Board Report 20-23

Date: May 19, 2020

To: Board of Deferred Compensation Administration

From: Staff

Subject: Deferred Compensation Plan Projects and Activities Report: April 2020

Discussion:
Following are Deferred Compensation Plan (DCP) project and activity updates for April 2020:

A. Operations and Projects Updates

- Coronavirus Aid, Relief, and Economic Security (CARES) Act Update – On April 27, 2020, the Board adopted new loan and distribution provisions for the DCP under the CARES Act. Immediately afterwards, staff worked with Voya to execute a plan sponsor letter to make adopted CARES Act loan and distribution provisions available to DCP participants as soon as practical. The CARES Act provisions adopted by the Board became available to DCP participants effective May 4, 2020. As of May 10, 2020, Voya has received 120 calls related to the CARES Act and processed applications from DCP participants accessing the new CARES Act distribution, loan, and Required Minimum Distribution (RMD) provisions as follows:
  1) Coronavirus-Related Distributions (CRDs) – 52 participants; $2.1 million (total)
  2) CARES Act Deferred Loan Payments – 15 participants
  3) CARES Act New Loan – 3 participants; $240,000 (total)
  4) RMD – 2 participants suspended installment payments

  Staff will continue to monitor requested CARES Act distributions, loan, and RMD activity and provide updates in the monthly projects and activities report.

- DCP 2020 Board Election Update – Ballots for the 2020 DCP Board election for the active Los Angeles City Employees' Retirement System (LACERS) and active Los Angeles Fire and Police Pensions (LAFPP) Representative seats were mailed to all eligible participants of the DCP on April 23, 2020. In order to be counted, all ballots were required to be received by the City Clerk by May 15, 2020 at 5:00 pm. Staff sent a Citywide email on May 8, 2020 reminding employees of the May 15th deadline and also directing employees to the DCP website for more information on the election. Ballots will be tallied and counted by the City Clerk on May 19, 2020. The candidate who receives the highest number of votes cast will be declared the winner of the election. Staff will report on the results of the election to the Board at its next meeting.

- Plan Administration and Communications Consulting Services Procurement – At its December 10, 2019 meeting, the Board approved the release of a Request for Proposals (RFP) for two services: 1) DCP Plan Administration Consulting Services and 2) DCP Communications Consulting Services. The RFP for these two services was released on March 9, 2020. The mandatory pre-proposal conference was held via teleconference on March 26, 2020. The deadline for submitting a proposal was April 23, 2020. The City received one proposal from incumbent, The Segal Company in response to the RFP. The proposal is currently being evaluated for compliance with the City's general contracting requirements. Staff will review and score the proposal and anticipates presenting its evaluation to the Board at its July 2020 meeting.

- National Association of Governmental Defined Contribution Administrators (NAGDCA) Benchmarking Data – At its April 27, 2020 meeting, the Board approved the DCP's participation in NAGDCA's collaborative project with the Employee Benefits Research Institute (EBRI) and authorized DCP recordkeeper, Voya to provide DCP participant- and plan-level data for the Public Retirement Research Lab (PRRL). On April 30, 2020, staff submitted the Data Sharing Agreement to authorize Voya to provide this information for the PRRL. As a participating plan, the DCP will gain free access to NAGDCA and EBRI comprehensive reports comparing DCP metrics to the universe and a subset of its peers. These exclusive reports will provide valuable data that will benefit DCP stakeholders, participants, and beneficiaries. The first published report from PRRL, "Trends in Public-Sector Employee Tenure," was released May 7, 2020, and is attached for reference (**Attachment A**).

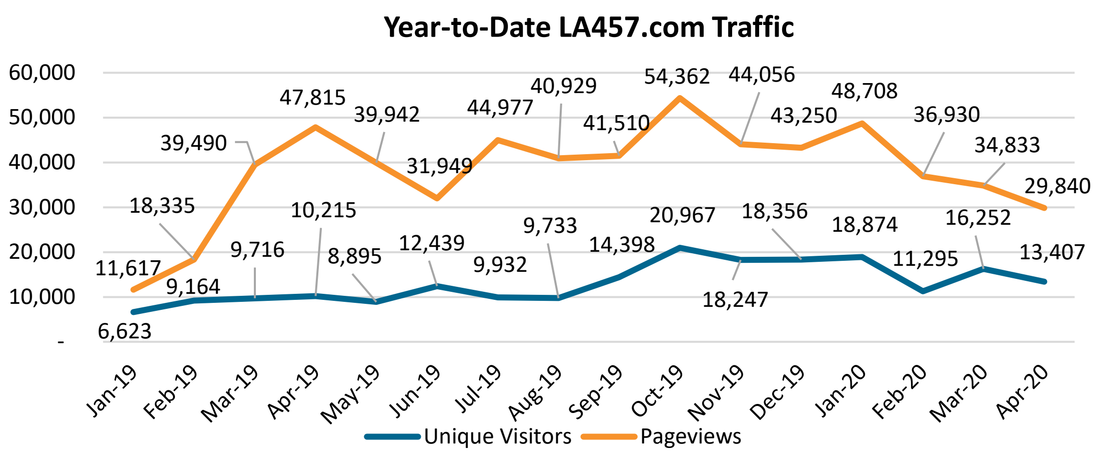
B. Communications Updates

- First Quarter 2020 Statements and April 2020 Newsletter – Voya confirmed that DCP participant statements for the first quarter of 2020 (three-month period beginning January 1, 2020 and ending March 31, 2020) and the April 2020 newsletter were mailed to DCP participants on April 21, 2020. Voya indicated that participants who elected electronic delivery were sent an email notification on April 15, 2020, informing them that their individual statement and the April 2020 newsletter were available to view and download via the Voya participant website.

- <u>LA457.com Engagement Statistics: April 2020</u> LA457.com saw 13,407 unique visitors and 29,840 pageviews. The table on the right provides a review of the top ten website topics accessed by participants during the month of April.

Top 10 LA457.com Pages in April 2020	Views
1. Homepage	24,224
2. Contact Us	948
3. Elections 2020	697
4. Board Meeting Materials	508
5. Investment Options	264
6. Join the Plan	257
7. Loans	239
8. Your Distribution Options	239
9. Contributions	201
10. Plan Highlights	182

The chart below tracks LA457.com unique visitors and pages viewed since the site was fully launched in January 2019.



- <u>CARES Act-Related Communications</u> – A Citywide email announcing the newly adopted provisions of the CARES Act was sent to all civilian, sworn, and DWP employees on May 4. The email linked to an online blog post with additional information and Frequently Asked Questions on the CARES Act provisions. This information was posted to the LA457.com website on May 4 for DCP participants to access at any time.

MAY 4, 2020

CARES Act Provides Economic Relief to Deferred Compensation Plan Participants

Learn More About New Provisions Regarding:

- **CARES Act Distributions**
- **CARES Act Loans**
- **Suspension of Required Minimum Distributions**

- Los Angeles World Airports (LAWA) Communications Support – LAWA is offering a Separation Incentive Program (SIP) for its employees who are presently retirement eligible. LAWA reached out to DCP staff in late April for help in answering questions it was receiving from LAWA employees regarding options for contributing to the DCP out of accrued leave or incentive payments. Given the potentially broad array of unique circumstances related to each individual considering the SIP, rather than rely on existing literature staff developed a custom communication to provide to LAWA in time for a special mailing they were printing for potential SIP participants on May 2 (**Attachment B**).

- Video Conference – In reponse to COVID-19's impact on in-person meetings, the DCP launched video conferencing appointments through Zoom as a new alternative for participants to speak with Voya's local retirement counselors. Participants are able to schedule 30-minute video conference appointments via the LA457.com website's scheduling widget. Promotion of this new appointment feature was posted on the DCP's Facebook and Instagram accounts.

C. 2019 and 2020 DCP Strategic Initiatives Update

A summary of the results of the 2019 strategic initiatives and proposed new 2020 strategic initiatives is provided in Report 20-20. Updates regarding progress towards completion of the 2020 initiatives will be included in the monthly projects and activities report moving forward.

D. Staffing

Effective April 20, 2020, Management Assistant Eric Lan joined the Deferred Compensation Plan section providing analyst support for the DCP. Mr. Lan's previous role was the Procurement and Metrics Analyst in the Employee Benefits Division. Anna Ancheta will be training Mr. Lan while she transitions from supporting the DCP to supporting the Division's LIVEwell Wellness Program.

The following table provides a summary of staff positions supporting the DCP.

Position Authority	Incumbent Class	Function	Est. Percent Reimbursed by DCP	Staff Member
Personnel				
Chief Personnel Analyst	Chief Personnel Analyst	Executive Director	20%	Steven Montagna
Senior Personnel Analyst II	Senior Management Analyst II	Plan Governance	40%	Jenny Yau
Senior Personnel Analyst I	Senior Personnel Analyst I	Plan Administration	100%	Vacant
Management Analyst	Management Assistant	Communications	90%	Eric Lan
Management Analyst	Personnel Analyst	Operations	90%	Mindy Lam
Benefits Specialist	Benefits Specialist	Participant Services	90%	Claudia Guevara
Administrative Intern I	Vacant	Participant Research	100%	Vacant

City Attorney				
Assistant City Attorney	Assistant City Attorney	Board Counsel	25%	Curtis Kidder
Legal Assistant	Legal Assistant	Participant Legal Services	40%	Vicky Williams

E. Committee Assignments

Following is the current Committee roster as designated by the Board Chairperson:

Plan Governance & Administrative Issues Committee	Investments Committee	Participant Engagement Committee	Ad Hoc Committee on DCP Autonomy
Joshua Geller, Chair	Raymond Ciranna, Chair	Wendy Macy, Chair	Thomas Moutes, Chair
Wendy Macy	Joshua Geller	Joshua Geller	Raymond Ciranna
Thomas Moutes	Hovhannes Gendjian	Hovhannes Gendjian	Joshua Geller
	Neil Guglielmo	Neil Guglielmo	Neil Guglielmo

F. Upcoming Board Meetings

Following is a review of upcoming Board meeting agenda items:

Meeting Date	Proposed Agenda Items
June 16, 2020	• Board Report: Training-Travel FY 2020-21 • Board Report: 2019 Annual Report • Board Report: TPA Contract Extension Options • Board Report: 2020 National Retirement Security Week • Board Report: DCP Plan Projects and Activities Report: May 2020
July 21, 2020	• Board Report: DCP Plan Administration and Communications Consulting Services RFP Evaluation • Board Report: DCP Plan Projects and Activities Report: June 2020
August, 2020	• Board Report: Financial Education/Investment Advisory Services Request for Information Evaluation • Board Report: Quarterly Reimburesments – Second Quarter 2020 • Board Report: DCP Plan Projects and Activities Report: July 2020

Submitted by:

Anna Ancheta

Anna Ancheta, Personnel Analyst

Eric Lan, Management Assistant

Reviewed by:

Jenny M. Yau, Senior Management Analyst II

Approved by: ______________________________________

Steven Montagna, Chief Personnel Analyst

Trends in Public-Sector Employee Tenure

By Craig Copeland, Ph.D., Employee Benefit Research Institute, on behalf of the Public Retirement Research Lab

SUMMARY

Employee tenure — the amount of time an individual has been in his or her current job — varies significantly between workers in the private and public sectors. The public sector consists of workers at different levels of government, in which tenure varies. This study identifies the differences in tenure trends among public-sector workers (federal, state, and local) while comparing them with those of private-sector workers. Data from the U.S. Census Bureau's Current Population Survey (CPS) are the basis of the tenure trend comparisons of the different classes of workers who make up all of the wage and salary workers in the American work force.

In prior research, the Employee Benefit Research Institute (EBRI) has shown that data on employee tenure contradicted the belief that individuals in past generations held only one job for their entire career (career jobs) and instead revealed that career jobs never actually existed for most workers and still do not today. However, workers in the public sector do have longer tenures, on average, than those in the private sector.

This study, conducted on behalf of the Public Retirement Research Lab (PRRL), builds on that research by more closely examining tenure of public-sector workers.

Here are the key findings:

- Federal government workers had the longest median tenures, while state and local workers had median tenures that were just below those of federal government workers and nearly equal to each other. In 2018, the median tenure for state government workers was below that of local government workers — 7.0 vs. 6.0 years.

- Federal workers' median tenure had a significant decline from 2000–2018, while all of the other workers had similar levels of median tenure during that period.

- The median tenure of workers increased with their age through 50–59 for state and local government workers. Above these ages in most years, median tenure was shorter for workers ages 60 or older.

- The percentage of local government workers with 10 or more years of tenure experienced an uptick from 2000–2016 before falling back to its 2000 level in 2018, while the percentage of state workers with this tenure declined before returning to its 2000 level in 2018.

- The percentage of workers in each class with 25 or more years of tenure was essentially flat from 2000–2018, with private-sector workers having the lowest percentage and federal workers having the highest.

- Workers from the Northeast tended to have the longest tenures across each class of worker, while workers from the West tended to have shorter tenures than those in the other regions, except for local workers, whose tenures were just below those of workers from the Northeast.

- The tenure distribution of federal workers clearly moved to shorter tenures from 2000–2018. In 2000, 59.3 percent of federal workers had 10 or more years of tenure. By 2018, 45.8 percent had this level of tenure. The other three worker classes did not have such a large shift in the tenure distribution from 2000–2018. However, there was a small shift away from shorter tenures in each of the remaining worker classes.

- All classes of public-sector workers had longer tenures, on average, than those of private-sector workers. Consequently, retirement programs in the private sector are not likely models for the public sector given these tenure differences and the strong prevalence of defined benefit (DB) plans. Defined contribution (DC) plans in the public sector could have different appropriate asset allocation strategies given the guaranteed income coming from the DB plan, which could mean more investment in riskier assets and lesser need for income-generating assets in the DC plan. In addition, the public-sector workers were less likely to change jobs, which means fewer opportunities for leakage and more continuous participation. However, tenure for some groups of public-sector workers was shortening, so understanding how to incorporate more shorter-tenure workers may involve some tweaking of the retirement programs.

- The most striking result of this study is the age distribution of workers in the public sector, as the share of those in their 40s is sharply declining. This means that the work force will become significantly younger in 5 to 10 years, as the large share of workers ages 50 or older will be retiring while the smaller share now in their 40s starts to move into the 50-or-older age group. With the younger-than-age-50 cohort making up a larger and larger share of the public-sector work force going forward, retirement programs are likely going to need to encompass programs that look at the total finances of the workers, as these can be more important for younger workers. This could include various financial wellbeing programs, such as emergency savings programs, student loan debt programs, and overall budgeting programs. These programs can help establish the overall finances of the younger workers so that they have their finances in order to prepare for retirement instead of struggling to meet current financial obligations.

Trends in Public-Sector Employee Tenure

About the PRRL

A new program of the Employee Benefit Research Institute and The National Association of Government Defined Contribution Administrators, the **Public Retirement Research Lab (PRRL)** is dedicated to research aimed at a better understanding of the design and utilization of defined contribution public retirement plans. The PRRL provides unbiased and actionable findings to plan sponsors, providers, policymakers, and others to inform better decision-making surrounding public-sector defined contribution retirement plans.

