



Board Report 21-40

Date: July 20, 2021
To: Board of Deferred Compensation Administration
From: Staff
Subject: Deferred Compensation Plan Projects and Activities
Report: June 2021

Board of Deferred Compensation Administration

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Discussion:

Following are Deferred Compensation Plan (DCP) project and activity updates for June 2021:

A. Operations and Project Updates

- **Self-Directed Brokerage Account (SDBA) Update** – At the Board’s April 20th meeting, staff reported that Voya is currently working on implementing a systems enhancement that would prevent loans and withdrawals if the balance in the Core funds falls below the minimum requirement of \$2,500. The loan issuance and withdrawal options will require changes to the withdrawal maximum calculation to limit the amount available so that the overall balance remaining in the Core funds after the loan or withdrawal is processed is not less than \$2,500. For loans, this will be accomplished by reducing the loan amount available to always maintain the \$2,500 balance in the Core funds. For withdrawals, there will be no change in the amount available displayed on the participant website; however, the system will reject the request if the balance in the Core funds will fall below the \$2,500 minimum requirement. Enhanced messaging will be added to the loan and withdrawal screens of the participant website to ensure participants are aware that they must maintain the \$2,500 minimum balance in the Core funds.

Once this systems enhancement goes live, Voya with assistance from DCP staff, will conduct a final audit of SDBA participant balances and take appropriate action for those participants whose balance in the Core funds may have fallen below the \$2,500 minimum. After the systems enhancement is implemented, no further manual audits would be required by Voya or DCP staff to check for SDBA participants whose balance in the Core funds falls below the \$2,500 minimum requirement. However, an annual audit will be required on an ongoing basis following the automated Required Minimum Distribution (RMD) processing in early December. Due to Internal Revenue Service (IRS) regulations

requiring the distribution of RMDs annually, the system will not restrict RMDs that fall below the minimum balance in the Core funds.

- **In-Person Board Meetings** – Staff is conducting research and consulting with the City Attorney regarding the possibility of returning to in-person Board meetings. Staff is also researching the following: 1) reaching out to other boards and commissions regarding their plans to return to in-person meetings; 2) discussing with DCP vendors and consultants on their in-person meeting protocols and its impact on attendance at DCP Board meetings; and 3) consulting with the Civil Service Commission Executive Director regarding the technical resources available in the Commission Boardroom for conducting Board meetings with video and call-in capabilities. It is anticipated that staff will provide a full report back to the Board at its next meeting on this topic.

B. Communications Updates

- **Targeted Participant Communications** – As previously reported to the Board regarding strategies for achieving FY 2020-21 participant goals and outcomes, staff worked with Voya and developed a custom postcard and email communication targeted towards eligible but not enrolled employees in the following categories: 1) eligible employees with less than three years of City service; and 2) eligible employees with more than three years of City service in the five departments with the lowest participation rate. In November 2020 and March 2021, postcards were mailed to these employees and a follow-up email reminder was sent to those employees with a City email address. The chart below details the results of these two targeted campaigns.

Month	Campaign Participants	Enrollees	Conversion Rate
November 2020	4,819	405	8%
March 2021	3,621	112	3%

Staff plans to conduct one more targeted communication outreach to eligible but not enrolled employees before the end of the calendar year.

In addition, staff worked with Voya and developed a “happy birthday” postcard to send to participants turning age 50 informing them of their ability to contribute more to the DCP. The postcard is directed to current DCP participants but also to non-enrolled but eligible participants to encourage them to join the DCP. The postcard was mailed to 1,136 active DCP participants and 305 eligible but non-enrolled participants in March 2021. As of June 30, 2021, 242 active DCP participants took action and increased their contribution amount (21% conversion rate) and 23 employees newly joined the DCP (7.5% conversion rate).

These successful participation and contribution campaigns provide a blueprint for impacting DCP goals and outcomes in sustainable and measurable ways.

- **DCP Highlights Document** – Staff worked with Voya to conduct a comprehensive review and update of the DCP Highlights. A new and refreshed DCP Highlights document now includes important information that was previously not included such as In-Plan Roth Conversions and DCP provisions newly adopted by the Board including distribution of funds due to birth or adoption and in-service distributions for participants beginning in the calendar year in which they turn age 59½. A copy of the updated DCP Highlights is provided in **Attachment B**. Staff posted the new DCP Highlights to the LA457.com website and will also advertise this resource via the DCP’s communication channels including social media and both the DCP quarterly and the Personnel Department’s monthly newsletters.
- **Los Angeles Police Protective League (LAPPL) Blue Line Article** – Staff coordinated with LAPPL to draft a short article in the LAPPL Blue Line reminding sworn employees that they may still have a Pension Savings Plan (PSP) account from the time they served in the Police Academy and that they can roll over PSP funds to the DCP to purchase service credits with their pension plan. The article also reminded non-enrolled sworn employees that it’s never too late to join the DCP and provided contact information of the DCP local retirement counselors to assist with enrolling in the plan. The article was published in the May 2021 edition of the Blue Line.
- **Harbor Separation Incentive Program (SIP) Communications** – Staff prepared a custom communication to provide potential Harbor SIP participants with information regarding options for contributing to the DCP out of accrued leave or incentive payments. DCP local retirement counselors have also scheduled upcoming Money Matters virtual meetings specifically for Harbor SIP participants.
- **Money Matters Zoom Virtual Meetings** – In October 2020, staff launched “Money Matters” virtual meetings for employees to interact with DCP local retirement counselors via Zoom. During these sessions, DCP local retirement counselors provide education on various topics and answer participant questions.

The virtual meeting is held on the third Wednesday of every month from 12 noon to 1:00 pm. Attendance for the June virtual meeting is provided in the chart below:

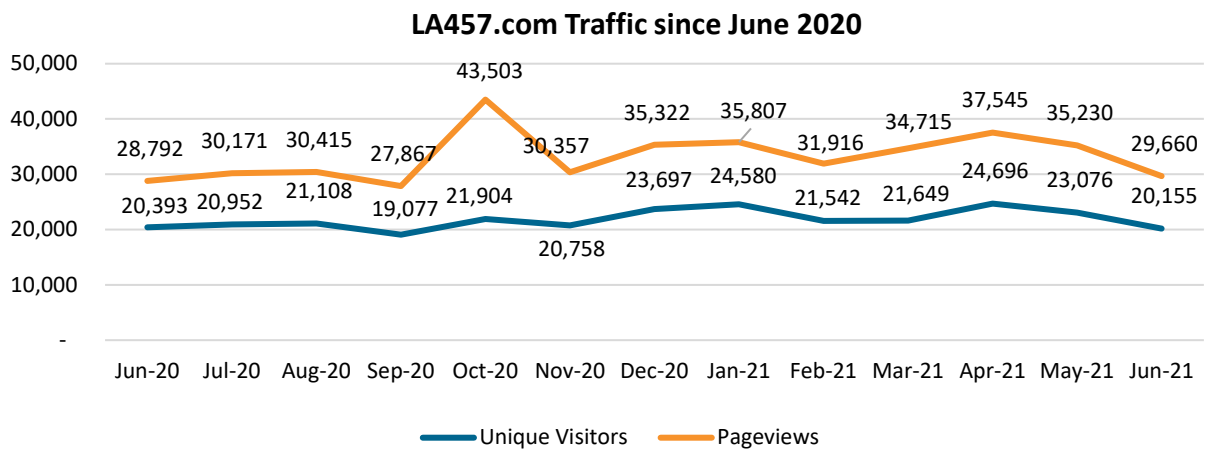
Topic	Date	Attendance
Nearing Retirement	June 16, 2021	32

- **LA457.com Engagement Statistics: June 2021**

LA457.com saw **20,155** unique visitors and **29,660** pageviews. The table to the right provides a review of the top ten website topics accessed by participants during the month.

