



CITY OF *Los Angeles*
DEFERRED COMPENSATION PLAN



City of Los Angeles

Deferred Compensation Plan

Fourth Quarter 2022 Review





For discussion

Updates – News – Trends

➤ Secure 2.0

Plan Health

DCP Communications 2022

Employee Engagement



CITY OF *Los Angeles*
DEFERRED COMPENSATION PLAN



Updates – News – Trends





CITY OF *Los Angeles*
DEFERRED COMPENSATION PLAN



SECURE 2.0

Expanding access to
retirement security



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PLAN | INVEST | PROTECT





CITY OF *Los Angeles*
DEFERRED COMPENSATION PLAN



SECURE 2.0 Supports Our Mission



“We are thrilled with the passage of SECURE 2.0 as it is an opportunity to provide greater retirement security to more working Americans.”

-- Rob Grubka, CEO Workplace Solutions, Voya Financial



Mandatory Provisions That Bring Change



Increase in RMD age

- Increased to age 73 effective 2023
- Those attaining age 72 in 2022 or earlier unaffected
- Increases to age 75 in 2033



Catch-up contributions must be Roth

- Age-based catch-up contributions must be Roth starting in 2024
- Employees with wages of less than \$145k (indexed) in prior year exempt
- 401(k), 403(b), and 457(b) plans will need to add designated Roth account feature (or prohibit catch-up contributions)



Provisions Impacting Many in 2024

	Effective
RMDs for Roth accounts <ul style="list-style-type: none">• RMDs no longer required while participant is still alive• Aligns with rules for Roth IRAs	2024
Increased cash-out limit <ul style="list-style-type: none">• Increases from \$5,000 to \$7,000 (not indexed)	2024



Provisions Impacting Many in 2025 or Later

	Effective
<p>Long-term part-time coverage rule</p> <ul style="list-style-type: none"> • Reduced from three years to two years • Applies to ERISA 403(b) plans 	2025
<p>Higher catch-up limit</p> <ul style="list-style-type: none"> • For those age 60, 61, 62, and 63 • Catch-up is greater of \$10,000 (indexed) or 150% of regular catch-up 	2025
<p>Retirement Savings Lost and Found</p> <ul style="list-style-type: none"> • New federal “registry” of lost retirement accounts • Plans will have enhanced reporting to DOL 	~2025
<p>Requirement for one paper benefit statement per year</p> <ul style="list-style-type: none"> • Employees under 2002 DOL rules and those who request electronic documents are exempt 	2026





New Plan Design Options



Emergency savings withdrawal

- Optional feature is structured similar to the qualified birth or adoption distribution (“QBAD”) for DC plans and IRAs
- One emergency distribution per year up to \$1,000 and requires replenishment before subsequent withdrawal
- Participant self-certifies need
- 10% penalty waived



In-plan dedicated emergency savings account

- Up to \$2,500 emergency savings account inside the DC plan
- Contributions are Roth. Must be invested in principal preservation investments. Counts against contribution limits. No employer contributions.
- Generally, amounts may be withdrawn at anytime, penalty free. No certification from participant required.
- Auto enrollment permitted up to 3% of pay
- HCEs may not participate

Both provisions available in 2024



New Plan Design Options



Matching contributions on student loan repayments

- Plan may “match” in the plan amounts paid for student loans as if contributed to the plan
- Available for 401(k), 403(b), 457(b), and SIMPLE IRA
- Employer contribution is treated like regular matching contributions for nondiscrimination
- Employee may self-certify loan repayment
- Effective in 2024



Employer contributions as Roth

- 401(k), 403(b) and 457(b) can allow employee to elect to have employer contributions made as Roth (taxable now)
- Available for matching and nonelective employer contributions
- Contribution must be vested
- Effective on enactment



Significant Structural Changes



Automatic enrollment required for new plans

- New 401(k) and 403(b) plans must have automatic enrollment at minimum of 3% and automatic escalation up to 10%
- Exemptions for 10 or fewer employees, businesses in existence for less than 3 years, government plans and church plans
- Effective in 2025. **Existing plans are exempt**



Saver's Match

- Saver's credit for low-income individuals turned into government matching contribution
- Must be contributed back into your plan or to an IRA
- Max credit is 50% of contribution, up to \$1000, with various phase outs
- Married taxpayers can get at least some credit up to \$68,000 in income (indexed)
- Effective in 2027



Simplification Provisions

Available in 2023

- Eliminate “first day of the month” rule for 457(b) plans
- Simplify notices for employees who are eligible but have not enrolled
- Self-certification of hardship distributions
- Allow small financial rewards (i.e. gift card) as incentive to contribute to the plan

Requires regulatory action

- Allow self-correction of most operational errors
- Directing DOL to allow consolidation of notices and consider further improvements



Appendix – Detailed Provision List





Secure Act 2.0 Effective January 1, 2023

Mandatory	Optional
<ul style="list-style-type: none"> • RMD beginning age change to 73 • RMD excise tax reduction • Governmental 457(b) plans eliminate first day of month rule for deferral elections • Private firefighter exemption from 10% penalty for distributions over age 50 • Exemption from early withdrawal penalty for 1) certain state and local government corrections officers and public safety employees and 2) terminally ill • QLAC distribution rule changes exempting from RMDs • Qualified charitable distributions from IRAs can count toward RMDs • Group of Plan audit requirements 	<ul style="list-style-type: none"> • Qualified Birth and Adoption Distribution 3 year repay • Employer match/nonelective contribution Roth option • 403(b) PEPs and MEPs • Self-certification of hardship withdrawals • Elimination of certain participant notices to unenrolled participants • Designation of PEP named fiduciary for contributions • Small employer military spouse eligibility and tax credit • Improved startup plan tax credits • MEP/PEP startup plan tax credits • Qualified disaster distributions

 Collective Investment Trusts for 403(b)s are newly permitted but can't be implemented until securities laws are updated.





Secure Act 2.0 Effective January 1, 2024

Mandatory

- Substantially Equal Periodic Payment Rule distributions updates
- Modification of required minimum distribution rules for special needs trust
- Elimination of Roth 401k RMD requirements
- Spouse treatment if participant dies before RMD
- Safe Harbor for Corrections of Employee Elective Deferral Failures

Optional

- Student loan payments matching contributions
- In plan emergency savings accounts
- In plan emergency withdrawals and repayments
- Starter 401k plans for employers without a retirement plan
- Increase small balance cashout limit to \$7000
- Small balance involuntary distributions automatic portability
- Compliance testing changes for excludable employees
- Catch up contributions required to be Roth for higher income participants
- Domestic abuse withdrawals and repayments
- Changes to hardship withdrawal rules 403b plans
- Consolidation of certain ppt notices (12/29/2024)





Secure Act 2.0 Effective 2025 or Later

Mandatory	Optional
<ul style="list-style-type: none"> • Part-time worker eligibility rules changed 1/1/2025 • Auto-enrollment and auto-escalate for new plans 1/1/2025 • Creation of a federal database for lost participants and plans by 12/29/2025 • Plan amendments non-governmental plans 12/31/2025 • Annual paper statements required unless ppt opts out 1/1/2026 • Saver's Match federal government contributions 1/1/2027 • Plan amendments governmental plans 12/31/2027 • ESOP distribution tax and other changes 12/31/2027 	<ul style="list-style-type: none"> • Catch up contributions higher limits for ages 60-63 1/1/2025 • Long-term care contracts purchased with retirement plan distributions penalty free up to \$2500 12/26/2027





Q4 2022 Plan Summary

➤ Assets and Cash Flow

- At year-end (Q4), plan assets were \$8,035,340,110.
- Large outflows in Q4 yielded a negative cash flow of \$8,676,417.
- The average account balance at year-end was \$155,501 and the number of participants with balances increased by 825 during the year resulting in 51,674 participant accounts as of December 30, 2022.

