



CITY OF *Los Angeles*

DEFERRED COMPENSATION PLAN

BOARD REPORT 18-41

Date: September 18, 2018

To: Board of Deferred Compensation Administration (Board)

From: Staff

Subject: Fiscal Year (FY) 19-20 Training/Travel Program and Training/Education/Travel Policy Revisions

Board Members

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Recommendation:

That the Board (a) approve FY 19-20 Training/Travel Program, and (b) approve proposed revisions to the Board's Training/Education/Travel Policy (Training Policy).

Discussion:

A. Background

This report addresses the proposed FY 19-20 Training/Travel Program. This report further addresses proposed revisions to the Training Policy in accordance with prior Board direction.

At the beginning of each calendar year, the Board adopts a budget for the City's Deferred Compensation Plan (the Plan). Included within that budget is an annual amount for training. Subsequently, in the Fall, staff provides the Board with a proposed Training/Travel Program for the subsequent fiscal year. The Board is asked to adopt the Training/Travel Program on a fiscal year basis due to the need to coordinate travel approval through the City's budget process. On behalf of the Board, the Personnel Department includes Board travel within its annual budget request.

For long-term budget planning, the Board assumes the Plan's administrative expenses, including for training, will grow 2% annually. Assuming 2% growth, the expected available amount for the FY 19-20 Training/Travel Program is the average of projected expenditures for calendar years 2019 and 2020. The adopted and assumed budget amounts for calendar years 2018, 2019, and 2020, as well as assumed budget amount for FY 19-20, are provided as follows:

Annual Period	Adopted/Assumed Budget
2018	\$ 32,357
2019	\$ 33,004
2020	\$ 33,664
FY 19-20	\$ 33,334

Additionally, at the January 16, 2018 Board meeting, staff presented a report regarding ongoing training requirements and a proposal to draft revisions to the current Training Policy. The purpose of the Training Policy is to provide a framework for promoting greater awareness of specific subject areas involved in administering the Plan. The Training Policy was last revised on July 18, 2017.

B. FY 19-20 Training/Travel Program Adoption

Staff has developed a proposed Training/Travel Program for FY 19-20 (**Attachment A**). The recommended internal and external training elements for FY 19-20 are consistent with those adopted for FY 18-19. Descriptions of proposed external training events are also included for reference (**Attachment B**). The adoption of the Training/Travel Program elements as identified in this report does not preclude the Board from requesting other training events at any point prior to or during FY 19-20. Should additional events be approved by the Board, staff will process the request(s) in accordance with the Board's direction and Board/City policies. Staff recommends that the Board adopt the proposed Training/Travel Program for FY 19-20.

C. Training Policy Revisions

At the Board's January 16, 2018 meeting, staff proposed and the Board approved two in-meeting training topics for 2018. The first of those trainings was conducted at the Board's July 17, 2018 meeting and included a review of fiduciary responsibilities and the Plan's Investment Policy Statement (IPS). Staff advised that, as part of discussing training best practices with the Board's consultant, Wendy Young-Carter of Segal Consulting (Segal), a reasonable fiduciary training cycle should repeat once every three years, or such other interval as may be deemed suitable. Staff indicated that in order to ensure that all Board members and staff receive Fiduciary/IPS training, it was recommended that the Board establish a schedule to ensure all Board members and staff receive the training no less than once every three years. Staff recommended that core elements of Fiduciary/IPS training involve the following:

- Fiduciary/IPS training would be provided to all new Board members/staff in connection with other onboarding on or around the time that an individual first begins working with the City's Plan;
- Fiduciary/IPS training would be mandatory for all Board members and staff not less than once every three years;
- All Board members/staff would receive Fiduciary/IPS training in 2018, with the due date for completion of the subsequent training to be completed by December 31, 2020, and within every three-year period thereafter;
- Any Board member/staff unable to attend an in-meeting training would be required to take the training at a rescheduled time but before the end of the three-year cycle.

Staff further recommended that additional proposed revisions to the Training Policy be incorporated to reflect requirements for (a) Ethics and Open Government Training, which all Board members are required to complete pursuant to City policy, and (b) Preventing Sexual

Harassment Training, which some Board members may not receive in the event they are not active City employees. These are proposed to be referred to as “Agency Required Training” in the Training Policy.

The Board directed staff to draft proposed revisions to the Training Policy and return to the Board for final approval. Proposed revisions to the Training Policy are included in **Attachment C**. Staff will work with the Board’s consultants to update training content. Staff is further proposing within the Training Policy to monitor completion of training modules and report on training compliance status during the first Board meeting of each new calendar year. Staff recommends that the Board approve proposed revisions to the Training Policy.

