



Board Report 23-11

Date: February 21, 2023

To: Board of Deferred Compensation Administration (Board)

From: Staff

Subject: 2023 Participant Outcome Goals and Strategies Baseline Data

Board of Deferred Compensation Administration
Thomas Moutes <i>Chair</i>
Neil Guglielmo <i>Vice-Chair</i>
Robert Schoonover <i>First Provisional Chair</i>
Jeremy Wolfson <i>Second Provisional Chair</i>
Joshua Geller <i>Third Provisional Chair</i>
Dana H. Brown
Linda P. Le
Joseph Salazar
Baldemar J. Sandoval

Discussion:

The Board approved of the DCP's 2023 Participant Outcome Goals and Strategies at its meeting on September 29, 2022. As indicated in that report, staff would provide baseline metrics for the goals and determine the numerical goals for the 2023 calendar year. A mid-year update will be provided to the Board in August of 2023 and then, in January of 2024, staff will provide a report for the full year's results. The objectives approved by the Board are provided in Report 22-51 in **Attachment A**.

A. Baseline Data and Objectives Table

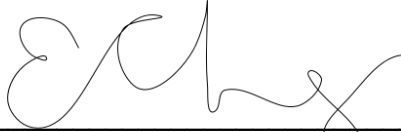
Data was pulled as of January 3, 2023 to determine the following baseline metrics and corresponding target goals for calendar year 2023.

Category	Description	
Participation	Increase the participation rate among full-time employees hired in 2022.	
Baseline Metric:	Participation rate for employees hired in 2022 as of January 1, 2023.	29%
Target Metric:	Objective will be to bring the participation for employees hired in 2022 to 55%.	55%
Contribution	Increase the number of flat-dollar to percent-of-pay contributions.	
Baseline Metric:	Percentage of active participants as of January 1, 2023 contributing via dollar amount versus percent-of-pay.	14%
Measuring Success:	Increase percentage by 3% compared to the baseline. Measure results as of December 31, 2023.	17%

Asset Retention	Reduce the rate of separated participants initiating an outgoing rollover (Group 1); reduce the rate of separated participants (separated during 2023) initiating an outgoing rollover (Group 2).	
Baseline Metric:	The number of rollovers of separated participants in 2022, 2021, and 2020 as of January 1, 2023 to identify an average rate of rollovers for those at or near retirement.	4.7%
Measuring Success:	Rollover rate as of December 31, 2023. Goal will be to have the 2023 rollover rate be lower than the average rate of 2020-2022.	< 4.7%
Distribution	Increase the rate of separated participants taking installment distributions.	
Baseline Metric:	The rate of separated participants taking installment distributions in 2022.	9%
Measuring Success:	The rate of separated participants taking installment distributions in 2023. Goal will be to have the 2023 rate of separated participants taking installment distributions be 3% higher than the same population in 2022.	12%

Staff will implement the strategies above to accomplish the numbers measuring success via the communications projects on the updated Communications Calendar provided in **Attachment B**.

Submitted by: 
Eric Lan, Benefits Analyst

Approved by: 
Esther Chang, Senior Personnel Analyst II



CITY OF *Los Angeles* DEFERRED COMPENSATION PLAN

Board Report 22-51

Date: September 29, 2022

To: Board of Deferred Compensation Administration

From: Staff

Subject: 2023 Participant Outcome Goals and Strategies

Board of Deferred Compensation Administration

Thomas Moutes
Chair

Robert Schoonover
First Provisional Chair

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Jeremy Wolfson

Recommendation:

That the Board approve: (a) the Deferred Compensation Plan (DCP) Participant Engagement Goals and Strategies for 2023, and (b) the proposed Communications Calendar for 2023.

Discussion:

A. Background

DCP staff and Voya have collaborated to revamp the DCP's participant engagement goals and strategies by incorporating a new methodology for reviewing each category goal category: participation, contributions, asset retention, and distributions. With the newly added Voya's Strategic Initiatives Director, Drew Russell, staff has evaluated the DCP's goal through the lens of a SWOT analysis, a strategic planning tool that considers the program's strengths, weaknesses, opportunities, and threats.

A timeline of staff's progress towards developing the 2023 goals is shown below:

- March 14, 2022 – Drew Russell, Voya's Strategic Initiatives Director was hired and onboarded.
- April 19, 2022 – Staff provided a final review of the DCP's strategic goals for its 2021 through 2022 goals.

- June 7, 2022 – Staff presented to the Board the new strategic process for developing new participant outcome goals.
- June - August 2022 – Staff and Voya met weekly to research, discuss, and propose new engagement goals and strategies for each of the key categories.
- September 2022 – Staff and Voya established the proposed 2023 communications calendar.

This report provides staff’s proposal to execute the participant engagement goals and strategies and the 2023 communications calendar.

B. Methodological Process Results

The methodological process was comprised of five steps:

1. Review key participant outcome goal categories.
2. Initiate data analysis to identify opportunities and establish success metrics for 2023 participant outcome goals.
3. Perform a Strength, Weakness, Opportunity, and Threat (SWOT) analysis.
4. Review and identify available communication and engagement methods.
5. Establish and execute 2023 marketing strategy in an agreed-upon schedule.

