

CITY OF LOS ANGELES  
BOARD OF DEFERRED COMPENSATION ADMINISTRATION

ADOPTED MINUTES  
JUNE 20, 2017  
700 E. TEMPLE STREET, ROOM 350

**BOARD MEMBERS**

**Present:**

John R. Mumma, Chairperson  
Cliff Cannon, First Provisional Chair  
Raymond Ciranna, Second Provisional Chair  
Wendy G. Macy, Third Provisional Chair  
Linda P. Le  
Thomas Moutes  
Robert Schoonover

**Not Present:**

Michael Amerian, Vice-Chairperson  
Don Thomas

**PERSONNEL DEPARTMENT STAFF**

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

**OFFICE OF THE CITY ATTORNEY**

Curtis Kidder – Assistant City Attorney

**MERCER INVESTMENT CONSULTING**

Devon Muir – Principal  
Julia Kod – Senior Associate  
Ana Tom-Chow - Associate

1. CALL TO ORDER

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

2. PUBLIC COMMENTS

None.

3. MINUTES

**A motion was made by Thomas Moutes, seconded by Wendy Macy, to approve the April 18, 2017 meeting minutes; the motion was unanimously adopted. Clifford Cannon was not present to vote on this item.**

#### 4. PLAN INVESTMENTS QUARTERLY REVIEW

Devon Muir of Mercer Investments Consulting provided a review of the Plan's investment performance for the first quarter of 2017. He introduced Julija Kod, a Mercer staff member, who would be joining the Mercer team that supports the City's Plan.

Mr. Muir reported that the quarterly performance report was generally positive. He first reviewed the performance of the capital markets for the first quarter. He indicated that it was a strong quarter for U.S. equities with the S&P 500 up 6.1%. He stated that there was a transition back to large cap stock dominance, as opposed to small cap stocks. He also reported that there was a shift back to growth stocks with the Russell 1000 Growth up 8.9%, in contrast to the Russell 1000 Value, which was up just 3.3%. He indicated the technology and consumer discretionary sectors performed especially well, while defensive sectors, such as energy, lagged.

Mr. Muir reported that while small caps trailed for the quarter, they had strong returns over a four-quarter period with a return of 26%. He reported a rebound of international equities, especially in emerging markets, causing international equities to dominate U.S. equities this year. He indicated that bond returns were directionless with recent interest rate increases by the Federal Reserve hampering bond performance. He reported that the Bloomberg Barclays Aggregate, a broad benchmark of bond performance, indicated a return of 0.8%. He indicated that high yield bonds have been the strongest part of the bond market in general with a return of 2.7% for the quarter and 16.4% for the last year. He reported that the Plan's active bond manager, Loomis, performed in the margins of the high yield market, which had a positive effect on the DCP Bond Fund. Mr. Muir reported that the price of oil is starting to weaken after being above \$50 per barrel as U.S. production increases, which has had a negative effect on energy prices.

Mr. Muir then began a review of the Plan's specific assets. He indicated that Plan assets were up \$228 million quarter-over-quarter, close to \$5.6 billion in total. He reported that net contributions to the plan totaled approximately \$23 million and \$205 million of the increase was attributable to investment gains. He further reported that there are 43,425 participants with account balances and the average account balance is \$125,000.

He indicated the primary investment as a single standalone investment was the DCP Large

Cap Stock Fund with 30.9% of assets, \$1.7 billion, followed by the DCP Stable Value Fund with 19.3% of assets, \$1.08 billion. He stated the group of five risk profile funds now exceeds \$1 billion in assets with a trend toward utilization of those options.

Mr. Muir reported that the on a weighted average, the total investment expense after expense rebates and revenue sharing is 20 basis points, and 25 basis points when including administrative fees. He reviewed fund performance over trailing 3 and 5-year periods. He indicated that these are generally favorable numbers, with only minor instances of underperformance.

Mr. Muir then reviewed a performance summary of the Plan's underlying funds. He indicated the FDIC-Insured Savings Account began to yield greater returns as the Federal Reserve increased interest rates. He indicated the DCP Stable Value Fund continues to generate a meaningful return premium above the FDIC-Insured Savings Account. He reported the DCP Bond Fund has had good performance as it's up 1.45%, 60 basis points in excessive of the benchmark. He stated this was largely due to Loomis Sayles, which significantly outperformed the benchmark. He reported the risk profile funds have all performed well, with greater returns as the funds veer more aggressive.

