



CITY OF *Los Angeles*

DEFERRED COMPENSATION PLAN

Board Report 22-10

Date: February 15, 2022

To: Board of Deferred Compensation Administration (Board)

From: Staff

Subject: 2022 Deferred Compensation Plan Strategic Initiatives

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Compensation
Administration

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Recommendation:

That the Board approve the following proposed Deferred Compensation Plan strategic initiatives for 2022:

Resource Initiatives:

- (1) Fill DCP Leadership Positions: DC Plan Manager and Senior Benefits Analyst I or II
- (2) Integrate New TPA Strategic Initiatives Director Position into Goals Development Framework
- (3) Establish DCP Budget Policy
- (4) Establish a Facility Plan for DCP Staff

Plan Design & Administrative Initiatives:

- (5) Establish Plan for Ongoing Investment Menu Design and Review
- (6) Implement Deemed IRA
- (7) Initiate DCP Financial Audit

Participant Outcome Initiatives:

- (8) Adopt Plan Year 2023 Participant Goals
- (9) Design Automatic Enrollment Program (AEP) Supplemental Model
- (10) Develop Expanded Engagement Plan
- (11) Complete Investment Advisory and/or Financial Education Services Review

Discussion:

A. Review of 2021 Initiatives

At its January 19, 2021 meeting, the Board adopted 2021 Strategic Initiatives for the DCP. Progress on the status of Strategic Initiatives was provided at each regular Board meeting. A status summary and review of those initiatives is provided in the following table:

2021 DCP Strategic Initiatives Summary and Review	
Strategic Initiative	Status
1. Conduct DC Plan Manager Position Selection Process	In process
2. Develop Board Findings Regarding Filing of Statements of Economic Interests and Related Requirements	Completed
3. Complete Plan Document Review	Completed
4. Complete Investment Manager Searches	Completed
5. Complete Investment Advisory and Financial Education Services Review	Suspended
6. Complete Request for Proposal for DCP Investment Consulting Services	Completed
7. Initiate DCP Financial Audit	Suspended
8. Design Automatic Enrollment Program (AEP) Supplemental Model	In process
9. Develop Options for Deemed IRA Investment Menu	In process
10. Adopt Fiscal Year 2021-22 Participant Goals	Completed
11. Implement Participant Survey Plan	In process
12. Develop DCP Communications Strategic Plan	Completed

B. Proposed 2022 Initiatives

This report identifies proposed strategic initiatives for 2022, some of which are continued from 2021 and others of which are new. In drafting these, staff’s objective was to identify those initiatives appearing to be most impactful upon the administration and future success of the DCP. Following is a summary of proposed strategic initiatives for Plan Year 2022:

RESOURCE INITIATIVES

(1) Fill DCP Leadership Positions: DC Plan Manager and Senior Benefits Analyst I or II (New & Continued)

Discussion: The Board has been working to build out staff leadership positions for the DCP, including its successful efforts in establishing and overseeing a selection process for DC Plan Manager and in requesting, as part of the Fiscal Year (FY) 2022-23 budget process, elevating the DCP Senior Benefits Analyst I position to Senior Benefits Analyst II. Providing stable program leadership is crucial for the ongoing administration and future success of the DCP. Staff recommends that filling the DCP leadership positions of DC Plan Manager and Senior Benefits Analyst I or II be included as a strategic initiative for 2022.

(2) Integrate New TPA Strategic Initiatives Director Position into Goals Development Framework (New)

Discussion: The DCP is bringing in new leadership resources through its relationship with Third-Party Administrator (TPA) Voya. A new Strategic Initiatives Director position will be dedicated on a full-time basis to utilizing DCP data to expand goals, strategies, and actions to drive improved participant outcomes. Filling this position will add a vital new resource to support the Board and

DCP staff leadership in driving future program success. Staff recommends that filling the new TPA Strategic Initiatives Director Position and successfully integrating the duties and responsibilities of this position into the existing framework for using goals to improve participant outcomes be included as a strategic initiative for 2022.

(3) Establish DCP Budget Policy (New)

Discussion: As part of its annual resource review conducted in 2021, the Board requested that staff draft a proposed budget policy to address roles and responsibilities of the DC Plan Manager and the Board, including a timetable for conducting DCP resource reviews, developing annual budget requests to the Mayor and City Council, and engaging with stakeholders in support of Board resource objectives. Establishing a budget policy is an important step in support of the Board’s objectives to maintain a strong foundation for the resource needs of the DCP. Staff recommends that establishing a DCP Budget Policy be included as a strategic initiative for 2022.

(4) Establish a Facility Plan for DCP Staff (New)

Discussion: As part of its annual resource review conducted in 2021, the Board discussed the potential costs involved with finding new facilities to house DCP staff. Staff indicated that there was both an immediate need to identify an office space arrangement for the incoming DC Plan Manager, as well as identify a potential future state environment for City staff. This is an important resource objective for the DCP. Staff recommends that establishing a facility plan for DCP staff be included as a strategic initiative for 2022.

