

**CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION (BOARD)**

PROPOSED MINUTES
MEETING OF MARCH 16, 2021
CONDUCTED VIA TELECONFERENCE

BOARD MEMBERS

Present:

Thomas Moutes, Chairperson
Raymond Ciranna, Vice-Chairperson
Robert Schoonover, First Provisional Chair
Wendy G. Macy, Second Provisional Chair
Joshua Geller
Neil Guglielmo
Baldemar J. Sandoval

Not Present:

Linda P. Le

PERSONNEL DEPARTMENT STAFF

Steven Montagna, Chief Personnel Analyst
Jenny M. Yau, Senior Management Analyst II
Mindy Lam, Personnel Analyst
Eric Lan, Management Assistant

OFFICE OF THE CITY ATTORNEY

Charles Hong, Deputy City Attorney

MERCER INVESTMENT CONSULTING

Devon Muir, Principal

1. CALL TO ORDER

Mr. Moutes called the meeting to order at 9:06 a.m.

2. PUBLIC COMMENTS

There were no public comments.

3. MINUTES

Board Action:

A motion was made by Mr. Ciranna, and seconded by Mr. Guglielmo, to approve the minutes of the February 16, 2021 regular meeting of the Board of Deferred Compensation Administration; the motion was unanimously adopted.

4. BOARD REPORT 21-12: STABLE VALUE FUND

Presentation Highlights:

Mr. Montagna presented this report and provided the following highlights:

- Staff is providing an updated recommendation for the Board's approval to provide for a five-year contract term with Galliard Capital Management (Galliard) for Stable Value Fund management services.
- On February 23, 2021, staff received notice from Galliard regarding Wells Fargo's sale of its asset management business.
- Mercer's review and analysis of the sale is provided in Attachment B.
 - Mr. Muir noted that Wells Fargo was pursuing the sale of its asset management division, of which Galliard is a wholly owned subsidiary.
 - The sale totaled \$2.1 billion and Wells Fargo will retain about a 10% stake.
 - Galliard will retain a similar working relationship under the new entity as existed under the Wells Fargo asset management umbrella.
 - All senior leadership will be retained by Galliard.
 - Mercer will be monitoring this new organizational relationship closely, but overall views this transaction as positive news.

Board Member Comments/Questions & Responses:

Mr. Ciranna asked if Mercer will keep this type of transaction on watch for a period of time. Mr. Muir confirmed yes and noted that Mercer will continue to meet with managers at least once a year but in this situation, will be increasing the frequency to three or four times.

Mr. Geller asked if Mercer could determine the intention of the purchase by the private equity firms, as typically these firms engage in transactions for a defined time horizon with specifically defined exit strategies. He further asked if the new owners would foster a long-term relationship with the DCP. Mr. Mike Norman, Senior Managing Principal of Galliard indicated that the new owners support a growth strategy for stable value business and is investing operational and technology enhancements. He stated that Galliard will continue to operate independently but can access the buyer's resources to build greater efficiencies. Mr. Muir noted that Reverence Capital has a history of acquiring asset management firms and appears to be a long-term investor.

Mr. Sandoval asked if fees will be impacted. Mr. Norman replied that there is a potential for fees to come down.

Board Action:

A motion was made by Mr. Guglielmo, and seconded by Mr. Ciranna, that the Board approve a five-year contract term with Galliard Capital Management to provide Stable Value Fund management services for the Deferred Compensation Plan (DCP) effective January 1, 2022 to December 31, 2027; the motion was unanimously adopted.

5. BOARD REPORT 21-13: SECURE ACT AND CRA PROVISIONS

Presentation Highlights:

Mr. Montagna presented this report and provided the following highlights:

- Staff intended to bring optional provisions for the Board to adopt under the SECURE Act as part of the review of the Plan Document but is recommending the Board take action on these provisions now in response to participant inquiries.
- Page 2 provides a summary of the optional provisions for the Board to adopt:
 - 1) Distributions of up to \$5,000 for birth/adoption and option for participants to return distributed funds.
 - 2) In-service distribution for those who turn 59.5 years old. Prior to the SECURE Act, plan sponsors could permit in-service distributions for participants who had reached age 70.5 (that provision had not been previously adopted into the DCP).
 - 3) Temporary disaster relief allows for distributions or loans of up to \$100,000 if the participant resides within a non-COVID disaster area for a disaster declared between January 1, 2020 and February 25, 2021.
- These provisions provide greater flexibility for DCP participants in how they choose to use their DCP assets.

Board Member Comments/Questions & Responses:

There were no comments and/or questions from the Board.

