

# Deferred Compensation Plan BOARD REPORT 15-37

Date: July 13, 2015

To: Board of Deferred Compensation Administration

From: Staff

Subject: Automatic Enrollment Program (AEP)  
Implementation Update

*Board of Deferred  
Compensation Administration*  
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## **Recommendation:**

That the Board receive and file this report providing an update related to implementation of the Deferred Compensation Plan Auto Enrollment Program (AEP).

## **Discussion:**

At its January 20, 2015 meeting, the Board approved core provisions for an Auto-Enrollment Program (AEP) for the City's Deferred Compensation Plan (see Attachment I for a summary of core AEP provisions). At its May 19, 2015 meeting, the Board adopted changes to the Plan Document incorporating the AEP.

Staff is moving forward on implementing this program by year-end 2015. Implementation will require establishing the required payroll and third-party-administrator recordkeeping functionality; adopting authority for the AEP with a target employee bargaining unit (the Police Protective League); and developing the necessary communication materials. The following table provides a timeline for remaining action items and target implementation dates. Staff will bring this item back to the Board with updates at each Board meeting until the project is completed. Additional milestone dates will be added as project action items are further developed.

Month(s)	Action	Status
Jul-15	Hold initial meetings with staff of the City Controller to develop a project plan for AEP implementation; and with PPL representatives regarding establishing AEP authority within the MOU.	Pending
Aug-15	Develop AEP payroll/TPA implementation project plan with milestones for implementation by year-end.	Pending
Sep-15	Execute authority for the AEP within the PPL MOU.	Pending
Oct-15	Present proposed AEP communication materials to Board for review.	Pending
Nov-15	Testing of AEP payroll/recordkeeping functionality	Pending
Dec-15	Finalize all recordkeeping and payroll requirements and communication materials.	Pending
Jan-16	AEP go live.	Pending

The AEP is a priority Plan initiative. The AEP, in connection with ongoing voluntary enrollment efforts, supports improvements to the Plan's participation rate. The participation rate is an essential benchmark of success for City employees in achieving the retirement income security objective.

Submitted by: \_\_\_\_\_  
Esther Chang

Reviewed by: \_\_\_\_\_  
Alexandra Castillo

Approved by: \_\_\_\_\_  
Steven Montagna

## CORE PROVISIONS - DCP AUTO-ENROLLMENT PROGRAM (AEP)

<b>Eligibility</b>	<p>Employees must meet BOTH criteria:</p> <ol style="list-style-type: none"> <li>1) Active Member of LACERS, LAFPP, or DWP Retirement.</li> <li>2) Member of bargaining unit, or member of bargaining unit subject to Administrative Code provision, that provides for auto enrollment.</li> </ol>
<b>Enrollment and Opt-Out</b>	<ul style="list-style-type: none"> <li>• Once determined eligible, participant is given a 30-day opt out period prior to the first deferral.</li> <li>• After the first deferral, participant has 90 days to request a permissible withdrawal of funds.</li> </ul>
<b>Initial Contribution</b>	<p>Rate: Participants will begin with <b>2%</b> of eligible gross pay</p> <p>Type: <b>100% Pre-tax</b></p>
<b>Contribution Escalation</b>	<p>Contribution rate will be increased <b>0.25% annually</b>, with no maximum cap.</p>
<b>Default Investment</b>	<p>FDIC-Insured Savings Account during the first 90 days subject to permissible withdrawal opt-out provision; Moderate Profile Fund thereafter.</p>