



# MME WINTER INSTITUTE 2018

REDEFINING THE FUTURE RETIREMENT READINESS  
CHALLENGE FOR EMPLOYERS  
AND YOUR EMPLOYEES

# RealizeRetirement<sup>®</sup>

Building Better Outcomes



ENGAGE



BUILD



REALIZE







## We Help Public Sector Employees Build Retirement Security

over **1.3 MILLION**  
public sector accounts

**\$52.9 BILLION**  
in public sector assets

over **9,600** employer plans nationally including  
over **750\*** in Michigan public sector plans

As of September 30, 2017. Includes 457, 401, Retirement Health Savings (RHS) plans, Employer Investment Program (EIP) plans, and affiliated IRAs. \*Michigan information based on 12/31/17.



# THE INTERSECTION

of agreement between employers and employees with the future retirement readiness challenge

- ▶ The importance of technology, automation, and education for new generations of employees
- ▶ A modern plan design which maximize the employee benefit in a variety of areas
- ▶ Effective training, retention and recruitment in the age of mobility and portability
- ▶ Future economic viability with shared sacrifice



# REDEFINING RETIREMENT READINESS: EMPLOYER CHALLENGES



Pension and Healthcare liabilities will continue to increase over time leading to further declines in the viability of DB plans



Effective wellness education



Addressing generational equity



Plan Design



Keeping people engaged. A mobile workforce in the age of job hopping

# RETIREE MEDICAL EXPENSES



## Retiree Medical Expense Calculator

[Help](#)
[Print](#)
[Close](#)

Your Information   Assumptions

### Future assumptions

	You	Spouse
Expected retirement age (or current age if already retired)	62	60
Planned retirement state	AL	AL
Expected years in retirement before death	20	20

### Health plan information

	You	Spouse
Medicare eligibility at age 65? <a href="#">(Read more details)</a>	Yes	Yes
Employer sponsored medical insurance in retirement? <a href="#">(Read more details)</a>	None	None
Personal healthcare savings?	No	Yes
Healthcare savings balance?		10000
Funding per year? (Include your funding as well as employer funding, if any)		2500
Savings Growth Before Retirement?		5%

Results   Annual Values

Show results for Employee only



### Results Details

	Your Cost	Your Resources
Cost at retirement with no coverage	\$239,582	
Your future premiums	\$38,888	
Value of Medicare coverage		\$149,234