Ms. Kod reported that the DCP Large Cap Stock Fund, which is entirely comprised of the passive Vanguard index fund, had a return of 6.1%, closing tracking the benchmark. She indicated the DCP Mid Cap Stock Fund performed well with a return of 6.6%, primarily driven by the two active managers. She reported that RidgeWorth Mid Cap Value had very strong returns with 5.2% for the quarter, outperforming the benchmark. She stated this was attributable to their holdings in healthcare. She indicated that Voya had a strong performance driven by strong stock selection, especially in consumer selection and industrials. She indicated that over a long-term period, RidgeWorth struggled against the benchmark, but fared well compared to the peer group median. She reported that Mercer continues to rank RidgeWorth highly and they still have conviction in their strategy, philosophy, and team.

Raymond Ciranna asked to confirm that over a ten-year period both RidgeWorth and Voya performed in the top quartile. Ms. Kod confirmed and added that RidgeWorth ranked in the third percentile and Voya in the fifth percentile. She indicated that the DCP Small Cap Stock Fund struggled during the quarter against the benchmark, but still ranked highly and above the median of the small cap core universe. She indicated DFA Small Cap Value and Hartford Small Cap Growth drove underperformance of the fund. She reported that DFA Small Cap underperformed the benchmark due to an overweight position on energy and underweight on healthcare. She indicated the 5 and 10 year performance for DFA continue to look strong compared to both the index and peer group median. She stated that Mercer has no concerns with the manager and that their research team continues to rate them highly. She indicated

the Hartford Small Cap Growth had a tough quarter predominantly for reasons similar to DFA.

Ms. Kod then reviewed the DCP International Stock Fund. She reported a return of 8.8% versus the benchmark of 8.1%. She indicated that the strong performance was helped by outperformance of the MFS International Equity Fund. She indicated that Brandes struggled during the quarter and year due to stock selections and decisions. She further indicated that over the longer term, their performance looks more positive. She reported that the DFA Emerging Markets Core Equity portfolio had a good quarter with a 13.7% return.

Mr. Mumma asked where Brandes underperformed the benchmark. Ms. Kod responded that they were underweight on sectors like healthcare, information technology, and financials, which did well during the quarter. Mr. Muir added that value tended to underperform growth for the quarter and Brandes tends to have a value orientation which wasn't rewarded during the quarter. He also reported that Brandes elected to close the strategy to new investment, which Mercer believes to be an effective way to manage the strategy. Mr. Mumma inquired as to the size of the fund. Mr. Muir responded that it is \$1.4 billion.

Mr. Ciranna then asked for a review of the management summary. Mr. Muir reported that his team met with the portfolio managers of Ceredex Value Advisors in May and reaffirmed Mercer's rating of their strategy. He also indicated that effective June 5 Ceredex sold itself to Virtus Investment Partners. He reported that they view this as a positive development. He reported that David Booth, one of the founders of DFA, has stepped down from his role, which had been expected given his age and tenure. He reported that David Butler was named Co-CEO, which Mercer views as a positive. He reported that during the quarter the Mercer team spent time with DFA reviewing DFA's investment strategy and Mercer decided to reaffirm their favorable rating. Lastly, Mr. Muir reported that the Chairman of Loomis Sayles retired effective May 1, and the current CEO and President assumed that role. He stated this had been expected.

## 5. BOARD REPORT 17-16: THIRD PARTY ADMINISTRATOR TRANSITION UPDATE

Steven Montagna introduced John Morrissey and Jim Gullak from Voya, the two lead individuals overseeing the Third Party Administrator (TPA) transition. He also introduced new Plan staff member, Leonard Hyman, indicating his duties were now full-time in support of the transition.