Board Action:

A motion was made by Mr. Schoonover, and seconded by Mr. Ciranna, that the Board: (a) adopt the SECURE Act provision permitting a participant experiencing a qualified birth or adoption, as described under Internal Revenue Code Section 72(t)(H), to request a withholding tax-free (but not an income tax-free) distribution in an amount up to \$5,000 within one year from the date of a qualified birth or adoption, and to be able to return those funds to the plan in an aggregate amount not to exceed the amount distributed through one or more contributions; (b) adopt the SECURE Act provision permitting participants to make withdrawals from their accounts beginning with the calendar year in which they turn age 59 ½; (c) adopt the CRA provision permitting participants who reside within a non COVID-19 related presidentially declared disaster area – for a disaster declared between January 1, 2020 and February 25, 2021 – to take a distribution or loan of an amount up to \$100,000 subject to all other applicable eligibility requirements; (d) authorize the Board Chairperson to execute a plan sponsor letter of direction to Voya to make these adopted provisions available to DCP participants; and (e) direct staff to incorporate the adopted provisions into the draft revised DCP Plan Document to be presented to the Board; the motion was unanimously adopted.

6. BOARD REPORT 21-14: DEFERRED COMPENSATION PLAN REQUEST FOR PROPOSALS – INVESTMENT CONSULTING SERVICES

Presentation Highlights:

Ms. Yau presented this report and provided the following highlights:

- One of the 2021 DCP strategic initiatives is to complete a Request for Proposal (RFP) for investment consulting services.
- The current contract with Mercer expires on December 31, 2021.
- The draft of the RFP is provided in Attachment A.
- The RFP contains the City’s general contracting requirements. While DCP investment management services are exempted from many of these requirements, this exemption does not apply to DCP consulting services.
- The DCP procurement reminder for Board members and staff is included in Attachment B.
- The timeline for RFP issuance, evaluation of proposals, recommendation of selection, and the commencement of services is provided on page 3 of the report.

Board Member Comments/Questions & Responses:

Mr. Ciranna asked if the RFP includes language for the Board to request presentations from finalists. Ms. Yau indicated the RFP should include this language but staff will do a final check prior to the RFP release.

Mr. Ciranna noted some edits to the RFP – adding new asset classes in Section 2.0 and real estate and other alternative investments in question 44 of the RFP questionnaire. Ms. Yau replied that staff will include these edits in the final RFP prior to release.

Board Action:

A motion was made by Mr. Ciranna, and seconded by Mr. Guglielmo, that the Board approve and authorize the issuance of the draft RFP for investment consulting services for the City of Los Angeles DCP; the motion was unanimously adopted.

7. BOARD REPORT 21-15: DEFERRED COMPENSATION PLAN FINANCIAL AUDIT

Presentation Highlights:

Mr. Montagna presented this report and provided the following highlights:

- Due to several challenges including staff vacancies, work priorities, and the transition to a new payroll system, staff is recommending the Plan audit be postponed.
- Audit support work from staff is labor intensive and the City’s payroll transitions suggest support from the Controller’s Office, ITA, and DWP in retrieving data and records would be minimal at best.
- The two current vacancies raise concerns that the audit work would not be completed timely leading potentially to additional expenses if data becomes outdated.
- Staff provided an update on the hard-hiring freeze with all exemption requests being held by the CAO.

Board Member Comments/Questions & Responses:

Mr. Ciranna asked which position, either the Plan Manager or Senior Personnel Analyst I, has hiring priority. Mr. Montagna stated that the Plan Manager is a more critical position. Mr. Moutes

stated that there is a fiduciary responsibility for the Board and the politicians involved in the decision-making process to fill these positions.

Board Action:

A motion was made by Mr. Guglielmo, and seconded by Mr. Schoonover, that the Board defer commencement of the DCP financial audit until the DCP Senior Personnel Analyst I or the Defined Contribution Plan Manager position is filled and, once one or more positions is filled, direct staff to return to the Board with an updated recommendation; the motion was unanimously adopted.

8. BOARD REPORT 21-16: DEFERRED COMPENSATION PLAN CONTRACTS

Presentation Highlights:

Ms. Yau presented this report and provided the following highlights:

- The delay in the City’s contract processing impacted three DCP contracts:
 - 1) Contracts with Galliard and Mercer both expired on June 30, 2020 and were extended by the Board through December 31, 2021. The contract extensions for both contracts have not been executed.
 - 2) A new five-year contract with Segal was awarded by the Board in August of 2020 and has not been executed.
- Per the Board’s direction at its last meeting, staff prepared a draft letter from the Board to the Mayor’s Office and the Office of the City Administrative Officer (CAO) requesting that DCP contracts be expedited for approval.

Board Member Comments/Questions & Responses:

Ms. Macy asked if the CAO is aware the letter will also be directed to their office. Ms. Yau confirmed yes.

