

**BOARD OF DEFERRED
COMPENSATION ADMINISTRATION**

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CALIFORNIA**



ERIC GARCETTI
MAYOR

**PERSONNEL DEPARTMENT
EMPLOYEE BENEFITS DIVISION**
200 NORTH SPRING STREET, ROOM 867
LOS ANGELES, CA 90012
(213) 485-4846

(Date)

Honorable Ron Galperin, City Controller
Attn: Georgia Mattera, Chief Deputy Controller
200 N. Main Street, Room 300
Los Angeles, CA 90012

**DEFERRED COMPENSATION PLAN – CHANGE IN THIRD-PARTY-
ADMINISTRATORS**

The purpose of this correspondence is to request the assistance of the City Controller in ensuring a successful transition of service providers for Third-Party-Administration of the City of Los Angeles Deferred Compensation Plan (“the Plan”). This is related to a September 6, 2016 decision made by the City’s Board of Deferred Compensation to select Voya Institutional Plan Services (“Voya”) to replace the incumbent provider, Empower Retirement (“Empower”). The effective transition date for this change in providers is targeted for the third quarter of 2017.

Background - In 1983 the City of Los Angeles established a Deferred Compensation Plan under Internal Revenue Code Section 457 as an optional supplementary retirement savings vehicle for all Civilian, Sworn and Department of Water and Power (DWP) employees who are members of one of the City’s three primary defined benefit retirement/pension plans. The City’s Plan allows employees to set aside a portion of their compensation up to applicable annual Federal contribution limits on a tax-advantaged basis. The mission of the Plan is to assist City employees in achieving retirement income security. The City’s Plan presently has approximately 42,000 participants and almost \$5 billion in assets.

The City Council established the Board of Deferred Compensation Administration to oversee the Plan. The Board is composed of nine members representing the various constituencies of its participant population. The City Council further established the Personnel Department as the Plan administrator. The Board and the Personnel Department have a statutory and fiduciary obligation to act solely in the best interests of Plan participants.

Service Provider Selection and Transition - In 2016 the Board conducted a procurement process for the Plan’s Third Party Administrator (TPA) provider. On September 6, 2016, the Board approved the selection of Voya to replace Empower. The

Board has established a target transition date for the third quarter of 2017 but no later than September 30, 2017.

The mission of the transition to and ongoing service partner relationship with Voya is to support Plan participants in creating and maintaining their individual retirement income security. In support of this mission, key objectives for the Board and Voya include:

- 1) Incorporating and evolving the most current technology and tools to help participants assess their ongoing progress towards retirement income security
- 2) Enhancing participant support by further developing personalized, customer-focused Participant Advocate resources
- 3) Streamlining and simplifying administrative and operational processes to support participants in effectively executing desired transactions
- 4) Ongoing development of innovative engagement campaigns and communication materials to assist participants in interpreting and acting on relevant information in support of their retirement income security
- 5) Incorporating a broad success framework of goals, strategies and measured results for ongoing assessment of the Plan's success in supporting its participants

Each one of these key objectives is supported in significant ways by data availability from the City's payroll systems. Assistance from your staff will be crucial to secure a successful transition as well as deliver many of the service enhancements that are available to the City related to the exchange of payroll data between the City and Voya. Included among these enhancements are:

- Expanding demographic data provided by the City's payroll systems to the TPA in order to create targeted engagement and communication campaigns to better support each employee in creating their individual retirement income security
- Implementing automatic enrollment payroll functionality
- Implementing a percent-of-pay contribution option
- Improving participant and plan-level reporting to incorporate goals, strategies and metrics to help the City's Plan create more successful participant outcomes
- Improving customer service and efficiency in processing participant distributions

In order to implement these enhancements, we are specifically requesting an expansion of the data provided by the City's payroll systems regarding both the participant and eligible employee populations. This provides an important mechanism to expand the Plan's communication efforts in order to create more successful participant outcomes.

In addition, we are requesting creation of a mechanism within the payroll system to process participant deferral elections as a percent of pay (instead of being limited, as they are currently, to making deferral elections only in dollars). This will allow us to not only implement automatic enrollment for those employee bargaining groups that elect to offer it to their members, but more importantly support our efforts to assist Plan participants in conceptualizing the relationship between contributions and retirement

income replacement. This will create improved and more successful participant outcomes.

We are requesting that your Department identify a central point of contact for these efforts and communicate this to the Plan's Executive Director, Steven Montagna. You can reach Mr. Montagna at (213) 978-1621 or via email at steven.montagna@lacity.org.

We thank you in advance for your support of this important initiative and look forward to an ongoing dialogue with you as we move towards implementation.

John R. Mumma, Chairperson
Board of Deferred Compensation Administration

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(Date)

Jeff Peltola, Chief Financial Officer
Attn: Andrew Virzi, Assistant Controller
Department of Water and Power
111 N. Hope Street
Los Angeles, CA 90012

**DEFERRED COMPENSATION PLAN – CHANGE IN THIRD-PARTY-
ADMINISTRATORS**

The purpose of this correspondence is to request the assistance of the Department of Water and Power in ensuring a successful transition of service providers for Third-Party-Administration of the City of Los Angeles Deferred Compensation Plan (“the Plan”). This is related to a September 6, 2016 decision made by the City’s Board of Deferred Compensation to select Voya Institutional Plan Services (“Voya”) to replace the incumbent provider, Empower Retirement (“Empower”). The effective transition date for this change in providers is targeted for the third quarter of 2017.

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- 3) Streamlining and simplifying administrative and operational processes to support participants in effectively executing desired transactions
- 4) Ongoing development of innovative engagement campaigns and communication materials to assist participants in interpreting and acting on relevant information in support of their retirement income security
- 5) Incorporating a broad success framework of goals, strategies and measured results for ongoing assessment of the Plan's success in supporting its participants

Each one of these key objectives is supported in significant ways by data availability from the City's payroll systems. Assistance from your staff will be crucial to secure a successful transition as well as deliver many of the service enhancements that are available to the City related to the exchange of payroll data between the City and Voya. Included among these enhancements are:

- Expanding demographic data provided by the City's payroll systems to the TPA in order to create targeted engagement and communication campaigns to better support each employee in creating their individual retirement income security
- Implementing automatic enrollment payroll functionality
- Implementing a percent-of-pay contribution option
- Improving participant and plan-level reporting to incorporate goals, strategies and metrics to help the City's Plan create more successful participant outcomes
- Improving customer service and efficiency in processing participant distributions

In order to implement these enhancements, we are specifically requesting an expansion of the data provided by the City's payroll systems regarding both the participant and eligible employee populations. This provides an important mechanism to expand the Plan's communication efforts in order to create more successful participant outcomes.

In addition, we are requesting creation of a mechanism within the payroll system to process participant deferral elections as a percent of pay (instead of being limited, as they are currently, to making deferral elections only in dollars). This will allow us to not only implement automatic enrollment for those employee bargaining groups that elect to offer it to their members, but more importantly support our efforts to assist Plan

participants in conceptualizing the relationship between contributions and retirement income replacement. This will create improved and more successful participant outcomes.

We are requesting that your Department identify a central point of contact for these efforts and communicate this to the Plan's Executive Director, Steven Montagna. You can reach Mr. Montagna at (213) 978-1621 or via email at steven.montagna@lacity.org.

We thank you in advance for your support of this important initiative and look forward to an ongoing dialogue with you as we move towards implementation.

John R. Mumma, Chairperson
Board of Deferred Compensation Administration

c: Ann Santilli, Controller-Assistant CFO