

# Deferred Compensation Plan BOARD REPORT 17-32

Date: September 19, 2017  
To: Board of Deferred Compensation Administration  
From: Staff  
Subject: Third-Party Administrator Transition Update

*Board of Deferred  
Compensation Administration  
John R. Mumma, Chairperson  
Michael Amerian, Vice-Chairperson  
Cliff Cannon, First Provisional Chair  
Raymond Ciranna, Second Provisional Chair,  
Wendy G. Macy, Third Provisional Chair  
Linda P. Le  
Thomas Moutes  
Robert Schoonover  
Don Thomas*

## **Recommendation:**

That the Board of Deferred Compensation Administration receive and file staff update regarding the Deferred Compensation Plan's Third-Party Administrator (TPA) transition.

## **Discussion:**

At its special meeting of September 6, 2016, the Board approved the selection of Voya Institutional Plan Services ("Voya") as the TPA for the City's Deferred Compensation Plan pursuant to the Board's Request for Proposal (RFP) for TPA and trustee services for the City's Deferred Compensation Plan. This report provides an update on various developments related to the transition from the incumbent TPA, Empower Retirement, to Voya.

### **A. Contract Development**

Staff, Voya, and Board counsel are continuing their combined expedited efforts to complete the City's contract with Voya. After extensive review, the contract language has been finalized. The documents were transmitted from the Personnel Department to the Mayor's Office for approval on September 8, 2017. Staff is working closely with senior staff at the Office of the City Administrative Officer (CAO) to coordinate their support of timely contract execution. Staff have also been working to ensure that all contract supporting compliance documentation (most of which is required at the time a vendor submits a response to a Request for Proposal, but some of which is only required of successful bidders) has been obtained in satisfaction of the City's general contracting requirements.

### **B. Data and System Interfaces**

Staff has worked with Empower and Voya to finalize the schedule of data file and payroll processing for key dates and paydays prior to and immediately following the conversion completion date of **October 2, 2017**, as follows:

- September 13-15 - The regularly scheduled transmission of inbound Feedback Files (contributions, loan payments) from **Empower** to **City Plan staff** will proceed using

normal processing. The Feedback Files will be uploaded and processed by Plan staff for the September 26<sup>th</sup> (DWP) and 27<sup>th</sup> (City) paydays.

- September 21 - 22 - **DWP and City payroll** staff will generate and transmit outbound Census/Contribution files to **Voya**, reflecting contributions and/or loan payments for the September 26/27 paydays. The wiring of all employee payroll deductions from the City and DWP shall be directed to **Voya**. Voya will be responsible for depositing the contributions and/or loan payments. Both wires for City and DWP contributions/loan payments are expected to post on September 29, 2017.
- September 27 - October 2 – **Empower** will generate its final inbound Feedback Files (contributions, loan payments), to be uploaded and processed by Plan staff for the October 10<sup>th</sup> (DWP) and October 11<sup>th</sup> (City) paydays.
- October 5 - 6 - **DWP and City payroll** staff will generate and transmit outbound Census/Contribution files to **Voya**, reflecting contributions and/or loan payments for the October 10/11 paydays. The wiring of all employee payroll deductions from the City and DWP shall be directed to **Voya**. Voya is responsible for depositing the contributions and/or loan payments. Both wires for City and DWP contributions/loan payments are expected to post between October 11-13.

Staff has been working with Hess and Associates (programmers for the City's PaySR system) to finalize programming of percent of pay elections within PaySR. DWP has already completed its programming of percent of pay contribution elections. Participants will be able to make percent of pay contribution elections after October 2<sup>nd</sup>. Because of the "first-day-of-the-month" rule under Internal Revenue Code Section 457, whereby deferral changes cannot be effective in the same month they're made, the earliest such percent of pay elections for both DWP and the City will be applied will be on the November 7/8 DWP and City paydays.

### **C. Communications**

Participant Correspondence - On August 24, 2017, Voya issued its second major communication to all Plan participants providing additional details regarding the transition. The mailing was received by Plan participants during the week of August 28, 2017. Subsequently, a Citywide email including the newsletter as an attachment was issued on September 6, 2017 (**Attachment A**). In combination, both the physical mailing and the email have generated approximately 70 inquiries as of the date of writing this report.

As discussed at the Board's August 22<sup>nd</sup> meeting, staff issued correspondence and reached out telephonically to the 38 participants who have ongoing Dollar-Cost Average Transfers or who have fractional investment contribution elections. This outreach has been successful in assisting these participants with making the necessary changes to their accounts in advance of the transition.