Submitted by: _____
Kevin Hirose

Reviewed by: _____
Isaias Cantú

Approved by: _____
Steven Montagna

PROPOSED FY 19-20 TRAINING/TRAVEL PROGRAM

EXTERNAL TRAINING										
Conference Travel (Eligible Conferences)	Tentative/Expected Date(s)	Approx. Per Member Cost	Approx. # Attendees	Maximum Cost	Fiduciary	Ethics	Regulatory	Best Practices	Plan Services	Investments
National Association of Governmental Defined Contribution Administrators (NAGDCA)	September 2019	\$2,500	TBD	\$ -	x		x	x		x
Pensions & Investments (East or West Coast) Defined Contribution Conference	West Coast October 2019 East Coast March 2020	\$1,350	TBD	\$ -	x		x	x		x
International Foundation of Employee Benefit Plans (IFEMP)	October 2019	\$2,500	TBD	\$ -	x		x	x		x
Plan Sponsor Council of America (PSCA)	May 2020	\$2,500	TBD	\$ -	x		x	x		x
Mercer Global Investment Forum	June 2020	\$2,500	TBD	\$ -	x		x	x		x
Plan Sponsor National Conference	June 2020	\$2,500	TBD	\$ -	x		x	x		x
International Foundation of Employee Benefit Plans (IFEBC) – Public Sector 401, 403, 457 Plans	June 2020	\$2,500	TBD	\$ -	x		x			x
Wharton School – Portfolio Concepts and Management	April 2020	\$6,000	TBD	\$ -	x		x			x
Wharton School – Advanced Investments Management	September 2019	\$6,000	TBD	\$ -	x		x			x
Total Conference Travel Slots				\$ 24,700.00						

Business Meeting Travel	Tentative Date(s)	Approx. Per Member Cost	Approx. # Attendees	Maximum Cost	Fiduciary	Ethics	Regulatory	Best Practices	Plan Services	Investments
California Defined Contribution Peer Network Meeting(s)	TBD	\$500	3	\$ 1,500.00	x		x	x		x
Third-Party Administrator Site Visit	TBD	\$1,500	2	\$ 3,000.00					x	
Total Business Meeting Travel Slots			5	\$ 4,500.00						

INTERNAL/ONSITE TRAINING										
Training	Tentative Date(s)	Approx. Per Member Cost	Approx. # Attendees	Maximum Cost	Fiduciary	Ethics	Regulatory	Best Practices	Plan Services	Investments
Fiduciary (at City)	TBD	\$67	15	\$ 1,000.00	x					
Investments (at City)	TBD	\$67	15	\$ 1,000.00						x
Best Practices (at City)	TBD	\$67	15	\$ 1,000.00		x		x		
Total On-site Training Costs			45	\$ 3,000.00						

PROPOSED FY 19-20 TRAINING/TRAVEL PROGRAM

INDIVIDUAL TRAINING PROGRAMS										
Training	Tentative Date(s)	Approx. Per Member Cost	Approx. # Enrollees	Maximum Cost	Fiduciary	Ethics	Regulatory	Best Practices	Plan Services	Investments
INFRE Retirement Plan Administrator Series	N/A	\$550	2	\$ 1,100.00	x		x	x		x
Total Training Program Costs			2	\$ 1,100.00						

TRAINING EXPENDITURES FY 19-20	\$ 33,300.00
PROPOSED TRAINING BUDGET FY 19-20	\$ 33,334.00
DIFFERENCE	\$ 34.00

1. National Association of Government Defined Contribution Administrators (NAGDCA)

NAGDCA is an organization consisting of government and industrial members pursuing legislative enhancements to defined contribution plans and providing educational benefits to its membership. The Annual Conference is focused on issues affecting state and local government administrators of primarily Section 457 defined contribution plans. The conference includes sessions reviewing federal legislative developments, current trends on plan design and administration, and education on plan fundamentals.

Travel dates: Expected September 2019
Travel destination: To be determined
Attendees: Available Board/staff members

2. Pensions & Investments (East or West Coast) Defined Contribution Conference

Pension and Investments is a financial publication dedicated to providing comprehensive retirement and investment industry information via its online and distributed print editions. The annual bi-coastal conferences are focused on defined contribution plan administration. The conferences are comprised of panel discussions and keynote speaker presentations regarding fiscal and administrative concerns. Conference registration for Plan Sponsors is complimentary if booked in advance.

