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## ***Correspondence Memorandum***

**Date:** October 29, 2020

**To:** Wisconsin Deferred Compensation Board

**From:** Shelly Schueller, Director  
 Wisconsin Deferred Compensation Program

**Subject:** 2021 Strategic Partnership Plan Proposal

**The Department of Employee Trust Funds (ETF) staff recommends that the Board approve the proposed 2021 Strategic Partnership Plan as outlined in this memo.**

In partnership with Empower Retirement (Empower), ETF has drafted a Strategic Partnership Plan (SPP) proposal for 2021. The SPP identifies specific plan enhancements and areas of focus for Wisconsin Deferred Compensation (WDC) staff during the upcoming year and metrics that may be used to measure the results. As in previous years, the 2021 SPP was developed around the following concepts:


1. *Enrollment* – continuing to increase the number of local public employers offering the WDC and eligible employees contributing to the WDC
2. *Asset Allocation* – encouraging appropriate diversification of participant assets in WDC investment options
3. *Education* – providing more financial literacy learning opportunities for all participants
4. *Retention* – providing additional education to retirees and near-retirees, and retaining retiree accounts and assets in the WDC

As shown on the attached draft scorecard and communications calendar, highlights of the proposed 2021 SPP include:

1. *Enrollment*
  - a) *Participants*: adding 3% in-force<sup>1</sup> participant growth. As in past years, the local WDC staff will seek to increase the number of WDC participants as of the end of calendar year 2020 by three percent (3%) in 2021.
  - b) *Employers*: adding 10 new local public employers offering the WDC to their employees. This is an increase of two over the goal from last year. As noted

<sup>1</sup> In-force means number of participants with an account balance greater than \$0.

Reviewed and approved by Matt Stohr, Administrator, Division of Retirement Services

 Electronically Signed 11/9/20

Board	Mtg Date	Item #
DC	11.19.20	8B

previously, the WDC is a mature plan, with over 940 of the approximately 1,600 eligible local employers making the WDC available to their employees. Many of the remaining eligible employers are small governing bodies (sanitary sewer districts, joint library boards, etc.) or school districts that may already offer a s. 403(b) plan to their employees.

2. *Asset Allocation* – The WDC local staff will focus on completing retirement readiness reviews with ten percent (10%) of specific “at risk” participant populations and seek to improve their asset allocations by increasing the average number of investment options by five percent (5%):
  - a) Age 50+ with more than 75% of assets in equities
  - b) Age 50+ with less than 10% in equities
  - c) All participants with less than 25% in equities
  
3. *Education* – WDC staff will continue with specific education efforts for both participants and employers in 2021. These projects include:
  - a) Providing 300 group meetings;
  - b) Completing retirement readiness reviews for 3,000 participants;
  - c) Offering retirement readiness reviews to participant who have stopped saving. The goal for 2021 would be to restart contributions for five percent (5%) of participants who stopped contributing to their WDC accounts;
  - d) Providing financial wellness education webinars and retirement readiness reviews in partnership with ETF and the grant-funded “Wisconsin Strong” campaign; and
  - e) Announcing the positive results of the pilot to include a WRS pension estimate on WDC accounts and rolling out this valuable addition to all participants.

Empower has new education-related options for the Board to consider in 2021: “point in time” fiduciary advice services and access to certified financial planner services. Key features of both options are outlined below. Under fiduciary standards, any recommendations made to plan participants using these services would be made in the best interests of plan participants. Both services would require the Board and Empower to amend the administrative service contract.

#### Fiduciary Advice Services

At no additional cost to the plan or participants, Empower could provide participants with “point in time” fiduciary advice on a variety of topics, including distribution options, consolidating accounts, investing, saving, etc. If this option were added, participants using this service could opt to consult with Empower when they have a specific finance or investment-related question. The advice they receive would be generated using Empower’s proprietary best interest tool, which is powered by Morningstar’s Investment Management methodology.

As part of this “point in time” service, participants who have terminated public employment could receive detailed information regarding their WDC account distribution options. This service would provide WDC participants with fiduciary advice in addition to education on questions they have in addition to savings rates and investments. Currently when participants ask, “What should I do with my WDC account now that I’ve retired?” WDC representatives can only provide education. This means the participant’s options are laid out along with the pros and cons of each option. Participants’ options in this example are: 1) leave their balance in the WDC, 2) cash out, 3) roll out to another plan (if applicable) or 4) roll to an IRA. Some participants can make a decision with this information, but others want to be told what they should do.

With “point in time advice,” an Empower representative dedicated and knowledgeable about public sector employment would be able to leverage Morningstar’s methodology to determine which option is best for the participant and deliver that advice. Instead of “here is some information to consider for you to make your own decision,” representatives can say “it is in your best interest to do XYZ” based on a cost-benefit analysis and tax implications.

There is no cost to the plan or participants for the “point in time” advice services. Empower has 12 government-dedicated representatives who would provide this service to WDC participants over the phone or by video conference. Adding this service would essentially mean increasing the Empower team working on the WDC without increasing cost.