Craig Copeland is Senior Research Associate at the Employee Benefit Research Institute (EBRI), which cosponsors the Public Retirement Research Lab along with the National Association of Defined Contribution Administrators. Any views expressed in this report are those of the author and should not be ascribed to the officers, trustees, or other sponsors of EBRI, Employee Benefit Research Institute-Education and Research Fund (EBRI-ERF), NAGDCA, or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. PRRL invites comment on this research.

Suggested Citation: Craig Copeland, "Trends in Public-Sector Employee Tenure," *PRRL Research Study*, no. 1 (Public Retirement Research Lab, May 7, 2020).

Report Availability: This report is available at prrl.org

We would like to thank the following Partners of the PRRL.

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Table of Contents

Figures

Trends in Public-Sector Employee Tenure

By Craig Copeland, Ph.D., Employee Benefit Research Institute, on behalf of the Public Retirement Research Lab

Introduction

Employee tenure is a critically important topic when it comes to designing retirement programs. In a recently published Employee Benefit Research Institute (EBRI) report,[1] data on employee tenure were shown to contradict the belief that individuals in past generations held only one job for their entire career (career jobs). Instead, it revealed that so-called career jobs never actually existed for most workers and still do not today.

Still, workers in the public sector have significantly longer tenures, on average, than those in the private sector. In this report by the Public Retirement Research Lab (PRRL), the differences in tenure between public-sector worker classes are examined.

The latest data on employee tenure from the January 2018 Supplement to the U.S. Census Bureau's Current Population Survey (CPS) are examined and compared with trends from previous CPS data on employee tenure.[2] Furthermore, public-sector workers are broken out into the level of government in which they are employed — federal, state, or local. By segmenting tenure levels across each level of government, it is possible to show the different challenges various parts of the government face in providing retirement benefits and managing the work force as Baby Boomers retire and Millennials become the largest share of the labor force.

Definitions

A few key terms to be used in this study are defined below:

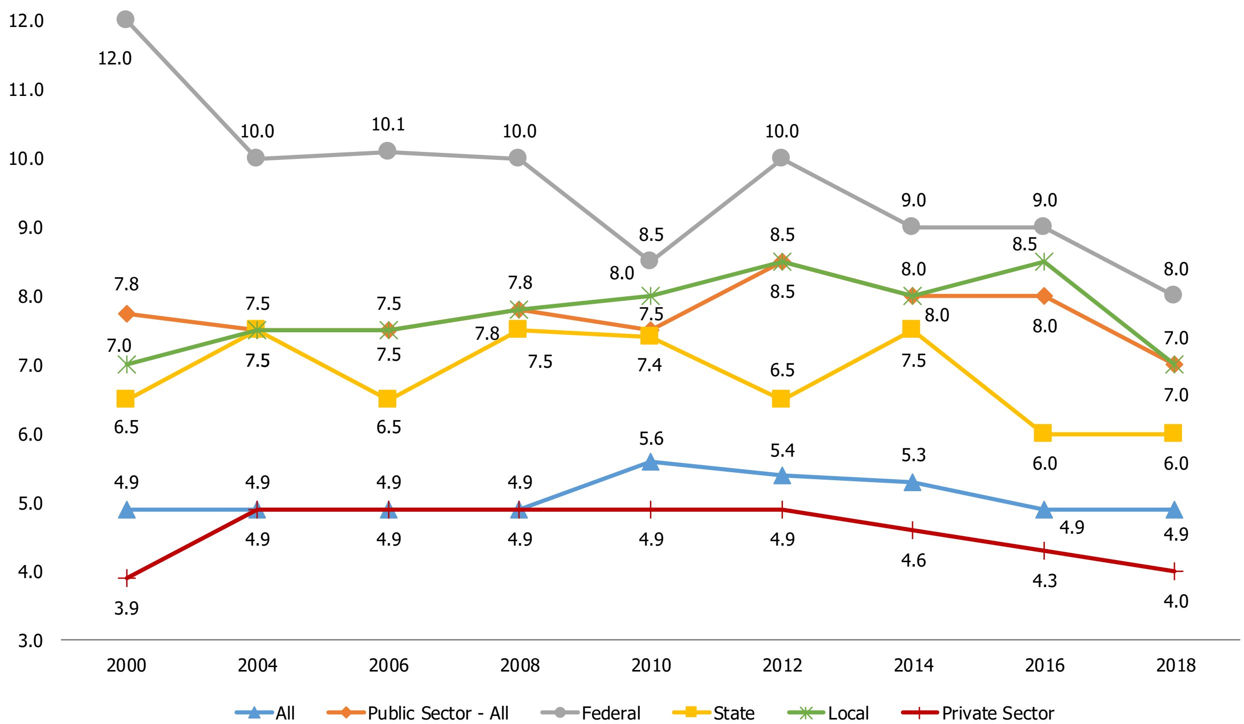
- Tenure — the length of time that workers have been employed at their current job (in years).
- Median tenure — the tenure that represents the middle (half have longer tenures and half have shorter tenures) of all the tenures of the workers in the cohort of interest.
- Class of worker — determined by the type of employers the workers are employed by in their current job. They consist of public-sector workers, who can work for a federal, state, or local government, and private-sector workers, including those employed at for-profit and not-for-profit companies.
- Wage and salary workers — workers who earn their wages through working for someone else or a company, which excludes unincorporated self-employed workers.

Overall Median Tenure, by Class of Worker

The median tenure for all wage and salary workers *ages 20 or older* in 2018 was equal to its 2000 level at 4.9 years.[3] Since 2000, the median tenure reached as high as 5.6 years in 2010 but never fell below 4.9 years (Figure 1). The median tenure of public-sector workers was significantly higher than that of private-sector workers in each year, peaking at 7.8 years in 2000 vs. 3.9 years for private-sector workers in that same year. Notably, however, federal workers were the only group with a sizable decline in median tenure from 2000–2018, going from 12.0 to 8.0 years. Nonetheless, that remained considerably higher than the median tenure of private-sector workers, which was 4.0 years in 2018.

State workers had the shortest median tenure among the public-sector workers at 6.0 years in 2018, compared with 7.0 for local workers and 8.0 for federal workers. In contrast to federal workers, the tenure trends for private-sector, state, and local workers were relatively flat. Specifically, private-sector workers' median tenure in 2018 was very close to its 2000 level (4.0 in 2018 vs. 3.9 in 2000), local workers' median tenure was 7.0 years in 2000 and 2018, and state workers' median tenure was slightly lower in 2018 at 6.0 years compared with 6.5 years in 2000.

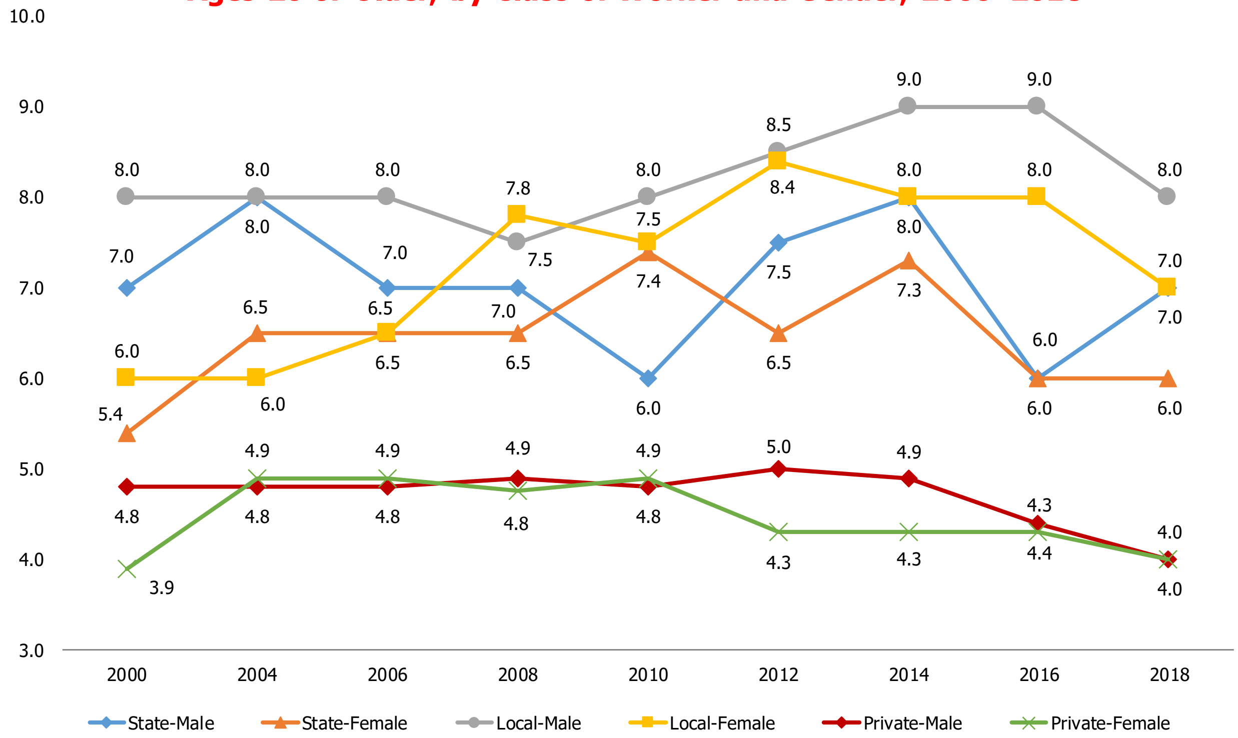
Figure 1
Median Years of Tenure at Current Job for Wage & Salary Workers Ages 20 or Older, by Class of Worker, 2000–2018



Source: EBRI estimates from the February 2000 and January 2004–2018 Current Population Surveys.

Gender—When comparing by the gender of the workers, the median tenures of males have been a year longer than for females for most of the 2000–2018 period for state and local workers (e.g., in 2018 among state workers, 7.0 years for males vs. 6.0 for females) (Figure 2). However, the median tenures of both male and female local workers were longer than those of the same genders of state workers. Private-sector workers had the shortest median tenures with virtually no differences between the genders in this time period. In 2018, the median tenure for both male and female private-sector workers was 4.0 years, compared with 8.0 years for male local workers (the longest) and 6.0 years for female state workers (the shortest).

Figure 2
Median Years of Tenure at Current Job for Wage & Salary Workers Ages 20 or Older, by Class of Worker and Gender, 2000–2018



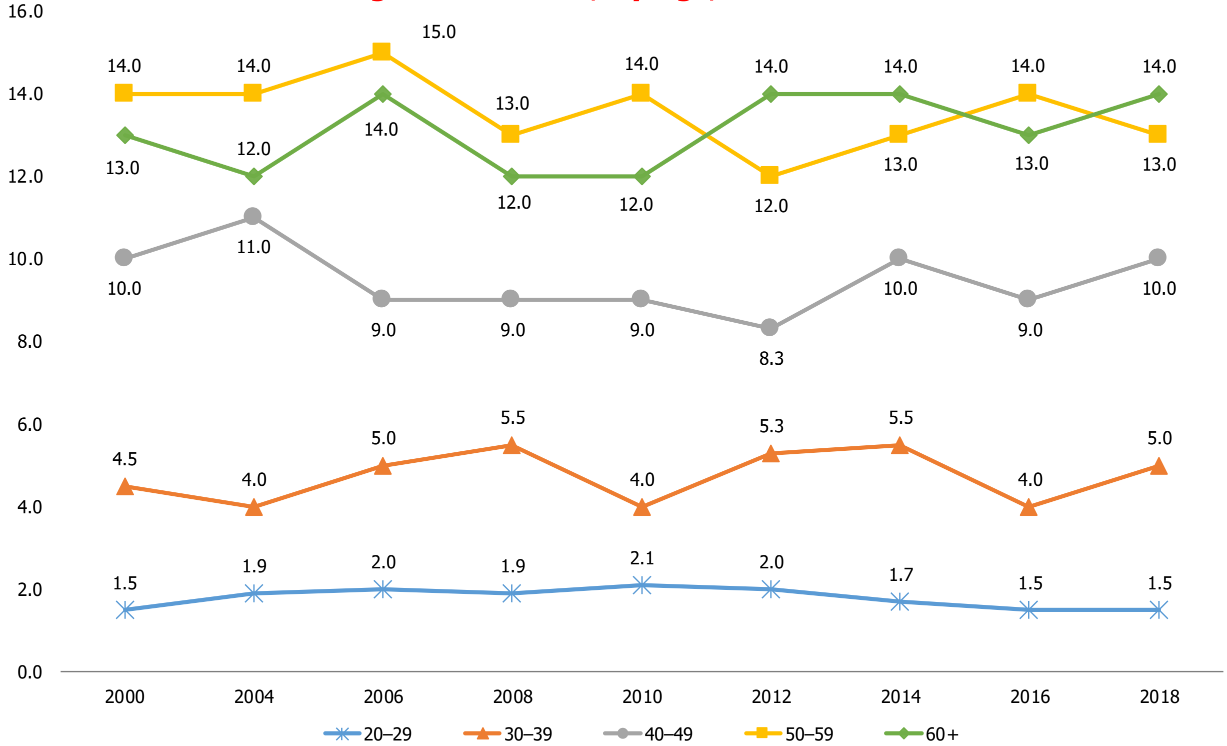
Source: EBRI estimates from the February 2000 and January 2004–2018 Current Population Surveys.

Age—The median tenure of workers increased with their age for state and local government workers until ages 50–59. As shown in figures 3 and 4, workers ages 50–59 had longer job tenures during the period examined than workers ages 60 or older. In addition, state and local workers had very similar median tenures in each age group (although local workers in their 20s have slightly longer median tenures). In 2018, both state and local workers ages 60 or older had a median tenure of 14.0 years, up from 12.0 years for local workers and 13.0 years for state workers in 2000. For those in their 50s, the median tenure ranged from 12.0 years to 15.0 years for both state and local workers, with state workers having a median tenure of 13.0 years and local workers having a median tenure of 14.0 years in 2018.

Among state and local workers ages 40–49, the median tenure ranged from 8.0 years to 11.0 years from 2000–2018. By 2018, both types of workers these ages had a median tenure of 10 years. Local workers in their 30s reached a longer tenure in 2012 than state workers ever reached from 2000–2018, but both worker types had a median tenure of 5.0 years in 2018. Local workers in their 20s had median tenures consistently just above those of the state workers by approximately one-half of a year. In 2018, local workers' median tenure was 1.9 years compared with 1.5 years for state workers.