Travel dates: Expected - West Coast, October 2019; and
 East Coast, March 2020
Travel destination: To be determined
Attendees: Two Board/staff members

3. International Foundation of Employee Benefit Plans (IFEMP)

The IFEBP is a non-profit organization that focuses on providing a wide array of educational and networking opportunities to professionals administering employee benefits and compensation. The Annual U.S. Employee Benefits Conference provides a wide array of seminar options, including investments and retirement topics.

Travel dates: Expected October 2019
Travel destination: To be determined
Attendees: Two Board/staff members

4. Plan Sponsor Council of America (PSCA)

The PSCA is a nonprofit association dedicated to serving the evolving needs of Defined Contribution (DC) plan sponsors that seek industry information, educational programs, and regulatory updates. PSCA currently assists more than six million plan participants and provides its members with programs and services to help them better manage their retirement plans.

Travel dates: Expected May 2020
Travel destination: To be determined
Attendees: Two Board/staff members

5. Mercer Global Investment Forum

Mercer is a world-wide firm comprised of professional consultants and experts in the fields of health and retirement. The Mercer Global Investment Forums focuses on investment and economic trends involving institutional investors and plan managers.

Travel dates: Expected June 2020
Travel destination: To be determined
Attendees: Two Board/staff members

6. **PLANSPONSOR National Conference**

PLANSPONSOR is an organization focused on trending topics of the retirement industry. The PLANSPONSOR National Conference is expected to address key priorities for retirement plan success.

Travel dates: Expected June 2020
Travel destination: To be determined
Attendees: Two Board/staff members

7. **International Foundation of Employee Benefit Plans (IFEBP) – Public Sector 401, 403, 457 Plans**

The IFEBP is a non-profit organization focused on providing a wide array of educational and networking opportunities to professionals administering employee benefits and compensation. Their Certificate Series programs can also be taken individually and separate from pursuit of a certificate.

Travel dates: Expected June 2020
Travel destination: To be determined
Attendees: Two Board/staff members

8. **Wharton School – Portfolio Concepts and Management**

In partnership with the IFEBP, the Wharton School of the University of Pennsylvania offers a Portfolio Concepts and Management 3½-day course including lecture/discussion sessions, problem-solving exercises, and small group breakout sessions. This course lays the groundwork for the core principles of portfolio theory and investment performance measurement.

Travel dates: Expected April 2020
Travel destination: To be determined
Attendees: One Board/staff member

9. **Wharton School – Advanced Investments Management**

In partnership with the IFEBP, the Wharton School of the University of Pennsylvania offers an Advanced Investments Management course: a 3 ½ - day intensive program focused on setting quality standards in investment management education. This program is designed to build upon what is learned in the Portfolio Concepts and Management program or participants' existing knowledge base and experience. The program is for individuals who have exposure to investment management fundamentals and seek to learn more.

Travel dates: Expected September 2019
Travel destination: To be determined
Attendees: One Board/staff member

CITY OF LOS ANGELES DEFERRED COMPENSATION PLAN
TRAINING/EDUCATION/TRAVEL ~~POLICIES~~ POLICY
BOARD MEMBERS AND STAFF

Adopted: July 18, 2017

Revised: September 18, 2018

I. DUTY AND RESPONSIBILITY

The Board recognizes that education and training support the proper fulfillment of Board/staff member roles and responsibilities, and that certain expenditures are required in relation to that and in order to exercise due diligence over Plan operations. The Board further recognizes that all such expenses for training, education, and travel are paid from participant fees and therefore all expenditures for these purposes must be appropriate and relevant, paid in accordance with City rules, policies and procedures, and the use of funds judicious, such that the expenditure will result in a demonstrable benefit to Plan participants.

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.

II. OBJECTIVE

The objective of the Board's ~~T~~training/~~and e~~Education/~~Travel~~ ~~policy~~ Policy is to promote awareness of the following subject areas involved in administering the Plan, and diligence in providing oversight of Plan operations:

- A. The obligations and role of a fiduciary and the paramount duties of loyalty and prudence.
- B. Ethics requirements dictated by State/City law as well as adopted by Board policy.
- C. The legal and regulatory framework for defined contribution plans generally and Section 457 plans specifically.
- D. The best practices of similar organizations administering similar programs.
- E. The ongoing administrative operations, processes and practices involving the Plan's service providers and staff.
- F. Principles of investment manager selection and performance review.

III. TRAINING & EDUCATION PROGRAM

A. Topics/Resources/Applicability

Following is a summary of primary training/education topics; potential training resources; and their customary applicability to Board members and staff.