Board Action:

A motion was made by Mr. Sandoval, and seconded by Mr. Geller, that the Board authorize the Board Chairperson to sign and submit the attached letter from the Board to the Mayor’s Office and Office of the City Administrative Officer (CAO) regarding pending DCP contracts; the motion was unanimously adopted.

9. BOARD REPORT 21-17: ELECTION OF OFFICERS – PROVISIONAL CHAIR VACANCIES

Presentation Highlights:

Ms. Yau presented this report and provided the following highlights:

- Mr. Hovhannes Gendjian retired effective March 1, 2021, leaving his position on the Board and vacating the role of Third Provisional Chair.
- An election for the seat held by Mr. Gendjian is currently underway with a new term beginning July 1, 2021 through June 30, 2024.
- Ms. Macy advised of her preference to no longer serve in the role of Second Provisional Chair given her other responsibilities.

- Staff recommends the Board conduct an election for the positions of Second and Third Provisional Chair. The Board members elected to these positions will serve in their roles through the end of this calendar year until the next election of officers in January 2022.

Board Member Comments/Questions & Responses:

There were no comments and/or questions from the Board.

Board Action:

A nomination was made by Mr. Ciranna, and seconded by Mr. Schoonover, that Mr. Guglielmo fill the role of the Second Provisional Chair; a nomination was made by Mr. Guglielmo, and seconded by Mr. Ciranna, that Mr. Geller fill the role of the Third Provisional Chair; both motions were unanimously adopted.

10. PLAN ADMINISTRATOR QUARTERLY REVIEW: DECEMBER 31, 2020

Presentation Highlights:

Due to an unforeseen lack of presenter availability, Voya did not present the Quarterly Review ending December 31, 2020.

Board Member Comments/Questions & Responses:

Mr. Moutes asked if the Board had any questions regarding the Quarterly Review that would require Voya to present at the next Board meeting. Mr. Ciranna stated he has read the presentation and does not need any further elaboration from Voya. Mr. Guglielmo agreed.

**11. BOARD REPORT 21-18: DEFERRED COMPENSATION PLAN PROJECTS AND ACTIVITIES
REPORT: FEBRUARY 2021**

Presentation Highlights:

Ms. Yau presented this report and provided the following highlights:

- Board Member Updates:
 - 1) Mr. Hovhannes Gendjian retired from the Department of Water and Power effective March 1, 2021, leaving his position on the Board as the Water and Power Employees' Retirement Plan (WPERP) Active Member Representative.
 - 2) An election for the WPERP Active Member Representative is currently underway.
 - 3) Ms. Linda Le returned to the position of Retirement Plan Manager, replacing Linda Ikegami effective March 1, 2021.
 - 4) Staff will prepare acknowledgements for both former board members at the next Board meeting.
- Annual Procurement Reminder – The Board directed staff to discontinue the use of procurement pledge forms at its February 2020 meeting and instead, provide timely and regular education and reminder on procurement responsibilities, including an annual procurement reminder. The annual reminder is provided in Attachment B.

- Statement of Economic Interests (SEI) Reminder – The annual SEI filing for all Board members and staff identified in the Personnel Department’s Conflict of Interest Code is due on by April 1, 2021.
- DCP 2021 Board Elections Update – Staff worked with the City Clerk to finalize the 2021 elections calendar and notification letter to notify eligible participants of the upcoming elections, their eligibility to run, and instructions on how to submit candidate materials if choosing to run.
- Communications Updates – Staff completed the following communications in March:
 - 1) A “Nearing Retirement” timeline was added to the LA457 website to provide information on key activities for employees to consider as they near retirement.
 - 2) A Frequently Asked Questions (FAQs) section was also added to the LA457 website providing a comprehensive overview of various DCP topics.
 - 3) Per Mr. Guglielmo’s suggestion, staff developed a happy birthday postcard for DCP participants and non-enrolled employees turning age 50 to inform them of their ability to contribute more to the DCP. The postcard is anticipated to be mailed in mid-March.
- 2021 DCP Strategic Initiatives – Updates on the status of each initiative is provided in Attachment A.

Board Member Comments/Questions & Responses:

There were no comments and/or questions from the Board.

12. CLOSED SESSION ITEM

Board Member Comments/Questions & Responses:

Mr. Montagna stated there were not updates available for the closed session agenda item.

13. REQUESTS FOR FUTURE AGENDA ITEMS

There were no requests for future agenda items.

14. NEXT MEETING DATE

A meeting was noted for April 20, 2021 at 9:00 a.m.

15. ADJOURNMENT

The meeting was adjourned at 9:54 a.m.

Minutes prepared by staff member Eric Lan.