

CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

PROPOSED MINUTES
APRIL 18, 2017
700 E. TEMPLE STREET, ROOM 350

BOARD MEMBERS

Present:

John R. Mumma, Chairperson
Michael Amerian, Vice-Chairperson
Cliff Cannon, First Provisional Chair
Wendy G. Macy, Third Provisional Chair
Linda P. Le
Thomas Moutes

Not Present:

Raymond Ciranna, Second Provisional Chair
Robert Schoonover
Don Thomas

PERSONNEL DEPARTMENT STAFF

Jody Yoxsimer – Assistant General Manager
Steven Montagna – Chief Personnel Analyst
Matthew Vong – Management Analyst II
Daniel Powell – Management Assistant

OFFICE OF THE CITY ATTORNEY

Curtis Kidder – Assistant City Attorney

MERCER INVESTMENT CONSULTING

Devon Muir - Principal
Ana Tom-Chow - Associate

1. CALL TO ORDER

John Mumma called the meeting to order at 9:05 a.m.

2. PUBLIC COMMENTS

None.

3. MINUTES

A motion was made by Michael Amerian, seconded by Wendy Macy, to approve the March 21, 2017 meeting minutes; the motion was unanimously adopted.

4. PLAN ADMINISTRATOR QUARTERLY REVIEW

Joan Watkins and La Tanya Harris of Empower Retirement provided a review of Plan data and statistics for the quarter ending December 31, 2016. Ms. Watkins reported that quarter-over-quarter, the Plan saw an almost 2% increase in assets. She also reported that deposits were down, likely because participants frequently front-load their contributions early in the year and drop off later in the year. She stated that distributions were down, but within the average over the last couple years. She reported that there was a 9.5% increase in total Roth assets and that allocations across asset classes stayed largely the same. She noted that while contributing participants decreased in the fourth quarter, the number should increase in the first quarter of the new year consistent with typical annual contribution patterns. She also reported that 2,097 participants enrolled during 2016, versus 1,856 during the 2015 calendar year. She then provided a brief overview of asset transfer activity, which she reported was all within the trends of the last few years.

Ms. Watkins then provided an administrative overview and noted a significant increase in transfers from the Plan. Mr. Mumma inquired as to what is driving LACERS transfers. Ms. Harris responded that it's primarily attributable to the purchase of service credits. Ms. Watkins reported that full distributions were slightly down for the quarter, while partial and periodic distributions largely remained the same. She reported that rollovers in and out are up over previous years, although rollovers in exceed rollovers out, which is a positive trend. She then provided a review of Plan loans and hardship distributions.

Ms. Watkins reviewed the Plan's loan details and noted that the balance of active loans increased versus the previous quarter. Additionally, she reported that the total number of retiree loans increased versus the prior quarter. Lastly, she reported that the total number of loans defaulted decreased from 103 last quarter to 92 this quarter.

Ms. Harris next provided a report on participant contacts conducted by the local representative staff. She reported that local representatives met with 10,512 participants. She noted that the meetings were primarily regarding accrued leaves and catch-ups as participants prepared for January retirements. She also noted a general increase in the number of service credit purchases for both sworn and civilian civilians. She reported that 92 group meetings were conducted during the quarter, and that they specifically targeted the Library Department for additional meetings in an effort to increase enrollment. She reported that they visited 28 City libraries in addition to regular meetings at Harbor, DWP, and LAX.

5. BOARD REPORT 17-12: PLAN GOVERNANCE & ADMINISTRATIVE COMMITTEE RECOMMENDATIONS RELATIVE TO BUDGET FORECASTING ASSUMPTIONS AND STAFFING RESOURCES

Matthew Vong and Steven Montagna presented a report on recommendations from the Plan Governance & Administrative Committee. Mr. Vong reported that the Committee met twice and reviewed the budget's key assumptions and arrived at recommendations for the Board. He indicated that staff and Committee members took a generally conservative approach in refining the assumptions and only made minor modifications. He reported that the Committee considered several scenarios for reducing the Plan's administrative fee; however, it found that doing so would result in a significant decrease in the Plan's long-term balance projections for the reserve fund. As such, he stated that the Committee did not recommend decreasing the participant fee at this time. He indicated that staff created budget forecasts for scenarios involving a one basis point fee decrease or a reduction in the annual dollar cap from \$125 to \$120 or \$115.

Mr. Montagna then presented the next portion of the report which reviewed Plan staffing resources. He reported that the Committee and staff considered options for improving the stability of staffing resources, succession planning, and enhancing resources to keep pace with the future growth of the Plan. He indicated that staff identified options that included implementing improved mechanisms for executive oversight and leveraging an internship position within the Plan.

Mr. Montagna reported that staff first presented information to the Committee to clarify staff roles. He noted that the Plan has two staff oversight roles, which are a Plan Manager position allocated at 60% to the Plan and the Executive Director allocated at 20%. He reported that the Committee would like to increase the allocation of the Plan Manager from 60% to 90%. He stated that this would be partially offset by reducing the Executive Director's role from 20% to 10%. Mr. Montagna reported that in order to best fill the role of Plan Manager, the Committee would like the ability to hire a candidate from outside the City, a practice that is common in other public sector defined contribution plans. He also stated that the classification of Senior Personnel Analyst may not be the most appropriate given the duties of the Plan Manager.

