



Board Report 19-34

Date: October 15, 2019
To: Board of Deferred Compensation Administration
From: Staff
Subject: DCP Projects and Activities Report: August through September 2019

Board of Deferred Compensation Administration

John R. Mumma
Chairperson

Thomas Moutes
Vice-Chairperson

Raymond Ciranna
First Provisional Chair

Robert Schoonover
Second Provisional Chair

Wendy G. Macy
Third Provisional Chair

Joshua Geller
Hovhannes Gendjian

Neil Guglielmo
Linda P. Le

Recommendation:

That (a) the Board of Deferred Compensation Administration (Board) receive and file the monthly activities report for August and September 2019; (b) approve the reimbursement of NAGDCA Conference travel costs for Personnel Department Assistant General Manager Paula Dayes; and (c) direct the Plan Governance & Administrative Issues Committee review the Travel Policy to address reimbursement of training/travel costs for City staff members who support the DCP.

Discussion:

Following are project and activity updates for August and September 2019:

A. National Association of Government Defined Contribution Administrators (NAGDCA) Conference Review

From September 8th through 11th, 2019, several Board members and staff attended the National Association of Government Defined Contribution Administrators (NAGDCA) Annual Conference in New Orleans, Louisiana. Those in attendance included Board members John Mumma, Wendy Macy, and Hovhannes Gendjian, and Personnel Department staff members Paula Dayes, Steven Montagna, Daniel Powell, Anna Ancheta, and Mindy Lam. Attendees learned about new ways to enhance retirement plan design, increase employee engagement, and improve outcomes for retirees. The conference provided an opportunity for Board members and staff to discuss administration strategies with governmental peers from across the country. The City of Los Angeles was also recognized with a Leadership Award for its 2018 National Retirement Security Week Campaign.

In reviewing travel costs and reimbursements, Board chair John Mumma inquired whether the Deferred Compensation Plan (DCP) Training/Education/Travel Policy permitted the DCP to fund the travel costs for Personnel Department Assistant General Manager (AGM) Paula Dayes, who

oversees the Personnel Department's Employee Benefits Division (EBD), including the DCP. Staff consulted with the City Attorney and the City Attorney and determined that the current language in the Training/Education/Travel Policy (Travel Policy) provides for reimbursement only for Personnel Department positions authorized for salary reimbursement by the Board:

For the purposes of training and education, "Board member" refers to the membership of the Board of Deferred Compensation Administration, as indicated in the Los Angeles Administrative Code, Division 4, Chapter 14; and "staff" refers to positions, either in whole or in part, within the Personnel Department providing support to the Board in its administration of the Plan and which have been authorized by the Board for reimbursement from the Plan.

AGMs who provide oversight over the EBD have attended NAGDCA Conferences in the past and were reimbursed for their travel, and staff believes it is beneficial that they attend given their role in overseeing staff work related to the DCP. However, the number of hours spent by the AGM on oversight of DCP work is intermittent and, therefore not established as a dedicated position authorized for reimbursement. The current policy also does not presently provide for reimbursement of City Attorney staff travel/training costs, only Personnel Department staff. As defined contribution plan administration involves complex legal and regulatory issues, staff believes that reimbursement of City Attorney staff travel/training costs should also be reflected in the Travel Policy.

An action adopted by the Board is required to approve reimbursement of NAGDCA Conference travel costs for Ms. Dayes. Staff recommends that the Board approve the reimbursement of NAGDCA Conference travel costs for Personnel Department AGM Paula Dayes. Staff further recommends that the Board direct the Plan Governance & Administrative Issues Committee to review the Travel Policy to address reimbursement of training/travel costs for City staff members who support the DCP.

B. Self-Directed Brokerage Window Fees

Charles Schwab Corporation (Schwab), the provider for the DCP's Self-Directed Brokerage Account (SDBA), announced on October 1, 2019, that it would eliminate the current \$4.95 trading fee effective October 7, 2019. The fee applied to every online or mobile stock trade, exchange-traded funds, and options listed on U.S. or Canadian exchanges. This fee elimination affects Schwab's retail customers as well as institutional customers like the DCP and its SDBA. The elimination of trading fees is a recent trend across the brokerage industry due to pressure from new competition where no-fee brokerage options are offered to consumers. Brokers like Schwab will continue to generate revenue from brokerage services through other mechanisms. For instance, brokers benefit from customers who maintain cash balances within their account. The broker will pay a modest interest rate on those balances but can, in turn, lend the funds out for a greater return. Brokers also generate revenue from payment for order flow. Through this mechanism, professional trading firms buy the investor orders from the broker and execute the trades for them. These traders make money from the gap between the bid price and the offer

