



Board Report 23-40

Date: December 19, 2023

To: Board of Deferred Compensation Administration

From: Staff

Subject: Status of 2023 Deferred Compensation Plan Strategic Initiatives and Consideration of 2024 Initiatives

Board of Deferred Compensation Administration
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Recommendation:

That the Board receive and file the status of the 2023 Strategic Initiatives and provide feedback for strategic initiatives for 2024.

Discussion:

A. Review and Final Status of 2023 Strategic Initiatives

At its January 17, 2023 meeting, the Board adopted the 2023 Strategic Initiatives for the Deferred Compensation Plan (DCP). A status summary and review of those initiatives is provided in the following table:

2023 STRATEGIC INITIATIVES

RESOURCE INITIATIVES	Status	Notes
1. Fill DCP Leadership Positions: DC Plan Manager and Senior Benefits Analyst I/II	Complete	
2. Establish a Facility Plan for DCP Staff	In progress	Continue in 2024.
PLAN DESIGN AND ADMINISTRATIVE INITIATIVES	Status	Notes
3. Internal Process Review and Documentation	In progress	Continue in 2024.
4. Implement Deemed IRA	In progress	Pend until more resources are available.
PARTICIPANT OUTCOME INITIATIVES	Status	Notes
5. Implementation of 2023 Participant Outcome Goals and Strategies and Communications Calendar	Complete	

The final status of each of these initiatives are discussed in **Attachment A**.

B. 2024 Strategic Initiatives for Consideration

As the DCP now has additional staffing resources, with potentially additional positions to be added in the latter half of 2024 should the DCP's 2023-24 budget request be approved, the DCP has an opportunity to address suspended projects from previous years, which were not able to be addressed due to the level of resources available.

In Table 1, staff is proposing the following initiatives to begin the 2024 plan:

RESOURCE INITIATIVES	Status
1. Plan Fee Review	Add for 2024
2. Establish a Facility Plan for DCP Staff	Continue in 2024
PLAN DESIGN AND ADMINISTRATIVE INITIATIVES	Status
3. Internal Process Review and Documentation	Continue in 2024
PARTICIPANT OUTCOME INITIATIVES	Status
4. Implementation of 2024 Participant Outcome Goals and Strategies and Communications Calendar	Add for 2024

Table 2 below includes projects that have been pending. It is requested that the Board provide feedback on the priority it wishes for the order of these initiatives to be completed.

	FUTURE INITIATIVES FOR PRIORITIZATION	Recommendation
Risk Management	A. Consideration Fiduciary Liability Insurance	Add for 2024
Participant Services	B. Investment Advisory and/or Financial Education Services Review	Consider for 2024
Risk Management	C. Initiate DCP Financial Audit	Pending until payroll system conversion is completed.
Participant Services	D. Expand Automatic Enrollment Program (AEP) Participation	Pending until more resources are available.
Participant Services	E. Implement a deemed IRA	Pending until more resources are available.
Participant Services	F. Employer Match Considerations	Pending until more resources are available.
Governance	G. Alternates for Ex-Officio Board Members	Pending until more resources are available.
Governance	H. Consideration of 5-Year Term for Elected Board Members	Pending until more resources are available.

However, it should also be taken into consideration the projects required to be performed in 2024 along with the ongoing responsibilities of the DCP and its staff, which are outlined in the following table.