Voya is also issuing correspondence to participants who receive installment payments advising them that the dates of their installments will shift as part of the conversion. There are presently 1,784 participants who receive ongoing periodic payments. Under Empower, participants had the option to select any calendar day of the month to receive their payments. Voya's processing provides for two distributions dates: the 15<sup>th</sup> of the month or the last business day. For distributions beginning with the month of September, distribution payments will be accelerated so participants will receive them on the same day or earlier than they would have otherwise received them using normal processing through Empower. For September, all installments will be processed as follows:

- Payments with a prior payment date of October 1<sup>st</sup>-15<sup>th</sup> will be issued on September 22<sup>nd</sup> by Empower.
- Payments with a prior payment date of October 16<sup>th</sup>-31<sup>st</sup> will be issued on October 15<sup>th</sup> by Voya.

Ongoing periodic payments under Voya will proceed based on this two payments per month schedule. Participants may change the timing of their payments at any time.

As a reminder, during the week of September 25-29, all Plan participants will receive a mailing that includes their Personal Identification Number (PIN) so that they can access their accounts. During the week of October 2-6, participants will receive a final notification from Voya confirming that the Plan has gone live and providing certain informational updates.

One of the informational updates includes the announcement of two webinars that staff and Voya are developing, tentatively planned to take place during the month of October. The first will be geared towards retired participants and is intended to address questions regarding distribution processing. The second will be geared towards all Plan participants and is intended to help them learn how to navigate the new website.

Participant Group Meetings - The September 6, 2017 Citywide email also provided employees with information regarding transition meetings and transition tabling sessions throughout the month of September. Staff scheduled these sessions to ensure they encompass a broad array of major employee population hubs across the City. Attendance for any meetings which have already occurred is noted next to the location:

<u>Meeting Location</u>	<u>Date</u>	<u>Attendance</u>
• Figueroa Plaza	09/11/17	17
• Ronald F. Deaton Civic Auditorium	09/11/17	14
• Personnel Department	09/11/17	5
• Marvin Braude Building	09/12/17	
• City Hall East	09/14/17	
• Public Works Building	09/15/17	
• John Ferraro Building	09/19/17	
• Los Angeles World Airports	09/21/17	
• West Valley Library	09/28/17	

Although attendance at these meetings has been modest, the discussions have been interactive and well-received. Many of the questions have centered on enrolling in the Plan and are coming from employees who are not currently participants.

Local Representatives - To provide a dedicated resource for City employees to meet Voya representatives and ask questions about the transition and Voya's services, Voya local representatives will be present on a full-time basis in the Plan's Local Service Center at City Hall beginning September 18, 2017. They will work alongside Empower representatives between September 18-21. Beginning with this week, participants will be advised that deferral and investment election changes can be processed through September 26<sup>th</sup>, immediately prior to the conversion period start date of September 27<sup>th</sup>. Participants will be further advised that certain paper-based transactions that are not time-sensitive be deferred until after the conversion period has ended. New enrollments will also generally be deferred until post-conversion, although Voya enrollment forms will be available beginning September 18<sup>th</sup>.

Empower representatives will close out their City Hall Local Service Center staff on September 22<sup>nd</sup>. Voya local representatives will assume exclusive local service responsibilities beginning on this date and continuing thereafter.

Voya Senior Communications Specialist – Voya has selected its local Senior Communications Specialist, Luis Chavez Guzman, who will be Voya's full-time local communications resource for the Plan on a go-forward basis. Mr. Guzman has considerable experience both in communications as well as the financial services industry, including twelve years as a senior communications consultant with a major financial services firm. Staff and Mr. Guzman will be working closely on a full range of communications projects, including most prominently strategies to achieve measurable results in the Plan's core metrics related to participation, contributions, distributions, and asset retention.

#### **D. Plan Setup**

Plan Administration – Staff and Voya have finalized all of the participant forms that will be required to ensure seamless transition of participant services and functions. These include:

- Enrollment Form
- Accrued Leave Deferral Option Form
- Beneficiary Designation Form
- Catch-Up Contribution Form
- Direct Deposit Agreement
- Enrollment Form
- Loan Offset Request Form
- Name and Address Change Form
- Payroll Contribution Election Form
- Purchase of Service Credits Request Form

- Retired/Terminated Participant Loan Application

The “Culture Training” session previously scheduled for Wednesday, September 13, 2017, is being rescheduled as a result of Hurricane Irma’s impact on Voya’s Florida call center. Culture Training provides an opportunity for Voya’s telephone customer service representatives to interact directly with City staff to learn first-hand about unique aspects of the City’s Plan, common areas of inquiry from Plan participants, demographics of Plan participants and eligible employees, current administrative processes and participant expectations relative to those processes, and other nuances of the City’s Plan and its participant population.

Submitted by:

---

Leonard Hyman

---

Steven Montagna