#### Certified Financial Planning (CFP) Services

Empower could also provide comprehensive financial planning for interested WDC participants on topics including, but not limited to, debt management, income planning, required minimum distribution, and estate planning. Financial planning would be offered by certified financial planners (CFPs) at Empower who understand public sector employment and are available via phone and videoconferencing. Participants would receive a personal comprehensive plan, regular access to a dedicated financial planner, an individualized digital dashboard, and additional planning tools (MoneyGuide Pro) for themselves and their spouse/partner.

CFP services are comprehensive and generally involve conversations and data for both the participant and their spouse/partner. Understanding an employee and their household’s in-depth needs, as well as developing a comprehensive plan, would occur over two or three meetings. This is a commitment of three to five hours of time in total.

Empower expects to have 12 CFPs on their financial planning team and will increase this team as needed to meet future demand. Empower reports there are 43 plans currently utilizing the CFP service or in the process of adding the

service. There are three s. 457 plan clients offering the CFP service. Empower staff have delivered over 1,500 financial plans and have worked with many more customers on topical financial needs through utilization of its CFPs.

At no additional cost to the WDC, Empower is proposing offering two dedicated CFPs to WDC in addition to the seven retirement plan advisors currently on staff. As shown in the table below, there are two options for paying for CFP services: via the plan or via the individual. ETF suggests that participants interested in CFP services pay the CFP costs directly.

<b>EMPOWER CFP OPTION DETAILS</b>			
	<b>Plan Paid</b>	<b>Individual direct pay</b>	
		<b>Subscription</b>	<b>One time</b>
<b>Pricing</b>	<ul style="list-style-type: none"> <li>▪ Priced-in (Added to RK fee, pricing based on expected volume)</li> <li>▪ \$15 per eligible employee per year (plan can define the group)</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$299 one time + \$29 monthly</li> <li>▪ If enrolled in Managed Accounts* \$199 one-time + \$15 monthly</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$499 one-time</li> <li>▪ If enrolled in Managed Accounts* \$399 one-time</li> <li>▪ Upgrade to subscription: no charge for first 3 months (\$29/mo thereafter)</li> </ul>
<b>Service Model and Customer Experience</b>			
• Financial planner	Dedicated	Dedicated – unlimited access	Dedicated
• Comprehensive plan (doc)	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
• MoneyGuidePro customer portal	<b>Yes</b>	<b>Yes – ongoing</b>	<b>Yes (90 days)</b>
• Unlimited access to planner	<b>Yes</b>	<b>Yes</b>	NA
• Annual plan review	NA	<b>Yes</b>	NA
• Special content (newsletter)	NA	<b>Yes (in development)</b>	NA
<b>Financial planning team</b>	Highly qualified and tenured: Certified Financial Planner (CFP), FINRA Licensed 6/7, 63, 65/66 (dual licensed)		

Empower’s cost for CFP services is reasonable, especially for the annual subscription, which works out to just under \$650 per year for participants not utilizing the managed account service. Offering CFP services through the WDC could make CFP services accessible and attractive to WDC participants who wish to work with a CFP but could not afford a CFP otherwise.

In Wisconsin, the costs for a one-time financial planning session with a for-fee-only planner vary widely<sup>2</sup>. Some CFPs charge by the hour (\$95-\$350/hour) and others charge flat fees that can start at \$975-\$1,200 and increase in cost based on assets up to \$5,000-\$10,000. Subscription or on-going CFP services are

<sup>2</sup> Based on a sampling of Wisconsin CFP firm brochures (Part 2A of Form ADV).

usually assessed via a formula. Some start as low as \$500-\$1,000 per year, but \$1,400 to \$5,000 per year is more typical. Some firms require a minimum portfolio size before they will work with individuals and in virtually all firm literature reviewed, on-going fees increase as assets under management increase.

4. *Retention* – The Board’s decisions regarding the two new educational service offerings from Empower will determine the 2021 retention goals.
  - a) If the contract with Empower is amended to permit fiduciary “point in time” advice, the retention goal for 2021 would be to increase retention rates by reducing assets rolled out of the WDC by 5%.
  - b) If the contract with Empower is amended to provide WDC participants with Certified Financial Planning services, the retention goal for 2021 would be for the CFPs to meet with 150 WDC participants in 2021.
  - c) If the Board decides not to add either new service offering, the WDC would continue the “stay in the plan” campaign email/mailing to participants ages 53 and older and seek to increase the number of retirement readiness reviews with retirees aged 65 and older by 6% over the number completed for this group in 2020.

In addition to the proposed scope of work to be done by the local WDC staff, Empower will also continue to work on additional items, such as encouraging employers to submit contributions electronically, collecting participant termination dates, and creating WDC-focused messages for ETF to release via ETF’s Twitter account. Electronic contributions are more secure and timely. Having participant termination dates enables targeted campaigns to be more effective as we can differentiate between active employees and inactive employees and retirees.

ETF recommends that the Board approve the 2021 SPP as proposed, including the “point in time” fiduciary advice services and CFP services in 2021. If approved, ETF will work with Empower on contract amendment language for the Board’s review in early 2021. Empower will update the scorecard with participant data as of December 31, 2021 and use the scorecard to communicate SPP progress to the Board.

