



Board Report 20-26

Date: June 16, 2020
To: Board of Deferred Compensation Administration
From: Staff
Subject: Deferred Compensation Plan Projects and Activities
Report: May 2020

Board of Deferred Compensation Administration
Thomas Moutes <i>Chairperson</i>
Raymond Ciranna <i>Vice-Chairperson</i>
Robert Schoonover <i>First Provisional Chair</i>
Wendy G. Macy <i>Second Provisional Chair</i>
Hovhannes Gendjian <i>Third Provisional Chair</i>
Joshua Geller
Neil Guglielmo
Linda P. Le
John R. Mumma

Recommendation:

That the Board of Deferred Compensation Administration (Board) approve staff’s collaboration with Los Angeles City Employees’ Retirement System (LACERS) on preparing and submitting a response to the Request for Proposals sponsored by the Center for State and Local Government Excellence, International Public Management Association for Human Resources, National Association of State Treasurers’ Foundation, and Wells Fargo & Company to establish or expand financial wellness programs for City of LA employees.

Discussion:

Following are Deferred Compensation Plan (DCP) project and activity updates for May 2020:

A. Board Member Updates

Board member John Mumma’s term will end on June 30, 2020. The Board acknowledges and thanks Mr. Mumma for his years of service and for his leadership, vision, and wisdom in guiding the DCP. New Board member Baldemar J. Sandoval will serve as the Active Los Angeles and Fire Police Pensions Participant Representative effective July 1, 2020.

B. Operations and Project Updates

- Coronavirus Aid, Relief, and Economic Security (CARES) Act Update – On April 27, 2020, the Board adopted new loan and distribution provisions for the DCP under the CARES Act which became available to DCP participants on May 4, 2020. As of May 31, 2020, Voya has received 400 calls related to the CARES Act and processed applications from DCP participants accessing the new CARES Act distribution, loan, and Required Minimum Distribution (RMD) provisions as follows:
 - 1) Coronavirus-Related Distributions (CRDs) – 154 participants; \$5.4 million total; \$35,244 average/participant

- 2) CARES Act Deferred Loan Payments – 58 participants
 - 3) CARES Act New Loan – 41 participants; \$1.5 million total; \$36,460 average/participant
 - 4) RMD – 12 participants suspended installment payments
- Ad Hoc Subcommittee on DCP Plan Autonomy – At the Board’s meeting on **July 16, 2019**, former Board Chairperson John Mumma established an Ad Hoc Committee on Deferred Compensation Plan (DCP) Autonomy (“Committee”) to explore options for establishing greater authority and autonomy for the DCP. At its special meeting of **February 18, 2020**, Board Chairperson Tom Moutes requested that the Committee be convened as soon as practical to address DCP autonomy and review DCP staffing. The members of the Committee are Tom Moutes, Ray Ciranna, Neil Guglielmo, and Josh Geller.

The Committee met on **April 23, 2020**, and discussed a range of topics related to DCP autonomy. The Committee requested information including:

- a) A report from the City Attorney regarding fiduciary roles and responsibilities as they relate to various entities supporting the City’s DCP.
- b) A report from the Board’s consultants at Segal Consulting (Segal) regarding governance structures for other governmental agencies administering defined contribution plans.
- c) A summary of prior Board considerations of questions related to trust and trustee matters.
- d) Documents related to the 2004-05 legal action involving the City and Nationwide Retirement Solutions.
- e) Findings regarding dedication of staff time and funding for DCP positions.

The Committee subsequently met on **May 14, 2020**, to review and discuss the requested information. The Committee is continuing its review by requesting follow-up research from Segal with respect to governance structures for other governmental agencies administering defined contribution plans. The Committee will reconvene once that research is completed. The Committee will provide further updates to the Board as its work progresses and it develops recommendations for consideration by the Board.