Mr. Montagna reported that, at the point of conversion, the length of the "blackout period," during which participants would be unable to make changes to their account, is a function of the time needed by the outgoing TPA to reconcile and transmit records. He noted that the Plan's Administrative Consultant, Wendy Young-Carter from Segal, had indicated that these

blackout periods have been trending longer in recent years as the size and complexity of the plans as well as records transfers have grown. He stated that Empower initially asked for five market days of a blackout, which would have translated to nine calendar days. He reported that staff successfully negotiated that down to three market days, or five working days, minimizing time out of the market for participants while ensuring there is sufficient time to execute an orderly transition process.

Mr. Montagna presented a calendar to the Board detailing the dates of the transition process. He noted that the first data file would be generated from Empower to Voya on September 23, 2017. He stated this information allows Voya to generate Personal Identification Number (PIN) numbers for participants during the immediate week following the file transfer. He said there would be two additional calendar days that the plan will be open before the blackout period begins on September 27, 2017. He said Empower will send a second file and that the conversion of records will occur over the weekend. He stated that if everything were fine with Empower's files, the Plan would reopen on Monday, October 2nd.

Mr. Morrissey explained that part of the reason for the blackout period was to allow for incomplete transactions to finish their cycle before Voya is to receive records from Empower. Mr. Cannon asked for clarification on these dates. Mr. Gullak confirmed that Voya would receive the final file on August 27, 2017. Mr. Ciranna asked if test files have been sent and verified between the two TPAs. Mr. Morrissey confirmed that test files have been sent and that the two companies hold calls on a weekly basis to discuss the data conversion.

Bob Schoonover asked when participants could expect to receive their PIN numbers. Mr. Gullak said they would be sent to participants around September 27, 2017. Mr. Mumma asked what participants would see prior to the site going live. Mr. Gullak noted that the final information that Voya would receive from Empower would be on September 30, 2017 and that all other account activity would have stopped effective September 26, 2017. He added that September 30th would be the last day Empower would provide data to be validated and posted to the system to enable the new Plan website to go live on October 1, 2017. He said that prior to the site going live, the website and voice response system would provide a message that would give information on when the systems would be available.

Mr. Mumma asked if the Plan was keeping the same URL. Mr. Gullak noted that both the phone number and URL were changing. He said the reason the URL was changing was because participants would still have access to their accounts on the Empower side for the period through tax season, so that members can view information potentially related to taxable distributions. Mr. Montagna stated the Plan would provide multiple ways to receive customer service, including the phone number and email access.

Mr. Mumma asked what the worst-case scenario would be if there was a glitch in the data transfer. Mr. Morrissey said that they would have the bulk of the data upfront on September 27th. He said they would only be waiting for balance information after any remaining transactions were completed by Empower. He acknowledged that there could be a bad file or bad data that can potentially delay the transition, and noted that such an occurrence would have to be communicated to participants accordingly.

Linda Le asked when Voya would begin providing table service at DWP and/or participating in training programs. Ms. Williams advised that Voya was currently working with Plan staff to determine appropriate timing. Mr. Montagna advised that local reps will be available ongoing and stated that they would provide outreach during the month of September. He stated that staff did not anticipate any changes to local representative engagement, in terms of office hours and table service locations. Mr. Mumma encouraged Voya to send detailed information to the unions. He added that many calls go directly to the unions. Mr. Montagna reported there had already been one newsletter sent to participants about the change, and a second mailing would be sent shortly. He said there would be an additional mailing/communication prior to the transition.

Mr. Schoonover stated that he hoped the transition goes well, but expressed his concerns regarding potential negative participant sentiment towards Voya and/or the Plan in the case that the transition does not go smoothly. Mr. Morrissey said that during his 14 years with Voya, they have never gone live late in part because they receive data early in the process. He acknowledged there is always a possibility of something going wrong, but noted that they have a large team to prevent and/or address any issues as needed. Mr. Gullak stated that in receiving test files from Empower, they are mapping the files to their own system to ensure that it populates data as expected. He said that they fully test that and ensure that it's going into the right place in their system. He clarified, because they have gone through this process multiple times already, it ensures that they can go live on schedule. Mr. Montagna pointed out that this was not the first conversion that Voya has executed in from Empower.

Mr. Cannon asked if the structure of the PIN was the same as Empower's. Mr. Gullak said that the initial PIN would be a six-digit number, but could be later changed by members to include additional numbers or letters. Mr. Morrissey also stated that the call center would be available to assist with any login challenges.

