

Deferred Compensation Plan

BOARD REPORT 15-07

Date: January 5, 2015
To: Board of Deferred Compensation Administration
From: Staff
Subject: NSFRW Retiree Survey Review

*Board of Deferred
Compensation Administration
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Recommendation: That the Board of Deferred Compensation receive and file this report regarding retiree survey results for the 2014 National Save for Retirement Week engagement/awareness campaign.

Discussion:

At its August 19, 2014 meeting, the Board approved staff's recommendation for an engagement/awareness campaign for the 2014 National Save for Retirement Week event. The campaign was branded under the theme of "What Does My Retirement Look Like?" and had two primary components. First, active Plan participants were encouraged to use the Plan's Retirement Income Projection Calculator and report their results in order to become eligible for a random gift card drawing. Retired Plan participants were encouraged to complete a retirement income survey and similarly submit their results in order to become eligible for a random gift card drawing. The National Save for Retirement Week campaign began on October 15, 2014 and ended on October 31, 2014.

The promotion was communicated through e-mail, regular mail, quarterly statement and website announcements. A total of 259 retiree survey responses were received. Of these, 221 were eligible entry drawings for the "What Does My Retirement Look Like?" promotion and an additional 38 surveys were submitted anonymously.

Some of the more notable survey highlights are outlined below. Also included for comparative purposes is data from a 2014 T. Rowe Price national survey which included 1,507 retirees and asked some of the same questions included in the City's survey. In addition to being a useful point of comparison, the T. Rowe Price survey results were similar in many areas to City survey results, suggesting that the City's sample size could be considered to be representative of the population as a whole. The full survey questions and responses are provided graphically in Attachment A.

- 91% of respondents were satisfied with their overall experience in retirement, similar to the 89% satisfaction level indicated in the T. Rowe Price survey.
- A surprising 70% indicated they do not rely on their Deferred Compensation Plan accounts to provide an ongoing source of retirement income.

Deferred Compensation Plan

BOARD REPORT 15-07

- Relatedly, 41% expect to leave a significant portion of their accounts to their heirs, with just 59% expecting to spend most of their accounts before they die (these results almost exactly matched the T. Rowe Price retiree survey results which found that 59% of their respondents expected to spend all of their accounts and 42% expected to leave a significant portion to heirs).
- Along similar lines, 64% indicated they're more comfortable saving further rather than withdrawing from their retirement accounts (74% of respondents responded similarly in the T. Rowe Price survey) and 59% indicated they don't need to spend as much as they did before they retired in order to be satisfied (this compares to 85% who responded similarly in the T. Rowe Price survey).
- Only 12.4% indicated they found it hard to live on their retirement paycheck, compared to 31% who responded similarly in the T. Rowe Price survey.
- A surprising 72% indicated they continue to invest in equities in retirement; this compares to 51% of T. Rowe Price survey respondents who indicated they had investments in stocks or asset allocation funds.
- 14.4% have paid employment in addition to their other retirement sources of income – this compares to 20% in the T. Rowe Price survey.
- 21% indicated their beneficiary designation was outdated – if this percentage is true for the population as a whole, it suggests the Plan should be engaging in greater efforts to promote updating of these designations.

Additional comments were received and ranged in topic from concerns about taxes to requests for education about distributions and minimum required distributions, investment advice services, and web access functions. Those comments are included in Attachment A as well.

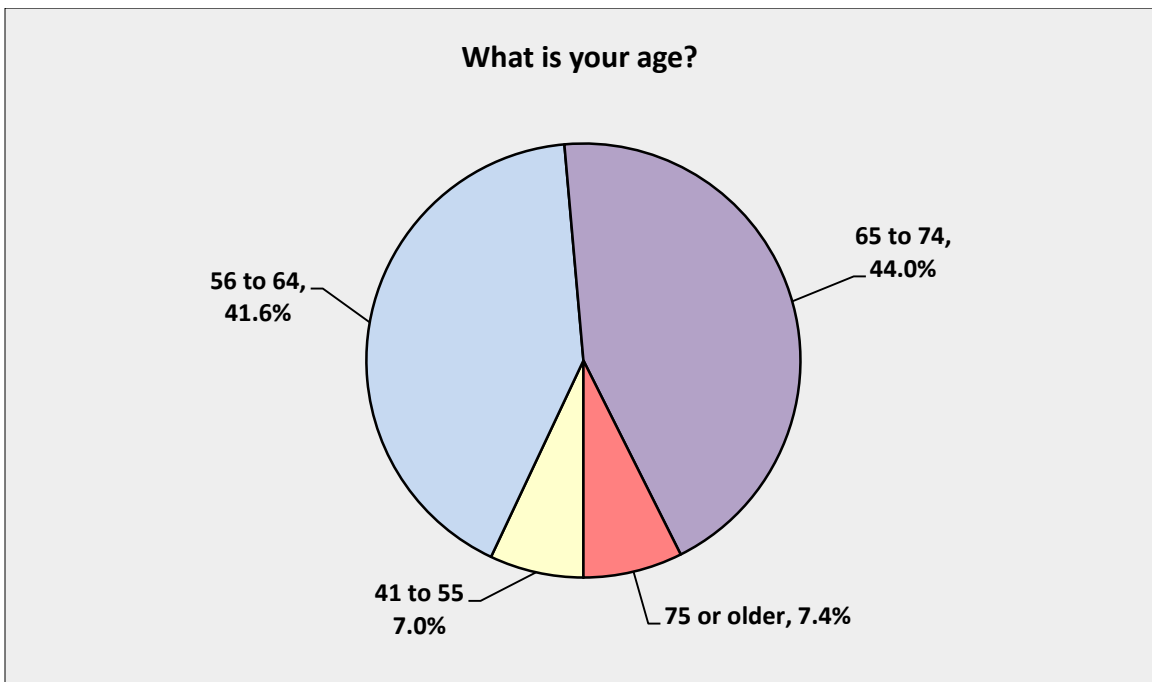
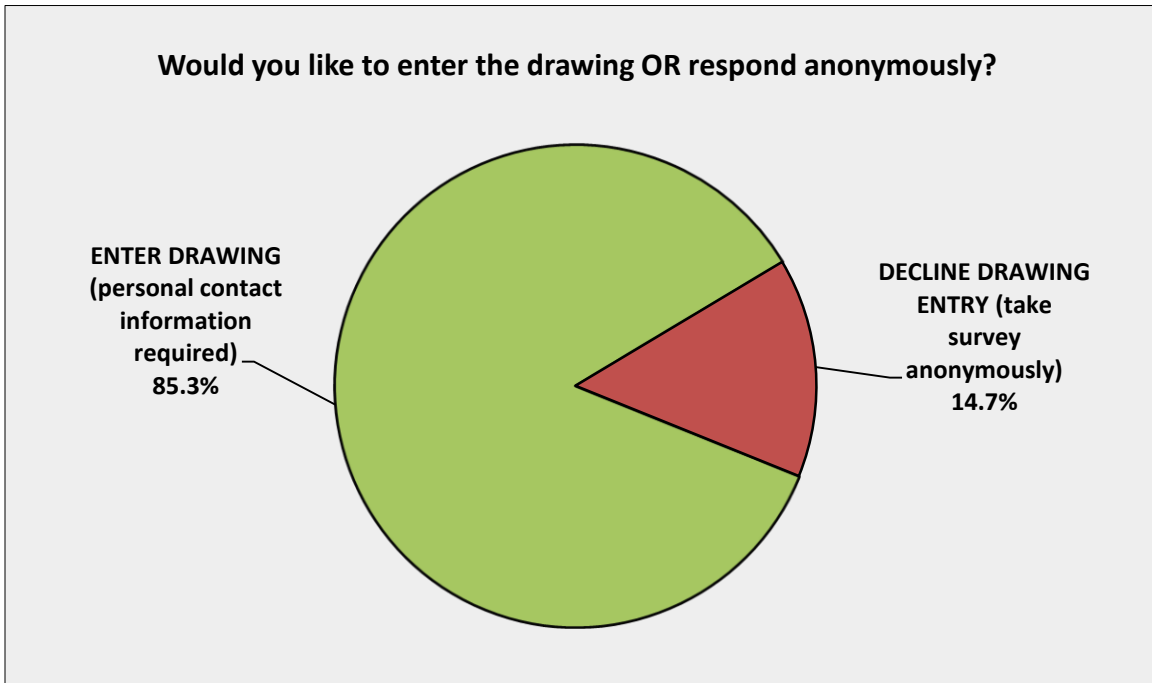
These survey results help to establish a useful baseline of statistics which the Plan can measure over time for the purpose of conducting trend analysis. These results further stimulated thoughts for refining or adding further questions for the next iteration of the survey which could be conducted in a similar campaign for the 2015 National Save for Retirement Week.

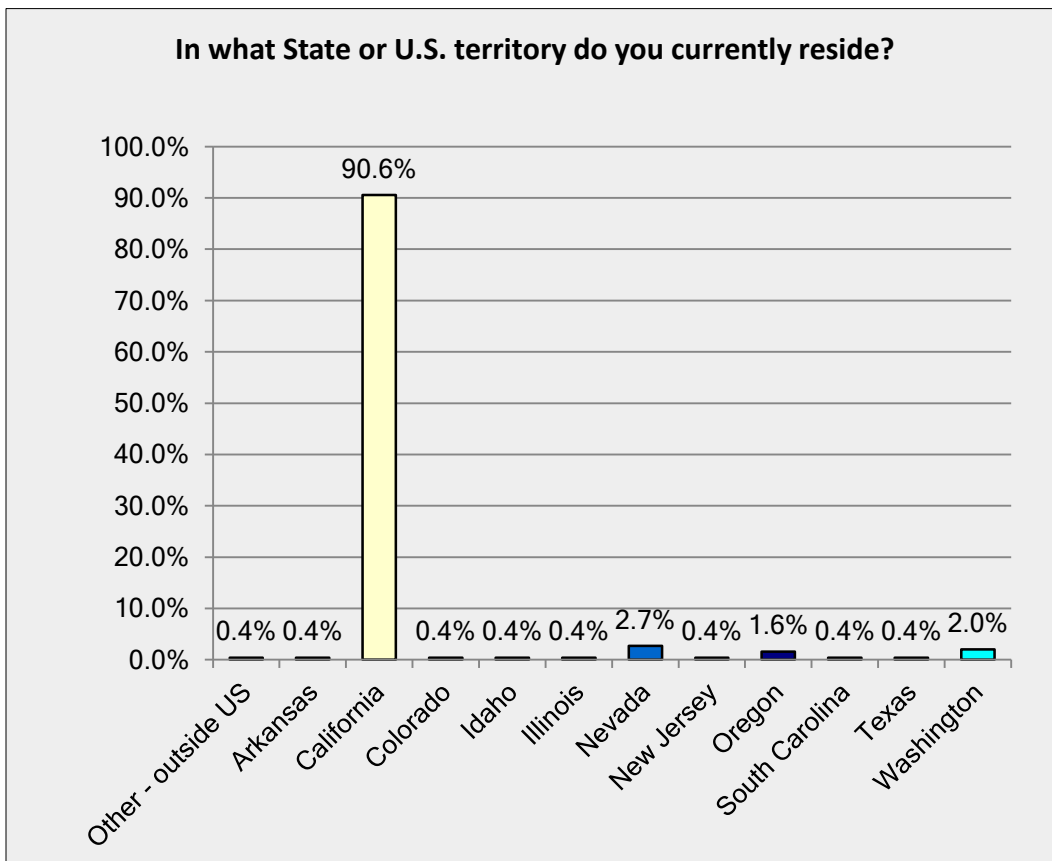
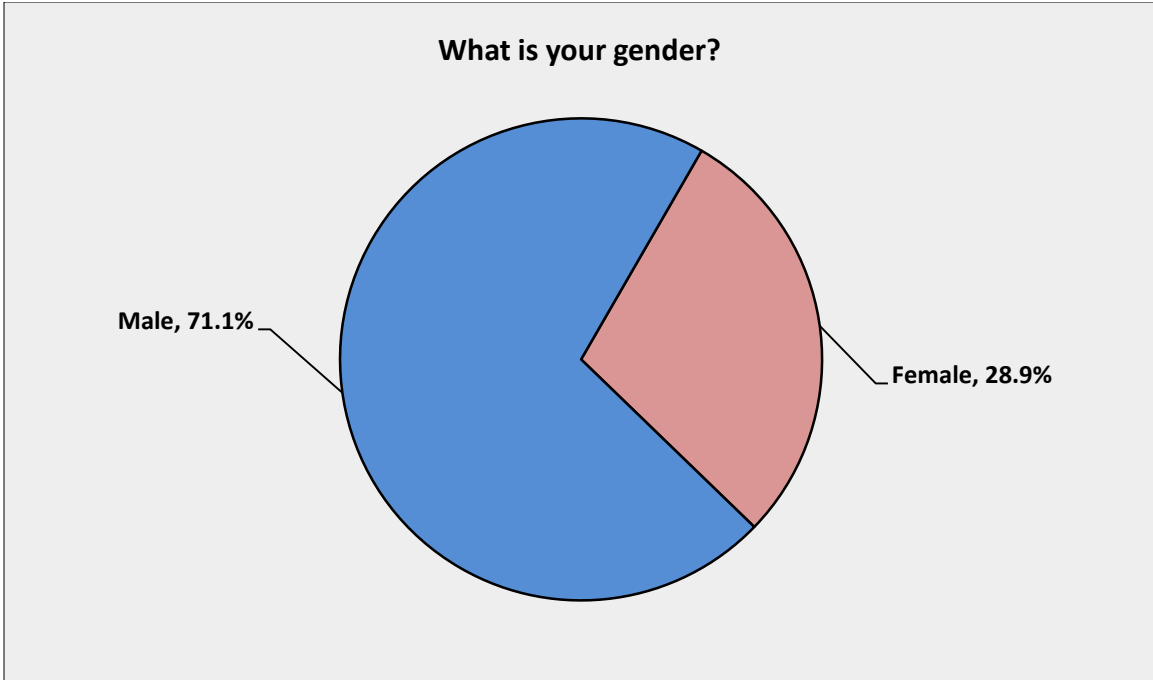
Submitted by: _____
Paul Makowski

Reviewed by: _____
Esther Chang

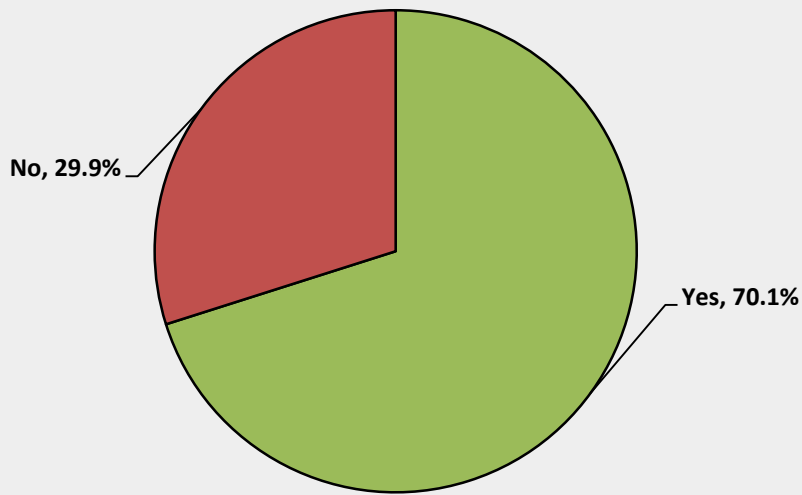
Approved by: _____
Steven Montagna

RETIREMENT INCOME SECURITY SURVEY – RESULTS

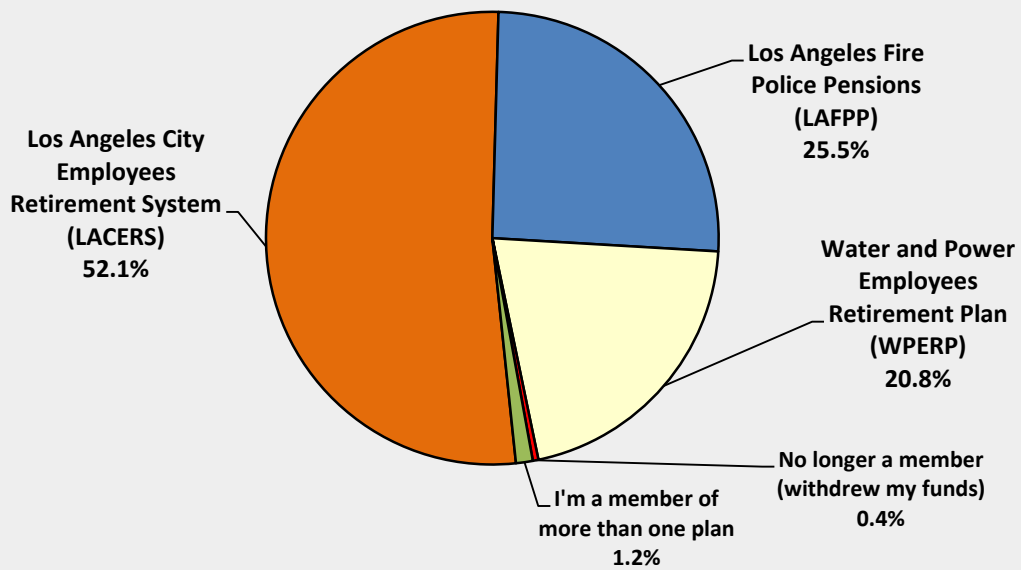




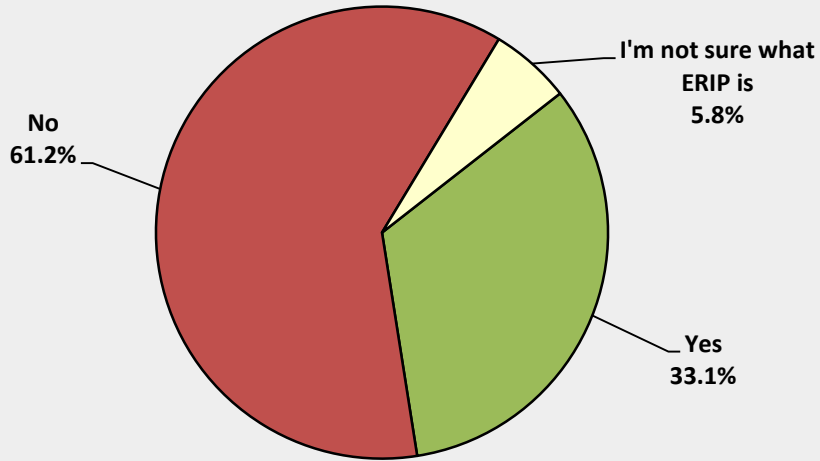
Are you currently a resident of Los Angeles County?