➤ Investment Composition

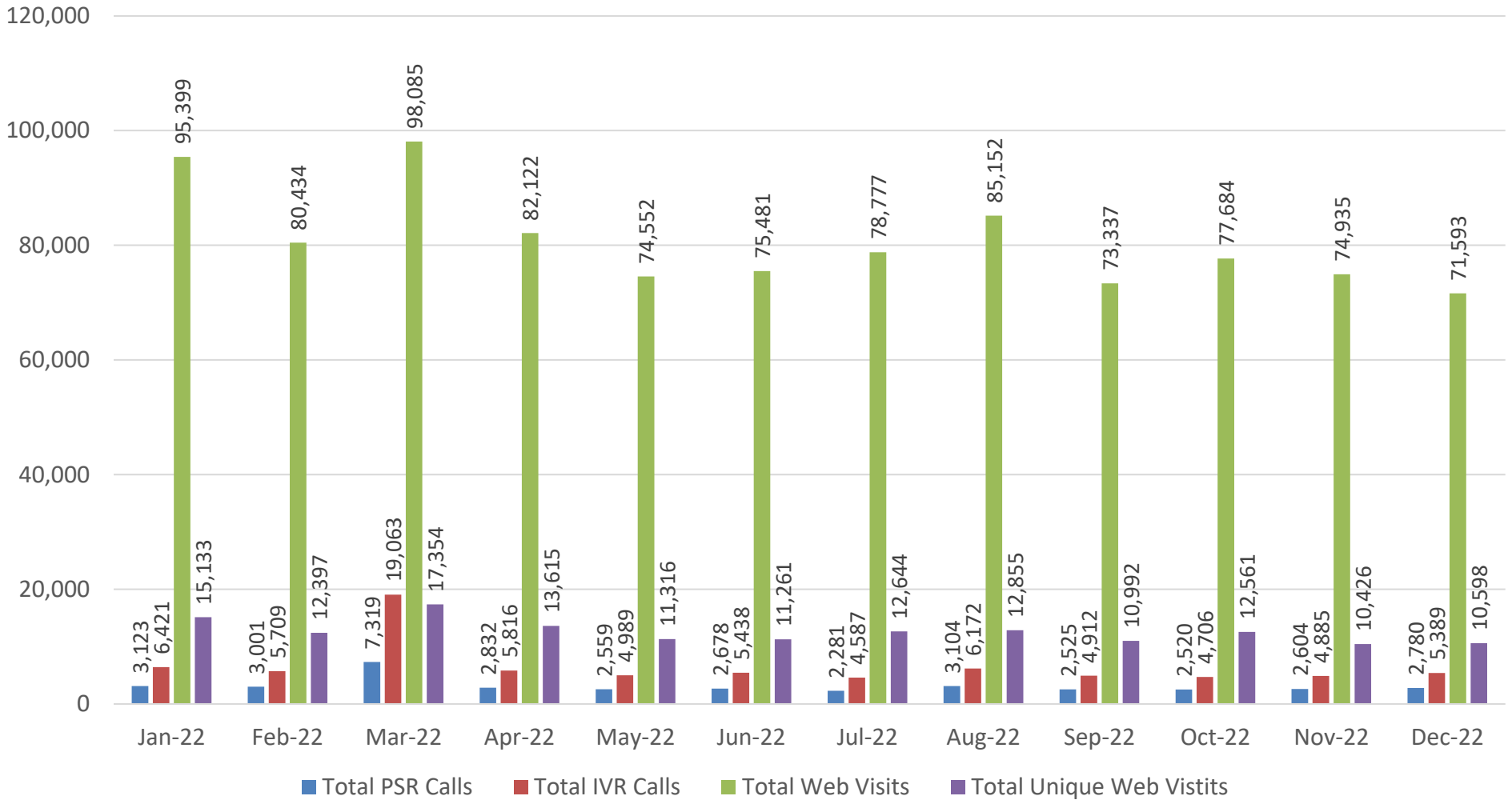
- Isolating fund transfer activity, the Schwab brokerage account and the Stable Value had positive net activity during the quarter.

➤ Participant Activity

- There was an increase in hardship activity in the 4th quarter – the primary reason was to prevent eviction and foreclosure.
- During 2022, we introduced the chatbot feature, during Q4, there were 468 chatbot interactions and almost 86% of inquiries were resolved with the bot.



2022 Participant Contact Summary





Q4 2022 Transfer Activity by Investment

Investment Name	Transfers In	Transfers Out	Net
SCHWAB BROKERAGE	\$31,081,533	(\$11,199,741)	\$19,881,791
FDIC INSURED SAVINGS ACCOUNT	\$38,246,591	(\$40,198,976)	(\$1,952,385)
STABLE VALUE	\$48,470,993	(\$39,587,518)	\$8,883,475
ULTRA CONSERVATIVE PORTFOLIO	\$5,892,700	(\$9,438,368)	(\$3,545,669)
CONSERVATIVE PORTFOLIO	\$9,855,753	(\$10,307,752)	(\$451,999)
MODERATE PORTFOLIO	\$5,338,218	(\$8,351,743)	(\$3,013,525)
AGGRESSIVE PORTFOLIO	\$4,730,646	(\$8,800,289)	(\$4,069,643)
ULTRA AGGRESSIVE PORTFOLIO	\$5,714,486	(\$6,878,789)	(\$1,164,303)
DCP BOND FUND	\$5,624,730	(\$6,076,667)	(\$451,938)
DCP LARGE CAP FUND	\$45,754,640	(\$55,533,483)	(\$9,778,843)
DCP MID CAP FUND	\$5,571,182	(\$7,928,105)	(\$2,356,923)
DCP SMALL CAP FUND	\$9,904,657	(\$10,686,812)	(\$782,155)
DCP INTERNATIONAL FUND	\$2,348,053	(\$3,323,495)	(\$975,441)



CITY OF *Los Angeles*
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Plan Health





Plan Overview

	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Total Plan Participants with a balance	50,849	50,981	51,519	51,674
Total Plan Assets	\$8,911,864,063	\$7,906,363,475	\$7,679,392,506	\$8,035,340,110
Average Balance	\$175,261	\$155,085	\$149,059	\$155,501
Median Balance	\$65,289	\$59,069	\$57,061	\$60,022





Cash Flow Summary

Cash In

Pre-tax Contributions	\$65,668,235.00
Roth Contributions	\$14,758,338.28
Rollover Contributions	\$13,551,847.28
Loan Repayments	\$21,520,583.25
Other	\$6,841,295.86

Total Cash In **\$122,340,299.67**

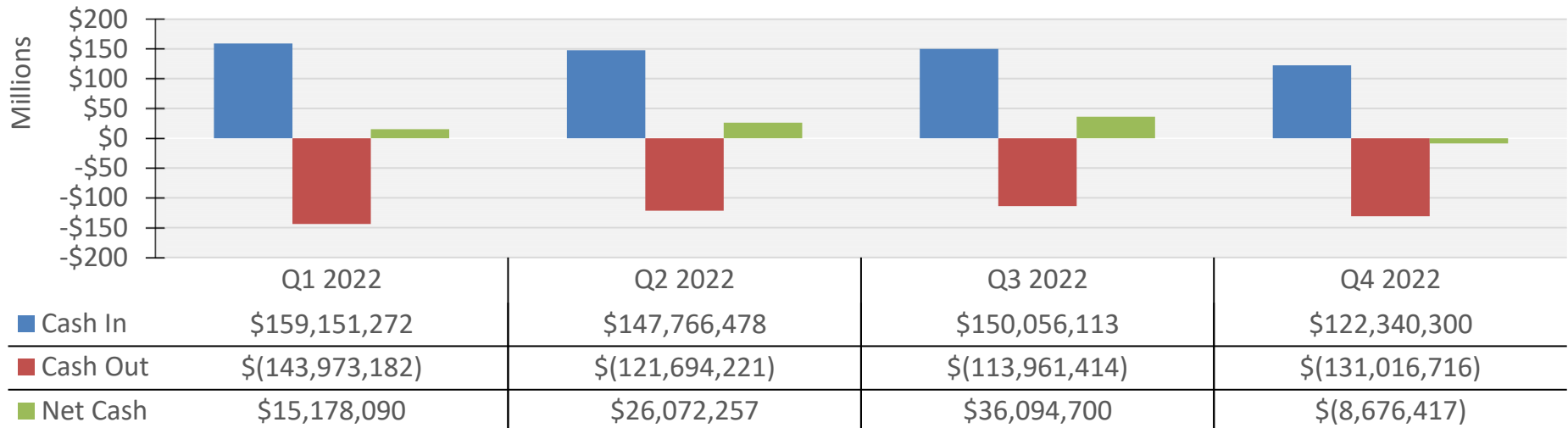
Cash Out

Distributions	(\$60,025,101.66)
Rollovers	(\$46,433,085.00)
Loans Issued	(\$16,685,365.63)
Fees	(\$1,031,868.27)
Other	(\$6,841,295.86)

Total Cash Out **(\$131,016,716.42)**

"Other" activity represents all inter-participant transfer activity, which includes decedent/beneficiary activity, QDRO splits and Alternate participant transfers. "Distributions" activity represents withdrawals, installments and termination payments.

