Engagement Committee. Staff proposes that developing a 2019 strategic communications plan be designated as a strategic priority for 2019.

Submitted by:   
Steven Montagna

**ATTACHMENT A**

| <b>DCP STRATEGIC PRIORITIES REVIEW 2018</b>                     |                          |
|---|--------------------------|
| <b>Strategic Priority</b>                                       | <b>Status</b>            |
| Conduct DCP Long-Term Revenue/Expense Review                    | Completed March 2018     |
| Develop Training/Education Plan & Revise Training Policy        | Completed September 2018 |
| Revise core participant goals/metrics for FY 2018-19            | Completed July 2018      |
| Implement Pilot Automatic Enrollment Program                    | Completed September 2018 |
| Conduct Procurement for DCP Audit                               | Completed December 2018  |
| Develop 2018-19 Investment Manager Search Plan                  | Completed October 2018   |
| Conduct Plan Document Review                                    | In progress              |
| Conduct Investment Advisory/Financial Education Services Review | In progress              |
| Conduct Deemed IRA Review                                       | In progress              |