



## Board Report 23-04

Date: January 17, 2023

To: Board of Deferred Compensation Administration

From: Staff

Subject: 2023 Deferred Compensation Plan Strategic Initiatives

### Board of Deferred Compensation Administration

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### **Recommendation:**

That the Board approve:

- (a) The proposed 2023 Deferred Compensation Plan Strategic Initiatives as indicated in this report, with any revision as directed; and
- (b) That staff provide quarterly progress reports on the 2023 Strategic Initiatives.

### **Discussion:**

#### **A. Review and Final Status of 2022 Strategic Initiatives**

At its February 15, 2022 meeting, the Board adopted the 2022 Strategic Initiatives for the Deferred Compensation Plan (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:

RESOURCE INITIATIVES	Status	Notes
1. Fill DCP Leadership Positions: DC Plan Manager and Senior Benefits Analyst I/II	In progress	Continue in 2023 for DC Plan Manager.
2. Integrate New TPA Strategic Initiatives Director Position into Goals Development Framework	Completed	
3. Establish DCP Budget Policy	Completed	
4. Establish a Facility Plan for DCP Staff	In progress	Continue in 2023.
PLAN DESIGN AND ADMINISTRATIVE INITIATIVES	Status	Notes
5. Establish Plan for Ongoing Investment Menu Design and Review	Completed	

6. Implement Deemed IRA	In progress	Continue in 2023.
7. Initiate DCP Financial Audit	Suspended	Review for 2024.
<b>PARTICIPANT OUTCOME INITIATIVES</b>	<b>Status</b>	<b>Notes</b>
8. Adopt Plan Year 2022 Participant Goals	Completed	
9. Expand Automatic Enrollment Program (AEP) Participation	Suspended	Review for 2024.
10. Develop Expanded Engagement Plan	Completed	
11. Complete Investment Advisory and/or Financial Education Services Review	Suspended	Review for 2024.

A total of five (5) initiatives were accomplished in 2022. Three (3) initiatives indicated as “In Progress” will be continued in 2023. For the three (3) initiatives that are indicated as suspended, they will be reviewed for consideration in 2024 or when appropriate resources will be available for implementation. Final status details for the 2022 initiatives are included as **Attachment A**.

**B. Proposed 2023 Strategic Initiatives**

For 2023, staff recommends continuing several of the 2022 initiatives that were not able to be completed due to resource limitations. Staff is also adding two new initiatives, for a total of five (5) initiatives for 2023.

**Resource Initiatives**

- (1) Fill DCP Leadership Position: DC Plan Manager (Continued)  
In order to establish knowledgeable and stable program leadership is crucial for the ongoing administration and future success of the DCP. Staff recommends continuing this initiative to ensure a DC Plan Manager is selected.
- (2) Establish a Resource and Facility Plan for DCP Staff (Continued)  
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.

**Plan Design and Administrative Services**

- (3) Internal Process Review and Documentation (New)  
An internal process review will be conducted for DCP contracting processes, operational payroll and correction processes, and other administrative processes that present opportunities for optimization. Additionally, staff will work to identify and incorporate any process changes as required with the passage of the SECURE Act 2.0 that may need to be implemented by the end of calendar year 2023.
- (4) Implementation of Deemed IRA (Continued)  
The next step will involve developing, issuing and analyzing the results of a participant survey providing feedback on investment design and interest in participating in a Deemed IRA. Additional detail and history are included in Attachment A.

## Participant Outcome Initiatives

(5) Implementation of 2023 Participant Outcome Goals and Strategies and Communications Calendar (New)

On September 29, 2022, the Board approved the Participant Outcome Goals and Strategies for 2023 and a Communications Calendar to organize campaigns to ensure progress towards those goals. In February of 2023, staff will provide the Board with the baseline data and numerical goals for the 2023 calendar year. Staff will provide a mid-year update in August of 2023 and then, in January of 2024, staff will provide a report for the full year's results.

Given the DCP is still in need of a DC Plan Manager and that in 2023, the workload associated with the payroll conversion to the new HRP system is anticipated to be quite high, additional initiatives are recommended for future consideration. These will be considered for 2024, unless resources allow or circumstances necessitate action be taken earlier. If so, staff will return to the Board to amend the 2023 Strategic Initiatives. DCP staff has noted the following initiatives for future consideration:

- DCP Financial Audit
- Expand Automatic Enrollment Program Participation
- Investment Advisory and/or Financial Education Services Review
- Fiduciary Insurance

Additionally, staff is proposing that progress related to the 2023 Strategic Initiatives be provided to the Board quarterly. Currently, updates are provided in the monthly projects report, however, a quarterly update will provide more substantive progress reports to the Board. Any time-sensitive or significant updates will be provided within the monthly projects report as appropriate.