Of which retirement plan are you a member?

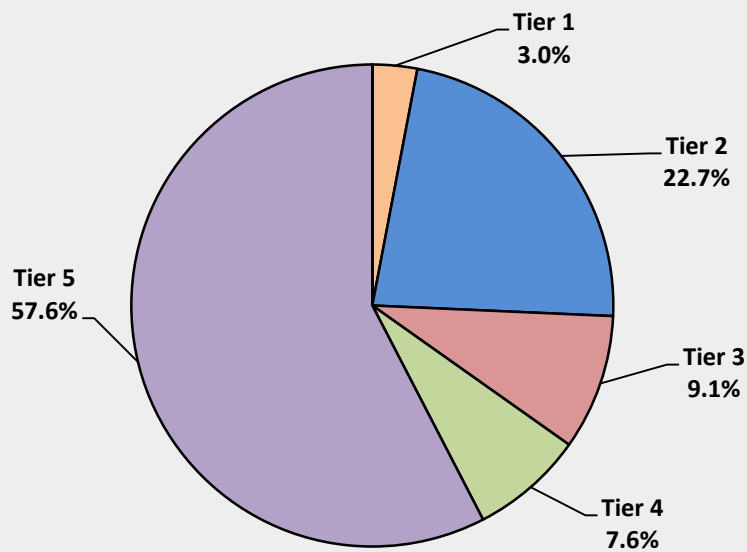


Did you retire or separate under the Early Retirement Incentive Program (ERIP)? [LACERS only]



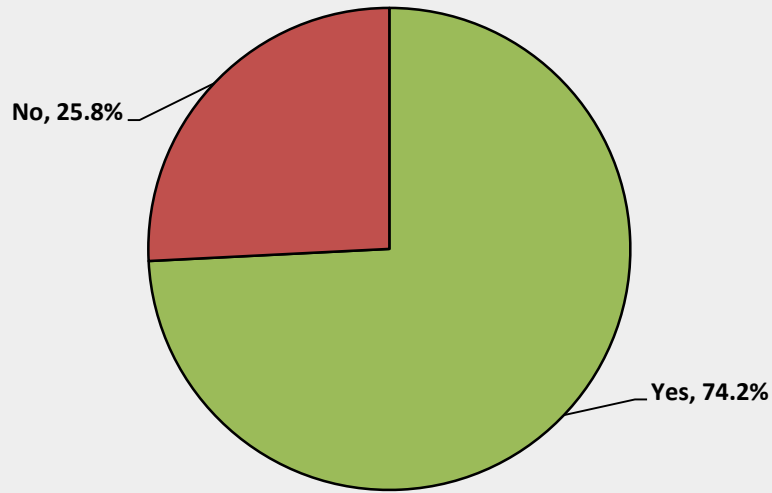
139 Responses

Under which Tier did you retire? [LAFPP only]



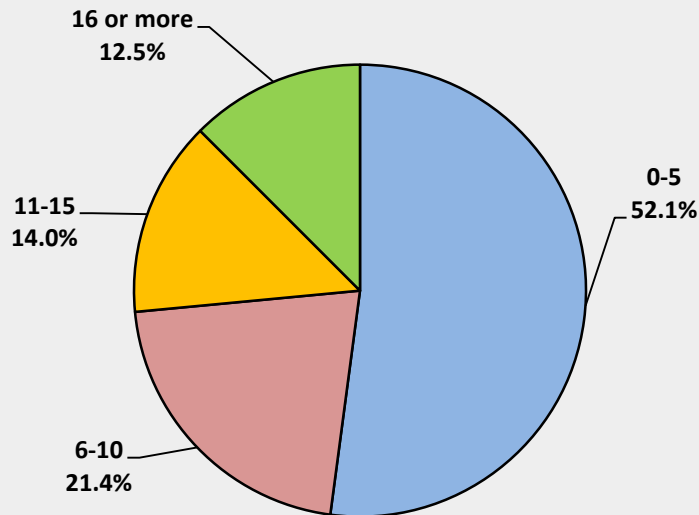
66 Responses

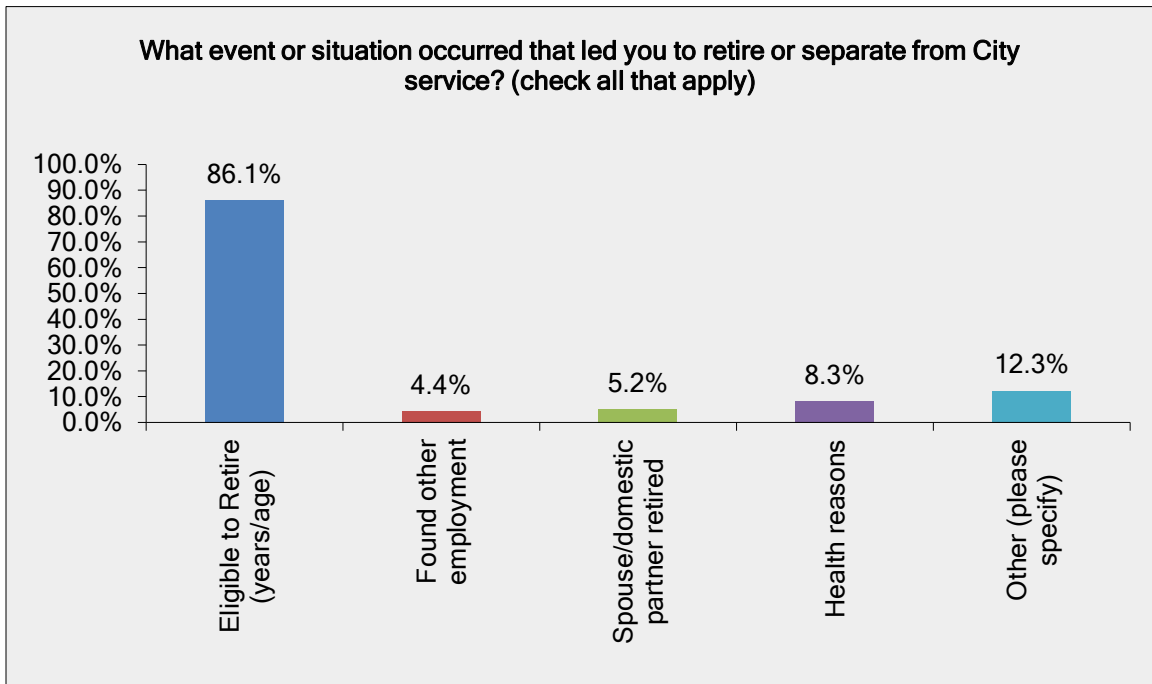
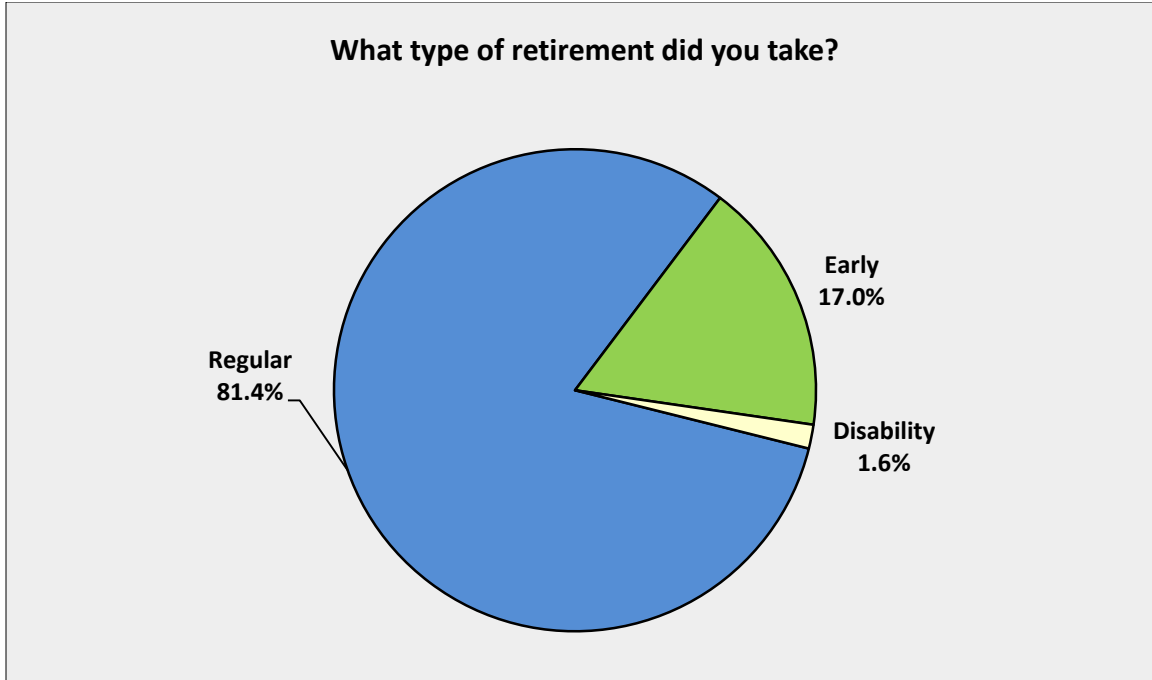
**Were you in the Deferred Retirement Option Program (DROP)?
[LAFPP only]**



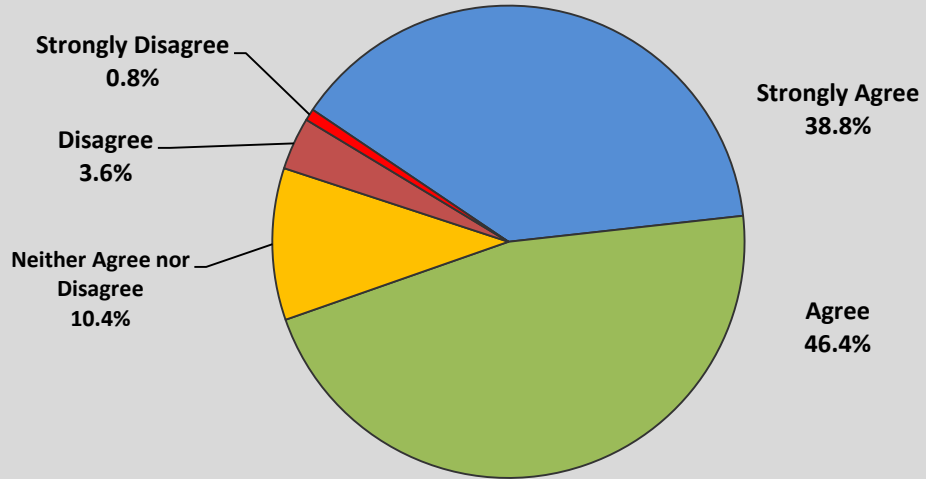
66 Responses

**How many years has it been since you retired/separated from City
service?**

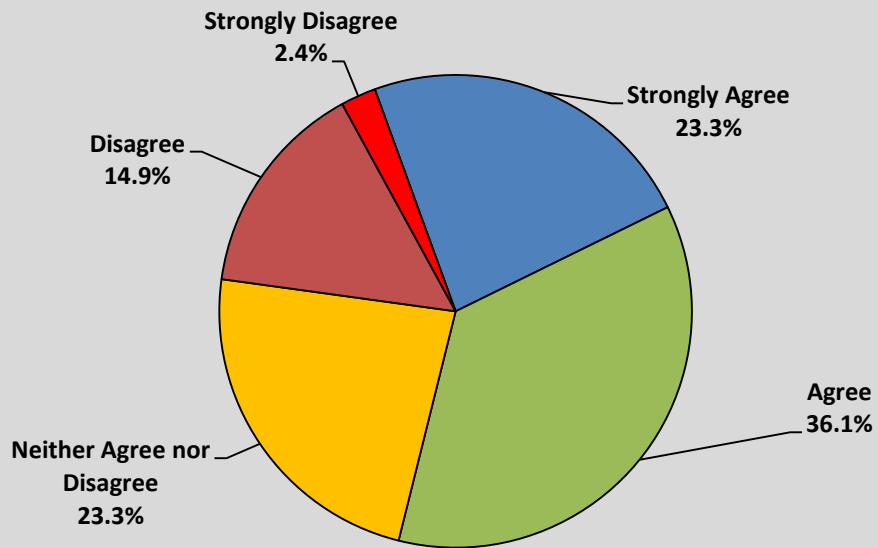




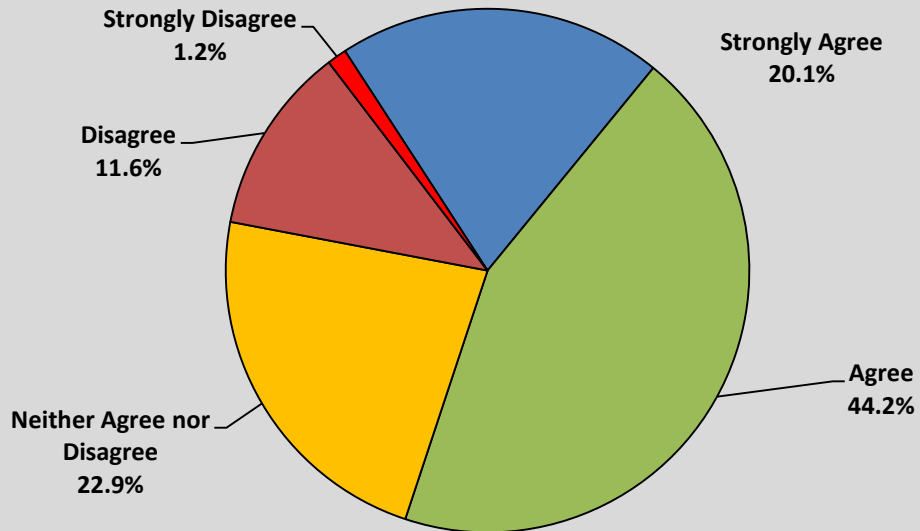
I've discovered that I can adjust my lifestyle according to my income.



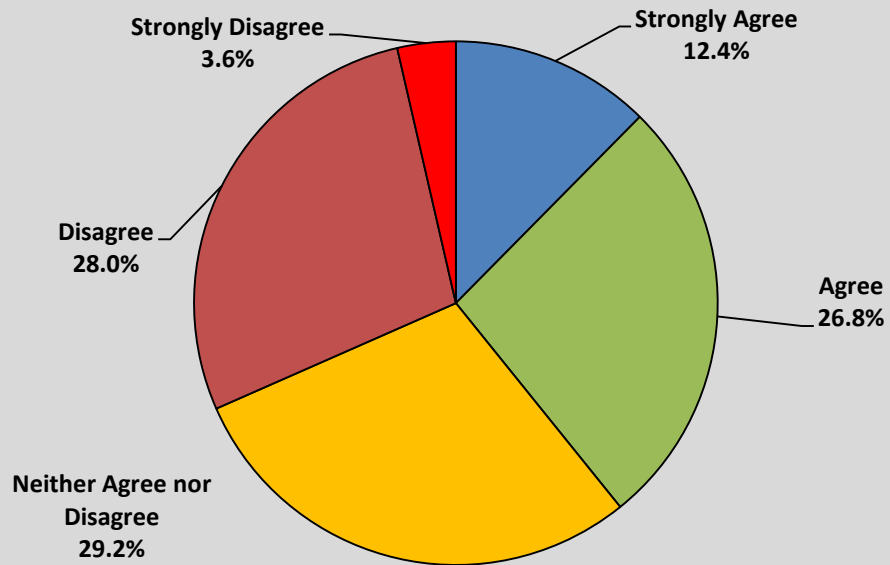
I don't need to spend as much as I did before I retired to be satisfied.



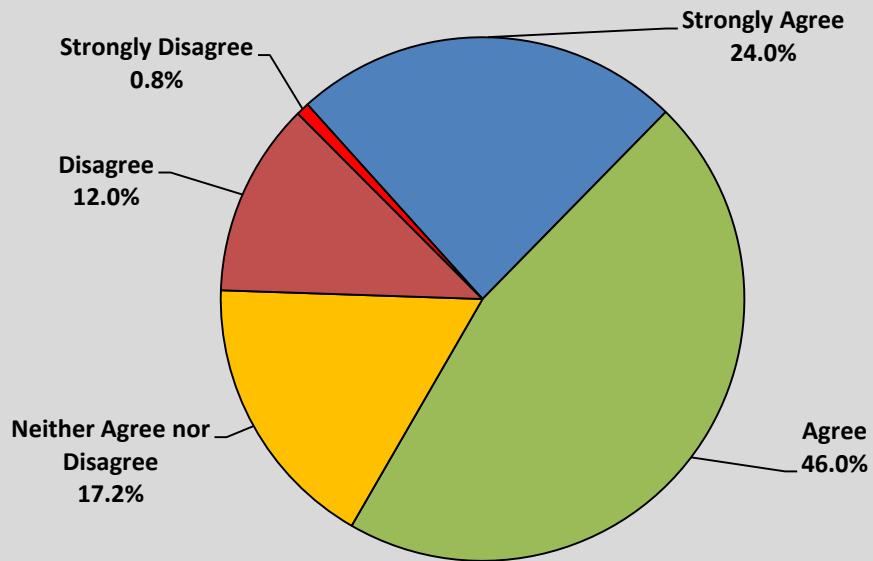
I am more comfortable saving than spending and withdrawing from my retirement accounts.