PLAN DESIGN AND AMINISTRATIVE INITIATIVES

(5) Establish Plan for Ongoing Investment Menu Design and Review (New)

Discussion: In connection with its most recent Investment Policy Statement (IPS) training, the Board discussed the benefits of establishing a structure for the ongoing review and design of potential future changes to the DCP investment menu. The design process could include elements such as participant surveys, peer and trend analysis, capital markets review, and investment product review. Staff indicated that it would collaborate with the DCP investment consultant, Mercer Investment Consulting, and develop a proposed plan for the Board. Staff subsequently participated in a preliminary planning meeting with Mercer and will return to the Board with a proposed plan. Staff recommends that establishing a plan for ongoing investment menu design and review be included as a strategic initiative for 2022.

(6) Implement Deemed IRA (Continued)

Discussion: At its June 18, 2019 meeting, the Board reviewed Board Report 19-21 and directed staff to develop a detailed set of recommended Deemed IRA design features for consideration by the Board. At its December 15, 2020 meeting, the Board reviewed staff’s analysis of the Deemed IRA option in Board Report 20-45. The Board adopted staff’s recommendation to direct

the Investments Committee to work with staff and the DCP investment consultant to develop options and considerations for a potential alternative investment menu design for the DCP Deemed IRA. At the Board's January 18, 2022 meeting, staff indicated that the Investments Committee met on January 5, 2022, and was provided information regarding developing a proposal for constructing an investment menu based on some variation of mutual fund versions of Collective Investment Trusts (CITs) selected for the DCP Core Menu; that Committee members asked for additional information related to the implementation of a Deemed IRA, including with respect to administrative requirements, soliciting more detailed participant feedback on investment design and participating in a Deemed IRA, and other implementation topics; and that as these issues relate to matters both administrative and investment related, the report back from staff on these topics should be brought to the full Board rather than the Committee. Staff recommends that implementing the Deemed IRA be included as a strategic initiative for 2022.

(7) Initiate DCP Financial Audit (Continued)

Discussion: A contract with Crowe LLP to provide financial audit services for the DCP was executed on December 18, 2020. At its meeting on March 16, 2021, the Board deferred commencement of the audit until the DCP Senior Personnel Analyst I or the Defined Contribution Plan Manager position was filled. Staff also indicated at that meeting that audit project tasks might need to be customized given the current status of transitioning the City and Department of Water and Power (DWP) payroll systems. Since that Board action, implementation of the payroll element of the City's Human Resources and Payroll (HRP) conversion project has been delayed until January 2023. Once the staff resources in place to support the audit, a full or modified (i.e. modified relative to the status of HRP and DWP payroll conversions) audit plan can be implemented. Staff recommends that initiating the DCP financial audit be included as a strategic initiative for 2022.

PARTICIPANT OUTCOME INITIATIVES

(8) Adopt Plan Year 2022 Participant Goals (New)

Background: At its September 15th and October 20th meetings, the Board adopted staff's recommended goals related to participation, contributions, distributions, and asset retention for FY 2020-21. At its July 20, 2021 meeting, the Board approved moving the measurement of DCP participant goals to a calendar year basis starting with calendar year 2021 and moving forward annually. Proposed participant goals for 2022 have not yet been developed. Those goals will be provided for adoption at the Board's March 15, 2022 meeting. Staff recommends that adopting proposed participant goals for Plan Year 2022 be included as a strategic initiative for 2022.

(9) Expand Automatic Enrollment Program (AEP) Participation (Continued)

Discussion: In May 2018, the Los Angeles Police Protective League (LAPPL) signed a letter of agreement adopting the DCP's AEP. DCP staff subsequently engaged in meetings with labor organization leaders to gather feedback about interest in enrolling in the AEP. At its June 18, 2019

meeting, the Board approved staff's recommendation to coordinate a meeting of interested employee labor organizations to gather feedback and gauge interest in the AEP. Finalization and presentation of a supplementary optional AEP model to employee labor organizations has been suspended pending filling staff vacancies. However, expanding the AEP is a primary tool for improving future retirement outcomes for City employees and staff therefore recommends that expanding AEP participation be included as a strategic initiative for 2022.

(10) Develop Expanded Engagement Plan (New & Continued)

Discussion: Upon the filling of key DCP staff and TPA positions, the DCP will have the resources to develop a more robust engagement plan tied to targeted, goals-driven data reviews. These resources can collaborate to create an engagement plan that includes the regular design and reporting of goals, strategies, and results. This engagement plan will consolidate previously approved initiatives, such as a survey plan and strategic communication plan, under a broader and more disciplined framework tied to participant outcomes goals. Staff recommends that developing an expanded engagement plan be included as a strategic initiative for 2022.

(11) Complete Investment Advisory and/or Financial Education Services Review (Continued)

Discussion: A Request for Information (RFI) for investment advisory and/or financial education services was issued on March 4, 2020. Staff's evaluation of responses to the RFI was addressed in Board Reports 20-34 and 20-38. Further action on this item was suspended pending filling staff vacancies and future financial and budgetary analysis to take place in 2022. Staff recommends that completing this review project be included as a strategic initiative for 2022.



Submitted by:

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