



## Board Report 24-04

Date: January 16, 2024

To: Board of Deferred Compensation Administration

From: Staff

Subject: 2024 Deferred Compensation Plan Strategic Initiatives

| Board of<br>Deferred Compensation<br>Administration |
|---|
| Thomas Moutes<br><i>Chair</i>                       |
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| Dana H. Brown                                       |
| Linda P. Le   |
| Carl Lurvey   |

### **Recommendation:**

That the Board approve the proposed 2024 Deferred Compensation Plan Strategic Initiatives as indicated in this report, with any revision as directed.

### **Background:**

At its December 19, 2023 meeting, the Board provided feedback on the potential strategic initiatives it wished to explore for 2024. Staff is now returning with the finalized plan.

### **Discussion:**

Each year, the DCP identifies a number of strategic initiatives to be accomplished in the plan year. As the DCP approaches having its full-time positions filled, and with potentially new positions to be added in the latter half of 2024 should its 2024-25 fiscal year budget requests be approved, the DCP has an opportunity to address projects that had previously been pending.

For 2024, the DCP Strategic Initiatives include the following categories:

- **Plan Resources** – ensuring the plan remains consistently and well funded, while mitigating risk.
- **Administration & Governance** – ensuring successful administration of the program with the appropriate oversight.
- **Plan Design** – consideration of important and innovative plan features for participants.
- **Participant Outcomes** – supporting successful retirement outcomes for its participants.

The following chart details the initiatives. Those denoted by a **green arrow** will be prioritized over the others, should it be that other DCP required projects and ongoing tasks (see additional tables on the following pages) require more staffing resources than anticipated. Particularly, as 2024 will be the deadline for the City's payroll conversion in June and DWP's payroll conversion in December, it is anticipated that the associated time required will continue to be high.

## 2024 DCP Strategic Initiatives

| PLAN RESOURCES  |  |   |
|---|--|---|
| <b>1. Establish a Facility Plan for DCP Staff</b>                 |  |   |
|   | Goal:<br>❖ Identify a solution to separate facilities costs from the existing reimbursement rate.                              | Next Steps:<br>➤ By 2nd Quarter - identify whether to pursue a special or modified rate.  |
| <b>2. Plan Fee Review</b>   |  |   |
| ▲   | Goal:<br>❖ Review projection scenarios that can support new positions and initiatives long-term.                               | Next Steps:<br>➤ 1st Quarter - Initial report to be considered by the Admin Committee.<br>➤ By 3rd Quarter - Any follow ups to incorporate into 2025 Annual Resource Review.                |
| <b>3. Consideration of Fiduciary Liability Insurance</b>          |  |   |
| ▲   | Goal:<br>❖ Procure insurance broker and obtain quotes to determine whether the Board wishes to proceed with insurance.         | Next Steps:<br>➤ 1st Quarter: Release RFP.<br>➤ By 3rd Quarter: Finalize contract and approvals.  |
| <b>4. Initiate DCP Financial Audit</b>                            |  |   |
|   | Goal:<br>❖ Create an audit plan for the DCP.   | Next Steps:<br>➤ 1st Quarter - renew Crowe contract.<br>➤ By 3rd Quarter - review of reporting and controls required for audit.<br>➤ By 4th Quarter - preparation for 2024 audit completed. |
| ADMINISTRATION & GOVERNANCE                                       |  |   |
| <b>5. Internal Process Review and Documentation</b>               |  |   |
|   | Goal:<br>❖ Review internal processes and documents.  | Next Steps:<br>➤ Begin use of Task Manager.<br>➤ Complete review of internal guides.  |
| <b>6. Consideration of 5-Year Term for Elected Board Members</b>  |  |   |
|   | Goal:<br>❖ Consideration of 5-year term for elected Board members.   | Next Steps:<br>➤ 2nd Quarter: Outline steps and timeline required for this type of action with a meeting of the Administrative Governance Committee.  |
| PLAN DESIGN   |  |   |
| <b>7. Employer Match Considerations</b>                           |  |   |
| ▲   | Goal:<br>❖ Further discussion on parameters for an employer match program, should one be considered in the future by the City. | Next Steps:<br>➤ 1st Quarter - schedule a meeting of the ad hoc committee.  |
| <b>8. Expand Automatic Enrollment Program (AEP) Participation</b> |  |   |
| ▲   | Goal:<br>❖ Enroll more bargaining units.   | Next Steps:<br>➤ Through 2nd Quarter - Review and establish a framework with the TPA.<br>➤ 3rd and 4th Quarter - Outreach to labor.   |

| PARTICIPANT OUTCOMES   |  |
|--|--|
| <b>9. 2024 Participant Outcome Goals and Strategies</b>                          |  |
| Goal:<br>❖ Target behavioral change in participants.                             | Next Steps:<br>➤ Implement 2024 Communications Calendar      |
| <b>10. Investment Advisory and/or Financial Education Services Review</b>        |  |
| Goal:<br>❖ Consideration of investment advisory or financial education services. | Next Steps:<br>➤ Investment Committee to discuss the merits. |