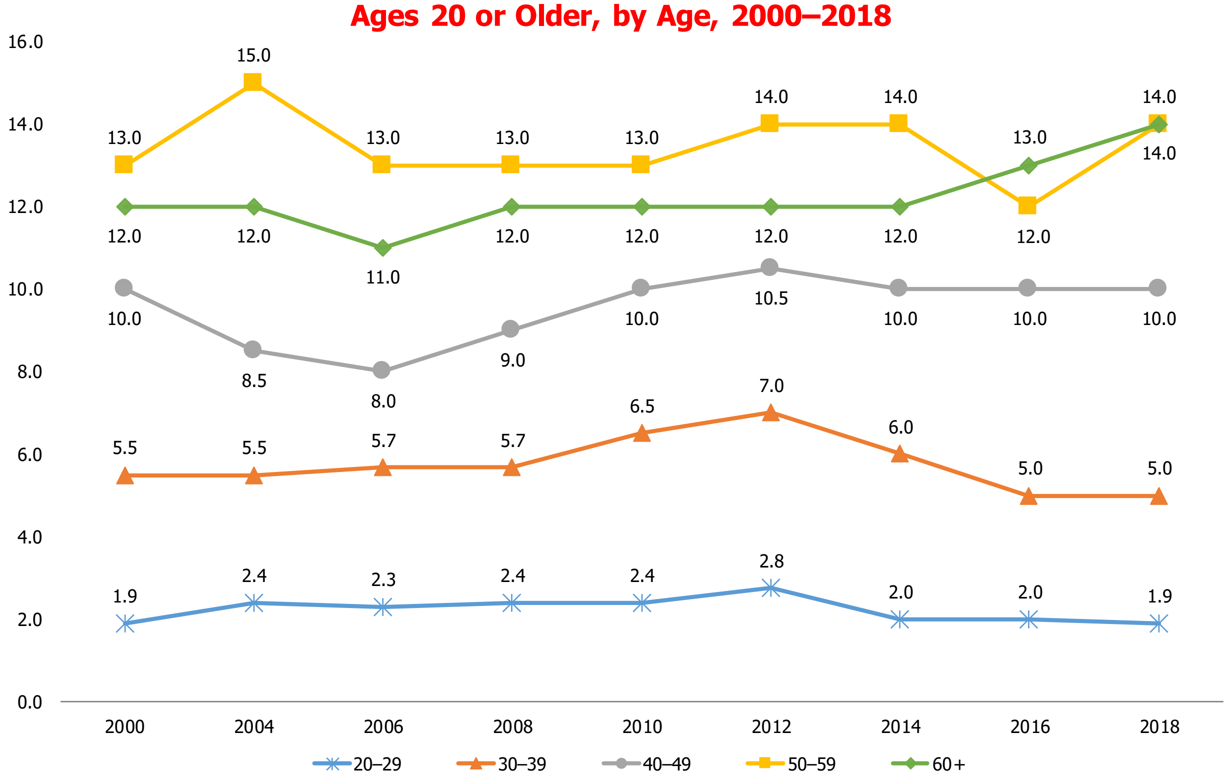
In the private sector, workers' median tenure also increased with their ages. But unlike public-sector workers, the highest median tenure was not for those ages 50–59. The median tenures for each age group were equal to or very close to their 2000 levels in 2018, ranging from 1.6 years for those in their 20s to 10.0 years for those ages 60 or older (Figure 5). State and local workers had longer median tenures than private-sector workers in each age group except for ages 20–29. Among young workers, median tenure was lower for state workers (ages 20–29) than for private-sector workers of the same ages (1.5 years and 1.6 years, respectively, in 2018).

Figure 3
Median Years of Tenure at Current Job for State Wage & Salary Workers Ages 20 or Older, by Age, 2000–2018



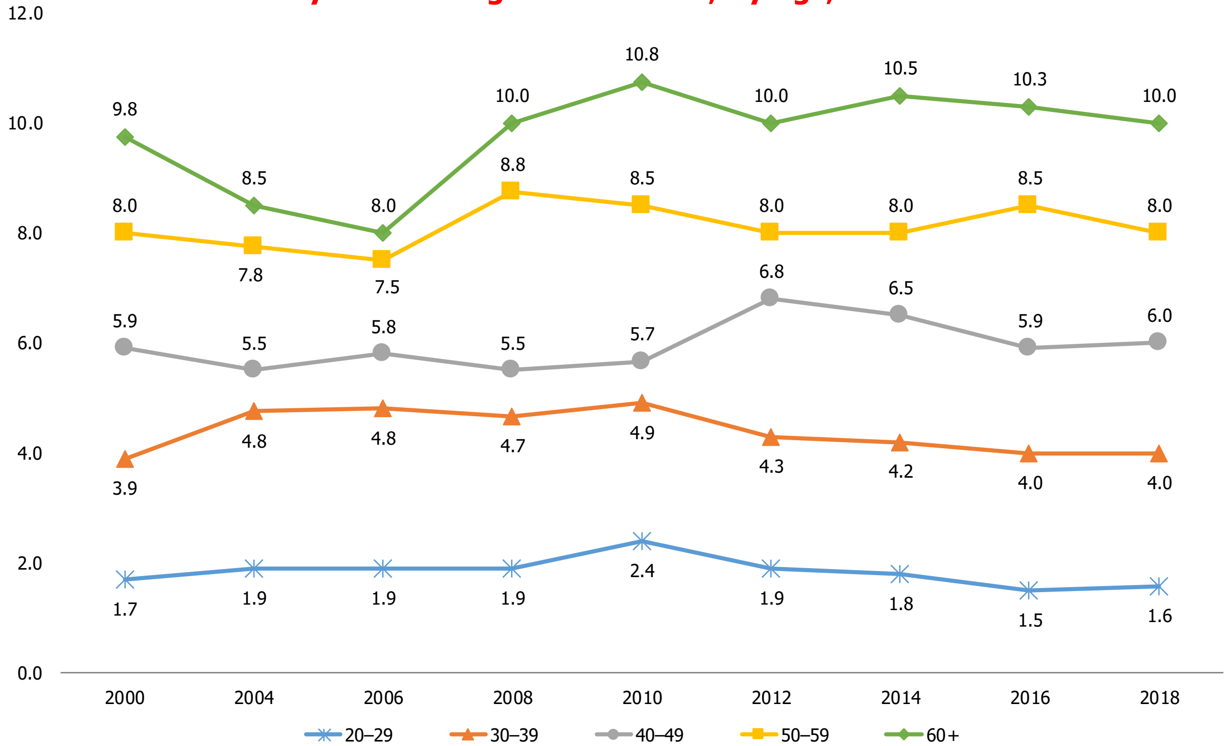
Source: EBRI estimates from the February 2000 and January 2004–2018 Current Population Surveys.

Figure 4
Median Years of Tenure at Current Job for Local Wage & Salary Workers Ages 20 or Older, by Age, 2000–2018



Source: EBRI estimates from the February 2000 and January 2004–2018 Current Population Surveys.

Figure 5
Median Years of Tenure at Current Job for Private-Sector Wage & Salary Workers Ages 20 or Older, by Age, 2000–2018



Source: EBRI estimates from the February 2000 and January 2004–2018 Current Population Surveys.

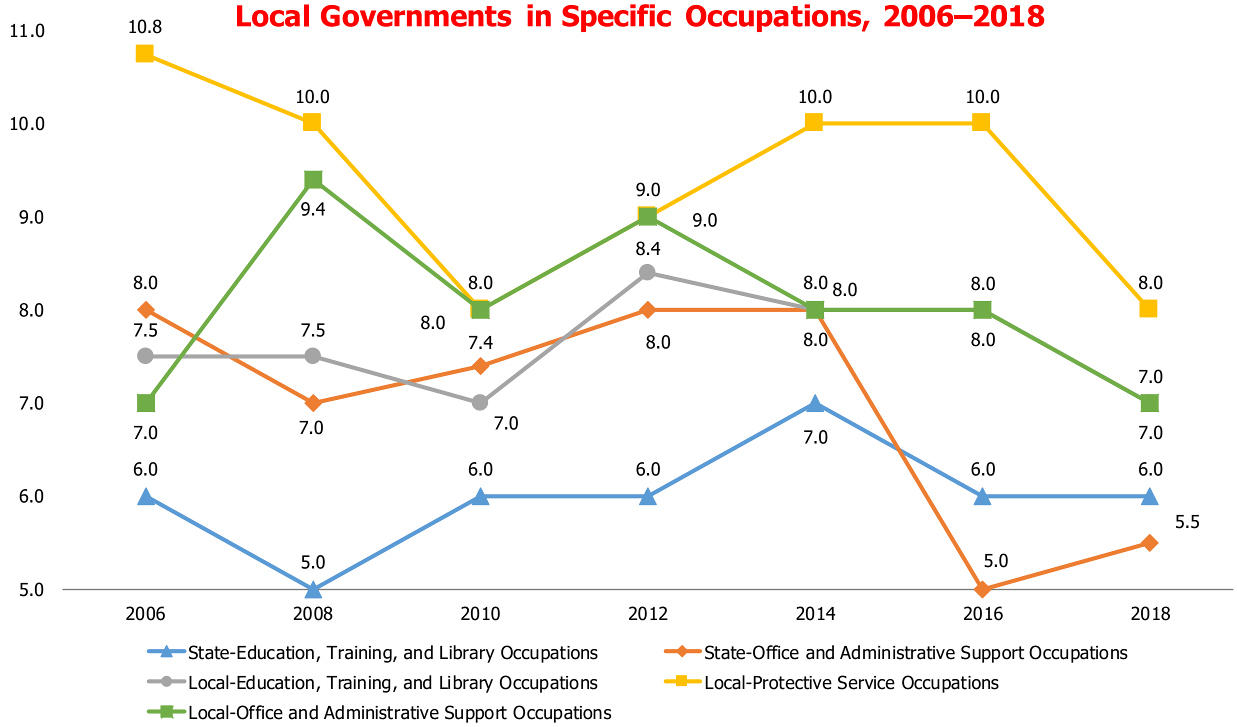
Specific Occupations, State and Local Workers

Only a limited number of occupations had sufficient sample sizes across the years to show a trend in the median tenure of workers. These include education, training, and library (state and local); office and administrative support (state and local); and protective service (local) occupations. Median tenure for local protective service workers tended to be highest in the period but declined from 10 years in 2016 to 8 years in 2018 (Figure 6). However, a similar decline occurred in 2010 before tenure again rebounded. Consequently, another year of data is necessary to determine if this is a trend or if it will rebound again like it did in 2012 and 2014. In contrast, state education, training, and library workers trended toward their lowest in 2018, where state office and administrative support workers had a shorter tenure level than all other workers.

Geographic Region

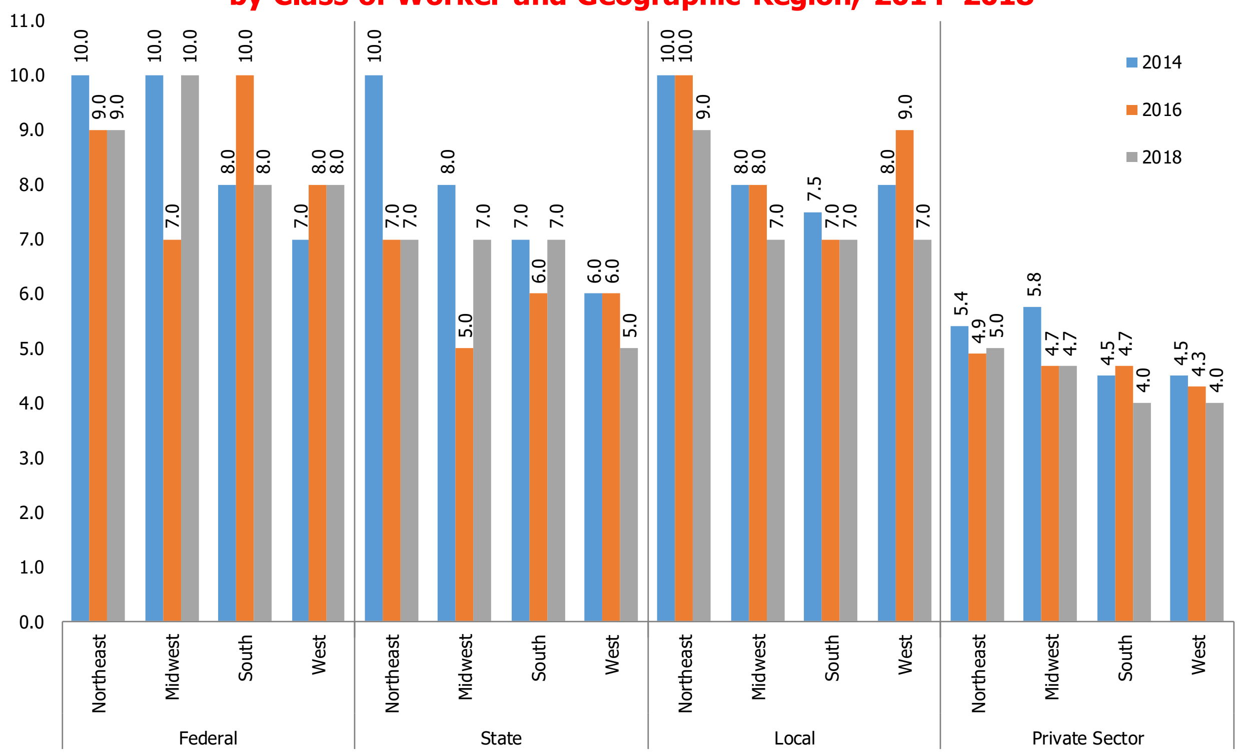
A much shorter trend is available for geographic regions (2014–2018), but some revealing observations can be seen with only this short time frame. Workers from the Northeast tended to have the longest tenures across each class of worker (Figure 7). In contrast, workers from the West tended to have shorter tenures than those in the other regions. The exception is local workers from the West, whose tenure was only lower than that of local workers from the Northeast. Federal and local workers had the longest tenures across each region, while private-sector workers generally had the shortest tenures across each region. For example, in the Northeast in 2018, public-sector workers had median tenures ranging from 7.0 years to 9.0 years compared with 5.0 years for private-sector workers. Similar disparities persisted across all of the regions.

Figure 6
Median Years of Tenure at Current Job for Wage & Salary Workers Ages 20 or Older Working for State or Local Governments in Specific Occupations, 2006–2018



Source: EBRI estimates from the January 2006–2018 Current Population Surveys.