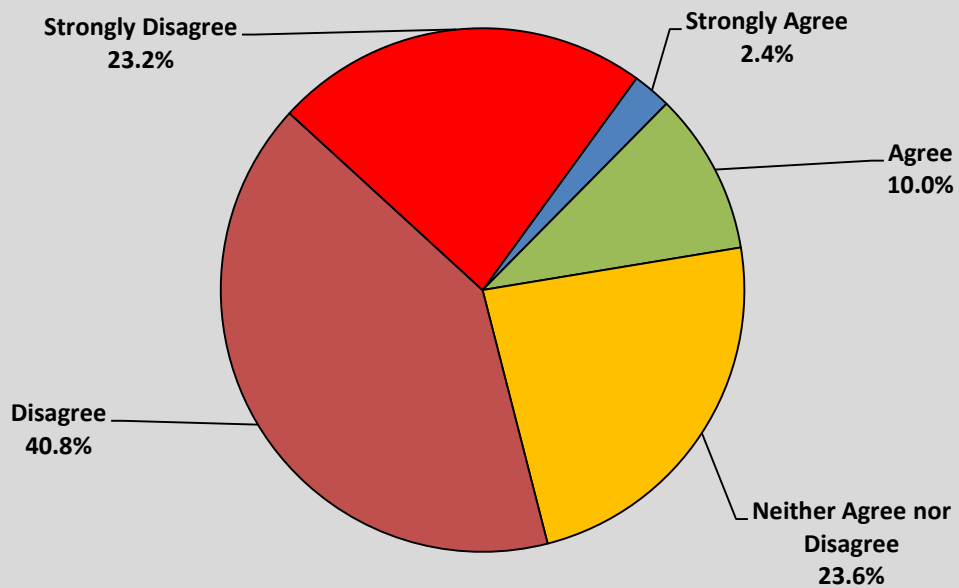
I've discovered that having more time while retired allows me to spend less money

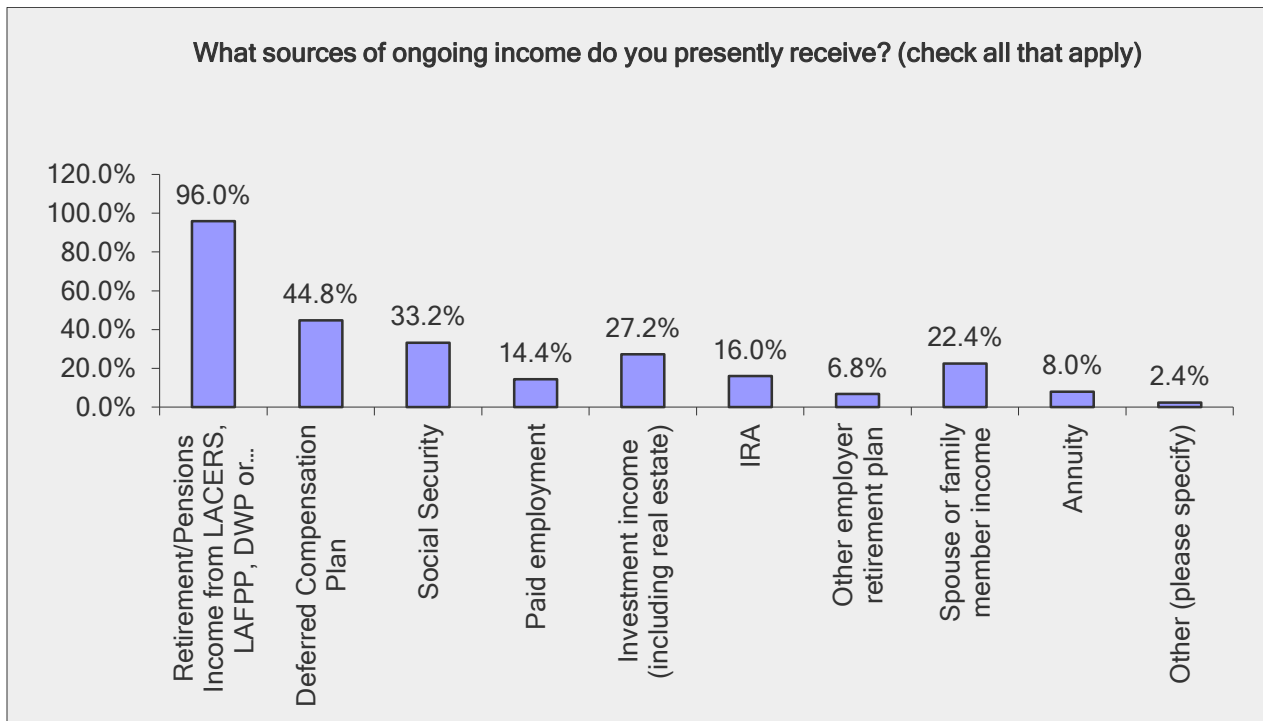
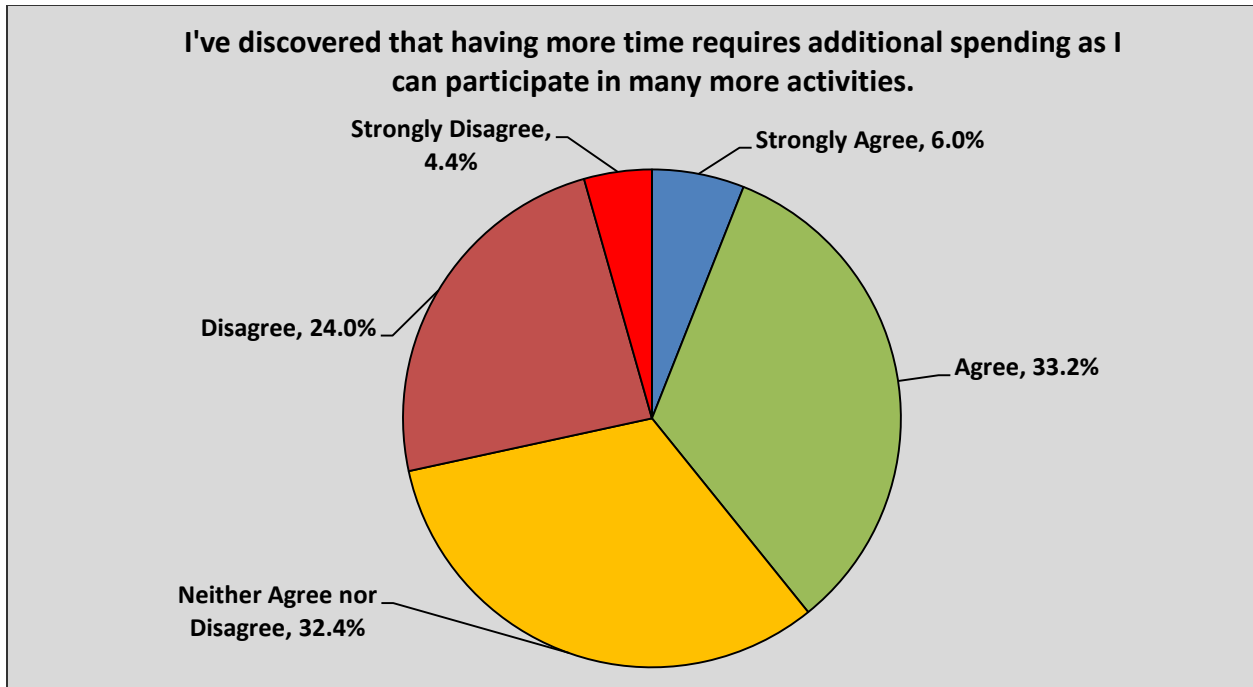


It is important to maintain the same lifestyle I had pre-retirement.



I am surprised how hard it is to live on my retirement paycheck.





"OTHER" Answers:

Husband helps me as my total income is not enough. (poverty)

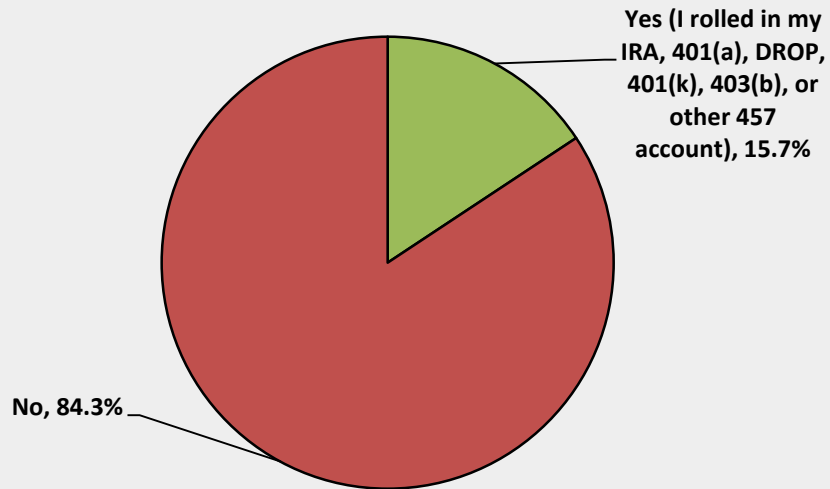
Union pension

va disability

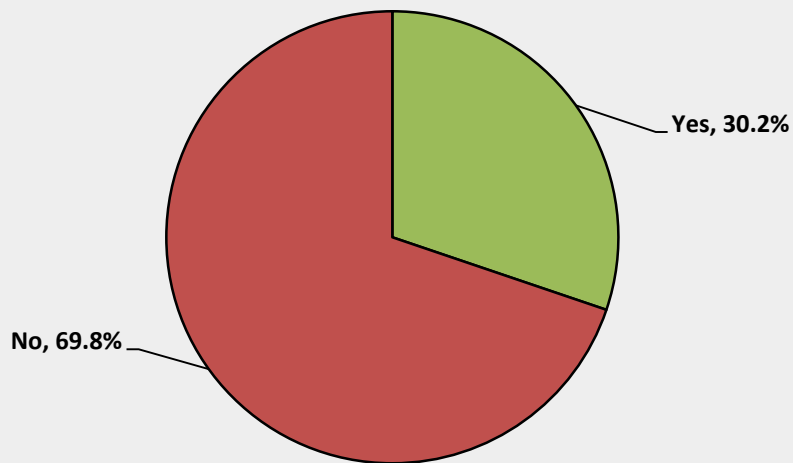
Divorce judgement monthly pension

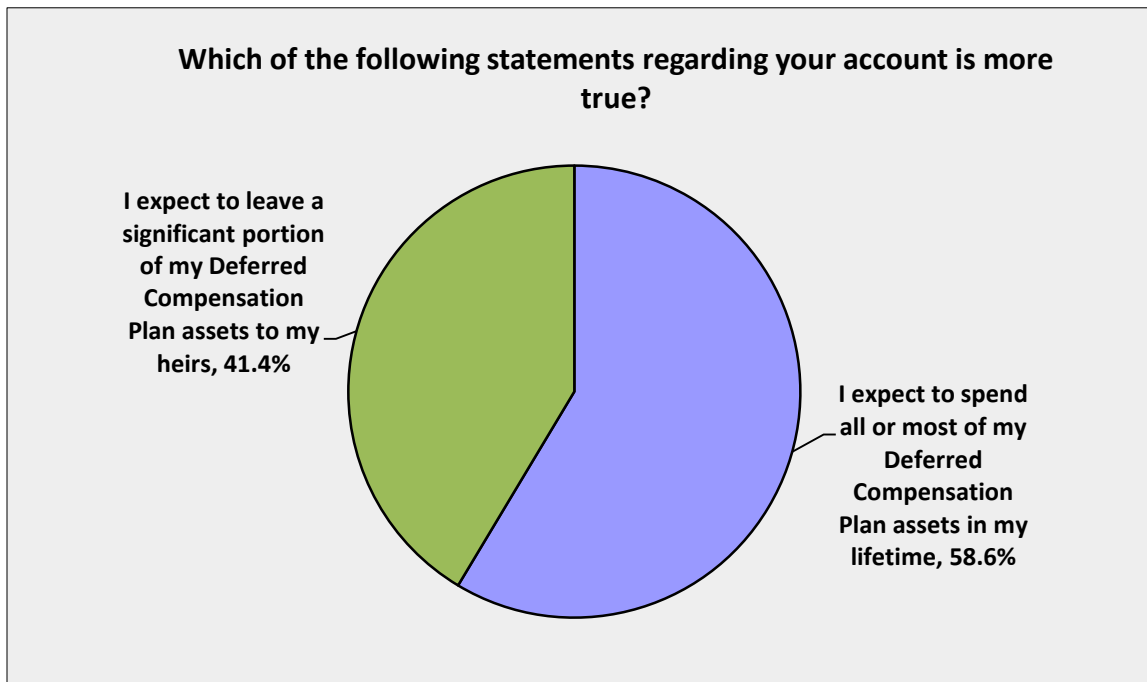
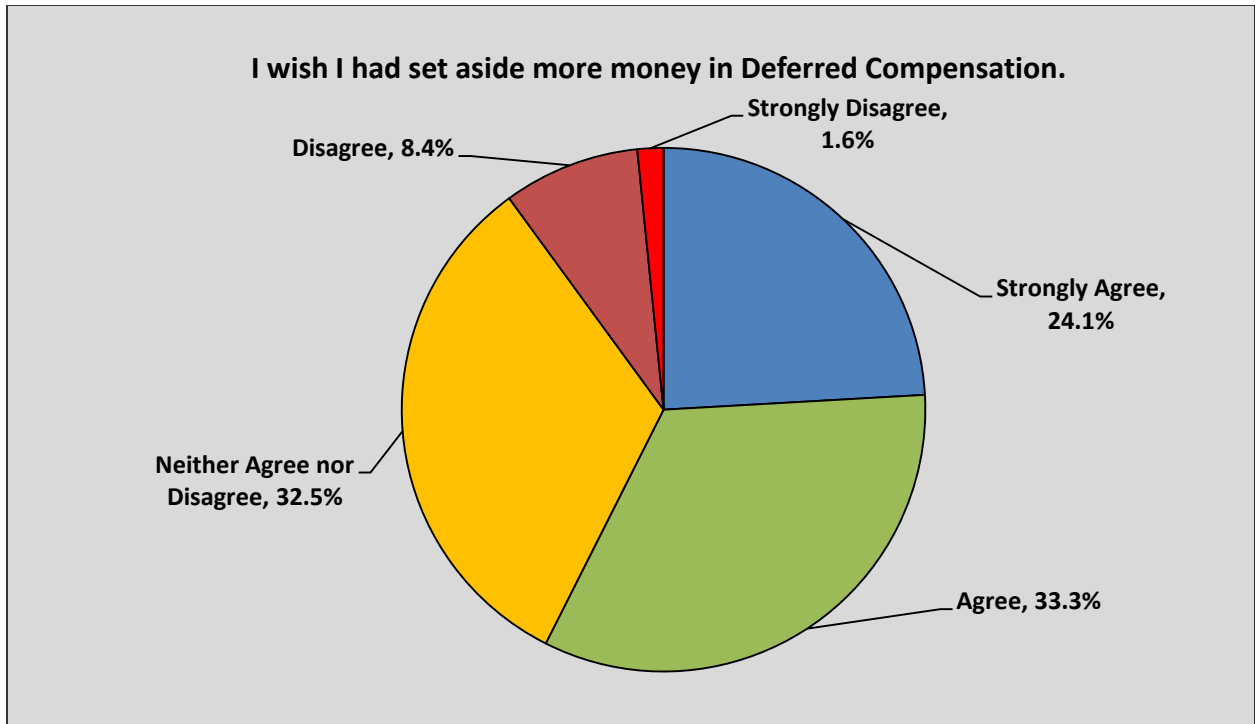
DROP