Net Cash Flow **(\$8,676,416.75)**



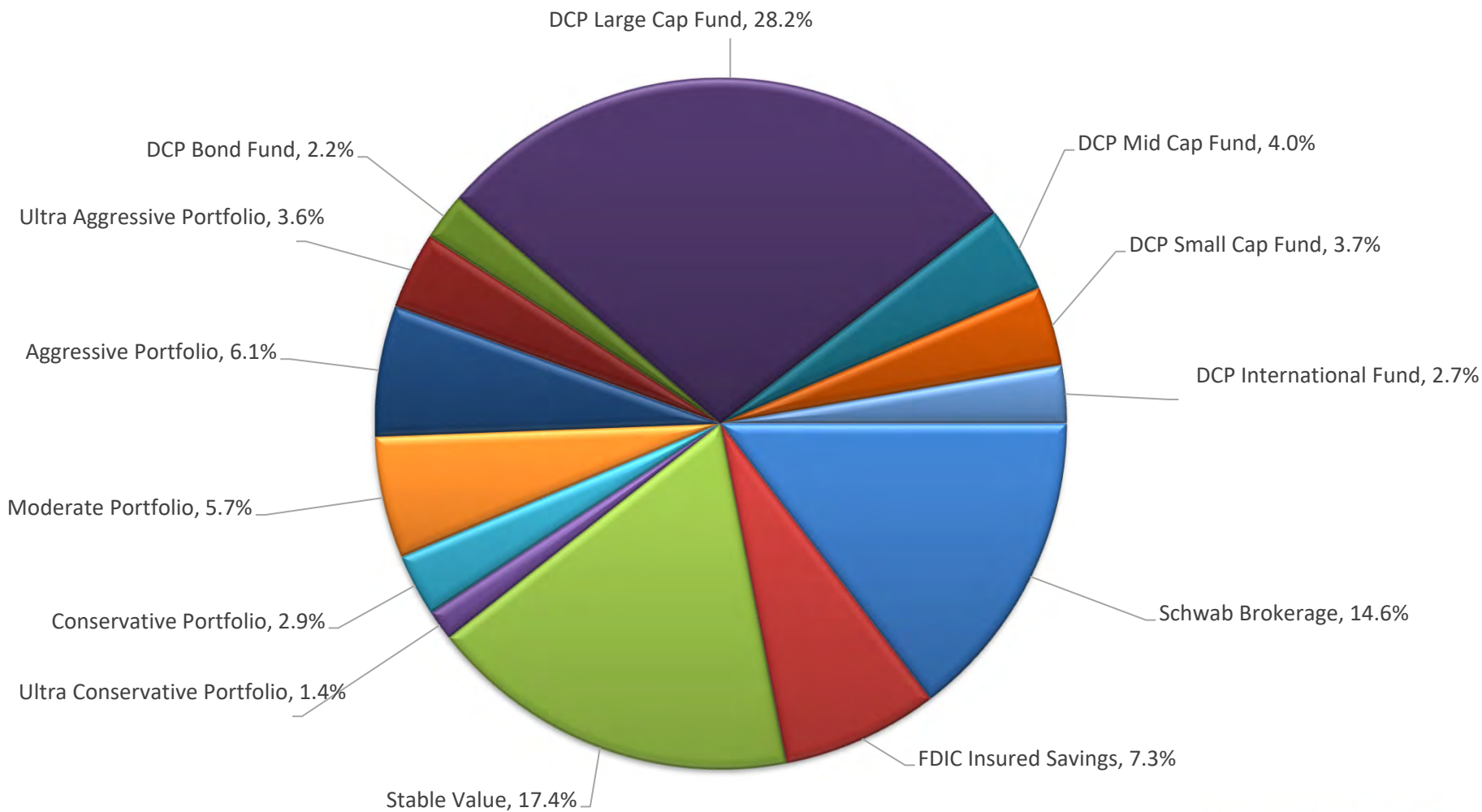


Balances by Investment

Investment	Investment Balance	Number of Participants	Average Participant	Percentage of Plan Assets
SCHWAB BROKERAGE	\$1,174,268,067.72	6,915	\$169,969.53	14.6%
FDIC INSURED SAVINGS ACCOUNT	\$589,527,611.21	13,152	\$44,824.18	7.3%
STABLE VALUE	\$1,398,702,102.64	13,778	\$101,517.06	17.4%
ULTRA CONSERVATIVE PORTFOLIO	\$116,431,512.81	3,069	\$37,937.93	1.4%
CONSERVATIVE PORTFOLIO	\$235,563,881.59	5,611	\$41,982.51	2.9%
MODERATE PORTFOLIO	\$460,613,971.31	12,117	\$38,013.86	5.7%
AGGRESSIVE PORTFOLIO	\$493,836,971.49	14,293	\$34,550.97	6.1%
ULTRA AGGRESSIVE PORTFOLIO	\$292,912,785.95	10,697	\$27,382.70	3.6%
DCP BOND FUND	\$172,845,220.20	6,767	\$25,542.37	2.2%
DCP LARGE CAP FUND	\$2,268,436,192.15	21,676	\$104,651.97	28.2%
DCP MID CAP FUND	\$321,492,158.37	8,510	\$37,778.16	4.0%
DCP SMALL CAP FUND	\$295,467,108.20	9,465	\$31,216.81	3.7%
DCP INTERNATIONAL FUND	\$215,242,526.74	8,769	\$24,545.85	2.7%
Total Investment Balance:	\$8,035,340,110.38			
Total Loan Fund:	\$140,297,496.02			



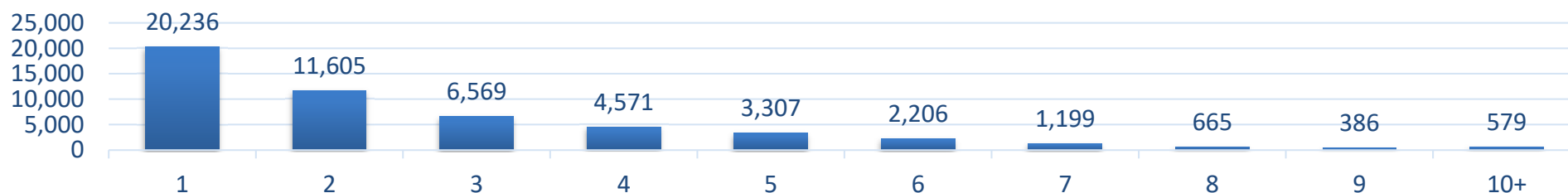
Percentage of Plan Assets



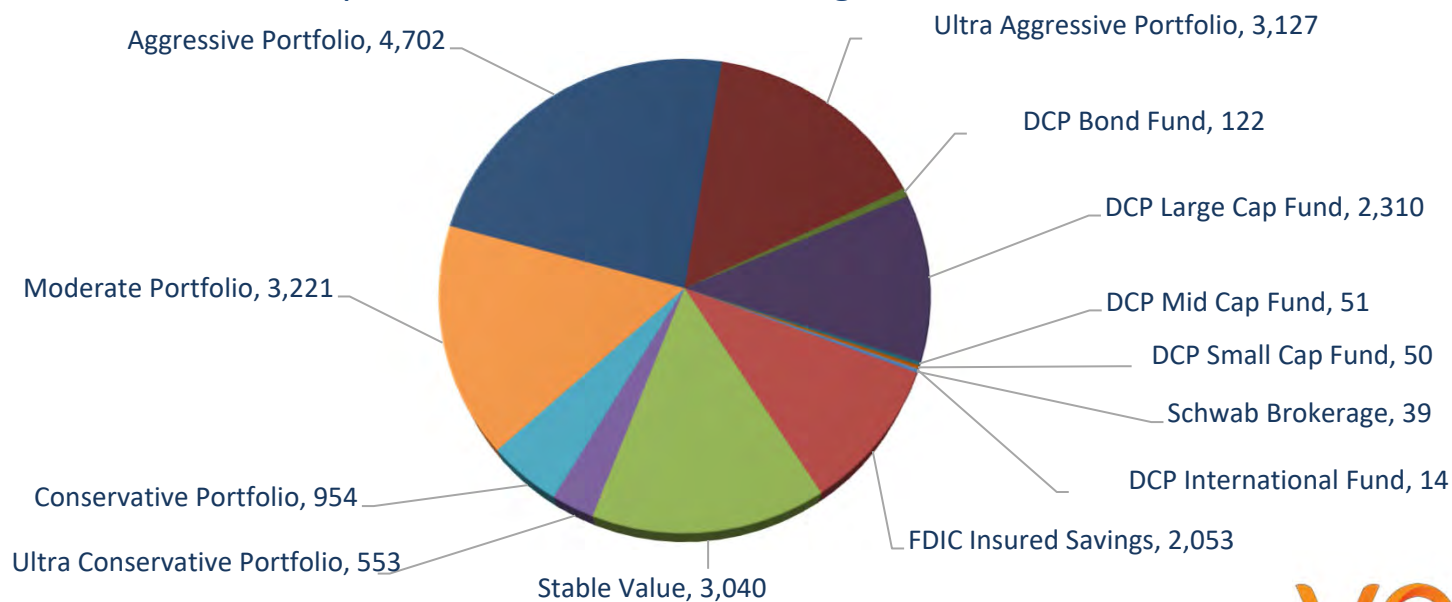


Diversification- All Investment Options

Participants with Balances by Number of Investments



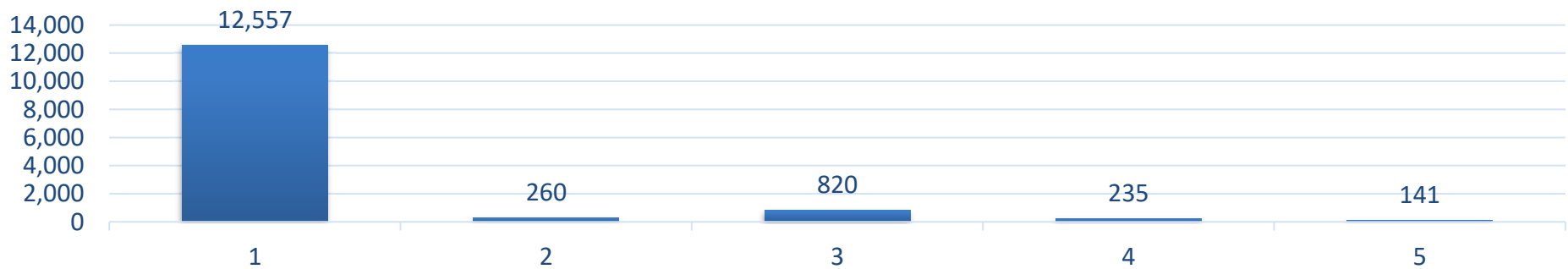
Participants with a Balance in a Single Investment



