

Deferred Compensation Plan BOARD REPORT 12-40

Date: July 5, 2012
To: Board of Deferred Compensation Administration
From: Staff
Subject: California Defined Contribution Peer Network Meeting Results

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Compensation Administration
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Recommendation:

That the Board of Deferred Compensation Administration receive and file the following information regarding a meeting of the California Defined Contribution Peer Network.

Discussion:

On June 21-22, 2012, staff members Steven Montagna and Esther Chang participated in a meeting of the California Defined Contribution Peer Network, an informal association of large defined contribution plan sponsors within the State of California. Member agencies include the City of Los Angeles, County of Los Angeles, City of San Diego, City of San Francisco, State of California, CALPERS and CALSTRS. Meeting locations rotate between member cities. This meeting was held in Sacramento.

The meeting was quite productive, with a number of interesting topics being addressed in a fairly short 1½ day meeting window:

State of California Third-Party-Administrator Procurement – The State of California reviewed the results of its procurement process for a Third-Party-Administrator contract for its “Savings Plus” defined contribution plan. The State chose Aon Hewitt as its provider, replacing the incumbent Nationwide Retirement Solutions. Nationwide subsequently filed a protest of the contract award. Member agencies reviewed the Request for Proposal and some of the issues that arose subsequent to its release.

Absolute Income Products – A panel was present to provide information on absolute income products, which essentially are mutual funds with an emphasis on creating dividend income streams. CA-DCPN members discussed some of the recordkeeping obstacles to utilizing such an approach for retired participants seeking reliable income streams from their investments.

DOL Fee Disclosure – Members discussed their various approaches to addressing DOL fee disclosure requirements. Most members are still studying the issue and have not developed action plans. Only the City of Los Angeles Plan is on track to implement

voluntary compliance by the deadlines applying to ERISA plans. At least one agency has made the decision not to comply.

INFRE Presentation – Betty Meredith with the International Foundation for Retirement Education (INFRE) attended the meeting and provided a presentation of the education benefits, courses and programs offered through INFRE. The group discussed the potential for developing education programs that could be offered to agency staff and Board members. INFRE also offers a Certified Retirement Counselor certification program. The group explored ways that structuring some of the education in group formats might reduce the per-person fee. The INFRE representative indicated a willingness to work with the CA-DCPN group on creating custom educational modules.

Low-Risk DC Options – A panel was present to review developing products for low-risk savings options within defined contribution plans. These products include new pooled FDIC-Insured options as well as options for “laddered” bond investments within a defined contribution portfolio which would protect investors from loss of principal if the investments were held to term.

In addition to these primary topics, the group engaged in its regular exchange on common administrative issues such as loans, procurements, payroll issues, plan design, etc. These meetings provide the single best resource for peer-driven development of best practices in defined contribution plan administration. The next meeting will be held concurrent with the NAGDCA Conference in San Diego, CA.

Submitted by: _____
Steven Montagna

Approved by: _____
Alejandrina Basquez