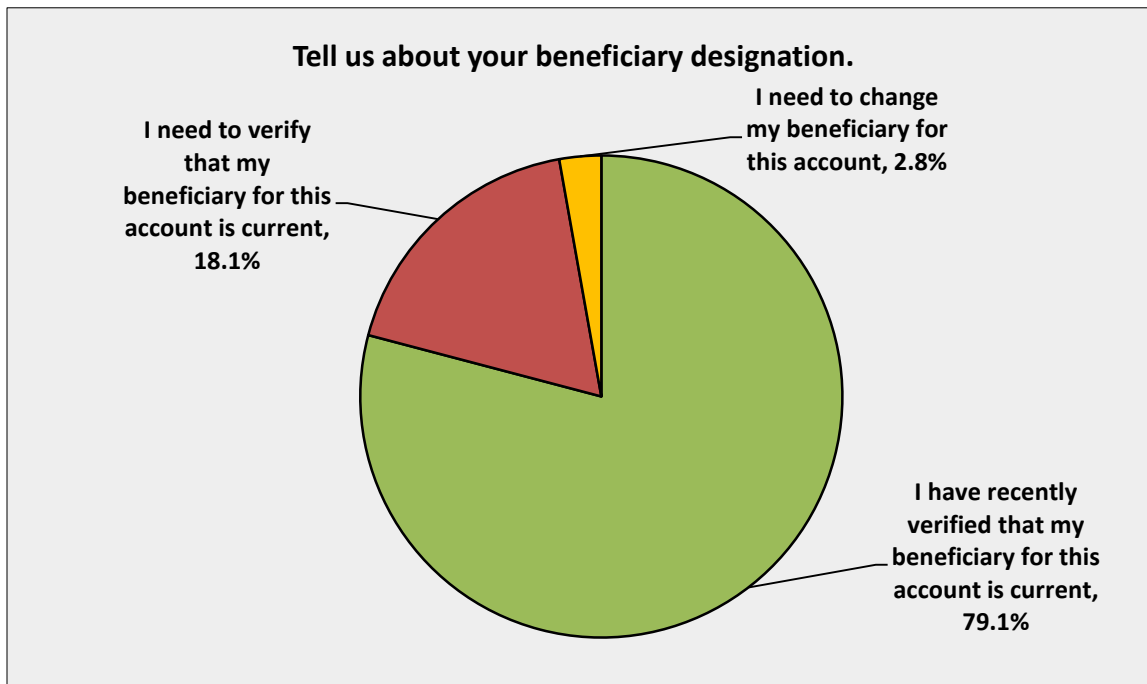
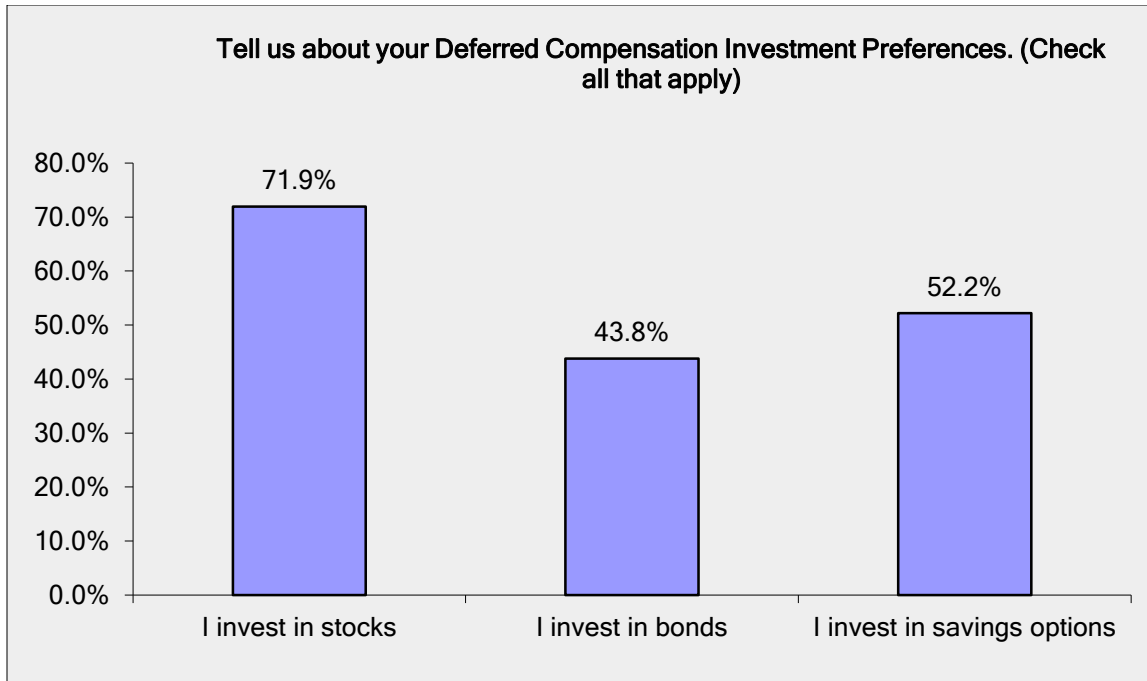
**Have you rolled other retirement account assets into the City of LA
Deferred Compensation Plan?**



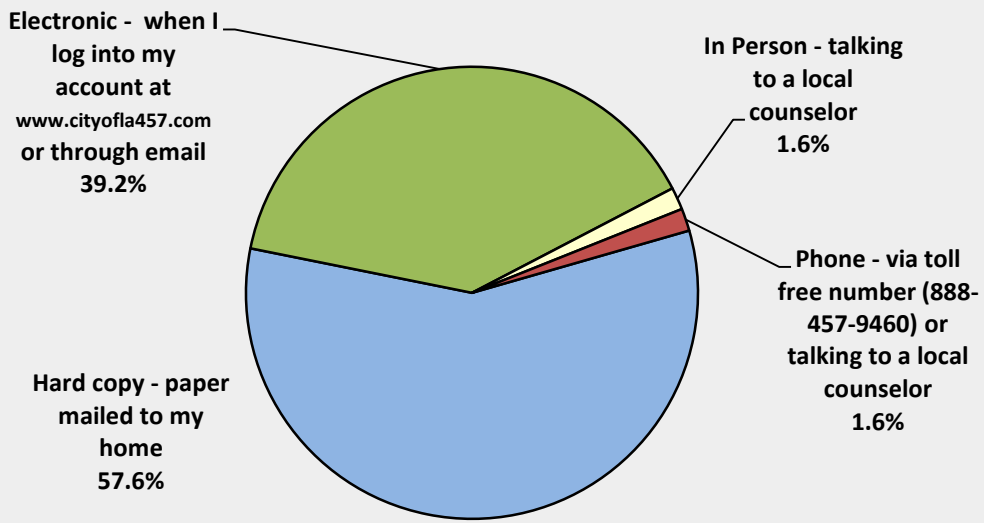
**I rely on my Deferred Compensation account to provide an ongoing
source of retirement income.**



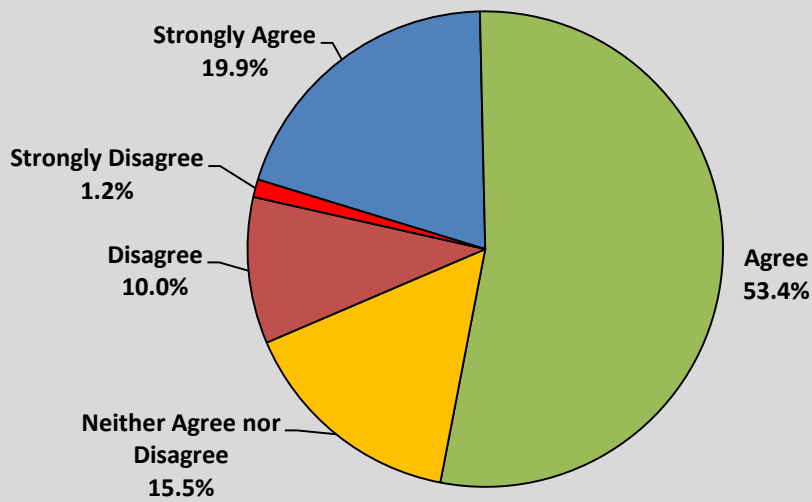




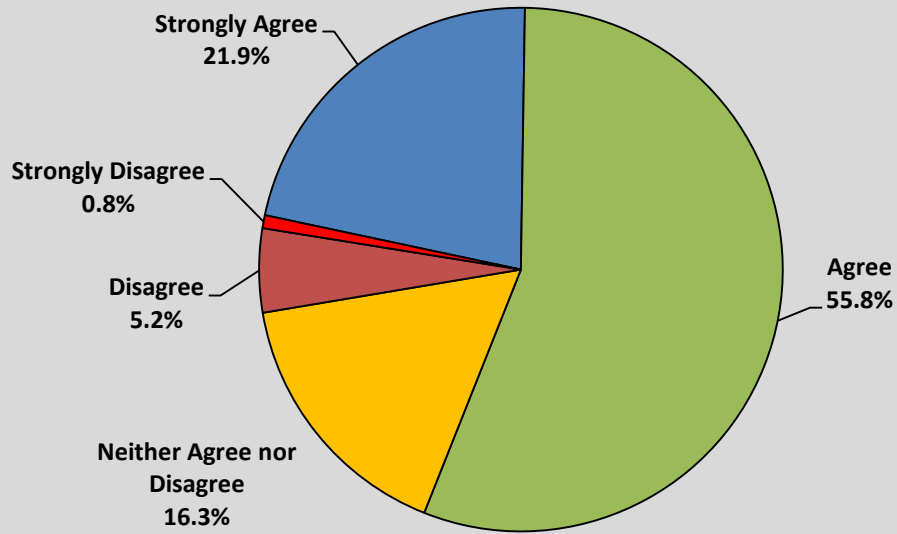
What is your preferred method to receive or obtain Plan information?



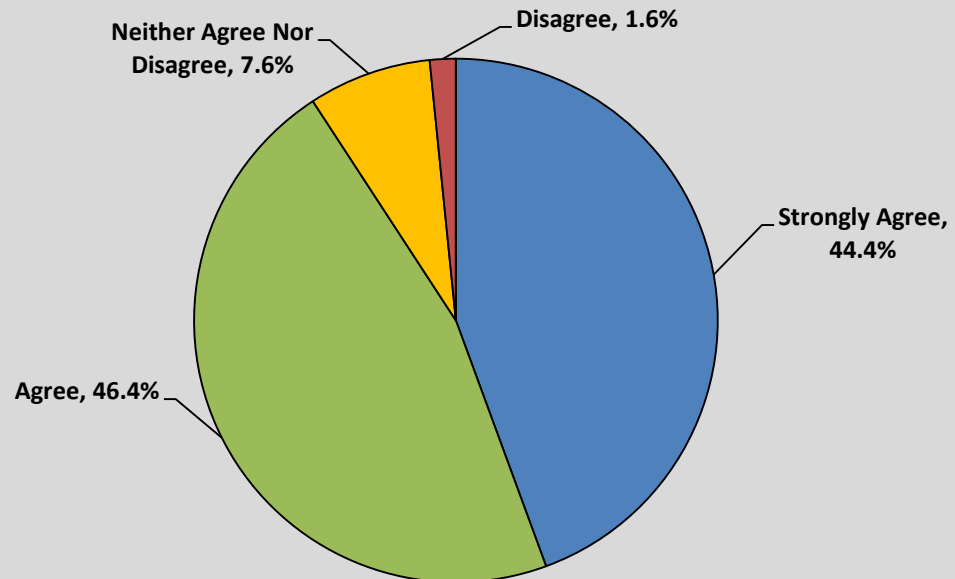
I am satisfied with the present state of my physical health.



I am satisfied with the quality and quantity of my social opportunities with others.



All things considered, I am satisfied with my overall experience of being retired.



GENERAL COMMENTS

<p>Yes, I would like to see retirees able to continue to contribute to their deferred compensation account after retirement, taken out of our retirement checks. Thank you</p>
<p>Thanks to the City of LA and LADWP for the deferred compensation plan and military buyback otherwise I would have had to work much longer. The deferred compensation plan is a Big Plus for employees!</p>
<p>Although my Deferred Compensation check is small (since I requested for the minimal amount), I'm glad that I was able to take out the minimal amount, so I'd be able to receive a check for the rest of my life. This will control on anybody's allowance each month as most of us cannot control over spending. I'm glad I was able to get involved with the Deferred Compensation. Thank you.</p>
<p>The Deferred Compensation Plan is a great retirement benefit. Keep it going!</p>
<p>1. I would like to go back to work full time. I miss my job and the people I used to work with. Its been more than 30 yrs with the same people and many have died. I'm OK. 2. I only wish i had started my 457 deferred comp early 3. I'm strong like bull and fit as fiddle. Need work 4. I would become a DWP Full time employee in a New York minute. 5. Thanks so much</p>
<p>At 70 you have to start with drawing from your account. Why don't you take the tax out automatically when a person says take out the minimum amount each year. You do that prior to 70,you tax the amount withdrawn.</p>
<p>Advise prospective retirees that a Def Comp Loan will be a Taxable distribution in the year of retirement. I did not know this and had a HUGE tax bill in the 1st year of retirement.</p>
<p>I am very happy with my Deferred Comp experience - both in performance as well as the user-friendly website. Thank you.</p>
<p>i should put more \$ in my deferred compensation before my retirement.</p>
<p>I am very grateful for LACERS and the City's Deferred Compensation Plan. I am quite concerned about John Arnold's assault on public pensions.</p>
<p>Never cash out Deferred Comp all at one time. Tax consequence is too large. Please relay the message to all.</p>
<p>I strongly recommend all employees contribute to deferred comp, a small contribution is better than nothing. It is an excellent savings account which has the ability to increase over the years.</p>
<p>I am invested in Deferred Comp and have a 401(k) but am not withdrawing any of it yet</p>
<p>I wish the same information were available before I retired because not only benefits to me, prevention will result net saving to the City health costs. It is less costly to prevent than to cure. It cost less and more effective to start at younger age.</p>
<p>Nope, I advise people on the job to really save in deferred Comp.</p>
<p>Living in a Continuing Care Retirement Community is a secure and rewarding way to live in retirement.</p>

<p>I am planning to withdraw monthly payment from my plan for additional income near future.</p>
<p>Solve some medical problems and I'll be much happier.</p>
<p>I believe you need to get as close to 100% of your current pre-retirement income level to live a comfortable and active retirement.</p>
<p>I joined the City at an old age. Still, I am glad I saved within the maximum allowed limit for my deferred compensation plan.</p>
<p>Deferred comp has given me an additional layer of security. I am glad that the City had made it available to all employees.</p>
<p>What can I do to lower my taxes on RMD</p>
<p>I would like to go back to work, either part time or full time. I could use the extra money. Also, need the interaction with people at work.</p>
<p>I planned for my retirement by saving and investing. My deferred compensation account was a vital part of that. My wife and I are doing very good with our retirement.</p>
<p>Age and sparse usage mean that many will forget their ID/PIN - the reset procedure should be easy and clear - and online. There should be an easy way to select automatic minimum distribution in advance so this need not be a concern. Periodic beneficiary reminders should be done so this information is kept up to date. The procedure for getting a financial PoA recognized should be clear and easy. Surveys should capture answers page by page so we don't have to do the whole thing over due to slow internet.</p>
<p>Retirement is great, life's surprises are hard to take sometimes. I wish I could have retired in a state where the government and politicians didn't steal my money. Oh well.</p>
<p>For a live person to answer the phones instead of a recording.</p>
<p>Miss my work friends but happy to be retired.</p>
<p>I wish I planned for retirement earlier!</p>
<p>According to the City of LA "Alive" Newspaper, the three retirement funds for the past year received about an 18% return on investments. Great! It would be nice if Deferred Comp would advise active and retired employees on how to get the same rate of return on their personal investment options offered in the quarterly newsletter</p>



First Look: Assessing the New Retiree Experience
SURVEY HIGHLIGHTS

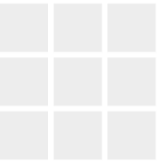


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DEMOGRAPHIC AND FINANCIAL PROFILES

Age

How old are you?

	Workers	Retirees
Average age	57	65
Median age	56	66



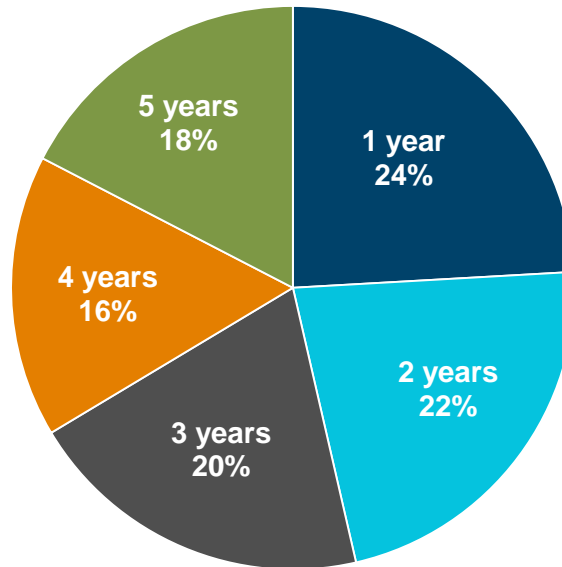
Q. 2

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How Long Ago Retired

About how long ago did you retire:

Base: Retirees	
Average	2.8 years
Median	3.0 years

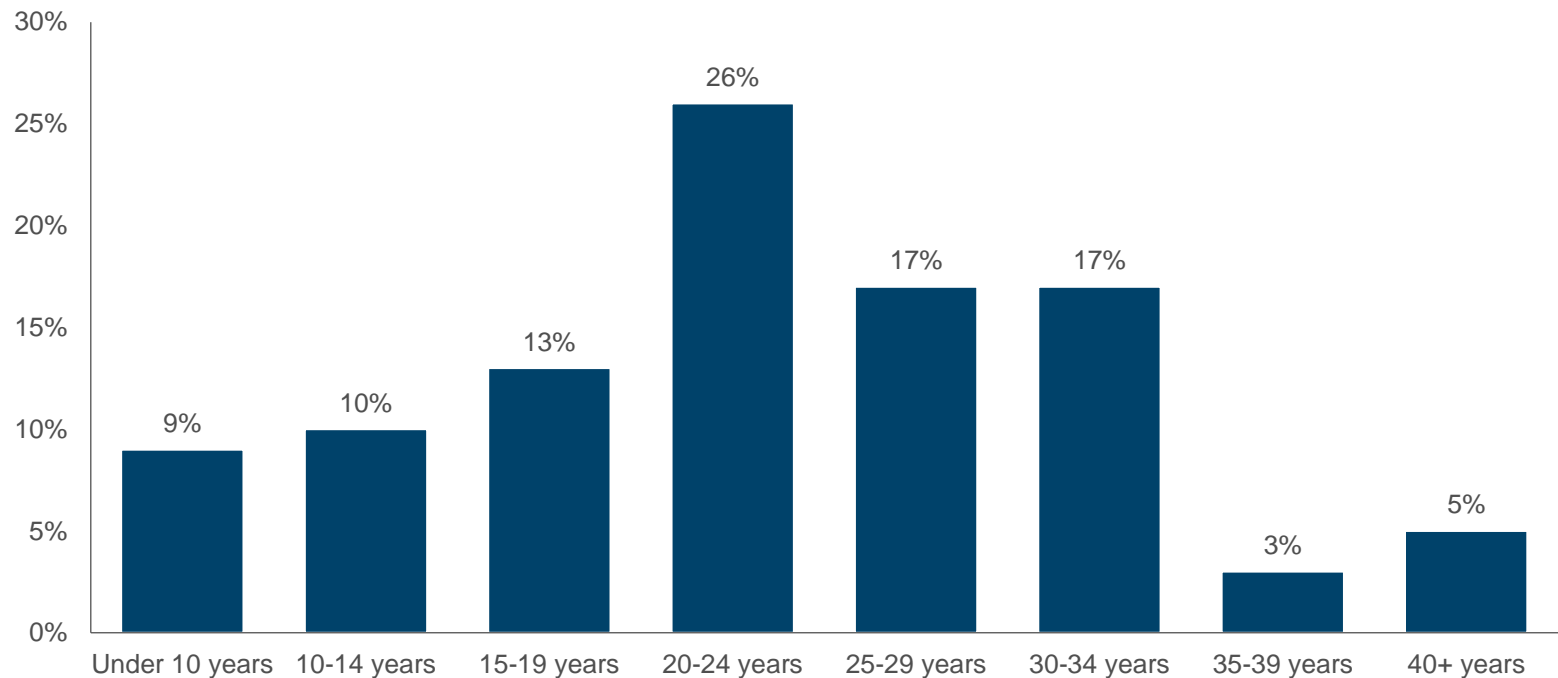


Q. 8
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Years Expect Income to Support Retirement

About how many more years do you expect your income sources in retirement will have to support you or a surviving spouse?

