

# Deferred Compensation Plan BOARD REPORT 13-06

Date: January 2, 2013  
To: Board of Deferred Compensation Administration  
From: Staff  
Subject: Quarterly Communications Activity Report

Board of Deferred  
Compensation Administration  
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## Recommendation:

That the Board of Deferred Compensation Administration receive and file this quarterly communications activity update report.

## Discussion

Following is a summary of projects for the fourth quarter of 2012:

### **A. CURRENT PROJECTS**

#### **1. Retirement Calculator**

*A web-based tool that allows a participant to consider their potential retirement income in a holistic manner (defined benefit plan, Deferred Compensation account, and other sources of anticipated income).*

During the December 18, 2012 meeting, the Board authorized staff to move forward with working with Great-West and its web developer/programmer, Masterypoint, to build a prototype calculator for testing. Masterypoint has advised that a prototype will take approximately 6 weeks. Staff will ensure the prototype is tested and will consult with Plan participants and Board members as well as representatives from the retirement systems (LACERS, LAFPP, and DWP Retirement).

#### **2. Newsletter – Fourth Quarter 2012**

Staff is currently finalizing the draft of the 2012 fourth quarter newsletter. This issue includes articles discussing: the goal of saving, 2013 annual limits increases, how to change contribution amounts, and the upcoming website conversion. Additionally, for the first time, the newsletter will feature a profile of a Plan participant. The newsletter and quarterly statements should be mailed to participants by the end of January or early February.

#### **3. Eligible Non-Participant Communication and Fee Disclosure**

*The recent Department of Labor (DOL) rules regarding fee disclosures require covered plans to send out fee information to eligible non-participants. The Plan is seeking to voluntarily comply with this legislation (as discussed at a prior Board meeting) and will be providing the fee disclosure in the form*

*of a marketing piece to eligible non-participants in the City to also encourage participation and provide education regarding the Plan.*

At its November 2012 meeting, the Board approved staff to move forward with the mailing of the fee disclosure packet to a small pilot group of eligible non-participants. Staff has revised the materials according to comments provided by the Board and will be finalizing the material to mail out to the pilot group. Additionally, staff will be e-mailing the material to a separate group to test the responsiveness of participants to e-mail rather than regular mail.

**4. Deferred Compensation “Account Maintenance” Communications Initiative**

Staff has been working with Buck Consultants to develop a new Plan concept through which the Plan can communicate to participants about key actions that will help maintain a healthy Deferred Compensation account and ensure a secure retirement. This communications initiative will be integrated into the retirement calculator initiative and focus on the goal of retirement income security. Among the “account maintenance” ongoing review items are: defining the savings objective, growing contributions, saving pre- and/or post-tax, managing risk, electing and updating beneficiaries, and taking distributions gradually. Staff will eventually be integrating these concepts into all Plan communications.

**5. DCP Newsletter**

Staff and Buck Consultants are working together to develop the design and layout for the inaugural edition of this electronic 2-page newsletter, which will be designed to include short articles and interactive material such as quizzes and puzzles. Staff is developing this project in conjunction with the account maintenance communications initiative, and will be using the newsletter as an initial opportunity to present these themes.

**6. 2013 Annual Limits Letter to Maximum Contributors**

At its December 2012 meeting, the Board asked staff to directly communicate to participants who contributed at or near the maximum in 2012 to ensure they are aware of the annual limits increase. There are approximately 2,250 participants that make up this demographic. Staff will be sending a letter from the Board Chair along with the 2013 Annual Limits flyer to these participants in January. It will be sent electronically to participants with e-mail addresses submitted in the system (approximately 65% of the 2,250 participants); for the remainder, a hard copy will be mailed.

**7. Website Conversion**

*Great-West is rolling out a new website to its plan sponsors. The website conversion for the City of Los Angeles is scheduled to go live in June 2013.*

Staff held a focus group in November to gather initial participant feedback on the new website design and layout. Overall, comments were positive and participants looked forward to the new look. The focus group also provided several suggestions for improvement, such as enhancing the security of the online passwords and

implementing live chat with a representative. Staff will be reviewing focus group comments with Great-West to identify potential action items.

