

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

PROPOSED MINUTES  
REGULAR MEETING OF JANUARY 16, 2024  
700 E. TEMPLE STREET, ROOM 350  
LOS ANGELES, CA 90012

**BOARD MEMBERS**

**Present:**

Thomas Moutes, Chair  
Neil Guglielmo, Vice Chair  
Jeremy Wolfson, First Provisional Chair  
Joseph Salazar, Second Provisional Chair  
Matthew Benham, Third Provisional Chair  
Carl Lurvey

**Not Present:**

Dana H. Brown  
Linda P. Le  
Robert Schoonover

**PERSONNEL DEPARTMENT STAFF**

Esther Chang, Defined Contribution Plan Manager  
Mindy Lam, Benefits Analyst  
Eric Lan, Benefits Analyst

**OFFICE OF THE CITY ATTORNEY**

Charles Hong, Deputy City Attorney IV

**VOYA FINANCIAL**

Deirdre Jones, Vice President, Strategic Relationship Management  
Drew Russell, Director of Strategic Initiatives  
LaTanya Harris, Lead Local Counselor

**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. BOARD REPORT 24-01: BI-ANNUAL ELECTION OF OFFICERS**

**Presentation Highlights:**

Ms. Chang introduced the report and provided the following highlights:

- Mr. Schoonover has notified staff that he will be retiring and as such will be vacating his position on the Board.
- Staff is awaiting notification of the next labor representative.

Board Member Comments/Questions & Responses:

There were no comments or questions from the Board.

Board Action:

**A motion was made by Mr. Wolfson, and seconded by Mr. Salazar, for the Chair and Vice-Chair to remain in their current positions, and to promote the Second Provisional Chair and Third Provisional Chair to the First Provisional Chair and Second Provisional Chair, respectively; the motion was unanimously adopted.**

**A motion was made by Mr. Guglielmo, and seconded by Mr. Salazar, to nominate Mr. Benham to the Third Provisional Chair; the motion was unanimously adopted.**

#### **4. MINUTES**

Board Member Comments/Questions & Responses:

There were no comments or questions from the Board.

Board Action:

**A motion was made by Mr. Salazar, and seconded by Mr. Wolfson, to approve minutes of the December 19, 2023 regular Board meeting; the motion was unanimously adopted.**

#### **5. BOARD REPORT 24-02: DEFERRED COMPENSATION PLAN BUDGET ADOPTION FOR PLAN YEAR 2024**

Presentation Highlights:

Ms. Chang introduced the report and provided the following highlights:

- DCP aims to maintain a reserve fund of approximately 50% of expenditures, or an equivalent of 6 months of expenses.
- As of the end of Q3 2023, there was a surplus of \$4.04 million above the target reserve balance.
- Staff requests an amount of \$60,000 additionally for the potential fiduciary liability insurance premium, which is an estimate that may change after a broker is procured.
- The communications budget was decreased to \$20,000, as a majority of the communications costs are included in the services provided by the TPA.
- The travel and training budget is proposed to increase to \$40,000 to account for new board members and additional training opportunities.

Board Member Comments/Questions & Responses:

Mr. Guglielmo asked if the salary costs account for the recent MOU negotiations. Ms. Chang indicated they do not but staff will research and report back at a later meeting.

Board Action:

**A motion was made by Mr. Lurvey, and seconded by Mr. Guglielmo, to adopt the proposed Deferred Compensation Plan budget for Plan Year 2024 and authorize staff to make any technical adjustments as directed; the motion was unanimously adopted.**

## 6. BOARD REPORT 24-03: 2024 TRAINING AND TRAVEL PROGRAM

### Presentation Highlights:

Ms. Chang introduced the report and provided the following highlights:

- Total travel and training program budget is \$40,000, increased \$5,000 from the prior year's budget of \$35,000 to account for more in-person training and additional positions.

### Board Member Comments/Questions & Responses:

Mr. Wolfson asked whether the numbers provided in Attachment A are fixed for the specific events. Ms. Chang noted that it is for illustrative purposes only as staff does not yet know the travel/training preferences of the Board or staff, and that staff is proposing only the cumulative cost would need to be within the set travel and training budget amount.