Figure 7
Median Years of Tenure at Current Job for Wage & Salary Workers Ages 20 or Older, by Class of Worker and Geographic Region, 2014–2018



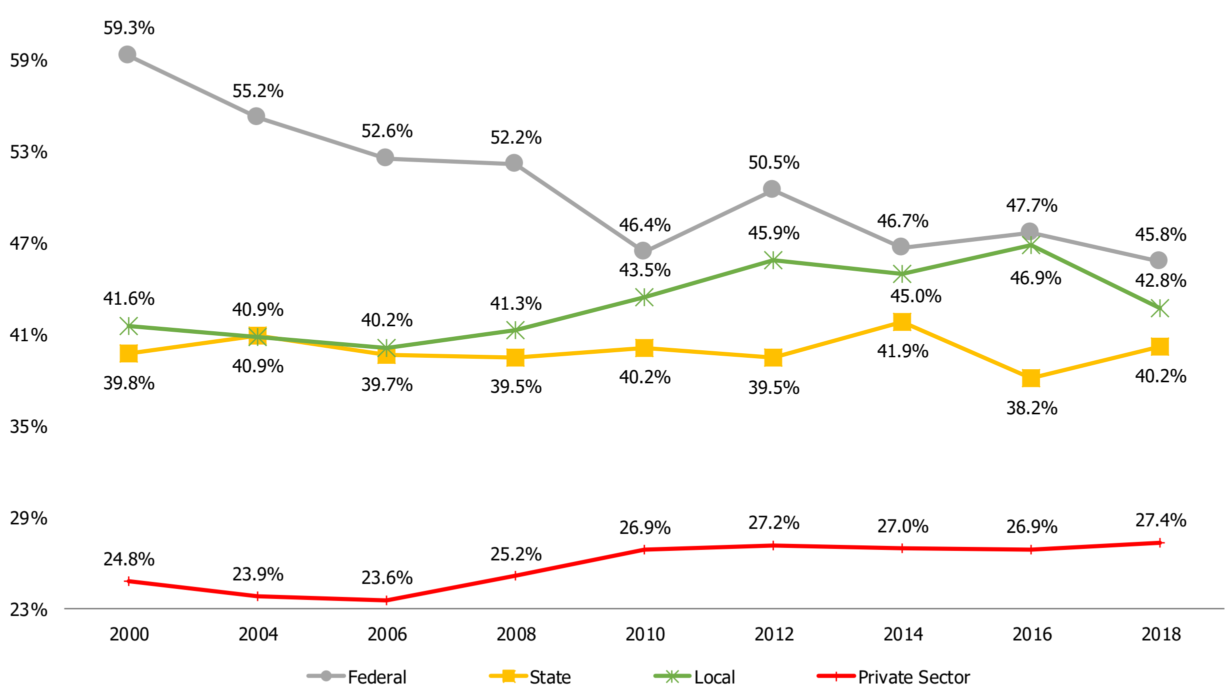
Source: EBRI estimates from the January 2014–2018 Current Population Surveys.

Percentage of Workers Above Various Thresholds of Tenure

The percentage of state workers with 10 or more years of tenure held relatively constant from 2000–2018 at around 40 percent, going from 39.8 percent in 2000 to 40.2 percent in 2018 (Figure 8). The fraction of local workers with this many years of tenure trended upward over the same period, from 41.6 percent in 2000 to 42.8 percent in 2018 after peaking at 46.9 percent in 2016. In contrast, the share of federal workers with 10 or more years of tenure showed a downward trend, from 59.3 percent in 2000 to 45.8 percent in 2018. Conversely, private-sector workers were the only class of workers that saw the proportion with 10 or more years of tenure peak in 2018, reaching 27.4 percent (up from 24.8 percent in 2000).

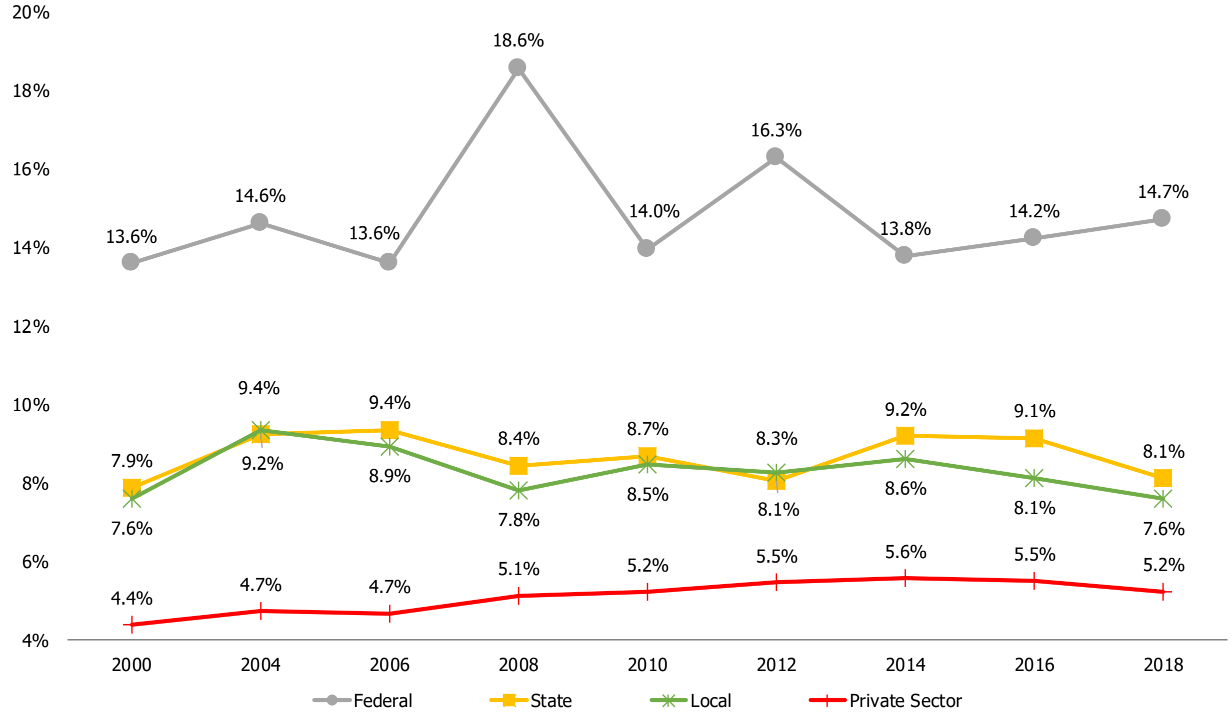
Moving to a longer threshold of tenure, the percentage of state and local workers with 25 or more years of tenure stayed in a relatively narrow band from 2000–2018 (Figure 9). State workers' percentage was 7.9 percent in 2000 and 8.1 percent in 2018, peaking at 9.4 percent in 2006. For local workers, 7.6 percent had this level of tenure in 2000. This percentage peaked in 2004 at 9.2 percent but then returned to 7.6 in 2018. The share of federal workers with 25 or more years of tenure was the most volatile over the period, increasing from 13.6 percent in 2000 to 14.7 percent in 2018 with a couple of jumps above 16 percent. Private-sector workers' share was steadier, increasing gradually over time from 4.4 percent in 2000 to 5.2 percent in 2018. Again, as shown, the federal workers' percentage was the highest and private-sector workers' the lowest.

Figure 8
Percentage of Wage & Salary Workers Ages 20 or Older With 10 or More Years of Tenure at Current Job, by Class of Worker, 2000–2018



Source: EBRI estimates from the February 2000 and January 2004–2018 Current Population Surveys.

Figure 9
Percentage of Wage & Salary Workers Ages 20 or Older With 25 or More Years of Tenure at Current Job, by Class of Worker, 2000–2018



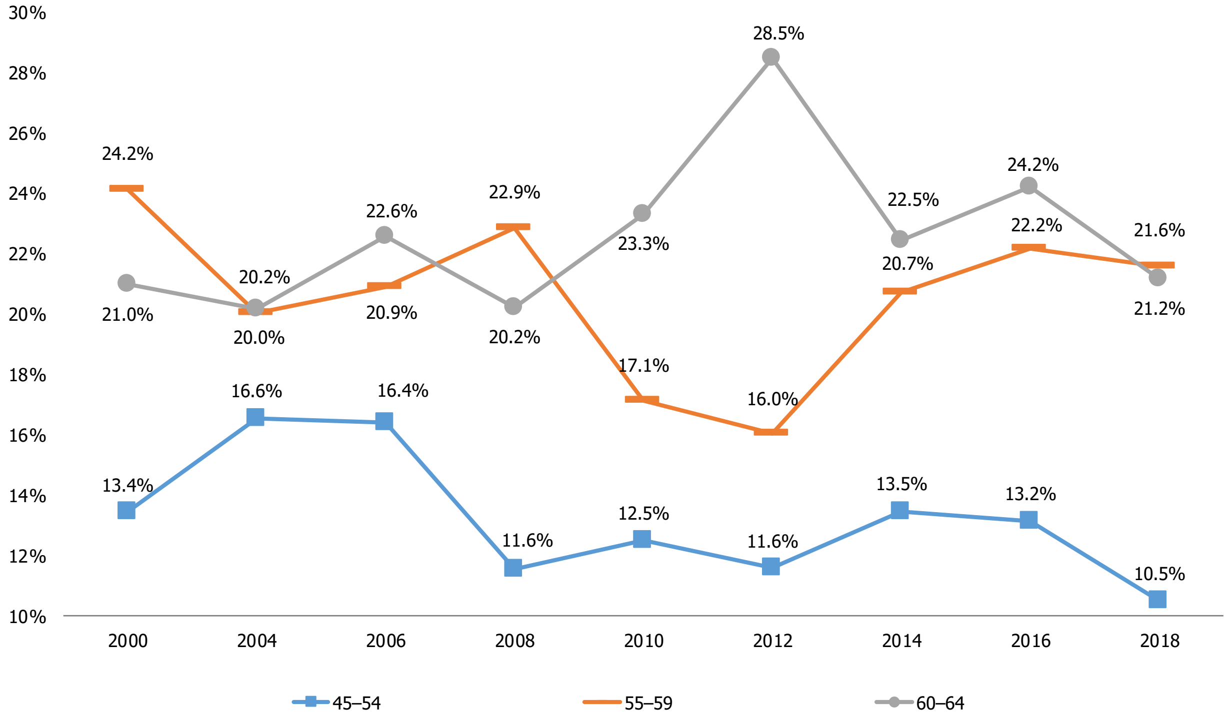
Source: EBRI estimates from the February 2000 and January 2004–2018 Current Population Surveys.

Given that only so many workers could have worked more than 25 years at one job because of their ages, figures 10, 11, and 12 show the percentages of state, local, and private-sector workers with 25 or more years of tenure by ages 45–64. Among all three worker classes, the percentage of 45–54-year-olds with 25 or more years of tenure declined from 2000–2018. State workers' share fell from 13.4 percent to 10.5 percent, local workers' share 12.9 percent to 8.9 percent, and private-sector workers' (the smallest share in all years) 10.4 percent to 7.2 percent.

The trend for workers ages 55–59 and 60–64 does not display a clear pattern. While the share with 25 or more years of tenure for each worker class of those ages 55–59 was lower in 2018 than it was in 2000, the trend increased and decreased before the 2018 levels were reached. State workers' share fell to 16.0 percent in 2012 before reaching 21.6 percent in 2018. The share of local workers was as high as 26.4 percent (2006) and as low as 16.5 percent (2012) before settling at 21.6 percent in 2018. Private-sector workers' percentage climbed to 17.3 percent in 2016 and then fell to 14.9 percent in 2018 (figures 10, 11, and 12).

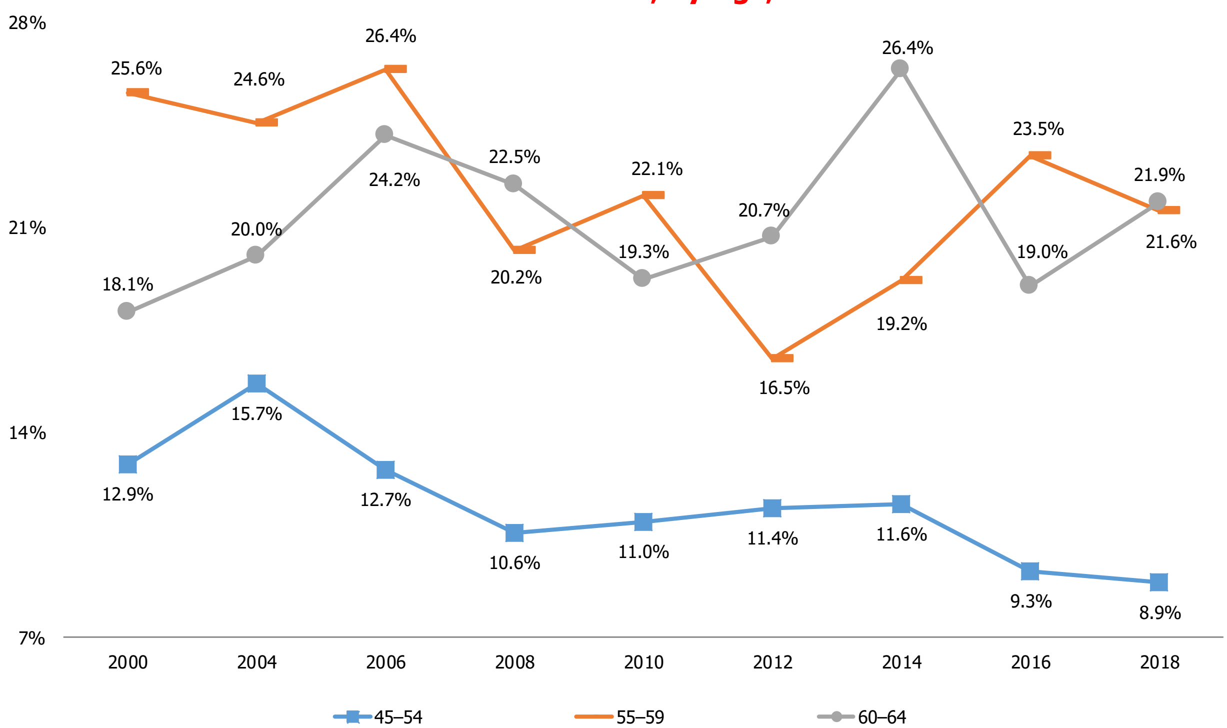
While the trends for each of the worker classes of those ages 60–64 were not straight lines, each class had a higher share of workers with 25 or more years of tenure in 2018 than in 2000. The state worker share in 2018 was closest to its 2000 level, while both the local worker and private-sector worker shares were over 1.5 percentage points higher in 2018 than in 2000. The local worker share was the highest and again the private-sector worker share was the lowest.