Top 10 LA457.com Pages in June 2021		Views
1.	Home	22,458
2.	Contact Us	908
3.	Retirement Counselor Calendar	675
4.	FAQs	656
5.	Board Meeting Materials	564
6.	Join the DCP	496
7.	Contributions	415
8.	Investments Committee Materials	378
9.	Your Distribution Options	253
10.	Loans	211

The chart below tracks LA457.com unique visitors and pages viewed since June 2020.



C. 2021 DCP Strategic Initiatives Update

Attachment A provides a status review of 2021 DCP Strategic Initiatives as adopted by the Board at its January 19, 2021 meeting.

D. Staffing

The following table provides 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 Benefits Analyst II	Senior Benefits Analyst II	Plan Governance	40%	Jenny M. Yau
Senior Benefits Analyst I	Vacant	Plan Administration	100%	Vacant

Benefits Analyst	Management Assistant	Communications	100%	Eric Lan
Benefits Analyst	Benefits Analyst	Operations	100%	Mindy Lam
Benefits Specialist	Benefits Specialist	Participant Services	100%	Claudia Guevara
DCP Intern	DCP Intern	Participant Research	100%	Rose Moore
City Attorney				
Assistant City Attorney	Assistant City Attorney	Board Counsel	25%	Curtis Kidder
Legal Assistant	Legal Assistant	Participant Legal Services	40%	Vicky Williams

E. Committee Assignments

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

Plan Governance and Administrative Issues Committee	Investments Committee	Participant Engagement Committee	Ad Hoc DC Plan Manager Selection Committee
Joshua Geller, Chair	Raymond Ciranna, Chair	Neil Guglielmo, Chair	Thomas Moutes, Chair
Thomas Moutes	Joshua Geller	Joshua Geller	Joshua Geller
Baldemar J. Sandoval	Neil Guglielmo	Baldemar J. Sandoval	Neil Guglielmo

F. Upcoming Committee Meetings

Meeting Date	Proposed Agenda Items
July 22, 2021	<ul style="list-style-type: none"> DCP Actively Managed Mandates

G. Upcoming Board Meetings

Following is a review of upcoming Board meeting agenda items:

Meeting Date	Proposed Agenda Items
August 17, 2021	<ul style="list-style-type: none"> Quarterly Investment & Economic Review – Quarter 2 2021 Board Report: 2021 National Retirement Security Month Campaign Board Report: Quarterly Reimbursements – Quarter 2 2021 Board Report: Fiduciary Liability Insurance Board Report: DCP Plan Projects & Activities Report: July 2021
September 21, 2021	<ul style="list-style-type: none"> Third-Party Administrator (TPA) Quarterly Review – Quarter 2 2021 Board Report: FY 2022-23 Training/Travel Budget Board Report: DCP Plan Projects & Activities Report: July 2021

Submitted by:



 Jenny M. Yau, Senior Benefits Analyst II

Approved by:



Steven Montagna, Chief Personnel Analyst

2021 DCP Strategic Initiatives

1. Conduct Defined Contribution (DC) Plan Manager Position Selection Process (New)

Background: At its October 20, 2020 meeting, the Board approved several recommendations with respect to the salary and recruitment considerations for the new DC Plan Manager position, including setting the salary of the classification at the level of Chief Personnel Analyst and requesting exemption of the new position from civil service and an unfreeze to fill the position.

Status: In process. An update regarding the DC Plan Manager position is addressed in Board Report 21-36.

2. Develop Board Findings Regarding Filing of Statements of Economic Interests and Related Requirements (New)

Background: In connection with DCP autonomy provisions in the recently adopted Memorandum of Understanding between the Board and Personnel Department, the Board adopted a strategic initiative to establish its findings with respect to identifying positions required to file Statements of Economic Interests and coordinating related requirements.

Status: Completed. Staff's analysis and recommendation were addressed in Board Report 21-09. Staff has been working with the Personnel Department's Personnel Services staff and the City's Ethics Commission to help facilitate and advance updates to the Personnel Department Conflict of Interest Code. Staff will report back to the Board with updates as developments occur.

3. Complete Plan Document Review (Continued)

Background: Staff has been working with Board counsel and the Plan Governance and Administrative Issues Committee to revise the DCP Plan Document.

Status: Completed. The Board approved the revised Plan Document at its June 15th, 2021 meeting (Board Report 21-31). Staff subsequently posted the revised Plan Document to the LA457 website.

4. Complete Investment Manager Searches (Continued)

Background: The Board is in the process of executing provider searches for all of its investment mandates.

Status: In process. On February 16, 2021, the Board selected Galliard Capital Management (Galliard) as the DCP Stable Value Fund provider. Staff is currently working with Galliard staff to negotiate and draft a new five-year contract in consultation with Board counsel. On May 18th, 2021, the Board approved a five-year contract term with Vanguard to provide management services for DCP passive bond and passive large-cap equity strategies. Staff is currently working with Vanguard staff to negotiate and draft a new five-year contract in

consultation with Board counsel. Additional Investments Committee meetings will be scheduled to complete the evaluation of search responses for DCP actively managed funds.

5. Complete Investment Advisory and Financial Education Services Review (Continued)

Background: Staff and the Board have been reviewing the potential for offering investment advisory and financial education services. A Request for Information (RFI) for investment advisory and/or financial education services was issued on the City's Los Angeles Business Assistance Virtual Network on March 4, 2020 with responses due on April 7, 2020, resulting in four responses. Staff's evaluation of the responses to the RFI was addressed in Board Reports 20-34 and 20-38.

Status: In process. Staff's updated analysis and recommendations were addressed in Board Report 21-21. A follow-up report and meeting of the Plan Governance and Administrative Issues Committee is anticipated to be scheduled in the third quarter of 2021.