Ms. Le asked about a section of the staff report related to testing of Outbound Files from DWP to Voya. She indicated DWP's programmer had concerns regarding her ability to view certain directory information and files. Mr. Montagna reported that upon learning of this situation staff immediately reached out to Voya, and that their team quickly researched the matter and determined that no confidential information was inappropriately accessed or

viewable. Mr. Gullak stated the files in question were environment files, not client files, which would not be readable. He said that although the information is typically viewable for incoming clients during the testing process, pursuant to the City's concerns and wishes, the viewable information in the City's case would be limited to the City's specific files and folders going forward. Ms. Le asked why, if there was no concern about security, they had made the files unviewable. Mr. Gullak stated it wasn't a security concern, and that the City was Voya's first client to raise it as a concern, but they had taken steps to be responsive to the City's wishes. Mr. Montagna stated that Voya wanted to be abundantly responsive to the City's concerns even though they did not view this as a security risk.

Matthew Vong provided a progress report on the payroll file exchanges between the City payroll systems and Voya as they pertained to bi-weekly Plan payroll deductions. Mr. Vong said the Plan's current TPA provides two contribution and feedback files: one containing information on participant pretax as well as after-tax contribution elections; and the other containing loan payments. He said when these two files are uploaded, they feed the City's payroll system information on the deferred comp deduction types as well as amounts that are to be taken from participant paychecks. He stated that the City also provides the TPA an outbound file with a record of actual salary deferral and loan payment amounts for all participants for a given payday. Mr. Vong indicated the Plan's goal is to have Voya consolidate the data into single outbound and inbound files. He stated the outbound file would also contain eligibility information including contributing and non-contributing employees.

Mr. Vong reported both the City Controller and DWP payroll have successfully transmitted test outbound files to Voya and Voya has in turn created and successfully transmitted test contribution/feedback files to both Payroll systems. He indicated additional testing would include various scenarios to ensure participant payroll deductions are properly processed in correlation with the data contained in both the outbound and inbound files.

Mr. Vong indicated that pursuant to the Auto Enrollment Program provisions in the Plan Document, only employee bargaining units that opt into the program would have their employees placed on the auto enrollment track. He informed the Board that after several discussions with Voya, it was determined the most efficient way to implement the AEP payroll functionality involved Voya applying the AEP participation criteria by using the demographic information already provided in the outbound payroll file. Mr. Vong explained that Voya, in reviewing certain demographic data in the outbound file, will be able to identify employees who are 1) in a bargaining unit that has opted into the AEP, and 2) are first time contributors to a City defined benefit plan. Mr. Vong said once eligibility is determined those employees will then receive advance communications about being auto-enrolled.

Mr. Vong informed the Board that staff's objective was to implement, on a pilot basis, the AEP with the Police Protective league some time after the Plan has completed its TPA transition and upon the execution of a Letter of Agreement. Mr. Montagna added that when autoenrollment was initially discussed, the presumption was that the City would have to create a separate file for this purpose. However, He noted that because the City would be providing Voya eligibility information, Voya could in turn interpret the information and handle the administrative processes for auto-enrollment. He stated this makes the process administratively simpler for the Plan.

Mr. Montagna reported that there are three primary documents being developed that will govern the provision of services. Mr. Montagna said this structure is identical to the structure the Plan currently has with Empower and involve a primary services agreement, trust agreement, and then establishment of the SDBO account. He stated that although there will be no change in the SDBO provider, this last item is merely a change in registration and that there will be no change to the services or options available under the SDBO.

Mr. Ciranna asked if the contracts would be in place before the transition took effect. Mr. Montagna said that was the goal but that it was a challenge to accomplish this. Mr. Mumma asked what the Board could do to support this. Mr. Montagna said that it was clear that this was important to the Board, and this would be helpful to communicate with all parties participating in the process. Mr. Mumma stated there was considerable concern from the Board to ensure the contract was in place before the commencement of services.

Mr. Hyman said that staff was currently reviewing an option related to Qualified Domestic Relations Order (QDRO) processing and potentially having Voya administer those services. He said this is currently handled by the City Attorney's Office, which includes answering questions, receiving and responding to joinders, placing holds on accounts, and reviewing draft QDROs to ensure they meet legal requirements. He reported that staff was currently conducting a cost benefit analysis and anticipated providing a recommendation to the Board at its July 18, 2017 meeting.

