



Board Report 22-22

Date: April 19, 2022

To: Board of Deferred Compensation Administration (Board)

From: Staff

Subject: Investment/Administrative Review Process Elements and Master Calendar

Board of Deferred Compensation Administration
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Recommendation:

That the Board (a) approve proposed investment and administrative review process elements and (b) receive and file information regarding an investment and administrative review master calendar.

A. Background

At its January 18, 2022 meeting, 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. At its February 15, 2022 meeting, as one of its DCP 2022 strategic initiatives, the Board adopted establishing a plan for ongoing investment menu design and review. It was noted that 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 Investments, and develop a proposed plan for the Board.

As a result of this request, staff addressed not only the strategic initiative request but also conducted a more comprehensive review of how to create a stronger framework around the ongoing due diligence of plan and investment design best practice reviews aligned with the ongoing search and procurement schedule for administrative services as well as investment services. This report provides recommendations with respect to investment and administrative review process elements as well as a proposed master calendar for scheduling ongoing reviews and monitoring/planning for future procurements.

B. Investment Menu and Administrative Review Process Elements

The investment review process should take into consideration the overall procurement and search cycle as well as various reviews which help inform investment review and planning. Staff has identified a set of proposed process elements. The sequence of the process elements is intentional, as each element helps to better inform the successive elements. The discussion of each item also identifies the frequency with which it would be generated, with some proposed as annual processes and others as bi-annual processes.

(1) Defined Contribution (DC) Plan Design Trends and Regulatory Review

Discussion – Discussion of trends and regulatory updates within the defined contribution world can occur in multiple areas, including at conferences and industry publications. Both of the DCP consultants produce quarterly trends reports, which can be provided to the Board on a regular basis. However, this information can be made more accessible for the Board and for staff if a formal presentation and discussion takes place on a recurring basis. Plan design trends and regulatory reviews are one of the principal baselines for considering changes to not just investment offerings but also other non-investment related plan design features.

Review/Material Developer – Investment consultant, plan administration consultant, staff
Deliverable - Report

Frequency – Quarterly submission, annual presentation and discussion

(2) Administrative and Investment Fee Benchmarking Review

Discussion - One of the most important indicators of DCP program success is the cost efficiencies realized in program administrative and investment fees. There are a variety of tools and resources available to benchmark program costs, but in staff's observation the most valuable benchmarking includes utilizing a well-defined, comparable "control group" of other agencies for whom the data inputs can be relatively reliable. An ongoing benchmarking review of similar comparable agencies can be developed as a joint effort involving the work of DCP consultants and staff. The benchmarking review could identify a core group of comparable plan sponsors and compare administrative and investment management costs. The benchmarking review would not exclude, but rather complement, other broader benchmarks such as the investment management cost benchmarking presently provided in the investment consultant's quarterly reviews. Staff has held discussions with both DCP consultants so that they can lead and coordinate the production of this ongoing benchmarking review.

Review/Material Developer – Investment consultant, plan administration consultant, staff
Deliverable - Report

Frequency – Annual

(3) Participant Survey – Finances and Investments

Discussion – Participant preferences and awareness are important considerations in contemplating changes to investment offerings, as plan sponsors must be mindful of the

behavioral impacts that can result when designing and changing program offerings. This survey would have the objective of assessing participant confidence and needs relative to (a) personal finances and retirement security and (b) investment knowledge and awareness.

Review/Material Developer – Investment consultant, plan administration consultant, staff

Deliverable – Report

Frequency – Bi-annual

(4) Investment Menu/Asset Allocation Fund Review

Discussion – The investment menu and asset allocation fund review process would focus on two primary objectives: (a) reviewing the core investment menu to consider potential changes or adjustments to DCP core offerings; and (b) reviewing the risk-based asset allocation funds to determine if adjustments should be considered to the weightings and composition of each fund. This review can incorporate key data from the fee benchmarking review, DC trends review, capital markets review, investment product review, and participant survey feedback.

Review/Material Developer – Investment consultant

Deliverable - Report

Frequency – Bi-annual

(5) Investment Policy Statement (IPS) Review

Discussion – The IPS review would build on the previously discussed review processes and codify, as necessary, any changes made as a result of the afore-mentioned review processes. The IPS review would also incorporate any best practices that may be identified relative to the prior review.

Review/Material Developer – Investment consultant

Deliverable - Report

Frequency – Bi-annual

(C) Investment and Administration Review Master Calendar

Should the Board concur with the proposed investment review process elements, staff has developed a proposed investment and administration review master calendar (**Attachment A**) to guide staff, the Board, and DCP consultants in executing the process elements in alignment with the DCP’s procurement schedule. The master calendar can be maintained as attachments in staff’s monthly activities report.



Submitted by:

Steven Montagna, Chief Personnel Analyst

ATTACHMENT A

MASTER CALENDAR - DCP PLAN DESIGN AND INVESTMENT REVIEW 2022-20227

	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026	Q1 2027	Q2 2027	Q3 2027	Q4 2027
POLICY AND STATUS REVIEWS																						
DC Trends, Plan Design, and Regulatory Review	x				x				x				x				x				x	
Administrative & Investment Fee Benchmarking Review		x				x				x				x				x				x
Participant Survey - Finances and Investments			x								x								x			
Investment Menu/Profile Fund Review				x								x								x		
Investment Policy Statement Review					x								x									x
PROCUREMENTS/SEARCHES																						
FDIC Savings Procurement			x	x	x	x			5-Yr													
Stable Value Fund Procurement											x	x	x	x					5-Yr			
DCP Passive Fund Procurements														x	x	x	x					5-Yr
DCP Active Bond Fund Procurement														x	x	x	x					5-Yr
DCP Active Large-Cap Procurement														x	x	x	x					5-Yr
DCP Active Mid-Cap Procurement														x	x	x	x					5-Yr
DCP Active Small-Cap Procurement														x	x	x	x					5-Yr
DCP Active International Procurement														x	x	x	x					5-Yr
TPA Procurement						x	x	x	x										5-Yr			
Auditor Procurement								x	x	x	x									5-Yr		
Plan Administration Consulting Procurement							x	x	x	x										5-Yr		
Investment Consulting Procurement												x	x	x	x							5-Yr

- Boxes marked in yellow indicate the approximate time period by which the process element would be executed. For procurements, boxes marked over sequential multiple quarters are intended to reflect the fact that a procurement is often a twelve-month process and must conclude in sufficient time to provide for development and execution of contracts.
- Boxes marked in red indicate the quarter in which a contract is scheduled (or, as in the case of the investment manager contracts, tentatively scheduled) to end; however, as with all contracts, the Board has the option of extending contract terms if it determines that doing so is in the best interests of the DCP and its participants and with Mayoral/City Council approval. For example, the Board could opt to extend certain contracts so as to better stagger procurement cycles.