6. Complete Request for Proposal for DCP Investment Consulting Services (New)

Background: The term of the contract with the DCP's investment consultant, Mercer will end on December 31, 2021 (total 6.5 year term). Mercer currently provides three primary categories of services under its contract: (1) ongoing investment performance monitoring and reporting; (2) investment manager searches; and (3) ad hoc miscellaneous research and other assignments.

Status: In process. As previously reported to the Board, various systems issues arose due to a systems update and migration of the City's www.labavn.org which resulted in vendors having difficulty logging into and accessing the system. As a result, staff extended the RFP deadlines to allow vendors to resolve all technical issues and ensure they were successful in completing key tasks required in the Request for Proposal (RFP) process. Based on the new timeline, proposals were due June 24th, five weeks from the initial due date of May 20th. Staff's review and evaluation of the proposals will be delayed slightly due to this setback but should not impact the overall timeline to select a vendor and execute a contract for DCP investment consulting services effective January 1, 2022 (the current contract with the incumbent provider, Mercer expires on December 31, 2021).

A total of three proposals were received in response to the RFP, including responses from Mercer, Callan LLC, and R.V. Kuhns & Associates, Inc. (RVK, Inc.). All proposals were evaluated by the Personnel Department's Administrative Services Division for compliance with the City's general contracting requirements and all firms were determined to have passed the compliance review. Staff is currently working on evaluating the proposals in accordance with the guidelines established in the RFP.

7. Initiate DCP Financial Audit (Continued)

Background: The contract with Crowe LLP to provide financial audit services for the DCP was executed on December 18, 2020.

Status: Pending. On January, 6, 2021, staff met with Crowe LLP staff to discuss a proposed plan for the commencement of a financial audit. Staff reviewed the information provided by Crowe and staff's analysis and recommendations were addressed in Board Report 21-15. This project is temporarily suspended pending filling staff vacancies.

8. Design Automatic Enrollment Program (AEP) Supplemental Model (Continued)

Background: In May 2018, the Los Angeles Police Protective League (LAPPL) signed a letter of agreement adopting the DCP's AEP. DCP staff subsequently engaged in meetings with labor organization leaders to gather feedback about AEP interest. At its June 18, 2019 meeting, the Board approved staff's recommendation to coordinate a meeting of interested employee labor organizations to gather feedback and gauge interest in the AEP.

Status: In process. Staff has developed a discussion document for the City's labor organizations with respect to designing a supplementary optional AEP model. Under this option, labor organizations could elect a model providing for a higher default contribution rate, higher and faster auto escalation of the contribution rate, and/or applying automatic enrollment to current non-participating employees (not just new hires). Staff anticipates opportunities to proceed with discussions with labor organizations in the third quarter of 2021.

9. Develop Options for Deemed IRA Investment Menu (Continued)

Background: At its December 15, 2020 meeting, the Board reviewed staff's analysis of the Deemed IRA option in Board Report 20-45 and adopted staff's recommendation to direct the Investments Committee to work with staff and the DCP investment consultant to develop options and considerations for a potential alternative investment menu design for the DCP Deemed IRA.

Status: In process. Staff is working with Mercer as part of its evaluation of the Investment Management Services RFP to consider potential investment options for a Deemed IRA. Actual implementation of a Deemed IRA would be determined based on future actions to be taken by the Board.

10. Adopt Fiscal Year 2021-22 Participant Goals (New)

Background. On a fiscal year basis, the Board adopts DCP participant goals related to participation, contributions, distributions, and asset retention.

Status: In process. Staff's proposal for amending the time period for DCP participant goals is addressed in Board Report 21-37. Staff will be working with Voya to review and analyze the results of participant goals ending on December 31, 2021. Staff will also take into consideration the recent financial and economic backdrop in informing the setting of goals for the upcoming calendar year.

11. Implement Participant Survey Plan (Continued)

Background: The DCP periodically conducts surveys to assess participant feedback on various topics which are useful for the Board’s consideration of service and plan design feature improvements or additions.

Status: Completed. Staff has completed a preliminary review of an approach involving shorter and repeated “micro-surveys” to encourage responsiveness and develop trend data over time. The draft surveys and staff’s proposal for issuing the surveys were approved by the Board at its June 15th, 2021 meeting (Board Report 21-33).

12. Develop DCP Communications Strategic Plan (Continued)

Background: The Board adopted as a strategic initiative the development of a DCP communications strategic plan that would provide a roadmap for creating effective and coordinated DCP messaging for the purpose of increasing employee participation, engagement, awareness, and satisfaction.

Status: Completed. Staff has completed its draft plan for incorporating creative strategies for obtaining data and feedback from participants and integrating this information into a communications and engagement plan that is flexible and iterative. The proposed draft plan along with the proposed participant surveys (strategic initiative number 11) were approved by the Board at its June 15th, 2021 meeting (Board Report 21-33).



DCP Highlights Guide

LA45

CREATE
AND LIVE YOUR
BEST RETIREMENT



CITY OF *Los Angeles*
DEFERRED COMPENSATION PLAN



The City of Los Angeles Deferred Compensation Plan (DCP) is designed to help you create and live your best retirement. Together with your City pension benefit, the DCP provides you with resources to meet your financial and retirement goals.

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What is the Deferred Compensation Plan?

The Deferred Compensation Plan (DCP) is a retirement savings program designed to complement your City pension benefit.

After a full City career, your pension benefit will form the foundation of your income during retirement. For most employees, your pension benefit won't replace 100% of the income you received while working. The DCP is here to help you get to 100%.

With the DCP, you're in control. You decide:

1. How much to save from each paycheck.
2. Whether to pay taxes now or later.
3. How to invest your savings.

We're here to support you! We've got a wealth of educational resources and tools at [LA457.com](https://www.la457.com) and we have a dedicated team of Local Retirement Counselors based onsite at City Hall who can help you make the most of your DCP benefits by assisting with enrollment, rollovers, catch-up contributions, investment options, and near-retirement planning. Contact a Local Retirement Counselor today at 213-978-1601, M-F from 8:00 a.m. to 4:00 p.m., schedule a phone or video appointment at: [LA457.com/contact-us](https://www.la457.com/contact-us), or email LA457@lacity.org.

ARE THERE COSTS TO PARTICIPATE?

Yes. Participants are charged a 0.09% annual administrative cost (charged at 0.0225% quarterly) on the first \$125,000 of their account balance, not to exceed \$115 annually. In addition, each investment option has an investment management cost or derives its compensation from an implicit reduction in the rate of return. Costs vary by option. Review investment profiles at [LA457.com](https://www.la457.com).

HOW ARE DCP ASSETS PROTECTED?

Pursuant to federal requirements, DCP assets are held in trust for the exclusive benefit of DCP participants. This means that DCP assets are not subject to the claims of City creditors in the event of a municipal bankruptcy.

WHY SHOULD I PARTICIPATE IN THE DCP?

Participating in the DCP can help you achieve your long-term retirement goals. Most employees will need a supplemental account like the DCP in addition to their City pension benefit to meet their financial and retirement goals.