Mr. Hyman next provided a status update regarding website functionality. He said, for plan setup, staff and Voya were creating a website URL, dedicated phone line, and protocols for transactions, including interfaces (contribution elections, investment designations, loans, withdrawals, beneficiary changes, etc.). He stated staff was also working closely with Voya to conduct a full inventory of the Plan's current website functionality in order to compare it to the customer experience with Voya's proposed website. He stated the goal was to replicate existing processes and access to information to the greatest degree possible while simultaneously incorporating enhancements. He stated staff was evaluating opportunities for adding new functionality to automate certain functions, but was approaching these decisions



carefully as automation can create unforeseen consequences if not accompanied by effective communications and allowances for variations to standard processes. Mr. Montagna said this process would reduce paper and improve the ability for participants to accomplish tasks electronically and provide convenience.

Mr. Montagna reported that staff had been working with Voya to look for ways the Plan can both transition as well as improve upon loan processing. He said one of the enhancements involves participants who are retiring or terminating service with active loans, and that currently these individuals have the full responsibility of notifying the plan to take action in order to avoid defaulting. He said they can convert to retiree loans, offset a loan taking the balance of the loan as a taxable distribution, or default. He advised that with the eligibility file the Plan will now have the means to automatically set participants up to convert to retiree loans, so that the only thing that Participants would have to do is supply ACH information. He said this would make it easier on them and easier to avoid defaults. He noted that in setting this up, however, staff wanted to make sure the Plan effectively communicates with all participants who are in a loan repayment interruption status.

Mr. Montagna reported that one of the priorities staff had communicated to Voya is that the current site focuses on participants who are saving and contributing. However, he said staff wants to ensure the new site also communicates with retirees, who are a separate audience constituting a quarter of participants, by creating an online retiree resource center.

Mr. Montagna reported that typically during similar transitions, previous recordkeepers retain voluminous participant documents such as quarterly statements. He said that is what occurred during the Plan's last conversion in 1999, and that typically when participants need access to those statements, for example because of an account separation related to divorce, they come to the City to request those records on their behalf from the prior service provider. He said that, in addition, by encouraging participants to store their records online, the Plan had implicitly communicated to participants that those records would always be available to them electronically. He said that if the Plan did nothing to address this matter as part of the transition, those records would effectively be very difficult for participants to access in future years. He indicated that staff had worked with Empower and Voya to find a mechanism to transfer the historical quarterly statement resources to Voya and create an electronic storage and user interface allowing participants to access those records at will. He stated that this would involve an additional cost to the Plan of approximately \$29,000 annually along with a start-up cost of \$47,500 and other incidental customization costs. He stated that the additional costs were, in staff's view, reasonable relative to the improved service available to Plan participants.

Mr. Mumma asked how long that fee would apply and when the cost would go up. Mr.

Morrissey said that there was a gigabyte limitation and an additional storage fee of \$300 per month would apply for an additional 500 gigabytes of space, with the initial storage setup being 1.5 terabytes. Mr. Mumma asked for clarification about whether this storage would include future statements. Mr. Montagna advised that the standard Voya website would provide statements for two years but at the close of that time period, they would roll into the ongoing storage mechanism. Mr. Mumma, in noting that Empower provided storage at no cost under previous contracts, asked why Voya wouldn't provide statements beyond their two-year window to clients. Mr. Gullak replied that Voya can produce historical account records but this was an enhanced resource to capture the Plan's prior statements.

Daniel Powell next reported that staff and Voya had been working on a newsletter that would provide additional details about the blackout period, the transition, and ways for participants to access their accounts. He added that a final communication will be sent providing participants with their unique PIN during the week of September 25, 2017. He indicated a Citywide email was sent out on June 8, 2017, which included information about the transition as well as encouraging non-participants to enroll in the Plan. He said the response to both the mailer and email had been minimal. He said both pieces of communication provided a link to a survey to provide feedback. After the first mailing, there were only 15 responses. He noted that following the email communication, the Plan received approximately 20 additional responses. He added staff also received additional phone calls after the email, but only a few of those pertained to the transition. Mr. Mumma said that police personnel did not receive those emails. Mr. Powell replied that he would follow up on the matter.

