



CITY OF *Los Angeles*

DEFERRED COMPENSATION PLAN

Board Report 22-26

Date: April 19, 2022

To: Board of Deferred Compensation Administration (Board)

From: Staff

Subject: Participant Outcome Goals and Strategies Review and Update

Board of Deferred Compensation Administration
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Discussion:

Presentation regarding Deferred Compensation Plan participant goals and strategies.

Background:

At its September 15, 2020 and October 20, 2020 meetings, the Board adopted staff's recommended Deferred Compensation Plan (DCP) participant goals and strategies for the period Fiscal Year (FY) 2020-2021. Subsequently, at its June 15, 2021 meeting, the Board adopted a recommendation from staff to extend those goals for an additional six months through the end of Calendar Year (CY) 2021. This report provides (a) a final review of results relative to the 2021-22 18-month goals and (b) proposes a process for integrating future goals development with the new resource support provided by Voya's Strategic Initiatives Director. Additionally, this report provides a summary of key strategies related to meeting DCP participant goals and outcomes.

A. Final Results for DCP 2021-22 18-Month Participant Goals and Outcomes

The DCP's 2021-22 18-month participant goals and outcomes results are summarized in **Attachment A**. Generally, the DCP was successful in meeting most of the adopted goals. However, the DCP did not meet its goal to increase participation of employees with less than three years of City service. Following a review of the methodology, staff identified a problem with how the population was being measured and progress evaluated. Specifically, with each quarter's evaluation a modified three-year group was being measured. Each quarter's review, then, would see one quarter's population "roll off" and a new quarter's population "roll in." The flaw in this approach is that a significant portion of the original target group is ultimately lost, so any progress

made in enrolling that subset over time is not being reflected in the statistics. When this goal is revisited for CY 2023, a new methodology will be proposed to correct for this oversight.

In order to help meet its goals, the DCP utilized strategies including mailing and email campaigns targeted toward employees with less than one year of service as well as employees in those City departments and labor organizations with the lowest participation. Additionally, more broad-based tools were also utilized, including the annual engagement campaign for National Retirement Security Month (NRSM), monthly Money Matter sessions highlighting important DCP topics such as contribution limits and percent-of-pay, special communications regarding increases to annual contribution limits, and a variety of website and newsletter content pieces which directly or indirectly encouraged participants to enroll, increase their contributions, and stay in the City's DCP following retirement. Voya's local retirement counselors also routinely emphasized the benefits of enrolling in percent-of-pay with new enrollees in the DCP and also informed retirees of the benefits of staying with the DCP.

B. New Strategic Process to Determine Participant Goals and Outcomes

One of the DCP's 2022 Strategic Initiatives is integrating the new Strategic Initiatives Director position into the goals development framework. On March 14, 2022, Drew Russell began his assignment with Voya and the DCP as the Strategic Initiatives Director. Since his appointment, staff has been helping to onboard Mr. Russell by familiarizing him with the goals development and monitoring framework of the DCP, and its relationship to engagement strategies and driving improved participant outcomes.

Staff and Mr. Russell plan to move forward methodically by reviewing each category and goal in depth, beginning with an analysis of prior year data and strategies and a review of resources and potential strategies. Following that review, recommended future goals and strategies will be proposed to the Board. Staff's objective is to move this development process forward over the remaining months of this year in sufficient time to finalize more robust goals and data-driven strategies for CY 2023. The first such report and recommendation will be submitted at the Board's May 17, 2022 meeting, with the focus being on DCP participation goals.

C. Conclusion

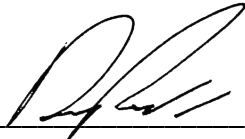
Participant outcomes continue to be a primary focus of staff and Voya efforts, as they represent the most essential measurement of the DCP's success in supporting participants in achieving and maintaining retirement security. Staff and Voya will continue to partner to enhance goals and strategies.