Figure 10
Percentage of State Wage & Salary Workers Ages 45–64 With 25 or More Years of Tenure at Current Job, by Age, 2000–2018



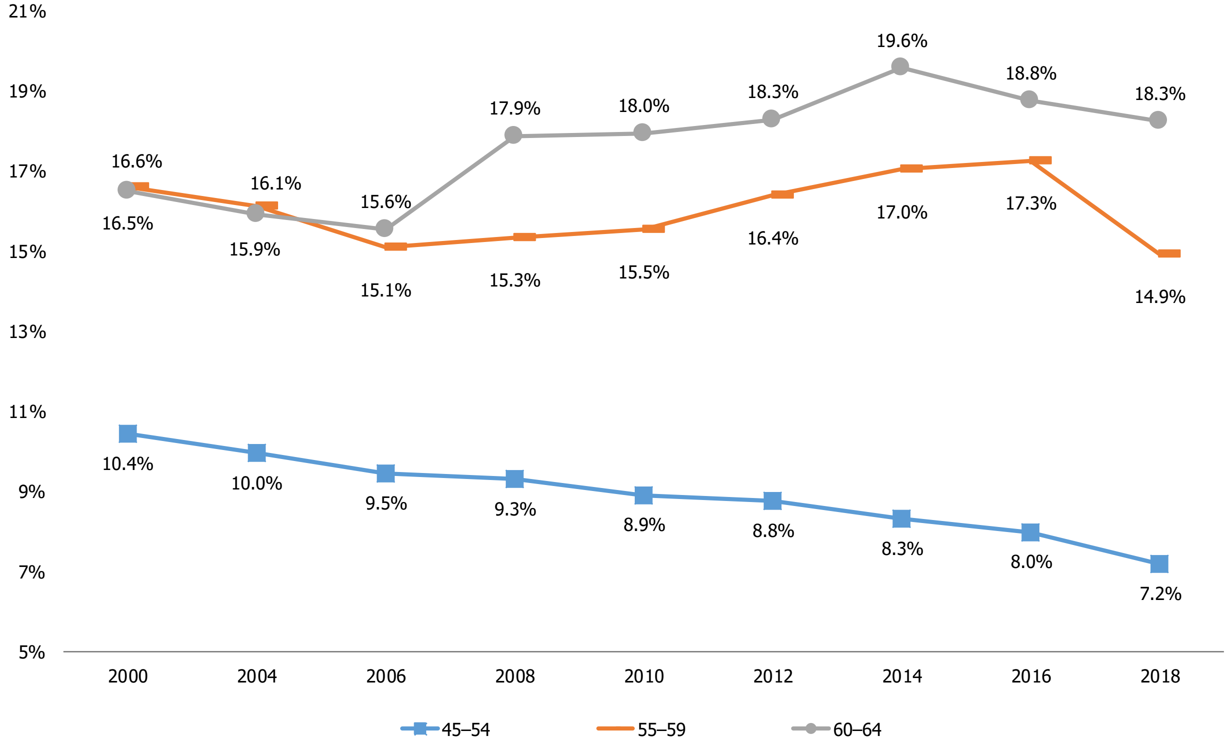
Source: EBRI estimates from the February 2000 and January 2004–2018 Current Population Surveys.

Figure 11
Percentage of Local Wage & Salary Workers Ages 45–64 With 25 or More Years of Tenure at Current Job, by Age, 2000–2018



Source: EBRI estimates from the February 2000 and January 2004–2018 Current Population Surveys.

Figure 12
Percentage of Private-Sector Wage & Salary Workers Ages 45–64 With 25 or More Years of Tenure at Current Job, by Age, 2000–2018



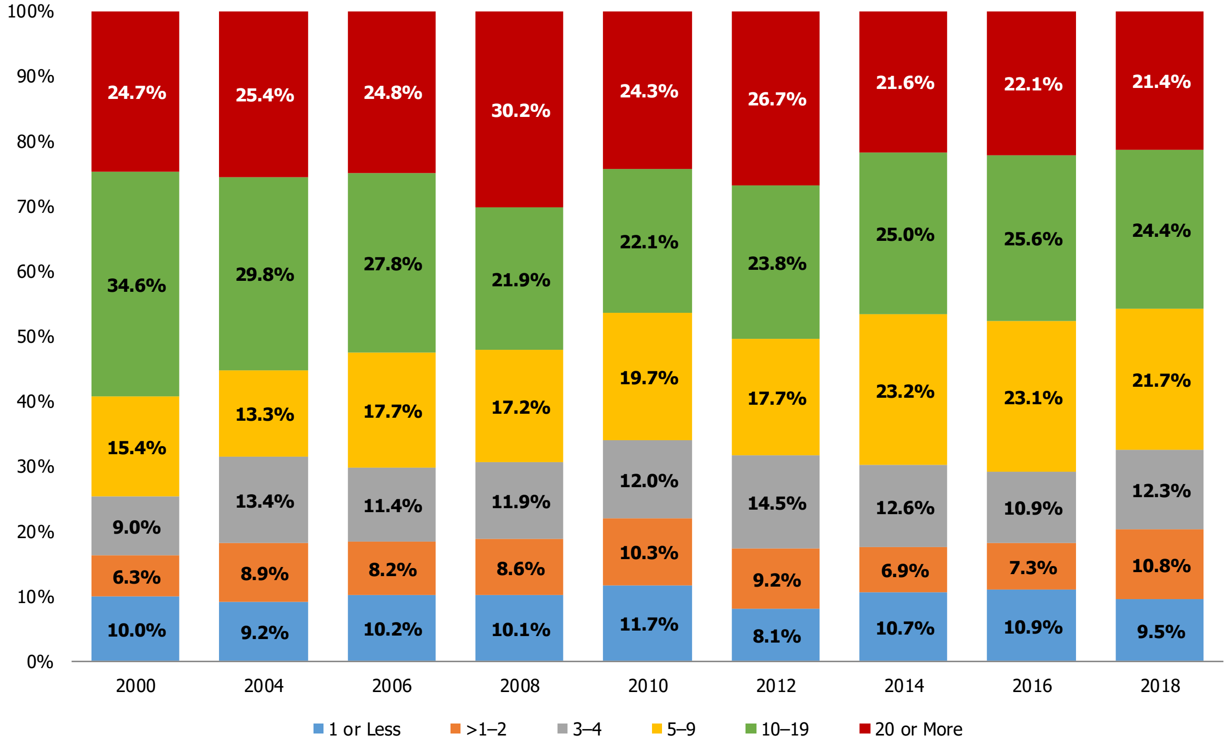
Source: EBRI estimates from the February 2000 and January 2004–2018 Current Population Surveys.

Tenure Distribution Trends

Taking the additional step to examine the full tenure distribution of the workers in each class shows a clear movement of federal workers to shorter tenures (Figure 13). In 2000, 24.7 percent of federal workers had 20 or more years of tenure and 34.6 percent had 10–19 years of tenure (59.3 percent combined). By 2018, these numbers had fallen to 21.4 percent and 24.4 percent (45.8 percent combined), respectively. Federal workers with more than 1 year of tenure to 2 years and 5–9 years of tenure had the largest gains.

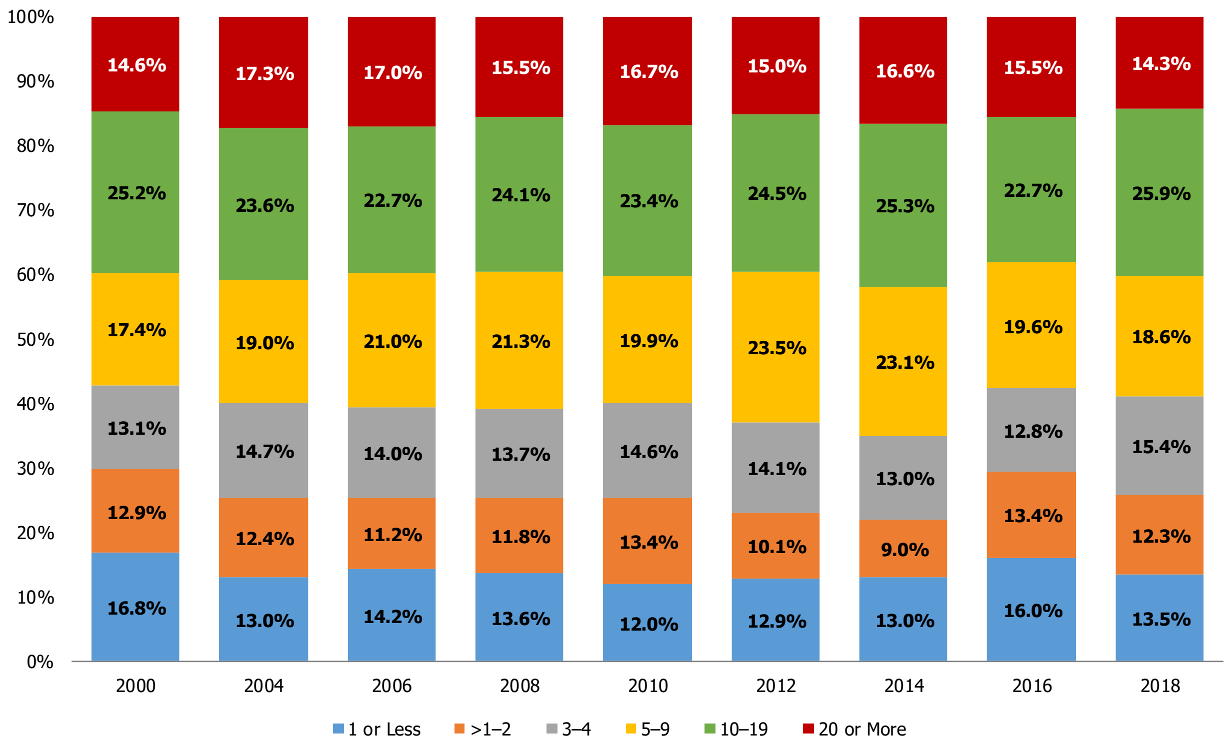
The other three worker classes did not have such a large shift in the tenure distribution from 2000–2018. However, there was a small shift away from the shortest tenures in each of the remaining worker classes. The percentage of state workers with 1 year or less of tenure decreased, while the share with 3–4 years increased (Figure 14). The percentage of local workers with 2 years or less of tenure decreased, whereas the percentages with 3–4 and 10–19 years increased (Figure 15). The share of private-sector workers with 2 years or less of tenure had a similar decrease, going from 41.2 percent in 2000 to 36.2 percent in 2018 (Figure 16).

Figure 13
Distribution of the Years of Tenure at Current Job for Federal Wage & Salary Workers Ages 20 or Older, 2000–2018



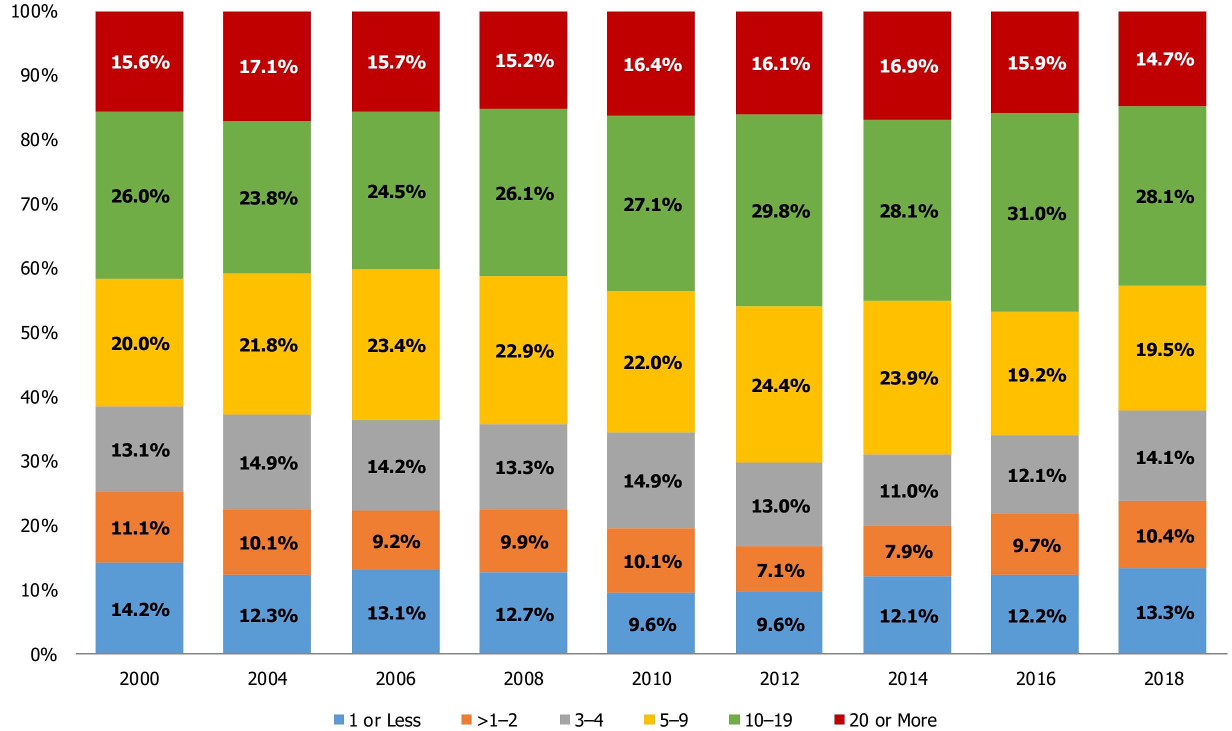
Source: EBRI estimates from the February 2000 and January 2004–2018 Current Population Surveys.

Figure 14
Distribution of the Years of Tenure at Current Job for State Wage & Salary Workers Ages 20 or Older, 2000–2018



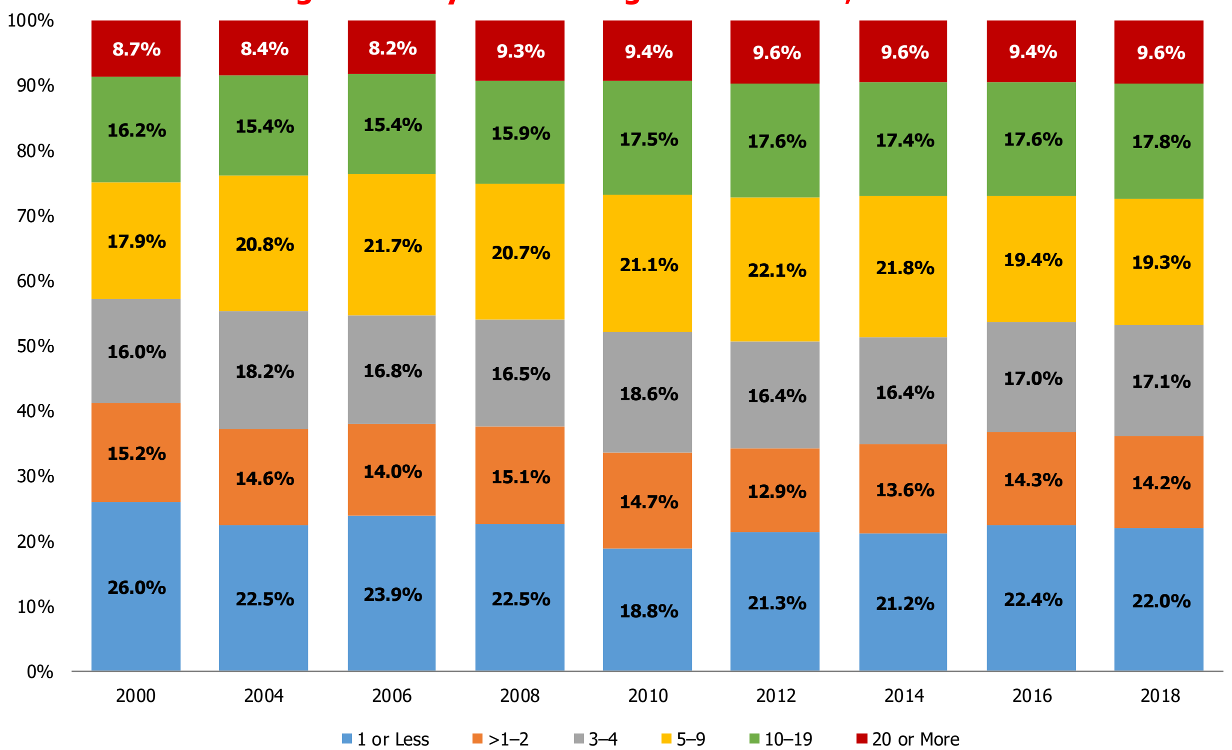
Source: EBRI estimates from the February 2000 and January 2004–2018 Current Population Surveys.

