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DEFERRED COMPENSATION PLAN BOARD REPORT 09-04



Date: January 5, 2009

To: Board of Deferred Compensation Administration

From: Staff

Subject: Enrollment Initiative

Recommendation:

That the Board of Deferred Compensation Administration receive and file the following information regarding staff's 2009 Enrollment Initiative.

Discussion:

At the Board's October 2008 meeting, the Board authorized staff to develop a new enrollment initiative aimed at increasing participation among new and current City employees. Following are the primary project areas and the most recent developments for each:

Election Requirement (DCP-Benefits Enrollment Link)

- Requesting an election for Deferred Compensation Plan participation by building an interface with City benefit websites

A. Concept

When new civilian employees are hired with the City of Los Angeles they are required to make elections for their benefits (e.g. health, dental, etc.). Additionally, current employees are eligible to make changes during Open Enrollment in the month of October and for life changing events throughout the year. Currently, the Flex Benefits website displays the Deferred Compensation Plan's contact information. However, staff is recommending that the Plan take further advantage of this exposure by creating a new screen on the Benefits website which asks employees to make a positive or negative election to participate in the Deferred Compensation Plan. This is not a requirement to join the Plan and a participant can easily select "not interested in joining at this time" without being unduly burdened.

B. Rationale

An auto enrollment program is a program where employees are enrolled in a deferred compensation plan automatically at time of hire and then subsequently given the ability to “opt out” and have their contributions returned to them. California State Labor Code Section 300 prohibits employee payroll deductions without advance written authorization, and is generally interpreted to prohibit automatic enrollment programs in this State. However, staff is in the process of developing a “quasi-automatic” enrollment program by requesting a positive/negative election on the City’s Flex Benefits website. This new election screen will link to the Plan website. Its principal benefit will be to create increased exposure of the Plan to employees. According to the Board’s consultant, Mercer Investment Consulting, an employee is more likely to enroll when exposed to information on more than one occasion. Whether or not the City employee chooses to enroll at that moment, the link will create a continuous reminder of the Deferred Compensation Plan and may encourage people to think about the Plan and make a decision about whether it makes sense to join.

C. Implementation

All civilian employees eligible for benefits receive a benefits booklet. Throughout the booklet, employees are guided through the enrollment process. Within the booklet, employees are also presented with the City benefits website, www.myflexla.com. If employees choose to enroll or make changes to their benefits online, a confirmation number is then presented upon conclusion. Below the confirmation number, employees would, under the proposed concept, view the following screen:

Another benefit to City of Los Angeles employees is the Premiere Deferred Compensation Plan. This Plan allows you to supplement your City retirement/pension benefits and expand the opportunities available to you upon retirement.

Are you currently enrolled in the Deferred Compensation Plan?

- I am presently enrolled in the Plan*
- I am not enrolled but would like to enroll immediately*
- I am not enrolled but would like to learn more about the Plan before I enroll*
- I am not interested in enrolling today*

If the participant is interested and they click the appropriate box, the next link with question will present itself on the Great-West website. From changing contribution amount, educating oneself, to initiating the enrollment process, each page will direct the employee to the appropriate webpage. If the employee remains uninterested in enrolling in the Plan, a small questionnaire regarding why they did not enroll will be the final webpage. Lastly, if the employee has any difficulty with the site or links, they could contact Great-West for any technical difficulties.

D. DWP/Pensions

The Department of Water and Power as well as Pensions slightly differ in comparison to the City's benefits enrollment website. Staff has contacted Department of Water and Power's Employee Health and Benefits Office. They are currently reviewing the feasibility for this and will be responding shortly. Additionally, staff has determined that the Police Protective League and the Los Angeles Police Relief Association do not have the functionality for their members to make any elections or changes to their benefits on their website. Furthermore, staff is researching whether contact information concerning the Deferred Compensation Plan could be posted on either of their sites. Lastly, staff will contact the Los Angeles Fire Relief Association as well as UFLAC to verify any feasibility with creating a link to the Great-West website.

Online enrollment

- Online enrollment

A. Concept

When City employees wish to enroll with a Deferred Compensation account, they are required to complete a paper form. Currently, there are two sources available to access this enrollment form. The employee could either request the form/booklet to be mailed or visit the local office and/or download a printed form. In both cases, the form has to be mailed or faxed back to Great-West in order to process. However, staff is recommending that the Plan be more efficient and customer friendly by creating an online enrollment form, where employees would be able to not only complete, but now submit electronically the enrollment form online.

B. Rationale

An online enrollment process accessed through www.cityofla457.com and now completed as well as submitted electronically will be easier for the City employee. This secured enrollment process will reduce any delays and eliminate steps that were previously necessary to submit the enrollment form. Not only will this online enrollment process be more efficient, the Plan would take a step closer to becoming a "greener" Plan. Online enrollment and transactions are now becoming more popular due to the general fact of more and more people using the internet. Therefore, staff envisions an online enrollment process as increasing enrollment as well as creating greater efficiency.

C. Implementation

Currently Great-West is in the developmental stage with the online enrollment form. Great-West is also researching the ability for each participant to receive a pin access number to enter all personal information into the Great-West database system. Staff will receive continual updates and information from Great-West and their IT section, which will be detailed in all future Board Reports.

Benefits Election Booklet

- Creating greater visibility/awareness within Employee Benefits enrollment materials

A. Concept

When new civilian employees are hired with the City of Los Angeles they receive a City benefits booklet to make elections. Similarly, currently eligible employees also receive the benefits booklet prior to the Open Enrollment month of October. Presently, the benefits booklet has Deferred Compensation information as its last page. It is brief and offers no immediate opportunity to enroll. However, staff has taken steps to have the Plan take advantage of this exposure by creating a tri-fold information as well as enrollment page with a postage-paid envelope. Additionally, where the previous information would be placed at the end of the booklet, this new tri-fold insert will now be located at the center. The tri-fold pages would incorporate a condensed version of the "Premiere" Deferred Compensation Enrollment booklet. There would be a brief two-page description organized with information detailing the Deferred Compensation Plan, existing pension benefits, information on loans, and investing. The final four pages would be the revised enrollment form.

B. Rationale

A tri-fold information and enrollment page will now provide City employees with all of the resources they need to enroll. Previously, the information page was brief and lacked both the necessary information to make an informed decision as well as the form. However, by inserting the page within the center of the booklet, and incorporating two versus one page of Plan information, and including the enrollment for with pre-paid envelope, the enrollment process will be convenient and well facilitated.

C. Implementation

The insert has been attached for the Board's review. The insert is also being reviewed by the City's benefits consultant Mercer and will be inserted into the new hire benefits booklet within the next several weeks once approved.

D. DWP/Pensions

The Department of Water and Power as well as Pensions slightly differ in comparison to the City's benefits election booklet. Currently, staff is exploring the possibility whether the Department of Water and Power benefits carrier would be willing to include the insert within their election booklet. The Police Protective League and the Los Angeles Police Relief Association do not offer a benefits booklet. Instead, both organizations have single page information forms. Therefore, the tri-fold insert will need to be loosely attached with all other benefits information. Furthermore, staff is researching whether the tri-fold insert could be added in either the Los Angeles Fire Relief Association or UFLAC booklets.

Direct Department/Employee Outreach

- To directly target and market the employees and departments that fall below the average participation rate within the City

Staff has been working on this project area as well. An in depth analysis and discussion will follow next month.

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