Submitted by:



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Esther Chang, Senior Personnel Analyst II

2022 DCP Strategic Initiatives  
Final Status

RESOURCE INITIATIVES

1. **Fill DCP Leadership Positions: DC Plan Manager and Senior Benefits Analyst I/II**

**Initiative:** The Board identified filling the DCP leadership positions of DC Plan Manager and Senior Benefits Analyst I (reallocated to Senior Benefits Analyst II as of 7/1/22) as a strategic initiative for 2022.

**Status: In progress, continue to 2023.** This initiative is partially completed as the position of Senior Benefits Analyst II was filled effective November 7, 2022. For the DC Plan Manager, an update regarding the recruitment process was last provided in Board Report 22-52. Staff is currently working to finalize a project timeline with the recruitment firm, Partners in Diversity, which will be brought before the Ad Hoc DC Plan Manager Selection Committee for consideration before the timeline begins.

2. **Integrate New TPA Strategic Initiatives Director Position into Goals Development Framework**

**Initiative:** The Board identified integrating Voya's new Strategic Initiatives Director position into the existing framework for using goals and data to improve participant outcomes as a strategic initiative for 2022.

**Status: Complete.** An update regarding this initiative is provided in Board Report 22-51.

3. **Establish DCP Budget Policy**

**Initiative:** The Board identified establishing a DCP Budget Policy as a strategic initiative for 2022.

**Status: Complete.** A recommended DCP Budget Policy was provided in Board Report 22-21 and was subsequently adopted by the Board.

4. **Establish a Facility Plan for DCP Staff**

**Initiative:** 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. The Board approved establishing a facility plan for DCP staff as a strategic initiative for 2022.

**Status: In progress, continue to 2023.** Staff has previously discussed leasing opportunities with both LAFPP and LACERS. The LAFPP options were detailed in Board Report 22-27; however, staff has learned the last vacant space was leased in late 2022. LACERS should now be moved into their new building on Broadway. LACERS staff previously indicated that there is a possibility that there will be space available for lease to the DCP, but it is not yet clear whether that will be the case. LACERS staff suggested that the DCP consider other leasing options, but consult with LACERS before making a final decision. DCP staff has reached out to the Department of General Services' Real Estate Services division for further assistance in identifying new leasing opportunities offered by the

City. This initiative will be continued to 2023 and will additionally include considerations for future DCP staffing resources.

## **PLAN DESIGN AND ADMINISTRATIVE INITIATIVES**

### **5. Establish Plan for Ongoing Investment Menu Design and Review**

**Initiative:** 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 Board approved establishing a plan for ongoing investment menu design and review as a strategic initiative for 2022.

**Status:** **Complete.** An update regarding this strategic initiative was provided in Board Report 22-22. The Board adopted staff's recommended various improvements to the investment and administrative review process.

### **6. Implement Deemed IRA**

**Initiative:** The Board approved implementing the Deemed IRA as a strategic initiative for 2022.

**Status:** **In progress, continue to 2023.** 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. The next step will involve developing, issuing and analyzing the results of a participant survey providing feedback on investment design and interest in participating in a Deemed IRA.

### **7. Initiate DCP Financial Audit**

**Initiative:** The Board approved establishing further progress on the DCP financial audit as a strategic initiative for 2022.

**Status:** **Suspended; for future consideration.** This item is suspended pending filling DCP vacancies. 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 DC 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 to begin January 2023 with projected completion at the end of the calendar year. Once the staff resources are 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.

## **PARTICIPANT OUTCOME INITIATIVES**

### **8. Adopt Plan Year 2022 Participant Goals**

**Initiative:** The Board approved adopting participant goals for Plan Year 2022 as a strategic initiative for 2022.

**Status:** **Complete.** An update regarding this initiative is provided in Board Report 22-51. The Board approved adopting participant goals for calendar year 2023.

### **9. Expand Automatic Enrollment Program (AEP) Participation**

**Initiative:** The Board approved expanding AEP participation as a strategic initiative for 2022.

**Status:** **Suspended; for future consideration.** This item is suspended pending filling DCP vacancies. 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.

### **10. Develop Expanded Engagement Plan**

**Initiative:** The Board approved developing an expanded engagement plan as a strategic initiative for 2022.

**Status:** **Complete.** An update regarding this initiative is provided in Board Report 22-51.

### **11. Complete Investment Advisory and/or Financial Education Services Review**

**Initiative:** The Board approved completing the investment advisory and/or financial education services review as a strategic initiative for 2022.

**Status:** **Suspended; for future consideration.** This item is suspended pending filling DCP vacancies. 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 review and discussion of the desirability and feasibility of adding new services can be addressed once the DCP is more fully resourced.