

Deferred Compensation Plan BOARD REPORT 13-20

Date: June 5, 2013
To: Board of Deferred Compensation Administration
From: Staff
Subject: Update on the Retirement Income Replacement Calculator Tool

Members
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Recommendation:

That the Board of Deferred Compensation Administration: (a) receive and file this update on progress in development of a Retirement Income Replacement Calculator for the Deferred Compensation Plan website; and (b) direct staff to designate a future meeting for the purpose of Board member testing of the Calculator.

Background

Staff has been working with the Board, Great-West, and other resources to develop two new tools to assist Deferred Compensation Plan participants with projection of potential retirement income and ongoing account maintenance. These will take the form of two web-based tools: a **Retirement Income Replacement Calculator** and an **Account Tune-Up** web tool, as part of a broader communications initiative entitled “**Roadmap to Retirement,**” which is targeted to go live by November 1, 2013. These tools will be two important new components of a redesigned Plan website, which will feature a more visual “tile” or “app” driven layout (see attachment for illustration).

The Retirement Income Replacement Calculator component is intended to provide a holistic illustration of the potential combined value of each participant’s retirement income, to include the defined benefit from the applicable City retirement system, the participant’s Deferred Compensation Plan account, and any other outside assets. The participant will be provided with a “lifestyle” income replacement percentage which compares what they are on track to receive in retirement as compared to the amount of taxable income they will be living off of at that time.

Discussion:

Calculator Testing – At the April 16, 2013 Board meeting, staff reported that an initial prototype had been completed but additional revisions were in progress to further prepare the prototype for testing. Staff received the revised prototype in early May and has been testing the participant experience since.

Staff has tested approximately 24 individuals as of the time of writing of this report. Its testing methodology has involved staff observing each participant using the tool

unassisted; discussing the user experience after completion; and then walking through the tool again with the participant to correct errors and/or to answer questions.

Testing has indicated some of the challenges of navigating both the **opportunities** and **complexities** presented by this type of communication tool. In terms of opportunities, the calculator is meeting its central primary objective of providing a means for participants to visualize their retirement income in concrete terms. By illustrating both a dollar amount and replacement income percentage, participants have the ability to see their retirement income, and their future retirement lifestyle, in very specific and personalized terms.

In terms of complexities, staff has found that the participant experience with the tool is widely varied, depending on one's knowledge and familiarity with the Plan, retirement, and related terminology and concepts. Additionally, individual thought processes, personalities, and experience with web-based programs further varied the user experience. When errors occurred they were caused by:

- Skimming or not reading the plain text on the web pages
- Misreading or misunderstanding (based on personal perception)
- Confusion over certain concepts
- Not reading help notes provided for each question

Staff believes that some of these errors can be minimized by making revisions to the text and formatting of the tool. However, it has also become clear that most of these errors are a result of certain fundamental causes (reading errors, or misunderstanding/confusion over certain concepts) that cannot be addressed by the calculator itself - or at least not altered without drastically simplifying and eliminating significant portions of the calculator's power.

Moreover, in testing, the tool was roundly regarded positively, both as an informational and motivational tool. Some general improvements recommended by test participants include:

- Advising the participant of what information (e.g. current Deferred Compensation account balance, current contributions, etc.) should be on hand before one begins working with the calculator.
- Simplification of language when possible (e.g. rather than asking what Tier of LACERS, it could be phrased, "Did you begin working for the City before July 1, 2013?").
- Emphasizing certain defaulted fields so participants know they do not need to modify these fields if they are unclear what the answer is.
- Making the help notes more prominent.
- Indicating the participant will have the opportunity to revise numbers at the end.
- Clarifying the Additional Resources page to make clear that these are outside assets and separate from pensions and Deferred Compensation.

In considering the user experience, staff's conclusion is that the tool is best approached as a communication/education tool that is ideally used with assistance from a Plan representative. The representative can help the participant not only navigate the tool but

also place the information in the context of the participant's individual circumstances relating to retirement.

Staff is therefore working with Great-West to develop a means by which participants, upon introduction of the calculator, can schedule appointments with local representatives to develop a retirement income projection – essentially modifying the current testing experience and standardizing it as a counseling session.