Staff’s priorities were the following:

- Develop concrete success metrics with specific baseline data and defined data checkpoints for each category.
- Determine specific measurement populations for each category that would define the success metric.
- Utilize the SWOT analysis to:
 - Identify historically successful strategies that the DCP should continue to invest time and resources.
 - Determine which engagement strategies need improvement based on results of previous efforts and execution.
 - Discover opportunities to consolidate, streamline, and enhance communications that incorporate the strategies.
 - Identify potential barriers to success to inform strategies and communication methods.
 - Incorporate underutilized resources and relationships that the DCP can further leverage.

As a result of this process, staff proposes a new objective for each of the four categories of participation, contributions, asset retention, and distribution. Rather than determining multiple

goals for each category, staff proposes a single objective with multiple strategies, multiple target populations, and multiple success indicators. Progress towards the objectives will be measured through the specific metrics at discrete time intervals. The new engagement objectives will allow staff to measure success holistically while still evaluating the DCP on specific objectives.

C. Proposed Participant Engagement Objectives for 2023 by Category

Participation

Objective: The City’s overall participation rate in the DCP is approximately 78% among full-time employees. This is a high participation rate that compares favorably against the City’s peers. However, participation among new employees, particularly those with fewer than three years of service, is typically low. As such, staff proposes setting a goal around increasing the participation rate among full-time employees hired in 2022.

Strategy:

- Target enrollment communications toward employees hired since 2020.
- Conduct outreach to departments and labor organizations that have a particularly low participation rate among that population.

Success Metrics Indicators:

- Baseline Metrics: Participation rate for employees hired in 2022 as of January 1, 2023.
- Target Metrics: Objective will be to bring the participation for employees hired in 2022 to 55%.
- Measuring Success: Evaluate participation rates as of December, 31 2023 to measure whether we were able to increase participation. The Board will be provided with a mid-year update to indicate whether the DCP is on target to reach the goal.

Contributions

Objective: At the time the DCP adopted Voya as its third-party administrator in late 2017, the DCP also implemented a new percent-of-pay contribution feature, which allows employees to designate a percentage of their paycheck to contribute to their DCP account, as opposed to a flat-dollar amount contribution. This can be highly favorable for employees because it allows their contribution amounts to automatically increase as their earnings grow. While this feature is widely utilized among new enrollments, flat-dollar contributions are still more prevalent among the active population as a

whole. Staff proposes setting a goal around converting active participants from flat-dollar to percent-of-pay contributions.

Strategy:

- Identify all active participants currently contributing a flat-dollar amount as of January 1, 2023.
- Develop targeted enrollment communications and marketing activities toward those employees.

Success Metrics Indicators:

- Baseline Metrics: Percentage of active participants as of January 1, 2023 contributing via dollar amount versus percent-of-pay.
- Measuring Success: Increase percentage of active participants contributing via dollar amount versus percent-of-pay by 3% compared to the baseline. Measure results as of December 31, 2023.

Asset Retention

Objective: The DCP offers a variety of investment options that are priced competitively, particularly when compared against retail investments. Employees who have retired or are otherwise separated from service have the option to maintain their funds with the DCP as long as desired (with the exception of Internal Revenue Service Required Minimum Distributions), with no change in fees or service offerings. Staff proposes setting goals around the retention of separated from service employee's assets, with specific targets for two groups:

- Reduce the rate of separated participants initiating an outgoing rollover (Group 1).
- Reduced the rate of separated participants (separated during 2023) initiating an outgoing rollover (Group 2).

Strategy:

- Develop targeted communications and messaging to each group and to participants nearing retirement age based on their pension system, highlighting the benefits of staying in the DCP in retirement.
 - Develop content focused on retirees and the DCP.
 - Develop content focused on active participants nearing the age of retirement.

Success Metrics Indicators:

- Baseline Metrics:
 - The number of rollovers of separated participants in 2022, 2021, and 2020 as of January 1, 2023 to identify an average rate of rollovers for those at or near retirement.
- Final Metrics:
 - Rollover rate as of December, 31 2023.
- Measuring success: Goal will be to have the 2023 rollover rate be lower than the average rate of 2020-2022. This goal is benchmarked against three years averaged out to better account for outlier years.

Distributions

Objective: The DCP has historically measured and sought goals around reducing the number of account closures (employees who take a distribution of 100% of their account balance), however this type of retiree behavior has already proven to be fairly uncommon. Instead, most separated participants take advantage of the occasional partial distribution. Installment/periodic payments continue to be relatively under-utilized, but those payments can be highly beneficial to separated participants who seek a steady ongoing income stream. To that end, staff proposes making efforts to boost awareness and utilization of this feature and developing goals to that end.

Strategy:

- Develop communications tools educating separated participants on the benefits of taking installment/periodic payments to generate a consistent income stream in retirement. Target communications toward both separated participants and employees who are nearing retirement.

Success Metrics Indicators:

- Baseline Metrics:
 - The rate of separated participants taking installment distributions in 2022.
- Final Metrics:
 - The rate of separated participants taking installment distributions in 2023.
- Measuring Success: Goal will be to have the 2023 rate of separated participants taking installment distributions be 3% higher than the same population in 2022.