Enrolling in the DCP

AM I ELIGIBLE TO PARTICIPATE IN THE DCP?

You are eligible to participate if you are a City employee who is a contributing member of one of the City's three retirement systems: the Los Angeles City Employees' Retirement System (LACERS), Fire & Police Pensions (LAFPP), or the Water and Power Employees' Retirement Plan (WPERP).

HOW DO I ENROLL?

Visit LA457.com/enroll and follow the online prompts.

DO I NEED TO DESIGNATE A BENEFICIARY AT ENROLLMENT?

We recommend you designate a beneficiary at enrollment, but it is not required. You can update your beneficiary designation anytime at LA457.com or complete and submit a Beneficiary Form (log into to your DCP account at LA457.com and select **Plan Details > Forms**).

Important Note: Your beneficiary designation applies only to the DCP and is separate from any other beneficiary designations you may have with other benefit services such as your health plan, pension benefit, or department personnel office. Always make sure that your beneficiary designation is current.

DO I RECEIVE DCP ACCOUNT STATEMENTS?

Yes. You will receive quarterly account statements by mail or electronically. You may switch to receive DCP documents, including quarterly statements electronically by logging into your DCP account at LA457.com or by calling 844-523-2457. If you elect to invest in the Self-Directed Brokerage Account, you will receive a separate statement from Charles Schwab.



On average, employees are saving at least 7% in the DCP.

Making Contributions (Deferrals)

HOW DO I MAKE CONTRIBUTIONS TO MY DCP ACCOUNT?

At enrollment, select a percentage of pay or dollar amount to contribute each pay period. You can contribute your funds as either Before-Tax (pre-tax), After-Tax Roth, or a combination of both. Your contributions will be automatically deducted from your biweekly paycheck (26 paychecks per calendar year). You can change your contributions at any time by logging into your DCP account at LA457.com (select **My Retirement Account > Contributions & Savings > Manage Contributions**). Contribution changes will take effect the following calendar month.



WHAT ARE THE DIFFERENT TYPES OF CONTRIBUTIONS I CAN MAKE TO MY DCP ACCOUNT?

Before-Tax Contribution: You contribute money into your account before it is subject to federal income tax, and any growth is tax-deferred. You do not pay federal income tax on these contributions and their earnings until you withdraw them from your account.

After-Tax Roth Contribution: You contribute money into your account after it has been taxed; any growth is tax-free as long as it is held in your account for at least five years and you are at least age 59½ upon withdrawal.

HOW MUCH SHOULD I CONTRIBUTE?

Your situation and retirement goals will play a big part in deciding the amount you contribute. On average, City employees contribute 7% of pay to their DCP account. A contribution of 7% or higher over a full career with the City will aid in achieving the goal of retiring without reducing your standard of living. Use our useful Retirement Calculator available after you login to your DCP account at LA457.com to help you determine how much you'll need to contribute to meet your retirement goals after factoring in your expected pension benefit. If you prefer a personal touch, our Local Retirement Counselors can help guide you. Contact a Local Retirement Counselor at 213-978-1601, M-F from 8:00 a.m. to 4:00 p.m., schedule a phone or video appointment at: LA457.com/contact-us, or email LA457@lacity.org.

WHAT'S THE LOWEST AMOUNT I CAN CONTRIBUTE TO GET STARTED?

You can start contributing with as little as 1% of pay or \$1 and gradually increase your contribution on a timetable you select.

ARE THERE LIMITS ON THE AMOUNT I CAN CONTRIBUTE TO MY DCP ACCOUNT?

The federal government provides for three maximum contribution limits:

1. Below age 50
2. Age 50 or above
3. Catch-Up (see the Catch-Up section)

The City's payroll system will, in most cases, reject your contribution amount if it will take you over your eligible maximum limit; however, it is important that you also monitor your annual contribution amount (particularly if you transfer between the City and DWP, or if you are enrolled in Catch-Up). View this year's contribution limits at LA457.com/contribution-limits. Annual limits are set by the IRS and may change in the future.

HOW DO I SCHEDULE AUTOMATIC CONTRIBUTION INCREASES?

Log in to your DCP account at LA457.com and select **My Retirement Account > Contributions & Savings > Manage Contributions**. The Rate Escalator schedules automatic increases in your contribution rate based on the percentage and schedule you elect. You set the percentage (from 1% to 99%* of your gross pay or up to the maximum dollar amount). You set the frequency of increases: one-time update, quarterly, semi-annually, or annually on a rolling date basis. You can start and stop this feature at any time.

* **Please note:** Due to payroll limitations, percent-of-pay contributions are deducted from your regular bi-weekly salary only (not including overtime, special payouts or bonuses). Dollar contributions, however, can be taken from regular bi-weekly salary plus overtime, special payouts, and bonuses.



WHAT HAPPENS TO THE MONEY I CONTRIBUTE?

Once you enroll in the DCP and decide how much to contribute, you will choose from the DCP's available investment options to invest your contributions. Your contributions will be automatically deducted from your biweekly paycheck and deposited to your investment selections. You can change your investments and the percentage invested in each option at any time. You may also transfer your holdings among the DCP's investment options, subject to any limitations imposed by the investment providers.

Your Investment Options

WHAT INVESTMENT OPTIONS ARE AVAILABLE?

The DCP offers a variety of investment choices, including interest-bearing savings options, bond funds, and stock funds. The DCP also offers a Self-Directed Brokerage Account (SDBA) that provides access to additional mutual fund choices and individual securities for an additional cost. Please refer to the individual investment option profiles at [LA457.com/investments](https://www.la457.com/investments) for more detailed information.

MAY I CHANGE MY INVESTMENT OPTIONS?

You can transfer existing balances among options or redirect future contributions at any time, although certain transfer limitations may apply to specific options. Changes may be made at [LA457.com](https://www.la457.com) or by calling 844-523-2457. Funds may impose redemption costs on certain transfers, redemptions, or exchanges if assets are held for less than the period established by the investment providers. For more information, please refer to the investment option fact sheets at [LA457.com](https://www.la457.com) (login to your DCP account, select **My Retirement Account > Investments & Research > Fund Performance**). Also, transfer restrictions may apply between the Deferred Compensation Plan Stable Value Fund and other DCP investment options. Review the investment option profiles at [LA457.com](https://www.la457.com) and/or contact a Local Retirement Counselor at 213-978-1601, M-F from 8:00 a.m. to 4:00 p.m., schedule a phone or video appointment at: [LA457.com/contact-us](https://www.la457.com/contact-us), or email LA457@lacity.org for more information.

WHAT IS THE SELF-DIRECTED BROKERAGE ACCOUNT (SDBA)?

