

Deferred Compensation Plan BOARD REPORT 15-17

Date: March 9, 2015
To: Board of Deferred Compensation Administration
From: Staff
Subject: Beneficiary Updates

Board of Deferred
Compensation Administration
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Cliff Cannon, First Provisional Chair
Tom Moutes, Second Provisional Chair
Michael Amerian, Third Provisional Chair
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Recommendations:

That the Board of Deferred Compensation Administration: (a) receive and file staff's report on the status of participant beneficiary designations for the Deferred Compensation Plan; and (b) approve staff's proposed beneficiary awareness communications campaign.

Discussion

Designating a beneficiary and ensuring that this designation is updated over time according to a participant's wishes is a vital component of protecting one's Deferred Compensation Plan asset. In the Plan's "How Am I Doing?" account management web tool, beneficiary review is identified as one of the six most critical actions for participants to engage in on a periodic basis as part of successfully managing their accounts.

In the October, 2014 retiree survey conducted as part of National Save for Retirement Week, 21% of respondents indicated that their beneficiary designation was outdated. In the staff report providing this result, staff noted that if this percentage was true for the population as a whole, it suggested a substantial number of participants could be at risk of bequeathing their assets to individuals they would not have intended to had they reviewed and updated their designations as appropriate.

Participants make beneficiary designations when enrolling in the Plan via their enrollment form. Participants may update this information by: (1) signing into their online account and updating the designation online; (2) calling the Plan Administrator (Empower Retirement) and speaking with a customer service representative; or (3) submitting a paper form.

Following the previous Board discussion of this issue, staff requested additional reporting from Empower Retirement relative to beneficiary designations. A summary of the data is provided graphically in Attachment A. The most notable highlights of the analysis are summarized as follows:

Deferred Compensation Plan

BOARD REPORT 15-17

- 4,906 participants (12%) do not have a designated beneficiary on file with Empower Retirement.¹
- More than 77% of participants have not updated their beneficiary information within the last 5 years.

Beneficiary designation monitoring should be a core metric for measuring the success of the Plan. As a result, staff has developed the following proposed beneficiary awareness communications campaign for approval by the Board:

COMMUNICATIONS OBJECTIVE

Engage participants on the topic of beneficiary designations, encourage them to review their current beneficiary designations, and advise them of how to make changes.

PROPOSED ACTION PLAN

Communications are most effective when messaging is repeated across multiple venues within a compact timeline. The following communication venues are available to the Plan:

- Participant Quarterly Statements
- Quarterly Newsletters
- Web Bulletins
- E-mail Communications
- Local Representative Outreach
- Plan Partner Communications

The main tool to raise awareness of updating beneficiary designation information will be through this information being provided on participant statements. Staff will supplement this action with various communications. This effort will unfold in two parts, timed at the end of 2nd Quarter and the end of 3rd Quarter.

¹ It is likely that most of these individuals are in this status because they established beneficiary designations with the prior Plan Administrators, Hartford and/or Washington Mutual, and did not subsequently establish them with Empower – although in certain cases the Plan may be able to track down those designations. Given that the transition from the former providers occurred 16 years ago, there is a high risk that those designations are outdated. When there is no beneficiary designation on file with either Empower or a previous recordkeeper, beneficiary claims are granted in accordance with the order designated in the Plan Document, which provides that: *“In the absence of a designation and at any other time when there is no existing Beneficiary designated by the Participant, the Participant’s Beneficiary shall be his or her spouse or registered domestic partner, living 30 days after the date of Participant’s death, or if not, his or her children (by blood or adoption) equally (with children of a deceased child to share equally the share of such deceased child). If a Beneficiary cannot be determined pursuant to the preceding sentence, the Beneficiary shall be the Participant’s estate.”*

Deferred Compensation Plan

BOARD REPORT 15-17

A. Participant Quarterly Statements

Empower indicates that beneficiary designations may be included as a regular item on participant quarterly statements. Statements would include either the names(s) of participant beneficiary designations or indicate that there is no beneficiary on file. Empower indicates that a majority of their plans utilize this feature currently.

It should be noted that this option was brought to the attention of a prior administration of the Board over ten years ago. At that time, this feature was not implemented due to privacy concerns (specifically, if the statement was opened by an unauthorized party). However, staff's finding is that the regular reporting of beneficiary designations is a best practice that best serves a fundamental objective of the Plan in assisting participants in ensuring that their accounts are bequeathed and preserved according to their most current wishes.

