



Pension and Health Benefits Committee Agenda Item 4d

March 15, 2016

Item Name: Supplemental Income Plans Program Update

Program: Supplemental Income Plans

Item Type: Information Consent

Executive Summary

The Special Programs and Marketing Division's Supplemental Income Plans (SIP) Program, oversees three deferred compensation plans comprised of the California Public Employees' Retirement System (CalPERS) Deferred Compensation Plan (457 Plan), Supplemental Contributions Program (SCP) and the County of Placer 401(k) Plan. Today's information item is to provide an update on the status, efforts and strategies of the SIP Program.

Strategic Plan

This agenda item supports the CalPERS Strategic Plan Goal A improving long-term pension and health benefit sustainability. Regular review of the SIP Program is important to assist participants with their retirement savings needs while being competitive in the supplemental savings market place.

Background

The SIP consists of the CalPERS 457 Plan, the SCP and the County of Placer 401(k) Plan. Assets in each plan as of December 31, 2015 are:

CalPERS 457 Plan	\$ 1.2	billion
SCP	\$ 121	million*
Placer 401k	\$ 31	million

*Includes SCP and SCP State Peace Officers' and Firefighters' (POFF) assets

Further plan statistics are included in Attachment 1.

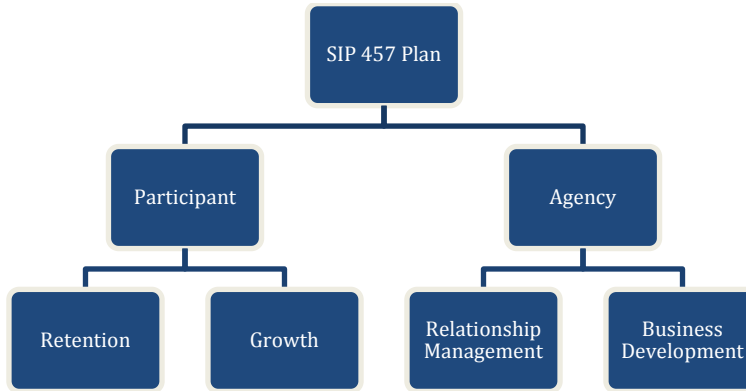
Program Update

CalPERS 457 Plan

457 Plan Program Structure

The SIP program is structured to ensure that all aspects of the program are being met to include customer service, participant education, agency retention and new business development.

The diagram below outlines the critical plan components.



Participant Retention & Growth

SIP partners with Voya Financial to conduct field based member education to ensure that current plan participants understand the benefit of their plan, as well as, to educate prospective members and discuss enrollment procedures. SIP monitors Voya's effectiveness to accommodate the needs of the program. Field representatives use several mediums to share information including:

- On-going enrollment meetings for all locations.
- Meeting one-on-one with employees and participants to provide guidance on a variety of plan-related topics – benefits of participating, dollar cost averaging, catch-up provisions, asset allocation and diversification, and retirement planning.
- Offering annual reviews with plan participants to ensure they are taking full advantage of all plan features.
- Educating retirees about the available options under the plan.
- Group meetings, education presentations, and financial investment and retirement planning seminars targeting different levels of employee sophistication.
- Responding to ongoing questions relating to plan participation such as eligibility for catch-up or withdrawal provisions.

Relationship Management

The SIP staff has an established pro-active relationship management and agency retention program that utilizes internal communication methods and in-person outreach meetings to ensure quality customer service at the agency level. Based on asset size and potential growth of the contracting agency, SIP ensures all contracting agencies are receiving appropriate service and assistance. SIP staff conducts monthly, quarterly, semi-annual and annual outreach calls to build relationships and educate agency personnel on plan enhancements and payroll reporting information.

SIP management provides agency plan reviews to executive decision makers to ensure customer satisfaction and to assess the quality of the service. In addition, agency specific plan information is discussed related to participant demographic statistics and fund performance overview.

New Business Development

SIP staff completed a contract amendment with Voya to provide business development services. Voya will provide business development consulting services to CalPERS, including proactive and strategic marketing campaigns aimed at increasing CalPERS market share within the California government 457 marketplace. Goals have been established to measure activity level, new plan adoptions and assets growth. Services will include:

- Marketing efforts, including but not limited to business development personnel and marketing materials, to increase overall awareness of the CalPERS 457 Plan by various public agencies within California.
- Working with CalPERS to respond to Requests for Proposal and Requests for Information.
- Coordinating and conducting new business development activities, including but not limited to presentations to prospective contracting agencies.
- Working with CalPERS staff to build relationships and increase awareness of CalPERS 457 Plan among California public agencies and industry consulting firms.

Investment Update

Highlights are below and details by fund are included in Attachment 1.

- The CalPERS Target Retirement Date Funds earned between -2.88 percent and 0.15 percent before fees for the 12 months ending December 31, 2015, and all outperformed their respective benchmarks by between 16 and 25 basis points on a gross basis.
- The Core Funds 1-year performance before fees for the 12 months ending December 31, 2015, as compared to their relative benchmark is shown in the table below:

Fund	Gross Return	Benchmark	Excess
US Equity Index Fund	.63%	.48%	.16%
International Equity Index Fund	-4.35%	-4.60%	.25%
Real Assets Fund	-13.96%	-14.25%	.29%
Intermediate-Term Bond Index Fund	.67%	.55%	.12%
Short-Term Bond Index Fund	.58%	.65%	-.07%
Short-Term Investment Fund	.16%	.05%	.11%

- The annual glide-path update to the CalPERS Target Retirement Date Funds was made on October 1, 2015. This moves the asset allocation to a more conservative investment strategy the closer the funds get to their respective target dates.
- An investment product review is planned for 2016, followed by an asset allocation review in 2017, which will align with the strategic asset allocation review of the Public Employees' Retirement Fund.
- The two Statements of Investment Policy for the SIP have been drafted into a single policy as part of the Investment Office Policy Project. The Investment Committee information item was presented in February, with the action item presented in March.



Budget and Fiscal Impacts

With the amendment of the Voya contract to outsource a SIP Marketing Manager, an additional annual cost of \$250,000 will be added. However, this cost is covered by current fees and no increase to budget is needed. SIP, along with the Investment Office and Investment Accounting, will be conducting a comprehensive review of associated participant fund fees in Fiscal Year 2016/2017 to ensure they meet the necessary requirements to fund and sustain plan administration and oversight.

Benefits and Risks

Not Applicable

Attachments

Supplemental Income Plans, Attachment 1

Donna Ramel Lum

Deputy Executive Officer
Customer Services and Support

Doug P. McKeever

Deputy Executive Officer
Benefit Programs Policy and Planning