

CITY OF LOS ANGELES
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

PROPOSED MINUTES
MEETING OF JUNE 19, 2018
700 E. TEMPLE STREET, ROOM 350

BOARD MEMBERS

Present:

John Mumma, Chairperson
Raymond Ciranna, First Provisional Chair
Robert Schoonover, Second Provisional Chair
Wendy G. Macy, Third Provisional Chair
Cliff Cannon
Neil Guglielmo

Not Present:

Linda P. Le
Don Thomas

PERSONNEL DEPARTMENT STAFF

Steven Montagna – Chief Personnel Analyst
Isaias Cantú – Senior Management Analyst II
Matthew Vong – Senior Personnel Analyst I
Daniel Powell – Personnel Analyst
Kevin Hirose – Personnel Analyst

OFFICE OF THE CITY ATTORNEY

Curtis Kidder – Assistant City Attorney

MERCER INVESTMENT CONSULTING

Ana Tom-Chow – Associate

VOYA FINANCIAL

Michelle Williams – Vice President Strategic Relationship Management
La Tanya Harris – Registered Representative

1. CALL TO ORDER

Mr. Mumma called the meeting to order at 9:00 a.m.

2. PUBLIC COMMENTS

There were no public comments.

3. MINUTES

A motion was made by Mr. Guglielmo, seconded by Ms. Macy, to approve the minutes of the May 15, 2018 meeting; the motion was unanimously adopted.

4. PLAN ADMINISTRATOR QUARTERLY REVIEW: MARCH 31, 2018

Michelle Williams with Voya Financial (Voya) presented the Third-Party Administrator (TPA) quarterly review for the first quarter of 2018. She started with the definition of financial wellness and indicated that Voya defines it as one's ability to live for today while planning for a successful future. She stated that financial stress is a real concern and indicated that 53% of American workers reported having financial stress impacting work productivity and retirement prospects. She then stated that Voya developed six financial wellness pillars. These pillars consist of Protection, which is having the right amount of insurance coverage; Spending & Saving, which is managing cash flow and not living beyond one's means; Emergency Fund, which is having cash to cover unexpected expenses; Retirement, which is having enough money to replace income in retirement; Debt, which is managing what one owes; and Other Goals, which are items such as saving for a child's college tuition, travel, etc. She stated that Voya tries to provide relevant content and develop tools based on these six financial wellness pillars, such as the retirement calculator.

Ms. Williams reported on the Plan's highlights and provided a breakdown of Plan assets, at \$6.2 billion; number of participants, at 45,537; average participant balance, at \$136,487; and contribution participation rates of both pre-tax at 59.1% and Roth at 14.9%. She then reported on the cash flow summary, which includes money coming into and out of the City's Plan. She listed the dollar amounts of the cash flow summary and provided an explanation of the "Other" category as representing all inter-participant transfer activity and decedent/beneficiary activity as well as (Qualified Domestic Relations Order (QDRO) alternate payee transfers. She stated the net cash flow for First Quarter 2018 was \$23,446,796.90. Mr. Mumma asked what the category of "Terminations" is comprised of. Mr. Williams responded that terminations are comprised of retirements and withdrawal of an entire account balance.

Ms. Williams reported on participation rates by age and contribution type. She provided a brief overview of the top ten departments and participation rates by MOU separated by contribution type. Mr. Mumma noted that Police (Sworn) employees are now participating at the highest rate. He requested for future reporting that a graph listing the bottom ten departments be included so the Board and staff can be aware of what departments could use an additional focus and targeted communications.

Ms. Williams next reported on average contribution amounts per paycheck separated by pre-tax, averaging \$303.90, and Roth, averaging \$161.89. She reviewed participant distributions and provided a breakdown by disbursement type, stating that 275 participants took a full distribution, 4,406 participants took an installment, and 1,382 participants took a partial

distribution. Mr. Mumma inquired about the difference in dollar amounts listed in full distributions and terminations and asked for further clarification on what comprises the “Terminations” category as the amounts didn’t match. Ms. Williams indicated she would research and report back.

Ms. Williams reported on unforeseeable emergency withdrawal requests, indicating 120 requests were received in the quarter with 65 approved and 51 denied. She provided an overview of withdrawal reasons, with mortgage foreclosure/eviction comprising the majority of requests, followed by illness/accident and medical expenses. She then reported on the reasons requests were denied, with the majority being that no or invalid supporting documentation was provided, or an incomplete application was submitted. Mr. Mumma asked whether approved applications received approval during the initial request or after a prolonged process where participants had to gather supporting documentation. Ms. Williams indicated she did not have that data but could research. Mr. Mumma stated his concern was hearing from participants that they have their accounts saved up for emergencies and the Plan is preventing them from accessing funds. Ms. Williams indicated she would research and report back.