Base: Retirees
Average 21 years
Average age of retirees 65

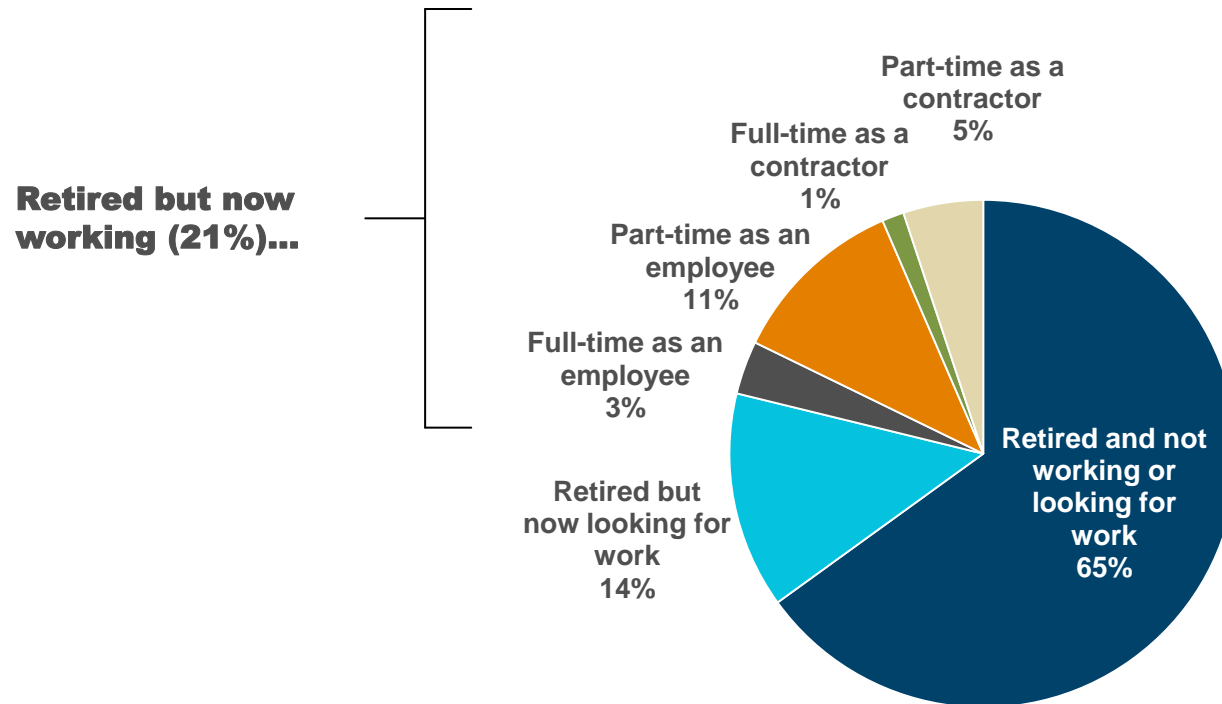


Q. 55
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Work Status

Base: Retirees

Bearing in mind that some people retire and then go back to work, which one of the following phrases best describes your work situation?



Q. 1
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Household Income Including Social Security

Including Social Security (if any) but not counting any income earned by other adults in your household, what was your personal income from all sources before taxes in 2013?

Including Social Security (if any) what was the income earned by other adults in your household from all sources before taxes in 2013?

	Workers %	Retirees %
Less than \$25,000	3	13
\$25,000 to < \$50,000	11	32
\$50,000 to < \$75,000	15	15
\$75,000 to < \$100,000	19	13
\$100,000 to < \$125,000	16	9
\$125,000 to < \$150,000	12	7
\$150,000 to < \$175,000	6	4
\$175,000 to < \$200,000	6	2
\$200,000 to < \$225,000	4	1
\$225,000 to < \$250,000	3	1
\$250,000 to < \$300,000	5	2
\$300,000 or more	3	2
Average \$ in thousands	\$118	\$77
Median \$ in thousands	\$100	\$58

Q. 76, 77

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Household Investable Assets Plus Home Equity Less Debt

	Workers %	Retirees %
None or negative amount	8	4
Any to under \$50,000	9	10
\$50,000 to <\$100,000	6	5
\$100,000 to < \$250,000	14	15
\$250,000 to < \$500,000	15	18
\$500,000 to < \$750,000	12	9
\$750,000 to < \$1.0M	8	7
\$1.0M to < \$1.5M	11	12
\$1.5M to < \$2.5M	9	10
\$2.5M+	9	9
Average \$ in thousands	\$990	\$1,303
Median \$ in thousands	\$465	\$473

Q. 58, 66, 68

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Market Value and Asset Allocation

Mean values unless otherwise indicated

Please indicate the current market value of these assets held by you or by other members of your household.

Of this total, please indicate the percentage held in...

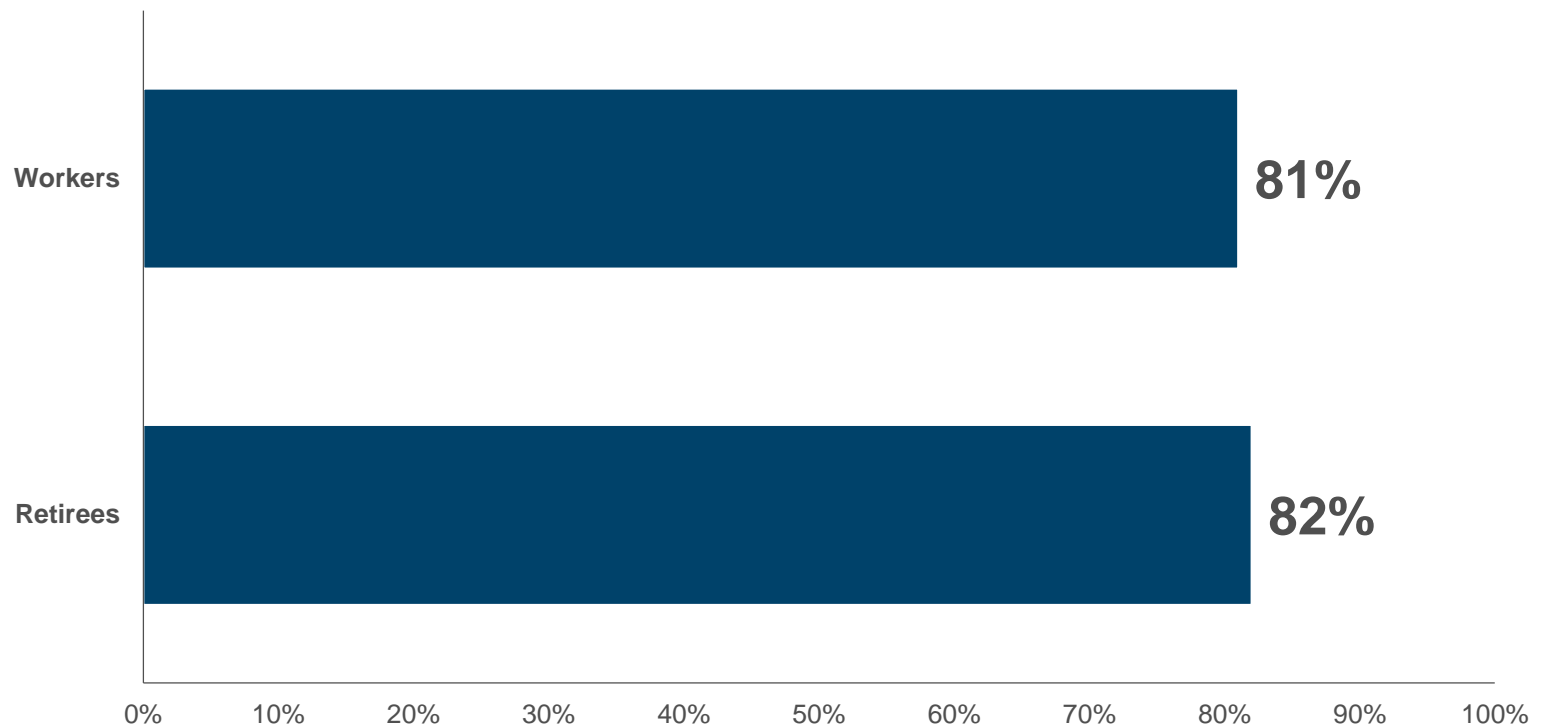
			Allocation%	
	Workers %	Retirees %	Workers	Retirees
Self	\$545	\$602		
Other member of household	211	316		
Total Household (mean)	\$756	\$917		
Total Household (median)	\$335	\$337		
Stock including employer stock or stock mutual funds excluding asset allocation funds	\$343	\$388	47	38
Bond or bond mutual funds excluding asset allocation funds	146	187	18	17
Money market mutual funds or checking and savings accounts	169	219	23	31
Asset allocation funds	98	123	13	13
Total Household	\$756	\$917	100	100

Q. 58-62

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Own Real Estate

Apart from real estate you may own through a business, do you own your own home, a second home or any other real estate?



Q. 65

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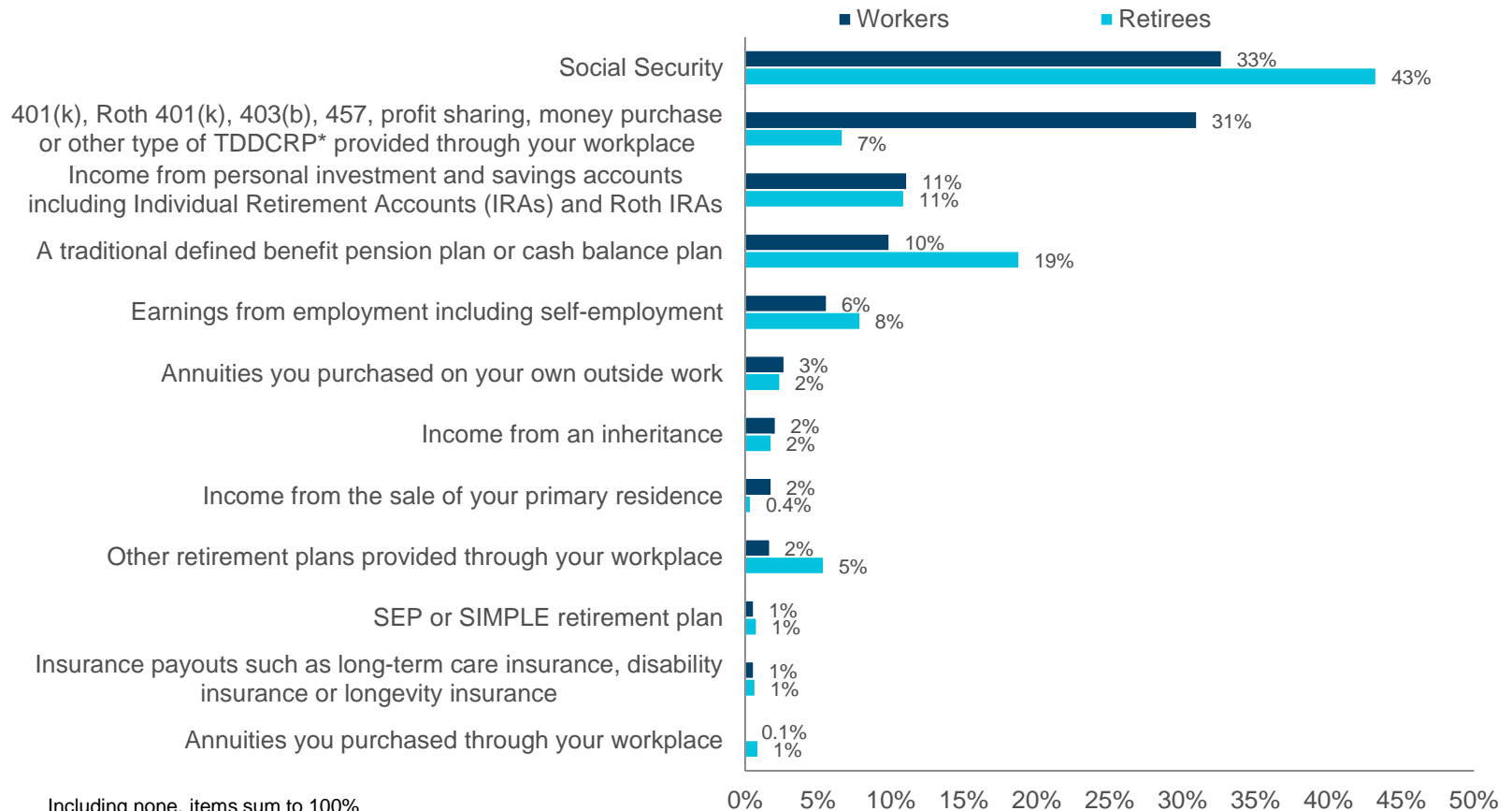


EXPECTED AND ACTUAL SOURCES OF RETIREMENT INCOME

Sources of Retirement Income (Mean%)

Approximately what percentage of your household income do you expect this source to provide in retirement?

Approximately what percentage of your household income does this provide?



Including none, items sum to 100%

* TDDCRP: Tax-deferred defined contribution retirement plan

Q. 35, 47

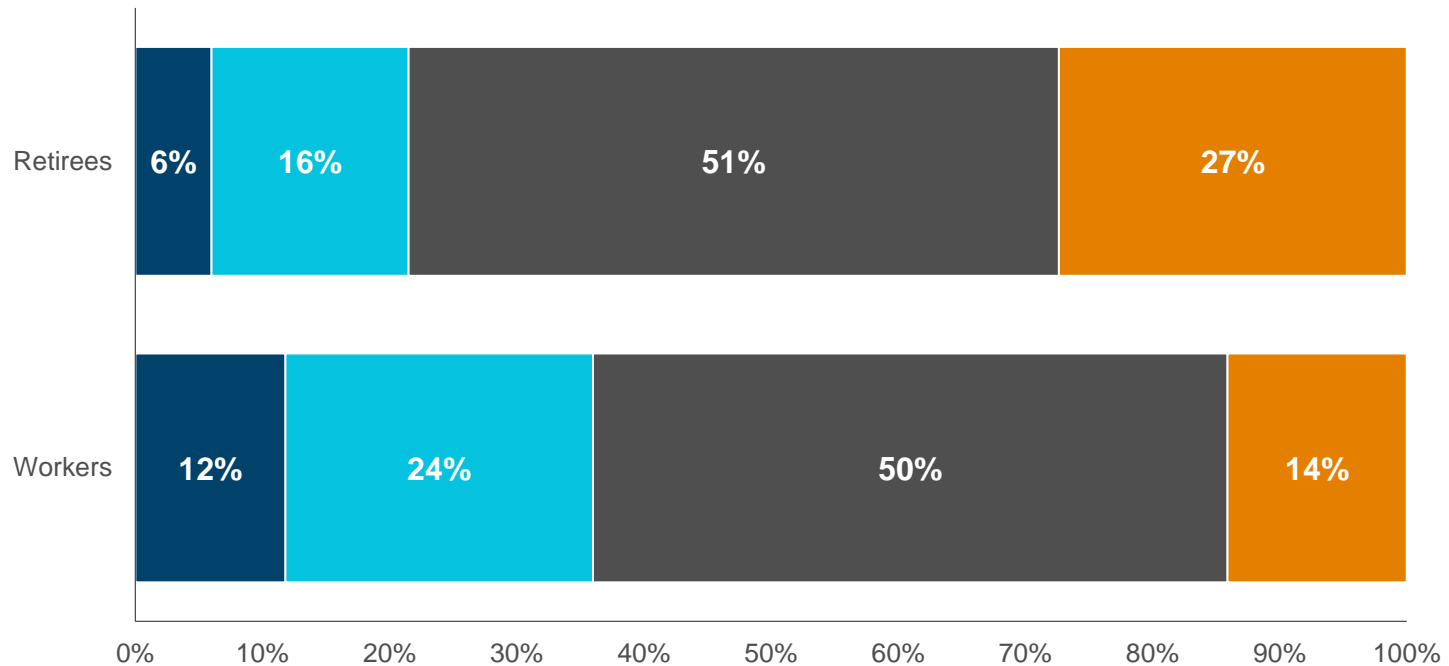
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On Track to Meet Financial Goals

All things considered, how comfortable are you that you are on track to meet your financial goals?

