# DEFERRED COMPENSATION PLAN
# BOARD REPORT 14-44

Date: September 29, 2014

To: Board of Deferred Compensation Administration

From: Staff

Subject: 2014 NAGDCA Conference Recap

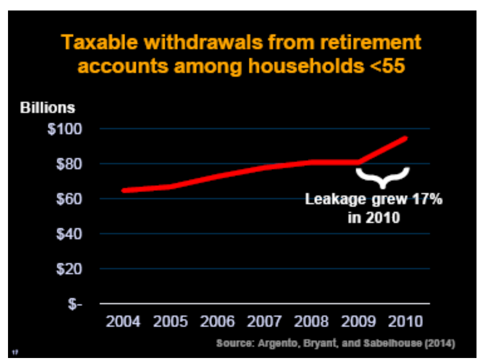


Recommendation:
That the Board of Deferred Compensation Administration receives and file this report containing highlights of information presented at the 2014 National Association of Governmental Defined Contribution Administrators (NAGDCA) Annual Conference in San Antonio, Texas.

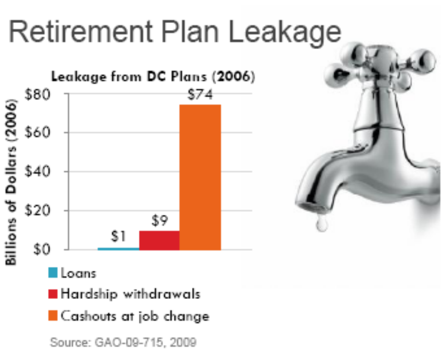
Discussion
The 2014 NAGDCA Annual Conference took place in San Antonio, Texas, from September 14-17. All presentations may be downloaded and the Opening and Closing Session may be viewed at the following site:
http://www.nagdca.org/dnn/NewsEvents/MeetingsMap/2014AnnualConference.aspx

Following are noteworthy highlights from several conference sessions.

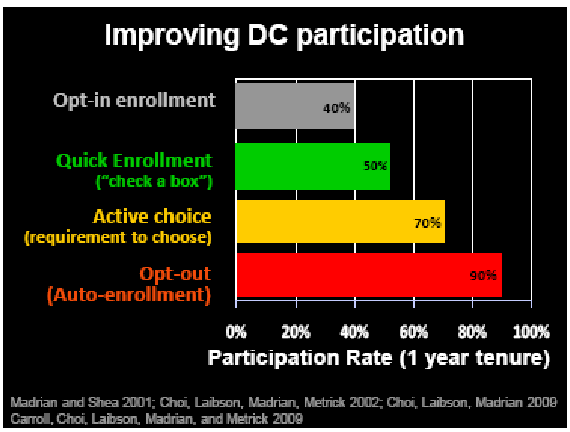
*Opening Session – Keynote Presentation*
The Keynote Speaker for the opening session, entitled “Behavioral Economics and Behavioral Change”, was David Laibson, Professor of Economics at Harvard University. Professor Laibson presented the results of several studies measuring the behavior of participants in defined contribution retirement savings plans. He addressed auto-enrollment, opt-in enrollment, increasing rates of retirement plan leakage, and what he referred to as the ‘perception of saving’ versus the ‘behavior of saving.’




Professor Laibson stated retirement savings plans are not achieving their intended outcomes due to actual saving behavior, high leakage rates, and the fact that defined contribution accounts have become more like general purpose savings vehicles used for a variety of savings purposes. He noted that leakage grew modestly after the 2008 financial crisis but then increased sharply in 2010, the last year for which statistics are available. Included within the concept of leakage are withdrawals for job changes, hardship withdrawals, home purchase, education, health expenditures, etc.



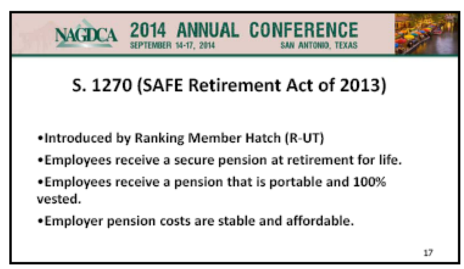
Given these results, he suggested considering establishing different types of savings accounts, such as a “lockbox” account which could not be distributed prior to retirement (as with a defined benefit plan) versus a “freedom” account, which participants could access for various non-retirement financial reasons. He stated his studies indicate participants actually prefer accounts with penalties and other restrictions on distribution so that they can protect themselves from their own impulses. However, he said it was important to acknowledge that participants need these accounts for more than just retirement purposes, hence the value of a more discretionary account with more lenient withdrawal rules. Participants could then choose which accounts to use to save and how much to put in each.

