

Deferred Compensation Plan BOARD REPORT 13-17

Date: April 16, 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 first quarter of 2013:

A. CURRENT PROJECTS

1. Roadmap to Retirement – Retirement Calculator, Account Tune-Up Tool

Staff continues to work on implementing the Retirement Calculator and the account tune-up tool, within the context of the new Plan concept, "Roadmap to Retirement." Details of the current status of these projects are detailed in Board Report 13-13.

2. 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 August 2013, approximately.

Great-West has begun the actual build of the Plan's website. Staff continues to work with Great-West in finalizing layout, text, and design of the site. Staff and Great-West have finalized most of the site detail, including text, design, and layout.

3. Newsletter – First Quarter 2013

Staff is currently finalizing the draft of the 2013 first quarter newsletter. This issue includes an article on the age 70½ and what it means for one's retirement, an article announcing the change to the underlying fund for the DCP Mid-Cap Fund (to a less expensive share class), a note on retiree loans and periodic payments, and a participant profile. The newsletter and quarterly statements should be mailed to participants by the end of April.

4. 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. The fee disclosure packet consisted of a letter from the Board's Chair and a review of Plan benefits, a flyer promoting "20/20 Vision" (contributing \$20 pre-tax and Roth and increasing those amounts by \$20 yearly), an enrollment form, a fee disclosure document, and a promotional seed packet.

On April 4, 2013, staff distributed materials to three small test groups:

- 150 participants were mailed a hardcopy of the entire packet, including fee disclosure document and promotional seed packet;
- 150 participants were mailed a hardcopy of a condensed version of the packet, which was only the letter from the Chair and an enrollment form; and
- 150 participants were sent an electronic copy of the full packet (without the promotional item).

Staff expects to have test results completed by May 2013 and will report to the Board with the findings.

5. Plan Communication Pieces – Updates

a) *DCP Mid-Cap Index Fund Fact Sheet*

Edits are being made to the DCP Mid-Cap Fund fact sheet to reflect: 1) the change to the underlying Vanguard fund to a lower cost share class that will lower the expense ratio for the DCP Mid-Cap Fund; and 2) a change in the fund's benchmark.

b) *Enrollment Kit*

Edits are being made to the Enrollment Kit to incorporate language regarding the Roth savings option.

c) *When You Retire*

This is a new informative piece for participants at retirement or after retirement. This one-page communication piece reminds participants of their distribution options, including the option of retiree loans, and makes note of required minimum distribution requirements at age 70½, options to convert or offset active loans, and the importance of keeping engaged with the Plan. Additionally, the piece includes language to inform participants that distributions cannot be taken when a participant comes back to work for the

City in a part-time or intermittent capacity. Great-West is currently reviewing the document for regulatory compliance purposes.

6. Deferred Compensation Plan Glossary

Staff is working on an initial draft of a Plan glossary that will provide participants a reference for many terms that are frequently used in Plan communication materials. The creation of the glossary is a result of comments from participants who participated in a previous Plan focus group. Staff saw the need to address this concern and to better facilitate the process by which participants learn about and understand the Plan.

7. 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 second half of 2013. At such time as issues are resolved, new participants will be able to enroll in the Plan online.

8. 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. Custom DROP Informational/Marketing Materials

Sworn employees participating in DROP constitute a substantial percentage of the Plan's population. Staff will be looking at creating custom materials for this demographic to inform them of the benefits of the Plan. One of the main advantages the Plan offers is its low costs; outside investment management fees are generally significantly higher.

2. "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.

3. 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.

4. Webinars

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

5. 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. Newsletter – Fourth Quarter 2012

The newsletter for the fourth quarter of 2012 was mailed out to participants in late January. This issue included 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 featured a profile of a Plan participant.

2. 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 were aware of the annual limits increase. According to data pulled from staff, there were 2,250 participants that fit this demographic.

During the first week of February 2013, communications were sent to these participants in the form of a letter from the Board's Chair and a copy of the 2013 Annual Limits flyer. An electronic copy was sent to 65% of the 2,250 participants, and a hardcopy was mailed to the remaining percentage as there was no e-mail address on file.

3. Self-Directed Brokerage Option (SDBO) Fund Sheet

Great-West implemented an update for the SDBO to allow participants to open a Schwab Personal Choice Retirement Account (PCRA) with Roth dollars only. The first phase will allow participants who do not currently have any Roth dollars in a Schwab PCRA to initiate an account. Staff made the appropriate revisions to the SDBO fund fact sheet and included an announcement in the newsletter mailed to participants in January.

4. Enrollment Form

Updates were made to enrollment form to reflect the increase in limits for annual contributions in 2013.

5. Website Updates

General updates were made to sections of the Board's website as well as to the bulletins listed on Great-West's participant site.

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