

WINNING PRACTICES
INNOVATIVE APPLICATIONS

Introduction to Defined Contribution Plans

Achieving Successful Outcomes

NAGDCA 2018 ANNUAL CONFERENCE

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What is a Defined Contribution Plan?

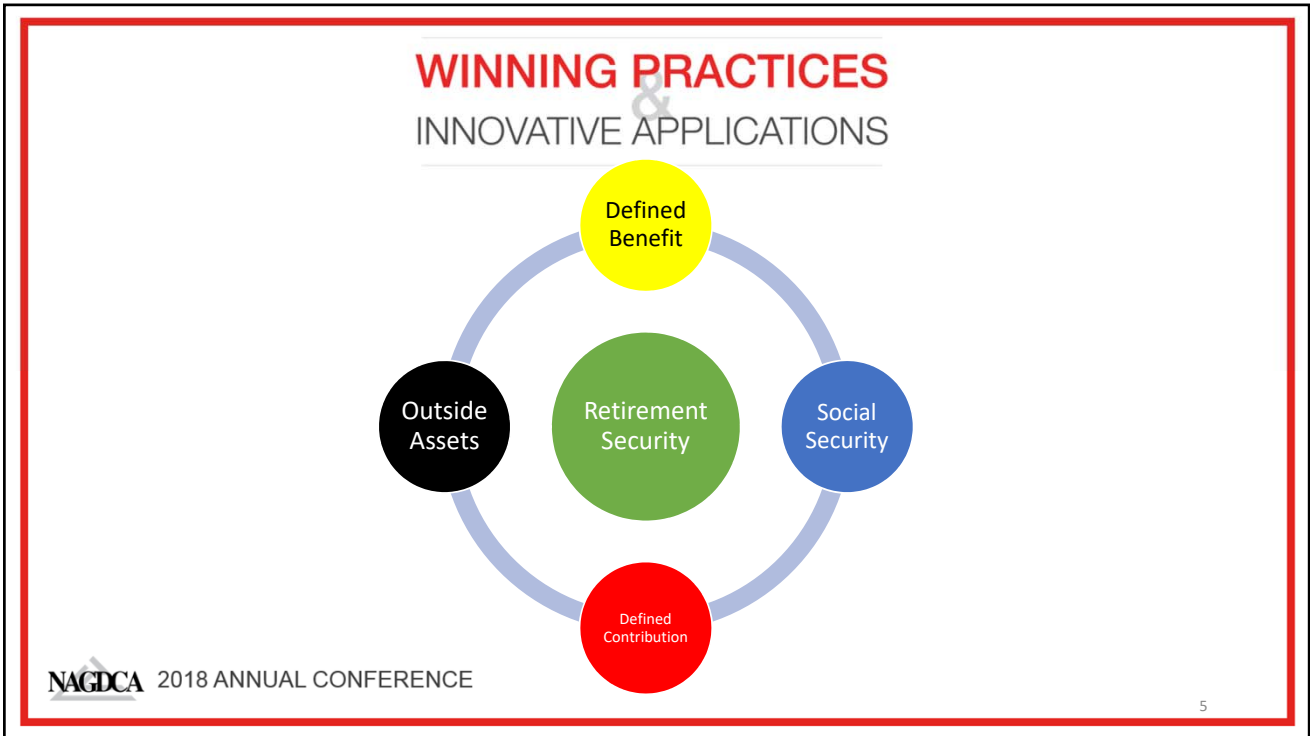
- IRS - “a retirement plan in which the employee and/or the employer contribute to the employee’s individual account.”
- Defined by contributions and earnings
- Defined contribution vs. defined benefit plans
- 401(k)
- 457
- 403(b)
- 401(a)
- Thrift Savings Plan

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Who are the Parties Typically Involved?

- Participants/Beneficiaries - Who can enroll?
- Employer/Plan Sponsor
- Board of Trustees, including Sub-Committees
- Record Keeper, Marketing, Communications
- Investment Providers
- Investment Consultant
- Counsel
- Auditor



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Your Takeaways

- 1) Tools for refining a plan **mission**
- 2) Considerations for improving plan **governance**
- 3) Concepts for improving plan **design**
- 4) Tips for improving **service provider** relationships
- 5) Tips for improving **communications**
- 6) Concepts for using data to support **participant outcomes**

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Goals for Participant Outcomes Shapes Plan Mission

- 1) **Participation**
- 2) **Contributions (amount & tax vehicle)**
- 3) **Account Balance**
- 4) **Allocation**
- 5) **Retention**
- 6) **Distribution Success**
- 7) **Retirement Income Security**



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Participant Outcomes

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What is Success in Retirement Income Security?