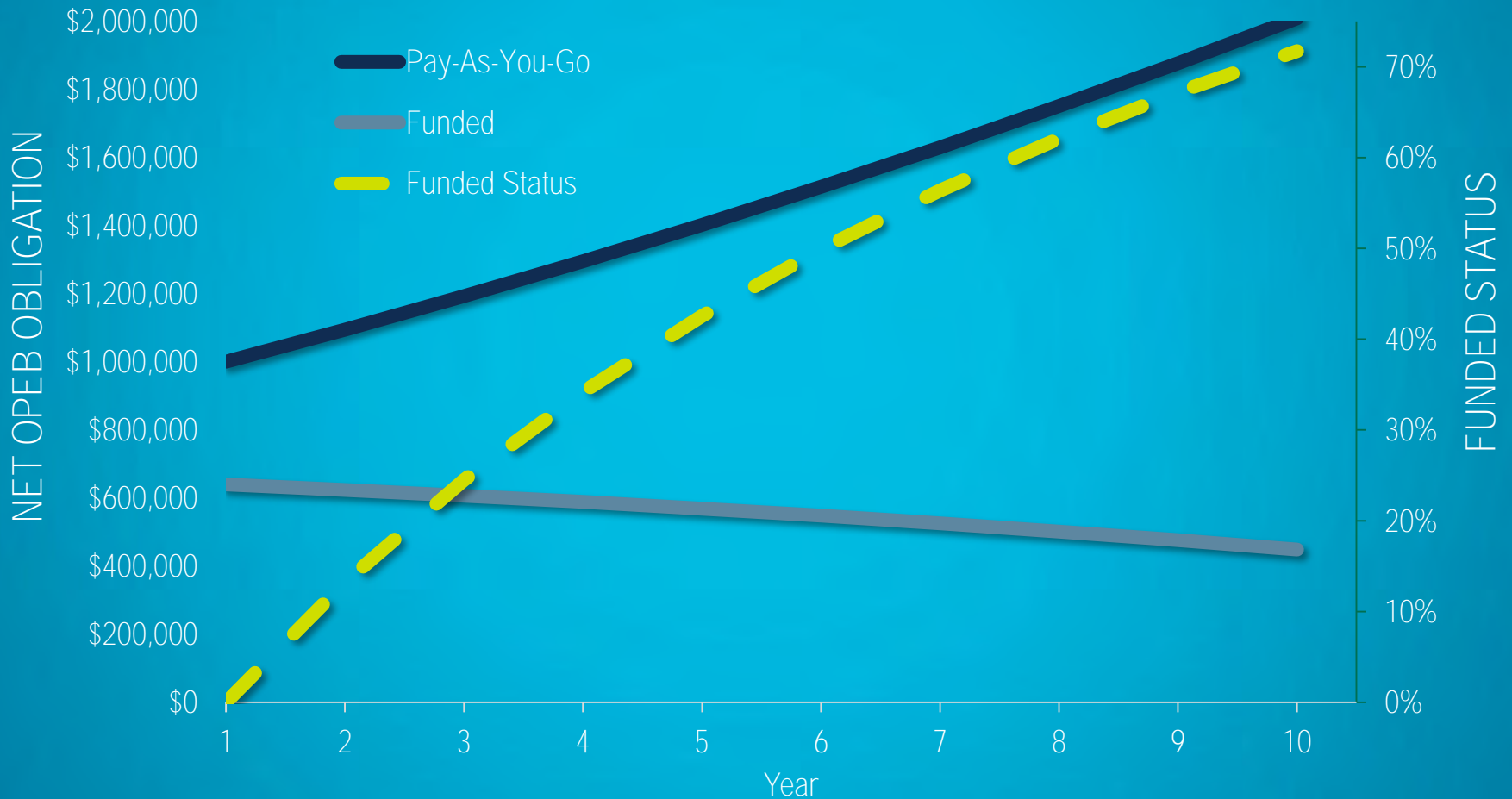


# THE PROTECTING LOCAL GOVERNMENT RETIREMENT AND BENEFITS ACT (DECEMBER 2017)

- ▶ Partially addresses OPEB concerns originally recommended in Retirement Reform for Local Government Task Force (7/17)
- ▶ Requires local government units to pay the normal costs (prefund instead of pay-as-you go) for employees hired after June 30, 2018, as well as retiree premiums due
- ▶ State treasurer determines under funding status
- ▶ Requires local units to submit annual retiree health care reports
- ▶ Creates Municipal Stability Board which will monitor compliance and take corrective action plans
- ▶ **IMPACT:** Begins to address underfunding. However, OPEB liabilities will continue to grow.



# EXAMPLE OF BALANCE SHEET IMPACT (10 YEAR PROJECTION)







# ADDITIONAL BENEFITS OF OPEB FUNDING

- ▶ **INTERGENERATIONAL TAX EQUITY** – current taxpayers pay for current services
- ▶ **ENHANCED RETIREMENT SECURITY FOR EMPLOYEES** – OPEB generally viewed as “less protected” than pensions
- ▶ **MORE VALUABLE TO LOWER-PAID EMPLOYEES**  
OPEB benefits are generally not salary related