Ms. Williams reported on rollover activity and provided an overview of the top ten external financial institutions to which participants roll their accounts. Mr. Ciranna requested that for future quarterly reports the dollar amounts concerning terminations and rollovers be verified before finalizing the reports. He noted that a large dollar amount was transferred into the Stable Value and a large dollar amount was transferred out of the DCP Large-Cap Fund, and inquired about the dollar value for terminations versus participants reallocating funds. Mr. Montagna responded that staff will work with Voya for the next quarterly report and provide data clearly delineating between rollovers and distributions and reviewing the data by investment holdings.

Ms. Williams reported on the total balances by investment, transfer activity by investment, and participant balances by investment. She noted that 523 participants have 10 or more investments within the Plan. Mr. Mumma noted that the risk-based profile portfolios show a high participation rate and it is encouraging and demonstrates participants are using them to diversify their holdings. Ms. Williams then reported on the self-directed brokerage option, indicating there were 3,506 accounts, of which 118 were newly added during the quarter.

Ms. Williams next reported on participants interacting with the retirement calculator. She stated 13,946 participants interacted with the retirement calculator, and of that number, 3,925 took action by increasing their deferral, changing their asset allocation, and/or rolling money into the Plan. She reported on the loan module providing participants with the impact to accumulation should a loan be taken. She reviewed statistics regarding website usage, call center contacts, and automated voice response system usage. She reported on the top ten reasons for call center contact and statistics regarding paperless transactions involving website usage, mobile application usage, call center contact, and using the automated voice response system. Finally, she provided statistics for the local representatives, indicating there were a total of 3,736 calls received and 1,297 counter visits.

La Tanya Harris, Voya Registered Representative, stated that local representatives had recently conducted group meetings at Animal Services, Building and Safety, and the Los Angeles City Employees' Retirement System (LACERS). She further indicated they staff a booth at the City Hall Farmer's market every Thursday. She indicated representatives are reaching out to City locations they have not visited recently. Mr. Mumma stated that last year the plan was to target the Department of Transportation and asked what the plans were for this year. Mr. Powell responded that this year's targets include the Department of General Services, Recreation and Parks, City Council, Mayor's Office, and Public Works (Sanitation, Public Works, and Street Services). He stated that the plan is to target departments with low participation and contribution rates. He stated additional information regarding outreach strategies would be provided at the Board's July meeting.

Mr. Mumma asked if additional data indicating performance returns for participants using the Charles Schwab brokerage option could be provided. Ms. Williams responded that it is possible to capture that data and would provide it in future reports.

5. BOARD REPORT 18-28: FY 2018-19 TRAINING PROGRAM PREFERENCES

Kevin Hirose reported that the Board previously approved its training program for FY 2018-19. He requested that Board members provide staff with their training preferences and that staff would report back on training events relative to the budgeted resources. Additionally, he stated that the National Association of Governmental Defined Contribution Administrators (NAGDCA) 2018 Annual Conference is scheduled for September 23-26, 2018 and that so far four Board members and three staff members are attending.

6. BOARD REPORT 18-29: 2018 BOARD ELECTION RESULTS – RETIRED PARTICIPANT AND DWP ACTIVE PARTICIPANT REPRESENTATIVES

Mr. Hirose reported that 2018 Elections for the Retired Participant and DWP Active Participant Representatives had concluded with Thomas Moutes elected as the Retired Participant Representative and Hovhannes "Johnny" Gendjian elected as the DWP Active Participant Representative. He stated their terms would begin July 1, 2018, and end June 30, 2021. He indicated staff had scheduled a new Board member orientation meeting with Mr. Gendjian.

A motion was made by Mr. Cannon, seconded by Mr. Schoonover, to receive and file the report regarding results of 2018 elections for the Board's Retired Participant and DWP Active Participant Representatives; the motion was unanimously adopted.