- 1) **How do we know it when we see it?**
- 2) **When should participants expect to have it?**
- 3) **What behaviors are required to achieve it?**
- 4) **What are the risks in acquiring it?**
- 5) **What are the risks in maintaining it?**

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Principles of a Well-Designed Mission

- 1) Captures broadest, grandest, and most fundamental objective
- 2) Answers question: "How do you know you're successful?"
- 3) General but focused - implies accountability
- 4) Connected to outcomes-driven success framework (goals and objectives)



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Mission

GROUP DISCUSSION:

WHAT IS THE MISSION OF A DEFINED CONTRIBUTION PLAN?



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- ☑ Merit Based **Decision-Making**
- ☑ Clear **Roles/Rules**
- ☑ **Incorporates Plan Mission and Culture, Fiduciary Duties and Legal Requirements, Risk Management Principles and Best Practices**
- ☑ Clear, Non-Conflicting and Transparent **Governing Documents**: Establishing Authority, Plan Document, Investment Policy Statement, Bylaws
- ☑ Effective **Communication** (reports)
- ☑ Complete & Accurate **Records**
- ☑ Dedicated decision-makers/staff

What is Success in Plan Governance?

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Governance



GROUP DISCUSSION

WHAT WORKS BEST IN PLAN GOVERNANCE? WHAT AREAS CAN BE IMPROVED?

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What is Success in Plan Design?

- 1) **Simplicity** (understandability)
- 2) **Choice/Responsiveness** (recognition of diverse needs and outcomes)
- 3) **Efficient** (operational and risk management)
- 4) **Comprehensive/Equitable Searches** (procurements/contracting)
- 5) **Legal and Administrative Accountability** (rules & services compliance/best practice discovery)

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Plan Design Ideas

- Bundled versus Open Architecture
- Number of Vendors
- Glidepath Design
- Investment Design Options
 - Number of available options
 - Active Versus Passive
 - Mutual Funds, CIT's, Separate Accounts
 - Target Date versus Managed Accounts
- Loans
- Communication Plan
 - Low Touch – Web
 - High Touch – Field Representatives
 - Advice versus Education
- Brokerage Account
- Employer Match
- Opt-In versus Opt-Out
 - Auto Enrollment
 - Auto Escalation
- Available Payout Options

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Plan Design

GROUP DISCUSSION:

**WHAT PLAN DESIGN COMPLEXITY
PRODUCES THE MOST CONFUSION FOR
YOUR PARTICIPANTS?**



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What is Success in Service Provider Relationships?



- 1) Organizational Strength & Commitment to industry
- 2) Focus on Participant Outcomes
- 3) Compliance and Coordination of Providers
- 4) Cost Balance
- 5) Broad Array of Services (Third-Party-Administrator, Investment Providers, Consultants, Auditors, Legal, etc.)
- 6) Partnership between plan sponsor/service providers
- 7) Execution of mutual obligations
- 8) Transparency of process/agreement/outcomes

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Service Providers

GROUP DISCUSSION:

WHAT ARE THE BEST WAYS TO BUILD COMMON PURPOSE BETWEEN SERVICE PROVIDERS & PLAN SPONSORS?



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- 1) "Forensics" (investigate before acting)
- 2) Communication options (consider paper, web, symposiums, etc.)
- 3) Strategy (design plan to achieve specific outcome)
- 4) Targeted - personalized
- 5) Engagement (pipeline to attention)
- 6) Education/Awareness (they interpret as intended)
- 7) Behavior (they take action)
- 8) Measure – (you can count the result)

What is Success in Participant Communications?

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Communications

GROUP DISCUSSION:

**DESIGN A COMMUNICATIONS
CAMPAIGN TARGETED AT SPECIFIC
CORE METRIC**



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CLOSING THOUGHTS



- ✓ Success is a journey, not a destination
- ✓ Success is a fine balance between repeating best practices & blazing your own trail
- ✓ Success results from “just right” process – not too much, not too little
- ✓ Complexity creates distortions; simplicity creates solutions
- ✓ Roll the ball forward – most progress comes incrementally
- ✓ Always do what’s in the best interests of the participants

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Questions????