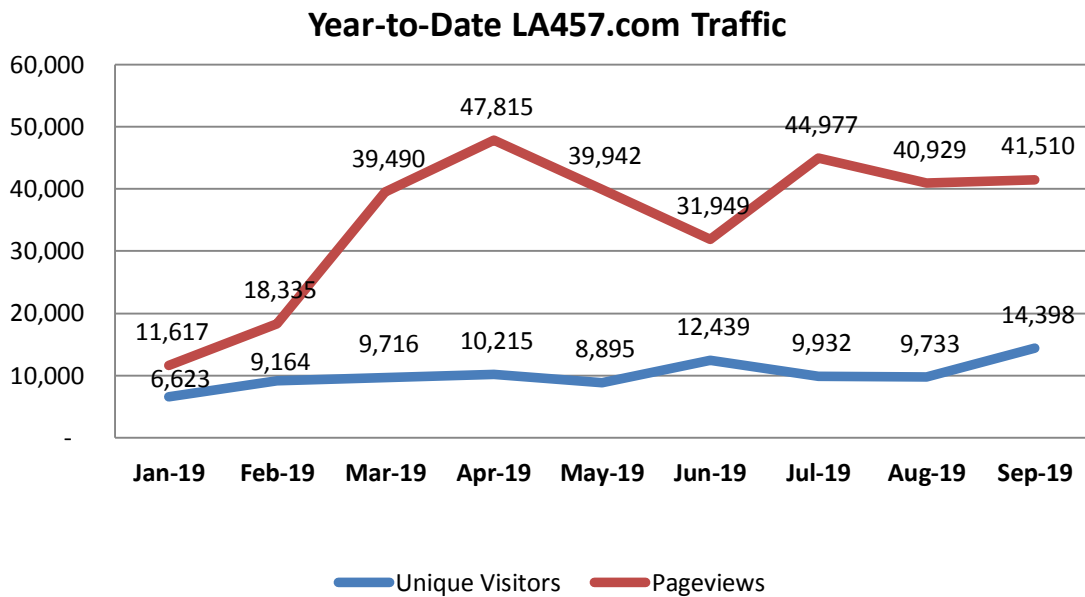
price of the security. When the trading company buys the order flow from the investor's brokerage firm, they give some of that revenue to the original firm. While this fee elimination is generally a benefit to DCP participants who utilize the brokerage window, staff will partner with Voya to draft a communication that notifies participants of this change but also reminds them of best practices related to retirement investing and the potential risk in excessive trading.

C. Communications Updates

- National Retirement Security Week (NRSW) Campaign – The City's NRSW engagement campaign will take place from October 20th through 26th, 2019. The goal of the campaign is to raise engagement with the DCP and increase awareness of DCP features and services. Staff has observed that the most effective way to influence employee behavior is through a trusted messenger. This year's campaign, which was reviewed and approved by the Board at its June 18, 2019, meeting, will revolve around an interactive exercise called, "The Best Plans are with your Friends." Peers and colleagues appear to be one of the most influential sources of engaging with the DCP. Staff has developed a NRSW campaign site with five simple suggested activities for each of the DCP's three audiences, participating employees, non-participating employees, and participating retirees. Each list of activities provides resources for helping participants achieve and maintain retirement security; however, the activities also encourage discussing retirement readiness with friends and colleagues. After completing their suggested tasks, participants may complete a short survey on the activities they completed. Participants who complete an activity will be eligible for a gift card drawing. Communication about the campaign will be issued via Citywide email, Voya-distributed emails, the quarterly newsletter, and mailers to all participants and eligible non-participating employees. Staff anticipates presenting the results of NRSW at the Board's December 10, 2019, meeting.
- LA457.com Financial Wellness Blog Posts – In August, staff published three financial wellness blog posts on LA457.com: "Wills and Trusts: Two Ways to Help Ensure You Have the Last Word," "Giving Your Children Everything You Envision," and "The Pros and Cons of Naming a Trust as a Beneficiary." Additionally, three financial blog posts were published in September: "What Does 'Inverted Yield Curve' Mean," "Make the Most of Your Pay Increase!" in anticipation of the Council-approved pay adjustments, and "Five Things You May Not Know About Life Insurance."
- Online Engagement Statistics
 - August 2019 – LA457.com saw 9,733 unique visitors and 40,929 pageviews. The table on page four of this report provides a review of the top ten website topics accessed by participants during the month.
 - September 2019 – LA457.com saw 14,398 unique visitors and 41,510 pageviews. The table on page four provides a review of the top ten website topics accessed by

participants during the month. The chart below tracks LA457.com unique visitors and page viewed year-to-date.

