



Board Report 22-65

Date: December 20, 2022

To: Board of Deferred Compensation Administration

From: Staff

Subject: 2022 NAGDCA Conference Learnings

Board of Deferred Compensation Administration

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Discussion:

The National Association of Government Defined Contribution Administrators (NAGDCA) hosted its Annual Conference on September 19-21, 2022 in Baltimore, Maryland. Attendees included Board member Neil Guglielmo and staff members Eric Lan and Mindy Lam. NAGDCA also offered a virtual option attended by Board members Tom Moutes and Jeremy Wolfson, which included live-streaming of general sessions and recorded access to breakout sessions following the conference's conclusion.

The Annual Conference is focused on issues affecting state and local government administrators of primarily Section 457 defined contribution plans. This year, breakout sessions included topics surrounding cybersecurity and participant data protection, implementation of financial wellness programs in complement to plans, and various plan design and communication approaches. The following report includes summaries and takeaways from notable sessions for the benefit of the Board.

A. Cybersecurity and Protecting Participant Data

A breakout session regarding cybersecurity discussed strategies and tools to educate and advocate for participant account registration and regular transaction checks. The practice of account registration was noted as the immediate and primary method of defense against cyber crime. Participants are to be discouraged from using their personal email for their username as well as reusing passwords. Additionally, most participants set their retirement savings accounts initially and do not regularly check their account. However, the panel discussed the importance

of encouraging participants to regularly check their account transactions, not just their balances. Since balances typically fluctuate due to market conditions, it is more effective to monitor transactions and immediately report unauthorized transactions.

Staff's application of the panel discussion was to develop the following list of cybersecurity action items:

- Develop a regular communications campaign to encourage participants to register their accounts. In future years, staff will plan to coordinate this communication with the Information Technology Agency's Cyber-Security Month campaign, held concurrently with National Retirement Security Month.
- Research the possibility of a participant website enhancement to feature the participant's most recent transactions immediately following logging into an account so that participants can quickly monitor and assess their account security.
- Review relevant contracts with vendors who have access to sensitive participant information. In Voya's most recent contract renewal, performance guarantees and liabilities are included to protect the City from internet crime. Additionally, Voya's contract also includes protections for Schwab's Self-Directed Brokerage Accounts.

B. Financial Wellness

The session "Designing and Implementing Financial Wellness Programs" discussed a case study in the design and implementation of a financial wellness program. The panel highlighted the benefits of providing additional financial wellness education to participants as 44% of public sector employees reported being negatively impacted financially by the COVID-19 pandemic.

While the Board has previously released a Request for Information (RFI) for vendors providing financial education and investment advisory services, the Board determined that further discussion and investigation of procuring the service would be postponed until after the City's Human Resources / Payroll (HRP) transition.

Staff's application of the panel discussion was to develop the following list of financial wellness priorities:

- Integrate financial wellness tools into regular Money Matters sessions to bring greater awareness to the tools available to participants, such as the Retirement Calculator and the Financial Wellness survey.
- Revisit the discussion regarding financial education and investment advisory service upon completion of the HRP transition and the onboarding of a DC Plan Manager.

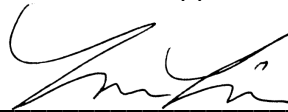
C. Other Notable Sessions

- **Exploring Decumulation Solutions** – Strategies for decumulation in retirement include services and products that balance participant flexibility with opportunity costs. These range from self-managed withdrawals (greater flexibility, at the risk of variable income) to annuity products (guaranteed income, at the cost of flexibility). Forty percent of plan sponsors surveyed by the panelist indicated interest in in-plan guarantee solutions that could offer greater income predictability for retirees while maintaining a degree of flexibility. For example, the SECURE Act and Safe Harbor provisions allow plans to make the transition to a new recordkeeper a distributable event, allowing participants to take their funds from an in-plan guaranteed solution elsewhere if desired. The DCP currently provides only self-managed withdrawals. However, City employees are generally recipients of a guaranteed income from their respective retirement plans. The other plans may also offer annuity products to increase an employee’s guaranteed income.
- **Washington Update** – The panel discussed the SECURE 2.0 Act, which would update the provisions of the SECURE Act passed in 2019 to eliminate the “first day of the month” rule by allowing contribution changes at any time, increase catch-up contributions limits, and increase the RMD age limit. While the Act was passed by the House in April 2022, the Senate is conducting committee review. The Act is predicted to pass with broad support following further reviews, but it is unclear how soon.

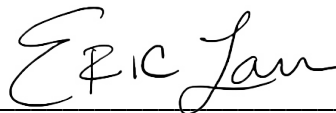
D. NAGDCA 2023 Annual Conference

Staff and Board member attendance during the 2022 Annual Conference was greatly beneficial and stimulated further discussion on improving the DCP and is recommended for future conferences. NAGDCA’s 2023 Annual Conference will be held October 8-11, 2023 in Seattle, Washington; additional details will be provided as it approaches.

Submitted by:

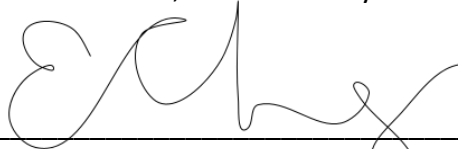


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