Deferred Compensation Plan
BOARD REPORT 15-53

Date: October 7, 2015

To: Board of Deferred Compensation Administration

From: Staff

Subject: 2015 NAGDCA Conference Review

Recommendation:

That the Board of Deferred Compensation Administration receive and file this report containing highlights of information presented at the 2015 National Association of Governmental Defined Contribution Administrators (NAGDCA) Annual Conference in Indianapolis, Indiana.

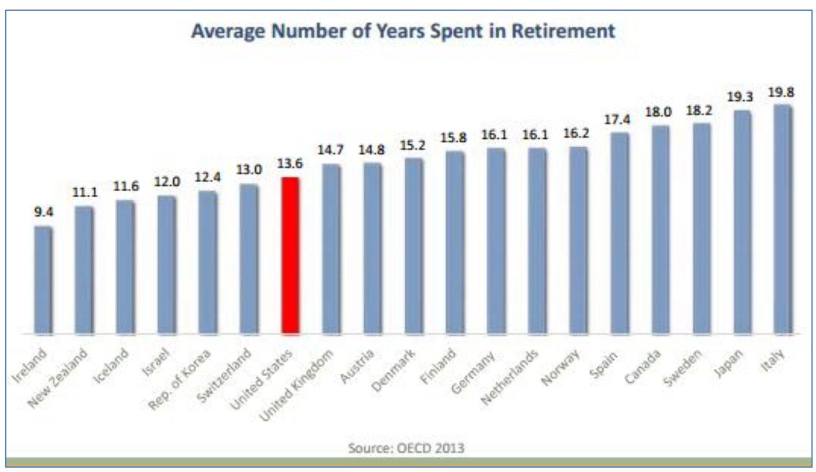
Discussion:

The 2015 NAGDCA Annual Conference took place in Indianapolis, Indiana, beginning September 27 and ending September 30, 2015. This report contains highlights from the opening and closing sessions and a session on regulatory updates. All presentations may be downloaded and the Opening and Closing Session may be viewed at the following site: http://www.nagdca.org/dnn/NewsEvents/AnnualConference2015/2015ConferencePresentations.aspx

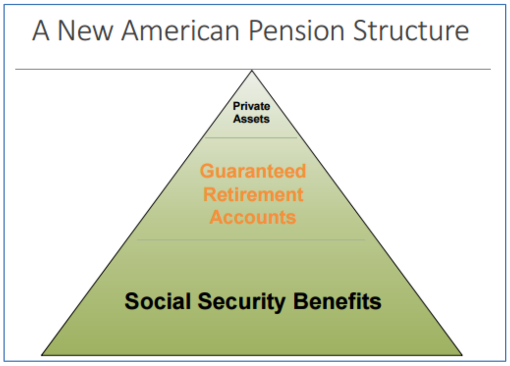
Opening Session – Keynote Presentation

The keynote speaker was Teresa Ghilarducci, economics professor and Director of the Schwartz Center for Economic Policy Analysis at The New School. She stated that there is a fundamental retirement security gap within the United States. To close that gap, she indicated that the national retirement plan model needed to be rethought.

She stated many older Americans currently face poverty in retirement, forced to work longer into retirement or during retirement. She indicated Americans rank low in years spent in retirement, compared to other countries (see right). She stated many Americans do not save enough or do not have access to a retirement savings account through their employer.



She indicated that retirement plan administrators play an important part in assisting individuals prepare for retirement. She stated that there can be a national solution which can solve accumulation, investment and payout requirements.



She discussed the concept of introducing a government backed Guaranteed Retirement Account which would cover all workers. She indicated that the assets would be pooled, funds could not be withdrawn until retirement, and a lifetime income stream (annuity) would be provided. She indicated this would provide coverage for everyone, portability, and low cost administration and transparency (versus a 401(k) plan). She indicated that many states have already started to take this path with state sponsored plans for their workers.

Regulatory Update

The panelists provided an industry regulatory update. Key points addressed were:

- The impact of the same gender marriage decision rendered in *Obergefell v.* Hodges earlier in 2015, which states that all states must now allow same gender couples to marry and must recognize same gender marriages lawfully performed in other jurisdictions, and the benefits accorded with marriage.
- The recent change to the Defending Public Safety Employees' Retirement Act. This is the recent legislation that allowed public safety officers to withdraw funds starting from age 50 and be provided an exception to the early withdrawal tax penalty.
- The IRS determination letter program. The panelist indicated the IRS has changed its review cycle and criteria (mainly due to fewer resources available within the agency).
- A review of the case, *Tibble v. Edison International*. The premise of the case was that Edison had maintained a retail share pricing for a mutual fund offered within its retirement plan investment line-up, when an institutional share class was available. While ERISA has a 6 year statute of limitations for fiduciary breach cases, the U.S. Supreme Court ruled that ERISA requires fiduciaries to monitor investment selections on an ongoing basis; a separate breach of fiduciary duty can occur every day that a fiduciary does not prudently monitor investments and remove imprudent ones.

Behaviorally Based Retirement Plans – Closing Presentation

The closing speaker was Jodi DiCenzo of Behavioral Research Associates. Ms. DiCenzo indicated that employees may be best assisted with plan designs that are behaviorally informed and driven. She stated that participants could be "nudged" to enroll and to save more, and that:

- Plan design structural features like auto-enrollment and setting the default savings rate high enough will assist participants in achieving their retirement savings goals.
- The context of communications and forms should be reviewed and she provides suggestions:
  - Web design: Suggest three higher contribution percentages buttons and have participant click on an additional link to set custom amount.

- Choice Placement: The first choice tends to be selected first. Plans may consider this and place the highest contribution rate first, whether on a form or on the web.

- Providing examples of how retiring at a later age can provide a larger benefit can be effective. Participants could be shown the amount benefits may decrease with each year that you choose to retire earlier.
- Peer comparisons can provide employees with personal benchmarks and help motivate individual savings.

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