- National Association of Government Defined Contribution Administrators (NAGDCA) 2020 Annual Conference – On March 12, 2020, staff was notified by the Mayor’s Office that effective immediately, all non-essential travel will be denied until further notice. Currently, NAGDCA reports that they are tentatively maintaining their existing plan for an in-person meeting, but given that they are seeing very low registration numbers in comparison to prior years they are also actively exploring conducting a virtual event. As the City’s ban on non-essential travel is still in effect, staff and Board members are currently not planning to attend the in-person conference at this time. Staff will monitor updates from NAGDCA on the conference and report back to the Board on any changes.

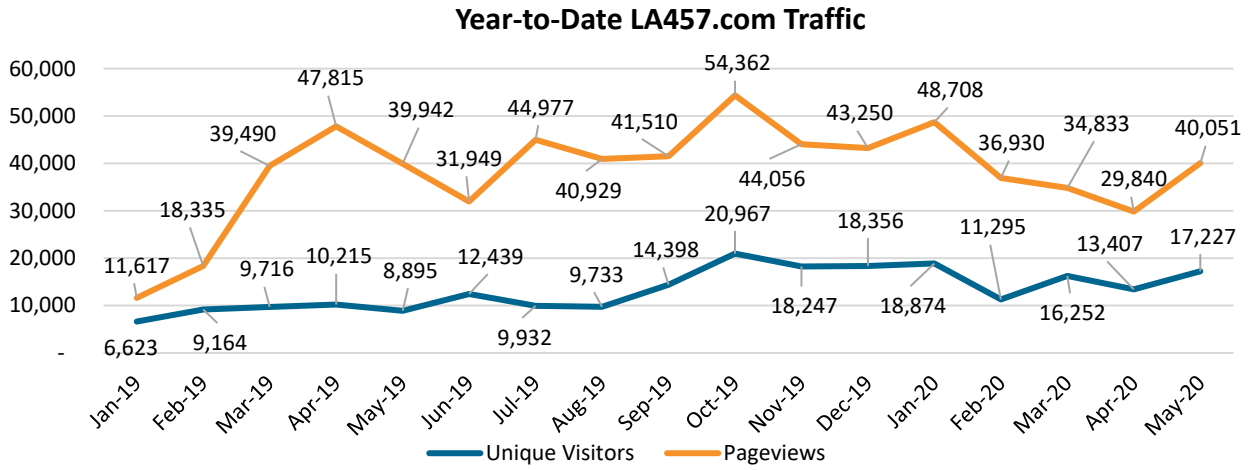
- Fiscal Year (FY) 2020-21 Travel & Training Program – At its October 15, 2019 meeting, the Board adopted the FY 2020-21 Travel & Training Program. Given the City’s current ban on non-essential travel, all plans to attend conferences or trainings identified in the FY 2020-21 Travel & Training Program that require travel are on hold. Staff will monitor updates from the Mayor’s Office on the City’s travel policy and report back to the Board on any changes.
- Financial Wellness Grant Opportunity Collaboration with Los Angeles City Employees’ Retirement System (LACERS) – On May 28, LACERS informed staff of a Request for Proposals (RFP) opportunity LACERS is pursuing sponsored by the Center for State and Local Government Excellence, International Public Management Association for Human Resources, National Association of State Treasurers’ Foundation, and Wells Fargo & Company. The RFP is soliciting proposals from local and state governmental entities to establish or expand financial wellness programs for their employees. Specifically, proposals to raise awareness, improve knowledge, and change employees’ financial wellness behaviors are being requested. Grant funding of \$100,000 is available for employers with 2,500 or more employees. As LACERS and the DCP both service the same City civilian population and have overlapping financial wellness objectives, staff believes this is a unique opportunity to work with LACERS to develop a single coordinated proposal from the City. Staff therefore recommends that the Board approve staff’s collaboration with LACERS on preparing and submitting a response to the RFP.

C. Communications Updates

- LA457.com Engagement Statistics: May 2020
LA457.com saw 17,227 unique visitors and 40,051 pageviews. The table on the right provides a review of the top ten website topics accessed by participants during the month of May.

Top 10 LA457.com Pages in May 2020		Views
1.	Homepage	23,866
2.	Blog	5,533
3.	CARES Act Provides Economic Relief to Deferred Compensation Plan Participants	3,940
4.	Elections 2020	947
5.	Contact Us	790
6.	Board Meeting Materials	552
7.	SECURE Act Highlights	309
8.	Loans	304
9.	Join the Plan	282
10.	Your Distribution Options	234

The chart below tracks LA457.com unique visitors and pages viewed since the site was fully launched in January 2019.



