



Board Report 19-22

Date: May 21, 2019
To: Board of Deferred Compensation Administration (Board)
From: Staff
Subject: Automatic Enrollment Program (AEP) Expansion

Board Members

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Recommendation:

That the Board authorize the Board Chairperson and Labor Representative to issue a communication to convene a meeting of interested employee labor organizations to discuss participation in and modification of the AEP.

Discussion:

A. Background

The Board has established an AEP for the City's DCP. The terms of the AEP are codified within the DCP Plan Document. Following is a brief synopsis of the development of the AEP and its current status:

- At its **January 20, 2015** meeting, the Board approved in concept the core provisions for an AEP for the City's DCP.
- At its **May 19, 2015** meeting, the Board adopted changes to the Plan Document incorporating the AEP provisions.
- On **August 11, 2015**, the City's Executive Employee Relations Committee (EERC) provided approval for bargaining for the automatic enrollment provision within employee Memoranda of Understanding (MOUs).
- At their meeting on **May 30, 2018**, the Board of Directors for the Los Angeles Police Protective League (LAPPL) approved participation in the DCP AEP.
- On **September 4, 2018**, staff began processing the first automatic enrollment authorizations from Police Academy cadets.
- On **January 15, 2019**, the Board adopted expanding employee labor organization participation in the AEP as a strategic priority for 2019.

To date, no additional employee labor organizations have opted into the AEP.

B. Engagement with Employee Labor Organizations and Alternate AEP Design Models

Staff has formally met with the Service Employees International Union, Los Angeles/Orange Counties Building and Construction Trades Council, and Engineers and Architects Association, to discuss the AEP. Staff has also engaged in multiple informal conversations with other organizations and labor representatives. As previously indicated to the Board, these organizations have provided feedback to staff indicating not only interest in participating in the AEP, but also doing so under more expansive parameters. For example, after learning that employees currently contribute at an average rate of 6.9% of gross salary, questions have been posed about providing for a higher contribution rate for the AEP (the current contribution rate is 2% of pay with an automatic 0.25% annual escalator). In addition, other interest has been expressed regarding the potential for including current non-enrolled employees, not just newly hired employees, in the AEP.

Following these meetings, staff met with the Board's Labor Representative, Bob Schoonover, on May 10, 2019, to discuss options for moving forward with (a) encouraging greater labor organization participation in the AEP, and (b) modifying the AEP to include additional participation models which might be attractive to different labor organizations. For example, beyond the current AEP design, the Board could develop a model providing for a higher initial default contribution rate and higher (but capped) annual escalator. An additional model or optional AEP feature could provide for automatic enrollment applying to non-enrolled current employees along with newly-hired employees.

Staff and Mr. Schoonover discussed a path forward whereby a communication could be issued from the Board Chairperson and Mr. Schoonover to all of the City's employee labor organizations providing information about the AEP, informing them that the Board is developing concepts for modifications to the AEP, and inviting them to participate in a meeting to review AEP features and provide feedback on potential modifications to the AEP in the form of different participation models. Employee labor organizations would also be provided the opportunity to offer written comments or questions as an alternative to attending the meeting. Following that meeting, staff would then return to the Board with specific recommendations for action.

Staff, therefore, recommends that the Board authorize the Board Chairperson and Labor Representative to issue a communication to convene a meeting of interested employee labor organizations to discuss participation in and modification of the AEP. Staff will provide updates to the Board regarding the timing of this meeting once a meeting date has been established and will provide a subsequent report-back after the meet occurs.

Submitted by:



Steven Montagna