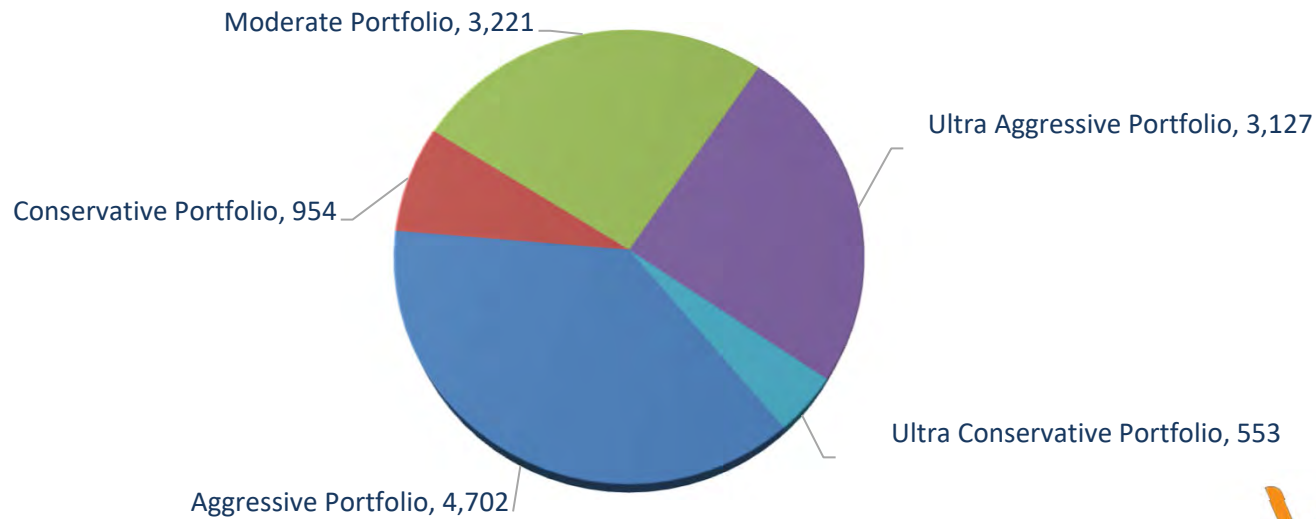


Diversification- Portfolio Funds Only

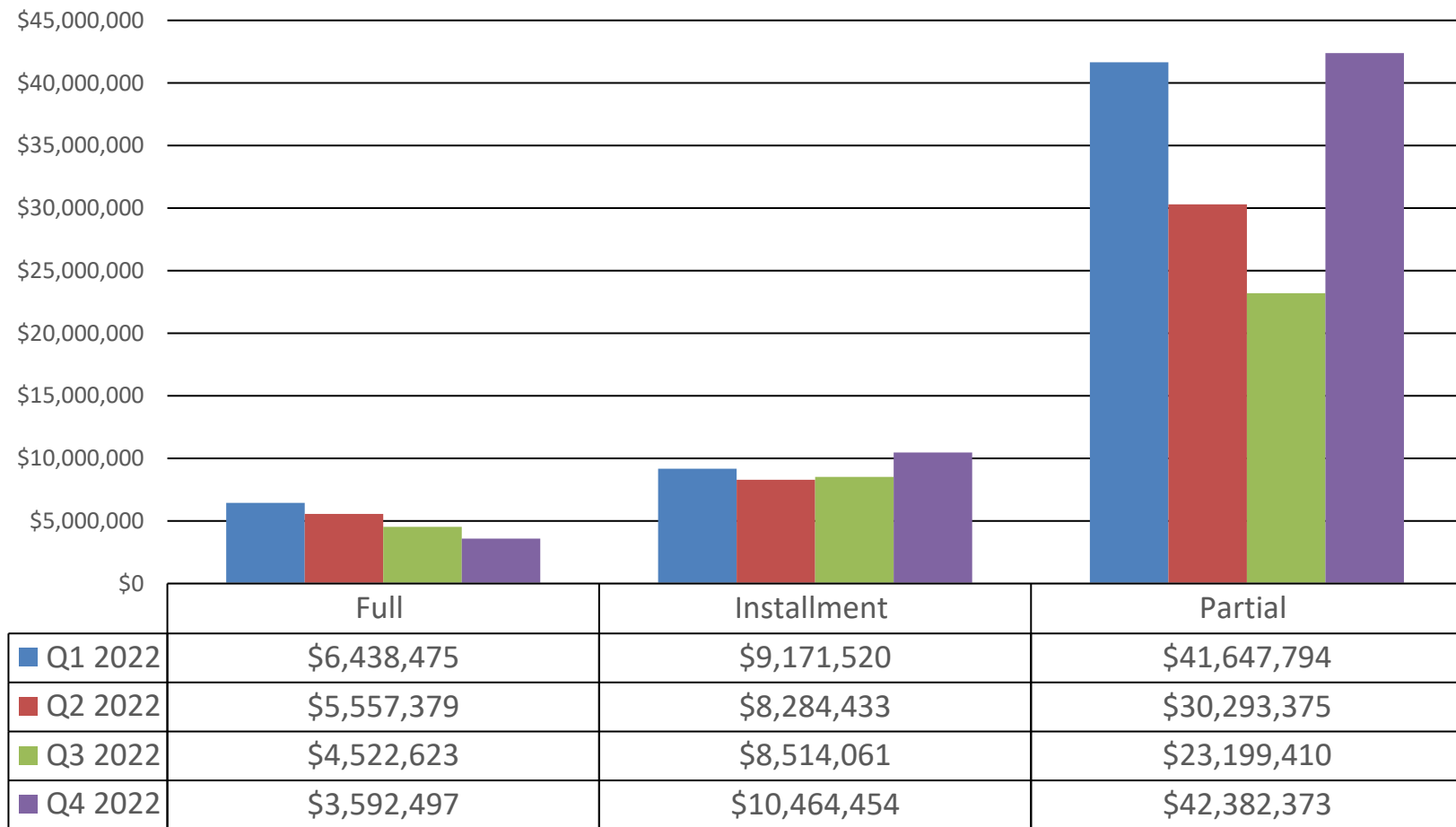
Participants with Balances by Number of Investments



Participants with a Balance in a Single Investment



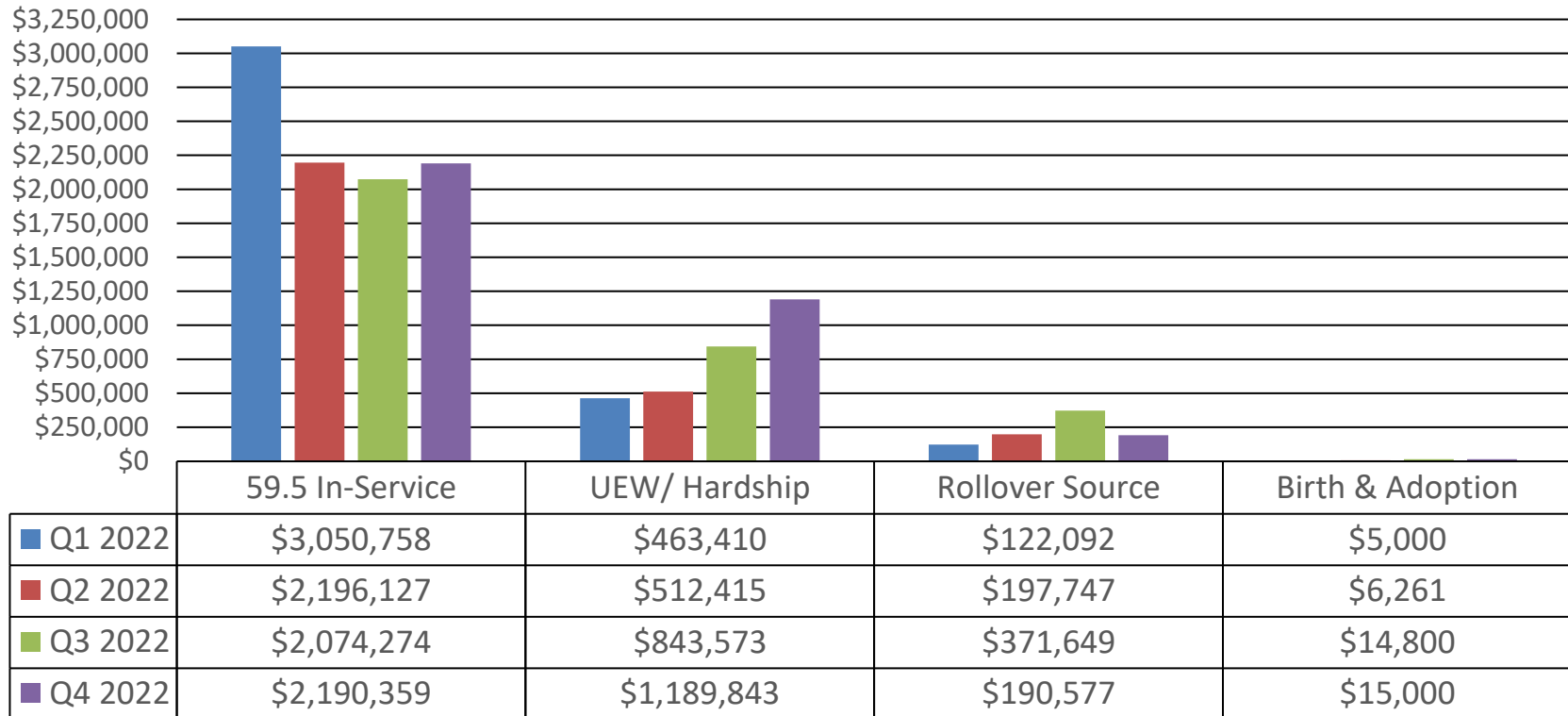
Participant Outcomes: Distribution Types by Quarter



This data includes distributions from the separated population accounts (including closures of QDRO and beneficiary accounts).