D. 2020 DCP Strategic Initiatives Update

Attachment A provides a status review of 2020 DCP Strategic Initiatives as adopted by the Board at its May 19, 2020 meeting.

E. Staffing

The following table provides a summary of staff positions supporting the DCP.

Position Authority	Incumbent Class	Function	Est. Percent Reimbursed by DCP	Staff Member
Personnel				
Chief Personnel Analyst	Chief Personnel Analyst	Executive Director	20%	Steven Montagna
Senior Personnel Analyst II	Senior Management Analyst II	Plan Governance	40%	Jenny Yau
Senior Personnel Analyst I	Senior Personnel Analyst I	Plan Administration	100%	Vacant
Management Analyst	Management Assistant	Communications	90%	Eric Lan
Management Analyst	Personnel Analyst	Operations	90%	Mindy Lam
Benefits Specialist	Benefits Specialist	Participant Services	90%	Claudia Guevara
Administrative Intern I	Vacant	Participant Research	100%	Vacant
City Attorney				
Assistant City Attorney	Assistant City Attorney	Board Counsel	25%	Curtis Kidder
Legal Assistant	Legal Assistant	Participant Legal Services	40%	Vicky Williams

F. Committee Assignments


Following is the current Committee roster as designated by the Board Chairperson:

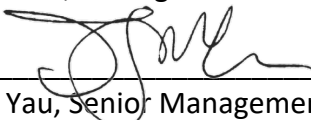
Plan Governance & Administrative Issues Committee	Investments Committee	Participant Engagement Committee	Ad Hoc Committee on DCP Autonomy
Joshua Geller, Chair	Raymond Ciranna, Chair	Neil Guglielmo, Chair	Thomas Moutes, Chair
Hovhannes Gendjian	Joshua Geller	Joshua Geller	Raymond Ciranna
Thomas Moutes	Hovhannes Gendjian	Hovhannes Gendjian	Joshua Geller
	Neil Guglielmo		Neil Guglielmo

G. Upcoming Board Meetings

Following is a review of upcoming Board meeting agenda items:

Meeting Date	Proposed Agenda Items
<i>July 21, 2020</i>	<ul style="list-style-type: none"> • Board Report: Third-Party Administrator Contract Extension Options • Board Report: 2020 National Retirement Security Week • Board Report: DCP Plan Projects and Activities Report: June 2020
<i>August 18, 2020</i>	<ul style="list-style-type: none"> • Quarterly Investment and Economic Review – Second Quarter 2020 • Fiscal Year 2020-21 Participant Goals and Outcomes • Board Report: Financial Education/Investment Advisory Services Request for Information Evaluation • Board Report: DCP Administration and Communications Consulting Services Request for Proposals Evaluation • Board Report: Quarterly Reimbursements – Second Quarter 2020 • Board Report: DCP Plan Projects and Activities Report: July 2020
<i>September 15, 2020</i>	<ul style="list-style-type: none"> • Third-Party Administrator Quarterly Review – Second Quarter 2020 • Board Report: FY 2021-22 Training/Travel Budget • Board Report: DCP Plan Projects & Activities Report: August 2020

Submitted by: 
 Eric Lan, Management Assistant

Reviewed by: 
 Jenny M. Yau, Senior Management Analyst II

Approved by: 
 Steven Montagna, Chief Personnel Analyst

2020 DCP Strategic Initiatives

1. Review and Update the Board’s Election Policies and Procedures

Staff is currently conducting a thorough review of the Board’s Election Policies and Procedures for possible refinements and improvements, particularly as those may relate to unusual contingencies. Staff anticipates completing this review in the third quarter of 2020 and will convene the Plan Governance and Administrative Issues Committee shortly thereafter.

