

# DEFERRED COMPENSATION PLAN BOARD REPORT 14-29

Date: July 7, 2014

To: Board of Deferred Compensation Administration

From: Staff

Subject: Promotional Campaign – Retirement Income Projection Calculator/Account Review/Retiree Income Self-Assessment Tools

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## Recommendation

That the Board of Deferred Compensation Administration approve staff's proposed promotional campaign (including related communications and incentive costs) for the Deferred Compensation Plan Retirement Income Projection Calculator Tool, Account Review Tool and proposed Retired Income Adequacy Self-Assessment Tool during the October, 2014 National Save for Retirement Week.

## Discussion

### **A. Background**

The mission of the Deferred Compensation Plan is to assist employees in achieving retirement income security. To accomplish that mission the Plan must **engage** employees/participants and raise their **awareness** of Plan benefits and keys to success. Increased engagement and awareness increases the likelihood of achieving successful participant **outcomes**.

The Plan website is a primary engagement tool for the Plan's 40,000 participants. In October 2013, as part of National Save for Retirement Week, the Plan launched a new website with an improved, intuitively-based design and two important new tools: the "Retirement Income Projection Calculator" and "How Am I Doing?" account review tools.

The Retirement Projection Calculator incorporates the unique rules of the City's three defined benefit pension plans with the benefits from the supplementary Deferred Compensation Plan, and solves for this question: **what percentage of a participant's projected end-of-career lifestyle income will be replaced by his/her projected retirement income?** Lifestyle income is defined as an employee's net salary after removing primary payroll deductions for retirement contributions.

The "How Am I Doing?" Account Review Tool allows participants to easily check in on the most important factors impacting success with their accounts: their retirement income replacement target, contribution level, investment allocation, distribution plan, and beneficiary designation.

These tools have become, as they were intended to be, vital components of the Plan's objectives to increase engagement, awareness, and successful outcomes.

Since inception, there have been over 15,000 unique sessions of the Retirement Calculator involving over 7,000 unique users. This represents 60% of the average number of unique regular users of the Plan website – a phenomenal success rate. In addition, since inception there have been over 6,700 unique sessions of the account review tool involving over 4,500 unique users, representing 37% of average users of the Plan website. However, only approximately 30% of Plan participants are regularly logging in to their accounts via the website. To further improve engagement, awareness and outcomes, staff recommends executing a promotional campaign for these tools which has three primary objectives:

- (a) Increasing the number of regular website users;
- (b) Increasing the number of participants using the calculator and account review tools; and
- (c) Engaging retired participants on the topic of retirement income adequacy.

To accomplish this, staff recommends targeting, once again, National Save for Retirement Week, which in 2014 will take place October 19-25. Each year Congress passes a resolution for National Save for Retirement Week to help American workers focus on the importance of retirement security. This week provides an excellent opportunity for a campaign to promote engagement, awareness, and successful outcomes for the City's Plan participants.

## **B. Proposed Campaign Elements**

This campaign is proposed to include the following key elements:

- A Mayoral and/or Council proclamation recognizing the importance of the week and encouraging Plan participants to use the calculator and account review tools
- Multi-venue participant communications, including Citywide emails, web articles, a webinar, and retirement plan/labor organization news articles
- A new retiree retirement income adequacy self-assessment survey tool
- Incentives for using the calculator/account review tools and responding to the retiree self-assessment survey
- An online mechanism for participants to report their projected retirement income percentage and retiree income self-assessment during the promotional period
- Incentives for reporting in the form of a random drawing for gift cards

## **C. Metrics to Measure Success**

To measure the success of this initiative staff will focus, at minimum, on the following key metrics during the promotional campaign period:

- Number of calculator and account review sessions
- Number of retiree self-assessment sessions
- Number of discrete visitors to the Plan website
- Number of username/PIN requests (for participants to set up account access)

Other metrics that will be reviewed longer-term include the number of ongoing discrete users of the Plan website, new enrollments, average contribution amounts, investment allocation changes, number of post-tax savings accounts, periodic payment elections and beneficiary designation changes. If the promotional campaign is successful in achieving higher website

engagement and awareness of factors impacting success, these key metrics are expected to be impacted.