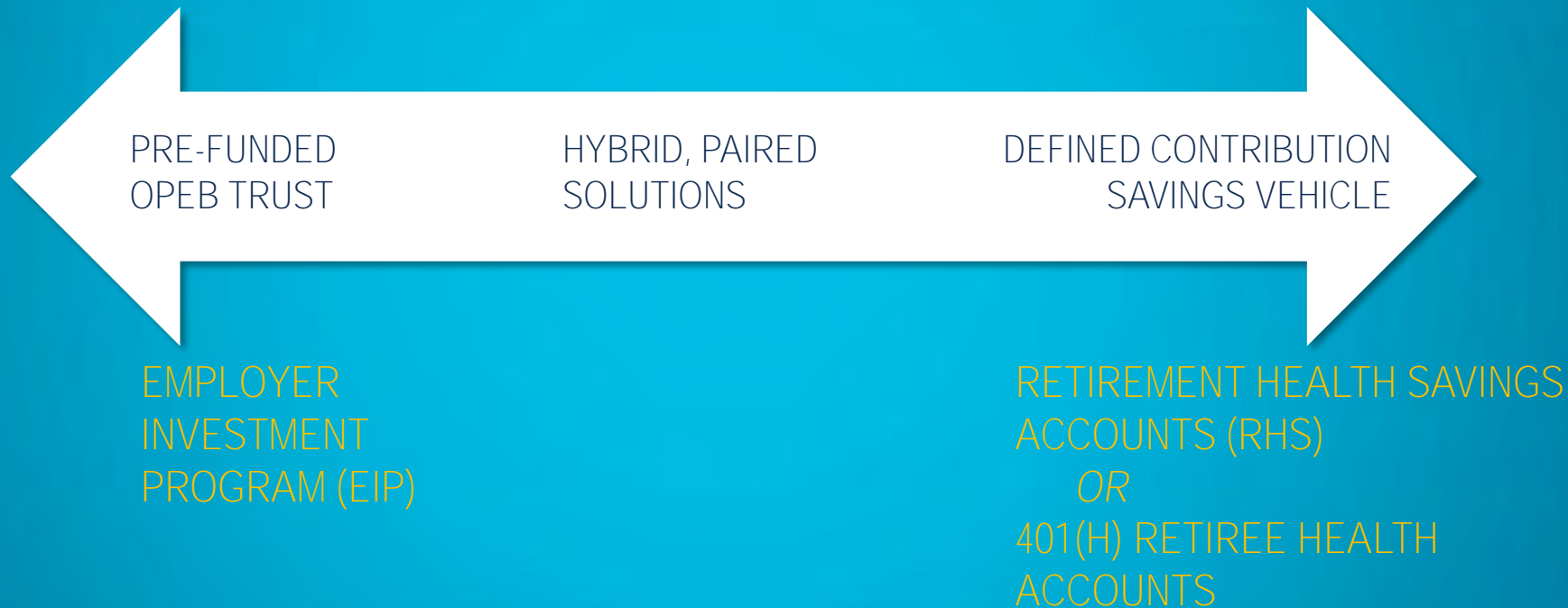
# CLOSING THOUGHTS

## FULL VS. PARTIAL VS. PAYGO CONSIDERATIONS

- ▶ Volatility is inescapable
  - ▶ **FUNDED**: capital market volatility, assets reported at market value (no smoothing)
  - ▶ **UNFUNDED**: changes in municipal bond index
- ▶ Ultimate long-term cost of plan
  - ▶ Investment earnings approximately **61%** of all public pension revenues<sup>1</sup>
  - ▶ PayGo costs will ultimately **exceed** funded costs
- ▶ Balance sheet impact
- ▶ Intergenerational **equity**
- ▶ Securing the **benefit**

<sup>1</sup> National Association of State Retirement Administrators, July 19, 2017

# ICMA-RC RETIREE HEALTH CARE SOLUTIONS





# PLAN DESIGN CONSIDERATIONS



## WHAT'S THE DIFFERENCE?

### 457 Deferred Compensation vs. 401 Money Purchase Plans

	457 Deferred Compensation Plans	401(a) Money Purchase Plans
<b>ELIGIBILITY</b>		
Employee Eligibility	Any employee; and any independent contractor who has been designated by the employer as eligible.	Eligible employee groups are specified by the employer in the plan's adoption agreement.
<b>CONTRIBUTIONS</b>		
Contribution Limits (2018)	<p>Normal Limit: \$18,500</p> <p>Catch-Up Age 50: \$6,000 (\$24,500 total)</p> <p>or</p> <p>Pre-Retirement: \$18,500 (\$37,000 total). May be made during each of the three years prior to normal retirement age based on the extent to which maximum contributions were not made in previous years. <i>Note: the "Age 50" and "Pre-Retirement" provisions may not both be used in the same calendar year.</i></p> <p>Apply to the combination of pre-tax and Roth contributions, and employer and employee contributions.</p> <p>Contributions do not impact 401(a) plan limits.</p>	<p>Normal Limit: \$5,500</p> <p>Catch-Up Age 50: N/A</p> <p>or</p> <p>Pre-Retirement: N/A</p> <p>Apply to the combination of employer and employee contributions.</p> <p>Contributions do not impact 457 plan limits.</p>



# ROTH CONTRIBUTIONS 2018

MAXIMUM  
CONTRIBUTION  
(2018)

CONTRIBUTIONS  
REDUCE TAXABLE  
INCOME?

457

PRE-TAX

ROTH

\$18,500\*

Age 50 Catch-Up:  
+\$6,000 (\$24,500)

OR

Pre-Retirement Catch-Up:  
+\$18,500 (\$37,000)