Mr. Powell indicated staff was working with the Voya team to review and recreate the educational materials and consolidate where appropriate. He said staff was also developing forms, including for distribution and loans, to make them more customer service friendly.

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

Mr. Mumma said that he had discussed with Mr. Montagna alternative storage options, and encouraged staff to investigate those options, because it would be an ever-increasing cost. Mr. Ciranna stated that based on LAFPP's record storage experience, he doubts other storage options would be less expensive. He asked for further clarity on the price of the proposed storage services. Mr. Morrissey indicated he estimated that the information coming from Empower would be 650 gigabytes, and the contract was for 1.5 terabytes. He said that he estimated the \$300 monthly cost would probably not apply for at least 5-6 years.

**A motion was then made by Mr. Ciranna, seconded by Mr. Cannon, to approve an**

**additional TPA contractual services cost including a \$47,500 set-up fee, \$2,400 per month ongoing, and miscellaneous design costs as needed, for the purpose of creating an ongoing archive of participant quarterly statements; the motion was unanimously adopted.**

**6. BOARD REPORT 17-17: PENSION SAVINGS PLAN SERVICE PROVIDER**

Mr. Moutes stated that he wished to share a few comments regarding the Pension Savings Plan item before he left the meeting. He stated that, to his knowledge, the PSP was originally created for the summer youth employment program and it's not clear if it was intended to be an actual pension plan. He stated that the hope was instead that youth would work for the City in the summertime and when they left employment would be able to cash out their accounts. He stated that there are three groups of people who utilize the PSP: (1) employees who start employment in a part-time capacity and then promote to a LACERS covered position and are able to buy back their time; (2) those who only work for a short time and at the conclusion of employment withdraw their funds; and (3) intermittent employees who either withdraw the funds or leave them with the City. He stated that the PSP is not optimal for the third group because it doesn't actually help them save for retirement. He suggested that with the upcoming TPA transition there may be an opportunity to reach out to members and remind them of their benefits and options. He stated that, in his experience, employees often don't know whether they're part of the Pension Savings Plan or LACERS.

Mr. Montagna reported that the Personnel Department is responsible for administration of the City's Pension Savings Plan (PSP), a retirement program for part-time, temporary, and seasonal employees. He stated that the General Manager of the Personnel Department is the contracting authority for the program, but the Board of Deferred Compensation Administration provides advice to the General Manager. He reported that as staff procured for TPA services for the full-time plan, they also recently concluded a procurement for the PSP. He indicated that the PSP is different from the DCP in that it's mandatory for those eligible and provides only a single investment vehicle.

Mr. Ciranna asked whether it's valuable to have a discussion as to whether the PSP program is preferable to Social Security. Mr. Montagna agreed that it would be a worthwhile conversation in order to determine the extent to which it benefits part-time, temporary, and seasonal employees. Mr. Mumma asked whether it's the Board's role to make that recommendation. Mr. Montagna suggested that the Personnel Department would presumably take the issue to the CAO. He noted that the Personnel Department is designated as the administrator of the program, but did not design it. Mr. Schoonover noted that the City only contributes 4.5% of compensation to the PSP for each employee, but would have to contribute 6.5% toward Social Security.

Mr. Montagna noted that the PSP has almost as many participants as the DCP, but only \$69 million in assets. He indicated that when recordkeepers price their fees for the program, they provide a per-head fee, which if applied directly would wipe out small balances quickly. He reported that to address this, the per-head fee has been converted to an asset-based fee that is netted out of the gross rate of return paid by the investment fund. He stated with the low-interest rate environment, the PSP's net rate of return has continued to decrease. As such, he indicated that when staff procured for this program, there was a focus on the net rate of return. He also reported that they were interested in the impact on fees if the City significantly reduced the number of participant accounts by cashing out old and inactive accounts.

