

Deferred Compensation Plan BOARD REPORT 11-26

Date: April 5, 2011
To: Board of Deferred Compensation Administration
From: Staff
Subject: Roth 457 Update

*Board of Deferred Compensation
Administration
Eugene Canzano, Chairperson
Richard Kraus, Vice-Chairperson
Sangeeta Bhatia
Cliff Cannon
Tom Moutes
John R. Mumma
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Recommendation:

That the Board of Deferred Compensation Administration receive and file the following information regarding implementation of a Roth 457 savings option within the Deferred Compensation Plan.

Discussion:

The following are updates in certain areas that need to be addressed before implementation of the Board's previously approved addition of a Roth savings option into the City's Deferred Compensation Plan:

Governing Documents – Mercer Investment Consulting (Mercer) completed an initial review of the Plan Document changes proposed by staff and made recommendations for additional changes. These recommendations are currently being incorporated into the draft by Mercer and should be completed by April 15, 2011. Once staff receives Mercer's final draft, the City Attorney will review the document. The revisions to the Plan Document will be brought to the Board for review and approval at the May 2011 meeting.

Payroll changes – At the Board's March 15, 2011 meeting, staff reported that the Plan had pushed back the implementation date for the Roth 457 savings option from May 1, 2011 to July 1, 2011. This date is contingent upon all payroll and other logistics issues being resolved.

Since the last Board meeting, staff has obtained a draft of the work order from the City Controller in order to create the new Roth 457 deduction. Staff has had the opportunity to review and provide comments regarding the work order before being it is sent to the City's Information Technology Agency (ITA) for production.

Staff held a meeting with the programmers from DWP and Great-West on March 22, 2011 to make sure that new rules and reporting are handled properly. DWP Payroll has communicated to staff that testing of the new Roth deduction code in the DWP payroll system has been scheduled for the beginning of May. Staff will coordinate a final meeting with DWP Payroll in mid-May to test the system and verify that all additions have been made.

Communications - Staff views the communications aspect of implementing Roth as a critical component of our efforts. It is important to provide participants the resources to understand this choice so they can make a decision that is appropriate for their needs and circumstances.

Due to the significance and complexity of the Roth option, staff has developed a formal communications implementation plan for introducing the Roth option into the City's Plan (see attachment). Staff is coordinating the resources of the Plan's consultant and Third-Party-Administrator to develop an introductory communications piece and integrate those themes into existing materials.

The implementation plan includes a calendar (similar to the type used in administering Board elections) to ensure that target dates are met. The target dates may need to be adjusted based on the progress of the payroll changes. The plan's objective is to ensure that participants are provided multiple opportunities to be exposed to information about the Roth option over a compressed period of time. The core communication piece will be tested in focus groups for efficacy. Following implementation, staff will also regularly review statistics regarding how many participants have elected Roth and compare those to Roth election rates in other plans. The goal is not to encourage a particular choice, but rather to attempt to assess the impact of communications on participant decision-making, and refine and make improvements in our communications as this project moves forward.

Staff will continue to update the Board on the progress of the Roth 457 implementation.

Submitted by: _____
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Reviewed by: _____
Steven Montagna

Approved by: _____
Alejandrina Basquez