The Self-Directed Brokerage Account (SDBA) is an investment option offered through Charles Schwab & Co., Inc. (Member SIPC). The SDBA option (also known as the Schwab Personal Choice Retirement Account (PCRA)) provides you access to a broad universe of publicly traded mutual funds, equities, bonds, Exchange Traded Funds (ETFs), and certificates of deposit. The SDBA is for knowledgeable investors who acknowledge and understand the risks associated with many of the investment choices available through the SDBA. Participants in the SDBA pay an additional \$50 per year, which is prorated quarterly, and are still required to pay DCP administrative fees. SDBA activity is reflected on a separate quarterly account statement issued by Charles Schwab that will detail the investment holdings and activity within your SDBA, including any costs imposed in connection with the account. Please note that you will need to maintain a minimum of \$2,500 in your core DCP account in addition to any funds you have in the SDBA. Learn more at [schwab.com/pcra](https://www.schwab.com/pcra) or by calling Charles Schwab at **888-393-7272**.

Making Contribution and Account Changes

HOW DO I INCREASE OR DECREASE MY CONTRIBUTION AMOUNT?

You can increase, decrease, or stop your contributions by calling 844-523-2457 or by logging in to your DCP account at LA457.com. Be sure to confirm both your Before-Tax and/or After-Tax Roth contribution elections to ensure your total contribution amount is accurate. Changes will take effect with the next available pay period in the calendar month following the month the election is made. If you encounter any issues with your City payroll contributions, please contact a Local Retirement Counselor at 213-978-1601, M-F from 8:00 a.m. to 4:00 p.m., schedule a phone or video appointment at: LA457.com/contact-us, or email LA457@lacity.org.

IF I NEED TO STOP CONTRIBUTING, CAN I?

Yes. You may stop contributing by setting your future payroll contribution to \$0 at any time after you enroll. You can do this by logging into your DCP account at LA457.com or by calling 844-523-2457. Changes will take effect with the next available pay period in the calendar month **following** the month the election is made.

HOW CAN I START CONTRIBUTING AGAIN?

Call 844-523-2457 or log in to your DCP account at LA457.com to resume your contributions (select **My Retirement Account > Contributions & Savings > Manage Contributions**). Change your deferral amount from \$0 to a percent of pay or fixed dollar per paycheck biweekly.

WHAT HAPPENS IF I AM RECEIVING “INJURY ON DUTY (IOD)” PAY OR AM OTHERWISE NOT BEING PAID BY THE CITY?

Injury on Duty pay that is not taxable income is not eligible to be deferred into the DCP. When you return to a normal pay status, your contributions should restart automatically. If they do not restart, please contact a Local Retirement Counselor at 213-978-1601, M-F from 8:00 a.m. to 4:00 p.m., schedule a phone or video appointment at: LA457.com/contact-us, or email LA457@lacity.org.



In-Plan Roth Conversion

CAN I CONVERT MY BEFORE-TAX CONTRIBUTIONS TO AFTER-TAX (ROTH) CONTRIBUTIONS?

Yes. All converted amounts will be invested in the same manner as they were prior to conversion. The amount of the conversion is reported as taxable income in the year of the conversion and the transaction is irrevocable. Once the funds are converted, you will receive a 1099 to file with your taxes for the following year.

IS THERE A TIME LIMIT FOR REQUESTING AN IN-PLAN ROTH CONVERSION?

You can convert your funds anytime, as an active employee or as a retiree. There is no limit on how much you can convert.

HOW DO I REQUEST AN IN-PLAN ROTH CONVERSION?

To request an in-plan Roth conversion, complete and submit the In-Plan Roth Conversion Form available at [LA457.com](https://www.la457.com) (select **Plan Details > Forms**). Please allow five to seven business days for processing.

Rollovers

CAN MY SAVINGS AND INVESTMENTS IN ANOTHER RETIREMENT PLAN BE TRANSFERRED INTO THE DCP?

Before-Tax Assets: Yes, if eligible. You can roll over Before-Tax retirement funds from another employer's eligible governmental 457(b), 401(a), 401(k), or 403(b) plan or from your personal traditional IRA. We will provide you with one consolidated statement for the various funds you roll into the DCP, and you will have access to the same investment choices available for your DCP contributions.

After-Tax Roth Assets: Yes, if eligible. You can roll after-tax Roth retirement funds from another employer's eligible governmental 457(b), 401(a), 401(k), and 403(b) plan. Roth IRA accounts and non-Roth after-tax accounts are not eligible rollover sources.

CAN I ROLL MY DROP FUNDS INTO THE DCP?

Yes. Sworn officers exiting the Deferred Retirement Option Program (DROP) may roll a portion or all of their DROP funds into the DCP. There is no age requirement for rolling money in. However, rollovers may be subject to a 10% early distribution penalty if withdrawn before age 59½. Visit [LA457.com/sworn](https://www.la457.com/sworn) or contact a Local Retirement Counselor at 213-978-1601, M-F from 8:00 a.m. to 4:00 p.m., schedule a phone or video appointment at: [LA457.com/contact-us](https://www.la457.com/contact-us), or email LA457@lacity.org for more information.





Loans

CAN I BORROW FROM MY DCP ACCOUNT?

Yes, you can. You are eligible to take up to two simultaneous loans from your account during any given time. However, the sum of both loans cannot exceed 50% of your account balance or \$50,000 (less the highest outstanding loan balance over the last 12 months), whichever is less. The minimum loan amount is \$1,000 (meaning you must have at least \$2,000 in your DCP account to be eligible to take out a loan).

WHAT IS THE INTEREST RATE FOR TAKING OUT A LOAN?

The interest rate is set at 2% above the Prime Lending Rate as declared in *The Wall Street Journal* on the first business day of each month. The interest is paid back to your DCP account. The interest rate is the same for both general purpose and residential loans.

WHAT TYPES OF LOANS ARE AVAILABLE AND WHAT ARE THE REPAYMENT PERIODS?

General purpose loans can be set up with a term of one to five years at the choice of the participant. Home purchase loans can be set up with a term of one to 15 years (with appropriate documentation).

WHO IS ELIGIBLE TO TAKE OUT A LOAN?

Both active employee participants and participants who have separated from service may take loans. For active participants, loan payments must be made through payroll deduction, unless you are paying off a loan. For participants who have separated from service, payments are due monthly and may be made via cashier's check, money order, personal check, or automatic deduction from your checking or savings account. Loans can be paid in full at any time; there is no early prepayment penalty.

ARE THERE ANY FEES FOR TAKING OUT A LOAN?

There is a one-time \$50 loan origination cost and a \$25 annual account maintenance cost that is deducted quarterly (\$6.25 per quarter) until your loan is paid in full.

HOW DO I INITIATE A LOAN?

Active participants can initiate loans electronically by logging into their DCP accounts at [LA457.com](https://www.la457.com) (select **My Retirement Account > Loans & Withdrawals > Summary**). Participants who have separated from City service can apply for a loan by completing a Retired/Terminated Participant Loan Application Form, which can be obtained by logging into their DCP account at [LA457.com](https://www.la457.com) (select **Plan Details > Forms**) or by calling 844-523-2457.

