

# Deferred Compensation Plan BOARD REPORT 16-34

Date: November 15, 2016

To: Board of Deferred Compensation Administration

From: Staff

Subject: FY 16/17 Plan Goals and Metrics Update  
National Retirement Security Week Update

*Board of Deferred  
Compensation Administration*  
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## **Recommendation:**

That the Board of Deferred Compensation (a) receive and file this update regarding Deferred Compensation Plan participant goals, strategies and metrics for the 2016-17 fiscal year, (b) receive and file update regarding results of the 2016 National Retirement Security Week campaign; and (c) approve \$2,500 in funding for the random gift card drawing for the National Retirement Security Week campaign.

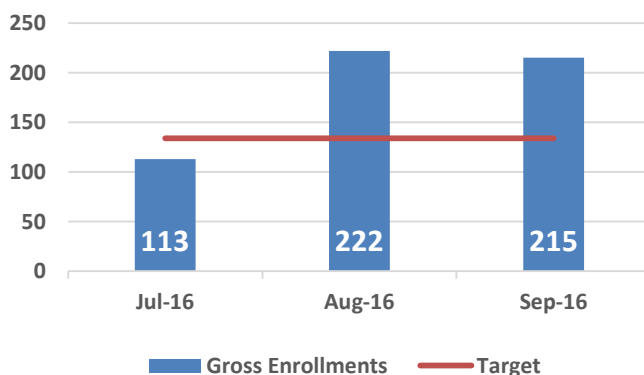
## **Discussion:**

At its October 18, 2016 meeting, the Board adopted certain goals related to creating more successful participant outcomes relative to Plan Participation, Contributions, Distributions and Rollover Retention. This report provides an update regarding progress for each of these goals.

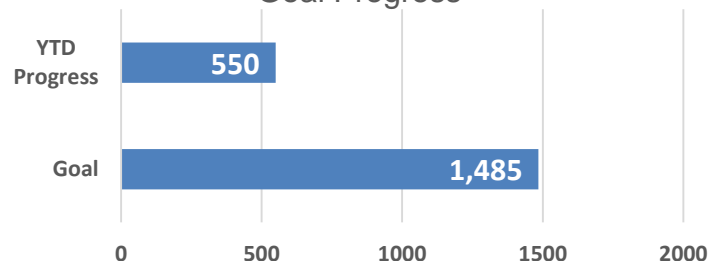
### **A. Participation**

For FY 16/17 the Board adopted a goal of increasing enrollment by establishing a 5% year-over-year increase in gross new enrollments, which would result in an increase of **1,485** gross new enrollments. During the first quarter of the fiscal year, there have been **550** new enrollments, putting the Plan well ahead of the pace required to meet the goal.

**Figure 1: Gross Enrollments by  
Month FY 16-17**



**Figure 2: FY15/16 YTD Enrollment  
Goal Progress**



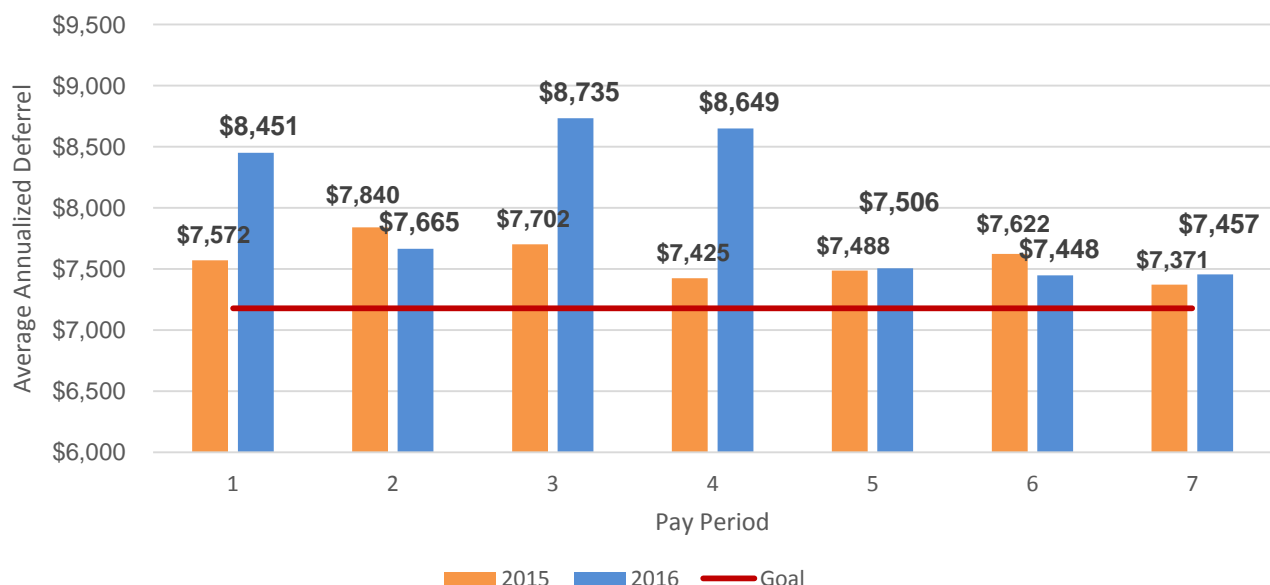
## Strategies Update:

- Local Counselor Outreach – Staff continued ongoing efforts to coordinate local counselor outreach with target different City departments and populations by working with Third Party Administrator (TPA) local representatives. Beginning July 6, 2016, Empower Retirement Counselors made a concerted effort to reach out to Library Department employees, given their lower participation rate. As of October 28<sup>th</sup>, they have visited 63 of the City's 73 libraries and conducted Plan meetings at 35 of those libraries, with 6 additional meetings scheduled throughout November. They plan to visit the remaining 10 libraries by the end of the year. This effort has yielded 50 new enrollments.
- New Hire Targeted Communications –Staff is working with the TPA to finalize design of new-hire marketing materials which will be issued from the Employee Benefits Division to newly hired employees. This additional and targeted outreach will be in addition to any other existing onboarding communications which provide opportunities to engage new employees regarding the Deferred Compensation Plan (e.g. group enrollment meetings, benefits package mailings, etc.).

## B. Contributions

For FY 16/17 the Board adopted a goal of increasing average annual participant contributions by 2%, from \$7,037 in FY 15/16 to \$7,177 in FY 16/17. **Figure 3** below shows the average annualized deferrals for the first seven pay periods of FY 16/17. Thus far, participant contributions are on track to meet this goal. YTD, the average annual contribution is \$7,987.25. It should be noted, however, that there is a significant level of volatility on a pay-period by pay-period basis, as contributions fluctuate based on variables such as accrued leave contributions. In addition, the final 26<sup>th</sup> pay period of each calendar year sees a significant drop-off in contributions as employees who are making the maximum contribution over 25 paydays cap out in their annual contribution amount.

**Figure 3: FY 16/17 YTD Average Deferral Annualized**



## Strategies Update:

- Percent of Pay Contribution Tool - Staff is in the process of developing a custom "Contribution Calculator" web-tool which participants can use to determine how their bi-weekly contributions (which are established by dollar amount) translate as a percent of pay. Staff's plan is to introduce this web tool as part of its annual announcement regarding annual contribution limits which will be in effect for 2017 (the U.S. Treasury Department recently announced that no changes will take place in 2017 contribution limits).

The communication regarding the 2017 limits, along with the percent-of-pay web tool, will also inform employees that a Deferred Compensation Plan contribution range of between 5-10% over the course of a City career can, in connection with defined benefit plan income, support achievement of the 100% lifestyle income replacement goal. This fresh approach of relating contributions to percent of pay and lifestyle income replacement may produce higher levels of engagement/awareness regarding contribution levels as well as employee action to increase their contributions.

A review of the success of this strategy can occur after January 2017 participant deferral elections are in effect. A preview of this resource in its present development form is provided below:

The screenshot shows a web application titled "LOS ANGELES" with a "311" icon and search/menus icons. The main heading is "Contribution Calculator". Below it, instructions state: "Complete the empty green fields and click 'calculate' to see what percentage of your income you're contributing your Plan account." The form consists of a table with two columns: "Description" and "Data Entry".

Description	Data Entry
Hourly Rate	\$ <input type="text"/>
Bi-Weekly Pre-Tax Contribution	\$ <input type="text"/>
Bi-Weekly After Tax (Roth) Contribution	\$ <input type="text"/>
Percentage Contribution	Calculated <input type="text"/> %
<input type="button" value="Calculate"/>	<input type="button" value="Reset"/>

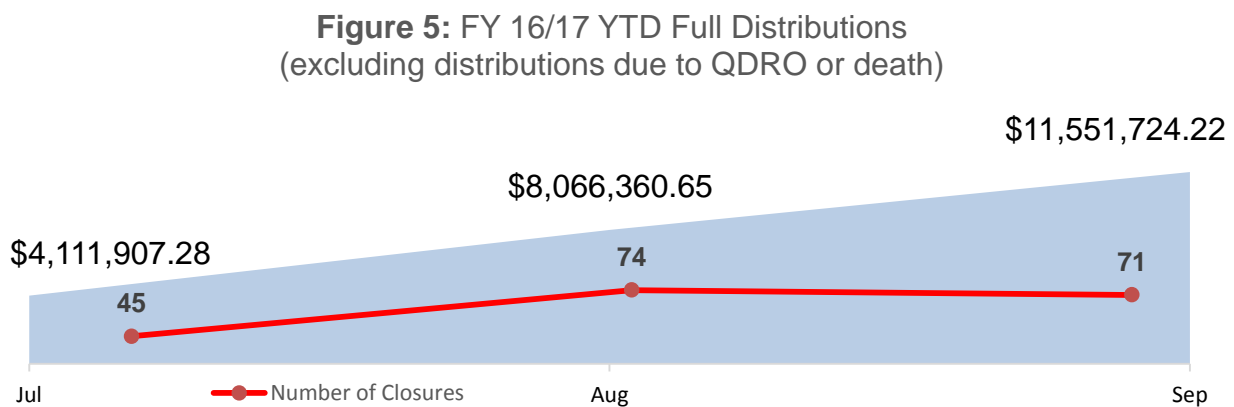
Enter only numeric values (no commas), using decimal points where needed. Non-numeric values will cause errors.