Mr. Moutes stated that the Board has a fiduciary responsibility to stay educated on the subject matters it deals with and noted that there is a potential conflict in needing to request approval from the Mayor's Office as it could cost the DCP extra funds (if approvals are not provided in a timely manner to secure early registration or more cost favorable travel arrangements).

Mr. Moutes noted the Wharton Investment Program as a highly recommended program, particularly for newer Board members.

### Board Action:

**A motion was made by Mr. Wolfson, and seconded by Mr. Lurvey, to approve the proposed 2024 Training and Travel Program; the motion was unanimously adopted.**

## 7. BOARD REPORT 24-04: 2024 DEFERRED COMPENSATION PLAN STRATEGIC INITIATIVES

### Presentation Highlights:

Ms. Chang introduced the report and provided the following highlights:

- Staff is proposing ten (10) projects or initiatives for calendar year 2024.
- Should it be that other DCP required projects and ongoing tasks require more staffing resources than anticipated, the following projects or initiatives will be prioritized over the others:
  - Plan Fee Review
  - Consideration of Fiduciary Liability Insurance
  - Employer Match Considerations
  - Expand Automatic Enrollment Program Participation
- Staff will also be working on two payroll conversion projects (for City and DWP payroll systems) simultaneously and administering two Board elections.

### Board Member Comments/Questions & Responses:

There were no comments or questions from the Board.

Board Action:

**A motion was made by Mr. Salazar, and seconded by Mr. Guglielmo, to approve the proposed 2024 Deferred Compensation Plan Strategic Initiatives as indicated in this report; the motion was unanimously adopted.**

**8. BOARD REPORT 24-05: 2023 PARTICIPANT OUTCOME GOALS FINAL UPDATE AND 2024 PARTICIPANT OUTCOME GOALS AND STRATEGIES**

Presentation Highlights:

Mr. Lan and Mr. Russell introduced the report and provided the following highlights:

- The DCP revisited its approach on goals and strategies and is looking to implement goals that drive and impact participant behaviors.
- The DCP seeks to provide positive influence on participant behavior through streamlining access and connecting participants with decision-making resources.
- Attachment A provides a calendar and explanation of the new strategic approach.

Board Member Comments/Questions & Responses:

Mr. Wolfson asked if there are reviews of the number of participants who meet the annual contribution limit. Mr. Lan noted that data is available and can be reviewed by staff.

Mr. Guglielmo suggested that the surveys should include a question on how participants would like to engage with the DCP (email, phone, or web) and also the frequency of engagement.

Mr. Moutes asked if the campaigns will be customized to cater to Defined Benefit plans. Mr. Russell noted that the DCP will seek to build on the pension connection and develop customized campaigns for each pension.

Board Action:

**A motion was made by Mr. Guglielmo, and seconded by Mr. Wolfson, to adopt the 2024 Communications Calendar described in Attachment A and the new strategic approach for participant outcome goals and strategies; the motion was unanimously adopted.**

**9. BOARD REPORT 24-06: 2024 DEFERRED COMPENSATION PLAN BOARD ELECTION: ACTIVE PARTICIPANT WPERP REPRESENTATIVE AND RETIRED/SEPARATED PARTICIPANT REPRESENTATIVE**

Presentation Highlights:

Mr. Lan introduced the report and provided the following highlights:

- There are two upcoming elections for the DCP in 2024: Active Participant WPERP Representative and Retired/Separated Participant Representative seats.
- Staff is seeking Board approval to allow candidate nominating materials to be provided and submitted electronically.
- City Clerk provided several recommended changes to the Election Policies and Procedures:
  - Inclusion of a Notice of Intent form;
  - Clarifying language on which department distributes and receives candidate materials;

- Inclusion of language allowing for ballots that are postmarked by Election Day but received up to three calendar days later to be included in the tally.

Board Member Comments/Questions & Responses:

There were no comments or questions from the Board.