HOW LONG DOES IT TAKE TO PROCESS A LOAN?

Loans are processed within three to five business days and funds are sent out two business days after processing. Loan funds can be sent via direct deposit to your checking or savings account within two to three business days after processing. Your banking information must be on file for seven business days for loan funds to be deposited into your account. You can also pay \$25 for express delivery for loan funds to arrive two to three business days after processing.

WHAT HAPPENS IF I STOP MAKING MY LOAN PAYMENTS?

It is your responsibility to ensure your loan is paid to prevent defaulting on the loan. **If timely payments are not received, your loan will go into default, meaning the outstanding loan balance, plus interest, will be reported as additional taxable income.** If you are an active employee on an unpaid status, you must complete a Leave of Absence

Form before **and** after your leave to prevent default. To obtain this form and for help completing and submitting it, contact a Local Retirement Counselor at 213-978-1601, M-F from 8:00 a.m. to 4:00 p.m., schedule a phone or video appointment at: [LA457.com/contact-us](https://www.la457.com/contact-us), or email LA457@lacity.org.

WHAT HAPPENS IF I'M STILL EMPLOYED BUT NOT BEING PAID AND NOT MAKING PAYMENTS?

If you have an active loan and are not being paid, or you have noticed that the loan payment is not being taken from your check, contact a Local Retirement Counselor immediately to ensure that your loan does not go into default. You must complete a Leave of Absence Form before **and** after your leave, or otherwise send in manual payments in a timely manner, to prevent default. To obtain this form and for help completing and submitting it, contact a Local Retirement Counselor at 213-978-1601, M-F from 8:00 a.m. to 4:00 p.m., schedule a phone or video appointment at: [LA457.com/contact-us](https://www.la457.com/contact-us), or email LA457@lacity.org.

CAN I USE MY DCP ACCOUNT AS COLLATERAL FOR OTHER LOANS?

No. You cannot assign, pledge, sell or otherwise transfer your account for any purpose, including applying for a loan.

WHERE DO I FIND MORE INFORMATION ON LOANS?

The Loan FAQ and other information regarding active employee and/or retiree loans is available after logging in to your DCP account at [LA457.com](https://www.la457.com).

Tax Questions

WHAT FORMS DO I HAVE TO FILE WITH MY FEDERAL OR STATE INCOME TAXES FOR CONTRIBUTIONS?

No forms are required. Your Before-Tax and After-Tax contributions will be indicated on your annual W-2 that you receive from the City. If you need a duplicate copy of your W-2, please contact the City Controller's Office or the DWP's Paymaster's Office.

DO I NEED TO REPORT ANY ACCOUNT EARNINGS?

No. Do not report any earnings on either your federal or state income tax forms. Any earnings on your Before-Tax deferrals are tax-deferred until withdrawn; earnings on any After-Tax Roth deferrals are not taxable if taken as a qualified distribution after you satisfy the five-year holding period and after age 59½.

WHEN WILL THE CONTRIBUTIONS AND ANY EARNINGS BE TAXABLE?

Your Before-Tax assets are taxable as ordinary income during the years in which they are distributed to you or your beneficiaries. Earnings on After-Tax Roth assets are not taxable if they're taken as a qualified distribution. A qualified distribution is one that occurs at least five years after the year of the employee's first designated Roth contribution (counting the first year as part of the five) and is made:

- On or after attainment of age 59½,
- On account of the employee's disability, or
- On or after the employee's death.

HOW MUCH WILL MY BEFORE-TAX WITHDRAWALS BE TAXED?

At the time of this distribution, federal tax is withheld at 20%, and state tax is withheld based on your state of residency at the time of distribution. You may owe more or less income tax depending upon your personal tax situation. By February of the year following the year in which you receive a distribution, you will receive a Form 1099-R for the distribution amount. After-Tax Roth distributions are tax-free if you are age 59½ or older and the five-year holding period has been met.