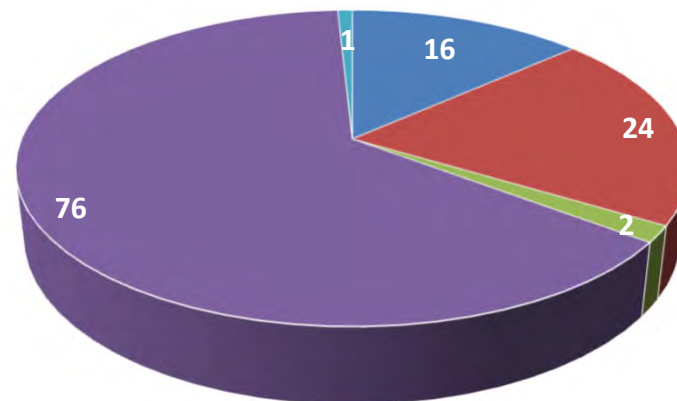


Participant Outcomes: In-Service Withdrawals by Quarter

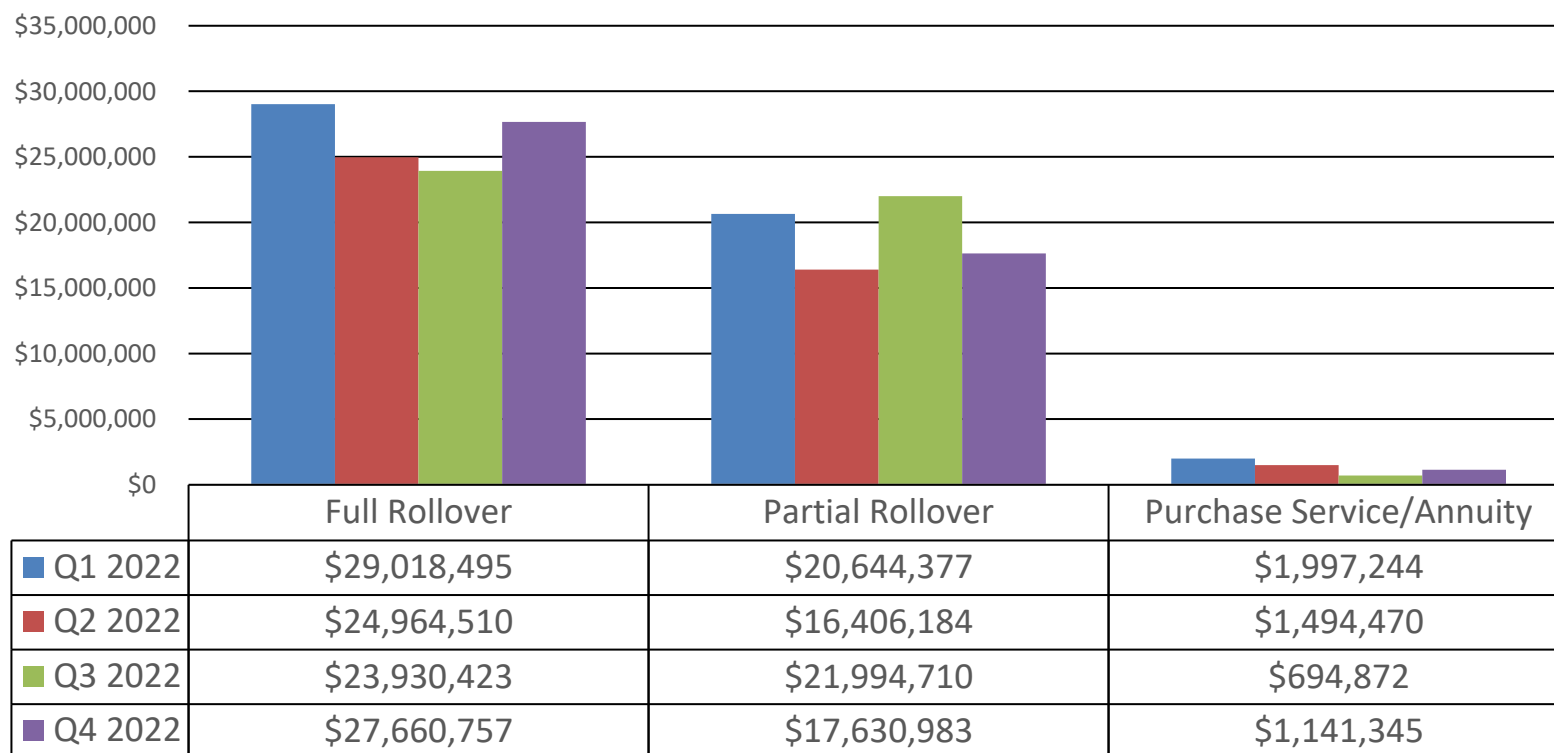


Unforeseeable Emergency Withdrawal (UEW) Reasons

- Medical Expenses
- Illness or Accident
- Funeral Expenses
- Eviction/ Foreclosure
- Residence Repair

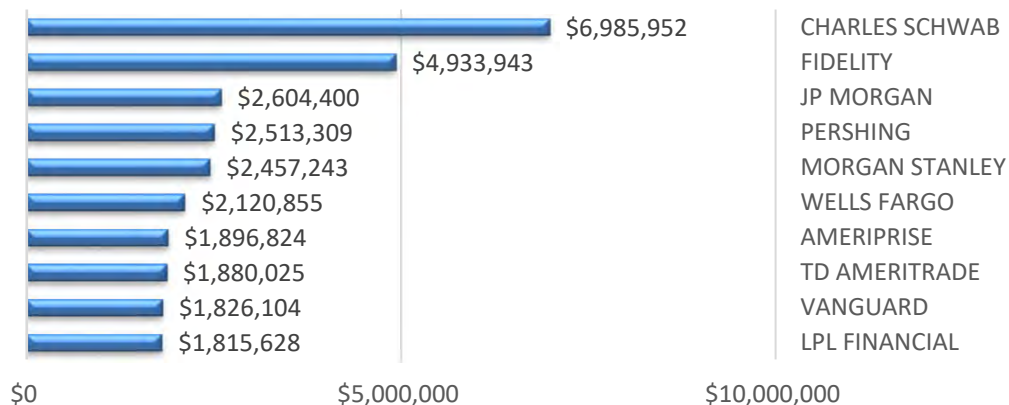


Participant Outcomes: Rollovers

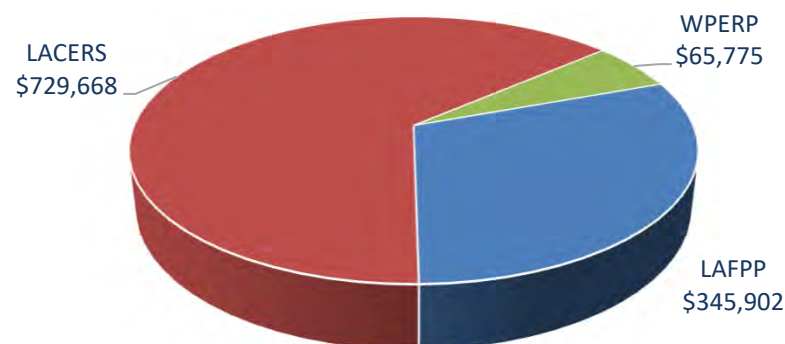


This data includes distributions from the active and separated populations (including QDRO and Beneficiary accounts).

Top 10 Rollover Providers by Dollar Amount



Purchase of Service/Annuity by Provider

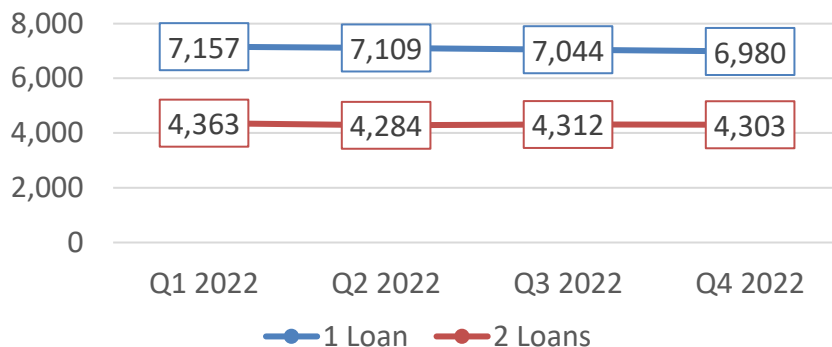




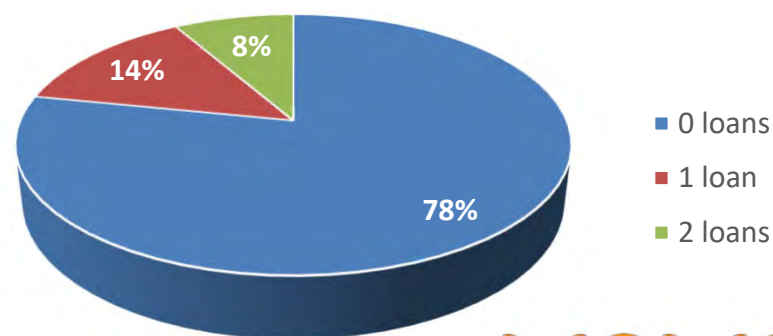
Loan Trending

	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Total Participants with Loans	11,520	11,393	11,356	11,283
Total Number of Outstanding Loans	15,883	15,677	15,668	15,586
Number of General Loans	14,292	14,094	14,114	14,055
Number of Residential Loans	1,591	1,583	1,554	1,531
Total Outstanding Loan Balance	\$162,952,309	\$161,456,537	\$162,342,369	\$158,649,635
General Loan Balance	\$135,517,269	\$134,274,513	\$135,892,892	\$132,962,150
Residential Loan Balance	\$27,435,040	\$27,182,024	\$26,449,477	\$25,687,485
Average Loan Balance per Borrower	\$14,145	\$14,172	\$14,296	\$14,061
Number of Re-amortized	148	218	217	148
Number of Loan Defaults	181	206	162	199
Total New Loans Initiated	1,280	1,388	1,473	1,252
New Loans Active	1,217	1,298	1,392	1,166
New Loans Separated from Service	63	90	81	86

