



Board Report 22-51

Date: September 29, 2022

To: Board of Deferred Compensation Administration

From: Staff

Subject: 2023 Participant Outcome Goals and Strategies

Board of Deferred Compensation Administration
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Recommendation:

That the Board approve: (a) the Deferred Compensation Plan (DCP) Participant Engagement Goals and Strategies for 2023, and (b) the proposed Communications Calendar for 2023.

Discussion:

A. Background

DCP staff and Voya have collaborated to revamp the DCP's participant engagement goals and strategies by incorporating a new methodology for reviewing each category goal category: participation, contributions, asset retention, and distributions. With the newly added Voya's Strategic Initiatives Director, Drew Russell, staff has evaluated the DCP's goal through the lens of a SWOT analysis, a strategic planning tool that considers the program's strengths, weaknesses, opportunities, and threats.

A timeline of staff's progress towards developing the 2023 goals is shown below:

- March 14, 2022 – Drew Russell, Voya's Strategic Initiatives Director was hired and onboarded.
- April 19, 2022 – Staff provided a final review of the DCP's strategic goals for its 2021 through 2022 goals.

- June 7, 2022 – Staff presented to the Board the new strategic process for developing new participant outcome goals.
- June - August 2022 – Staff and Voya met weekly to research, discuss, and propose new engagement goals and strategies for each of the key categories.
- September 2022 – Staff and Voya established the proposed 2023 communications calendar.

This report provides staff’s proposal to execute the participant engagement goals and strategies and the 2023 communications calendar.

B. Methodological Process Results

The methodological process was comprised of five steps:

1. Review key participant outcome goal categories.
2. Initiate data analysis to identify opportunities and establish success metrics for 2023 participant outcome goals.
3. Perform a Strength, Weakness, Opportunity, and Threat (SWOT) analysis.
4. Review and identify available communication and engagement methods.
5. Establish and execute 2023 marketing strategy in an agreed-upon schedule.

Staff’s priorities were the following:

- Develop concrete success metrics with specific baseline data and defined data checkpoints for each category.
- Determine specific measurement populations for each category that would define the success metric.
- Utilize the SWOT analysis to:
 - Identify historically successful strategies that the DCP should continue to invest time and resources.
 - Determine which engagement strategies need improvement based on results of previous efforts and execution.
 - Discover opportunities to consolidate, streamline, and enhance communications that incorporate the strategies.
 - Identify potential barriers to success to inform strategies and communication methods.
 - Incorporate underutilized resources and relationships that the DCP can further leverage.

As a result of this process, staff proposes a new objective for each of the four categories of participation, contributions, asset retention, and distribution. Rather than determining multiple

goals for each category, staff proposes a single objective with multiple strategies, multiple target populations, and multiple success indicators. Progress towards the objectives will be measured through the specific metrics at discrete time intervals. The new engagement objectives will allow staff to measure success holistically while still evaluating the DCP on specific objectives.

C. Proposed Participant Engagement Objectives for 2023 by Category

Participation

Objective: The City’s overall participation rate in the DCP is approximately 78% among full-time employees. This is a high participation rate that compares favorably against the City’s peers. However, participation among new employees, particularly those with fewer than three years of service, is typically low. As such, staff proposes setting a goal around increasing the participation rate among full-time employees hired in 2022.

Strategy:

- Target enrollment communications toward employees hired since 2020.
- Conduct outreach to departments and labor organizations that have a particularly low participation rate among that population.

Success Metrics Indicators:

- Baseline Metrics: Participation rate for employees hired in 2022 as of January 1, 2023.
- Target Metrics: Objective will be to bring the participation for employees hired in 2022 to 55%.
- Measuring Success: Evaluate participation rates as of December, 31 2023 to measure whether we were able to increase participation. The Board will be provided with a mid-year update to indicate whether the DCP is on target to reach the goal.

Contributions

Objective: At the time the DCP adopted Voya as its third-party administrator in late 2017, the DCP also implemented a new percent-of-pay contribution feature, which allows employees to designate a percentage of their paycheck to contribute to their DCP account, as opposed to a flat-dollar amount contribution. This can be highly favorable for employees because it allows their contribution amounts to automatically increase as their earnings grow. While this feature is widely utilized among new enrollments, flat-dollar contributions are still more prevalent among the active population as a

whole. Staff proposes setting a goal around converting active participants from flat-dollar to percent-of-pay contributions.

Strategy:

- Identify all active participants currently contributing a flat-dollar amount as of January 1, 2023.
- Develop targeted enrollment communications and marketing activities toward those employees.

Success Metrics Indicators:

- Baseline Metrics: Percentage of active participants as of January 1, 2023 contributing via dollar amount versus percent-of-pay.
- Measuring Success: Increase percentage of active participants contributing via dollar amount versus percent-of-pay by 3% compared to the baseline. Measure results as of December 31, 2023.

Asset Retention

Objective: The DCP offers a variety of investment options that are priced competitively, particularly when compared against retail investments. Employees who have retired or are otherwise separated from service have the option to maintain their funds with the DCP as long as desired (with the exception of Internal Revenue Service Required Minimum Distributions), with no change in fees or service offerings. Staff proposes setting goals around the retention of separated from service employee's assets, with specific targets for two groups:

- Reduce the rate of separated participants initiating an outgoing rollover (Group 1).
- Reduced the rate of separated participants (separated during 2023) initiating an outgoing rollover (Group 2).

