

An Introduction to Government Defined Contribution Plans

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An Introduction to Government Defined Contribution Plans

40th NAGDCA Annual Conference

Matt Petersen, NAGDCA Executive Director
Tom Mueller, Former NAGDCA President, LA County Sanitation
Meghan Jacobson, CFA, Head of J.P. Morgan U.S. Insights Program

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Today's Presenters


<p>Moderator: Matt Petersen</p>  <p>Executive Director NAGDCA</p>	<p>Expert Panelist: Tom Mueller</p>  <p>Plan Administrator & Former NAGDCA President LA County Sanitation</p>	<p>Expert Panelist: Patrick Carter</p>  <p>Executive Director J.P. Morgan Asset Management</p>
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Brief Overview of Today's Session

1. What is a Defined Contribution Plan?
2. NAGDCA's Mission
3. Available Resources
4. Best Practices in Defined Contribution
5. Q&A

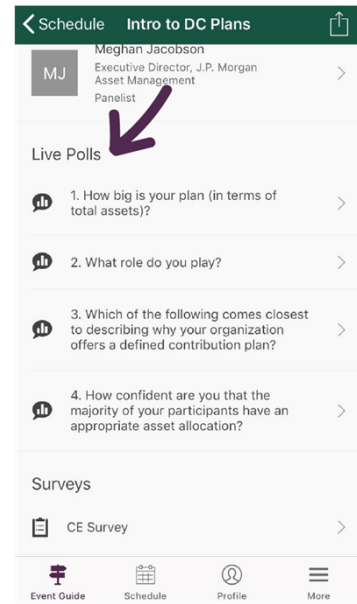


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Let's Take a Poll

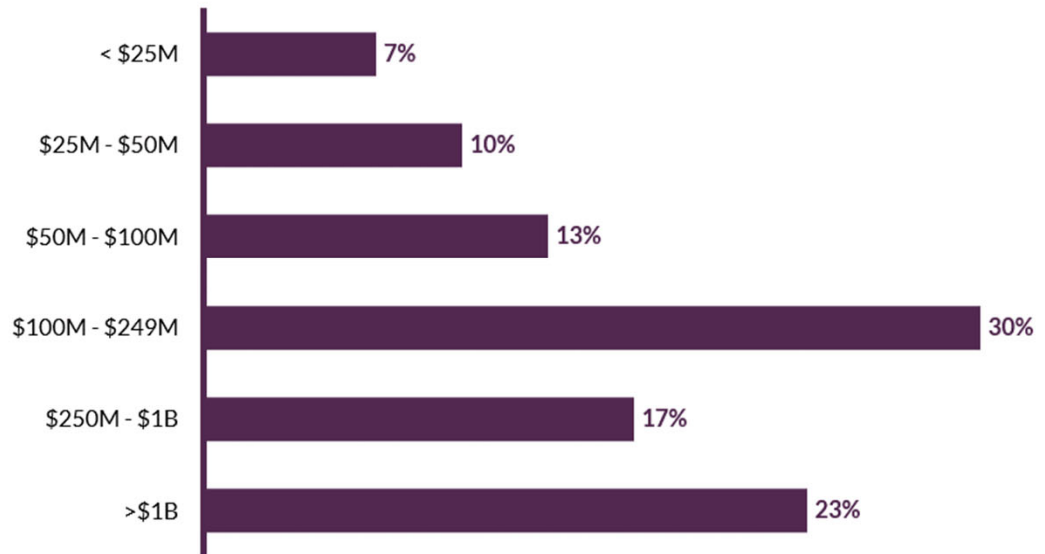
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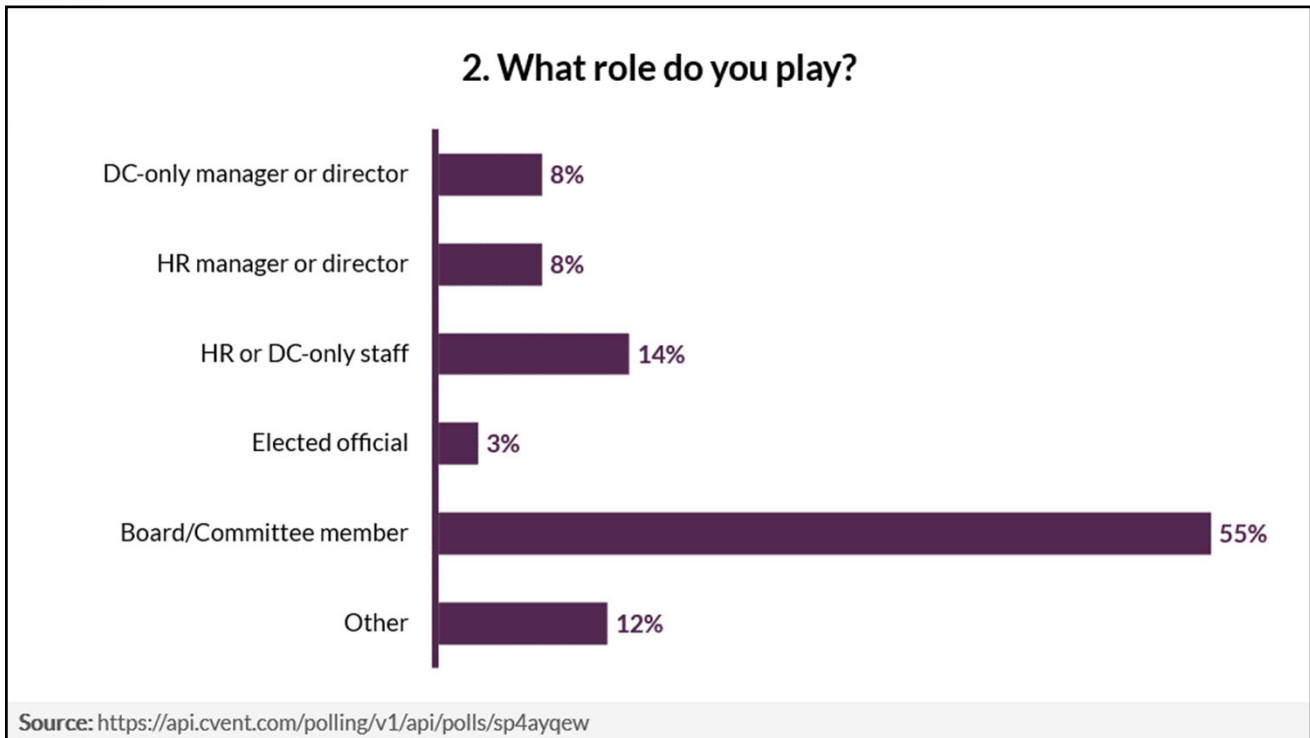
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1. How big is your plan (in terms of total assets)?