Top 10 LA457.com Pages in August		Views	Top 10 LA457.com Pages in September		Views
1.	Homepage	36,195	Homepage		35,997
2.	Contact Us	662	Percent-of-Pay		1,222
3.	Video Library	637	Contact Us		663
4.	Join the Plan	299	Join the Plan		331
5.	Contribution Limits	266	Loans		273
6.	Investment Options	263	Investment Options		249
7.	Loans	224	Contribution Limits		160
8.	Percent-of-Pay	172	Contributions		152
9.	Accrued Leave	145	Board Meeting Materials		148
10.	Your Distribution Options	134	Pension Savings Plan		146



D. 2019 DCP Strategic Initiatives Update

Attachment A provides the status of the 2019 DCP Strategic Initiatives as adopted by the Board at its January 15, 2019, meeting.

E. Staffing

Effective September 2019, Jenny Yau who currently manages the LAwell Civilian Benefits Program in EBD, accepted a new assignment with responsibility for governance matters within the EBD, including the DCP. Following is a summary of staff positions supporting the DCP:

Position Authority	Incumbent Class	Function	Est. Percent Reimbursed by DCP	Staff Member
Personnel				
Chief Personnel Analyst	Chief Personnel Analyst	Executive Director	20%	Steven Montagna
Senior Personnel Analyst II	Senior Management Analyst II	Plan Governance	30%	Jenny Yau
Senior Personnel Analyst I	Senior Personnel Analyst I	Plan Administration	100%	Daniel Powell
Management Analyst	Personnel Analyst	Communications	90%	Anna Ancheta
Management Analyst	Personnel Analyst	Operations	90%	Mindy Lam
Benefits Specialist	Benefits Specialist	Participant Services	90%	Claudia Guevara
Administrative Intern I	Administrative Intern I	Participant Research	100%	Sandeep Kaur
City Attorney				
Assistant City Attorney	Assistant City Attorney	Board Counsel	25%	Curtis Kidder
Legal Assistant	Legal Assistant	Participant Legal Services	40%	Vicky Williams

F. Committee Assignments

Following is the current committee roster as designated by the Board Chairperson:

Plan Governance & Administrative Issues Committee	Investments Committee	Participant Engagement Committee	Ad Hoc Committee on DCP Autonomy
John R. Mumma, Chair	Raymond Ciranna, Chair	Wendy Macy, Chair	John R. Mumma, Chair
Joshua Geller	Neil Guglielmo	Joshua Geller	Thomas Moutes
Wendy Macy	Hovhannes Gendjian	Hovhannes Gendjian	Raymond Ciranna
Thomas Moutes	Thomas Moutes	Neil Guglielmo	Joshua Geller

G. Upcoming Board Meetings

Following is a review of upcoming Board meeting agenda items:

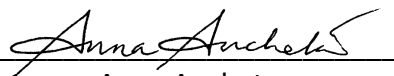
Meeting Date	Proposed Agenda Items
December 10, 2019	<ul style="list-style-type: none"> Quarterly Investment & Economic Review (3Q 2019) Investment Manager Presentation - Galliard Capital Board Report: Consulting Services Contracts Board Report: DCP Revenue and Expense Review Board Report: Quarterly Reimbursements, 3Q 2019 Board Report: NRSW Campaign Results Board Report: DCP Projects & Activities Report: October and

	November 2019
January 21, 2020	<ul style="list-style-type: none"> • Board Report: 2020 Strategic Initiatives • Board Report: DCP Projects & Activities Report: December 2019
February 18, 2020	<ul style="list-style-type: none"> • Quarterly Investment & Economic Review (4Q 2019) • Investment Manager Presentation • Board Report: DCP Projects & Activities Report: January 202