**8. Online Enrollment**

This project is currently pending technical issues in functionality that Great-West is aware of and in the process of correcting. Great-West has indicated this issue should be resolved in the first half of 2013. At such time as the issues are resolved, new participants will be able to enroll in the Plan online. Staff will develop a communication piece regarding the new feature.

**9. Online Distribution**

The current online distribution process that Great-West has for its plans allows limited distribution request capability. It processes requests only for full or partial distributions and rollovers, and only for participants who have only pre-tax dollars. The system does not allow electronic requests for periodic payments, purchase of service credit, or minimum distributions. Further, the system does not allow priority distribution if participants would like money to come out of a particular fund. Staff is working with Great-West to develop a near-term implementation plan and longer-term enhancement objectives.

**B. UPCOMING PROJECTS**

**1. “Go Green” Campaign**

Staff will be working with Great-West and possibly Buck Consultants in order to strategize an effective communications plan to encourage more participants to sign-up for online accounts and electronic quarterly statements.

**2. Periodic Participant Survey**

Staff is exploring the idea of creating a periodic participant survey that asks certain key questions in order to gauge participant knowledge and opinion over time. Possible areas the survey will cover are investment behavior/knowledge, retirement planning behavior/knowledge, confidence in the Deferred Compensation Plan and/or employee’s retirement plan, etc.

**3. Webinars**

Staff will be exploring the feasibility of developing webinars and other electronic media to use as new communication and educational tools.

**4. Social Media**

At the 2012 NAGDCA conference, the State of Missouri presented information regarding a successful Social Media campaign they have developed. Staff will be conducting outreach to Missouri as part of exploring the potential for using Social Media in the City’s Plan.

## **C. REVIEW OF PROJECTS COMPLETED**

### **1. Retiree Loans**

Retirees and participants otherwise separated from City service are now able to request loans from their Deferred Compensation Plan accounts. Staff and Great-West finalized the administrative process and communications, and the retiree loan process went live the week of October 29<sup>th</sup>.

### **2. Newsletter – Third Quarter 2012**

The 2012 third quarter newsletter and quarterly statements were mailed to participants at the end of October. The issue announced the launch of retiree loans and the availability of Roth conversions to participants eligible for distribution. The newsletter also included an explanation on how dividends work within a blended fund and reminders regarding National Save for Retirement Week and what to do with a leave of absence when paying on a loan.

### **3. Changes to FDIC-Insured Savings Account Option**

Due to a reallocation of funds to the banks acting as underlying depository institutions for the FDIC-Insured Savings Account, as of November 1, 2012, FDIC insurance coverage changed for participants with balances over \$500,000 and less than \$1,000,000.

#### **a) *Participant Letter***

A letter communicating this information was sent directly to affected participants in early October. A notice was also included in the third quarter newsletter to inform all Plan participants.

#### **b) *Fund Fact Sheet***

The fund fact sheet was also updated to incorporate the change in allocation to the banks as well as include information on FDIC-insurance coverage.

### **4. National Save For Retirement Week: October 21-27, 2012**

Staff prepared a flyer for National Save for Retirement Week. The communication identified different retirement “legs” every employee can rely on and explained how strong each leg should be. The “legs” include a defined benefit pension, a Deferred Compensation account, and possible Social Security disbursements or income from other types of savings vehicles/options.

### **5. 2013 Annual Limits Flyer**

Staff developed a flyer to illustrate the increase in annual contribution limits for 2013. The communication was e-mailed to all City employees and posted to the Plan and Board websites and the City intranet.

### **6. “Meet Your Great-West Representative” – Online Calendar**

The content that will appear with the calendar was approved by Great-West’s internal compliance unit in late December. The calendar will post to the Plan website in early January 2013.

## 7. Plan Communication Pieces – Updates

**a) *Plan Highlights (English and Spanish)***

Revisions were made to add in language related to the Roth option introduced in 2011 and to update annual contribution limits.

**b) *DROP 2013 Seminars Flyer***

Revisions were made for 2013 seminar dates.

**c) *Update to 2013 Flex Benefits***

This is a comprehensive guide to benefits for most City employees. Revisions were made to incorporate the 2013 annual contribution limits on the Deferred Compensation Plan pages. The most current version of the 2013 Benefits guide is located online at <https://www.myflexla.com/>.

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