Source: <https://api.cvent.com/polling/v1/api/polls/spmq34ml>

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What is a Defined Contribution Plan?

<u>Defined Benefit</u> Centrally Managed Fund Mandatory Contributions Predictable Income Stream	<u>Defined Contribution</u> Individual Accounts Mandatory or Voluntary Market-Based Returns
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Quick Fact: 93% of participants in NAGDCA plans have access to some form of defined benefit retirement 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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NAGDCA's Mission

“ NAGDCA's mission is to be a premier provider of education, information, and training, to **support plan sponsors and service providers** of government-sponsored defined contribution retirement plans in creating **successful retirement security outcomes** for their plan participants.



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NAGDCA Resources

Annual Conference	
Online Resources	
Network and Online Forums	
Data	
Best Practices	



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Online Best Practice Resources



Best Practice Guide

NAGDCA's Plan Structure and Design best practice guide reviews choices with respect to some of the key services and features that can be incorporated into your plan, as well as some considerations for establishing or modifying your plan's investment menu.

[Click here](#) to view the guide or click below to jump to a section.

<u>Participant Services</u>	<u>Plan Features</u>	<u>Investment Menu Design</u>
Emergency Withdrawals Loans Investment Advice	Rollovers Roth Options Automatic Plan Features Employer Match	Investment Policy Statements Core Investment Menu Account Structure Fee Transparency



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Resources Library

- Publications
- Presentations
- Webinars
- Award winners
- Data



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Best Practices

Plan Administration Plan Governance

Plan Design Participant Engagement

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Plan Administration

Best Practices

Plan Administration Plan Governance

Plan Design Participant Engagement

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Plan Administration

- Bundled vs. Unbundled
- Consultants
- Tax & Legal Counsel



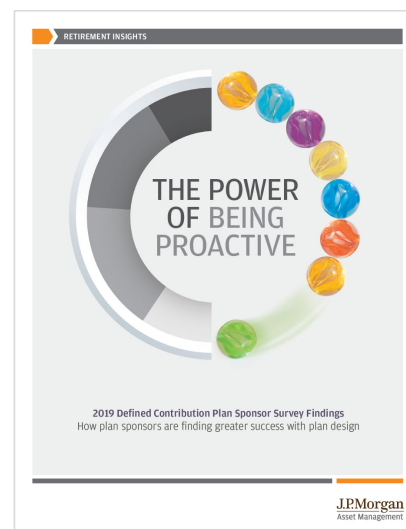
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J.P. Morgan Plan Sponsor Research

The 2019 study aims to answer...