D. 2023 Proposed Communications Calendar

Attachment A shows the proposed 2023 communications calendar that the DCP will use to organize and streamline communications to ensure progress towards the goals.

E. Conclusion


Staff has undergone a comprehensive review and analysis of the participation outcome goals and determined new goals and strategies for the 2023 calendar year. The new communications calendar and schedule will provide a clear project plan and specific deliverables. In February of 2023, staff will provide the Board with the baseline data and numerical goals for the 2023 calendar year. Staff will provide a mid-year update in August of 2023 and then, in January of 2024, staff will provide a report for the full year's results. Staff recommends that the Board approve: (a) the Deferred Compensation Plan (DCP) Participant Engagement Goals and Strategies for calendar year 2023, and (b) the proposed Communications Calendar for calendar year 2023.

Submitted by:



Eric Lan, Benefits Analyst

Reviewed by:



Daniel Powell, Senior Personnel Analyst II

DCP Communications 2023 Calendar

	Quarter 1		
	January	February	March
	Broad Messaging Themes	New Years Resolutions, Starting the Year off Right, Healthy Financial Habits, New Beginnings	
Goal/Area of Focus	Participation	Contributions	Distributions
Targeted Segment	All eligible Not Enrolled	Increased limits for age 50+	In service distributions not at retirement age
Targeted Emails	Yes	Yes	Yes
Targeted Mailings	No	Yes	NA
Department Engagement			
Other notes	Mailer will come from City		
Regular Communications	Voya Quarterly Newsletter		
LA457.com Blog Posts	Participation and Contributions		
Money Matters	Enrollment/Participation	Pre-tax vs After Tax (Roth)	Retirement Readiness
NRSM Planning/Activities			
	Monthly Personnel Newsletter	Monthly Personnel Newsletter	Monthly Personnel Newsletter
Social Media Posts			
Special City Events			

	Quarter 2		
	April	May	June
	Broad Messaging Themes	Personal Improvement, Looking Ahead, Long Term Planning	
Goal/Area of Focus	Participation	Contributions	Asset Retention
Targeted Segment	5 Departments with most not enrolled	Contributing flat dollar	Group 1: Separated from service who transact an outgoing rollover
Targeted Emails	Yes, custom email to these departments		Yes
Targeted Mailings	Yes, a broad mailer	Yes	Yes
Department Engagement	Yes, but what does that look like? Team meetings?		
Other notes	Mailer will come from City		
Regular Communications	Voya Quarterly Newsletter		
LA457.com Blog Posts	Asset Retention		
Money Matters	Website Tutorial Series: Retirement Calc	Website Tutorial Series: How to change Contribution	Website Tutorial Series: How to Change Investments
NRSM Planning/Activities	Planning	Planning	Planning/Content Creation
	Monthly Personnel Newsletter	Monthly Personnel Newsletter	Monthly Personnel Newsletter
Social Media Posts			
Special City Events			

	Quarter 3		
	July	August	September
	Broad Messaging Themes	Summer Leisure, Vacation, Fun	
Goal/Area of Focus	Distributions	Asset Retention	Participation
Targeted Segment	TBD	Group 2: Newly separated from service (in 2023)	All eligible not enrolled
Targeted Emails	TBD	Yes	Yes
Targeted Mailings	TBD		
Department Engagement			
Other notes		Newly separated from service (in 2023)	Mailer would come from City
Regular Communications	Voya Quarterly Newsletter		
LA457.com Blog Posts	Asset Retention, Participation		
Citywide Mailings			
Citywide Emails			
Money Matters	Retiree Distributions/RMDs/Beneficiaries	Loans	Market Volatility
NRSM Planning/Activities	Content Creation	Content Completion	Execute
	Monthly Personnel Newsletter	Monthly Personnel Newsletter	Monthly Personnel Newsletter
Social Media Posts			
Special City Events			

	Quarter 4		
	October	November	December
	Broad Messaging Themes	Budgeting, Financial Wellness, Holidays, Family, Friends	
Goal/Area of Focus	Contributions	Participation	Asset Retention
Targeted Segment	Hired before 2022: Contributing flat dollar	5 departments with most not enrolled	Group 1: Separated from service who transact an outgoing rollover
Targeted Emails		Yes	Yes
Targeted Mailings			
Department Engagement		Yes	
Other notes		Did you forget something with your benefits? NRSM "thanks for playing"	
Regular Communications	Voya Quarterly Newsletter		
LA457.com Blog Posts	Asset Retention, NRSM		
Citywide Mailings			
Citywide Emails	NRSM Email 1	NRSM Email 2	NRSM Email 3
	NRSM Email 4	Final NRSM Email	Contribution Limits Email
Money Matters	Enrollment Financial Wellness	Retirement Readiness	Contributions
NRSM Planning/Activities	Include Contributions in NRSM campaign		
	Monthly Personnel Newsletter	Monthly Personnel Newsletter	Monthly Personnel Newsletter
Social Media Posts			
Special City Events			