1 Loan versus 2 loans



Loan Summary



The Schwab Personal Choice Retirement Account (PCRA) Quarterly Report

CITY OF LA 457 DEFERRED COMP as of 12/31/2022

Plan Profile Information

Plan Type	457B
Total PCRA Assets	\$1,172,601,389
Total Funded PCRA Accounts	8,212
Total Roth Assets	\$53,710,933
Total Funded Roth Accounts	1,611
Total Advisor Managed PCRA Assets	\$581,448,435
Total Advisor Managed Funded PCRA Accounts	3,795
PCRA Accounts Opened This Quarter	203
PCRA Assets In and Out This Quarter*	\$34,047,599
Average PCRA Account Balance	\$142,791

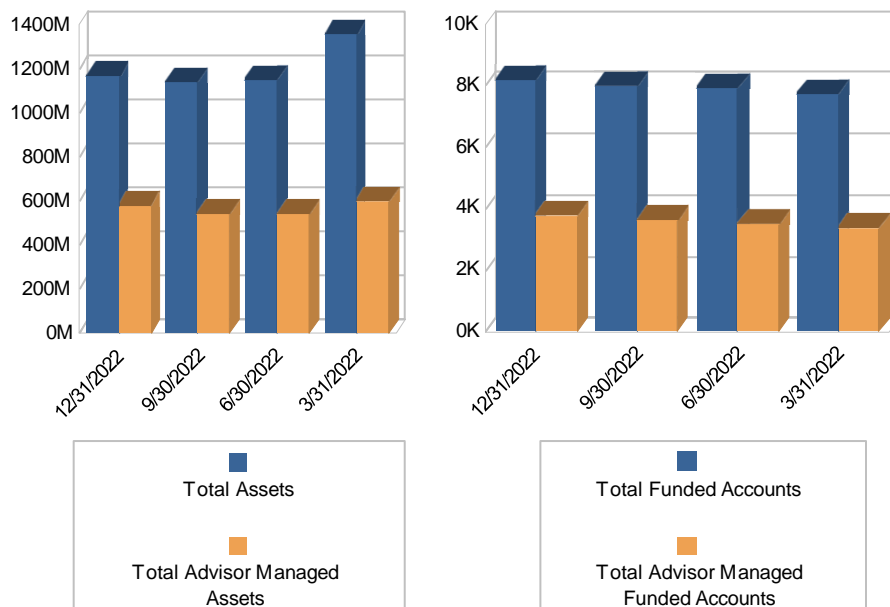
PCRA Participant Profile Information

Average Participant Age	49
Percent Male Participants	83%
Percent Female Participants	17%

Total Assets by Category

Cash Investments	\$175,640,661
Equities	\$447,842,453
ETFs	\$248,960,526
Fixed Income	\$85,730,708
Mutual Funds	\$214,660,415
Other	-\$233,375

Assets and Accounts (Trailing 4 Quarters)



Average Positions Per Account

Cash Investments	1.0
Equities	11.3
ETFs	3.1
Fixed Income	0.5
Mutual Funds	1.9
Other	0.0
Total	17.7

Average Trades Per Account

Equities	5.0
ETFs	2.4
Fixed Income	0.1
Mutual Funds	4.3
Other	0.2
Total	12.0

* Assets In and Out includes contributions and distributions.



CITY OF *Los Angeles*
DEFERRED COMPENSATION PLAN



DCP Communications





Marketing Communications Summary

2022 Communications Headlines

The 2022 enrollment campaign generated the highest volume of appointments with retirement counselors in the week following launch. We also saw a significant increase of total participants with a balance: Q2 (50,981) → campaign launch → Q3 (51,519). This outpaced trends over previous quarters.

The Market Volatility campaign that was launched in September 2022 during a particularly turbulent time in the market, generated the highest-ever attended Money Matters session.

2022 Communications Activities Recap

Executed 5 distinct strategic communications campaigns since March 2022, encompassing:

- 213,000 emails
 - 21,767 postcards
 - 17 social media posts
 - 5 new blog posts
- *Note* Campaigns included:*
- SDBA SSO Enhancements
 - DCP Summer Checklist
 - Retirement "Pay-Raise" (enrollment)
 - Market Volatility
 - Year-end Checklist

Launched an ambitious NRSM "Foodies and Finance" campaign, encompassing:

- 172,000 emails
- 9 blog posts
- 3 unique engagement activities
- 1 custom video presentation
- 2 companion Money Matters sessions
- 18 social media posts

Developed and prepared a Communications Strategy and Calendar for 2023, encompassing:

- Analysis of previous campaigns/efforts
- Performed SWOT analysis on strategy
- Obtained board approval on strategy
- Projecting a minimum of 12 distinct communications campaigns focused on participation, asset retention, distributions, and contributions