Board Action:

**A motion was made by Mr. Salazar, and seconded by Mr. Guglielmo, to a) Allow candidate nominating materials to be provided and submitted in-person, by mail, or via email and allow any required nominating petition signatures to be collected as original or electronic signatures for the 2024 Active Participant Water and Power Employees' Retirement Plan Representative and Retired/Separated Participant Representative Election; and b) Instruct staff to return with revisions to the Board Election Policies and Procedures to incorporate changes as outlined in this report.; the motion was unanimously adopted.**

**10. BOARD REPORT 24-07: 2023 BOARD AND COMMITTEE MEETING ATTENDANCE**

Presentation Highlights:

Ms. Lam introduced the report and provided the following highlights:

- Staff reports annually on Board and Committee meeting attendance as required by the Board's Governance Policies and Bylaws.
- Attachments A and B include the Board and Committee meeting attendance for 2023.

Board Member Comments/Questions & Responses:

There were no comments or questions from the Board.

**11. BOARD REPORT 24-08: 2023 BOARD MEMBER AND STAFF ANNUAL TRAINING REVIEW**

Presentation Highlights:

Ms. Lam introduced the report and provided the following highlights:

- Staff reports annually on training activity for all Board members and staff over the prior calendar year in accordance with the Training/Education/Travel Policy.
- A report of the various types of training and their completion status in 2023 is provided in Attachment A.
- Training required by the Board will be or has already been assigned to the Board for 2024.

Board Member Comments/Questions & Responses:

Mr. Moutes asked whether the Ethics and Open Government Training and Workplace Harassment Training can be completed immediately. Ms. Lam indicated they are already assigned.

Mr. Wolfson asked whether the training assigned by the department also covered the requirements of the Board. Ms. Lam noted that Board members only need to complete the required training once.

## **12. PLAN ADMINISTRATOR QUARTERLY REVIEW: SEPTEMBER 30, 2023**

### Presentation Highlights:

Ms. Jones, Mr. Russell, and Ms. Harris provided the following highlights:

- Page 4 – Increased usage of Interactive Voice Response (IVR) and VoyaPal chats to provide immediate assistance for participants.
- Page 5 – Despite economic uncertainty, participants continue to save and contribute towards their retirement.
- Page 6 – A decrease in contributions was noted as a factor towards negative cash flow, but it will likely increase again in Q4.
- Page 8 – Total Plan Participants now includes participants with account balance and/or loan account balance. DCP participants that have a beneficiary on file are at 89% versus 60-70% range for other governmental plans.
- Page 9-10 – Comparison of participants by retirement system and retirement status.
- Page 19 – There was a decrease in the number of hardship withdrawals in Q3, but the amount was greater. 107 hardship withdrawals were submitted and 47 were rejected or pending additional information.
- Page 23 – The Summer Checklist campaign allowed the DCP to provide routine reminders to participants. The campaign garnered a 40.2% open rate, compared to a 27% industry average open rate.
- Page 28 – Local Retirement Counselors returned to City Hall for 4 days a week beginning August 2023 and led to a greater number of counter services in Q3.

### Board Member Comments/Questions & Responses:

Mr. Moutes asked whether participants are able to navigate the IVR system to speak directly to a live agent. Ms. Jones noted that the participant can ask to do so and they will be immediately directed to one.

Ms. Chang clarified that the 8% average biweekly deferral refers to participants who elect percent of pay and the \$361 average biweekly deferral refers to participants who elect a dollar amount.

Mr. Benham asked for confirmation of the contribution limits for 2024. Mr. Lan noted that the normal contribution limit is \$23,000, with a recommended \$920 per paycheck over 25 pay periods.

## **13. FIDUCIARY RESPONSIBILITIES EDUCATION**

### Presentation Highlights:

Ms. Walker provided the following highlights:

- Page 3 – A fiduciary is defined by the responsibility and/or authority to take action and make decisions on behalf of the plan.
- Page 4 – ERISA provides guidance on fiduciary responsibilities even if the plan is not subject to it.
- Page 5 – Fiduciaries are to act prudently with respect to plan assets and expenses and adhere to written plan rules and any applicable laws. There must be a prudent process for selecting contracts and monitoring their performance.