Mr. Montagna indicated that staff received proposals from five firms: National Life, ICMA-RC, Empower, Voya Financial, and Galliard Capital Management. He indicated that vendors were given the ability to bid a bundled offering or TPA or investment management services alone. He indicated that only one vendor, Galliard, bid investment services alone and only one TPA, Voya, indicated it was willing to administer another vendor's investment product. He reported that because Voya's fees in combination with Gaillard's fees would more than wipe out the investment return to participants, the Galliard stand-alone option was not viable. He indicated that this left staff with four remaining proposals.

Mr. Montagna indicated that, in terms of the TPA fee, ICMA-RC had the lowest fee as expressed as an asset-based charge. He reported that Empower's investment management fee was lowest, but in combination with the gross rate of return offered by the investment vehicle, ICMA-RC provided the highest net rate at 83 basis points, with Voya at 49 and Empower at 13. He stated that a return of 13 basis points creates the risk of a gross rate of return that falls below zero. He indicated that ICMA-RC would be willing to backstop the PSP to ensure the gross rate of return would not fall below zero. He reported that due to these factors, it would be in the best interest of Plan participants to select ICMA-RC. He indicated that they have a large presence within the defined contribution industry, especially with smaller plans. He stated that participant services are currently minimal, but would be expanded with ICMA-RC.

Mr. Mumma asked whether assessing the per-head fee as an asset-based fee presents a legal issue for the program. Curtis Kidder indicated that, while it's difficult to judge, by enrolling in the program, the participant consents to actions taken by the City to manage the account. He further indicated that the City is generally fulfilling its fiduciary duties if it explores the options available and makes the best fiduciary decision for the program participants. Mr. Montagna added that the City's Deferred Compensation Plan structures its fees in an identical manner.

Mr. Ciranna asked when tax counsel last took a look at the program, especially to consider the PSP's non-qualified tax status. Mr. Montagna indicated that it hadn't been looked at recently, but there are newly available tax counsel resources within the City Attorney's Office that may be able to assist. Mr. Mumma advised that the Board Report be forwarded as is to the General Manager and that the Personnel Department consider the comments/reviews indicated by Board members as part of this discussion.

7. BOARD REPORT 17-18: BUDGET REVIEW  
& RESERVE FUND REIMBURSEMENTS

Mr. Vong recommended that the Board approve salary reimbursements from the Plan's reserve fund to the Personnel Department and City Attorney. **A motion was made by Mr. Schoonover, seconded by Mr. Ciranna, to (a) receive and file a status report on Deferred Compensation Plan budget accounts for quarter ending 03/31/17; and (b) approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for \$108,597.04, and City Attorney for \$9,753.58 for the quarter ending 03/31/17. The motion was adopted 5-0. Mr. Moutes and Ms. Le were not present to vote on this item.**

8. BOARD REPORT 17-19: FY 2017-18 Training Program Preferences

Mr. Vong provided the Board a brief overview of Plan's Fiscal Year 2017-18 Training program. He asked that Board members inform staff of their training program/conference preferences. **A motion was made by Mr. Ciranna, seconded by Mr. Schoonover, to review information regarding conference training events and educational programs for Fiscal Year (FY) 2017-18 and provide staff with training preference requests; the motion was adopted 5-0. Mr. Moutes and Ms. Le were not present to vote on this item.**

9. BOARD REPORT 17-20: 2017 BOARD ELECTION RESULTS

**A motion was made by Mr. Ciranna, seconded by Mr. Schoonover, to receive and file information regarding 2017 Board Elections official results; the motion was adopted 5-0. Mr. Moutes and Ms. Le were not present to vote on this item.**

10. BOARD REPORT 17-21: PLAN PROJECTS & ACTIVITIES REPORT

**A motion was made by Mr. Ciranna, seconded by Mr. Schoonover, to receive and file staff's update on Plan projects & activities during April & May 2017; the motion was adopted 5-0. Mr. Moutes and Ms. Le were not present to vote on this item.**

11. REQUESTS FOR FUTURE AGENDA ITEMS

None.

12. NEXT REGULAR MEETING DATE – July 18, 2017

13. ADJOURNMENT

**A motion was made by Mr. Mumma, seconded by Mr. Ciranna, to adjourn the meeting; the motion was unanimously adopted.** The meeting adjourned at 11:09 a.m.

*Minutes prepared by staff members Daniel Powell, Leonard Hyman, & Matthew Vong*