



Board Report 22-25

Date: April 19, 2022

To: Board of Deferred Compensation Administration (Board)

From: Staff

Subject: Voya Mailing Distribution Error, Performance Guarantees, and Process and Service Improvements

Board of Deferred Compensation Administration
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Discussion:

This presentation provides follow-up information to the Board regarding the March 2, 2022 Voya Financial (Voya) mailing distribution error, as well as related information regarding Voya performance guarantees and process and service improvements.

A. Background

As previously reported, on March 2, 2022, staff was advised that a special written communication generated by Third-Party Administrator (TPA) Voya and directed to certain participants in the Deferred Compensation Plan (DCP) Self-Directed Brokerage Account (SDBA) with Charles Schwab had been mistakenly mailed to the entire eligible and enrolled DCP population, including individuals formerly eligible for the DCP. The communication was intended for 569 participants but issued to over 64,000 participants. No confidential information was included in the document. Staff and Voya took immediate steps to mitigate this event, including issuing a Citywide email, placing an advisory on the City's LA457.com landing page, providing talking points for use by Voya and Charles Schwab call center representatives, and issuing emails and letters to all impacted individuals.

Voya provided an incident report detailing how the event occurred, the mitigation measures taken, and measures to reduce/eliminate risks of similar future events. The report further noted that Voya was working with staff to develop specific proposals for (a) modifying and expanding upon performance guarantees as reflected in the services agreement between the DCP and Voya; and (b) making investments in evaluating and improving administrative service support for

the City's DCP. Staff indicated a follow-up report would be provided to the Board once these proposals were vetted.

B. Enhancements to Performance Guarantees and Administrative Service Support

In connection with the Board's previously approved extension of the contract for the period September 27, 2022 through September 26, 2025 (which still requires City Council authorization upon finalization of the contract amendment language) Voya has committed to adding a new performance guarantee with respect to the issuance of ad hoc participant correspondence. This performance guarantee will provide that 99% of ad hoc, custom participant correspondence will be provided within eight business days of the date that the content of the letter and the population to receive the letter are final and agreed upon between Voya and the City, with the accuracy of the communications content required to be 100%. The penalty for noncompliance will be \$15,000 per incident. As Voya frequently distributes ad hoc correspondence to DCP participants for a variety of custom processes and communications, staff views this as a valuable performance management tool and improvement to the contract.

As part of the dialogue with Voya, staff further emphasized that in addition to greater accountability it was important to institute process improvements targeted at reducing the risks of the types of errors that could result in needing to apply a performance guarantee. As a result, Voya has provided certain process improvement commitments.

First, Voya has committed to providing the resources for having priority transactional mailings handled directly by a dedicated manager. This will help escalated and sensitive transactional items move more efficiently within the processing workflow by utilizing a more centralized quality control process.

Second, Voya has adjusted the case load ratio of the account management resources assigned to the DCP so that more staff resources are available for manual workflows. This includes a dedicated back-up staff person to be assigned to the DCP.

Finally, Voya is establishing a new, more formal "Custom Process Review" analytical tool for certain custom administrative processes which are unique to the City's requirements and needs. As an example, catch-up contribution limit monitoring is a highly specialized and complex process because it involves a high level of unique participant circumstances and requests, the City's two payroll systems, and a locally driven process involving both Voya's local counselors and staff. The Custom Process Review will target this process initially to identify opportunities for enhancements and improvements. Staff believes that institutionalizing this type of more formal pre-emptive review mechanism will help to prevent potential errors in other administrative processes, not just those relating to mailings.

C. Other Administrative and Service Improvements

Voya has also come forward with a number of other administrative and service improvements, detailed as follows:

(1) Chatbot Service

In early March 2022, the “chatbot” feature was added to the DCP for pre-login and post-login experiences. Chatbot provides 24/7 digital conversational assistance through Voya’s Personal Assistant Liaison (Voya PAL). Voya PAL assists individuals in a manner similar to the way a live agent would but with 24/7 availability. DCP participants can select from common topics such as web registration or loan availability, which are pre-populated categories, or simply type in a question for the chatbot. Participants receive assistance either through Voya PAL or by being directed to other resources. When participants are directed to a live Customer Service Representative (CSR), the entire chat history is provided to the CSR allowing for a warm handoff and better participant experience.



(2) SDBA Single Sign On Access

Staff and Voya have invested considerable time, energy and resources over several years to be able to introduce a new innovation for existing or potential new participants in the SDBA. Beginning on or around April 25, 2022, DCP participants will have the ability to conduct Single Sign On (SSO) access from their post-login Voya account directly to Charles Schwab. This means that participants will be able to navigate from their DCP account to their SDBA account without having to re-authenticate their credentials.

In addition, the new feature allows non-SDBA participants to *open a SDBA account online directly through their Voya account*. This will be a significant improvement for new SDBA participants, creating a more customer-friendly, efficient, and rapid enrollment process. Existing SDBA participants will not be impacted if they continue to prefer accessing their accounts directly through the Charles Schwab website. The new functionality has been tested in advance. It is expected to go live with a “soft opening” on April 25 to provide an additional layer of final testing before it is more widely communicated on the website and via direct communications to participants.

(3) Electronic Purchase of Service Credit Fund Transfers

Voya is working through the final stages of offering a process for electronic purchase of service credit fund transfers, rather than the current process of sending physical checks. Staff and Voya revisited the potential for this process improvement recently at the request of Los Angeles Fire

and Police Pensions (LAFPP). If acceptable to all parties, once implemented this will facilitate faster transactions with less time out of the market and a better participant experience. Due to some of the programming and process requirements, this will be phased in beginning with LAFPP, given that they represent approximately 64% of all purchase of service credit transactions, vs. 27% for the Los Angeles City Employees' Retirement System (LACERS) and 9% for the Water and Power Employees' Retirement Plan (WPERP). Staff and Voya will begin discussions with each retirement plan to review details and options and outline workflows. Assuming the proposed process works for each retirement plan's needs, implementation can begin. Implementation is expected to be available as early as this summer.



Submitted by:

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