Strategy:

- Develop targeted communications and messaging to each group and to participants nearing retirement age based on their pension system, highlighting the benefits of staying in the DCP in retirement.
 - Develop content focused on retirees and the DCP.
 - Develop content focused on active participants nearing the age of retirement.

Success Metrics Indicators:

- Baseline Metrics:
 - The number of rollovers of separated participants in 2022, 2021, and 2020 as of January 1, 2023 to identify an average rate of rollovers for those at or near retirement.
- Final Metrics:
 - Rollover rate as of December, 31 2023.
- Measuring success: Goal will be to have the 2023 rollover rate be lower than the average rate of 2020-2022. This goal is benchmarked against three years averaged out to better account for outlier years.

Distributions

Objective: The DCP has historically measured and sought goals around reducing the number of account closures (employees who take a distribution of 100% of their account balance), however this type of retiree behavior has already proven to be fairly uncommon. Instead, most separated participants take advantage of the occasional partial distribution. Installment/periodic payments continue to be relatively under-utilized, but those payments can be highly beneficial to separated participants who seek a steady ongoing income stream. To that end, staff proposes making efforts to boost awareness and utilization of this feature and developing goals to that end.

Strategy:

- Develop communications tools educating separated participants on the benefits of taking installment/periodic payments to generate a consistent income stream in retirement. Target communications toward both separated participants and employees who are nearing retirement.

Success Metrics Indicators:

- Baseline Metrics:
 - The rate of separated participants taking installment distributions in 2022.
- Final Metrics:
 - The rate of separated participants taking installment distributions in 2023.
- Measuring Success: Goal will be to have the 2023 rate of separated participants taking installment distributions be 3% higher than the same population in 2022.

D. 2023 Proposed Communications Calendar

Attachment A shows the proposed 2023 communications calendar that the DCP will use to organize and streamline communications to ensure progress towards the goals.

E. Conclusion


Staff has undergone a comprehensive review and analysis of the participation outcome goals and determined new goals and strategies for the 2023 calendar year. The new communications calendar and schedule will provide a clear project plan and specific deliverables. In February of 2023, staff will provide the Board with the baseline data and numerical goals for the 2023 calendar year. Staff will provide a mid-year update in August of 2023 and then, in January of 2024, staff will provide a report for the full year's results. Staff recommends that the Board approve: (a) the Deferred Compensation Plan (DCP) Participant Engagement Goals and Strategies for calendar year 2023, and (b) the proposed Communications Calendar for calendar year 2023.

Submitted by:



Eric Lan, Benefits Analyst

Reviewed by:



Daniel Powell, Senior Personnel Analyst II

DCP Communications 2023 Calendar												
	Quarter 1									Quarter 2		
	January			February			March			April	May	June
Broad Messaging Themes	New Years Resolutions, Starting the Year off Right, Healthy Financial Habits, New Beginnings									Personal Improvement, Looking Ahead, Long Term Planning		
Goal/Area of Focus	Participation			Contributions			Distributions			Participation	Contributions	Asset Retention
Targeted Segment	All eligible Not Enrolled			Increased limits for age 50+			In service distributions not at retirement age			5 Departments with most not enrolled	Contributing flat dollar	Group 1: Separated from service who transact an outgoing rollover
Targeted Emails	Yes			Yes			NA			Yes, custom email to these departments		Yes
Targeted Mailings	Yes			Yes			NA			Yes, a broad mailer	Yes	Yes
Department Engagement	Parks and Rec? Public Works?									Yes, but what does that look like? Team meetings?		
Other notes	Mailer will come from City									Mailer will come from City		
Regular Communications	Voya Quarterly Newsletter									Voya Quarterly Newsletter		
LA457.com Blog Posts	Participation and Contributions									Asset Retention		
Money Matters	TBD			TBD			TBD			TBD	TBD	TBD
NRSM Planning/Activities										Planning	Planning	Planning/Content Creation
	Monthly Personnel Newsletter			Monthly Personnel Newsletter			Monthly Personnel Newsletter			Monthly Personnel Newsletter	Monthly Personnel Newsletter	Monthly Personnel Newsletter
Social Media Posts												
Special City Events												
	Quarter 3									Quarter 4		
	July			August			September			October	November	December
Broad Messaging Themes	Summer Leisure, Vacation, Fun									Budgeting, Financial Wellness, Holidays, Family, Friends		
Goal/Area of Focus	Distributions			Asset Retention			Participation			Contributions	Participation	Asset Retention
Targeted Segment	TBD			Group 2: Newly separated from service (in 2023)			All eligible not enrolled			Hired before 2022: Contributing flat dollar	5 departments with most not enrolled	Group 1: Separated from service who transact an outgoing rollover
Targeted Emails	TBD			Yes			Yes				Yes	Yes
Targeted Mailings	TBD											
Department Engagement											Yes	
Other notes				Newly separated from service (in 2023)			Mailer would come from City				Did you forget something with your benefits? NRSM "thanks for playing"	
Regular Communications	Voya Quarterly Newsletter									Voya Quarterly Newsletter		
LA457.com Blog Posts	Asset Retention, Participation									Asset Retention, NRSM		
Citywide Mailings												
Citywide Emails												
Money Matters	TBD			TBD			TBD					
NRSM Planning/Activities	Content Creation			Content Completion			Execute			Flat dollar/Contributions/Percent		
	Monthly Personnel Newsletter			Monthly Personnel Newsletter			Monthly Personnel Newsletter			Include Contributions in NRSM		
										Monthly Personnel Newsletter	Monthly Personnel Newsletter	Monthly Personnel Newsletter
Social Media Posts												
Special City Events												
										NRSM		