Educational Category	Topic	Potential Training Sources	Board Member Training	Staff Training	Completion Status
Orientation	Overview of Plan history, statistics, governance, demographics, fees, and administration.	Personnel Department Staff ; third-party administrator	x	<u>x</u>	<u>Mandatory</u>
Fiduciary Responsibilities/ <u>Investment Policy Statement</u>	Review of fiduciary responsibilities of administering the Plan; <u>review of the Deferred Compensation Plan Investment Policy Statement</u>	External fiduciary training specialists; consultants; Board counsel; third-party administrator	x	<u>x</u>	<u>Mandatory</u>
Brown Act and Governance Policies/Bylaws Ethics Responsibilities	Review of <u>the Ralph M. Brown Act, and the Governance Policies/Bylaws</u> State and City ethics laws as they relate to contracting, code of ethics, conflict of interest, and the procurement process, and other topics	<u>Board counsel</u> ; Bi-annual State/City training	x	x	<u>Mandatory</u>
<u>Agency Required Training</u>	<u>Completion of the Ethics and Open Government Training, Preventing Sexual Harassment Training, and other topics as required by the City.</u>	<u>Citywide Training Portal/Online Training Academy.</u>	<u>x</u>	<u>x</u>	<u>Mandatory</u>
Legal/Regulatory	Review of Federal laws and regulations related to administration of a Section 457 plan	Conferences; consultants; Third-Party Administrator.	x	x	<u>Recommended</u>
Best Practices	Review of best practices of other defined contribution plan administrators	Peer networks; conferences; consultants; Third-Party Administrator.	x	x	<u>Recommended</u>
Plan Services & Administration	Monitoring of services/operations of Plan Third-party Party administrator	Site visits for staff; operations training for Board members.	x	x	<u>Recommended</u>
Investments	Review of principles of investing, investment monitoring, and investment menu design relevant to defined contribution plan administration	Consultants; conferences; external training specialists.	x	x	<u>Recommended</u>

B. Internal/In-Meeting Education Resources

The Board may utilize in-house resources periodically at regular Board meetings or organized as stand-alone sessions, available from the following:

1. *Personnel Department Staff* – Personnel Department staff may provide expert resources regarding the City's internal administrative operation of the program, as well as the institutional history of development of rules, policies, and procedures.

2. *City Attorney Staff* – City Attorney staff may provide expert resources regarding fiduciary, ethics, and legal/regulatory matters.
3. *Plan Administrator* – The City’s Plan Administrator may provide expert resources regarding fiduciary law, legal/regulatory matters, best practices of other plans, and plan services and administration.
4. *Consultant* – The Board’s consultant may provide expert resources regarding fiduciary law, legal/regulatory matters, best practices of other plans, and investment-related issues.
5. *Subject Matter Experts* – Subject matter experts may provide expert resources regarding fiduciary law, legal/regulatory matters, best practices of other plans, and investment-related issues.

C. External/Non-Local Education Resources

1. *Conferences* – External conference events may provide expert resources regarding fiduciary law, legal/regulatory matters, best practices of other plans, and investment-related issues.
2. *Business Meetings* – External business meetings of professionals in the field of defined contribution administration may provide expert resources regarding fiduciary law, legal/regulatory matters, best practices of other plans, and investment-related issues.

D. Annual ~~Education Training/Travel~~ Program

In ~~July~~ the third quarter of each calendar year staff will prepare for Board adoption a proposed ~~education Training/Travel program~~ Program for the fiscal year which begins one year following. Once adopted, staff, on behalf of the Board, will include any travel requests related to the annual ~~education Training/Travel program~~ Program in the Personnel Department’s proposed budget.

In instances where the Board ~~members or staff identify~~ approves attendance at seminars, conferences, or meetings involving travel which ~~have~~ yes not been previously included and adopted in the Personnel Department’s budget, Personnel Department staff will facilitate the necessary request for budgetary approval.

The ~~education Training/Travel program~~ Program will include the names of eligible external conferences and training events that Board and staff members may attend. The program will include a maximum number of training slots (including all Board members and the professional staff who support the Plan) for the fiscal year. Because there are limited resources and a limited number of training slots, these slots will be offered to Board members and staff on a sequential basis, such that any Board member or staff who declines or is unable

to participate in one training opportunity will be provided first opportunity to participate in a subsequent training opportunity.

E. Mandatory Training

Upon meeting eligibility requirements by virtue of being appointed to a City-designated position or by way of election certification by the Office of the City Clerk, each Board/staff member will be required to complete the following:

1. Orientation

Staff will schedule an orientation meeting with the new Board member prior to the first Board meeting that he/she is eligible to attend or within one month of an employee becoming a Plan staff member.