- What plan sponsors hope to achieve with their plans
- Their goals and philosophies in providing retirement benefits
- The considerations driving their plan-related decisions
- The steps they are taking to help employees reach retirement with the income they will need
- How they view working with advisors and consultants

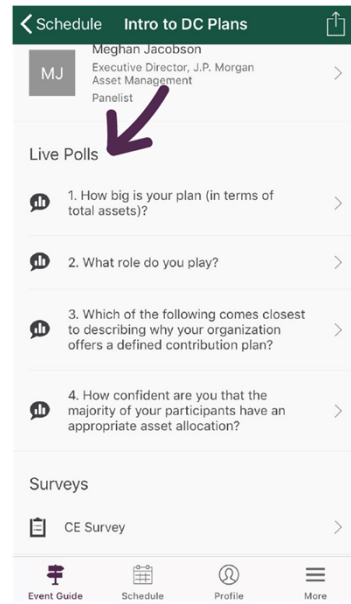


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Let's Take a Poll

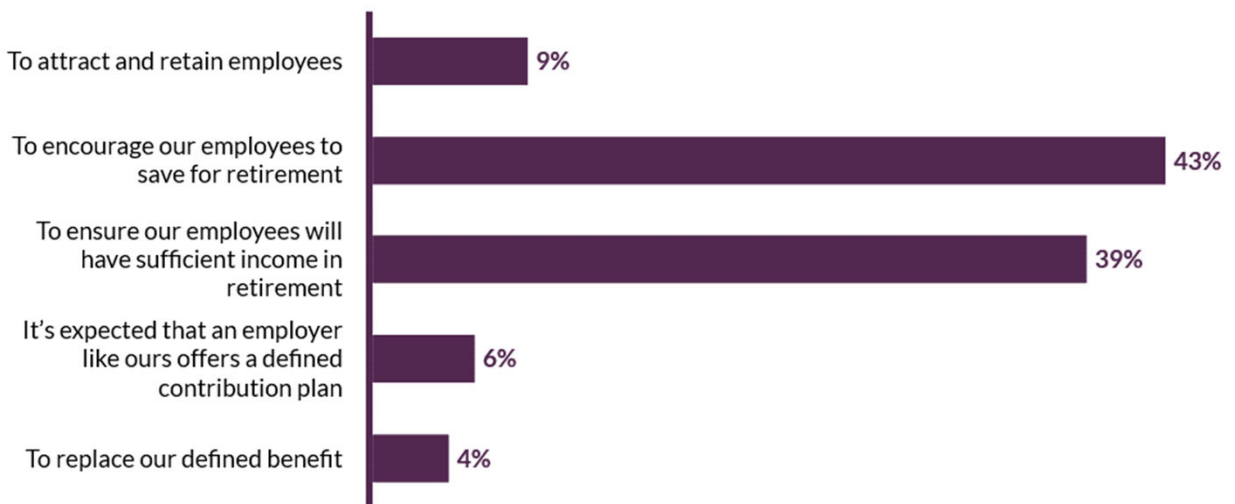
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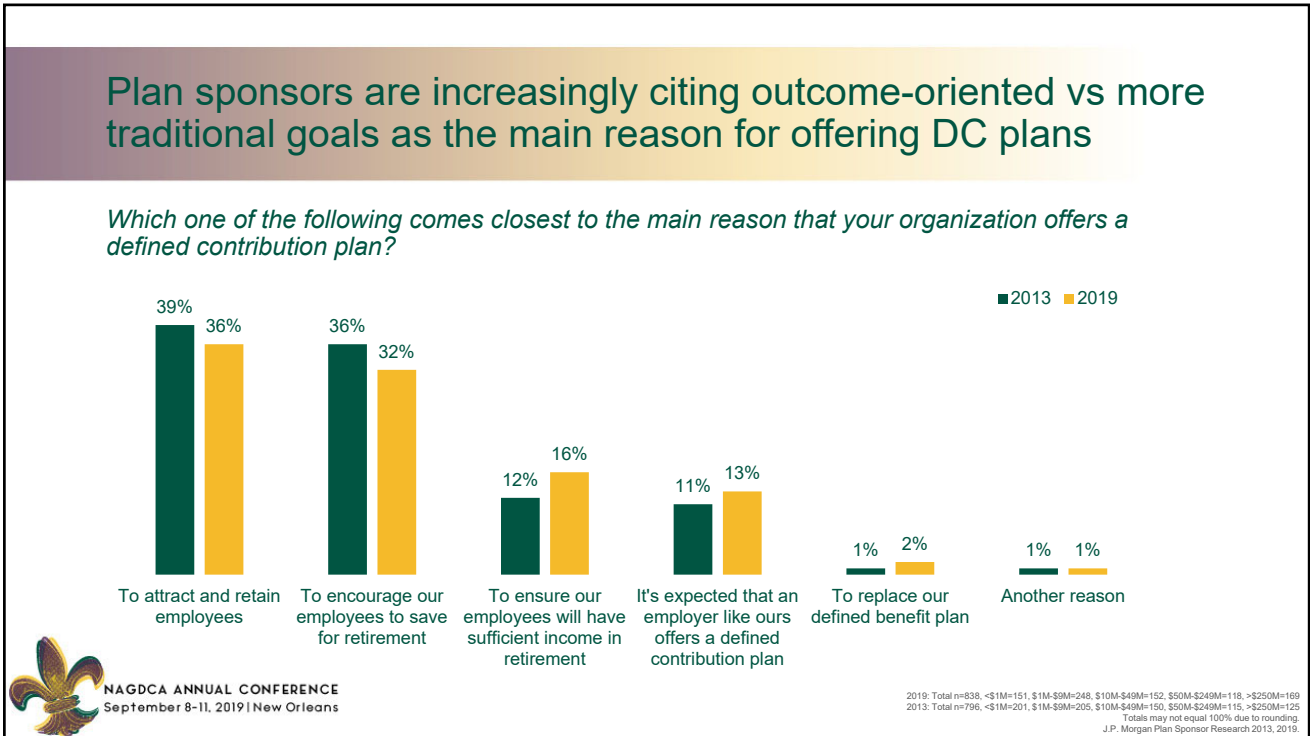
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3. Which of the following comes closest to describing why your organization offers a defined contribution plan?

