

Deferred Compensation Plan

BOARD REPORT 18-06

Date: January 16, 2018

To: Board of Deferred Compensation Administration

From: Staff

Subject: 2018 Proposed Board Meeting Trainings and Proposed Ongoing Training Requirements

*Board of Deferred
Compensation Administration
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Recommendation:

That the Board of Deferred Compensation (a) approve proposed in-meeting trainings for 2018, and (b) direct staff to draft proposed revisions to the Board's Training, Education, and Travel policy regarding requirements for Fiduciary/IPS Training, Ethics Training, and Sexual Harassment Training as described in staff's report, and return to the Board for final approval.

Discussion:

The Board's training schedule provides for two in-meeting training sessions annually. These training sessions involve bringing an external trainer to the meetings to provide information on topics that are relevant to the Board's administration and staff's support of the City's Deferred Compensation Plan.

Staff considered a range of topics that are applicable and may be of interest to the Board under the broad categories of Plan administration including governance, investments, plan design, administrative processes, and emerging trends. All of these topics, and others the Board may request, are candidates for future in-meeting trainings. However, for 2018, staff focused on two objectives: (1) creating a strategy for ensuring that baseline training is provided to all Board/staff members on certain key topics, as well as (2) providing educational content that Board and staff would otherwise be unlikely to engage with at conferences or as part of topics already calendared for the upcoming year.

As a result, staff is recommending two specific trainings: **Fiduciary/Investment Policy Statement** and **U.S. Retirement Benefit Design and Legislative Framework**. Staff will address each of these training modules separately.

A. Fiduciary/IPS Training

For 2018, staff recommends that the first training focus on fiduciary training in conjunction with establishing a more disciplined approach to providing onboarding and ongoing training for Board members and staff. The most recent fiduciary training was provided to the Board at its meeting on July 21, 2015. Presently, no defined schedule

has been established for fiduciary training, nor has a mechanism been developed to ensure that all Board/staff members receive fiduciary training (a) immediately prior to joining the Board or working with the City's Plan; or (b) in the event an individual is unable to attend an in-meeting training.

In addition, as part of discussing training best practices with the Board's consultant, Wendy Young-Carter of Segal Consulting (Segal), Ms. Young-Carter recommended that staff incorporate a review of the Plan's Investment Policy Statement (IPS) and basic investment overview as part of its fiduciary training. She indicated that IPS review is important because investment-related oversight represents an important aspect of fiduciary responsibilities. She further indicated that a reasonable fiduciary training cycle could repeat once every three years, or such other interval as may be deemed suitable.

To ensure that all Board members and staff receive Fiduciary/IPS training, staff recommends that a mechanism be established to ensure that those unable to attend the in-meeting training be required to receive the training at another scheduled time. Finally, staff recommends that the Board establish a schedule to ensure that all Board members and staff receive the training no less than once every three years.

To summarize, the core elements of Fiduciary/IPS training would involve the following:

- Fiduciary/IPS training would be provided to all new Board members/staff in connection with other onboarding on or around the time that an individual first begins working with the City's Plan;
- Fiduciary/IPS training would be mandatory for all Board members and staff not less than once every three years;
- All Board members/staff would receive Fiduciary/IPS training in early 2018, with the due date for completion of the subsequent training to be completed by December 31, 2020, and within every three-year period thereafter;
- Any Board member/staff unable to attend an in-meeting training would be required to take the training at a rescheduled time but before the end of the three-year cycle.

If the Board concurs with these core elements, staff recommends that the Board direct staff to draft proposed revisions to the Board's Training, Education, and Travel policy regarding requirements for Fiduciary/IPS training and return to the Board for final approval. Staff is working with Ms. Young-Carter to identify options for structuring/presenting the training content. There may be portions which can be provided in electronic or printed format which can help to ensure consistency of information for those individuals who receive the training outside of a Board meeting.

B. U.S. Retirement Benefit Design and Legislative Framework

The City's Internal Revenue Code Section 457 plan exists within a much broader framework of retirement benefits as structured within the United States. The goal for this training is to provide both a macro review of the U.S. retirement landscape as well as a

review of the unique aspects of Section 457 plans, and further describe the variation in benefit design that exists within the state and local government universe. Staff envisions that this training would include the following topics:

- How U.S. defined benefit, defined contribution, and individual plans are constructed legislatively and interrelate with one another at a macro level;
- How assets are apportioned among these major categories and within broad categories of investment vehicles, also at the macro level;
- Review of variations in how state and local governments construct retirement benefit designs, particularly as they relate to supplemental defined contribution plans;
- Core components of Section 457 plans that are distinct from other defined contribution plan structures; and
- How retirement outcomes compare across the governmental defined contribution plan universe.

Staff believes that a training including the afore-mentioned topics would provide valuable context for Board members and staff to help inform decision-making around various Plan design elements (administrative, investment, regulatory, and communications) with which the Board and staff engage on a regular basis. Staff would work with the Board's consultants at Segal and Mercer Investment Consulting to develop and refine the training.

C. Training Meeting Dates

Staff tentatively proposes to schedule the Fiduciary/IPS training at the Board's **April 17, 2018** meeting; and the U.S. Retirement Benefit Design and Legislative Framework training six months later at the Board's **October 16, 2018** meeting.

D. Other Proposed Required Trainings

Given that staff is proposing to draft revisions to the Board's Training, Education, and Travel policy for the purpose of incorporating Fiduciary/IPS training requirements, staff further recommends that additional proposed revisions be incorporated to reflect requirements for (a) Ethics Training, which all Board members are required to complete pursuant to City policy, and (b) Sexual Harassment Training, which some Board members may not receive in the event they are not active City employees. With Board direction, staff will draft these proposed revisions in its report-back on this item.

Submitted by:

Leonard Hyman

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