Yes

No

ROTH IRA

ROTH

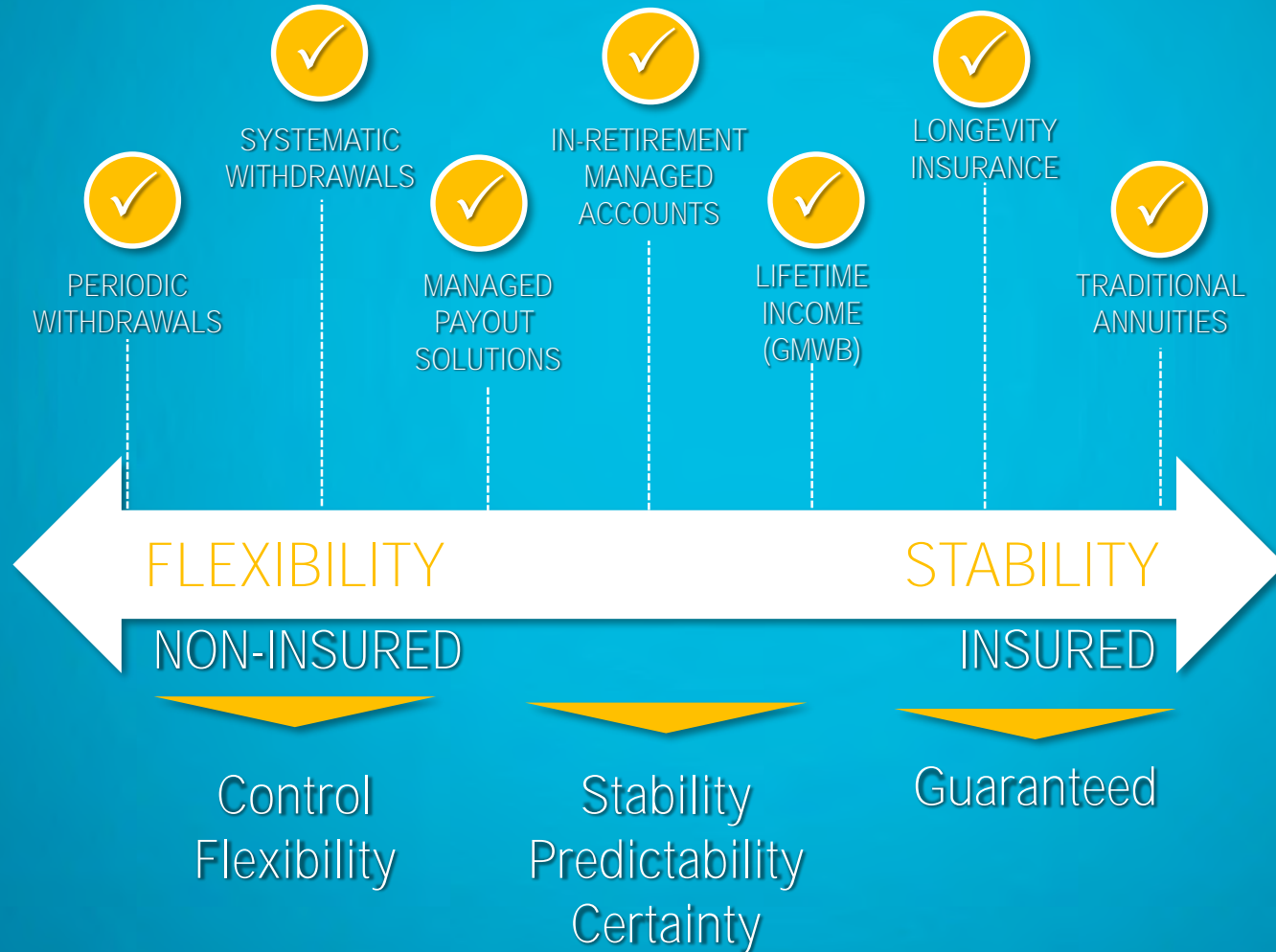
\$5,500

Age 50 Catch-Up:  
+\$1,000 (\$6,500)

No

\* "Normal retirement age," as defined in the plan and based on extent to which maximum contributions not made in previous years. The two catch-up provisions cannot be combined in the same plan year.

# INCOME SOLUTIONS THAT FIT **ALL** NEEDS





# THE RISE OF AUTOMATED PLAN FEATURES



AUTOMATICALLY

- 1 ENROLL employees in plan
- 2 Increase CONTRIBUTIONS each year
- 3 REBALANCE investments
- 4 RE-ENROLL those who opt out



# AUTO BENEFITS

- 1 Can sharply **BOOST ENROLLMENTS**,  
few opt out
- 2 Enrollees more likely to keep **PARTICIPATING...**
- 3 And be **PROPERLY INVESTED**
- 4 You and provider can better focus on  
**IMPROVING OUTCOMES**



# FUTURE **CHALLENGES** FOR LOCAL AND STATE GOVERNMENTS WITH AUTO FEATURES

- ▶ Employment contracts, state payroll statutes that **PROHIBIT IT**
- ▶ **PREVALENCE** of defined benefit pensions, mandatory contributions
- ▶ Employee fears of **REDUCED PENSION** benefits







# OPEN ARCHITECTURE



Flexible investment platform



Access to over 120 fund families representing over 15,000 funds



Ability to use any manager that trades via NSCC or will meet our daily trading operational guidelines

# HIGH TOUCH FIDUCIARY SUPPORT STRATEGIC PLAN

## Action Items

ICMA-RC partners with you to develop metrics that help you achieve your specific objectives. We provide you with a template, based on our past experience, a standard action and an approval process to assist you in attaining those objectives.

**Action Items might include:**

- Re-assess current processes and resources
- Update existing communication messages
- Update indicative data files to develop targeted communication
- Re-deploy current field staff to focus on specific departments

The table below shows examples of action items that we might suggest, with details to be provided by you.

ACTION ITEM
<b>SAMPLE:</b> Distribute ICMA-RC's "Start Going Now -- Enroll Online" HTML email and "Start of Delay" and "Small Change, Big Savings" calculators, encouraging employees to participate in the plan.
<b>SAMPLE:</b> Highlight to plan participants relevant resources available on Individual Retirement that help them <u>grow more and invest smart</u> .
<b>SAMPLE:</b> Promote ICMA-RC webinars and webinars for participants existing and in retirement. Consult our <u>Session Library</u> for more.

View our Interactive Education Tools for an organized list of materials we make available.