Staff therefore recommends this reporting feature be turned on for the 3rd Quarter 2015 statements (which will mail in October 2015). Because it will be a new feature, the Plan can provide advance notice of this change in the 2nd Quarter 2015 statements (which mail in July 2015).

B. Quarterly Newsletters

Quarterly newsletters can address the topic of the importance of updating beneficiary designations. Staff recommends that the Plan provide multiple reminders of this in the next four consecutive newsletters (2nd Quarter 2015 through 1st Quarter 2016). As noted previously, repetition of messaging is an important requirement for communications success.

C. Web Notices

The Plan can create web bulletin announcements for posting to the participant website as well as the InsideLA City of Los Angeles homepage. The bulletin will encourage that it is a matter of good practice to review beneficiary designation information on an annual basis, and provide direct links and instructions to update their information. Staff will time these with the release of the 2nd and 3rd Quarter newsletters.

Additionally, staff will use these bulletins to draw attention to the "How Am I Doing" web tool, which can be accessed by logging into the Plan website. This will help encourage overall website engagement as well as engagement on the five other core account management review items included on the web tool.

D. E-mail Notices

The Plan can issue all-City e-mails to supplement its other written communications. All-City e-mails, however, will not reach participants who have separated from service. Empower maintains email addresses for participants who have provided Empower with that contact information, but Empower's current systems do not provide the capability for issuing custom communications (they can only be used for standardized

Deferred Compensation Plan BOARD REPORT 15-17

communications such as when a quarterly statement is released, and the content of the e-mail cannot be customized). Empower indicates they will not have the ability to issue custom e-mails until approximately 2017. In the interim, staff has isolated approximately 2,000 email addresses for participants who have separated from service which it was able to identify as part of the 2014 survey of retirees, and can issue e-mails to this group.

E. Local Representative Outreach

Staff can work with local representatives in order to incorporate reminders for beneficiary designation updates when conducting account reviews or presenting information. This represents a significant opportunity for communicating to participants, as local representatives average over 9,000 local contacts annually.

F. Plan Partner Communications

Staff can develop brief communication pieces on this topic for the City's defined benefit plans, employee labor organizations, and employee associations to include at their discretion into their various communication venues.

COMMUNICATIONS EVALUATION METRICS

Using the figures represented in Attachment A as a baseline, staff will monitor and report on the following metrics over the four quarter period within which the beneficiary awareness campaign is conducted:

- Percent of participants with no beneficiary designations on file
- Percent of participants who have updated their beneficiary designation within the past five years
- Total beneficiary changes made during current reporting period, including the mechanism used to make the beneficiary change (e.g. website, KeyTalk)
- Updated results from re-surveying all Plan participants (not just retirees) in the 2015 National Save for Retirement Week campaign regarding the question of whether their beneficiary designation is outdated