■ Not comfortable at all ■ Not very comfortable ■ Somewhat comfortable ■ Very comfortable



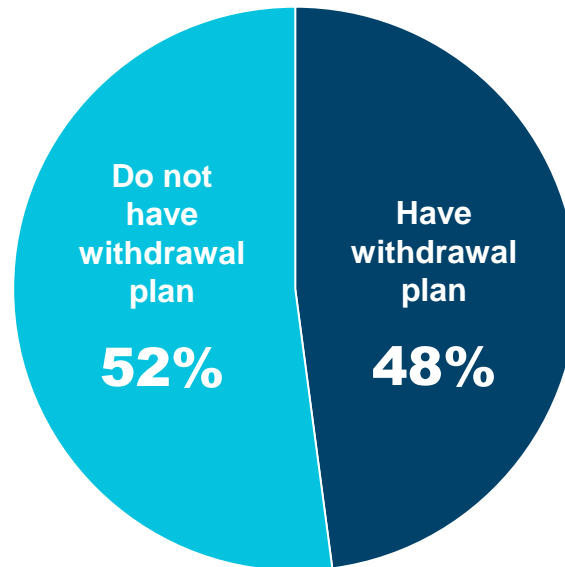
Q. 30

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Withdrawal Plan

Base: Retirees

Thinking about your investable assets—that's your stocks, stock mutual funds, bonds, bond mutual funds, asset allocation funds including target date funds, money market mutual funds and other cash equivalents whether held in a 401(k), an Individual Retirement Account or outside the workplace savings system and any savings and checking accounts you may have—do you have a withdrawal plan under which you withdraw and use as income a certain portion of these assets each year?



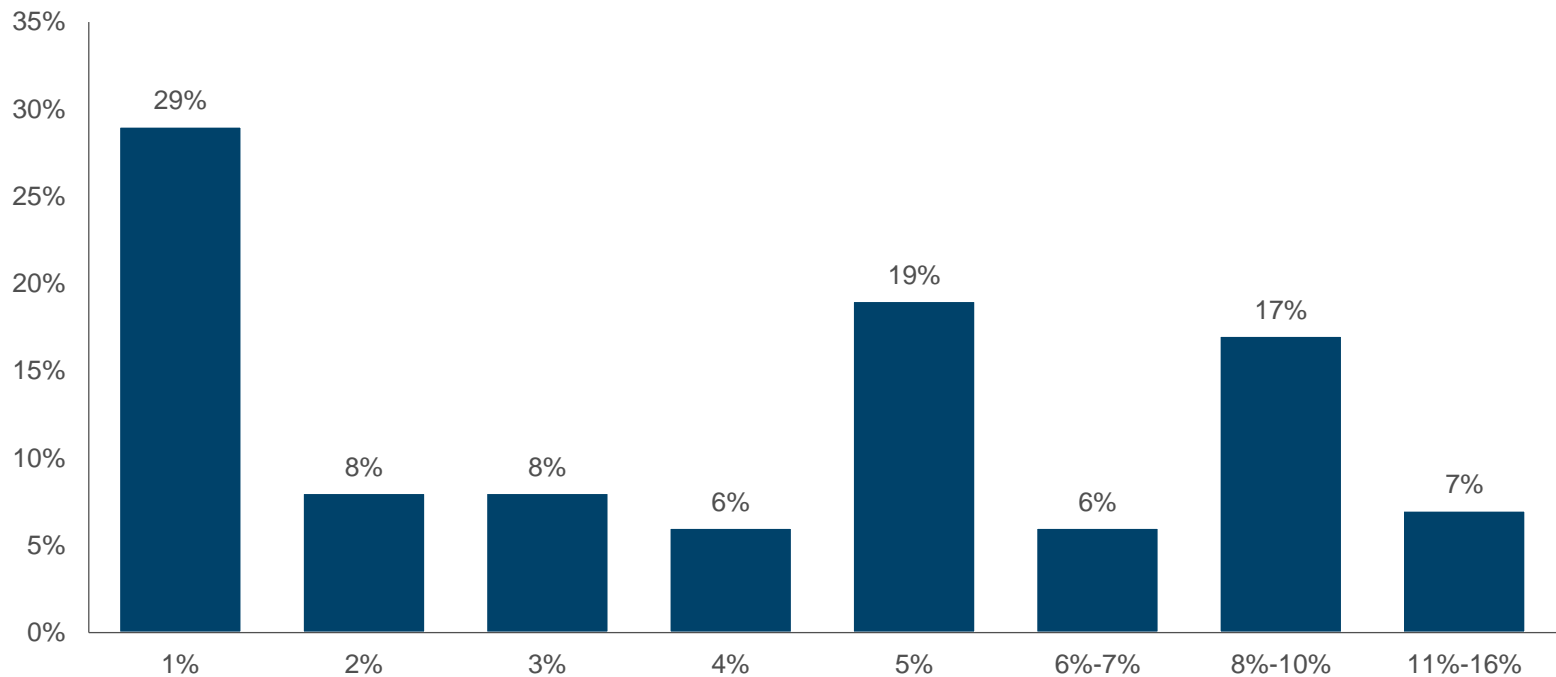
Q. 51

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Percentage of Investable Assets Withdrawn

About what percentage of your investable assets did you withdraw in the past 12 months?

Base: Retirees who have a withdrawal plan	(48%)
Average	4.9%
Median	4.0%

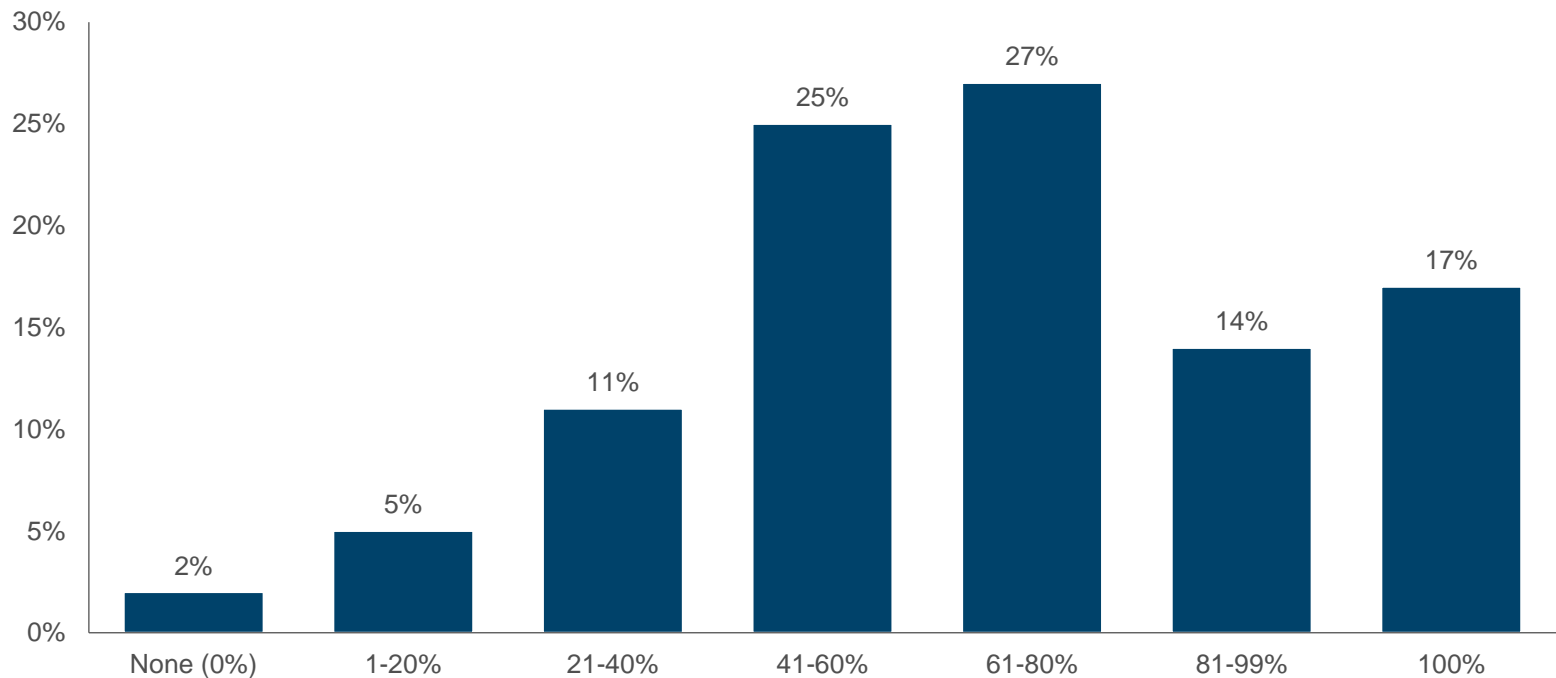


Q. 52 and cross tabs
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Retirees' Proportion of Annual Income Replaced

About what proportion of the annual income this household had before you retired does this household have today?

Base: Retirees
Average 66%



Q. 48

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Asset Allocation in Retirement

When it comes to asset allocation in retirement, with which statement do you agree more?

- With many years to live in retirement, keeping upside market potential is essential to make sure I don't run out of money
- Minimizing risk and producing income is more important than keeping upside market potential



Q. 29

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MANAGING SPENDING

Retirement Spending Strategies

In retirement, which would you rather do?

- Maintain the same level of spending year after year in retirement, even if such spending diminishes the value of your portfolio
- Adjust your spending up and down depending on the market to maintain the value of your portfolio

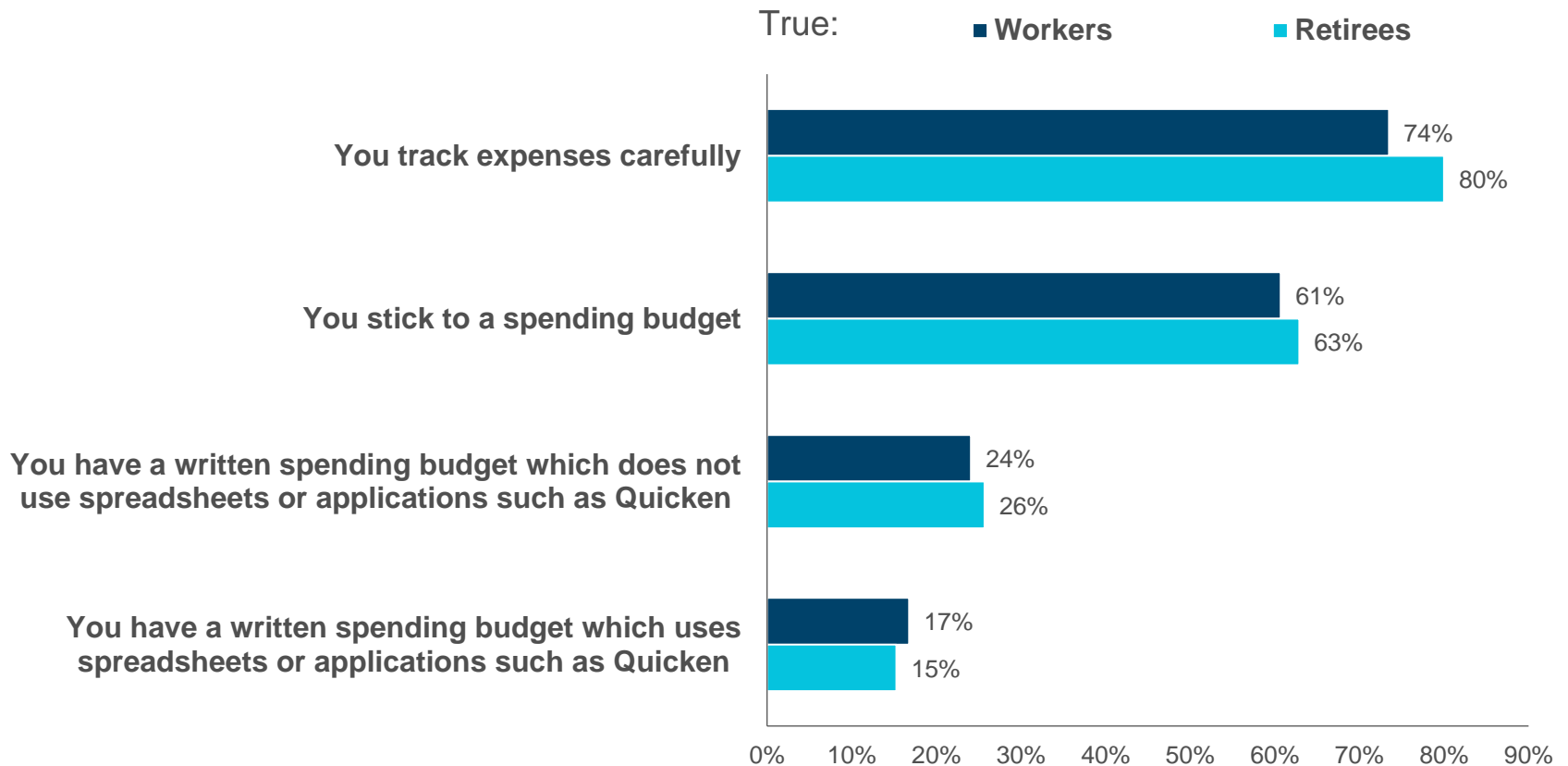


Q.26

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Managing Spending

When it comes to managing spending, which of the following statements are true for you?



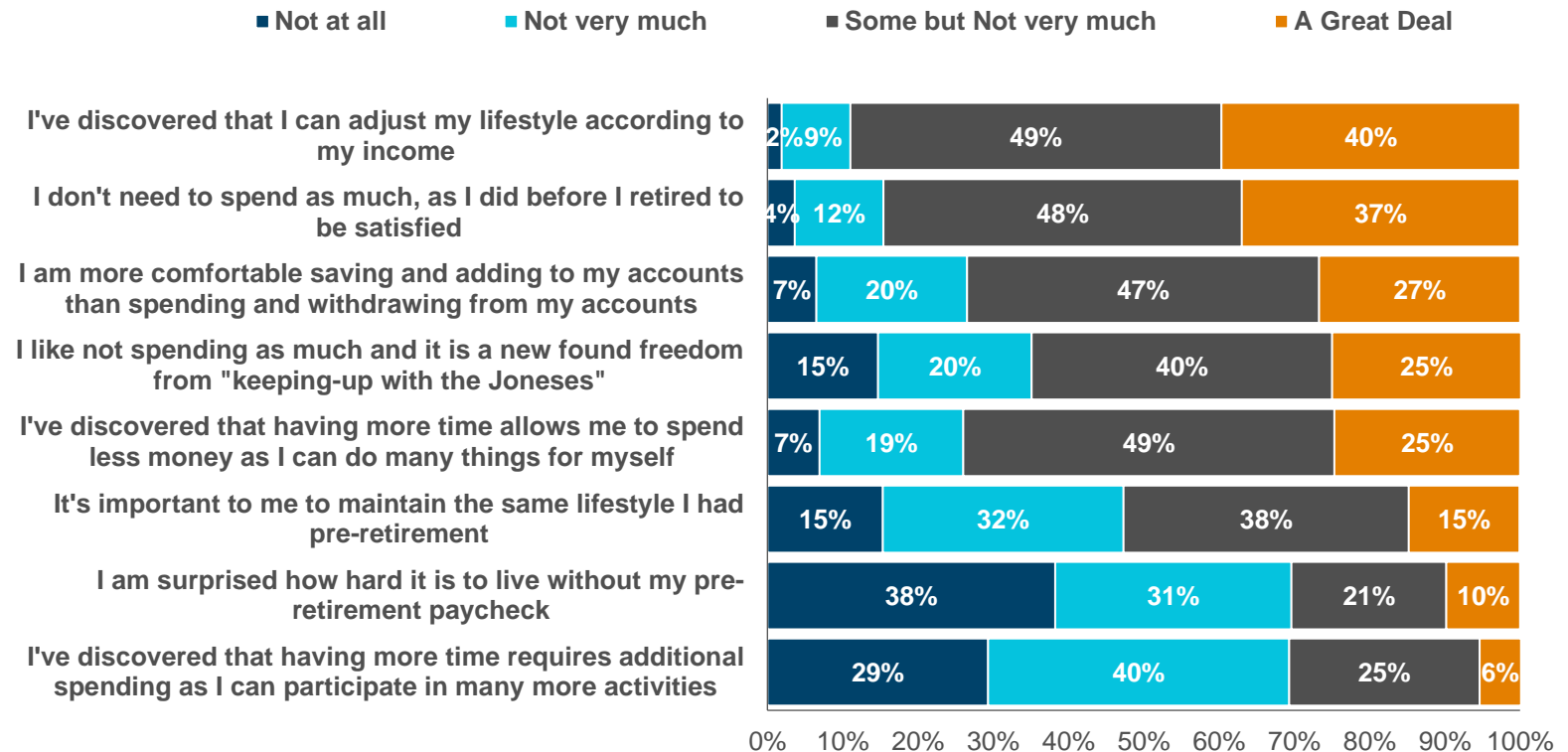
Q.12

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Which Statements Describes You

Base: Retirees

Please indicate the extent to which each of the statements below describes you.