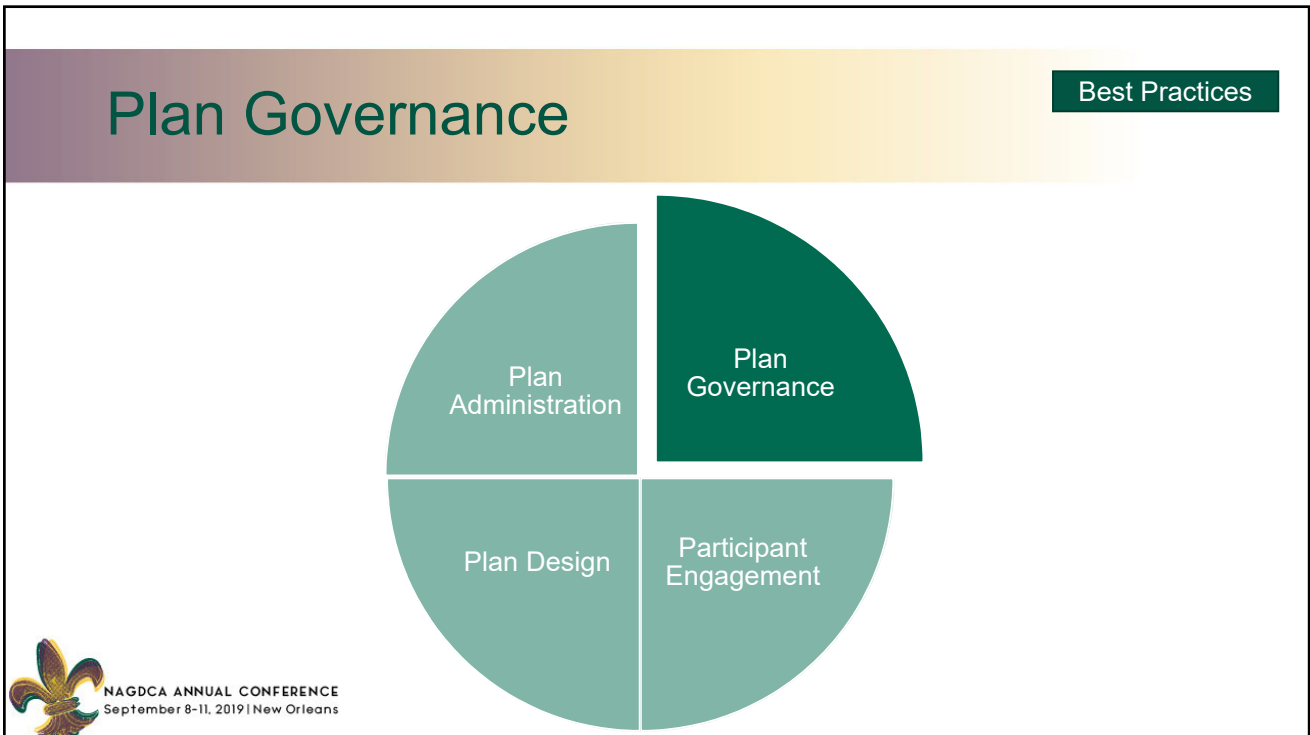


Source: <https://api.cvent.com/polling/v1/api/polls/sp3zgnpt>

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What works best in plan governance?

- Establish a **governance structure** and procedures
- Identify all fiduciaries and **assure** that they understand **their role** and **responsibilities**
- Establish and follow an **investment policy statement**
- Consistently use a **deliberate process** when making all decisions and document the reasons
- Regularly **monitor investments** and service providers
- **Hire experts** in areas where fiduciaries lack knowledge or expertise
- **Pay attention** to fees
- Consider purchasing **fiduciary liability insurance** and having plan sponsor indemnify individual fiduciaries



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Plan Governance – Sanitation Districts of LA

- Plan Board or Committee
- Investment Policy
- Plan Document
- Fiduciary Responsibilities



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Plan Governance

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Plan sponsors are in a very bad position because they don't know exactly what is being paid in fees between record keepers and mutual-fund companies.”

- **Sherwin Kaplan**, *Department of Labor*

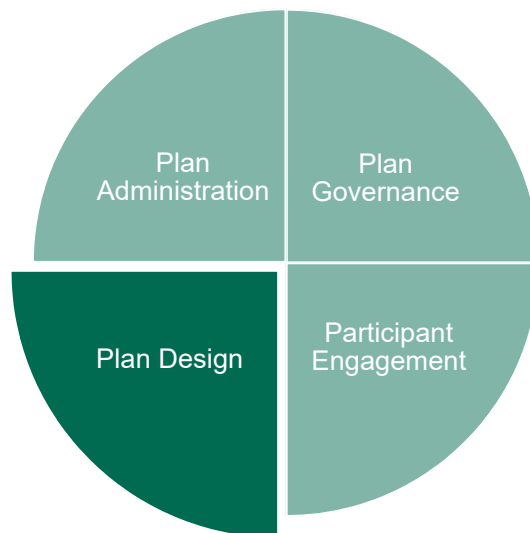


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Plan Design

Best Practices



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Plan Design

- Participant Services
- Plan Features
- Investment Menu



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Plan Design – Investment Menu

- Core Investments
- Managed Accounts
- Fee Transparency
- Watch List



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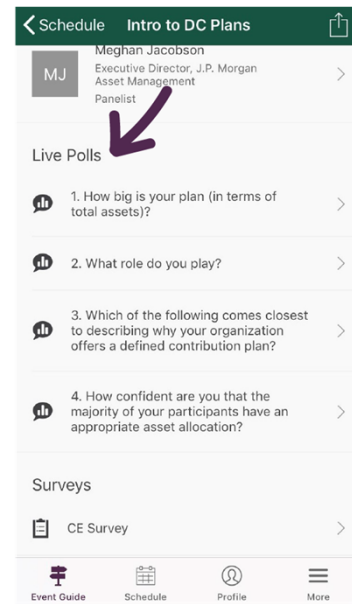
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Let's Take a Poll