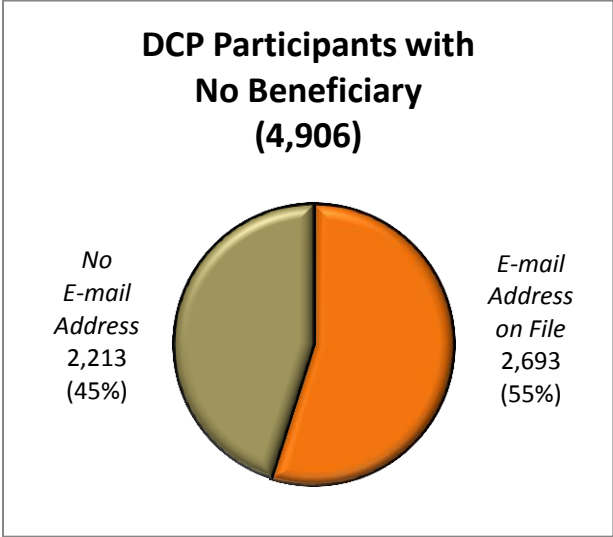
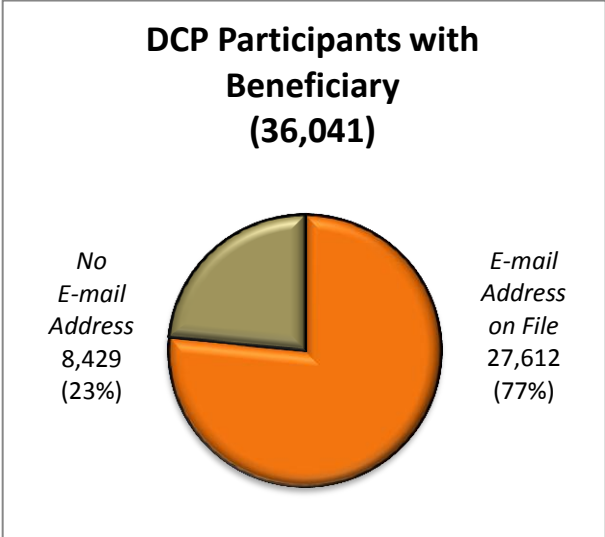
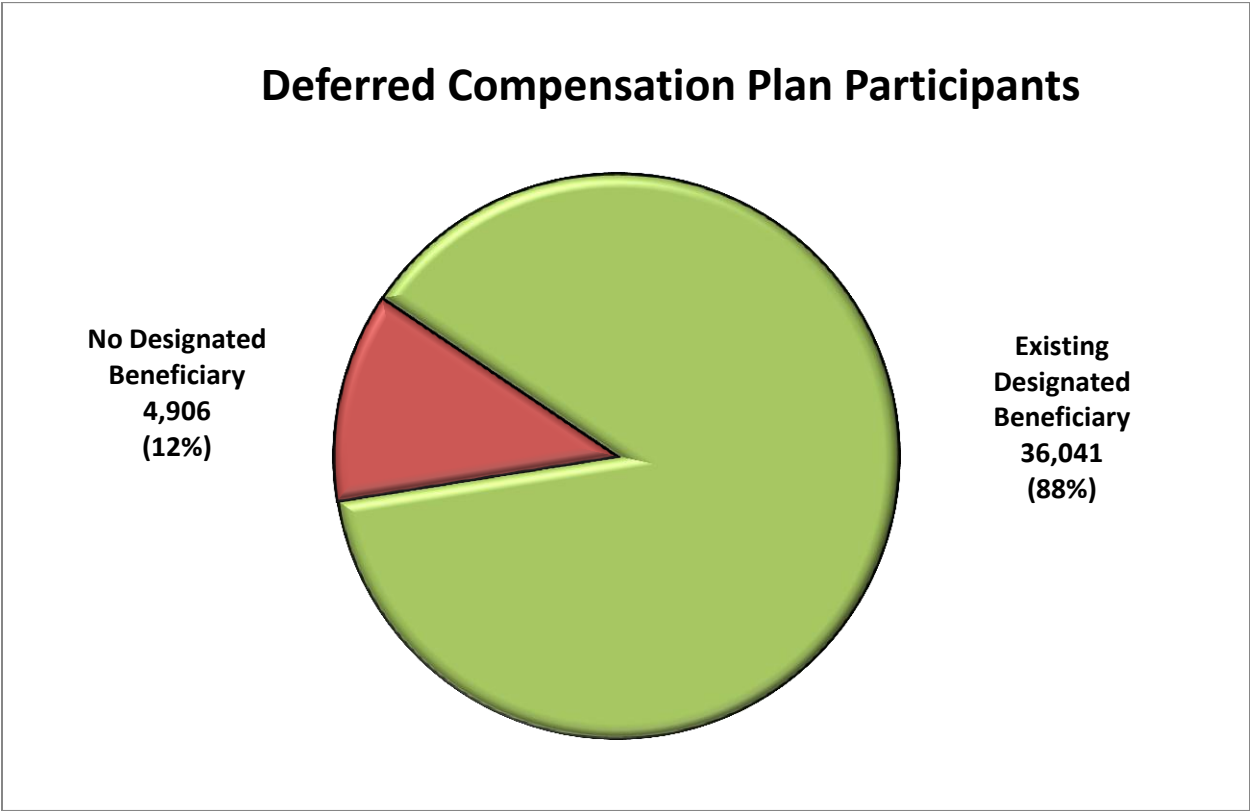
Following the communications campaign and reporting of these key metrics, staff and the Board can evaluate the success of the campaign in meeting its objective.

