



# Finance and Administration Committee Agenda Item 4e

August 16, 2016

**Item Name:** Supplemental Income Plans Program Report

**Program:** Supplemental Income Plans

**Item Type:** Information Consent

### **Executive Summary**

The Supplemental Income Plans (SIP) Program oversees three deferred compensation plans comprised of the California Public Employees' Retirement System (CalPERS) 457 Plan, Supplemental Contributions Plan (SCP) and the 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 California Public Employees' Retirement System (CalPERS) Strategic Plan Goal A of 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 Placer 401(k) Plan. Assets in each plan as of June 30, 2016 are:

CalPERS 457 Plan	\$ 1.284 billion
SCP*	\$ 118 million
Placer 401k	\$ 33 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

#### Agency Retention

The SIP staff has an established proactive agency retention program that utilizes both internal communication methods and in-person outreach meetings to ensure quality customer service at the agency level. Based on assets size and potential growth of the contracting agency, SIP has tiered "Service Level Goals" that ensures all contracting agencies are being serviced appropriately. In Fiscal Year 2015-16 the SIP conducted in-person Plan Reviews with 61 of the agencies who participate in the 457 Plan to provide information and ensure the agencies are being serviced appropriately.

In addition, SIP's Third Party Administrator, Voya, provides participant education and field services to all SIP contracting agencies. This ensures that at the participant level all active and prospective participants have a venue to learn about the 457 Plan and have their questions answered. Voya conducts daily field activities including (in-person) one-on-one meetings, group presentations and webinars, scheduled phone meetings and exhibiting at CalPERS Benefits Education Events.

Participant Enrollments and Contributions

In FY 2015-16 the plan enrolled 2,411 new participants (compared to 2,045 in FY14-15). During the same period, the plan rolled over \$10.1 million from participants' other supplemental savings plans (compared to \$13.4 million in FY14-15), average contributions were \$5,512 (compared to \$5,891 in FY14-15) and approximately 85 percent of terminated participants (2,392) retained their 457 accounts, compared to 87 percent (2,865) in FY14-15. (Some statistics were affected by the departure of two large agencies from the plan).

New Business Development

Last fall, SIP staff completed a contract amendment with Voya to provide business development consulting services to CalPERS aimed at increasing CalPERS market share within the California government 457 marketplace. From January to June 2016, this effort is responsible for enrolling eight (8) new agencies in the 457 Plan.

**Investment Update**

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

- The CalPERS Target Retirement Date Funds returned between -2.35 percent and 2.47 percent before fees for the 12 months ending June 30, 2016, and all outperformed their respective benchmarks by between 19 and 49 basis points on a gross basis.
- The Core Funds 1-year performance before fees for the 12 months ending June 30, 2016, as compared to their relative benchmark is shown in the table below:

Fund	Gross Return	Benchmark	Excess
US Equity Index Fund	2.31%	2.14%	0.17%
International Equity Index Fund	-8.72%	-9.61%	0.89%
Real Assets Fund	-0.44%	-0.64%	0.21%
Intermediate-Term Bond Index Fund	6.05%	6.00%	0.05%
Short-Term Bond Index Fund	1.55%	1.59%	-0.04%
Short-Term Investment Fund	0.34%	0.19%	0.15%

- 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 underway, followed by an asset allocation review in 2017, which will align with the strategic asset allocation review of the Public Employees' Retirement Fund.



**Budget and Fiscal Impacts**

There is no current budget or financial impacts to SIP. The 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**

Attachment 1 - Supplemental Income Plans (SIP) Overview

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