

2021



Legislative Reference Bureau

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DEFERRED COMPENSATION



2021 Proposed Plan and Executive Budget Review

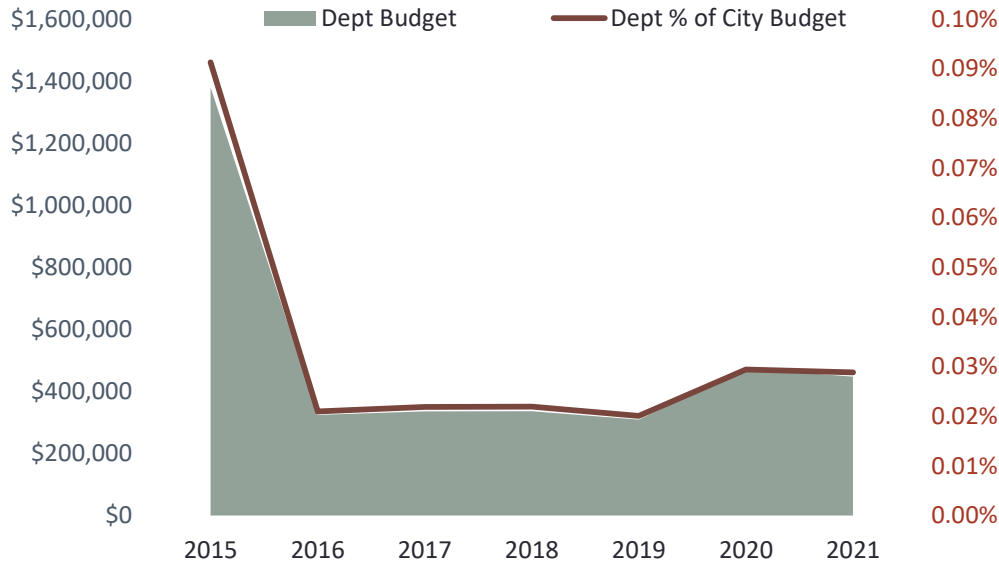
Prepared by: Alex Highley, Legislative Fiscal Analyst
Budget Hearing: 1:30 pm on Wednesday, October 7, 2020



\$447,582
Proposed 2021 Budget

-\$26,118
Change in Proposed Budget

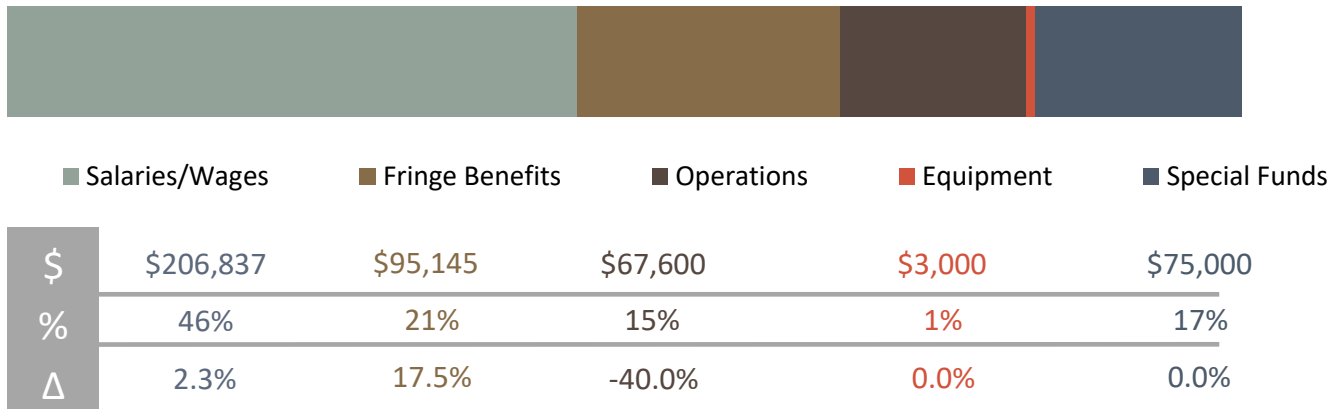
-5.5%
% Change in Proposed Budget



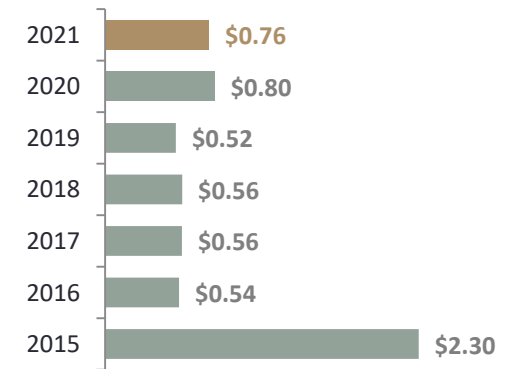
Departmental Budget Impact

This department is self-funded through Plan participants and invested assets and therefore does not have an impact on the Tax Levy or General Budget.