### Projects Requiring to be Addressed/Completed in 2024

| PROJECT  | Status/Timing   |
|--|---|
| * <b>HRP System Conversion</b><br>● Testing and training, communications to participants   | ● City: Extended, expected go-live date is June 2024.<br>● DWP: Expected go-live at end of 2024.  |
| * <b>Contracts and Procurements</b><br>● New Investment Provider Contracts<br>● FDIC-Insured Savings Account - RFP Preparation and Contract Finalization<br>● Plan TPA - RFP Preparation                                   | ● Ongoing<br>● Contracts expire Sep. 30, 2024<br><br>● Contract expires Sep. 26, 2025 (unless up to two one-year options to extend are exercised) |
| <b>Investment Menu/Profile Fund Review</b><br>● Investment Policy Statement Review as required   | In progress   |
| * <b>Election Administration for DWP and Retired Board Seats</b>   | By June 30, 2024  |
| <b>SECURE 2.0 and Plan Document Updates</b><br>● Change to age for Required Minimum Distributions<br>● Elimination of the "first of the month" contribution rule<br>● Monitoring for updated guidance for other provisions |   |

### Ongoing Staff Duties

| STAFF DUTIES   | Frequency        |
|--|------------------|
| * Payroll Processing and Error Monitoring/Resolutions, for both City and DWP payroll systems   | Biweekly, Annual |
| Management of LA457@lacity.org email inbox   | Daily            |
| * Forms Review, Processing, Research<br><i>(for Accrued Leave, Special Catch-Up Enrollment, Purchase of Service Credit, DROP Rollover, etc.)</i> | Daily            |
| * Escalated/Unique Participant Issues  | As Required      |

|  | STAFF DUTIES  | Frequency |
|--|---|-----------|
|  | Coordination with plan providers and partners<br><i>(operational, communications, administrative, legal)</i>  | Ongoing   |
|  | General administration<br><i>(Board Report preparation &amp; distribution, budget, expenditures, staffing reimbursements, Ethics training &amp; filings, training &amp; travel program)</i> | Ongoing   |

\* Requiring significant staff effort and/or coordination with multiple department stakeholders.

Submitted by: Esther Chang, Defined Contribution Plan Manager

## Plan Year 2024

|                                   |  | 1st Quarter   | 2nd Quarter  | 3rd Quarter        | 4th Quarter                          |
|-----------------------------------|--|---|--|--------------------|--------------------------------------|
| <b>Strategic Initiatives 2024</b> | Establish a Facility Plan for DCP Staff                        | Identify whether to pursue a special or modified rate.  |  |                    |                                      |
|                                   | <b>Plan Fee Review</b>   | Initial report to be considered by the Admin Committee. | Any follow ups to incorporate into 2025 Annual Resource Review |                    |                                      |
|                                   | <b>Consideration of Fiduciary Liability Insurance</b>          | 1st Quarter: Release RFP.                               | Finalize contract and approvals.                               |                    |                                      |
|                                   | Initiate DCP Financial Audit                                   | Renew Crowe contract.                                   | Review of reporting and controls required for audit.           |                    | Complete preparation for 2024 audit. |
|                                   | Internal Process Review and Documentation                      | Begin use of Task Manager                               |  |                    |                                      |
|                                   | Consideration of 5-Year Term for Elected Board Members         |   | Outline steps and timeline required to the Admin Committee.    | Implementation.    |                                      |
|                                   | <b>Employer Match Considerations</b>                           | Schedule a meeting of the ad hoc committee.             |  |                    |                                      |
|                                   | <b>Expand Automatic Enrollment Program (AEP) Participation</b> | Review and establish a framework with the TPA.          |  | Outreach to labor. |                                      |
|                                   | <b>2024 Participant Outcome Goals and Strategies</b>           | Quarter campaign  | Quarter campaign   | Quarter campaign   | Quarter campaign                     |
|                                   | Investment Advisory and/or Financial Education Services Review | Contingent on Investment Committee recommendations.     |  |                    |                                      |

|                                |  |  |                               |  |   |  |
|--------------------------------|--|--|-------------------------------|--|---|--|
| <b>Other Required Projects</b> | Election Administration for DWP and Retired Board Seats  | Calendar coordination, eligibility lists, document preparation                                 | Election Day By June 30, 2024 | Board orientation and assuming office Ethics filing. |   |  |
|                                | HRP System Conversion - City   | Continued end-to-end and parallel testing, report testing. Extended go-live date is June 2024. |                               | Post go-live troubleshooting                         |   |  |
|                                | HRP System Conversion - DWP  | Begin end-to-end testing, parallel testing.  |                               |  | Go live anticipated 2024 end.   |  |
|                                | Investment Menu/Profile Fund Review  | Contingent on Investment Committee recommendations.  |                               |  |   |  |
|                                | SECURE 2.0 and Plan Document Updates<br><i>Change to age for Required Minimum Distributions</i><br><i>Elimination of the "first of the month" contribution rule</i><br><i>Monitoring for updated guidance for other provisions</i> | Review and update of content.<br>To be established March 2024.<br>Ongoing.                     | Troubleshooting as required.  |  |   |  |
|                                | Contracts<br><i>FDIC Contracts</i><br><br><i>Investment Provider Contracts</i><br><i>Plan TPA RFP Preparation</i>  | Renewal contingent on Inv. Committee recommendations.<br><br>Ongoing.                          |                               |  | * RFP preparation should begin, unless option to extend is exercised. |  |

|                |   |
|----------------|---|
| <b>Ongoing</b> | Payroll Processing & Error Monitoring/Resolution  |
|                | Participant Services (Forms Processing, Escalated Issues)   |
|                | Participant Outreach  |
|                | Content Management & Creation   |
|                | General Administration<br>* Invoices and expenditures, budget monitoring<br>* Contract and vendor review/monitor/management<br>* Board meeting & reports, governance<br>* Ethics filing, training & travel coordination |
|                |   |