

Deferred Compensation Plan

BOARD REPORT 15-26

Date: May 8, 2015
To: Board of Deferred Compensation Administration
From: Staff
Subject: Quarterly Plan Metrics/Statistics Review: 03/31/15

*Board of Deferred
Compensation Administration
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Recommendation:

That the Board of Deferred Compensation Administration receive, file and provide feedback on sample proposed quarterly metrics reporting data for the City's Deferred Compensation Plan.

Discussion:

As discussed at prior Board meetings, the City's Deferred Compensation Plan is moving towards a benchmarking, metrics-driven model to its review of Plan data. This new orientation represents the most recent outgrowth of an evolution that has occurred within the Plan regarding how success is measured. These changes began with the introduction of the Plan's Retirement Income Projection Calculator; continued with its refinement of a clearer and more detailed delineation of the Plan's core mission; and is now, in the current stage, moving into a more sharply focused analysis of how the Plan should be measuring success with data-driven analysis.

Enclosed with this report are: (a) the Empower quarterly report in its ongoing format and organization of data; and (b) a staff-generated metrics report with sample pages. The metrics report is not intended to be exhaustive, but only to provide a range of samples of how staff would propose structuring this reporting going forward. As staff works with the Board, the Plan's consultants, and third-party-administrator, the depth and breadth of the metrics are expected to expand and evolve.

Along with that, staff anticipates that the City's Plan can and will exercise a leadership role with its governmental peers in shifting this new focus on metrics at a national level. A significant gap in the Plan's capacity to measure success is the absence of national benchmarking data, both in the public as well as private sector. As just a few examples:

- Even with the substantial attention governmental defined contribution plan sponsors have paid to fees over decades, there is very little benchmarking data for comparing "all-in" administrative and investment management fees within the governmental space.
- There is presently no consensus with respect to the data analytics that would provide a common means of measuring retirement readiness, or what the City's Plan refers to as "retirement income security."
- There is no consensus benchmarking data with respect to distribution patterns.
- There is no consensus benchmarking data with respect to measuring participant engagement.

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- There is no consensus benchmarking data with respect to measuring participant awareness of key information influencing whether participants will achieve successful outcomes.

The current initiative of the National Association of Government Defined Contribution Administrators (NAGDCA) to create such benchmarking data creates an opportunity for governmental plan sponsors to begin gauging their relative success. The City's Plan, by establishing its own data and metrics, can help to accelerate and lead this effort.

Fully related to metrics and benchmarking is the creation and expansion of Plan goals. This is anticipated to be the final stage of the City's evolution. We have already begun this initiative by applying the metrics/benchmarking lens to Plan participation rates, targeted enrollment initiatives, and auto enrollment. This focus can and should expand into other key arenas such as participant salary deferrals, distribution patterns, asset retention, investment risk-management, beneficiary updates, and a variety of other key objectives for pushing the Plan to greater success.

Submitted by:

Steven Montagna