7. BOARD REPORT 18-30: AUTHORIZATION FOR OFFICE AND ADMINISTRATIVE EQUIPMENT PURCHASES

Mr. Hirose reported that the Board, during its March 20, 2018 meeting, adopted the budget for Plan expenses for 2018, which included an allocation of \$7,000 for Office and Administrative

expenses. He stated that with plans for hiring an Administrative Intern and the relocation of Voya representatives to a recently converted office workspace staff was requesting authorization to purchase one computer, installation of a phone and data line, and three desks. He further stated that the Plan is seeking authorization to purchase one iPad tablet that will be used by participants and new enrollees to check-in and meet with Voya Representatives and/or staff. He stated that the iPad would allow staff to more efficiently track the reason(s) for each visit, the department, time spent on each participant, and other data. He stated that this data can be analyzed quicker and provide staff with information on how to develop Plan communication strategies.

Mr. Ciranna asked if converting the conference rooms into the new workspace would create any problems for staff. Mr. Hirose responded that staff has another conference room available to use and it would not create issues. Mr. Ciranna asked if it was necessary to request authorization of these items if approval for the office and administrative allocation was already granted during a previous meeting. Mr. Montagna responded that the Board's prior action established a budget ceiling but in the interest of transparency authorization for specific equipment purchases was requested in the event the Board had questions or concerns regarding the purchases.

Following this discussion, a motion was made by Mr. Ciranna, seconded by Mr. Cannon, to authorize purchase of approximately \$4,050 in office and administrative equipment items; the motion was unanimously adopted.

8. BOARD REPORT 18-31: PLAN PROJECTS AND ACTIVITIES REPORT: MAY 2018

Daniel Powell indicated that the Employee Benefits Division was coordinating a Wellness Festival to be held June 26, 2018. He stated that Voya Financial and Plan staff would provide a booth at this event to promote retirement readiness to City employees.

Mr. Hirose reported on the 2018 Special Elections to fill the LACERS Active Participant Representative seat. He stated that four candidates are running for the seat, with the Election Day scheduled for June 22, 2018.

Matthew Vong reported that the Board of Directors for the Los Angeles Police Protective League (LAPPL) had approved participating in the Deferred Compensation Plan Automatic Enrollment Program (AEP) on May 30, 2018. He stated staff was working with Voya on implementation. He further indicated that staff was working with the City Administrative Officer (CAO) and LAPPL on executing a Letter of Agreement to the current Memorandum of Understanding (MOU) codifying LAPPL's participation in the AEP. He indicated the specific timing of implementation would depend on identifying the first academy class that would be available to utilize the AEP process. Mr. Montagna added that the initial step would be to provide a form to individuals entering into an academy class where they would indicate their interest in receiving future communications regarding automatic enrollment by providing their address information. He stated it would allow staff to keep track of those individuals that

complete the academy and which of them are voluntarily enrolling versus entering the AEP track.

Mr. Ciranna asked if Brandes Investment Partners (Brandes) was able to report back regarding the increase of the off-index percentages over the last decade, as discussed in the Board report and during the May 15, 2018 meeting. Ana Tom-Chow of Mercer Investment Consulting (Mercer) stated that Brandes provided data regarding their off-index percentages from 2007 through the first quarter of 2018. She stated that Brandes indicated the primary reasons for the increase in the off-index percentages was due to the increase in allocations to both cash and emerging markets, which are not included within the MSCI EAFE Small-Cap Index. She stated that it is not uncommon for active managers to pursue investments outside of the index. She further stated that Mercer does not have concerns about the strategy that Brandes is taking or the increase in the off-index percentages.

Following this discussion, a motion was made by Mr. Cannon, seconded by Mr. Schoonover, to receive and file the monthly activity report for May 2018, to include updates regarding Communications; Governance; Automatic Enrollment Implementation Update; Quarterly Investment & Economic Review Informational Update; Investment Manager Presentation Informational Update; Completed Projects/Meeting Calendar; Staffing; and Committee Assignments; the motion was unanimously adopted.

9. COMMENDATORY PRESENTATIONS

Mr. Montagna, on behalf of the staff, the Personnel Department, and the Board of Deferred Compensation Administration, thanked Mr. Cannon for his outstanding dedication and service as a Board member and presented him with a plaque. Mr. Cannon stated that he appreciated being on the Board and thanked the Board, staff, and Voya. He stated that the participants are well served with this team.

10. REQUESTS FOR FUTURE AGENDA ITEMS

The Board did not make any specific requests for future agenda items.

11. ADJOURNMENT

The meeting adjourned at 10:00 a.m.

Minutes prepared by staff member Kevin Hirose.