- Page 6 – The prudent investment rule requires fiduciaries to diversify investments to minimize risk of loss and maximize rate of return, unless it is not prudent to do so given the circumstances.
- Page 8-11 – Two main responsibilities are Duty of Prudence/Care and Duty of Loyalty.
- Page 10 – The Board establishes the strategic plan and overall examination of plan execution whereas the staff implements administrative and reporting activities.
- Page 18 – Best practices:
  - Provide a Governance Manual to all Board members.
  - Develop Board Practices including a strategic plan, key committees and conduct risk oversight.
- Page 19 – Governance policies establish the intent of the plan, guidance for plan execution and protection for fiduciaries.
- Page 20-21 – Key governance policies are Ethics, Governance, Investment, Education, and Communication policies.

Board Member Comments/Questions & Responses:

Mr. Moutes noted the DCP does not have full and exclusive authority over every element of the DCP and asked how the Board should inform or communicate the importance of fiduciary responsibility to other entities, such as City Council. Ms. Walker noted that there are two functions: the settlor function, which denotes the establishment of the plan, and the fiduciary function, which manages the plan on a day-to-day basis. Ms. Walker indicated other plans also deal with similar dynamics. Mr. Wolfson observed that there is potential for conflict where other entities' action or inaction prevent the fiduciaries from satisfying their responsibilities and asked what recourse the plan would have. Ms. Walker stated fiduciaries are not held accountable for actions that are outside of their control. Mr. Benham asked if that implies that there is a portion of the fiduciary duty held by other entities. Ms. Walker affirmed the comment. Mr. Moutes noted that it is important to remind other entities that they also hold a fiduciary responsibility. Ms. Walker indicated that the best course of action is to record the process and steps taken to ensure that the Board has done the best it could with what was given.

Mr. Benham asked whether the self-directed brokerage option within the plan lowers any fiduciary liability risk as it affords greater options for participants. Ms. Walker noted that it does not remove any fiduciary liability to ensure there are no imprudent investment options in the core menu but agreed it may offer a greater variety of options for participants enrolled in the self-directed brokerage option.

Mr. Benham asked whether there is a difference in fiduciary liability for Defined Benefit plans and Defined Contribution plans. Ms. Walker indicated that Defined Benefit plans have broader considerations, which include maintaining funding for the benefits offered to participants and management of employee and employer contributions, whereas Defined Contribution plans more narrowly consider the account balances of participants and ensuring there are prudent investment options.

**14. BOARD REPORT 24-09: DCP PROJECTS AND ACTIVITIES REPORT: DECEMBER 2023**

Presentation Highlights:

Mr. Lan introduced the report and provided the following highlights:

- Required Minimum Distributions were processed on December 15, 2023 for participants who had yet to request their required amounts. Twelve (12) participants who did not have enough funds in their Core Account were sent a letter notifying them to transfer adequate funds from their self-directed brokerage accounts to their Core Account in order to fulfill the RMD.
- Beginning in 2024, only non-Roth account balances will be considered for RMD calculations. Voya has implemented this change in their system.
- DWP is undertaking a Human Resources and Payroll conversion process and is anticipating a go-live date of December 27, 2024.

Board Member Comments/Questions & Responses:

Mr. Moutes asked for an update regarding the Senior Benefits Analyst II position. Ms. Chang noted that an offer has not been made but anticipates one being made within the next few weeks.

Mr. Moutes noted no changes to the committee assignments and instructed Board members to communicate with the Chair if there are any changes needed.

Mr. Guglielmo indicated that it would be beneficial to communicate to the Mayor's Office and CAO that all DCP positions be exempt from any potential hiring freeze as they are fully funded by participant funds.

#### **15. REQUESTS FOR FUTURE AGENDA ITEMS**

There were no requests for future agenda items.

#### **16. NEXT MEETING DATE**

A regular meeting was noted for February 20, 2024 at 9:00 a.m.

#### **17. ADJOURNMENT**

The meeting was adjourned at 11:08 a.m.

*Minutes prepared by staff member Eric Lan.*