Submitted by: _____
Matthew Vong

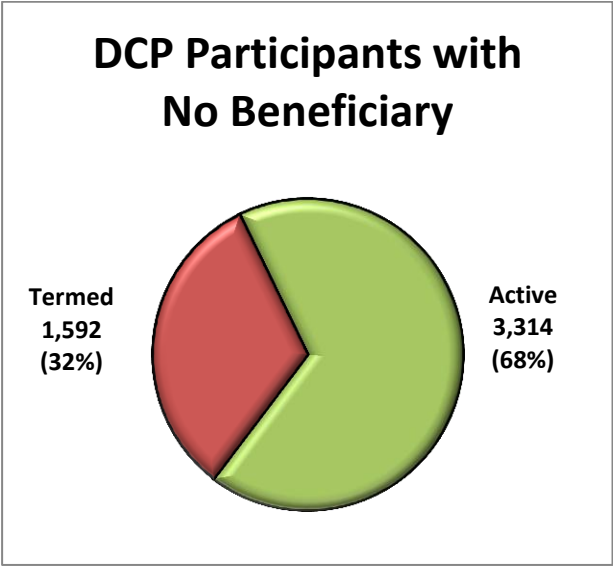
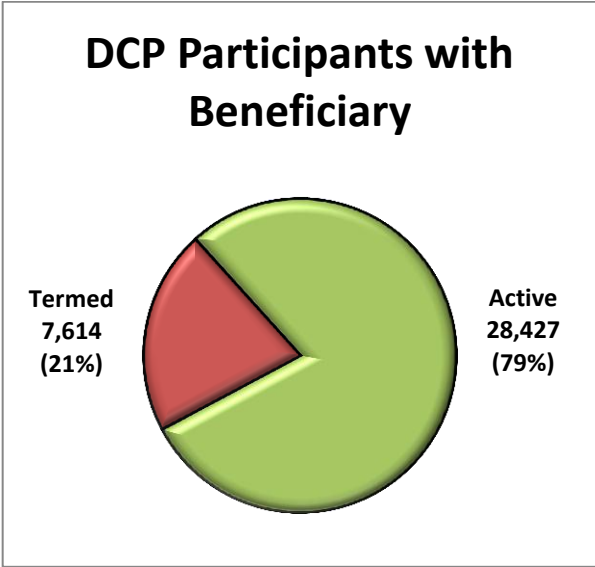
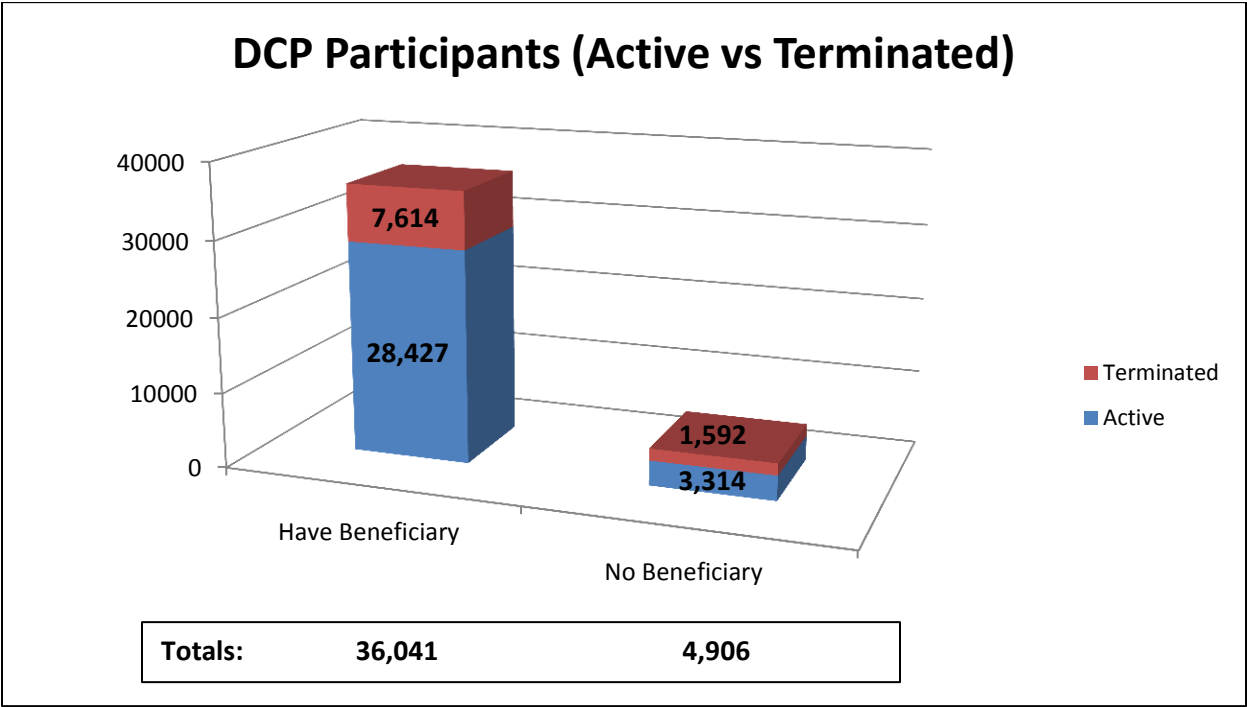
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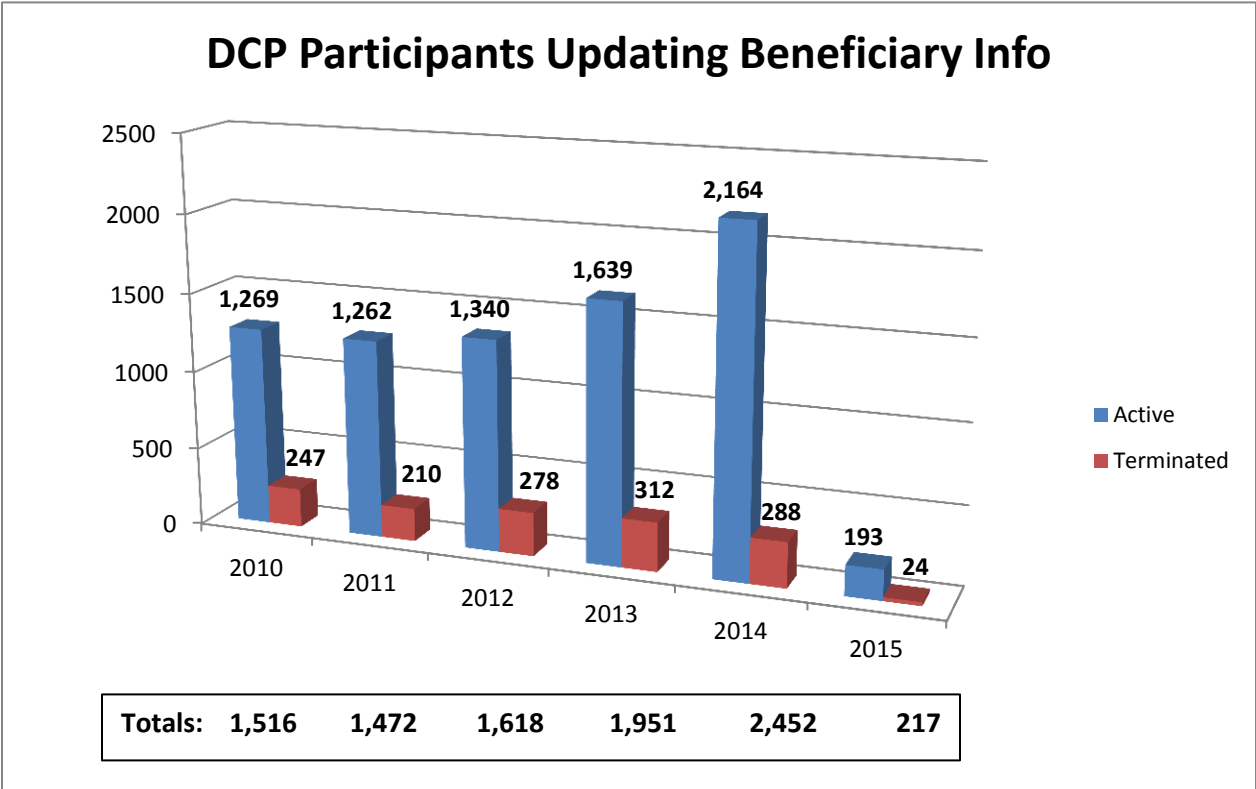
Approved by: _____
Steven Montagna

Deferred Compensation Plan (DCP)



There are no e-mail records for 10,646 participants, which account for 26% of the overall population in the Plan.





9,226 out of 40,947 DCP plan participants have updated to their beneficiary information since the beginning of 2010.