

Deferred Compensation Plan BOARD REPORT 11-67

Date: October 6, 2011
To: Board of Deferred Compensation Administration
From: Staff
Subject: Strategic Plan – Mission & Vision Statements

*Board of Deferred
Compensation Administration
Eugene, Canzano, Chairperson
John Mumma, Vice- Chairperson
Cliff Cannon, First Provisional Chair
Tom Moutes, Second Provisional Chair
Sangeeta Bhatia, Third Provisional Chair
Michael Amerian
Michael Perez
Robert Schoonover
Maggie Whelan*

Recommendation:

That the Board of Deferred Compensation Administration receive and file for discussion information regarding the formulation of mission and vision statements for a Strategic Plan for the City's Deferred Compensation Plan.

Discussion:

At the Board's direction, staff is drafting a Strategic Plan for the Deferred Compensation Plan. The purpose of the Strategic Plan will be identifying the Plan's mission, goals and strategies over a five-year period (2012-2016).

Following a review of strategic plan documents developed by a range of other organizations, staff has identified what it believes should be the core components of a Strategic Plan:

- Identification of Plan Resources
- Mission/Values Statement
- Primary Objectives and Goals
- Implementation Strategies
- Evaluation Factors
- Related Policies

At the Board's September 20, 2011 meeting, the Board provided guidance to staff concerning the assumptions to be used in estimating available Plan resources. The discussion regarding resources occurred first because goals and objectives, if they are to be realistic, must be established relative to the available resources.

Staff is now presenting for Board consideration two essential components of the Strategic Plan: a draft Mission Statement and draft Vision/Values Statement. The objective of a **mission statement** is to define the purpose of an organization. The objective of a **vision statement** is to define an organization's aspirations for the future. As an example, a widget maker's "mission" might be to make high-quality widgets at a competitive price. The widget maker's "vision" might be to become the premier widget maker in the country.

Staff has prepared draft mission and vision statements for the Board's consideration. As part of developing those drafts, staff addressed some key questions frequently used by organizations in strategic plan development. These questions and staff's responses are also provided for Board consideration.

A. QUESTIONS/CONSIDERATIONS FOR MISSION AND VALUE STATEMENT DEVELOPMENT

What is Unique About the City's Plan?

The City's Deferred Compensation Plan plays a **uniquely engaging role** for City employees with respect to building financial and retirement security. That engagement results from three essential qualities of the Plan being:

- Employer-sponsored
- Voluntary
- Self-directed

Being **employer-sponsored** provides conveniences for City employees to save for retirement that are not available when they are saving/investing independently through other tax-favored or non-tax-favored vehicles. Those conveniences include unbiased communication and educational resources, user-friendly administration, a competitive cost structure owing to economies of scale, ease of payroll deduction, and a disciplined provider selection processes to ensure that investment service providers are always acting in the best interests of Plan participants.

As a **voluntary program**, each employee must make a decision about whether or not to participate in the Plan. This requires engagement, at minimum, with the concept of saving for the future, even if an employee ultimately elects not to participate.

As a **self-directed** program, each participant must make decisions about how much to contribute, whether contributions will be pre-tax or post-tax, where contributions will be invested, and how contributions will be withdrawn.

What Needs Can We Satisfy for Participants That Other Alternatives Cannot Provide?

Because the City's Plan is uniquely engaging, it creates opportunities for communication, education, planning, and decision-making that can have significant consequences in both the short-term and long-term. Relative to other alternatives, the City's Plan is in the strongest position to **provide crucial information** about retirement security, **create opportunities** for increasing retirement security, and **assist employees in taking action** to achieve retirement security.

What Is Our "Business?"

In a word, the "business" of the City's Plan is **opportunity**. This means that we create opportunities for City employees to create opportunities for themselves. As employees contribute to the Plan and build their account balances, they expand and create new opportunities. A participant's account can represent an unlimited array of potential opportunities that can include not only the general objectives of financial and retirement security, but also more specific objectives such as:

- Retirement at an earlier age
- Retirement that maintains a pre-retirement standard of living
- Retirement that improves upon a pre-retirement standard of living
- The ability to purchase a home
- The ability to help manage debt
- The ability to help manage emergencies
- The ability to provide resources for dependents
- The ability to fund significant purchases

Just as contributing/investing in the Plan is “self-directed,” so is the process of identifying and pursuing opportunities. The business of the Plan is thus not to proscribe how the Plan should be used, but to help participants explore how it can be used.

Consistent with this concept, the Plan offers certain optional features (hardships, loans, a self-directed brokerage window, pre-tax and post-tax savings vehicles, etc.) which provide each individual the ability to customize the Plan to his or her desires and objectives. For some individuals, the Plan’s most significant benefit will be as a source of retirement income. For others, it may be as a resource to help with purchase of a home. For others, it will be as a resource to manage financial difficulties while working. And for others, it will be a financial resource to bestow to one’s heirs. The Plan respects this variation, for that variation is reflective of the diversity of the participant population and is rooted in each individual’s determination of what is possible and achievable, both prior to as well as after retirement.

Additional Questions

Additional questions often debated in strategic plan development that may be discussed at the Board meeting but for which staff has not yet drafted responses include the following:

- What kind of image do we want?
- What do we want to be known for?
- What kinds of participants do we want to have?
- How big do we want to be?
- How many products/services do we want to have?
- What personal needs do we want to satisfy?
- What are our philosophy, ethical and social responsibilities, and values?
- Where do we want to be in five years?

B. DRAFT MISSION AND VALUE STATEMENTS

Following, for Board discussion, are draft mission and value statements for the Strategic Plan:

MISSION STATEMENT

The mission of the City of Los Angeles Deferred Compensation Plan is to provide active and retired City employees with a retirement and savings program that offers the informational resources, investment tools, and administrative support structure necessary to create and expand opportunities for enhancing retirement and financial security.

VISION STATEMENT

Our vision is that the City's Plan will achieve excellence in the fundamental metrics of success within a retirement and savings plan:

- *Participation rates and contribution levels*
- *Engagement of participants with their accounts and the opportunities created by the Plan*
- *Participant success in achieving their retirement and savings objectives*

To achieve excellence, our Board, support staff, and service providers will be dedicated to engaging and effective communication; personalized, expert and friendly customer service; and diligent, forward-thinking Plan administration guided solely by what is in the best interests of Plan participants.

Following discussion at the Board meeting, staff will continue to work on refining the mission and value statements and further developing the remaining components of the Strategic Plan.

Submitted by:

Steven Montagna

Approved by:

Alex Basquez