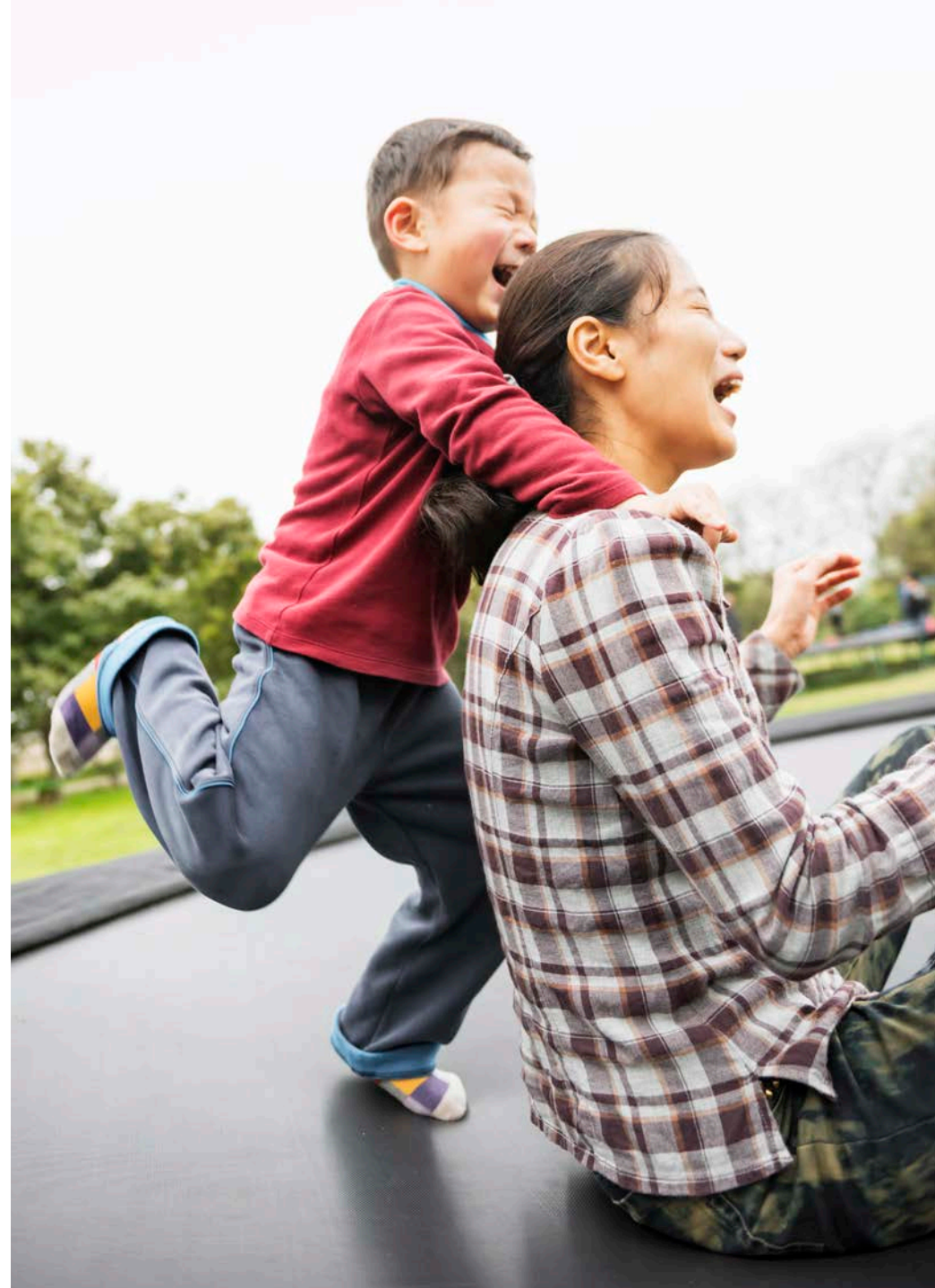
Distributions for Birth or Adoption

CAN I WITHDRAW FUNDS TO HELP COVER COSTS ASSOCIATED WITH A BIRTH OR ADOPTION?

A participant may take an in-service withdrawal from their DCP account of up to \$5,000 per birth or adoption of a participant's child. The distribution can be taken within a one-year period following the birth or adoption date. The withdrawal is not subject to the IRS 10% premature distribution penalty tax, federal 20% mandatory withholding, or the Special Tax Notice, and direct rollover rules applicable to retirement plans.

HOW DO I REQUEST A DISTRIBUTION FOR BIRTH OR ADOPTION?

You must complete and submit a Birth or Adoption Withdrawal Form. Additional documentation such as a certified copy of a birth certificate, a certified copy of the adoption decree, and/or a certified copy of the amended birth certificate may be required. To request the Birth or Adoption Form, please call our Service Center at 844-523-2457, one of our local retirement counselors at 213-978-1601, or email us at LA457.com.





Financial Hardship (Unforeseeable Emergency)

IF I HAVE A FINANCIAL HARDSHIP, CAN I WITHDRAW FUNDS FROM MY DCP ACCOUNT?

You may be eligible to take a hardship withdrawal while you are employed if you meet the definition of a financial hardship under IRS guidelines. A withdrawal is allowed only for an unforeseeable emergency that causes severe financial hardship of the participant or beneficiary resulting from:

- Illness or accident
- Loss of property due to casualty (e.g. natural disaster)
- Pending eviction or foreclosure from primary residence
- Funeral or burial expenses
- Other similar extraordinary and unforeseen circumstances arising as a result of events beyond the control of the participant or beneficiary.

To apply for a hardship withdrawal, call 844-523-2457 or log into your DCP account at [LA457.com](https://www.la457.com) (select **My Retirement Account > Loans & Withdrawals > Summary > Request a Withdrawal**).

Catch-Up and Accrued Leave Provisions

WHAT IS “CATCH-UP”?

Catch-Up refers to provisions of the Internal Revenue Code that permit participants who are within three calendar years of normal retirement eligibility (meaning retirement without a penalty or actuarial reduction in benefits) to defer up to double the below-age-50 contribution limit. You are only eligible for **Catch-Up** if you contributed below the annual contribution limit in prior years of eligibility. Contact a Local Retirement Counselor at 213-978-1601, M-F from 8:00 a.m. to 4:00 p.m., schedule a phone or video appointment at: [LA457.com/contact-us](https://www.la457.com/contact-us), or email LA457@lacity.org for complete information and to enroll in the **Catch-Up** provision (this process cannot be completed online). Please note that the **Catch-Up** provision and the Age 50 or older provision cannot be used in the same calendar year.

WHAT IS THE “ACCRUED LEAVE DEFERRAL OPTION”?

When you retire from the City, you will receive a payout of your unused vacation, sick, and/or overtime hours per the terms in your Memorandum of Understanding (MOU). This payment is referred to as a payout of “accrued leave.” The DCP allows for an eligible amount from this payout to be deferred into your account. You’ll need to complete an Accrued Leave Deferral Option Form and submit it approximately **one month** before your retirement date. Contact a Local Retirement Counselor at 213-978-1601, M-F from 8:00 a.m. to 4:00 p.m., schedule a phone or video appointment at: [LA457.com/contact-us](https://www.la457.com/contact-us), or email LA457@lacity.org to obtain the form and get assistance completing and submitting it at least **one month** before your retirement date (this process cannot be completed online). Accrued leave forms received after your retirement date will not be processed.

WHERE CAN I LEARN MORE ABOUT THESE TWO PROVISIONS?

Visit [LA457.com](https://www.la457.com) or contact a Local Retirement Counselor at 213-978-1601, M-F from 8:00 a.m. to 4:00 p.m., schedule a phone or video appointment at: [LA457.com/contact-us](https://www.la457.com/contact-us), or email LA457@lacity.org for more information.

Taking Distributions (Withdrawals)

MAY I WITHDRAW MONEY FROM MY DCP ACCOUNT AT ANY TIME?

Withdrawals from your account may take place only when one of the following occurs:

- You retire, resign, or permanently leave active service with the City.
- You suffer an unforeseeable emergency that causes extreme financial hardship (please refer to the Financial Hardship section).
- You apply for a de minimis withdrawal (to be eligible, your account must be valued at \$5,000 or less, you must not have made a contribution in two years, and you must not have received a prior de minimis distribution).
- You may take a withdrawal of up to \$5,000 per birth or adoption of your child (please refer to the Distributions for Birth or Adoption section).
- You may take withdrawals beginning with the calendar year in which you turn age 59½.

* **Please note:** There are no age restrictions or penalties for withdrawals of Before-Tax funds. However, Federal and state income tax still apply along with required withholdings for in-service distributions.

WHAT ARE MY DISTRIBUTION OPTIONS?

After you separate from City service, you are welcome to stay in the DCP for as long as you like. You will continue to benefit from the DCP's dedicated local service team, expert fund managers, and competitive fees. When you decide to withdraw funds from your account, you have the following options:

- **Installment Payment of a Specific Amount** – You designate the dollar amount that you wish to receive on a regular installment basis (monthly, quarterly, semiannually, or annually). Payments to you will continue until your account balance is zero. You can change your installment request anytime.
- **Installment Payment for Specified Time Period** – You will receive payments on a regular installment basis (monthly, quarterly, semi-annually, or annually). Payment amounts depend on the length of time you choose to receive payments, the periodic basis that you choose, and the rate of return on your investment options. Your payment amount is calculated by dividing your current account balance by the number of remaining payments. Your payment is recalculated each time a payment is distributed; therefore, your payment will not be the same amount each time. Your balance will be zero by the end of the term you select. You can change your installment request anytime.
- **Full or Partial Lump Sum Distributions** – Withdraw all or some of your funds via check or an electronic deposit (ACH) to your checking or savings account.
- **Roll over funds to another qualified plan** – You can roll some or all of your funds to a governmental 457(b), 401(a), 401(k), or 403(b) plan, or a traditional IRA for Roth IRA. Be sure to compare fees and sales charges before you initiate a rollover.