Departmental Budget Appropriation Category



Budget per Capita



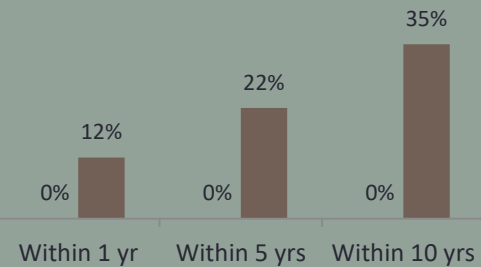
\$4,737

Increase in Salaries and Wages for the department, up 2.3% from the amount allocated in 2020.

\$75,000

Contingency Special Fund – Reserve of Plan funds to cover any unexpected expenses. Funds can only be expended upon Deferred Compensation Board approval.

Retirement Eligible ■ Dept ■ Citywide



0

Change in Positions

0.0%

% Change in Positions

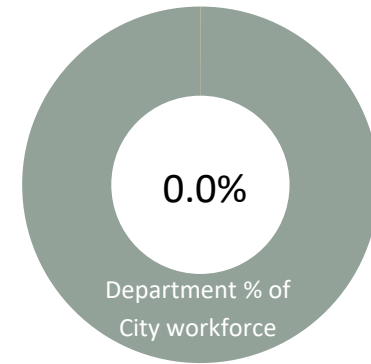
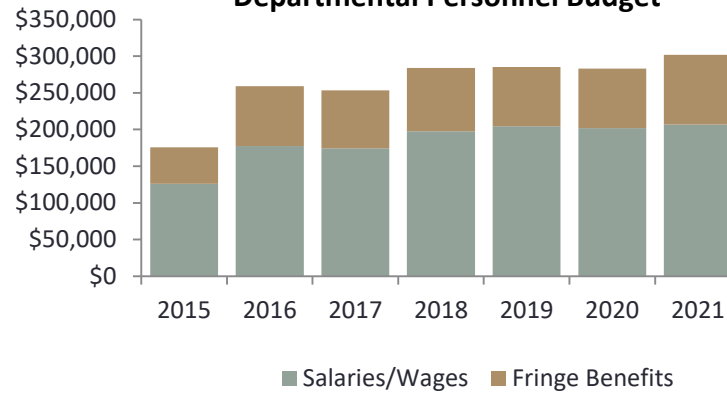
1

Current Vacancies

0

Voluntary Separations

Departmental Personnel Budget

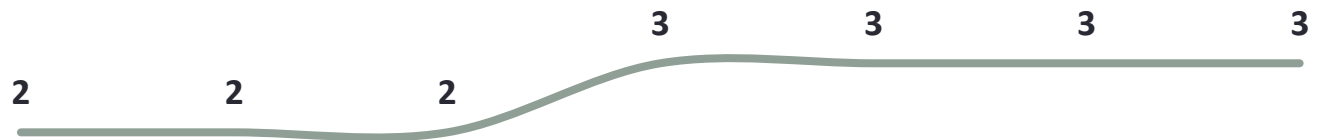


Staffing Vacancy

There is one staffing vacancy for the position of Program Coordinator that is expected to be filled in the near future.

Staffing Update

No staffing changes proposed in 2021.



**Department Positions
2015-2021**

9,156

Total active and retired Deferred Compensation Plan participants as of December 31, 2019.

85% vs 86%

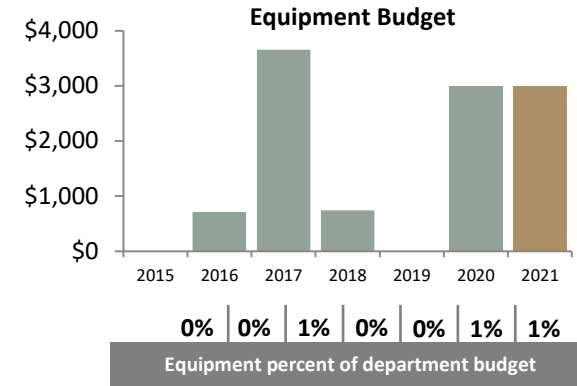
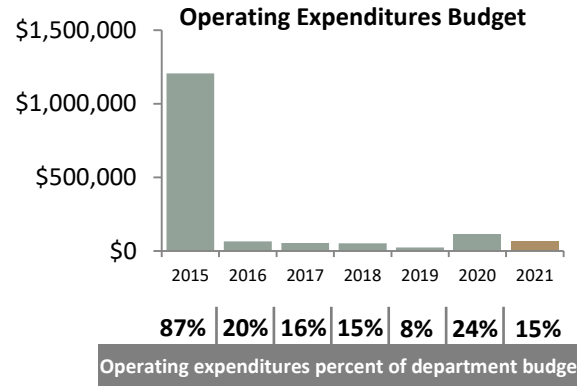
2018 and 2019 Plan participation rates, respectively. Prior to implementation of “Opt-Out” participation strategy in Fall 2016, participation rate was 65%.

\$1,002,058,420

Plan assets as of December 31, 2019, a 15.4% increase from 2018.