Figure 15
Distribution of the Years of Tenure at Current Job for Local Wage & Salary Workers Ages 20 or Older, 2000–2018



Source: EBRI estimates from the February 2000 and January 2004–2018 Current Population Surveys.

Figure 16
Distribution of the Years of Tenure at Current Job for Private-Sector Wage & Salary Workers Ages 20 or Older, 2000–2018



Source: EBRI estimates from the February 2000 and January 2004–2018 Current Population Surveys.

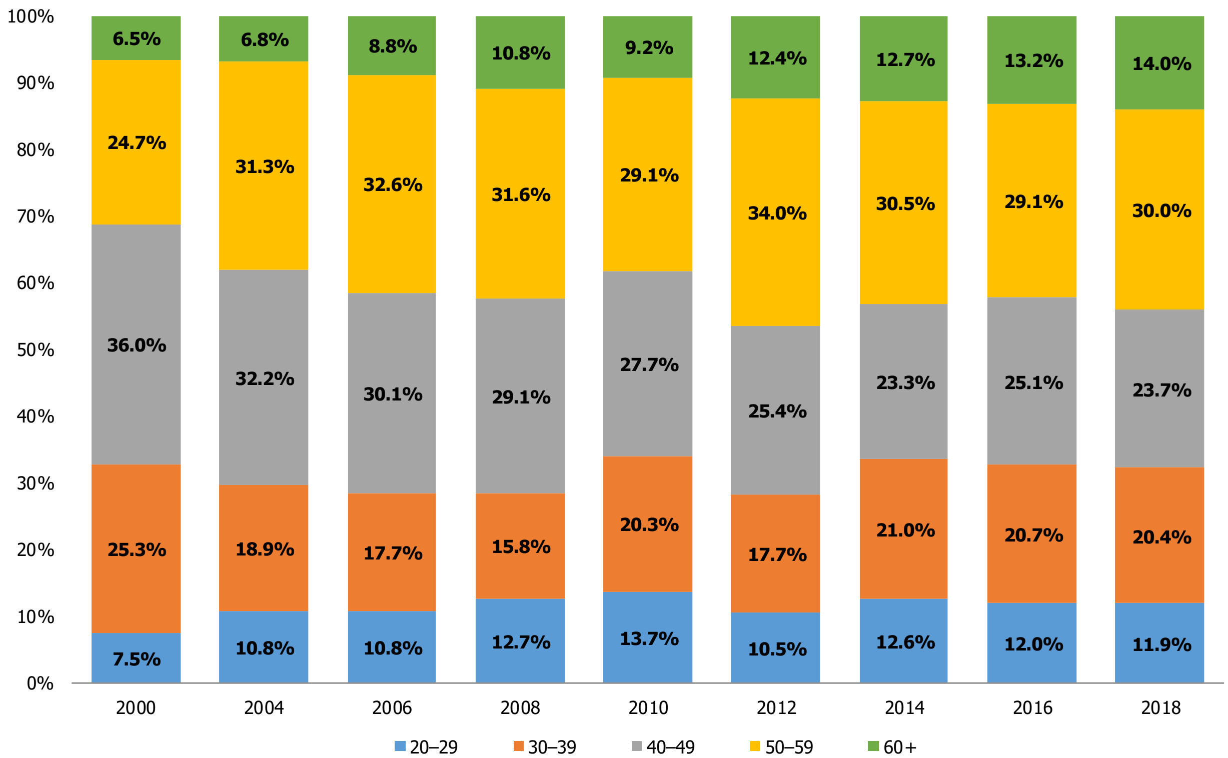
Age Distribution Trends

Shifts in the age distribution were much larger than changes in tenure distribution. Starting with federal workers, the share of these workers ages 50 or older increased from 31.2 percent in 2000 to 44.0 percent in 2018 (Figure 17). The age group of workers that had the corresponding decrease was the 40-year-olds, falling from 36.0 percent to 23.7 percent.

State and local workers experienced a similar aging. The percentage of state workers ages 50 or older increased from 27.6 percent to 36.8 percent (Figure 18). Again, the percentage of the 40-year-old age group represented decreased, from 31.5 percent to 22.4 percent. The fraction of local workers who were ages 50 or older moved from 30.2 percent to 37.6 percent, with the share of those ages 40–49 decreasing to 25.5 percent from 31.1 percent (Figure 19).

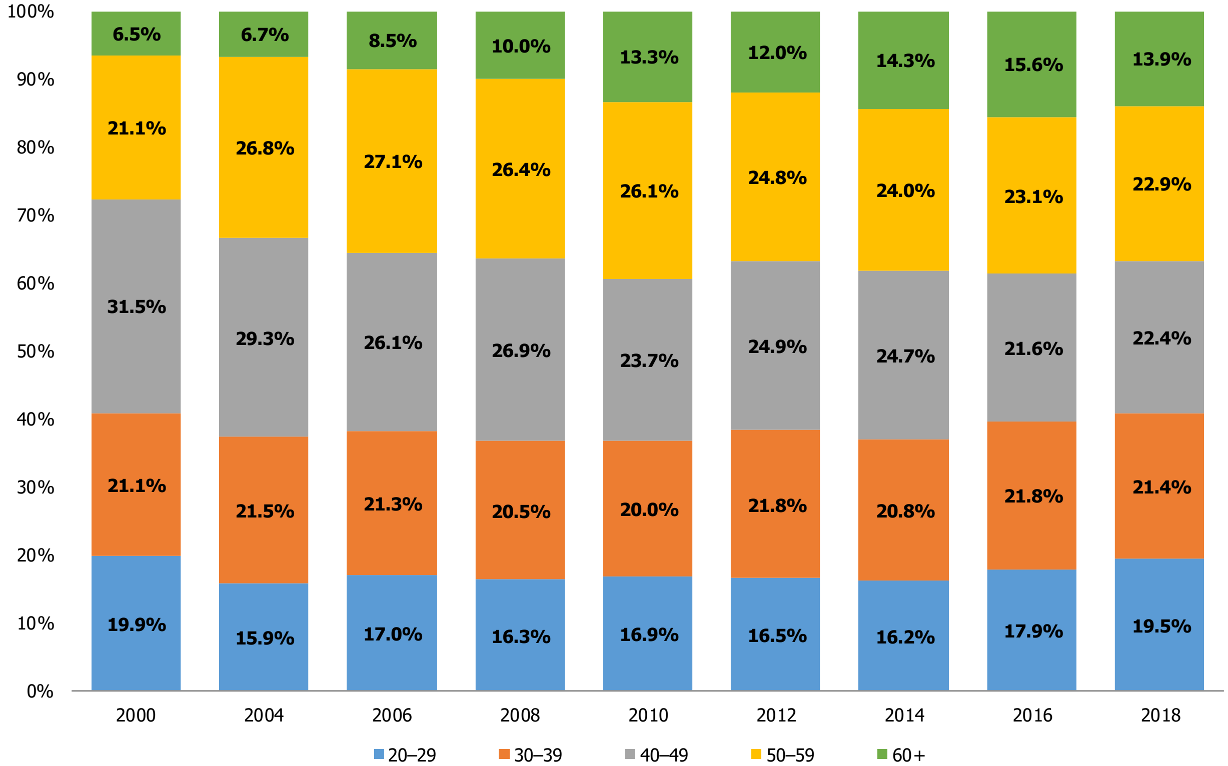
Private-sector workers also aged from 2000–2018, where the percentage of those ages 50 or older increased from 21.0 percent in 2000 to 31.4 percent in 2018 (Figure 20). Among private-sector workers, not only did the share of 40-year-old workers decline but so did the share of 30-year-old workers — 26.0 percent to 21.0 percent and 28.0 percent to 23.5 percent, respectively.

Figure 17
Age Distribution of Federal Wage & Salary Workers Ages 20 or Older, 2000–2018



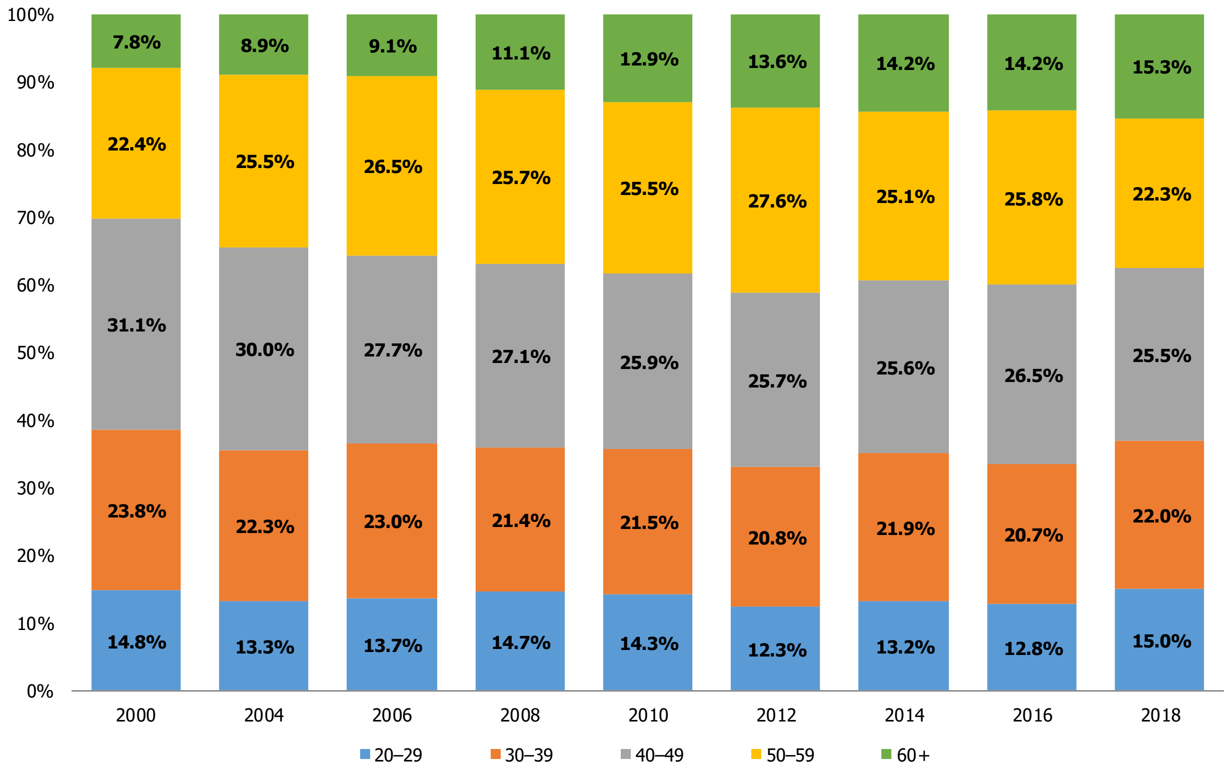
Source: EBRI estimates from the February 2000 and January 2004–2018 Current Population Surveys.

Figure 18
Age Distribution of State Wage & Salary Workers Ages 20 or Older, 2000–2018



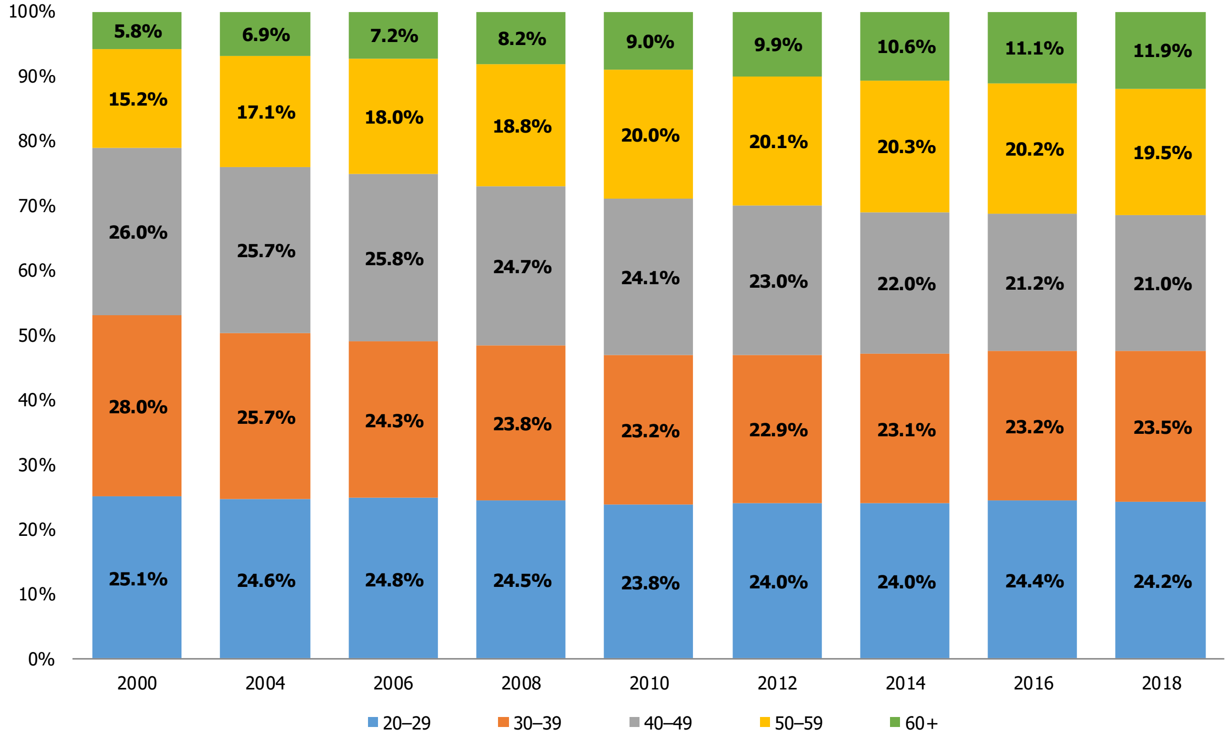
Source: EBRI estimates from the February 2000 and January 2004–2018 Current Population Surveys.

Figure 19
Age Distribution of Local Wage & Salary Workers Ages 20 or Older, 2000–2018



Source: EBRI estimates from the February 2000 and January 2004–2018 Current Population Surveys.

