



CITY OF *Los Angeles*

DEFERRED COMPENSATION PLAN

Board Report 20-17

Date: April 27, 2020
To: Board of Deferred Compensation Administration
From: Staff
Subject: NAGDCA Benchmarking Data

Board of Deferred Compensation Administration
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Recommendation:

That the Board of Deferred Compensation Administration (Board) (a) approve the City of Los Angeles Deferred Compensation Plan (DCP) participation in NAGDCA’s collaborative project with Employee Benefits Research Institute and (b) authorize DCP recordkeeper, Voya, to provide DCP participant- and plan-level data for the Public Retirement Research Lab.

Discussion:

A. Background

Each year, the National Association of Government Defined Contribution Administrators, Inc. (NAGDCA) releases an annual benchmarking survey to all of its government defined contribution plan members to gather core facts from their respective plans. NAGDCA is a premier professional organization of public employer-sponsored deferred compensation and defined contribution plan administrators. As a member of NAGDCA, the DCP has been participating in these surveys to contribute data and to access customized reports based on the gathered data. These exclusive data reports are important resources for plans to evaluate trends and identify issues that are occurring in the defined contribution industry and its plan participants.

NAGDCA’s partnership with Employee Benefits Research Institute (EBRI) aims to create a robust database for public sector defined contribution retirement plan information. EBRI is a private, nonpartisan, nonprofit research institute that focuses on health, savings, retirement, and financial security issues. This organization maintains a similar database that they have previously built for 401(k) plans. NAGDCA and EBRI’s collaborative project, called Public Retirement Research Lab (PRRL), will launch this year and will be used as a primary source of information for retirement research. This partnership project will produce research and analysis based on actual participant behavior within public Defined Contribution plans and will enhance benchmarking and research capabilities.

B. Benchmarking Survey Challenges and Public Retirement Research Lab Solutions

In the past, NAGDCA's annual benchmarking surveys offered useful but limited insights and interpretations. Plan administrators and the DCP participated by manually completing the information requested. This arduous process required a significant amount of time dedicated by the administrative staff and prevented other plan sponsors from regularly participating in the survey. Because of the varying number of plans that participated year-to-year and the limited Plan-level data provided, the results could be inconsistent. These limitations challenged NAGDCA to accurately reflect actual data and understanding of its universe, and to drive action for legislative improvements.

PRRL will provide high-quality benchmarking data and key information for plan sponsors to use in making plan design decisions to support improving retirement outcomes. The project aims to improve results by keeping consistent data over time by populating it directly from the participating plans' recordkeepers. Plans that want to participate will authorize their recordkeepers to transfer both plan- and participant-level data to EBRI in a uniformed format across recordkeeper systems. This process will transfer the responsibility of providing data from the administrative staff to their third-party administrator (TPA) recordkeepers. Reducing the workload for plan sponsors may encourage participation from other plans. With the coordination between PRRL staff and plan recordkeepers, recording of data points in a standardized format will ensure consistency. This process will also allow an in-depth analysis of the collected database with the addition of the participant-level data such as demographic and fund information.

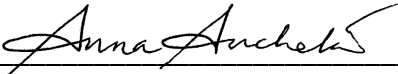
C. Data Security


One of DCP's fiduciary and administrative responsibilities is to ensure the security of important City and participant information. EBRI has successfully maintained a secure database for 401(k) plans that has been utilized by the private sector industry for decades to conduct research to improve outcomes for its participants. Only aggregate data and no personally identifiable information will be collected, such as names, social security numbers, employee IDs, birth dates, and other information that can be used to identify any individual. Participant-level data that will go into the database are demographics, such as age, gender, salary, tenure, and participant fund data, such as asset allocation, balance, loan activity, and withdrawals. Plan design options and features, such as auto features, loan provisions, and Roth provisions will be collected.

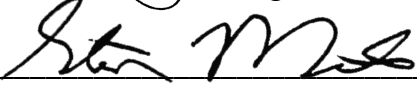
The data that will be collected will be heavily encrypted by the record keeper before sending it to the database. The data will be stored completely offline and inaccessible to vendors and other plans. Additionally, for security purposes, participant-level data will not be directly accessible but will be available through reports and analysis by PRRL. Plan-level data will be available through the NAGDCA secure data portal.

D. Recommendation and Participation

The DCP staff recommends that the Board approve DCP participation in NAGDCA's collaborative project with Employee Benefits Research Institute and authorize DCP recordkeeper, Voya, to provide DCP participant- and plan-level data for the Public Retirement Research Lab. Participating and providing information would result in little to no effect on staff workload and little impact on the TPA after set up. Essential and detailed participant data will be analyzed without compromising the DCP participants' personal information. As a participating plan, the DCP will gain free access to NAGDCA and EBRI comprehensive reports comparing DCP metrics to the universe and a subset of its peers. The DCP staff believes that participating in the PRRL project will benefit DCP stakeholders, participants, and beneficiaries from this new and reliable resource.

Submitted by: 
Anna Ancheta, Personnel Analyst

Reviewed by: 
Jenny M. Yau, Senior Management Analyst II

Approved by: 
Steven Montagna, Chief Personnel Analyst