

Deferred Compensation Plan

BOARD REPORT 17-35

Date: October 17, 2017

To: Board of Deferred Compensation Administration

From: Staff

Subject: Third-Party Administrator Transition Update

*Board of Deferred
Compensation Administration
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Michael Amerian, Vice-Chairperson
Cliff Cannon, First Provisional Chair
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Recommendation:

That the Board of Deferred Compensation Administration receive and file staff update regarding the Deferred Compensation Plan's Third-Party Administrator (TPA) transition.

Discussion:

At its special meeting of September 6, 2016, the Board approved the selection of Voya Institutional Plan Services ("Voya") as the TPA for the City's Deferred Compensation Plan pursuant to the Board's Request for Proposal (RFP) for TPA and trustee services for the City's Deferred Compensation Plan. This report provides an update on the transition, which was completed as scheduled on October 2, 2017.

A. Contract Execution

The contracts with Voya Institutional Plan Services (VIPS) and Voya Institutional Trust Company were executed on September 25, 2017, prior to the formal implementation of Voya's services. The effective dates of both contracts are September 27, 2017 through September 26, 2022.

B. Data Conversion and System Interfaces

Data Conversion - The conversion or "blackout" period began Wednesday, September 27 with a target conversion completion or "go live" date of Monday, October 2, meaning that participants would be able to access their account information and conduct transactions. The website went live for staff and Voya review on Sunday, October 1 and, based on the fact that the fundamental records and functionality were intact, the target go-live date of October 2 was met.

Primary conversion records received from the outgoing TPA, Empower Retirement, and processed by Voya included:

- Share values for the Deferred Compensation Plan composite funds
- Detail files, including participant contribution elections, investment deferral allocations, balances, and loan information
- Files detailing Self-Directed Brokerage Window (SDBO) balances

- Summary investment and tax-status files, including investment balances by money source (e.g. pre-tax, Roth, rollover account type)
- Investment price files, containing daily share prices since 2000 (required for historical performance return information provided on the Plan website)
- Participant indicative data, including dates of birth, dates of death, beneficiary designations, and Required Minimum Distribution (RMD) records

For October 2-3, Voya scheduled its senior transition manager (John Morrissey) and ongoing account manager (Maura Gee) to be present at the Employee Benefits Division to assist with transition management issues. Relationship manager Michelle Williams was also present on October 2. Mr. Morrissey extended his stay through October 4 to provide further assistance. This resource dedication proved extremely valuable to being able to quickly and efficiently identify and resolve issues as they arose.

Some of the post-conversion issues which arose but were resolved include the following:

- SDBO Balance Updates on Voya Website – On October 2 the Voya website accurately reflected SDBO balances for participants with SDBO accounts. The balance information is updated via an exchange of file information with the SDBO provider, Charles Schwab (Schwab), where the funds are held. In the process of processing a minor correction to a “last date of update” displayed on the website, the posted balance information was incorrectly updated, requiring that the file exchange be re-processed over the next 24 hours in order to reflect the correct balances. Participants logging into their SDBO accounts always saw the correct balance amounts.
- SDBO Contribution Posting – There was a delay in the posting of SDBO contributions to participants from the prior week’s payday. Although the funds were timely transferred to Schwab, Schwab encountered difficulties in loading the file in order to properly allocate the contributions to each participant’s account. The issue was corrected on October 4.

System Interfaces – The contribution files for the September 26/27 DWP and City paydays, respectively, were properly received and posted by Voya on September 29, prior to the go-live date. All contributions and loan repayments (outside of the SDBO contributions noted above) were properly received and posted without incident. Voya has also processed contributions for the October 10/11 DWP and City paydays, respectively.

Participants are presently able to make percent-of-pay contribution elections on the Plan website, although the effective date of those changes will not be until early November. Department of Water and Power (DWP) payroll staff have completed programming for processing percent-of-pay contribution elections, to be available for the November 7 payday. Hess and Hess and Associates (programmers for the City’s PaySR system) are finalizing programming of percent of pay elections within PaySR, which will first be implemented for the City’s November 8 payday.

Plan Asset Balance – All Plan assets were fully reconciled by Voya and balances matched exactly to the totals sent by Empower. A summary and detailing of the reconciled assets will be provided to the Board at its November meeting.