At the bottom, a green navigation bar contains links: [LAWell](#), [Program](#), [FAQ](#), [Contact](#), [Forms](#), and [Board](#).

### C. Distributions & Asset Retention

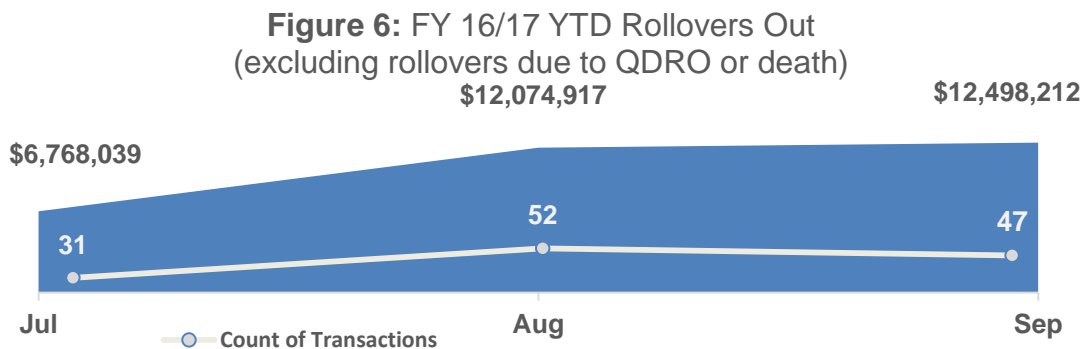
The discussion of Distribution and Asset Retention goals is consolidated given that they involve a common denominator (account liquidations in some form) and communication strategies/materials for engaging participants which are anticipated to be consolidated into a single marketing piece.

For FY 16/17 the Board adopted a goal of reducing the total amount of closed accounts by 3%. This would equate to reducing the total number of account closes from 867 in FY 15/16 to 841 in FY 16/17. To meet this goal, full account distributions should be no greater than 210 on a quarterly basis. For the quarter July-September 2016, 190 participants closed their accounts and were issued full distributions, below the target amount. This means the Plan is on track to meet the annual goal.

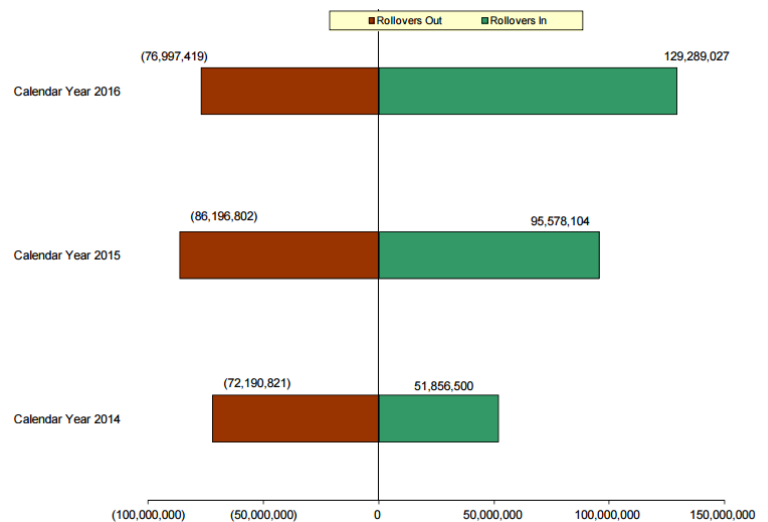


In addition, for FY 16/17 the Board adopted a goal of reducing the total amount of reducing gross dollars rolled out of the plan by 5%, which would reduce roll-outs from \$91.5 million in FY 15/16 to \$86.6 million in FY 16/17.

During the first three months of the fiscal year, approximately **\$31.3** million rolled out of the Plan. The funds were rolled out by 119 participants over 130 transactions. Consequently, if the rollovers out continue at this rate for the remainder of the fiscal year, the Plan is not on track to meet the goal of reducing roll-outs to no more than \$86.6 million.