Mr. Moutes inquired as to whether the Personnel Department has a staff rotation policy that would affect the Plan Manager. Ms. Macy indicated that while cross-training does occur, there is not a rotation policy. Mr. Montagna added that, at a later date, the Board may want to consider a new job classification for the Plan's professional staff.

Mr. Montagna reported that the Committee proposed the addition of an Administrative Intern position with the Plan to attract students interested in working in the retirement industry. He indicated that this would provide a relatively inexpensive additional staffing resource and may result in the intern staying with the Plan long-term in a regular appointment.

Following this discussion, a motion was made by Cliff Cannon, seconded by Thomas Moutes, to receive and file the report from staff on behalf of the Plan Governance & Administrative Issues Committee relative to its review of Deferred Compensation Plan resources; the motion was unanimously adopted.

A second motion was made by Mr. Cannon, seconded by Ms. Macy, to approve the recommendations from the Plan Governance and Administrative Issues Committee to: (i) modify, as proposed in the staff report, the assumptions for key variables used to forecast the Plan's long-term reserve fund balance; (ii) adjust, as proposed in the report, the allocation of time committed to the Plan from the Plan Manager and Executive Director roles; (iii) request that the General Manager, Personnel Department, or designee, establish a new classification of "Defined Contribution Plan Manager," subject to the approval of the Civil Service Commission; (iv) assuming the Civil Service Commission approves the new classification, request that the City Administrative Officer (CAO) establish the salary for the new classification of Defined Contribution Plan Manager; (v) request Mayor and Council to authorize the position as part of the budget development process, or on an interim basis by resolution employment authority, one Defined Contribution Plan Manager, in the Personnel Department, subject to establishment of the new classification; and (vi) establish an ongoing "Administrative Intern" position for the Plan. The motion was adopted unanimously.

6. BOARD REPORT 17-13: THIRD PARTY ADMINISTRATOR TRANSITION UPDATE

Mr. Montagna reported that staff and Voya are continuing to work with the City's two payroll systems to refine the payroll file exchanges. He stated that at the City's request, testing was moved up to June in order to build in additional time for testing. He reported that the TPA announcement mailer had been mailed out and staff had received approximately fifteen contacts in response. He further indicated that most contacts had not been about the transition, but rather participants had been prompted to ask other questions about their Plan accounts. He reported that staff is working with Voya to draft transaction materials that are more clear and user friendly than the Plan's existing

forms. He indicated that Voya has been able to accommodate staff's request for unique customizations.

A motion was made by Mr. Amerian, seconded by Mr. Moutes, to receive and file staff's update regarding the Deferred Compensation Plan's Third Party Administrator (TPA) transition; the motion was unanimously adopted.

7. BOARD REPORT 17-14: NAGDCA LEGISLATIVE PRIORITIES AND MEETINGS UPDATE

Mr. Montagna provided an overview of his participation in meetings with Federal legislators and regulators as part of the Board of Directors for the National Association of Government Defined Contribution Administrators (NAGDCA) to discuss NAGDCA's legislative priorities. He reported that this was his fifth year attending this meeting, and that this year was unique in that there appeared to be a tangible opportunity to perhaps enact NAGDCA's legislative priorities if Congress and the President end up being successful in passing tax reform legislation. He indicated that NAGDCA's legislative priorities were received favorably by legislators on both sides of the aisle, which means that if a tax reform vehicle gains traction, these items may have a chance to be included. He reported that NAGDCA's legislative priorities this year were streamlined to focus on improvements to how Roth assets are treated. He specifically highlighted permitting rollovers of Roth IRAs into DC plans, the elimination of RMD rules for Roth balances, and permitting the purchase of service credit with Roth assets. He also reported that, in addition, NAGDCA continued prior year requests for allowing non-spouse beneficiary rollovers and removing the "first day of the month" rule.

Mr. Montagna stated that he would be returning to Washington D.C. shortly for NAGDCA's annual Industry Roundtable event that provides an opportunity for industry members to further interact with Federal legislative and regulatory staff, as well as opportunities for education and interactive sessions focused on developing recommended initiatives for NAGDCA.

A motion was made by Mr. Amerian, seconded by Mr. Cannon, to receive and file information regarding 2017 meetings of the Board of Directors for the National Association of Government Defined Contribution Administrators (NAGDCA) with Federal legislators and regulators regarding NAGDCA's legislative priorities; the motion was unanimously adopted.

8. BOARD REPORT 17-15: PLAN PROJECTS & ACTIVITIES REPORT

Mr. Vong provided an update on the Plan's ongoing and completed projects and activities for the month of March. He reported that Plan staff continues to work with the City Clerk's office to administer Board elections. In response to a request for report-back at the Board's April meeting, he also reported that Mercer had looked into the State of Utah Stable Value Fund and found that they are in fact using a wrap provider for the fund.

A motion was made by Mr. Amerian, seconded by Mr. Cannon, to receive and file updates on Plan projects and activities during March 2017; the motion was unanimously adopted.

9. REQUESTS FOR FUTURE AGENDA ITEMS

10. NEXT REGULAR MEETING DATE – May 16, 2017

11. ADJOURNMENT

A motion was made by Mr. Amerian, seconded by Mr. Cannon, to adjourn the meeting; the motion was unanimously adopted. The meeting adjourned at 9:49 a.m.

Minutes prepared by staff member Daniel Powell