Projects Requiring to be Addressed/Completed in 2024:

	PROJECT	Status/Timing
*	HRP System Conversion <ul style="list-style-type: none"> Testing and training, communications to participants 	Extended through June 2024
*	Contracts and Procurements <ul style="list-style-type: none"> New Investment Provider Contracts FDIC-Insured Savings Account - RFP Preparation and Contract Finalization Plan TPA - RFP Preparation 	<ul style="list-style-type: none"> Ongoing Contracts expire Sep. 30, 2024 Contract expires Sep. 26, 2025 (unless up to two one-year options to extend are exercised)
	Investment Menu/Profile Fund Review <ul style="list-style-type: none"> Investment Policy Statement Review as required 	In progress
*	Election Administration for DWP and Retired Board Seats	By June 30, 2024
	SECURE 2.0 and Plan Document Updates <ul style="list-style-type: none"> Change to age for Required Minimum Distributions Elimination of the “first of the month” contribution rule Monitoring for updated guidance for other provisions 	

Ongoing Staff Duties:

	STAFF DUTIES	Frequency
*	Payroll Processing and Error Monitoring/Resolutions, for both City and DWP payroll systems	Biweekly, Annual
	Management of LA457@lacity.org email inbox	Daily
*	Forms Review, Processing, Research <i>(for Accrued Leave, Special Catch-Up Enrollment, Purchase of Service Credit, DROP Rollover, etc.)</i>	Daily
*	Escalated/Unique Participant Issues	As Required
	Coordination with plan providers and partners <i>(operational, communications, administrative, legal)</i>	Ongoing
	General administration <i>(Board Report preparation & distribution, budget, expenditures, staffing reimbursements, Ethics training & filings, training & travel program)</i>	Ongoing

* Requiring significant staff effort or coordination with multiple department stakeholders.

Submitted by: Esther Chang, Defined Contribution Plan Manager

2023 DCP Strategic Initiatives Final Status

RESOURCE INITIATIVES

(1) Fill DCP Leadership Position: DC Plan Manager (Continued)

Initiative: In order to establish knowledgeable and stable program leadership is crucial for the ongoing administration and future success of the DCP.

Status: **Complete.** The Defined Contribution (DC) Plan Manager was filled effective July 16, 2023. Additionally, the vacated Senior Benefits Analyst II position is in process of being filled, with the new hire anticipated to start in January 2024. This will bring the DCP to 100% staffing with its current position authorities (one DC Plan Manager, one Senior Benefits Analyst II, two Benefits Analysts, and one Benefits Specialist). Looking ahead, two additional position authorities have been requested in the City's 2024-25 proposed budget to better assist the plan with additional work processes involved with the City's legacy payroll system conversion and to strengthen staff continuity, succession, and knowledge retention.

(2) Establish a Resource and Facility Plan for DCP Staff (Continued)

Initiative: As part of its annual resource review conducted in 2021, the Board discussed the potential costs involved with finding a new facility 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 DCP staff.

Status: **In progress, continue to 2024.** Staff tentatively explored other locations for the DCP staff. While refining the details, it is determined that before a move to another location can be carried out, the DCP must first identify how to uncouple facilities costs paid to the City's General Fund that are reimbursed to the Personnel Department at the end of the year via the applicable CAP rate. As it stands now, staff is working to research whether requesting a separate CAP rate for the DCP is viable or otherwise establishing a modified rate, can be accomplished.

PLAN DESIGN AND ADMINISTRATIVE SERVICES

(3) Internal Process Review and Documentation (New)

Initiative: 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.

Status: **In progress.**

- Administrative processes - Staff continues to update and refine the internal DCP Manual to encompass City staff duties. For operational processes involving Voya, a review of the administrative guide and call center documents are also being conducted.
- Participant Corrections - A centralized log was created to document participant corrections throughout the year. This will assist staff in looking to past examples as well as assist with any future auditing of plan records.
- Process optimizations - Staff and Voya are working on implementing a Task

Manager tool within Voya's system to better track and manage participant forms and the associated work that flows between DCP staff, the local counselors, and the Voya operational team. This will also assist the plan with better quantifying the volume of forms that are reviewed.

(4) Implementation of Deemed IRA (Continued)

Initiative: 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.

Status: It is recommended this project be suspended until additional staffing resources are available.

PARTICIPANT OUTCOME INITIATIVES

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

Initiative: 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.

Status: **Projected to be complete.** A status report will be provided to the Board in 2024.