However, of significant note is that incoming rollovers over the three month period totaled **\$59,156,593**, approximately double the outgoing rollovers. Year to date in 2016, the Plan has received \$129,289,027 in rolled-in dollars, an amount vastly exceeding rollouts of \$76,997,419. Most of these increase is likely attributable to sworn participants rolling in from the Deferred Retirement Option Program (DROP).



### Strategies Update:

- Communication Materials - Staff is in the process of creating a web link & form/flyer for account rollovers (with an emphasis on new fiduciary rule requirements), with the objective of providing education to participants contemplating rolling funds out of the Plan, as well as gathering data as to their reasons for rolling funds out. Staff will attempt to consolidate fee disclosure information within this document. This material would be targeted for distribution to participants who are approaching retirement or exiting DROP. Options for engaging these participants with this information include point-of-processing receipt of the rollover form, pre-retirement education seminars, pre-retirement counseling sessions, website and newsletter publications, and direct mail.
- Newsletter - The 2016 3<sup>rd</sup> Quarter Newsletter included a full-page feature detailing the benefits of “sticking with the Plan.”

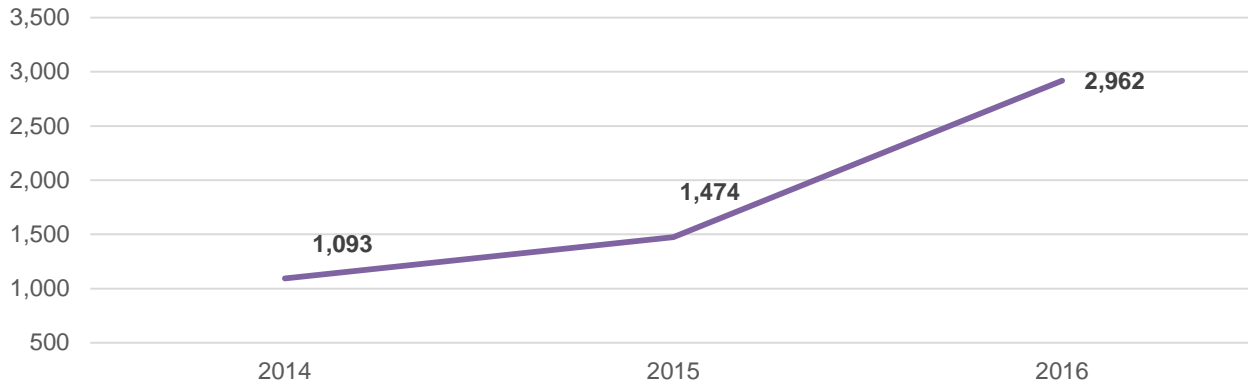
### D. National Retirement Security Week Campaign Results

National Retirement Security Week has become a focal point for engaging active and retired Deferred Compensation Plan participants on the topic of creating and maintaining retirement income security. Staff’s objective each year is to develop novel ways of creating higher levels of engagement which improve upon the prior year’s results.

This year’s National Retirement Security Week campaign was the most successful ever. The campaign revolved around an interactive “Financial Wellness” exercise which asked Plan participants to complete a brief series of quiz questions in order to become eligible for a random gift card drawing. The objective of the exercise was to raise awareness of the City’s Plan by helping participants place retirement planning within a larger financial wellness context. Each quiz page included a brief discussion on a financial wellness topic along with references to resources that could assist employees and participants in learning more about the topics. Participants were further able to see, in real time, the aggregate results of all survey responses, as well as (where data was available) how the aggregate survey responses compared to national survey data. A summary of survey responses to the quiz questions is provided as **Attachment A**.

In terms of engagement, this year’s campaign reached a new record. Campaign survey responses totaled **2,962**, over twice the total from the prior year.

**Figure 8: Participation Trends: 2014-2016**



The table below provides additional summary data that is monitored each year for each campaign. While this year saw decreased website logins and phone calls, this is likely due to the fact that the web link was easier to access by not requiring that participants log in to their accounts. Use of the retirement calculator increased from the prior month, as it has in prior campaigns, indicating that the survey prompted participants to use the calculator to assess their retirement income projection.

	Percentage Increase from Previous Month		
	October 2014	October 2015	October 2016
Total Website Logins	16%	21%	-9%
Total Phone Calls	10%	20%	-4%
Total Calculator Session	219%	78%	45%

**Gift Card Funding** – Staff reported on its intentions for this campaign in Board Report 16-26: Staff Report – Projects and Activity Report. Typically each year staff includes a request for gift card funding but neglected to do so this year. Staff is therefore requesting that the Board approve \$2,500 to fund gift card incentives.

Submitted by: \_\_\_\_\_  
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Approved by: \_\_\_\_\_  
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