



Finance and Administration Committee

Agenda Item 5g

September 17, 2019

Item Name: Supplemental Income Plans Report

Program: Pension Contract Management Services

Item Type: Information Consent

Executive Summary

The Supplemental Income Plans (SIP) Program oversees two deferred compensation plans comprised of the California Public Employees' Retirement System (CalPERS) 457 Plan and the Supplemental Contributions Plan (SCP). Today's information item is to provide an update on the status 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 and the Supplemental Contributions Plan (SCP). Assets in each plan as of June 30, 2019 are:

CalPERS 457 Plan	\$	1.63 billion
SCP	\$	108 million

Further plan statistics are included in Attachment 1.

CalPERS 457 Plan

Overview

The CalPERS 457 Plan was established in 1995 and is referenced in section 21670 of the California Public Employees' Retirement Law (PERL). The CalPERS Supplemental Income 457 Plan is a Deferred Compensation supplemental retirement income plan that is available to employees of local public agencies and schools that contract with CalPERS for this plan. All California public agencies and school districts may adopt the 457 Plan for the benefit of their employees.

Participant Enrollments and Contributions

In FY 2018-2019 the plan enrolled 2,343 new participants. During the same period, the plan's participants contributed \$106.3 million in new contributions with an average of \$3,458 per participant. In addition, the plan rolled over \$12.6 million from participants' other supplemental savings plans.

On March 1, 2019, a Roth 457 product was established and made available to all contracting agencies and their employees. Agencies must pro-actively add this optional provision. As of July 31, 2019, 97 agencies have added the Roth to their plan.

Agency Retention

The SIP staff has a 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 asset 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 2018-19 the SIP conducted in-person Plan Reviews with 76 of the agencies who contract for the 457 Plan to provide information and ensure the agencies are being serviced appropriately.

In addition, SIP’s Third-Party Administrator, Voya Financial, 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 Financial 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. In Fiscal Year 2018-19 the field education representatives conducted in-person account reviews with 6,172 participants, were onsite at agencies 1,107 times, and conducted 480 group presentations and 4 webinars.

New Business Development

SIP contracts with Voya Financial to conduct pro-active business development aimed at increasing CalPERS market share within the California governmental 457 marketplace. In FY 2018-2019, 17 new agencies adopted the CalPERS 457 Plan. This increase helps maintain a reasonable fee structure for participants.

Supplemental Contributions Plan (SCP)

Overview

The CalPERS Supplemental Contributions Program was established in 1999 and is referenced in section 22970 of the California Public Employees’ Retirement Law (PERL). The Supplemental Contributions Program is an after-tax supplemental contributions program available to State employees, as well as active judges who are members of the Judges’ Retirement System I and II.

Participant Enrollments and Contributions

In FY 2018-2019 the plan’s participants added \$252k in new contributions.

Investment Update

- The CalPERS Target Retirement Date Funds returned between 6.49 percent and 4.01 percent before fees for the 12 months ending June 30, 2019, and all outperformed their respective benchmarks by between 13 and 22 basis points on a gross basis.
- The Core Funds 1-year performance before fees for the 12 months ending June 30, 2019, as compared to their relative benchmark is shown in the table below:

Fund	Gross Return	Benchmark	Excess
US Equity Index Fund	9.05%	8.98%	0.07%
International Equity Index Fund	0.68%	0.26%	0.42%
Real Assets Fund	2.05%	2.03%	0.02%
Intermediate-Term Bond Index Fund	7.96%	7.87%	0.09%

Short-Term Bond Index Fund	4.28%	4.27%	0.01%
Short-Term Investment Fund	2.69%	2.31%	0.38%

- The following updates were made to the Target Retirement Date Funds on October 1, 2018:
 - o A new strategic asset allocation, approved by the CalPERS Board of Administration, was implemented.
 - o Annual glide path rebalance applied, which moves certain funds to a slightly more conservative allocation.
 - o The Target Retirement 2060 Fund was launched.

Budget and Fiscal Impacts

Not Applicable

Benefits and Risks

Not Applicable

Attachments

Attachment 1 - Supplemental Income Plans (SIP) Overview

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