#### **D. Retired Participant Income Adequacy Survey**

The Retirement Income Projection Calculator is geared towards Plan participants who are still in the accumulation phase with their accounts. However, as discussed at the Board's June 17, 2014 Board meeting, it is important to also engage participants who are retired or otherwise separated from service, given that the ultimate goals of the campaign are engagement (with the website) and awareness (of information impacting participant success). These goals apply to the retired population even as they are in the decumulation phase.

As a result, staff proposes that a new survey tool be developed for the retired participant population. The survey would essentially ask retirees for a self-assessment as to their post-retirement income adequacy, as well as explore questions for which the Plan presently has no data such as:

- How many retired participants are currently engaged in post-severance paid employment?
- What sources of income are participants relying on?
- What plans do participants have for use of their accounts?

Retirees would report a self-assessed retirement income adequacy status, which would make them eligible for the incentives.

#### **E. Incentives/Special Mailing Costs**

Staff proposes awarding 200 \$25 gift cards as incentives for participants who complete use of the retirement income projection calculator or the retiree income self-assessment tools. The total cost of the incentives would be \$5,000.

To further promote the campaign, staff proposes issuing a special mailing to all 40,000 Plan participants. The cost of this special mailing would be approximately \$10,000-\$12,000 and would be included within the annual communications expenses which are part of Great West Retirement Service's ongoing administration of the City's Plan.

#### **F. Personnel Department Goal for FY 14/15**

City departments are required to establish and report on specific goals for the Mayor's Office. Given the direct relationship of this proposed campaign to the core mission of the Deferred Compensation Plan, the prominence of the effort by involving a Mayoral and/or Council proclamation, and the staff efforts which will be required for successful execution of the campaign, upon adoption of the proposed campaign by the Board the Personnel Department will include this campaign as one of its key goals as reported to the Mayor for FY 14/15.

## G. National Value

The annual National Save for Retirement Week Congressional proclamation is a key legislative priority for the National Association of Government Defined Contribution Administrators (NAGDCA), of which the City of Los Angeles is a member, and the Executive Board on which staff is also a member. NAGDCA's Executive Board and legislative counsel have found substantial interest on the part of Federal legislators and regulators in identifying innovative and results-driven initiatives offered by plan sponsors during this week. This promotional campaign provides an opportunity for the City's Plan to share an innovative promotional effort focused on participant outcomes. It helps support the ongoing vitality for National Save for Retirement Week and is available for consideration by the City's peers as they develop their own campaigns.

## H. Proposed Calendar/Milestones

Following is a proposed calendar of key milestones for this promotional campaign:

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### NATIONAL SAVE FOR RETIREMENT WEEK PROMOTION CAMPAIGN KEY MILESTONES

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**National Save for Retirement Week: Oct. 19-25**

**Promotional Period (including Incentive Eligibility): Oct. 15-31**

CAMPAIGN COMPONENT	TARGET COMPLETION DATE	COMMENTS
Complete Labor Organization/Retirement Plan Web Articles	August 15, 2014	Articles must be completed early to allow for various publishing deadlines
Board Approves Proposed Retiree Population Survey	August 19, 2014	n/a
Submit Mayoral/Council Proclamation for Signature	September 1, 2014	n/a
Obtain Signed Mayoral/Council Proclamation	September 22, 2014	Due by this date to allow adequate time for print publishing deadlines
Finalize Electronic Surveys: Retiree Self-Assessment/Participant Results Tools	October 1, 2014	n/a
Finalize 2014 Calculator Enhancements	October 1, 2014	Enhancements will be implemented only if time/funding permit
Special Mailing - Plan Participants	October 13, 2014	Will include Mayoral/Council Proclamation, Guide to Using

		Calculator
Retirement Plan/Labor Organization Communications	Various	Depending on publishing schedule
1st Citywide Email	October 15, 2014	Will include Mayoral/Council Proclamation, Guide to Using Calculator
2nd Reminder Citywide Email	October 20, 2014	n/a
Great-West Quarterly Newsletter	October 20, 2014	n/a
Calculator Webinar	October 21, 2014	n/a
3rd Reminder Citywide email	October 23, 2014	n/a
Incentive Eligibility Period Closes	October 31, 2014	n/a
Incentives Awarded/Announced on Plan Website	November 14, 2014	n/a

## I. Conclusion

This proposed promotional campaign for National Save for Retirement Week provides an opportunity for the City's Plan to drive key factors impacting successful participant outcomes. Staff recommends that the Board adopt the proposed promotional campaign and related costs.