



CITY OF *Los Angeles*

DEFERRED COMPENSATION PLAN

Board Report 22-17

Date: March 15, 2022

To: Board of Deferred Compensation Administration (Board)

From: Staff

Subject: Deferred Compensation Plan Projects and Activities Report:
February 2022

Board of Deferred Compensation Administration
Thomas Moutes <i>Chairperson</i>
Raymond Ciranna <i>Vice-Chairperson</i>
Robert Schoonover <i>First Provisional Chair</i>
Neil Guglielmo <i>Second Provisional Chair</i>
Joshua Geller <i>Third Provisional Chair</i>
Dana Brown
Linda P. Le
Baldemar J. Sandoval
Jeremy Wolfson

Discussion:

Report regarding Deferred Compensation Plan (DCP) project and activity updates for February 2022:

A. Operations and Project Updates

- **New Board Member** – Dana Brown has joined the Board of Deferred Compensation Administration as a result of her recent appointment as General Manager of the Personnel Department. Ms. Brown has worked for the City since 2005, including positions at the Los Angeles Zoo & Botanical Gardens, Los Angeles World Airports (LAWA), Office of the City Administrative Officer (CAO), and most recently as General Manager of the Los Angeles Animal Services Department.
- **DCP Senior Benefits Analyst Paygrade** – Staff was informed by the Office of the CAO that the Board’s request for elevating the second-level position beneath the DC Plan Manager from Senior Benefits Analyst I to Senior Benefits Analyst II has been approved. The change will become effective with the new budget year beginning July 1, 2022.
- **DCP Staff Facility Plan** – On March 2, 2022, staff members Steven Montagna and Daniel Powell conducted an onsite review of vacant office space available at the Neptune Building owned by Los Angeles Fire and Police Pensions (LAFPP). There is over 3,500 square feet of available space, which would be more than ample to support the needs of DCP staff and also provide opportunities for training or meeting

locations, as well as work spaces for local counselors of the Third-Party Administrator (TPA). The space is not yet built out and pricing has not been fully vetted. In addition, at the request of Board member Neil Guglielmo, staff of the Los Angeles City Employees’ Retirement System (LACERS) reached out to staff regarding the potential for office space at their new building, as well as interim office space at the LA Times Building for the DC Plan Manager. With respect to the latter, an office space at the LA Times Building for lease has been identified that would be available through approximately September 2022. An onsite visit is scheduled for March 10, 2022. Staff is conducting additional research and will provide a fuller report at the Board’s April 19, 2022 meeting.

- Participant Communication Regarding Minimum Balance Requirement for SDBO Participants** – A DCP participant in the Self-Directed Brokerage Option (SDBO) with Charles Schwab issued a communication via email to certain Board members requesting that the Board (a) remove the mandate to keep a minimum balance of \$2,500 within the DCP’s Core Funds and (b) not enforce the DCP’s collection of participant fees through a forced liquidation of SDBO assets. Prior to the participant issuing this communication, staff had informed the participant that the requirement to keep a minimum balance in the DCP’s Core Funds is necessary for the collection of participant fees and is a condition of participating in the SDBO. As a reminder, the minimum balance requirement is a common requirement for defined contribution plan sponsors, including governmental plans. Plan sponsors can establish minimum balance requirements for several reasons, including for the collection of fees or to ensure funds are available to satisfy Required Minimum Distribution (RMD) requirements for participants subject to them. Additionally, some plan sponsors have larger minimum balance requirements (as much as 20% or 50% of a participant’s assets) based on their philosophies as to the role of the defined contribution plan in overall retirement planning. There is no requirement that a plan sponsor offer an SDBO. The current minimum balance requirement is, in staff’s view, a reasonable and minimal amount, but the Board has the option to request further review and a report back from staff.