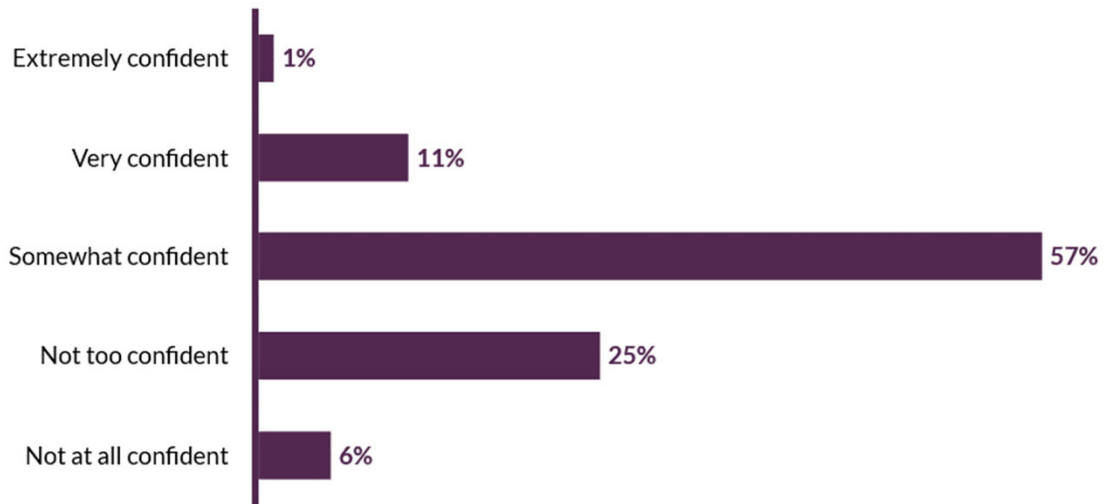
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4. How confident are you that the majority of your participants have an appropriate asset allocation?

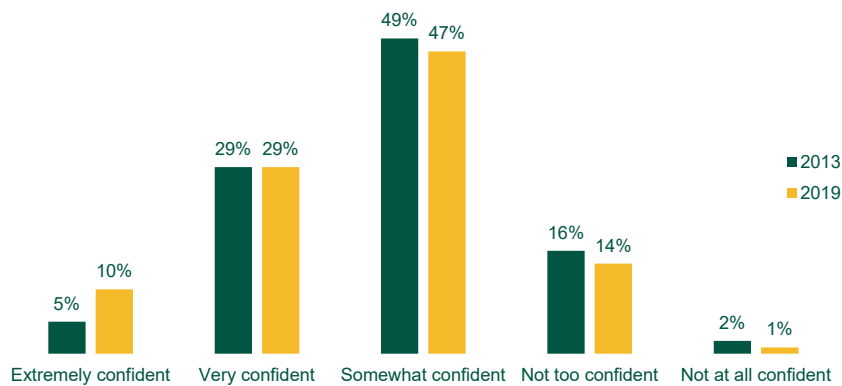


Source: <https://api.cvent.com/polling/v1/api/polls/sp-t1brwc>

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More than 40% of plan sponsors are not confident that their participants have an appropriate asset allocation

How confident are you that the majority of your participants have an appropriate asset allocation?



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2019: Total n=838, <\$1M=151, \$1M-\$9M=248, \$10M-\$49M=152, \$50M-\$249M=118, >\$250M=169
2013: Total n=796, <\$1M=201, \$1M-\$9M=205, \$10M-\$49M=150, \$50M-\$249M=115, >\$250M=125
Totals may not equal 100% due to rounding.
J.P. Morgan Plan Sponsor Research 2019, 2013

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Participant Engagement

Best Practices

Plan Administration

Plan Governance

Plan Design

Participant Engagement

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Participant Engagement

- What to Communicate
- How to Communicate
- Measuring Success

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It's time we got smart about communicating to participants...

Over 1/2 of respondents **don't take the time to read** all of the investment information that is already provided



48% of participants say they are already **getting more information** than they can absorb



Nearly 2/3 of participants are not confident about which **401(k) options they should invest in**



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Source: J.P. Morgan Plan Participant Research 2018.

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Recap of Today's Session

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Mobile App Q&A

1. Select **this session** from the agenda.
2. Under Live Q&A, select **Submit a question now**.
3. Ask away! Type your question and tap submit when you've finished. Questions can be up to 250 characters.

Now is your chance – don't be shy!

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