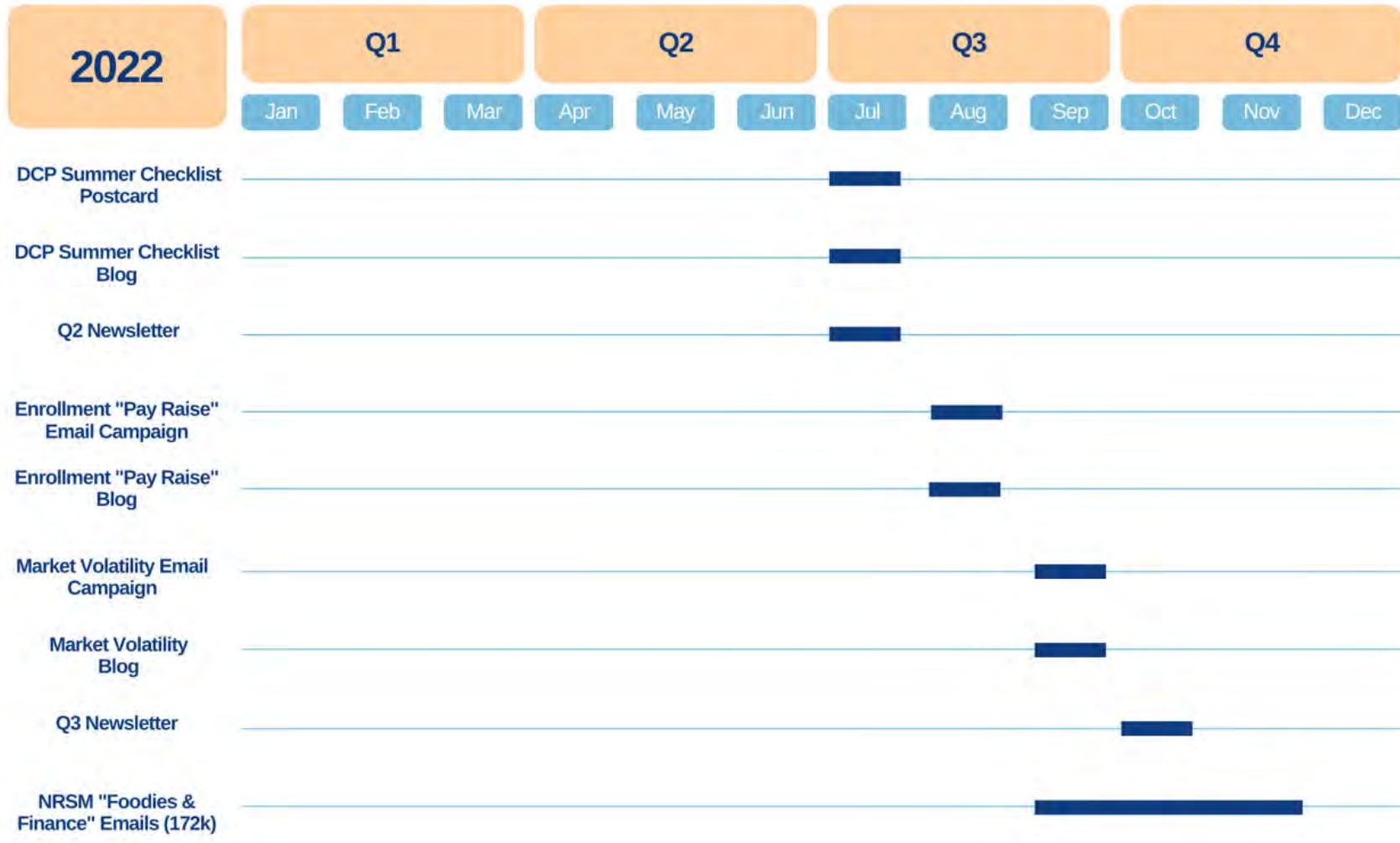


DCP Marketing Communication Projects – Part 1



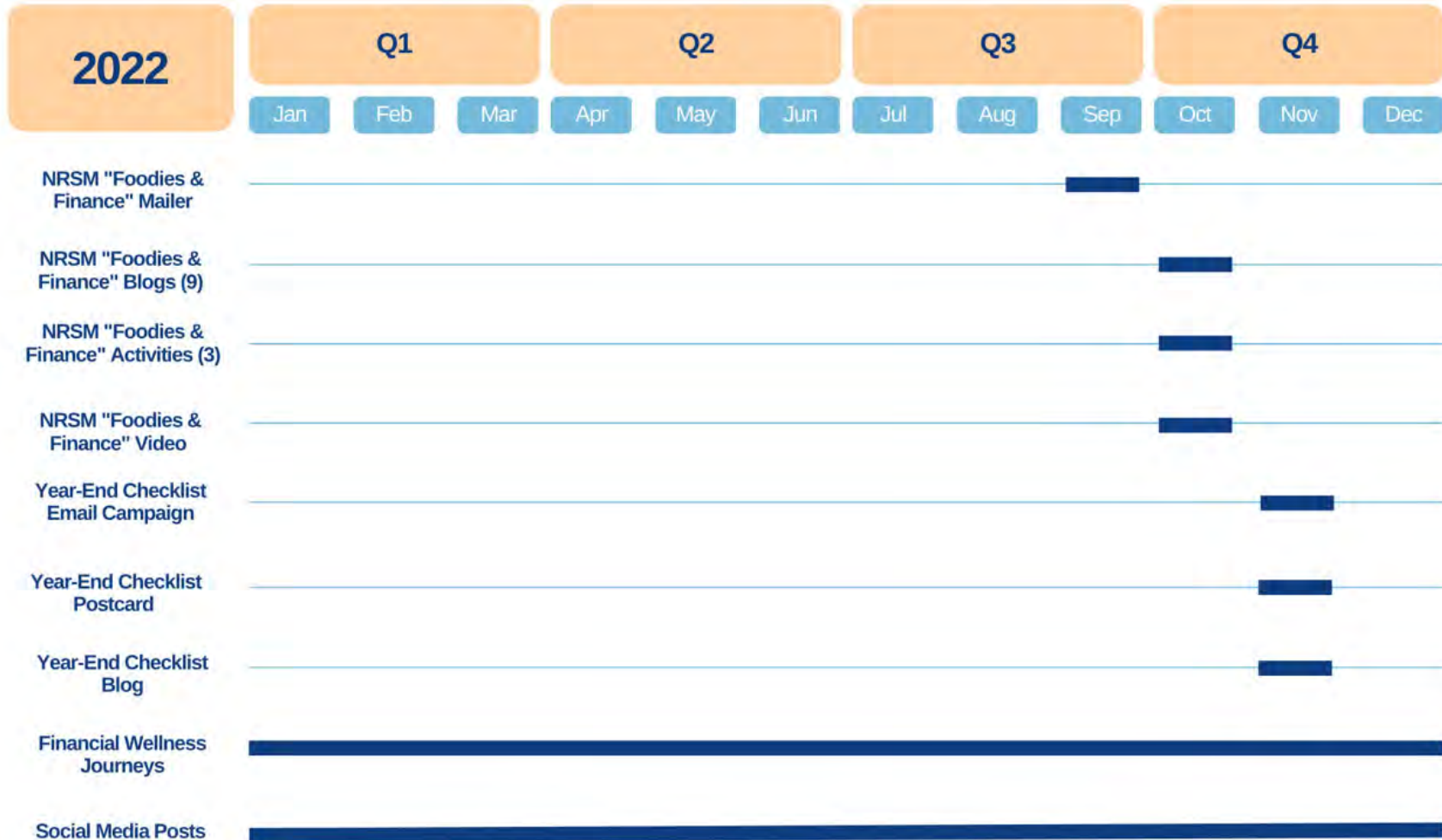


DCP Marketing Communication Projects – Part 2



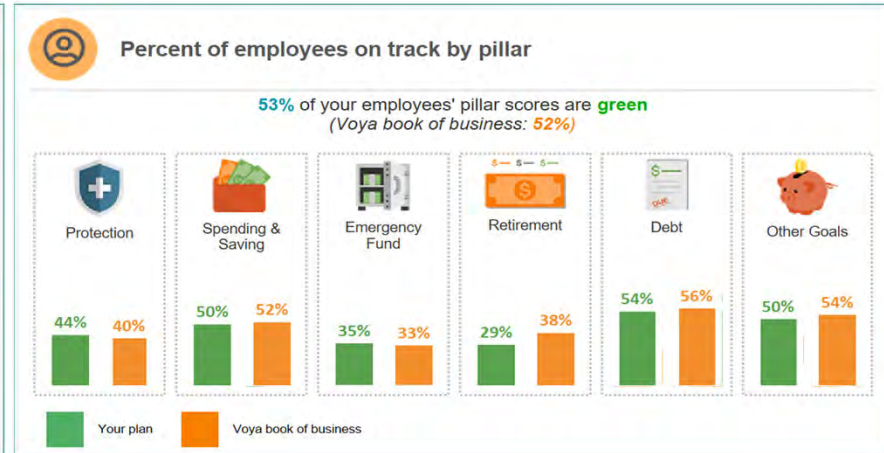
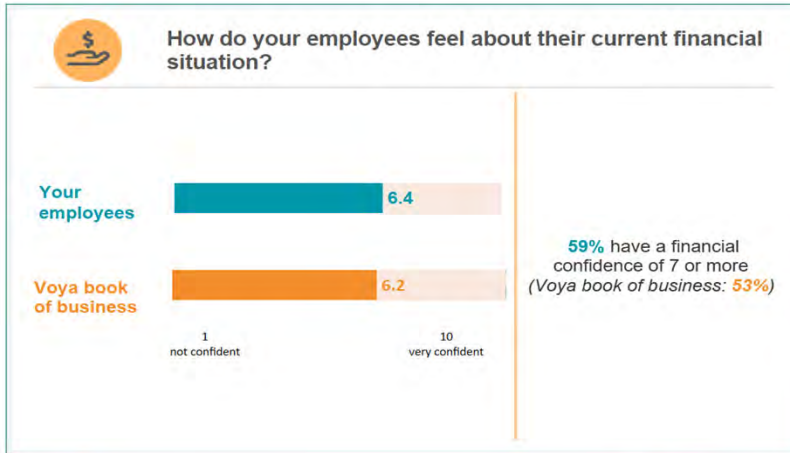


DCP Marketing Communication Projects – Part 3



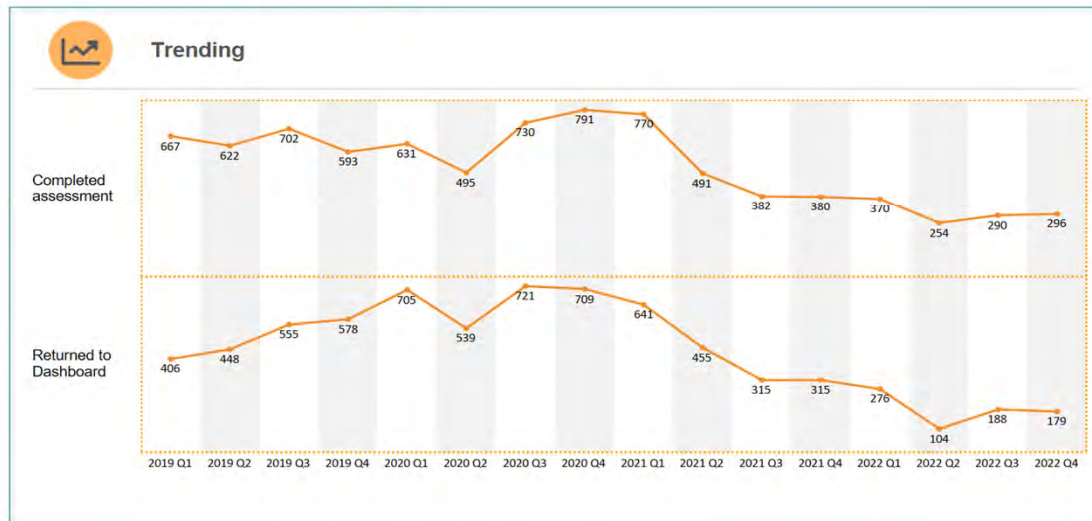


Financial Wellness Snapshot 2022



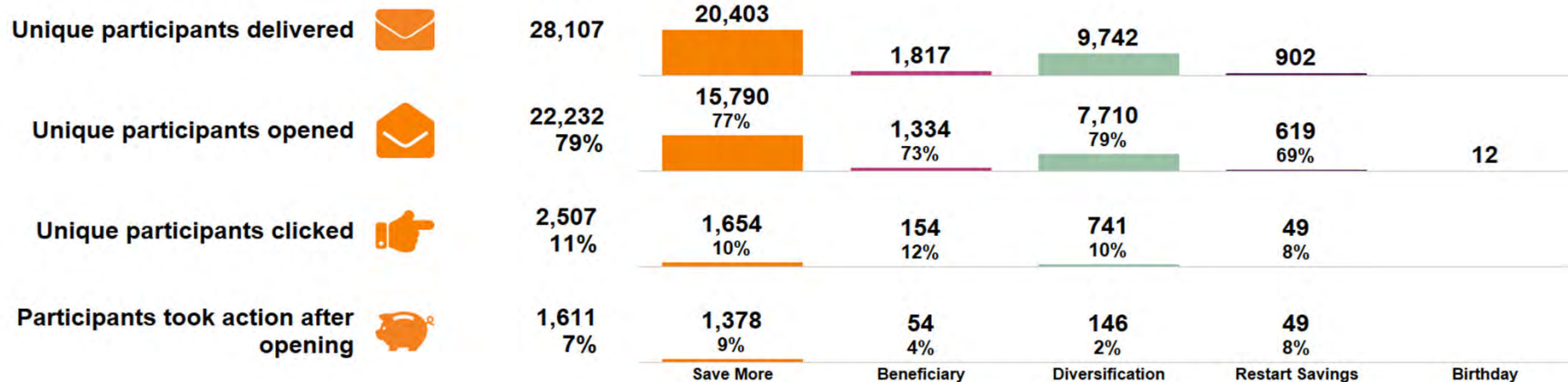
Engagement

	# of participants	% of participants	Voya Book of Business
Started Financial Wellness assessment	5,955	--	--
Completed assessment and viewed results	5,301	89%	89%
Viewed dashboard after completing assessment	4,606	87%	82%