B. Communications Updates

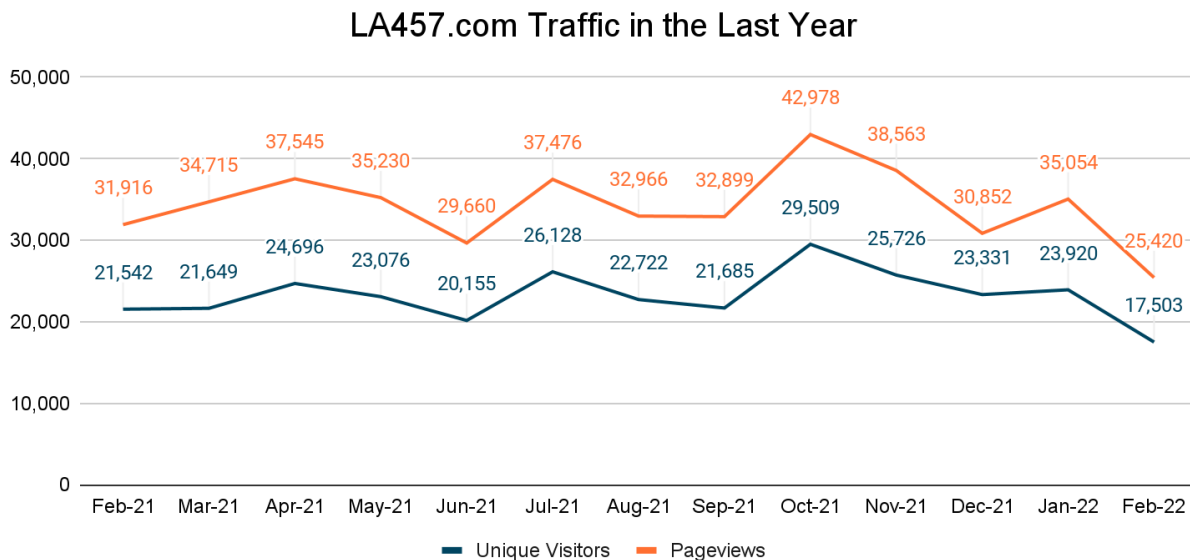
- Money Matters Zoom Virtual Meetings** – Staff and Voya conduct monthly “Money Matters” virtual meetings to provide participant and employee education on various topics. These meetings are held on the third Wednesday of every month from 12:00 to 1:00 p.m. Attendance for the February meetings is provided in the following table:

Topic	Date	Attendance
Investment Options	February 16, 2022	55

- **LA457.com Engagement Statistics: February 2022** – In February LA457.com saw 17,503 unique visitors and 25,420 pageviews. The following table provides a review of the top ten website topics accessed by participants during the month.

Top 10 LA457.com Pages in February 2022		Views
1.	Home	19,350
2.	FAQs	780
3.	Contact Us	674
4.	Join the DCP	493
5.	Contributions	419
6.	Money Matters – Investment Options	312
7.	Your Distribution Options	294
8.	Loans	227
9.	Investment Options	224
10.	Board Meeting Materials	203

The following chart tracks LA457.com unique visitors and page views since February 2021.



C. 2022 DCP Strategic Initiatives

- A status review of DCP strategic initiatives is addressed in **Attachment A**.

D. Staffing Update

- The Personnel Department has appointed Paul Makowski as Chief of the Employee Benefits Division (EBD). Mr. Makowski has worked primarily with EBD since 2013 (excluding a brief period working with the Department of Animal Services), including

supporting the DCP from 2013 to 2016. From July 2016 through the present he has supported the civilian LAwell Benefits Program, including management of that program since 2019. The appointment was effective February 28th. Steven Montagna has now moved in-lieu of the DC Plan Manager position and will be able to dedicate increasingly larger percentages of time to that role over the coming weeks. Following Mr. Montagna’s retirement, as Mr. Makowski is familiar with the DCP, if necessary he can help support the transition of the program to its new management structure.

- 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				
Defined Contribution Plan Manager	Chief Personnel Analyst	Program Manager	75%	Steven Montagna
Senior Benefits Analyst II	Senior Personnel Analyst II	Plan Governance	40%	Daniel Powell
Senior Benefits Analyst I (will be elevated to Sr BA II effective 07/22)	Vacant	Plan Administration	100%	<i>Vacant</i>
Benefits Analyst	Benefits Analyst	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				
Deputy City Attorney	Deputy City Attorney	Board Counsel	25%	Charles Hong
Legal Assistant	Legal Assistant	Participant Legal Services	40%	Vicky Williams

E. Committee Assignments

- On March 7, 2022 staff issued a brief survey tool to request Board member interest in serving on Board Committees. Responses were requested by March 14, 2022. This information will be provided to the Board Chairperson for consideration of Committee assignments. Following is the current Committee roster as designated by the Board Chairperson:

Plan Governance and Administrative Issues Committee
Joshua Geller, Chair
Thomas Moutes
Baldemar J. Sandoval

Investments Committee
Raymond Ciranna, Chair
Joshua Geller
Neil Guglielmo
Jeremy Wolfson

Participant Engagement Committee
Neil Guglielmo, Chair
Joshua Geller
Baldemar J. Sandoval

Ad Hoc DC Plan Manager Selection Committee
Thomas Moutes, Chair
Joshua Geller
Neil Guglielmo