In addition, staff is further exploring with Great-West the use of a webinar and/or video guide which can help explain the calculator using alternate media.

In summary, though staff has identified areas where revisions should improve ease of use and reduce errors, the very complexity of the subject matter and fundamentals of human behavior indicate that the better approach would be to focus on enhancing the personalization of the experience with the participant rather than sharply simplifying the calculator in order to minimize opportunities for error. Staff believes this can be accomplished by building a counseling program with local representatives and creating additional media to help acquaint participants with the features of the calculator.

In order to provide enough time to develop these supplementary enhancements, the original project implementation timeline will need to be slightly extended. Staff will also need to provide an official announcement Plan-wide of the impending launch of the "Roadmap to Retirement" communications initiative. As third quarter newsletters and statements will be mailed to participants in late October 2013, staff will be targeting a revised launch date for the new website (including the calculator and Account Tune-Up tool) of November 1, 2013.

Board Member Testing at Future Meeting - Staff believes it is valuable for Board members to use the calculator themselves in order to fully understand the issues presented in this report. Staff's initial thought was to schedule one-on-one meetings with Board members to conduct testing in the same manner that these sessions have been held with participants. However, because of potential Brown Act considerations, staff consulted with Board counsel to determine if this approach would create serial meeting risks. Counsel advised that these risks would be substantial, so an alternate approach was developed.

Staff is recommending doing the testing at a regular or special meeting utilizing a training center with the necessary computer equipment. The optimal approach may be to schedule this for the Board's July 16th meeting (resources permitting), conducting the normal agenda at the Board's regular meeting location, and the testing portion in a training facility. If this option is not viable, a special meeting will be calendared.

Since the testing will take place during a public meeting, members of the public will be able to attend. Staff will present the calculator generically on a screen so members of the public can see its functionality, but Board members would then have the ability to use it independently by entering unique data. Staff will be available to assist each Board member with questions. Any personal data entered by Board members into the tool is not recorded and would not be part of the public record. Staff recommends that the Board instruct staff to move forward with this meeting as soon as practical.

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NEW DEFERRED COMPENSATION PLAN WEBSITE
PRE-LOGIN SCREEN

City of Los Angeles
 Deferred Compensation Plan

» About Your Plan » Investment Information » Enroll Now » Contact Us

ACCESS YOUR ACCOUNT

USERNAME

PIN

Forgot Username or PIN? **SIGN IN**

First Time Visiting?
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 Have you thought about how you'll get to Retirement Security, U.S.A.? Click here you see how you get there.

Highlights & Features
 Check out the Plan's highlights and features. See how it can help you on your retirement road trip.

Starting Your Trip
 Enroll in the Plan to get started on your journey!

	DJIA	NASDAQ	S&P 500
1 Month Price - *COMPX	15040.02	3424.05214	1638.43
DJIA EOD	15040.02		
NASDAQ EOD		3424.05214	
*S&P500			1638.43

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NEW DEFERRED COMPENSATION PLAN WEBSITE POST-LOGIN SCREEN

 City of Los Angeles
Deferred Compensation Plan

Home | Account Settings | AAA | Logout

Welcome **AARON**
98994-01-City of Los Angeles Deferred

AT-A-GLANCE

\$8,244.91 Daily Balance [?](#)
▲ 5.74% Rate of Return [?](#)
\$100.00 Last Contribution Amount [?](#)

MY ACTION PLAN

No action items to display.

My Account

Account Overview
Statements
My Investments
[\[+\] More Options](#)

Investments

Investment Options
Investment Performance
Fixed Rate Investments
[\[+\] More Options](#)

Transactions

Transfer My Investments
Change Future Investments
Change Paycheck Contribution
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Account History

Rate of Return
Balance Over Time
Transaction History

Loans & Withdrawals

Loan Q&As
Loan Request -- Active Employees
Loan Request -- Retired or Separated Employees
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Project My Retirement Income

Project My Retirement Income

Tune-Up My Account

Tune-Up My Account

My Profile

Personal Account Information
Go Paperless
Beneficiary

Education

For Active Employees
For Employees Nearing Retirement
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