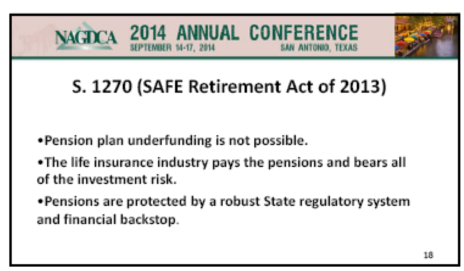




Professor Laibson also addressed the topic of improving participation rates, and shared research indicating that auto enrollment achieved the highest participant rates, followed by active choice (where a participant is required to choose to enroll or not, perhaps as part of an annual benefits enrollment). Quick enrollment is third most effective, and the traditional voluntary opt-in enrollment least effective.

*Government Update*

The annual government update was provided by the team of Susan White, NADGCA Legislative Counsel, and Jon Sheiner, Consultant with Susan J. White & Associates. Ms. White reviewed Congressional approval of National Save for Retirement Week for 2014, the current status of retirement plan legislation, and NAGDCA’s 2014 legislative priorities and advocacy efforts. One item she particularly noted was the recently introduced SAFE Retirement Act, which would provide state and local governments with the option of establishing pension plans that would essentially shift the pension risk from employers to insurance companies. Although not directly impacting defined benefit plans, she noted that proposals like this suggest that pension reform issues are of interest to the ranking and minority members of the Senate Finance Committee, and could be part of broader pension reform taken up in the future.



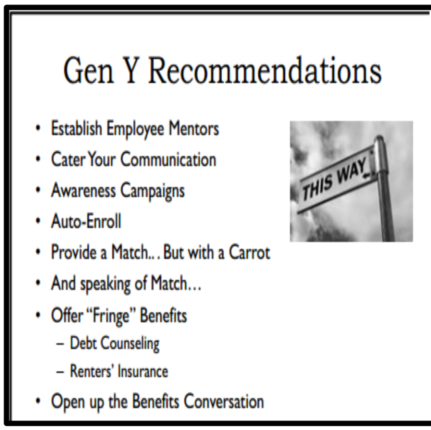
*Regulatory Update*

The annual regulatory update was provided by Marilyn R. Collister of Great-West Financial and Don Wellington of Steptoe and Johnson LLP. After providing a historical overview of the evolution of the regulations related to the 457 plan, the speakers discussed rules related to contributions and distributions, including auto-enrollment program considerations, identification of potential IRS audit items, payroll/transaction reconciliation and corrections, and other review of general rules.

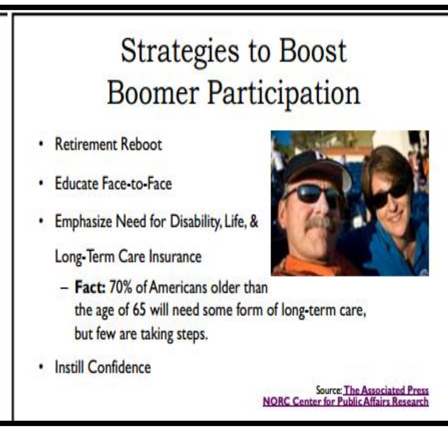
The speakers also provided regulatory updates related to recent IRS guidance regarding acceptance of rollovers (making it simpler for Plan sponsors to accept rollover money), allowance of in-plan Roth conversions, the effect of changes to the Defense of Marriage Act (including necessary updates to governance documents), and plan error corrections for governmental plans (governmental plans generally have a 180 window to correct).

*Closing Session*

The closing speaker was Farnoosh Torabi, a personal finance expert, journalist, and author. She has written for numerous financial publications and is a finance television personality. Her presentation, entitled “The Road to Retirement: How to Inform, Engage and Mobilize Your Plan Participants,” discussed differences in various communication preferences and customer service expectations of Baby Boomers, Generation X, Generation Y, and Millennials. She explained each generation had its own assumptions, concerns, and fears that translated into very different benefit and communication needs. She indicated that as each generation was additionally experiencing different phases of life, that benefits could also be better tailored to support each generation’s needs, such as emphasizing long-term care and disability insurance for baby boomers, providing flexibility for parental leave or college assistance for Gen X, and providing more incentives and guidance for Gen Y.







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