F. Next Board Meeting

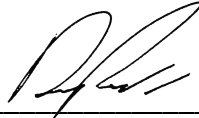
The next regular Board meeting will take place on April 19, 2022. As that date would be 35 days following the March 15, 2022 meeting, should a need be established to continue virtual meetings consistent with the provisions of AB 361, an interim special meeting will be held. In addition to the March 15th special meeting for DC Plan Manager interviews, an additional special meeting may also be necessary for further actions relative to the DC Plan Manager selection process. Following is a tentative list of agenda items for the April 19, 2022 meeting:

April 19, 2022 Regular Meeting Agenda Items
Board Report 22-18: AB 361 Review
Board Report 22-19: Proposed 2022 Participant Outcome Goals
Board Report 22-20: 2021 Annual Report
Board Report 22-21: Workday Implementation Update
Board Report 22-22: DCP Staff Facility Plan
Board Report 22-23: Projects & Activities Updates

Submitted by:



Eric Lan, Benefits Analyst



Daniel Powell, Senior Personnel Analyst II



Steven Montagna, Chief Personnel Analyst

2022 DCP Strategic Initiatives

RESOURCE INITIATIVES

1. Fill DCP Leadership Positions: DC Plan Manager and Senior Benefits Analyst I or II (New & Continued)

Discussion: The Board has been working to build out staff leadership positions for the DCP, including its successful efforts in establishing and overseeing a selection process for DC Plan Manager and in requesting, as part of the Fiscal Year (FY) 2022-23 budget process, elevating the DCP Senior Benefits Analyst I position to Senior Benefits Analyst II. Providing stable program leadership is crucial for the ongoing administration and future success of the DCP. Staff recommends that filling the DCP leadership positions of DC Plan Manager and Senior Benefits Analyst I or II be included as a strategic initiative for 2022.

Status: In progress. Updates regarding this item are provided in Board Report 22-16 and earlier in this report.

2. Integrate New TPA Strategic Initiatives Director Position into Goals Development Framework (New)

Discussion: The DCP is bringing in new leadership resources through its relationship with Third-Party Administrator (TPA) Voya. A new Strategic Initiatives Director position will be dedicated on a full-time basis to utilizing DCP data to expand goals, strategies, and actions to drive improved participant outcomes. Filling this position will add a vital new resource to support the Board and DCP staff leadership in driving future program success. Staff recommends that filling the new TPA Strategic Initiatives Director Position and successfully integrating the duties and responsibilities of this position into the existing framework for using goals to improve participant outcomes be included as a strategic initiative for 2022.

Status: In progress. Voya has selected an individual to fill the new Strategic Initiatives Director position. This individual begins working on March 14, 2022, and will be introduced to the Board at the April 19, 2022 regular meeting.

3. Establish DCP Budget Policy (New)

Discussion: As part of its annual resource review conducted in 2021, the Board requested that staff draft a proposed budget policy to address roles and responsibilities of the DC Plan Manager and the Board, including a timetable for conducting DCP resource reviews, developing annual budget requests to the Mayor and City Council, and engaging with stakeholders in support of Board resource objectives. Establishing a budget policy is an important step in support of the Board's objectives to maintain a strong foundation for the resource needs of the DCP. Staff recommends that establishing a DCP Budget Policy be included as a strategic initiative for 2022.

Status: In progress. Staff is in the process of drafting a proposed policy for Board review.

4. Establish a Facility Plan for DCP Staff (New)

Discussion: As part of its annual resource review conducted in 2021, the Board discussed the potential costs involved with finding new facilities to house DCP staff. Staff indicated that there was both an immediate need to identify an office space arrangement for the incoming DC Plan Manager, as well as identify a potential future state environment for City staff. This is an important resource objective for the DCP. Staff recommends that establishing a facility plan for DCP staff be included as a strategic initiative for 2022.

Status: In progress. An update for this initiative is provided earlier in this report.

PLAN DESIGN AND ADMINISTRATIVE INITIATIVES

5. Establish Plan for Ongoing Investment Menu Design and Review (New)

Discussion: In connection with its most recent Investment Policy Statement (IPS) training, the Board discussed the benefits of establishing a structure for the ongoing review and design of potential future changes to the DCP investment menu. The design process could include elements such as participant surveys, peer and trend analysis, capital markets review, and investment product review. Staff indicated that it would collaborate with the DCP investment consultant, Mercer Investment Consulting, and develop a proposed plan for the Board. Staff subsequently participated in a preliminary planning meeting with Mercer and will return to the Board with a proposed plan. Staff recommends that establishing a plan for ongoing investment menu design and review be included as a strategic initiative for 2022.