H. Upcoming Committee Meetings

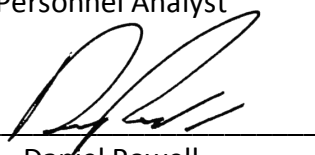
Committee	Meeting Date	Agenda
Participant Engagement Committee	October 31, 2019	<ul style="list-style-type: none"> • Workshop on best practices related to communications and engagement
Plan Governance & Administrative Issues Committee	November 2019	<ul style="list-style-type: none"> • Review of 2020 budget • Review of meeting minute-taking • Advisory services and financial planning recommendation
Investments Committee	November 2019	<ul style="list-style-type: none"> • Review Investment Manager RFP • Review Stable Value Fund RFP
Ad Hoc Committee on DCP Autonomy	December 2019	<ul style="list-style-type: none"> • Discussion of trustee designation, roles, and responsibilities

Submitted by:



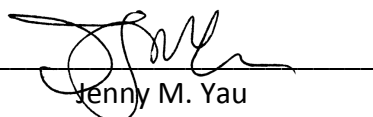
Anna Ancheta
Personnel Analyst

Reviewed by:



Darrel Powell
Senior Personnel Analyst I

Reviewed by:



Jenny M. Yau
Senior Management Analyst II

Approved by:



Steven Montagna
Chief Personnel Analyst

Attachment A

2019 DCP Strategic Initiatives

1. Implement Strategies to Achieve Goals for Core Participant Outcomes

This project has been completed. See final fiscal year update in Board Report 19-28.

2. Conduct Annual DCP Long-Term Revenue and Expenses Review

This project was completed on February 19, 2019, and addressed in Board Report 19-07.

3. Expand Automatic Enrollment Program (AEP) Participation

At its June 18, 2019, meeting, the Board approved staff's recommendation to convene a meeting with City labor organizations to gather feedback and gauge interest in the AEP. After the meeting, staff will provide an update to the Board. Staff will be consulting the CAO for guidance on communicating with the City's labor partners on this matter.

4. Complete Investment Manager Searches

Staff and Mercer are near completion of the significantly revised Investment Manager RFP. The new draft of the RFP meaningfully reduces the number of questions asked of bidders (in instances where the information is already provided within Mercer's database) and expands the institutional product search to span all mandates. Staff expects to convene the Investments Committee in early November.

5. Conduct Financial Audit

The draft Professional Services Agreement with Crowe LLP to conduct a financial audit of the DCP is currently being finalized by the City and Crowe. Both parties are negotiating one final provision within the contract before it's considered final. Staff anticipates contract execution during 2019, with scheduling of the audit to occur shortly thereafter.

6. Conduct Plan Document Review

The Plan Document has been reviewed both by Segal Consulting, the DCP's consultant for administrative concerns, and Ice Miller, outside tax counsel for the DCP. DCP and City Attorney staff have been regularly meeting to review comments from both firms and to conduct a comprehensive review of the entire document. Through the review sessions, DCP and City Attorney staff are ensuring that all language in the Plan Document is consistent with the Administrative Code, applicable state law (especially relating to the state probate code), and best practices related to DCP administration. Staff is also seeking to clarify the roles and responsibilities of Board members and

Personnel staff in administration of the DCP. Review sessions occurred in August and September and will continue through the end of the year.

7. Conduct Deemed IRA Review

At its June 18, 2019, meeting, the Board reviewed Board Report 19-21, which provided a review of the Deemed IRA options. Staff continues its work towards a Deemed IRA and will continue to work with Board Counsel and outside tax counsel to develop a detailed set of recommended Deemed IRA design features for consideration by the Board. Staff expects to provide the Board with additional recommendations in the first quarter of 2020.

8. Conduct Investment Advisory and Financial Education Services Review

Staff is finalizing its report and anticipates convening the Plan Governance & Administrative Issues Committee in November 2019 to discuss the DCP's options regarding financial education and investment advisory services.

9. Develop 2019 Strategic Communications Plan

The Participant Engagement Committee is next scheduled to meet on October 31, 2019. The meeting will be an informational and interactive workshop led by communications professionals from Segal Consulting. The workshop will detail best practices as they relate to retirement communications and how to implement key principals of behavioral economics. It will also include an interactive discussion on how to apply best practices to the City's DCP which will inform the development of the new communications strategic plan. It is anticipated that the strategic plan will be presented to the Committee for its review in early 2020.