Submitted by:



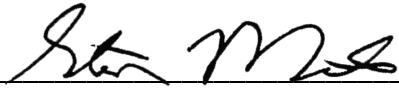
Eric Lan, Benefits Analyst

Reviewed by:



Daniel Powell, Senior Personnel Analyst II

Approved by:



Steven Montagna, Chief Personnel Analyst

Final Results for DCP 2021-22 18-Month Participant Goals and Outcomes

Category	Goal	Period Measured	Population Measured	Result
Participation Goals	Increase participation of employees with less than one year of City service by 1%, from 45% to 46%.	7/1/21 to 12/31/21	Employees hired between 9/1/2019 and 8/30/2020 who remained employed through 12/31/21.	As of 12/31/21, 53% of the measured population were enrolled in the DCP.
	Increase participation of employees with less than three years of City service by 1%, from 51% to 52%.	7/1/21 to 12/31/21	A rolling population with three years of service whereby with each quarter's review, one quarter's population "rolls off" and a new quarter's population is added in.	As of 12/31/21, 44% of the final measurement population (1/1/2019 - 12/31/2021) were enrolled in the DCP.
	Increase participation of employees in the five departments with the lowest participation rates by 1% Mayor's Office (42% - 43%) Council Offices (46% - 47%) General Services Department (53% - 54%) Public Works Bureau of Street Services (54% - 55%) Recreation and Parks (59% - 60%)	7/1/21 to 12/31/21	Employees in the five targeted departments	Mayor's Office (42% - 43%) As of 12/31/21, 46%; met goal Council Offices (46% - 47%) As of 12/31/21, 46%; did not meet goal General Services Department (53% - 54%) As of 12/31/21, 55%; met goal Public Works Bureau of Street Services (54% - 55%) As of 12/31/21, 56%; met goal Recreation and Parks (59% - 60%) As of 12/31/21, 61%; met goal
	Increase participation of employees in the five labor organizations or non-represented employees with the lowest participation rates by 1% MOU 15 - Service Employees (34% - 35%) MOU 00 - Non-Represented (53% - 54%) MOU 04 - Equip. Operation and Labor (53% - 54%) MOU 14 - Service and Craft (56% - 57%) MOU 02 - Building Trades (60% - 61%)	7/1/21 to 12/31/21	Employees in the five targeted labor organizations	MOU 15 - Service Employees (34% - 35%) As of 12/31/21, 38%; met goal MOU 00 - Non-Represented (53% - 54%) As of 12/31/21, 55%; met goal MOU 04 - Equip. Operation and Labor (53% - 54%) As of 12/31/21, 54%; did not meet goal MOU 14 - Service and Craft (56% - 57%) As of 12/31/21, 59%; met goal MOU 02 - Building Trades (60% - 61%) As of 12/31/21, 63%; met goal
	Maintain average employee contributions at the current rate of 5.48%, calculated to include all full-time employees eligible for the DCP	7/1/21 to 12/31/21	All active participants	As of 12/31/21, contribution rate goal was 6.1%; goal was met
Contribution Goals	Increase the number of participants saving as a percent-of-pay from 3,064 (9% of contributing participants) to 3,446 (10% of contributing participants).	7/1/21 to 12/31/21	Active participants who are enrolled in percent-of-pay	As of 12/31/21, there were 3,985 participants enrolled in percent-of-pay; goal was met.
Distribution Goal	Maintain the number of retirees who close their accounts to no more than 2.5% of the retiree population (excluding closures of QDRO and beneficiary accounts).	7/1/21 to 12/31/21	All participants who have separated from City service	As of 12/31/21, there were 1.7% of retirees (519 retirees) who rolled funds out of the DCP; goal was met.
Asset Retention Goal	Maintain the number of retirees who roll funds out of their account to no more than 4.5% of the retiree population (excluding closures of QDRO and beneficiary accounts).	7/1/21 to 12/31/21	All participants who have separated from City service	As of 12/31/21, there were 2.4% of retirees (610 retirees) who closed their accounts