Status: In progress. Staff is in the process of drafting a proposal for Board review.

6. Implement Deemed IRA (Continued)

Discussion: At its June 18, 2019 meeting, the Board reviewed Board Report 19-21 and directed staff to develop a detailed set of recommended Deemed IRA design features for consideration by the Board. At its December 15, 2020 meeting, the Board reviewed staff's analysis of the Deemed IRA option in Board Report 20-45. The Board 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. At the Board's January 18, 2022 meeting, staff indicated that the Investments Committee met on January 5, 2022, and was provided information regarding developing a proposal for constructing an investment menu based on some variation of mutual fund versions of Collective Investment Trusts (CITs) selected for the DCP Core Menu; that Committee members asked for additional information related to the implementation of a Deemed IRA, including with respect to administrative requirements, soliciting more detailed participant feedback on investment design and participating in a Deemed IRA, and other implementation topics; and that as these issues relate to matters

both administrative and investment related, the report back from staff on these topics should be brought to the full Board rather than the Committee. Staff recommends that implementing the Deemed IRA be included as a strategic initiative for 2022.

Status: In progress. Staff is in the process of drafting a report back on this item for the Board.

7. Initiate DCP Financial Audit (Continued)

Discussion: A contract with Crowe LLP to provide financial audit services for the DCP was executed on December 18, 2020. At its meeting on March 16, 2021, the Board deferred commencement of the audit until the DCP Senior Personnel Analyst I or the Defined Contribution Plan Manager position was filled. Staff also indicated at that meeting that audit project tasks might need to be customized given the current status of transitioning the City and Department of Water and Power (DWP) payroll systems. Since that Board action, implementation of the payroll element of the City's Human Resources and Payroll (HRP) conversion project has been delayed until January 2023. Once the staff resources in place to support the audit, a full or modified (i.e. modified relative to the status of HRP and DWP payroll conversions) audit plan can be implemented. Staff recommends that initiating the DCP financial audit be included as a strategic initiative for 2022.

Status: Suspended. This item is suspended pending filling DCP vacancies.

PARTICIPANT OUTCOME INITIATIVES

8. Adopt Plan Year 2022 Participant Goals (New)

Background: At its September 15th and October 20th meetings, the Board adopted staff's recommended goals related to participation, contributions, distributions, and asset retention for FY 2020-21. At its July 20, 2021 meeting, the Board approved moving the measurement of DCP participant goals to a calendar year basis starting with calendar year 2021 and moving forward annually. Proposed participant goals for 2022 have not yet been developed. Staff recommends that adopting proposed participant goals for Plan Year 2022 be included as a strategic initiative for 2022.

Status: In process. Proposed goals were planned for adoption at the Board's March 15, 2022 meeting but this report has been deferred to the April meeting.

9. Expand Automatic Enrollment Program (AEP) Participation (Continued)

Discussion: 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 interest in enrolling in the AEP. 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. Finalization and presentation of a supplementary optional AEP model to employee labor organizations has been suspended pending filling staff vacancies. However, expanding the

AEP is a primary tool for improving future retirement outcomes for City employees and staff therefore recommends that expanding AEP participation be included as a strategic initiative for 2022.

Status: Suspended. This item is suspended pending filling DCP vacancies.

10. Develop Expanded Engagement Plan (New & Continued)

Discussion: Upon the filling of key DCP staff and TPA positions, the DCP will have the resources to develop a more robust engagement plan tied to targeted, goals-driven data reviews. These resources can collaborate to create an engagement plan that includes the regular design and reporting of goals, strategies, and results. This engagement plan will consolidate previously approved initiatives, such as a survey plan and strategic communication plan, under a broader and more disciplined framework tied to participant outcomes goals. Staff recommends that developing an expanded engagement plan be included as a strategic initiative for 2022.

Status: In progress. This item will advance following the onboarding of Voya's new Strategic Initiatives Director.

11. Complete Investment Advisory and/or Financial Education Services Review (Continued)

Discussion: A Request for Information (RFI) for investment advisory and/or financial education services was issued on March 4, 2020. Staff's evaluation of responses to the RFI was addressed in Board Reports 20-34 and 20-38. Further action on this item was suspended pending filling staff vacancies and future financial and budgetary analysis to take place in 2022. Staff recommends that completing this review project be included as a strategic initiative for 2022.

Status: Suspended. This item is suspended pending filling DCP vacancies.