Figure 20
Age Distribution of Private-Sector Wage & Salary Workers Ages 20 or Older, 2000–2018



Source: EBRI estimates from the February 2000 and January 2004–2018 Current Population Surveys.

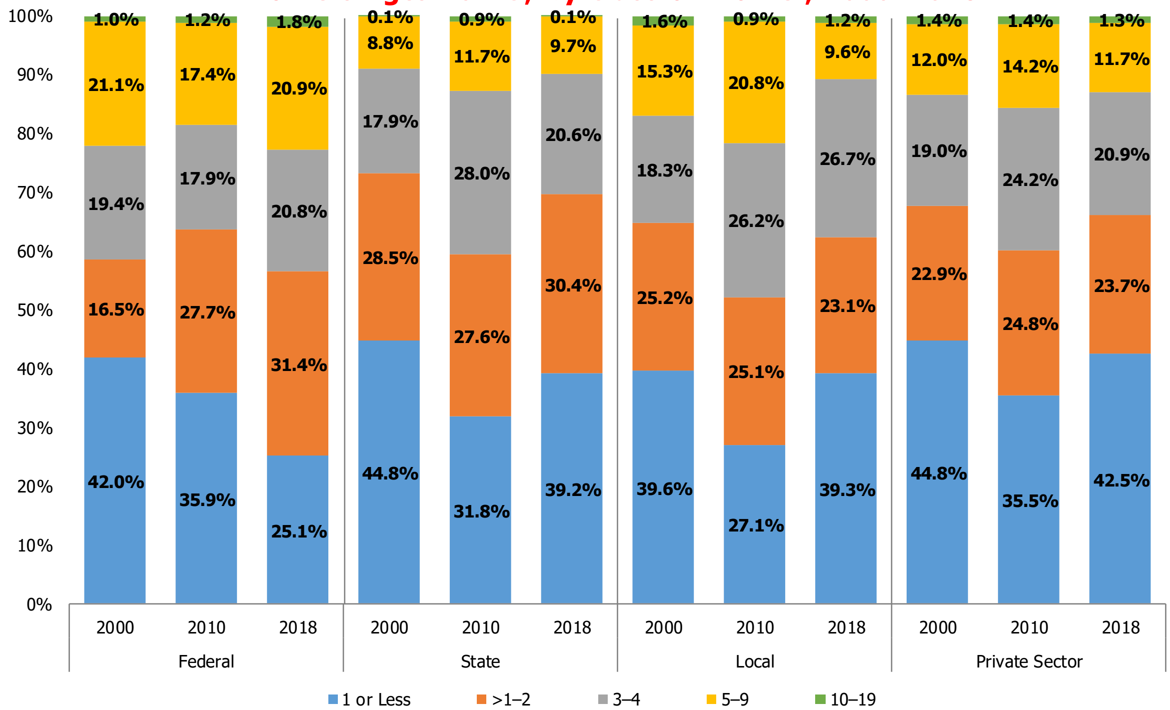
Tenure Age Distribution Trends

Tenure distributions in each age group provide additional information on how future tenure is likely to look as workers age and move out of the work force and younger workers take over as the largest share of the work force. With that said, the shifts within age groups were not pronounced for most ages and worker classes.

The exception was among federal workers. The share of federal workers in their 20s with the shortest tenure (1 year or less) decreased substantially from 2000 to 2018 (42.0 percent to 25.1 percent), while the share with more than 1 year of tenure to 2 years had a corresponding increase from 16.5 percent to 31.4 percent (Figure 21). Likewise, the percentage of federal workers ages 60 and older with 1 year or less of tenure decreased, with a corresponding increase of those with 10–19 years of tenure resulting (Figure 25). In contrast, the share of federal workers in their 30s with 10 years or more of tenure declined sharply from 2000–2018 (from 41.9 percent to 24.1 percent), while those with 4 years or less increased from 32.5 percent to 47.5 percent (Figure 22). And federal workers in their 40s also had a significant shift to shorter tenures: The share with 10 or more years of tenure dropped from 70.4 percent to 41.9 percent. The percentage of those with 3–9 years of tenure correspondingly increased (Figure 23).

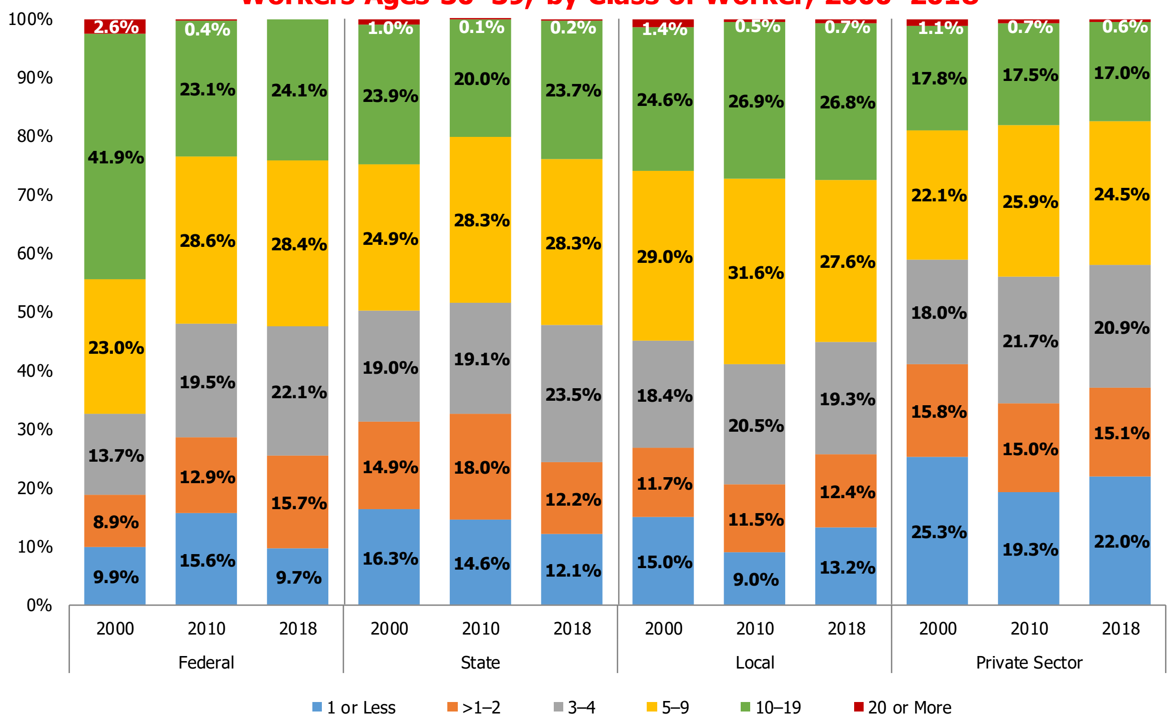
Among state, local, and private-sector workers, shifts in tenure distribution by age were less clear. For workers in their 20s, the share with the shortest tenures declined in 2010 before returning to their 2000 levels in 2018 (Figure 21). The overall distributions of tenures for these workers looked very similar in 2000 and 2018 despite shifts in 2010. The share of state workers in their 30s with less than 2 years of tenure declined by 2018 from 31.2 percent to 24.3 percent, while those with 3–9 years of tenure increased to 51.8 percent from 43.9 percent (Figure 22). But the tenure distributions of local and private-sector workers in their 30s were very similar in 2000 and 2018. The tenure distributions for state, local, and private-sector workers all remained close to the same in 2018 as they were 2010. The one change that did stand out was the lower share of local workers in their 50s with 20 or more years of tenure, while the share of those with 10–19 years of tenure increased (Figure 24). But for workers ages 60 or older, the tenure distributions of state, local, and private-sector workers from 2000–2018 held relatively stable (Figure 25).

Figure 21
Distribution of the Years of Tenure at Current Job for Wage & Salary Workers Ages 20–29, by Class of Worker, 2000–2018



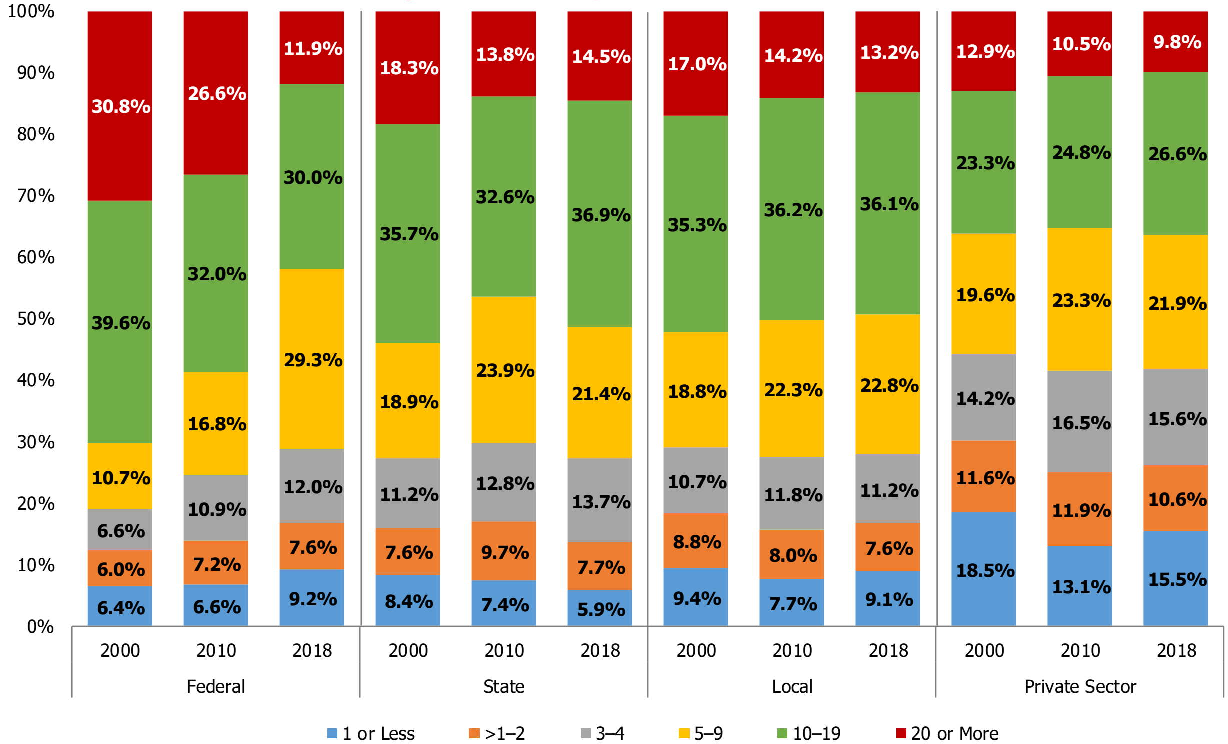
Source: EBRI estimates from the February 2000 and January 2010 and 2018 Current Population Surveys.

Figure 22
Distribution of the Years of Tenure at Current Job for Wage & Salary Workers Ages 30–39, by Class of Worker, 2000–2018



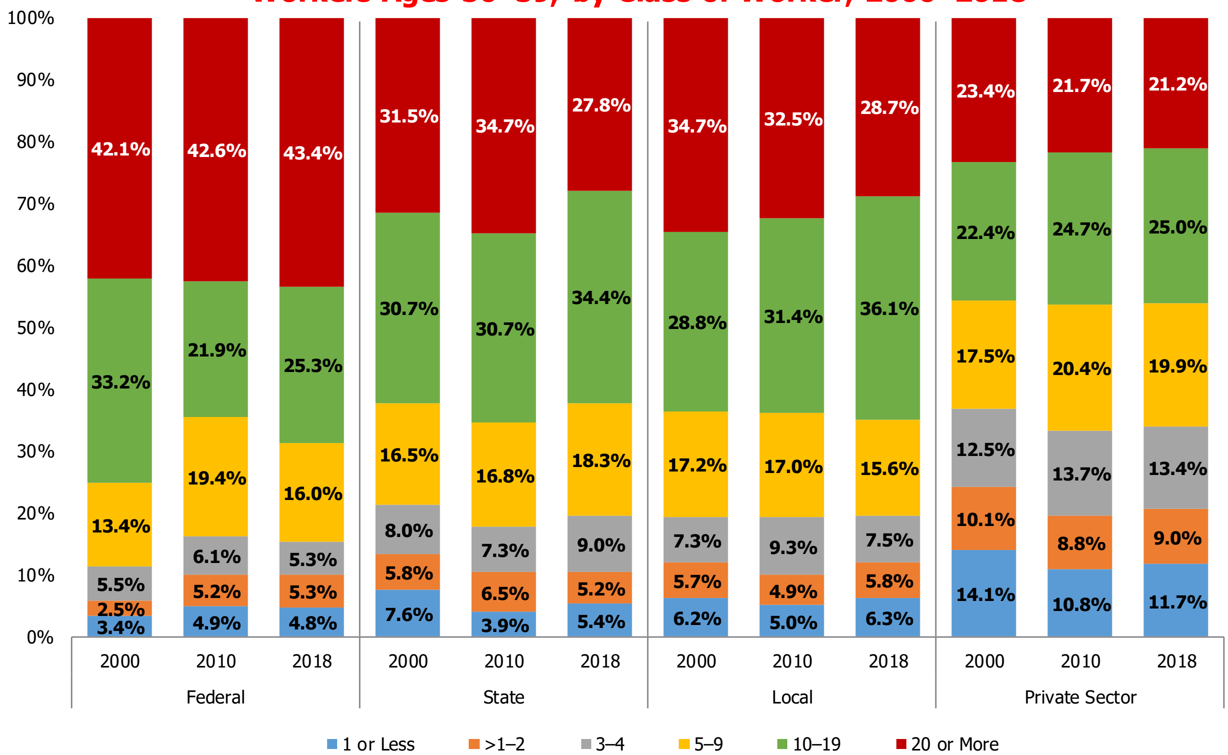
Source: EBRI estimates from the February 2000 and January 2010 and 2018 Current Population Surveys.