**ACTION ITEM**

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## STRATEGIC PLAN



**Plan Name:**

ICMA-RC is dedicated to partnering with you to develop strategies that target the financial-wellness needs of your employees and address your specific plan goals. We work with you to develop this Strategic Plan as a customized service that will allow you to 1) pinpoint the specific topics most relevant to the needs of your plan and employees; and 2) identify education and communication strategies with those needs in mind.

As part of our commitment to the success of your plan, ICMA-RC will use an approach to education and communication that draws on more than 60 years of serving public-sector employees. We work with you to develop targeted, results-oriented, measurable strategies that educate and communicate with your employees about your plan, as well as their goals and behavioral tendencies.

Your employees have a diverse set of retirement needs and communication preferences. With this in mind, we provide education through a range of channels and messages that resonate with employees at all points in their working and retirement years.

To complement the one-on-one guidance that your employees will receive from our representatives, ICMA-RC has developed a **comprehensive library of award-winning educational resources**, including easy-to-understand webinars, interactive calculators, online tools, educational and motivational videos, topic-specific brochures and newsletters, and our "Charting Your Course" brochure series that provides a more thorough overview of key retirement planning considerations.

We measure the success of our strategies using surveys, personal feedback, and data analysis to confirm that your employees are receiving helpful, inspiring education that truly assists them in building their retirement security.

## Proposed Goals & Success Measures

**Plan Name:**

**How enrollment and participation resources on [www.icma-rc.org/realize](http://www.icma-rc.org/realize) can impact and retain financial individuals to delay participating through targeted messages and engaging you play an important role, too -- pilot research we conducted among 85 plans of all fund plan sponsor could positively affect enrollment by more than 25 percent.**

our assessment plan and the benefits of participating.

**Participation and enrollment rates, we measure:**

Age ranges, especially younger participants

Level

**Monitored if eligible files are provided:**

Contributing

Not contributing to the plan

Additional (for example, some funds might exclude layoffs, separation from service)

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**Materials we make available:**

**Plan Name:** \_\_\_\_\_ **Owner:** \_\_\_\_\_

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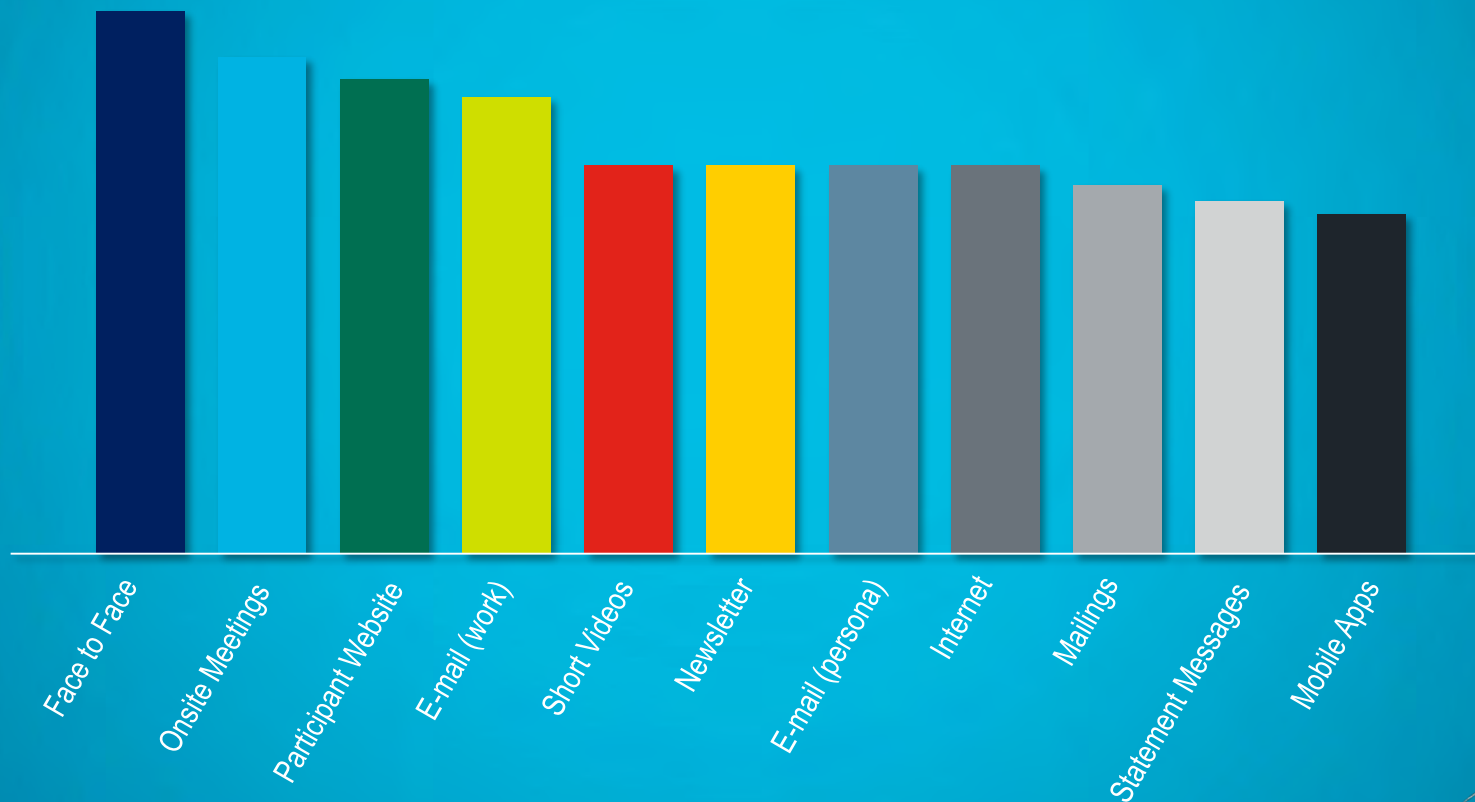
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# CONTINUED IMPORTANCE OF HIGH TOUCH APPROACH