HOW DO I REQUEST A DISTRIBUTION?

You can process a distribution request by logging in to your account at [LA457.com](https://www.la457.com) (select **My Retirement Account > Loans & Withdrawals > Summary > Request a Withdrawal**). If you have questions about distributions, call 844-523-2457. Service Associates are available from 6:00 a.m. to 5:00 p.m., PT (excluding New York Stock Exchange holidays). For additional information on withdrawals, refer to the Distribution Guide at [LA457.com](https://www.la457.com).

IS THERE AN EARLY WITHDRAWAL PENALTY FOR DISTRIBUTIONS MADE BEFORE AGE 59½?

No. Early distribution penalties do not apply to Before-Tax funds in 457 plans. However, withdrawals from your Before-Tax funds will be taxed as ordinary income, and withdrawals from your After-Tax funds may be subject to taxation on any earnings if distribution requirements are not met. Additionally, any funds rolled into the City's DCP from an IRA, 401(a), 401(k), 403(b), DROP funds may be subject to a 10% early distribution penalty if withdrawn before age 59½. For more information, visit [LA457.com](https://www.la457.com) or contact a Local Retirement Counselor at 213-978-1601, M-F from 8:00 a.m. to 4:00 p.m., schedule a phone or video appointment at: [LA457.com/contact-us](https://www.la457.com/contact-us), or email LA457@lacity.org for more information.

IF I CHANGE EMPLOYMENT, CAN I ROLL OVER OR TRANSFER MY DCP ACCOUNT

Yes, the balance in your DCP account can be rolled over to another governmental 457(b), 401(k), 401(a), or 403(b) plan or to an IRA that accepts rollovers from a 457 plan. You may also leave your account with the City's DCP and take distributions when you need to or are required to once you reach the mandatory distribution age of 72.

WHAT HAPPENS WITH MY WITHDRAWALS IF I GET DIVORCED?

If you have completed divorce proceedings and have a Qualified Domestic Relations Order (QDRO) from a civil court directing a portion of your assets to a former spouse, please contact a Local Retirement Counselor at 213-978-1601, M-F from 8:00 a.m. to 4:00 p.m., schedule a phone or video appointment at: [LA457.com/contact-us](https://www.la457.com/contact-us), or email LA457@lacity.org to provide a copy of your QDRO and determine next steps.

AFTER RETIRING, CAN I STILL WITHDRAW MONEY IF I RETURN TO WORK WITH THE CITY AS A PART-TIME EMPLOYEE

No, this is not permitted under the Internal Revenue Code. For further details, please contact a Local Retirement Counselor at 213-978-1601, M-F from 8:00 a.m. to 4:00 p.m., schedule a phone or video appointment at: [LA457.com/contact-us](https://www.la457.com/contact-us), or email LA457@lacity.org for further discussion.



Survivor Benefits

WHAT HAPPENS TO MY ACCOUNT WHEN I PASS AWAY?

Upon your death, after your beneficiaries take the necessary steps to claim the account, your designated beneficiaries will receive the full value of their portion of your remaining account balance. Any outstanding loan balances will be treated as taxable income for the decedent. Your beneficiaries have several distribution options available to them. Please refer to [LA457.com/beneficiaries](https://www.la457.com/beneficiaries) for more information.

WILL THE DCP NOTIFY MY BENEFICIARY UPON MY DEATH?

It is the responsibility of the beneficiary to notify the DCP and complete the official claim of assets. Certain time limits may apply to beneficiaries, and it may be in the best interest of each participant to make designated beneficiaries aware of DCP information. We recommend you review your beneficiaries on an annual basis to ensure the information is up to date, accurate, and complete.

CAN I DESIGNATE A TRUST AS MY BENEFICIARY?

Yes. Be aware that the rules for beneficiary collection as a trust under a 457 plan may differ from rules of other beneficiary types. It may be best to consult a qualified estate planner or legal advisor for more information about designating a trust as your beneficiary.

CAN I DESIGNATE MY MINOR CHILDREN AS BENEFICIARIES?

Before you designate minor children as your primary or contingent beneficiaries, consult a legal advisor for more information on how funds are distributed.

IF I'M MARRIED, CAN I DESIGNATE SOMEONE OTHER THAN MY SPOUSE AS MY PRIMARY BENEFICIARY?

Yes, but your spouse will need to consent to permitting his/her community property interest being provided to the non-spouse beneficiary. To designate someone other than your spouse as your primary beneficiary, log into your DCP account at [LA457.com](https://www.la457.com) (Click the down arrow next to your name and person icon. From the drop-down menu select **Personal Information > Beneficiary Information**) or complete and submit a Beneficiary Designation Form available at [LA457.com](https://www.la457.com) (select **Plan Details > Forms**).



Contact Us



844-523-2457



[LA457.com](https://www.la457.com)



Retirement Counselors

City Hall Service Center,
200 N. Spring Street, Room 867
Los Angeles, CA 90012

8:00 a.m. – 4:00 p.m., M – F, 213-978-1601

Disclosures

¹ All references to the City of Los Angeles Deferred Compensation Plan, the City's Deferred Compensation Plan, or the DCP are to a governmental 457(b) plan.

² Transfer requests made via the website and/or Participant Services received on business days prior to close of the New York Stock Exchange (1:00 p.m. Pacific Time or earlier on some holidays or other special circumstances) will be initiated at the close of business the same day the request was received. The actual effective date of your transaction may vary depending on the investment option selected.

³ Certificates of deposit are insured by the FDIC for up to \$250,000 per depositor and offer a fixed rate of return, whereas both the principal and yield of bonds and stocks will fluctuate with market conditions.

⁴ Representatives of Voya Financial do not offer or provide investment, fiduciary, financial, legal or tax advice or act in a fiduciary capacity for any client unless explicitly described in writing. Please consult with your investment advisor, attorney and/or tax advisor as needed.

This material has been prepared for informational and educational purposes only. It is not intended to provide, and should not be relied upon for, investment, accounting, legal or tax advice. The Plan Highlights section is intended to provide you with a general summary of the City of Los Angeles Deferred Compensation Plan. It should in no way be construed as a Plan Document or a complete description of the DCP. The City's DCP was established under Internal Revenue Code Section 457, which authorizes deferred compensation plans for employees of state and local governments. Employees join the DCP choose their investment options and participate over time on a voluntary basis. The DCP summarized herein is detailed in the Los Angeles Administrative Code, Division 4, Chapter 14, Section 4.1400 et seq.



CITY OF *Los Angeles*
DEFERRED COMPENSATION PLAN