3%

Default percentage of wages for contributions unless participants choose to “Opt Out.” The “Opt Out” option is provided through both auto-enrollment for new hires and re-enrollment.



Revenue

Revenues are expected to be \$447,582 in 2021, which is a 5.4% decrease from 2020. Department revenues match total department expenditures.

Department expenditures, including salaries and operating, are paid for through the Plan and participant fees. There is no City tax levy support.

Special Purpose Accounts

There are no special purpose accounts for this department.

Grants

This department receives no grant funding.

Capital Requests

There are no capital requests for this department.

Voya

The Deferred Compensation Plan Board's 5-year contract with Voya, which has recently been reviewed by the City Attorney's Office, is set to expire in October 2021. The Board has not yet determined a course of action following the contract's expiration.

16

Investment options available within the Deferred Compensation Plan, including ten (10) age-specific Target Date funds, five (5) Core funds, and the Self-Directed Brokerage Account option.

1,349

Plan participant loans from individual accounts as of December 31, 2019. This was a decrease of 212, or 13.6%, from 2018.

Auto-Enrollment and Re-Enrollment

The Plan strives to provide a comprehensive education and notification campaign for anyone subject to the annual re-enrollment process. Participants have choice and control throughout the process, even after the enrollment has taken place.

Financial Wellness

The Board and the Deferred Compensation office continually work on efforts to increase Plan enrollment and contributions through outreach efforts. This includes financial wellness education and one-on-one consultations with local Voya representatives, both of which are incentivized via the City's Healthy Rewards program.

Recent Achievements

- Awarded 2019 NAGDCA (National Association of Government Deferred Compensation Administrators) Leadership Recognition Award in the Participation Education and Communication category for 2018 Healthy Rewards Program.
- Implemented the third year of automatic enrollment for new hires.
- Conducted a fourth annual re-enrollment campaign.
- Annual member's contribution increased to 3% of their wages if they contributed less than 3%, unless they opted out. Members were placed in an age-appropriate investment plan, unless they opted out.
- Fifth consecutive year of decreases in plan operating expenses.
- Awarded Pensions & Investments' 2020 Eddy Award for Financial Wellness

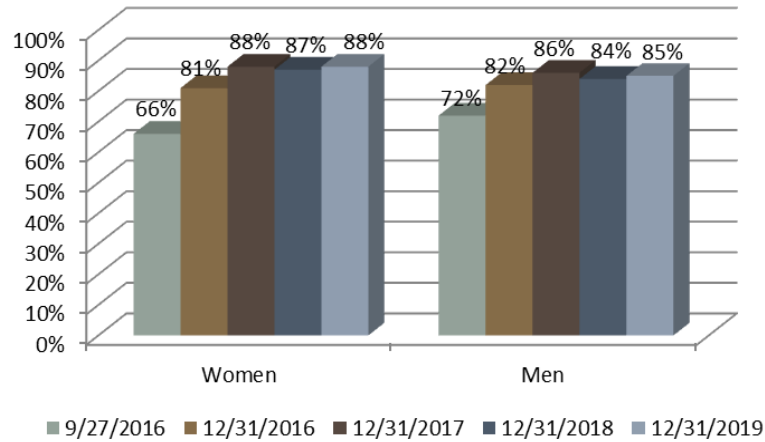
New Management Strategy for Target Date Funds

Beginning January 1, 2020, Plan participants' investments in Target Date Funds, which are a combination of investments in over 15 underlying funds, were automatically adjusted to create a balance between active and passive management of various stocks and bonds. The change is intended to secure a smoother path to retirement by lowering fees associated with a fully active fund.

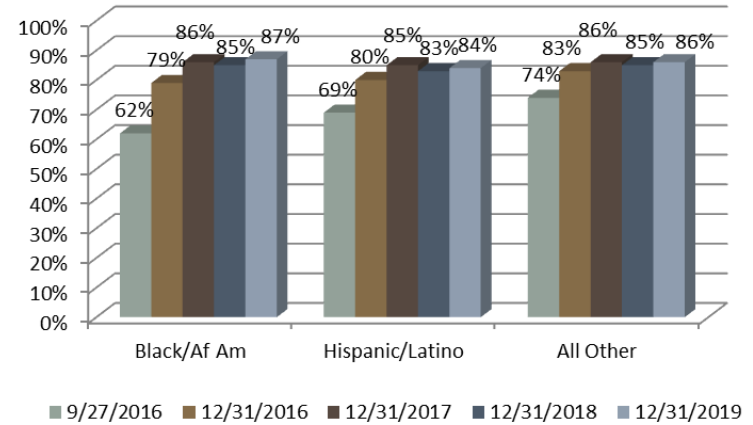
Plan Operating Expenses

The Deferred Compensation Plan does not impact the City's property tax levy. Plan operating expenses are paid entirely by Plan participants through payroll and rollover contributions, as well as fees specific to each investment option. Fees are monitored on an on-going basis and reductions take place through a variety of efforts, including contract negotiations and "going to market" for vendor expenses at contract renewals.

Participation Rate - by Gender



Participation Rate - by Race



Participation Rate - by Age