What are the best methods you've found to communicate with participants?



Source: NAGDCA 2015 Survey of DC Plans. Showing 11 of 16 total methods of outreach.



# PUBLIC SECTOR EMPLOYEES


## Top Participant Occupations

1. Police
2. Fire
3. Accountant
4. Bus Operator
5. Water Utility
6. Electric Utility
7. Corrections
8. HR
9. Dispatcher
10. Administrative
11. Mechanic
12. Public Works
13. City Manager
14. Custodian
15. Waste Management



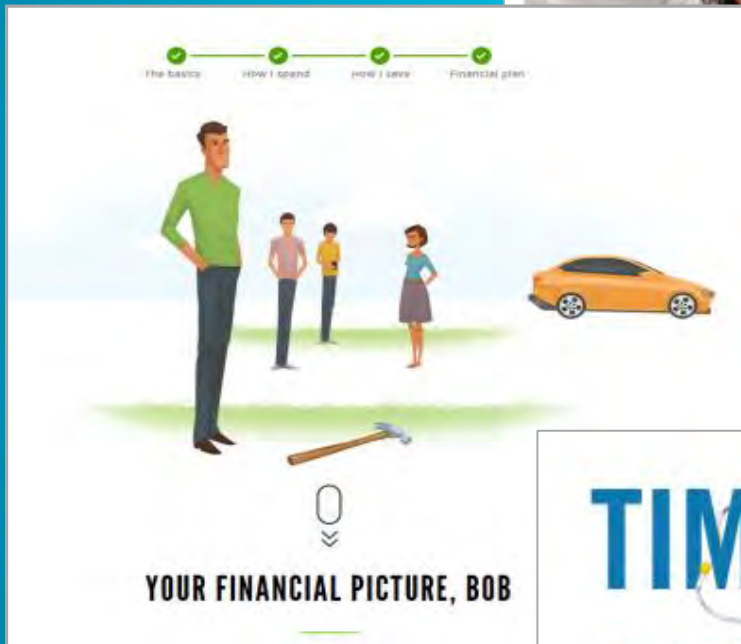
# PLAN SPONSOR INITIATED WELLNESS PROGRAMS

Financial wellness



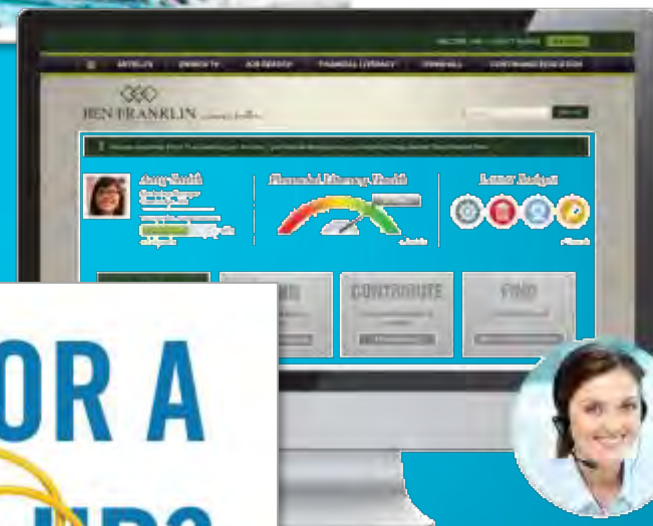
**Did you know?**

Employees who save for retirement are more likely to accomplish other important financial goals, such as building an emergency fund or saving for vacation or travel. <sup>1</sup>



The basics    How I spend    How I save    Financial plan

**YOUR FINANCIAL PICTURE, BOB**



BEN FRANKLIN

Account Summary

Financial History

Money Budget

CONTRIBUTE    FIND



**TIME FOR A  
CHECK-UP?**

Learn how an account review can boost your financial health.