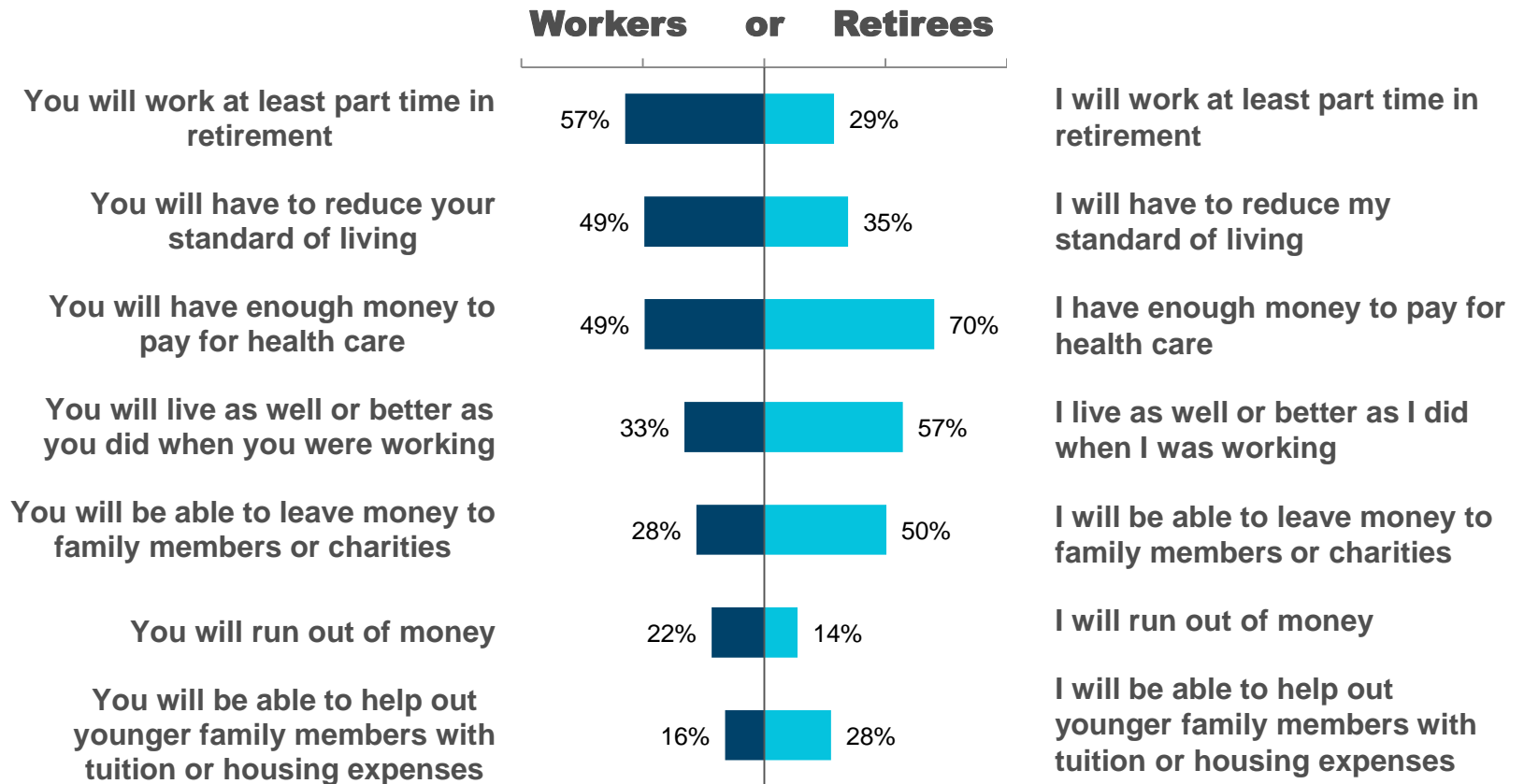
Q. 49

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True of My Retirement

Given the retirement savings you have in place right now and the rate at which you are adding to those savings, which of the statements below do you expect will be true for you in retirement?

Given your savings, income and expenditures, which of the following statements are true of your retirement?

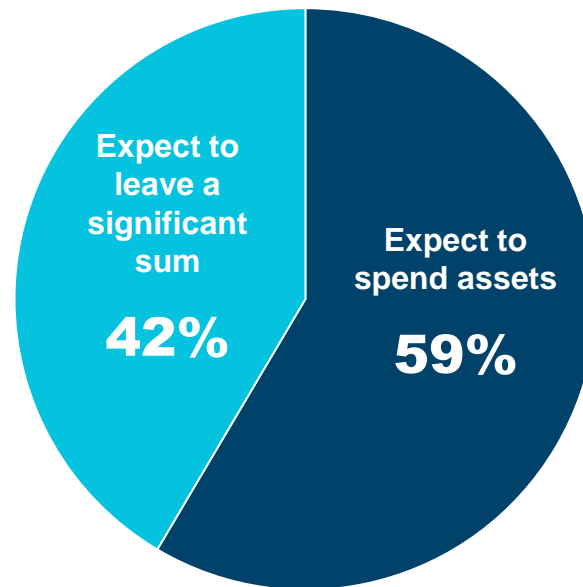


Q.40, 50
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Expect to Spend Assets or Leave to Heirs

Base: Retirees

Do you expect to spend down all or most of your assets to live on in retirement, or do you expect to leave a significant sum to your heirs?

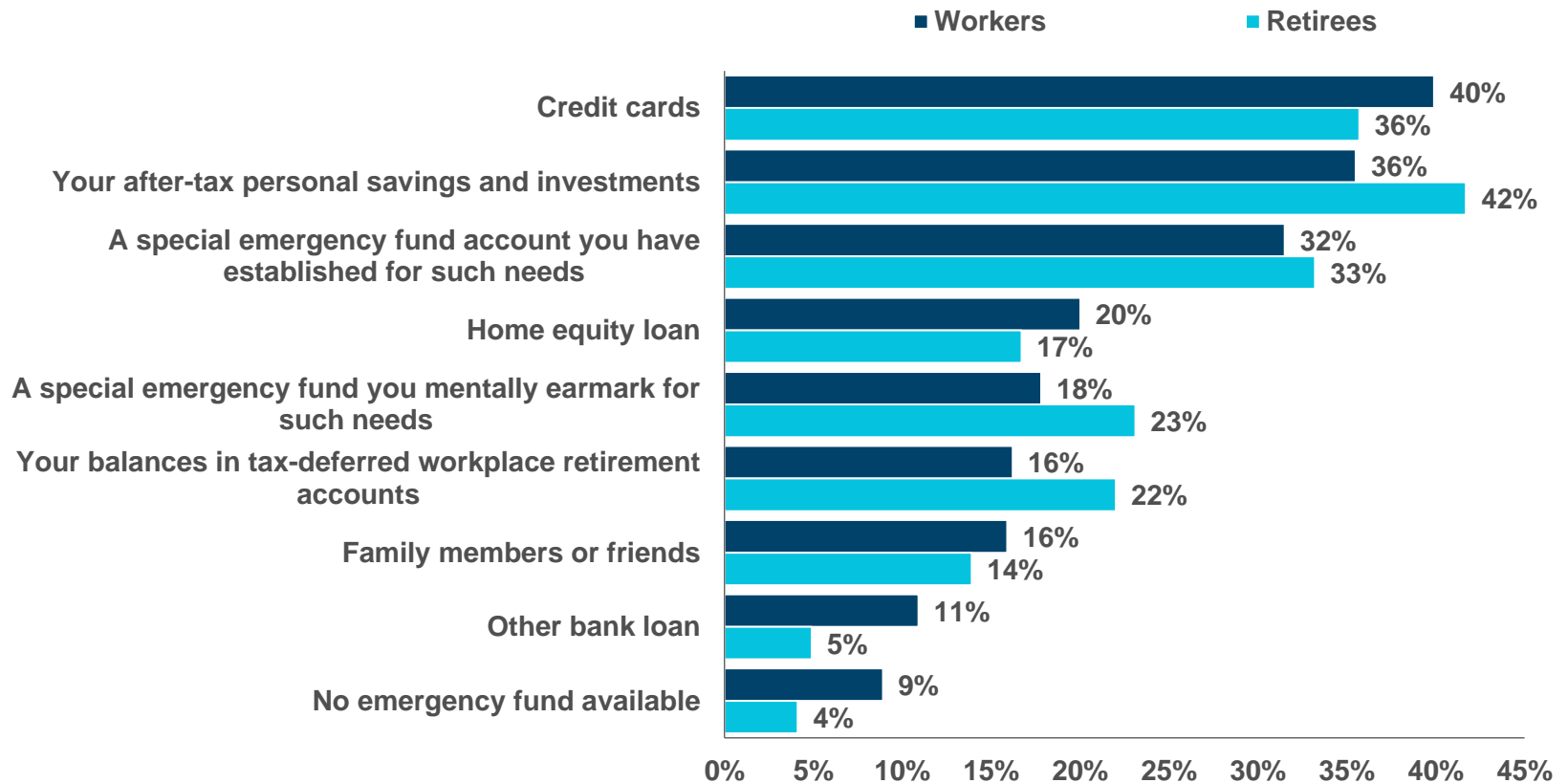


Q. 56

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Sources of Funds for Emergency

If you suddenly faced an emergency that required more cash than you had on hand, to which of the following sources of funds would you turn?



Q.15

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Special Emergency Fund Account

Base: Have an emergency fund

About how long do you think you could meet your routine household expenses from this special emergency fund account?

	Workers %	Retirees %
1-3 months	18	11
4-6 months	32	28
7-9 months	7	3
10-12 months	16	28
13-24 months	15	15
25-36 months	4	6
37-60 months	5	7
61-120 months	2	2
Over 120 months	1	1
Median # of months	6	12

Q.16

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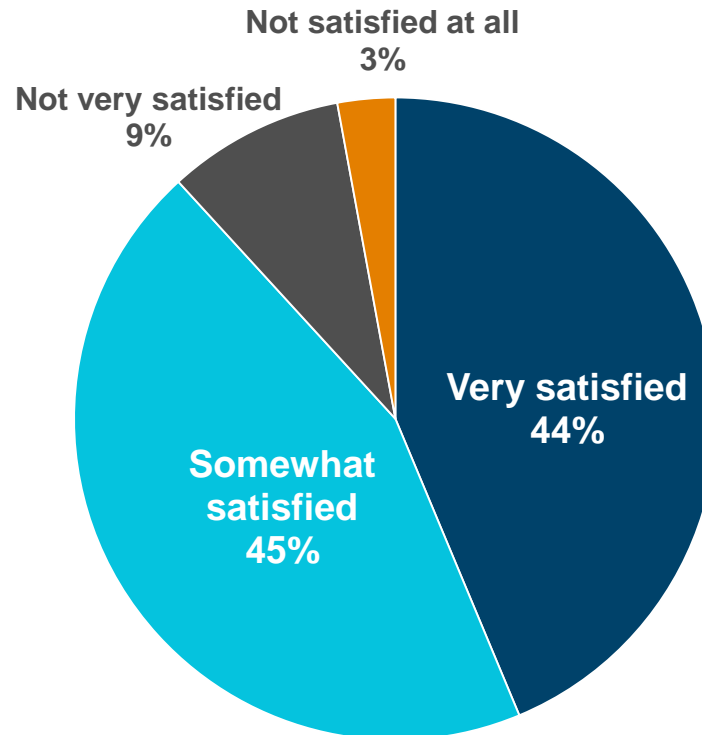


SATISFACTION AND FINANCIAL WELL-BEING

Satisfaction in Retirement

Base: Retirees

All things considered, how satisfied would you say you are with your retirement so far:

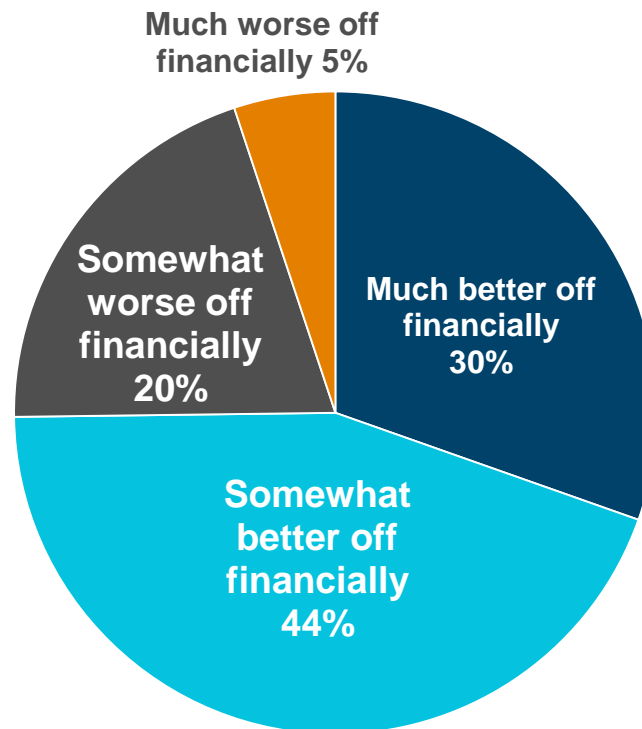


Q.44
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Financial Well Being Compared to Parents

Base: Retirees

Compared to how your parents lived when they were the age you are now, would you say you are:



Q.45
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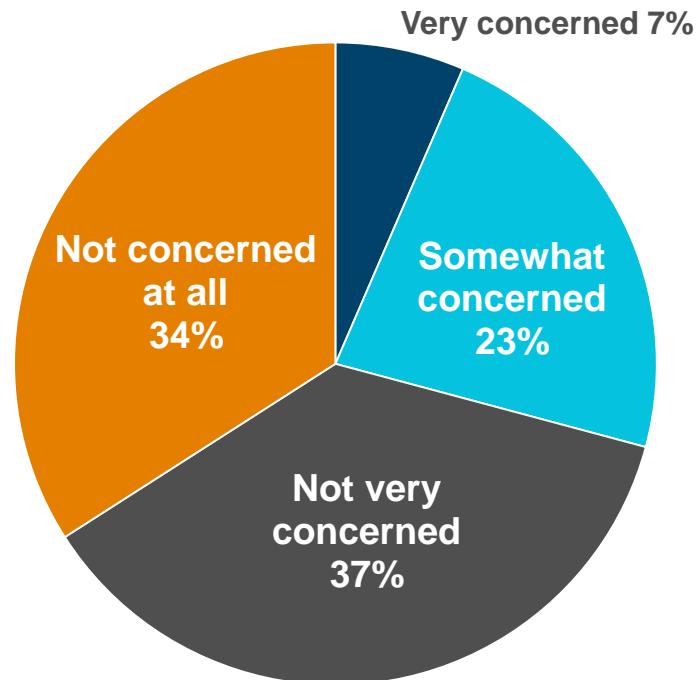


WORKERS' SAVINGS AND EXPECTATIONS

Workers' Perceived Job Security

How concerned are you that you may lose your job in the next 12 months?

Base: Workers

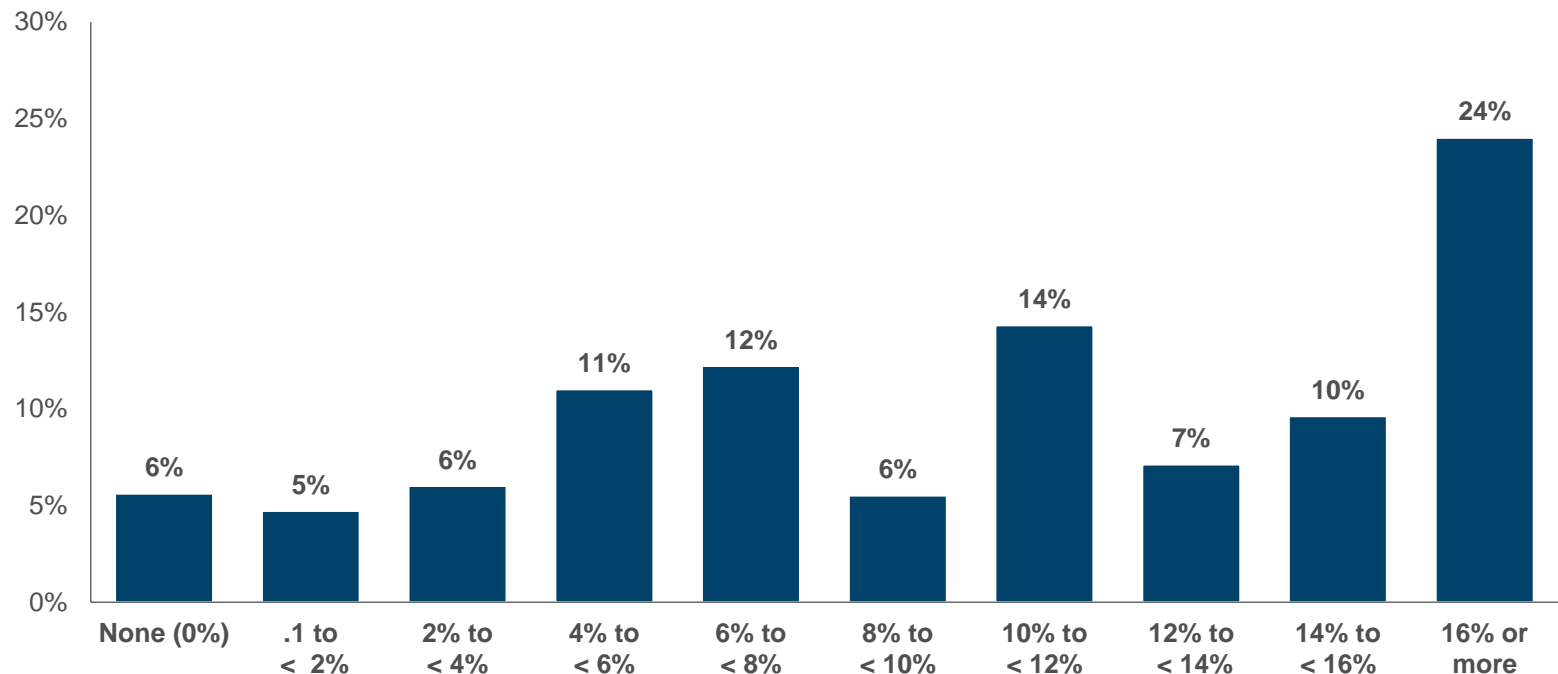


Q.31
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Workers' Personal Deferral Rate

Not counting any contributions your employer may make to your retirement account over the next 12 months, how much money, if any, do you expect to put into this account?