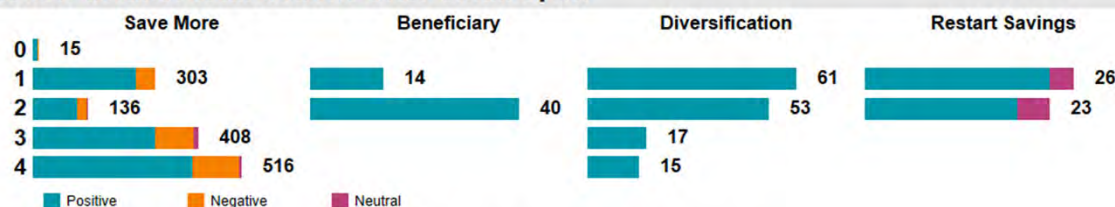




Personalized Financial Wellness Messaging Summary 2022



Action details: total actions after email open



Potential financial impact: (those who changed deferral rate, excludes deferral amt)

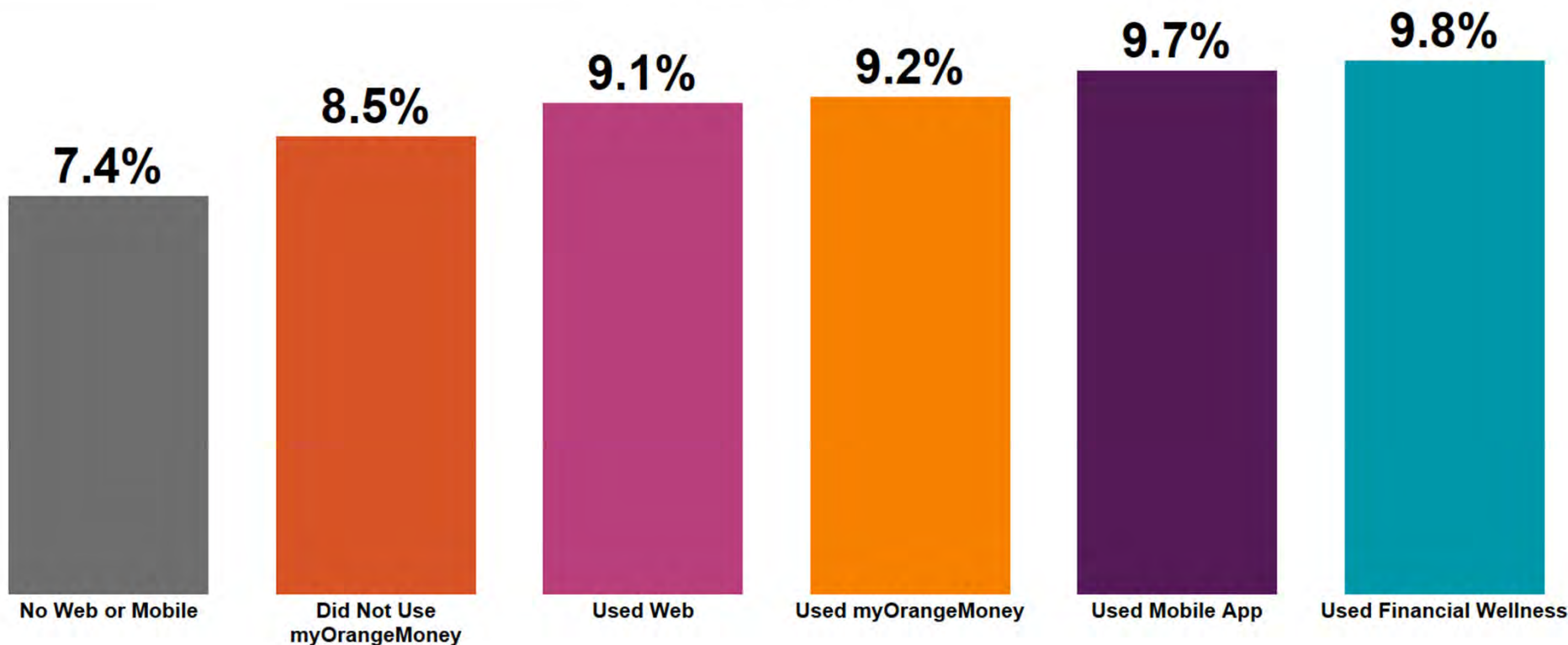
Restart Savings \$148,521 of additional contributions per year. (11 participants increased their savings rate by 11.5% on average)



Digital Engagement Savings Report 2022

Engagement Outcomes - Savings Rate

Savings Rate (%)



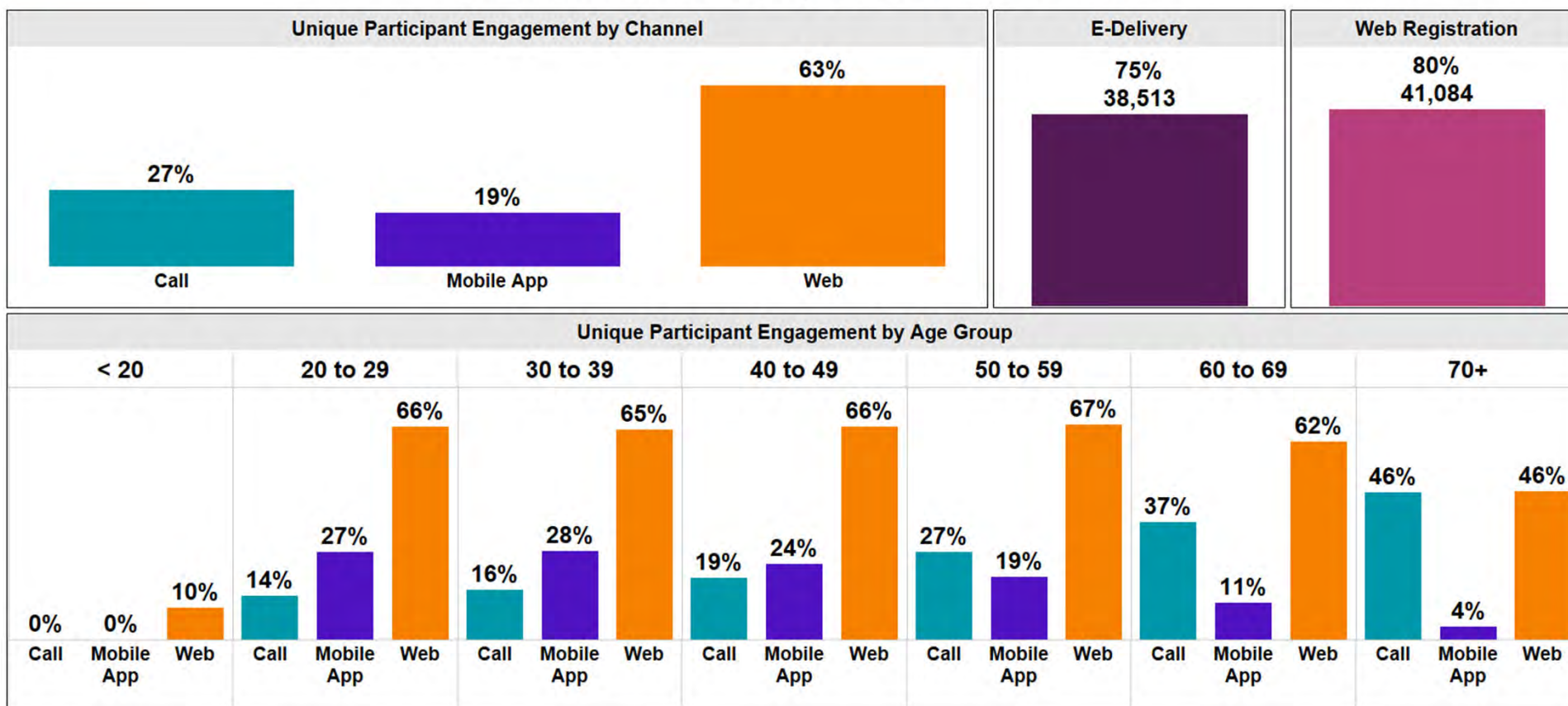
Data as of 12/31/2022



Digital Engagement Usage 2022

Engagement

75% of plan participants have engaged (used web, mobile, or called) over the past 12 months
63% of plan participants have digitally engaged over the past 12 months



Data as of 12/31/2022



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Employee Engagement

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La Tanya Harris



Vincent Alvarez



Steve Harman



Tim Merwin



Carol Say

4Q 2022 Representative Activity

	1Q 2022	2Q 2022	3Q 2022	4Q 2022
Virtual Meetings	30	34	31	28
Meeting Attendees	787	934	708	521
Call Totals	3,386	2,381	2,152	2,365
Emails	2,274	1,730	1,627	1,767
Total Participation	6,447	5,045	4,487	4,653
Enrollments	59	50	104	62



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Thank You