[checkup.connectwithpru.com](http://checkup.connectwithpru.com)



# PLAN SPONSORS PLAY A CRITICAL ROLE IN CURRICULUM SUCCESS...

**ICMA-RC**  
BUILDING PUBLIC SECTOR  
RETIREMENT SECURITY

## DIVERSIFY YOUR SAVING: 457 + ROTH IRA

**ICMA-RC**  
BUILDING PUBLIC SECTOR  
RETIREMENT SECURITY

## ICMA-RC's Mobile App


- Access your account whenever and wherever
- View tips and tools to help you manage your money
- Not participating? Enroll in your 401 or 457 plan

To learn more — [www.icmarc.org/mobile-app](http://www.icmarc.org/mobile-app)

To demo the app — [www.icmarc.org/appsimulator](http://www.icmarc.org/appsimulator)

### Download the app

GET IT ON **Google play** Download on the **App Store**



apply one (1) and more a quarterly event, including age basis a income home purchase, usability or best. Other moe, ordinary income and penalty taxes may apply. See IRS Publication 500.

# FINANCIAL PLANNING BRINGS IT ALL TOGETHER



TRUE FINANCIAL  
WELLNESS



# MANY EMPLOYEES WANT IT

If financial planning programs are offered.



51% of employees will be more likely to accept a job with a new employer.

53% of employees will be more loyal to their current employer.

# THE EMPLOYEE CHALLENGES



Do it for me  
(auto enrollment,  
auto escalation,  
auto diversification)



Mobile and  
push technology



Holistic  
understanding of  
how all benefits  
tie together



Running  
the numbers

# RESEARCH

Past 30 months

## KEY FINDINGS



- ▶ Do it for me
- ▶ Personalize it
- ▶ Keep it simple
- ▶ Engage me
- ▶ Mobile – Mobile – Mobile
- ▶ Compare/Show me how am I doing
- ▶ Rep is critical

# RETIREMENT READINESS: GUIDED PATHWAYS<sup>®1</sup>

Three levels of service designed to help participants plan for meeting their retirement goals through savings, investment and retirement date recommendations

	ASSET CLASS GUIDANCE	FUND ADVICE	MANAGED ACCOUNTS
Develop retirement savings plan	✓	✓	✓
Determine asset class allocation	✓	✓	✓
Select appropriate funds		✓	✓
Monitor fund performance			✓
Manage my portfolio on an ongoing basis			✓
	No charge	\$20 annual fee <sup>*,**</sup>	Asset-based fee <sup>*</sup>

<sup>\*</sup> Investment and plan administration costs apply to underlying funds

<sup>\*\*</sup> Waived for Premier Services members





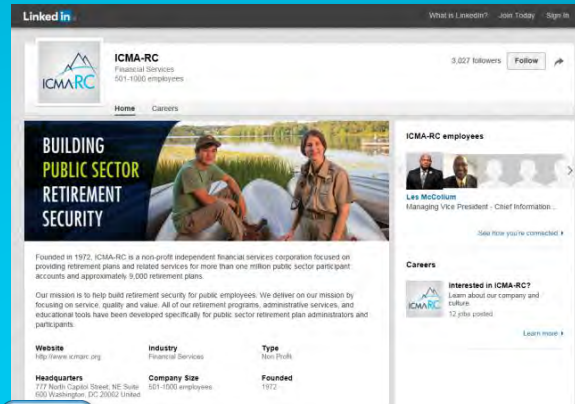
For **MILLENNIALS**,  
Youtube is  
“**the television experience**  
for the digital **age.**”