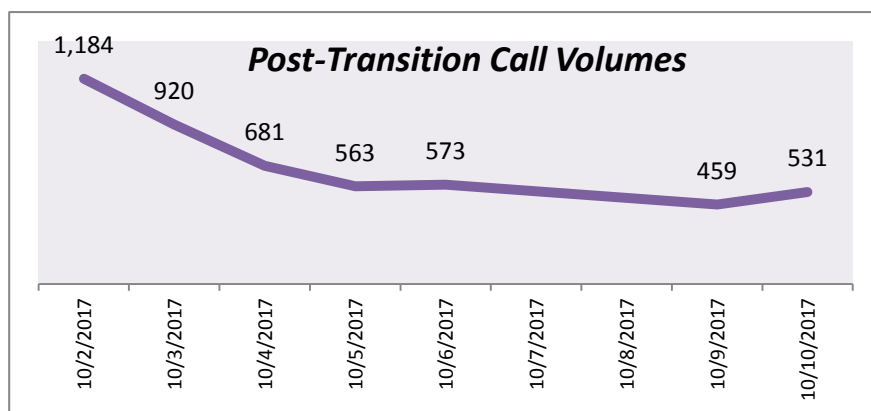
Participant Website Interface – As of writing of this report, 6,682 unique participants have established online user accounts with the new Voya website, and 996 have logged in to the mobile application. Some participants initially had challenges with setting up user accounts, particularly as that involved introduction to Voya’s new and more secure multi-factor authentication process. Multi-factor authentication is a security system that requires more than one method of authentication from independent categories of credentials to verify the user’s identity for a login or other transaction. In the City’s case, when participants enrolled, they were required to provide either a Social Security number plus the Personal Identification Number (PIN) mailed to them immediately prior to conversion, or a Social Security number plus a date of birth as well as answers to additional questions validating the participant’s identity. Although for most participants the process was seamless, some participants had challenges particularly if they were trying to sign in without the PIN. In those cases, if the participant was unable to provide answers to the authentication questions, they could establish the online account but would be limited with respect to withdrawing from funds from their accounts pending issuance of a PIN number reminder mailing.

In addition, it was determined that the web address indicated on the mailing, if typed exactly (<https://la457.com>) did not work on certain browsers. This was corrected as soon as the problem was identified. Since most participants typed in “la457.com” or “www.la457.com” the impact of this did not appear to be widespread.

Some participants reported that the website loaded slowly. When this was reported to Voya, Voya took steps to optimize the site to decrease load times. In some cases, users were not able to load the site at all. In those cases, users could clear their browser cache to load the site.

C. Communications

Call Center Activity – As indicated in the chart below, call center activity peaked on the first day of the conversion and has generally declined steadily (note that October 9 was a City holiday).



Participant Correspondence – A Go Live announcement (**Attachment A**) has been mailed to all Plan participants. The announcement confirms that the conversion has been completed and provides

additional information to help guide participants to accessing services.

The Go Live mailing also provides information about four webinars that have been scheduled for the month of October. Voya is also working on developing outlines for additional informational sessions (both in-person and via webinar) to assist participants with learning about new services, processes, and features. These sessions are being designed in response to feedback from participants that is being received from local staff and the call center.

Online Enrollment – Staff and Voya have finalized a special introductory enrollment invitation communication to be sent to approximately 15,000 current City employees who are eligible to participate in the Plan but have not previously enrolled. The enrollment invitation is expected to be issued no later than the third week of October. These non-participants will also be provided with a PIN number that will allow them to enroll online if they choose. The mailing will include a cover letter and brochure for the Plan; the PIN number will follow within a few days. Going forward, newly eligible employees will automatically be issued enrollment information at time of hire.

Local Service Center Staffing – As noted in the last Board report, Voya has provided staff to the City Hall office since September 18, 2017. Two previous Empower local representatives servicing the City's Plan, La Tanya Harris and Leslie Yoshioka, have been hired by Voya and are continuing their local service roles with the City's Plan.

D. Cyber-Security Presentation

In light of the change to Voya and new security features that have been implemented for the City's Plan, staff is coordinating a presentation on cyber-security from Voya and the Board's Segal Consulting consultant, Wendy Young-Carter, for the November 21 Board meeting. The meeting will review in substantive detail both Plan-level and participant-level security protocols in place for the City's Plan. Ms. Young-Carter will also provide additional context regarding how the defined contribution provider community is addressing cyber-security more broadly.

Submitted by:

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