2. Adopt Updated Fiscal Year (FY) 2020-21 Participant Goals and Outcomes

Staff is currently working with the DCP’s Third-Party Administrator, Voya to review the results of the FY 2019-20 participant goals and outcomes. Staff is also thoroughly re-examining all DCP goals in light of some of the potentially fundamental ways the current financial and economic backdrop may impact participation, contribution, and distribution patterns. It is anticipated that proposed FY 2020-21 participant goals and outcomes will be presented to the Board at its August 18, 2020 meeting.

3. Design Participant Survey

Staff is currently working on designing and drafting a participant survey to solicit participant feedback on key perspectives, needs, and concerns that can help guide new thinking on the long-term priorities and objectives for the DCP. It is anticipated that the draft survey will be scheduled for review by the Participant Engagement Committee in the third quarter of 2020.

4. Create Defined Contribution Plan Manager Classification

On the June 11, 2020 agenda of the Board of Civil Service Commissioners (CSC), a 10-day notice of intention was provided to the CSC to:

- 1) Create the new classification of Defined Contribution Plan Manager, Class Code 9152; and
- 2) Adopt the new class specification for the Defined Contribution Plan Manager, Class Code 9152

After the 10-day window has expired, the CSC will review and consider approval of the creation of the new classification at its next meeting. Assuming approval by the CSC, the new classification will be added to the City’s classification plan.

5. Complete Investment Manager Searches

At its May 19, 2020 meeting, the Board directed staff to insert language into the Investment Management Services and Stable Value Fund Investment Management Services Requests for Proposals (RFPs) to advise proposers that the City reserves the option to request and consider (a) updated performance information incorporating the time periods most proximate to the evaluation of each investment mandate; and (b) the most recent portfolio characteristics in its evaluation of each investment mandate. Staff has completed these updates to the RFPs as directed by the Board and is working with the City Attorney on final review in preparation for releasing this RFP no later than June 30, 2020.

6. Complete Plan Document Review

DCP and City Attorney staff are conducting a thorough review process to ensure that all language in the Plan Document is consistent with the Los Angeles Administrative Code, applicable state law (including the State of California Probate Code), and best practices related to DCP administration. Eight review sessions occurred between August 2019 and May 2020; the City Attorney review is complete and the Plan Document with all edits has been provided to Ice Miller. Once Ice Miller's review and refinements are complete the revised Plan Document will be presented to the Plan Governance & Administrative Issues Committee. This meeting is expected to be scheduled in July 2020.

7. Initiate DCP Financial Audit

The final issues regarding the draft Professional Services Agreement with Crowe LLP have been resolved. Staff is now moving forward with contract execution so that audit services can begin.

8. Complete an Investment Advisory and Financial Education Services Review

Staff has completed its initial review of the four responses received in response to the Request for Information (RFI) for financial education and/or investment advisory services that was released to the vendor community on March 4, 2020. Staff is scheduling engagement exercises with the RFI respondents, as provided for in the RFI, to better understand their service offerings and complete staff's assessment in preparation for reporting back to the Board.

9. Expand Automatic Enrollment Program (AEP) Participation

Staff has developed a discussion document for the City's labor organizations with respect to designing a supplementary optional model for labor organizations to elect providing for a higher default contribution rate, higher and faster auto escalation of the contribution rate, and/or applying automatic enrollment to current non-participating employees (not just new

hires). Staff will work with the Board's Labor Representative on the timing of engaging labor organizations on this topic.

10. Develop a Strategic Communications Plan

In connection with designing the participant survey, staff is also working on developing a strategic communications plan to serve as a long-term plan for delivering effective and coordinated DCP messaging with the ultimate goal of increasing employee participation, engagement, awareness, and satisfaction. Staff will schedule review of the draft plan by the Participant Engagement Committee prior to bringing it to the full Board.

11. Conduct Deemed IRA Review

At its June 18, 2019 meeting, the Board reviewed Board Report 19-21 providing a review of the Deemed IRA option. Staff is currently working with the City Attorney and outside tax counsel to develop a detailed set of Deemed IRA design features for consideration by the Board. It is anticipated that review of the Deemed IRA option will be completed in 2020, with actual implementation of a Deemed IRA targeted for 2021.