– Omid Kordestani,  
Google’s Chief Business Officer

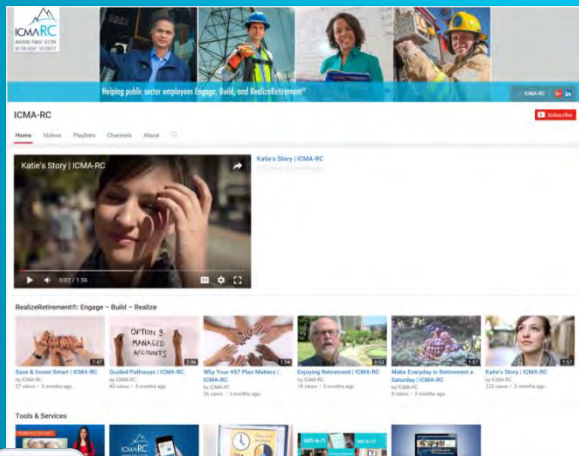
# SOCIAL MEDIA



TWITTER



LINKEDIN

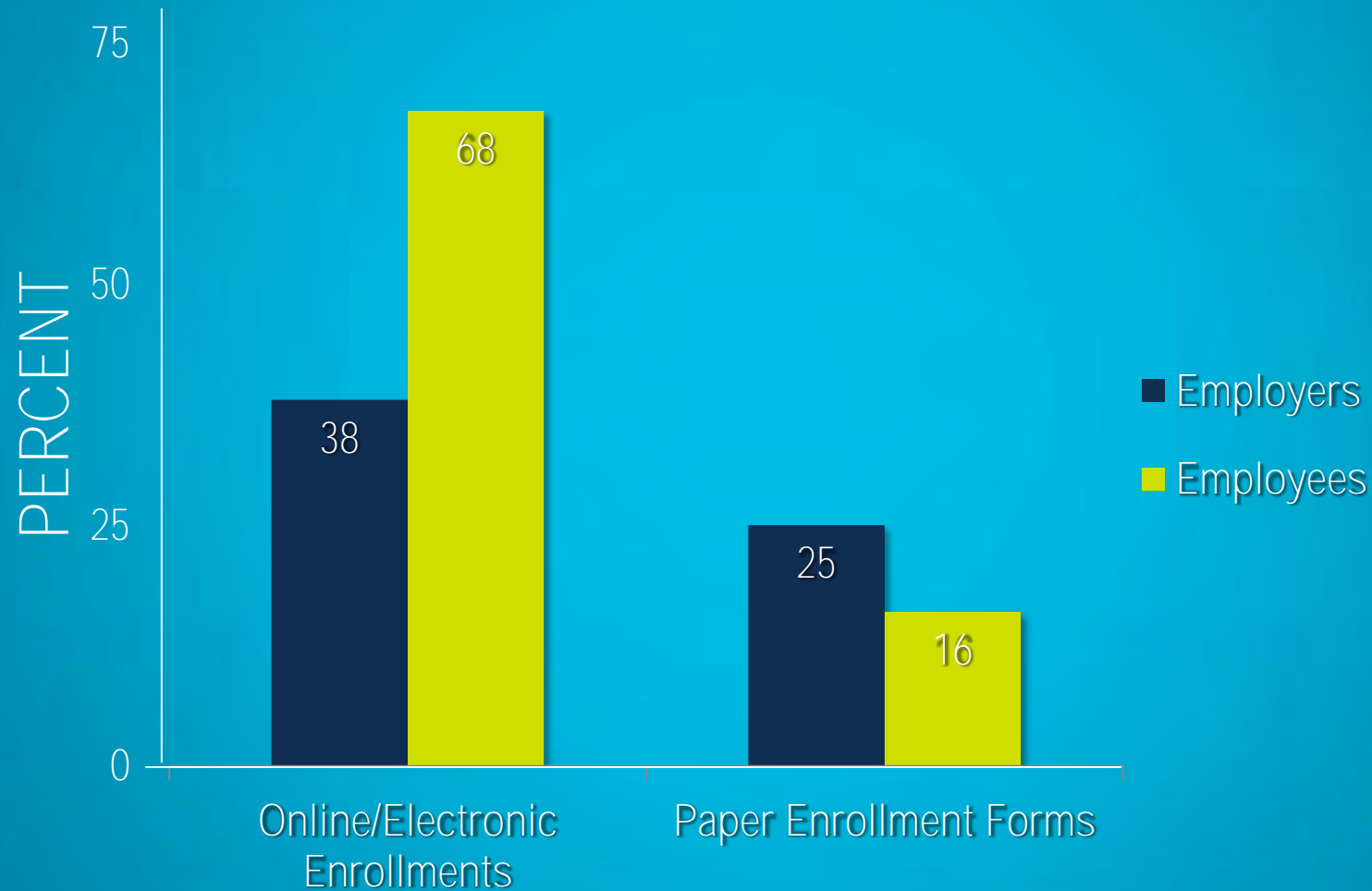


YOUTUBE



FACEBOOK

# MOBILE ENROLLMENTS



Source: 2015 LIMRA study - Plans Sponsor Magazine, Aug 10, 2016



<http://www.icmarc.org/>



Welcome, John Q. Bpnd9dn

MY PROFILE

CONTACT US

LOGOUT



Account Access

Overview

Access My Accounts

Learning & Tools

Messages & Alerts

Value as of 09/20/2017

View My Balances & Holdings

MY TOTAL BALANCE

\$84,504.80

MY RATE OF RETURN

12.0%  
Year to Date

Want a professional opinion on saving for retirement? [We can help!](#)

401

Limerick Township  
Plan #108210

Balance **\$84,322.42**  
Current Rate of Return  
**12.0%**

View Account >

Contributions >

457

Limerick Township  
Plan #307236

Balance **\$182.38**  
Current Rate of Return  
**12.0%**

View Account >

Contributions >

Congratulations! You're **on track** for retirement!



Your score is based on your current account settings. Making the proposed adjustments below may improve it.

ACCOUNT SETTINGS

CURRENT

PROPOSED

Savings Rates by Plan ⓘ

LIMERICK TOWNSHIP (108210)

0%

0%

Target Retirement Age

[EDIT YOUR RETIREMENT AGE, SALARY, OR PENSION](#)

60

60

Investment Mix



Click on "Improve Your Score" to see how providing more information could help you realize your retirement goals.

IMPROVE YOUR SCORE

ASSUMPTIONS

Watch a brief video to see how this retirement readiness calculator can work for you!





THANK  
YOU!