Figure 23
Distribution of the Years of Tenure at Current Job for Wage & Salary Workers Ages 40–49, by Class of Worker, 2000–2018



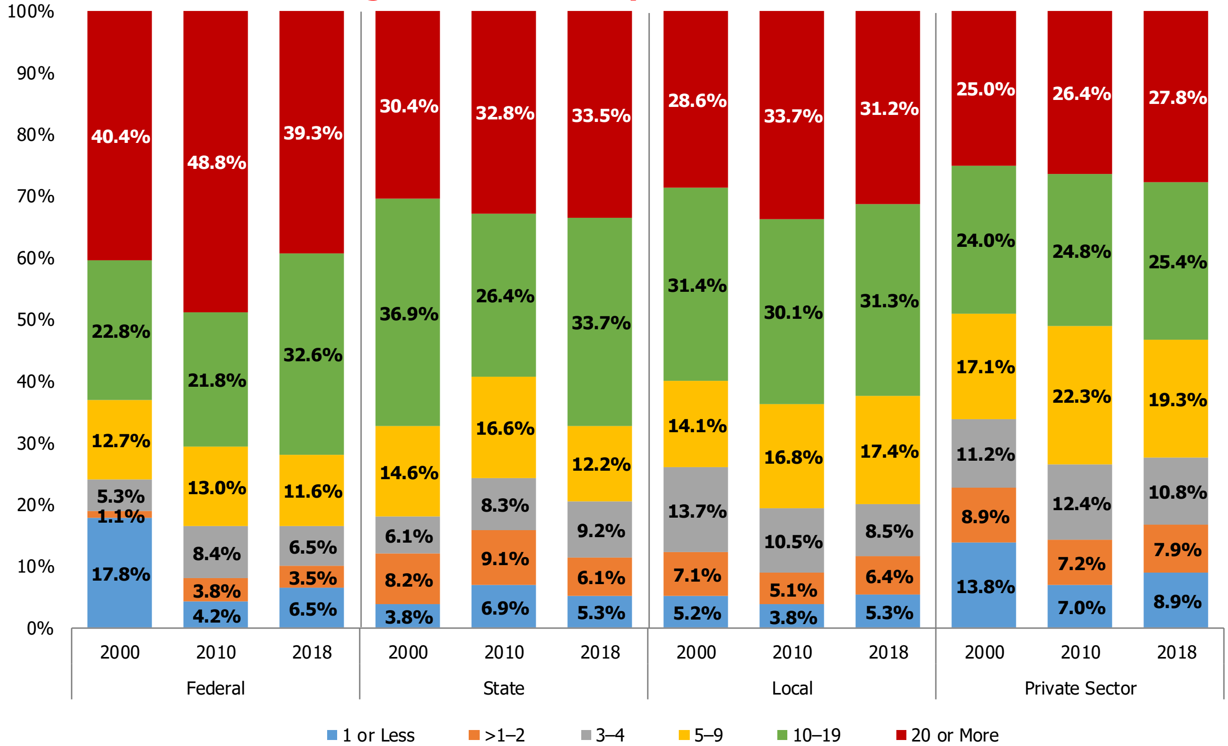
Source: EBRI estimates from the February 2000 and January 2010 and 2018 Current Population Surveys.

Figure 24
Distribution of the Years of Tenure at Current Job for Wage & Salary Workers Ages 50–59, by Class of Worker, 2000–2018



Source: EBRI estimates from the February 2000 and January 2010 and 2018 Current Population Surveys.

Figure 25
Distribution of the Years of Tenure at Current Job for Wage & Salary Workers Ages 60 or Older, by Class of Worker, 2000–2018



Source: EBRI estimates from the February 2000 and January 2010 and 2018 Current Population Surveys.

Conclusions

By examining the tenures of public- and private-sector workers, some important conclusions can be drawn. The most significant changes were among federal workers, where the work force was aging but the share of workers with the longest tenures were decreasing. Furthermore, all classes of public-sector workers had longer tenures, on average, than that of private-sector workers. Consequently, retirement programs in the private sector are not likely models for the public sector, given these tenure differences and the strong prevalence of defined benefit (DB) plans. Therefore, defined contribution (DC) plans in the public sector could have different appropriate asset allocation strategies given the guaranteed income coming from the DB plan, which could mean more investment in riskier assets and lesser need for income-generating assets. In addition, public-sector workers were less likely to change jobs, which would mean fewer opportunities for leakage and more continuous participation. However, tenures for some groups of public-sector workers were decreasing, so understanding how to incorporate more shorter-tenure workers may involve some tweaking of the retirement programs.

The most striking result from this study is the age distribution of workers in the public sector, as the share of those in their 40s is sharply declining. This means that the work force will become significantly younger in 5 to 10 years, as the large share of workers ages 50 or older will be retiring while the smaller share now in their 40s starts to move into the 50-or-older age group. With the younger-than-age-50 cohort making up a larger and larger share of the public-sector work force going forward, retirement programs are likely going to need to encompass programs that look at the total finances of the workers, as these can be more important for the younger workers. This could include various financial wellbeing programs, such as emergency savings programs, student loan debt programs, and overall budgeting programs. These programs can help establish the overall finances of the younger workers so that they have their finances in order to prepare for retirement instead of struggling to meet current financial obligations.

Endnotes

[1] Craig Copeland, "Trends in Employee Tenure, 1983–2018," *EBRI Issue Brief*, no. 474 (Employee Benefit Research Institute, February 28, 2019). This publication was a continuation of numerous EBRI publications on this topic. See Paul Yakoboski, "Debunking the Retirement Policy Myth: Lifetime Jobs Never Existed for Most Workers," *EBRI Issue Brief,* no. 197 (Employee Benefit Research Institute, May 1998); Paul Yakoboski, "Male and Female Tenure Continues to Move in Opposite Directions," *EBRI Notes*, Vol. 20, no. 2 (Employee Benefit Research Institute, February 1999): 1–4; David Rajnes, "Update on Employee Tenure," *EBRI Notes*, Vol. 22, no. 3 (Employee Benefit Research Institute, March 2001): 1–8; Craig Copeland, "Employee Tenure," *EBRI Notes*, Vol. 24, no. 3 (Employee Benefit Research Institute, March 2003): 1–10; Craig Copeland, "Employee Tenure: Stable Overall, but Male and Female Trends Differ," *EBRI Notes*, Vol. 26, no. 3 (Employee Benefit Research Institute, March 2005): 1–10; Craig Copeland, "Employee Tenure, 2006," *EBRI Notes*, Vol. 28, no. 4 (Employee Benefit Research Institute, April 2007): 1–11; Craig Copeland, "Employee Tenure, 2008," *EBRI Notes*, Vol. 31, no.1 (Employee Benefit Research Institute, January 2010): 1–12; Craig Copeland, "Employee Tenure Trend Lines, 1983-2010," *EBRI Notes*, Vol. 31, no. 12 (Employee Benefit Research Institute, December 2010): 2–12; Craig Copeland, "Employee Tenure Trends, 1983-2012," *EBRI Notes*, Vol. 33, no. 12 (Employee Benefit Research Institute, December 2012): 12–23; Craig Copeland, "Employee Tenure Trends, 1983-2014," *EBRI Notes*, Vol. 36, no. 2 (Employee Benefit Research Institute, February 2015): 2–13; and Craig Copeland, "Employee Tenure Trends, 1983-2016," *EBRI Notes*, Vol. 38, no. 9 (Employee Benefit Research Institute, September 20, 2017): 2–14.

[2] The latest data come from the January 2018 Supplement to the Current Population Survey (CPS), a monthly survey of approximately 60,000 households on demographics; labor force status; and other characteristics of the civilian, noninstitutionalized American population. The U.S. Census Bureau conducts this CPS supplement for the U.S. Department of Labor's Bureau of Labor Statistics (BLS). Tenure levels for previous years come from various other supplements to the CPS. For a further discussion of the data sources, see the Bureau of Labor Statistics' "Employee Tenure Technical Note" at www.bls.gov/news.release/tenure.tn.htm (last viewed March 5, 2020). Results of research from BLS and EBRI are compiled in this article to present various trends in employee tenure. See the EBRI publications, op. cit., and the Bureau of Labor Statistics' "Employee Tenure" at www.bls.gov/news.release/tenure.nr0.htm (last viewed March 5, 2020).

[3] For the remainder of this study, all worker classes contain wage and salary workers ages 20 or older, except when specific ages are presented. Therefore, "wage and salary workers ages 20 or older" will not be repeated but should be understood to be the case for each of the worker classes (federal, state, local, and private sector).

ATTACHMENT B

City of Los Angeles Deferred Compensation Plan

Boosting Your Savings at Retirement

LAWA SEPARATION INCENTIVE PROGRAM AND RETIREMENT SAVINGS

The Los Angeles World Airports (LAWA) Separation Incentive Program may present opportunities for retiring employees to boost retirement savings as they separate from service. The purpose of this communication is to provide you with information regarding how to take advantage of these opportunities with the City of Los Angeles Deferred Compensation Plan (DCP).

What is the DCP?
The DCP is a voluntary tax-advantaged governmental 457(b) plan allowing you to save a portion of your salary now so you can provide income to yourself in retirement. The future retirement income you receive from this plan supplements pension income from the Los Angeles City Employees' Retirement System (LACERS). All LACERS members are eligible to participate.

How can I increase my retirement savings and possibly defer taxes as I'm retiring?
Retiring employees have three primary means of boosting their retirement savings as they're separating from service:

- <u>Age-50 Contributions</u> - Employees age 50 or older are automatically eligible to contribute up to **$26,000** in 2020
- <u>Catch-Up Contributions</u> - Employees eligible for "Catch-Up" can contribute up to **$39,000** in 2020
- <u>Accrued Leave Program</u> - Employees can make contributions out of their **accrued leave** payouts of sick and vacation time up to their applicable annual contribution limit (either $26,000 or $39,000)

Age-50 and Catch-Up contributions cannot be combined in the same calendar year, but Accrued Leave can be used in connection with either Age-50 or Catch-Up contributions.

Since the LAWA Separation Incentive Program may result in unexpected additional income in 2020, taking advantage of all of DCP savings opportunities for which you are eligible may provide certain tax advantages. Please consult with a tax advisor for specific guidance regarding your personal tax situation.

Can I make contributions to the DCP out of my separation incentive payment?
No. <u>Retiring employees may not make deferrals out of their separation incentive payments</u> because those payments are not eligible for post-severance contributions under Internal Revenue Code rules. However, contributions can be made out of normal wages and payouts of accrued vacation, sick, and overtime.

What deadlines should I be aware of for participating in any of these savings options?
The Internal Revenue Code requires that all contribution amount changes be made <u>no later than the month prior to the month in which the deferral takes place</u> and elections for contributions of accrued leave <u>no later than the date of separation from service</u>. Please work with a local Retirement Counselor to ensure your deferral changes are executed on time.

AGE-50 CONTRIBUTION LIMIT

What is the Age-50 Contribution Limit?
The Age-50 contribution limit allows those who are age 50 or older to contribute a larger amount than those below age 50. In 2020 the Age-50 contribution limit is $26,000 (as compared to the contribution limit of $19,500 for those below age 50).

Do I need to enroll to be eligible for the Age-50 contribution limit?
No special enrollment process is required. Employees who are age 50 or older, or who will be turning age 50 at any point in the calendar year, are automatically eligible to contribute the higher amount applying to that calendar year.

How can I increase my retirement savings under the Age-50 contribution limit?
You can increase your savings by either (a) increasing your bi-weekly contribution amount in between now and the time you retire and/or (b) participating in the City's Accrued Leave Program (see details later).

CATCH-UP CONTRIBUTIONS

What is Catch-Up?
"Catch-Up" refers to Internal Revenue Code provisions permitting participants who are within three calendar years of normal retirement age (meaning retirement without a penalty or actuarial reduction in benefits) to defer up to $39,000 per year for three consecutive years. You are only eligible for Catch-Up if you under-contributed in prior years of eligibility and have an "unused balance" of contributions. By participating in Catch-Up, you are essentially contributing amounts from your unused balance to the City's DCP as you approach retirement.

Do I need to enroll to be eligible for the Catch-Up contribution limit?
Yes. You must complete a Catch-Up enrollment form with a local counselor (you cannot enroll online or through the DCP call center). The local counselor will verify that you have an unused balance available to you and identify how much you can contribute. The local counselor will also assist you with completing the form to allow you to make your Catch-Up contribution in 2020.

What if I'm already enrolled in Catch-Up?
If you're already enrolled in Catch-Up you won't need to complete a new enrollment process. However, you should still work with a local counselor to take advantage of opportunities provided by the Accrued Leave Program to maximize your contributions in 2020.

What if I previously participated in and completed my three years of Catch-Up?
If you previously completed participation in Catch-Up you are not eligible to do Catch-Up again. However, you are still eligible to contribute up to the Age-50 contribution limit.

ACCRUED LEAVE PROGRAM

What is the Accrued Leave Program?
The Accrued Leave Program allows retiring employees to make contributions from their post-severance payouts of unused vacation, sick and/or overtime hours. This payment is referred to as an “accrued leave” payout.

Do I need to enroll in Accrued Leave in order to make an Accrued Leave contribution?
Yes. You must complete an Accrued Leave enrollment form with a local counselor (you cannot enroll online or through the DCP call center). The local counselor will assist you with determining:

- The annual limit that applies to you for the calendar year of the deferral
- The amount you are eligible to contribute
- The approximate amount of accrued leave you will be receiving
- The date your payout will be received

Your accrued leave election must be made no later than the month prior to the month in which the deferral takes place and no later than the date of separation from service.

Can I participate in Accrued Leave at the same time I’m enrolled in Catch-Up or making Age 50 contributions?
Yes. Although the Accrued Leave program does not allow contributions in addition to your Catch-Up or Age contribution limit, it allows you to maximize your calendar year savings through either option.

BEFORE-TAX OR AFTER-TAX (ROTH) CONTRIBUTIONS

What are my tax-advantaged contribution options?
Your contributions to the DCP can be made on either a Before-Tax or After-Tax (Roth) basis.

- Before-Tax contributions are not considered taxable income in the year contributions are made. However, contributions and any earnings are subject to ordinary income tax when withdrawn from your account.
- After-Tax (Roth) contributions are included in your taxable income in the year contributions are made. Contributions and any earnings are exempt from taxes when withdrawn from your account if they’re taken after a required five-year holding period **and** you are at least age 59½.
- You have the flexibility to contribute either Before-Tax or After-Tax (Roth) dollars, or a combination of both.
- Since the LAWA Separation Incentive Program may result in unexpected additional income in 2020, it is important to choose the savings option that works best for you. Please consult with a tax advisor for specific guidance regarding your personal situation.

FIRST TIME ENROLLMENTS

What If I’m not enrolled in the DCP?
It’s not too late to enroll! You can enroll AND take advantage of Catch-Up, Accrued Leave and others savings opportunities at the same time. Local Retirement Counselors can assist you with this.

Does it make sense to enroll if I can only save a small amount before I retire?
Yes. Creating an account with the DCP before you retire not only provides you with previously discussed savings and tax opportunities, it may also open up opportunities to consolidate other or future retirement assets into the City's DCP (such as funds in an Individual Retirement Account or another employer's retirement savings program). When you enroll in the DCP you benefit from "strength in numbers" by being part of a large group plan, allowing you access to institutional pricing not typically available to individuals or smaller retirement programs, so that more of your money is working for you instead of going toward fees.

SUPPORT AND CONTACT INFORMATION

Who do I work with to ask questions or take advantage of these savings options?
You can work with DCP local Retirement Counselors. They will facilitate all enrollment and contribution questions. Contact information is provided as follows:

	Local Counselor Support:	**213-978-1601** **LA457/contact-us** **perdcp@lacity.org**
	Visit online:	**LA457.com**

How should I prepare for my review with a Retirement Counselor?
Please have a copy of your paycheck to help estimate your accrued leave and your anticipated date of separation.

PLEASE CONTACT US - WE'RE HERE TO SUPPORT YOU!