



## BOARD REPORT 18-15

Date: April 17, 2018  
To: Board of Deferred Compensation Administration  
From: Staff  
Subject: Financial Planning and Investment Advice Services

### Board of Deferred Compensation Administration

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### Recommendation:

That the Board of Deferred Compensation Administration direct the Plan Governance & Administrative Issues Committee to review the merits and feasibility of offering financial planning and/or investment advice services within the City's Deferred Compensation Plan and develop recommendations for further action.

### Discussion:

#### **A. Background**

At its meeting held on January 16, 2018, the Board reviewed Board Report 18-04, which identified certain strategic initiatives for the Plan for 2018. Among these initiatives was a review of the merits and feasibility of adding financial planning and investment advice services to the City's Deferred Compensation Plan.

From inception, the City's Deferred Compensation Plan has provided participants with retirement savings counseling through its contracted Third-Party Administrator (TPA) relationships. In prior years the Board has contemplated possibilities for go beyond these counseling services to include financial planning and/or investment advice services. Financial planning and/or advice services may assist the Plan in meeting its core mission of supporting the future retirement income security of City employees.

The Board's most recent consideration of these topics took place on November 19, 2013. The Board held a special meeting and half-day retreat for the purpose of strategic planning and discussing short-term and long-term objectives for the City's Deferred Compensation Plan. As part of that meeting, the Board received a presentation from Georgette Gestely, Director of the New York City Deferred Compensation Plan (NYCDCP), on the topic of NYCDCP's financial planning program. Ms. Gestely was invited to present since the NYDCP was an early adopter for offering financial planning services to its participants.

As the special meeting, Ms. Gestely indicated that the NYDCP offers its participants access to financial planning group seminars paid for by the NYDCP. In addition, personal financial needs assessments administered by contracted third-party Certified Financial Planners (CFPs) may be purchased at a flat \$179 fee to the participant. She explained that although the CFPs are not permitted to provide financial investment advice, they provide information regarding a broad range of financial planning topics including estate planning, college planning, eldercare, insurance planning, tax planning, integrating multiple sources of retirement income (defined benefit, defined contribution, and Social Security), and optimizing defined contribution resources during both working and retirement years.

Ms. Gestely further indicated that the NYDCP established a Financial Planning Unit consisting of its five on-site CFPs and three support staff. She stated their CFPs are non-commissioned, do not sell other products to participants, and assume full fiduciary responsibility for their services. She indicated that on an annual basis the program conducts approximately 2,260 seminars and engages approximately 27,000 participants, with a particular focus on participants within five years of retirement.

The Board did not provide further direction to staff following this presentation, and the topic has not been revisited in any detail since that point in time. However, it should be noted that in the Plan's 2015 participant survey, 83% of participants indicated an interest in investment advice services, and 65% indicated an interest in financial planning services. Those interest levels dropped to 49% and 44%, respectively, when participants were asked if they would be willing to pay for these services, but still represent a significant segment of the Plan's population.

## **B. Financial Planning Services**

The core mission of the City's Plan is to assist all City employees in achieving retirement income security. Offering financial planning services could help support this core mission. For active employee Plan participants, providing access to more holistic personalized financial educational resources may significantly impact their behaviors in relation to retirement saving and planning. For retired participants, a financial planning resource could assist in developing distribution strategies which would better serve their long-term retirement income objectives and support the Plan's asset retention objective. If the City utilized a model similar to that used by the NYDCP, participants would have access to both general education at no direct cost as well as customized planning information for a participant-paid flat fee.

## **C. Investment Advice Services**

Investment advice services, although not addressed substantively at the November 2013 retreat, represent another topic which the Board may wish to explore as part of assessing the merits and feasibility of expanding services to participants. Local TPA counselors cannot provide investment advice, although they can help guide participants to diversified investment

strategies based on risk tolerance using the Plan’s blended risk-based asset allocation funds. This approach of pairing counseling with a streamlined investment menu of risk-based funds appears to meet the needs of most participants. However, local counselors have indicated to staff that a subset of participants are interested in more direct and specific investment advice, and once they determine it’s not available in the Plan may go outside the Plan to secure those services. In particular, participants who have retired or otherwise separated from service may roll funds out of the Plan in order to work with financial advisors to provide investment advice and manage their retirement assets. Offering investment advice services (paid for by the participants who elect to use them) could support the needs of an important subset of the participant population as well as support the Plan’s asset retention objective.

**D. Next Steps**

As the City’s Plan continues to evolve and identify new opportunities to serve the needs of Plan participants and fulfill its core mission, staff believes the topics of financial planning and investment advice services should be given deeper consideration. Issues to consider include whether these services fit within the Plan’s mandate, design of the services, procuring for services, and how they would be paid for. Staff therefore recommends that the Board direct the Plan Governance & Administrative Issues Committee to review the merits and feasibility of offering financial planning and/or investment advice services within the City’s Deferred Compensation Plan and develop recommendations for further action. Staff anticipates being able to schedule the Committee review once the Committee has its membership fully constituted after new members join the Board in July 2018.

Submitted by: \_\_\_\_\_  
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Approved by: \_\_\_\_\_  
Steven Montagna