Base: Workers	
Median	10%
Average (ex outliers):	11%

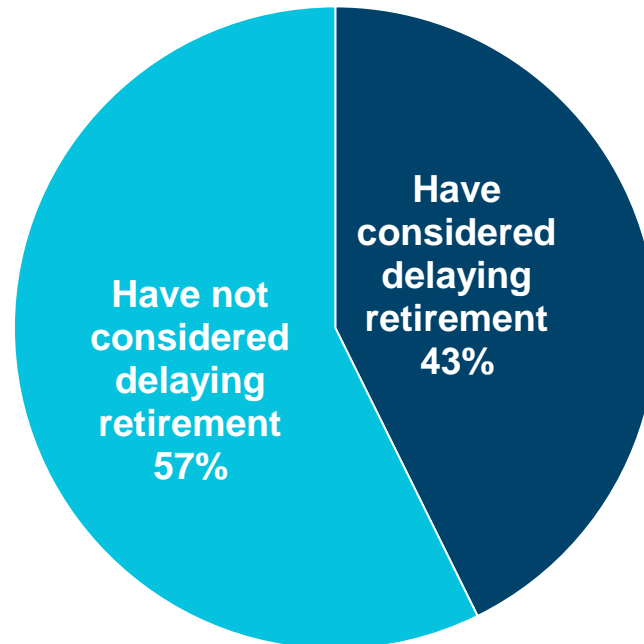


Q. 38/ Personal income
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Workers Considering Delaying Retirement

In the past 12 months have you considered delaying your retirement beyond your original target age, or haven't you?

Base: Workers



Q.32

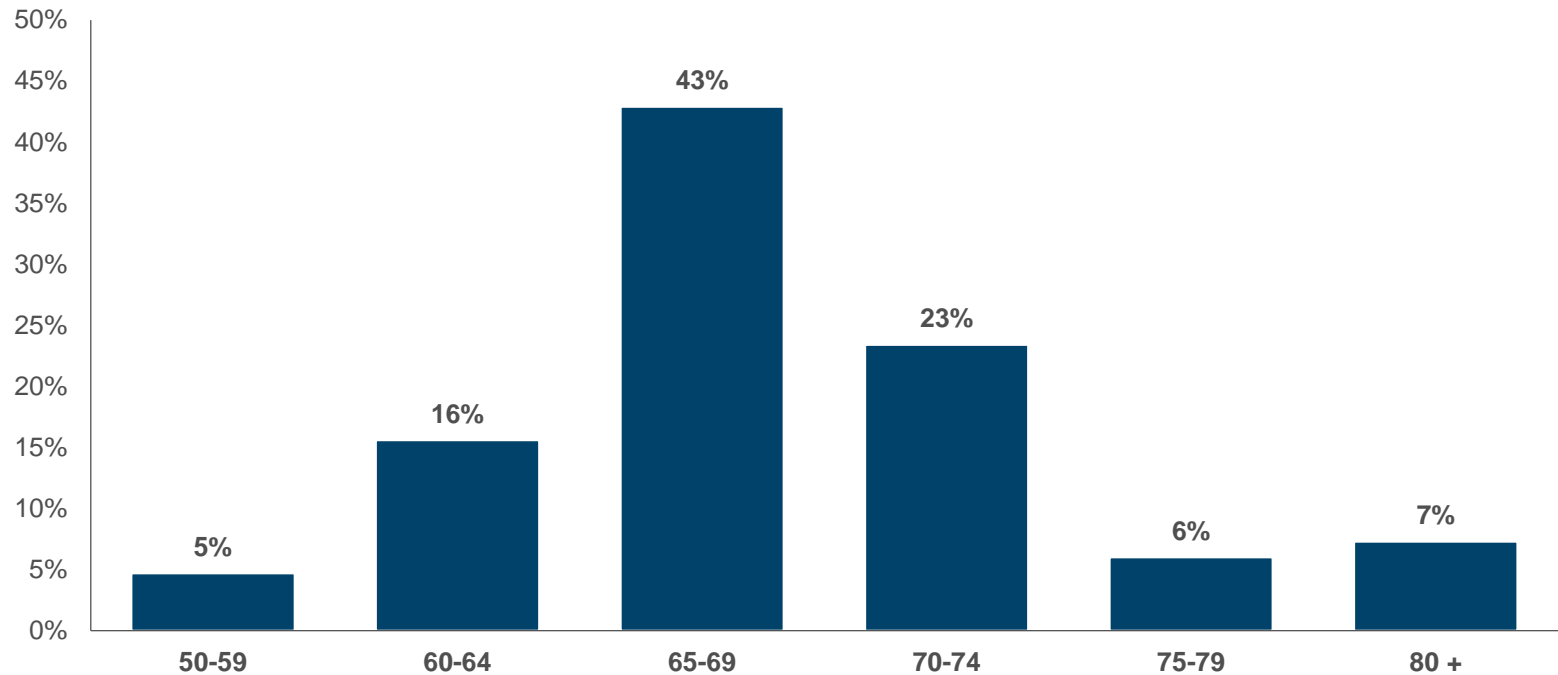
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Workers' Expected Retirement Age

Base: Workers

At what age do you expect to retire?

Median	67 years old
Average	68 years old



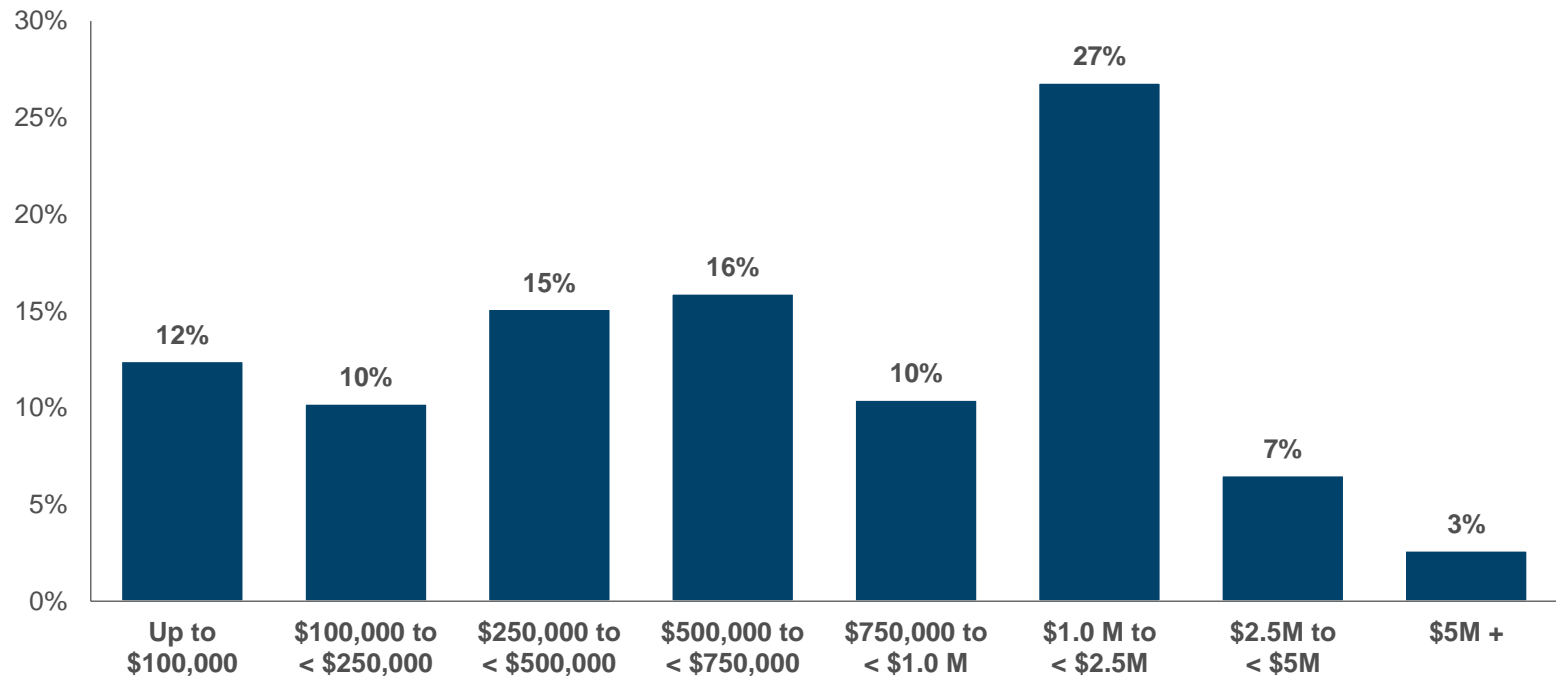
Q. 33

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Workers' Minimum Retirement Nest Egg

In today's dollars, what's the bare minimum dollar figure you'd like to have saved before you retire?

Median	\$693 Thousand
Average	\$1.3 Million



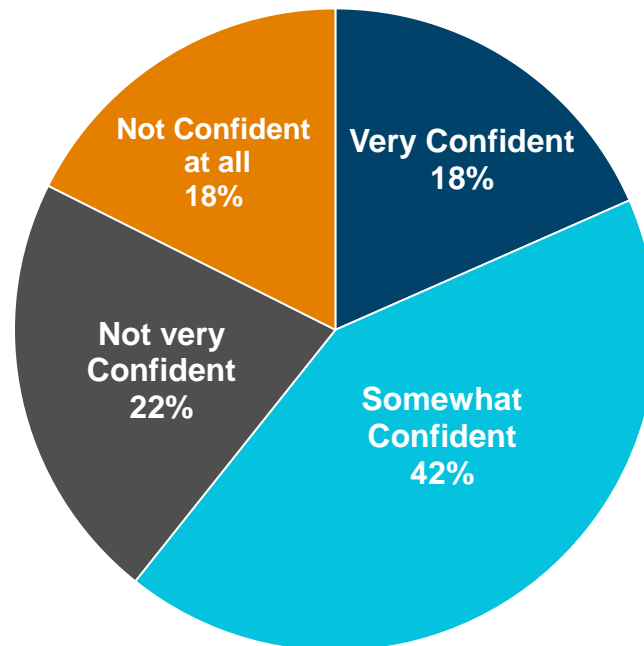
Q. 36

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Confidence They Will Hit that Number

Base: Workers

How confident are you that you will hit that number?



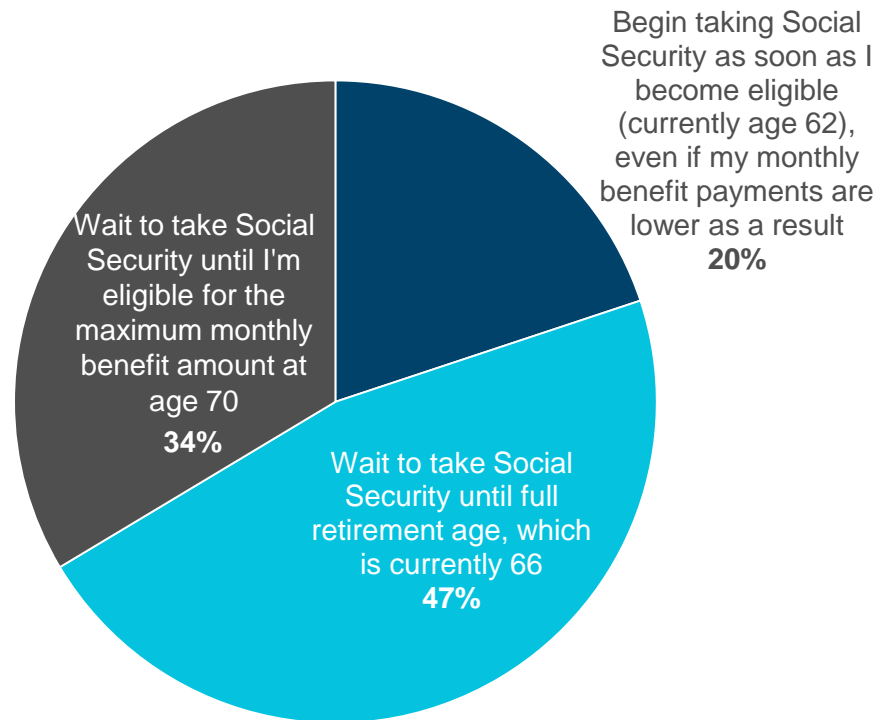
Q.37

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Social Security Choices

Base: Workers

If you had to say right now, which one of the following choices would you make about Social Security when you retire:



Q 41

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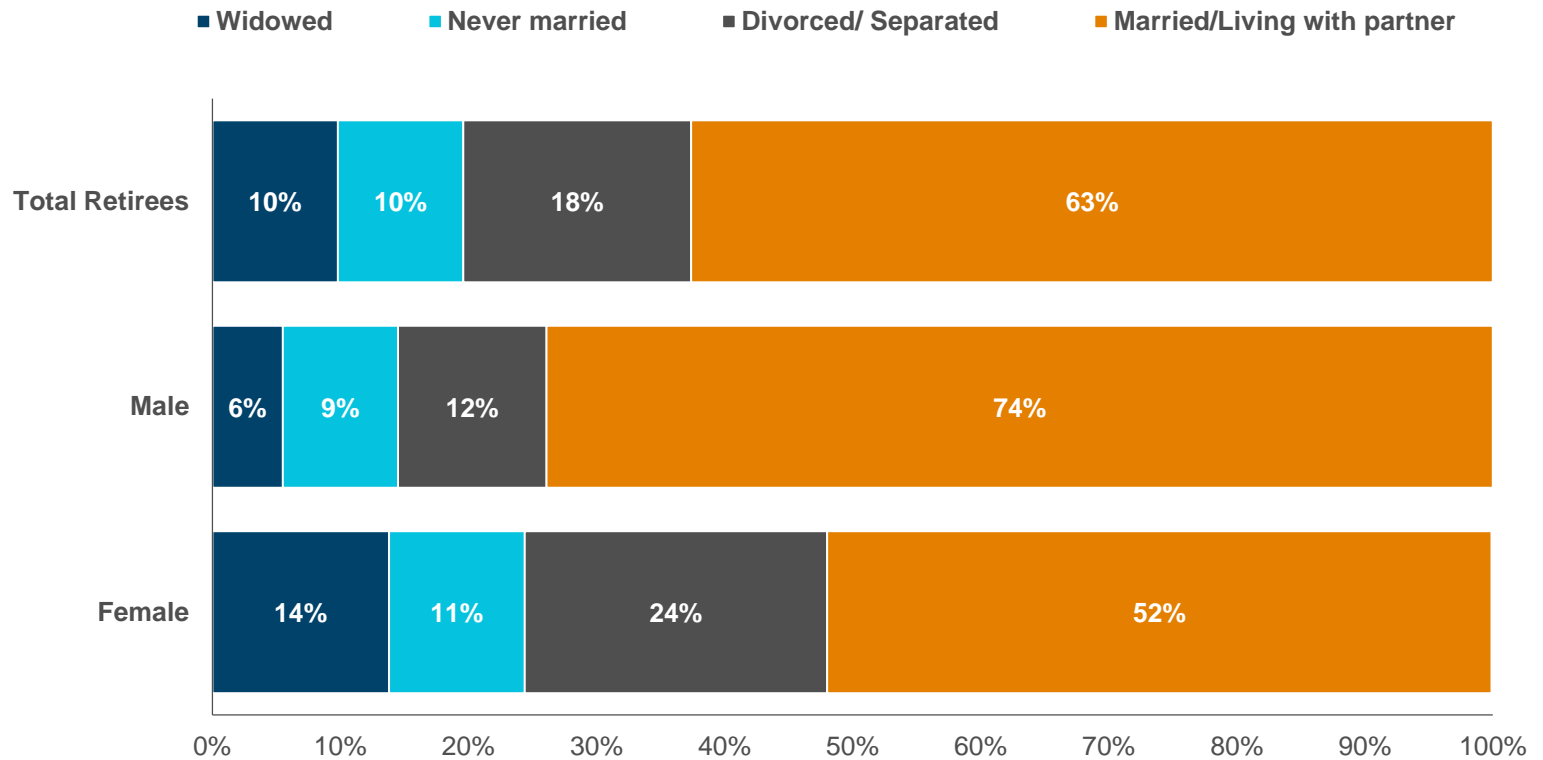


WHO ISN'T DOING AS WELL?

Total Retirees: Marital Status

Base: Retirees

What is your marital status?



Q. 73

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Retirees By Marital Status

Base: Retirees

Investable Assets Plus Home Equity Less Debt

	Total Retirees %	Married or Partnered %	Not Married or Partnered %
Negative amount	3	3	3
None	1	0	2
Any to under \$5,000	2	2	3
\$5,000 to <\$50,000	8	6	11
\$50,000 to <\$500,000	38	30	52
\$500,000 to <\$2.5M	38	47	24
\$2.5M to <\$10M	8	11	4
\$10M +	1	2	1
Average (\$ in thousands)	\$1,303	\$1,671	\$686
Median (\$ in thousands)	\$473	\$731	\$248

Q. 58, 66, 68

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Gauging Retired Singles' Satisfaction

All things considered, how satisfied would you say you are with your retirement so far:

	Total Retirees %	Married/ Live in Partner	Single
Total Actual	1507	1016	491
Net: Satisfied	88%	90%	85%
Very satisfied	44%	48%	37%
Somewhat satisfied	45%	43%	48%
Not very satisfied	9%	7%	12%
Not satisfied at all	3%	3%	4%
Net: Not satisfied	12%	10%	15%

Q. 44

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Gauging Retired Singles' Financial Well-Being

	Married	Single
Looking for work	11%	19%
Are surprised how hard it is to live without a pre-retirement paycheck*	27%	36%
Agree with the statement "I will run out of money"	11%	19%

*Indicated this describes them "A Great Deal" or "Some but Not Very Much"



METHODOLOGY



T. Rowe Price Retirement Spending Study—Methodology

- Representative national survey of:
 - 1,030 working adults 50+ years old currently contributing to a 401(k) plan or eligible to contribute and have balance of \$1,000+.
 - 1,507 adults retired in the last 1 to 5 years and who have a rollover IRA or an account in a 401(k).
- Conducted online February 19th through March 3rd, 2014, by Brightwork Partners