2. Fiduciary Responsibilities and Investment Policy Statement Training (IPS)

Any newly-elected Board member shall be provided with Fiduciary Responsibilities and IPS training, prepared by the City's consultants, which shall be provided concurrent with or prior to the first Board meeting that he/she is eligible to attend. Board member(s) shall inform staff of completion of the training. Staff shall also be required to complete the training concurrent to or prior to the first Board meeting he/she is eligible to attend.

Starting in July 2018 and every three-years thereafter, staff will schedule the City's consultant(s) to provide a Fiduciary and IPS training at or upon the earliest available meeting in the third quarter (July through September) of the calendar year. Board member(s) not able to attend the meeting shall be provided with a recording of the training and required to inform staff of their completion of the training. Staff shall also be required to complete this training.

3. Ralph M. Brown Act (Brown Act) and Governance Policies/Bylaws

Any newly-elected Board member shall be provided with training on the Brown Act prepared by the Board's counsel, which shall be provided within six months following his/her initial Board meeting. Upon receiving the training, any newly-elected Board member(s) shall inform staff of completion of the training. Staff shall also be required to complete the training within six months following his/her initial Board meeting.

Starting with the fourth quarter of 2018 and continuing not less than every three-years thereafter, staff will schedule the Board's counsel to provide training on the Brown Act. Brown Act training shall also address the Board's Governance Policies/Bylaws as they relate to the Code of Ethics and procurement processes. Board member(s) not able to attend the meeting shall be provided with a

recording of the training and required to inform staff of their completion of the training. Staff shall also be required to complete this training.

4. Agency Required Training

The City of Los Angeles requires completion of training courses to maintain compliance with State and/or Local laws. This requirement extends to Board members and staff. The training may consist of, but is not limited to, the following:

- Ethics and Open Government Training
- Preventing Sexual Harassment

Staff will work with each Board member and the City's Personnel Department to ensure compliance with mandatory training programs.

IV. TRAINING, EDUCATION AND/OR TRAVEL EXPENDITURE AUTHORIZATION AND REIMBURSEMENT

The following policies will govern all travel in support of training and training and education expenditures paid for by the Plan:

- A. All training, education, and travel in support of training expenditures must be pre-approved by the Board and Council and Mayor as applicable.
- B. Notwithstanding subsection (a), the Board Chairperson shall have authority, with the concurrence of the General Manager Personnel Department, to authorize training, education, and/or travel in support of training expenditures of up to ~~\$3,000~~ ~~2,500~~ per person per event in those instances where an opportunity for immediate training is identified and there is insufficient time to bring the training request to the full Board without either (a) losing the training opportunity or (b) creating the likelihood for significantly higher travel expenses due to the proximity of the training event to the next available Board meeting. In no event shall the costs of a training authorized pursuant to this subsection exceed the average per-person conference expense provided for in the ~~a~~Annual ~~Education~~ Training/Travel Program. Staff shall provide a report on expenditures authorized under this provision to the full Board at the next regular Deferred Compensation Board meeting or as soon as feasible.
- C. All Board members and staff will comply with the travel guidelines set forth in Division 4, Chapter 5, Article 4 of the Los Angeles Administrative Code, and with the ~~t~~Travel ~~p~~Policy~~ies~~ and guidelines set forth by the Office of the City Controller and as may be modified from time to time.
- D. To be eligible to attend and be reimbursed for an external conference or training event, all Board members and staff attending are expected to attend all regular days of the event.

- E. Reimbursement of training and travel expenses will not be made absent the attendee submitting all necessary documents completed to the satisfaction of Controller guidelines and within the deadlines established by the Controller, including but not limited to travel expense worksheets, required receipts, and conference evaluations.
- F. The Board Chairperson shall serve as the initial approving authority of a Personal Expense Statement (PES) submitted by a member of the Board and/or Plan staff. The Vice Chairperson shall serve as the initial approving authority of a PES submitted by the Board Chairperson. The Personnel Department will then review and execute the reimbursement in accordance with City policy.
- G. In the event the Personnel Department reaches a finding relative to a PES contrary to both the claim of the individual requesting reimbursement and the finding of the initial approving authority, the Chairperson of the Board of Deferred Compensation Administration, or the Vice Chairperson, if the finding involves the Chairperson's PES, may request that the Personnel Department refer the matter to the City Controller's office for additional review. Any decision of the City Controller relative to the PES shall be final.
- H. At the first Board meeting of each calendar year staff shall prepare a report to the Board indicating all training activity for Board members and staff over the prior calendar year.