Staff from Empower Retirement and ETF will be available at the meeting to discuss the proposed 2021 plan with the Board.

Attachment A: Proposed 2021 Scorecard

Attachment B: 2021 Strategic Partnership Plan Proposal and Communications Calendar

# 2021 Proposed Scorecard

Goal/Action Item	Tools adopted	Results desired
Enrollment	<ul style="list-style-type: none"> <li>Employee and Employer</li> <li>Group meetings</li> </ul>	<ul style="list-style-type: none"> <li>3% in-force* growth</li> <li>10 new employers</li> <li>1-2 Conventions</li> <li>45+ benefits fairs</li> </ul>
Asset Allocation	<ul style="list-style-type: none"> <li>RRRs with at-risk groups</li> <li>Emails, mailers and tweets</li> <li>Fiduciary advice/CFP service</li> <li>Partnership on financial wellness grant</li> </ul>	<ul style="list-style-type: none"> <li>RRRs with 10% of at-risk population</li> <li>Increase average number of investment options by 5%+</li> </ul>
Education	<ul style="list-style-type: none"> <li>Participant Education               <ul style="list-style-type: none"> <li>RRRs for at risk groups</li> <li>DB Addition Campaign</li> </ul> </li> <li>Employer Education</li> <li>Partnership on financial wellness grant</li> <li>Restart campaign</li> </ul>	<ul style="list-style-type: none"> <li>3,000 total RRRs</li> <li>300 group meetings</li> <li>Bring positive actions** to 33%+ of our meetings with participants.</li> <li>If restart campaign: Restart 2% of participants who stopped contributing</li> </ul>
Retention	<ul style="list-style-type: none"> <li>Retirement Readiness Reviews</li> <li>Retiree webinar</li> <li>RSG support and CFP service</li> </ul>	<ul style="list-style-type: none"> <li>If RSG: Increase retention by 5%+ (roll out 5% fewer assets than 2020)</li> <li>If CFP: Conduct 150 CFPs</li> <li>If no RSG/CFP: Increase RRRs with retirees by 6% (termed and age 65+; met with 83 in 2020)</li> </ul>



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\*In-force means net lives or number of participants with an account balance greater than \$0.  
\*\*Positive actions include actions like enrollments, rollovers, deferral increases, diversification (moving 100% to TDF or enroll in managed accounts), and personalization for those in managed accounts



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# 2021 Strategic Partnership Plan Proposal

# Participant data

APPROXIMATELY

**85%**

EMAILS ON FILE FOR  
PARTICIPANTS WITH  
A BALANCE

**66,543**

TOTAL PARTICIPANTS WITH A  
BALANCE

**41,119**

ACTIVE PARTICIPANTS WITH A  
BALANCE

**17,872**

ACTIVE PARTICIPANTS  
AGE 50+

**86%**

WITH BENEFICIARY  
ON FILE

**92%**

USING ELECTRONIC  
STATEMENTS

**3,183**

CONTRIBUTING 1% or \$50  
OR LESS A MONTH

**18,244**

PARTICIPANTS WHO  
HAVEN'T INCREASED  
CONTRIBUTIONS IN 2+  
YEARS



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# Participant data: Investing

**15,130**

PARTICIPANTS WITH ONE  
TARGET DATE FUND

**652**

PARTICIPANTS IN MULTIPLE  
TARGET DATE FUNDS

**9,805**

PARTICIPANTS IN TARGET DATE  
FUNDS AND MUTUAL FUNDS

**39,719**

PARTICIPANTS IN MUTUAL  
FUNDS ONLY

**2,139**

PARTICIPANTS IN STABLE  
VALUE/FIXED ONLY

**4,702**

PARTICIPANTS AGE 50+ WITH  
GREATER THAN 75% EQUITY

**967**

PARTICIPANTS AGE 50+ WITH  
LESS THAN 10% EQUITY

**948**

PARTICIPANTS ANY AGE WITH  
TARGET DATE FUND



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# Fiduciary Advice and Financial Planning

SUPPORTING THE RETIREMENT JOURNEY

## GUIDANCE AND ADVICE THROUGH ENTIRE JOURNEY



Online Advice and My Total Retirement are part of the Empower Retirement Advisory Services suite of services offered by Advised Assets Group, LLC, a registered investment adviser.



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# Fiduciary Advice

SUPPORTING THE RETIREMENT JOURNEY

## EMPOWER POINT-IN-TIME ADVICE

A **wide range of topics** support retirement readiness and include financial wellness.

**Objective third-party engines** drive investment allocation advice.

Tools: **Best Interest Profile** (collects preference data and generates recommendation) and **Fee Comparison** (Provides fee comparisons of the WDC pl and the Empower IRA)

Investment and distribution advice provided under SEC Regulation Best Interest and in accordance with DOL's **impartial conduct standards**.

There are **no additional fees**.

Empower representatives use **nondiscretionary** advice models powered by Morningstar Investment Management.

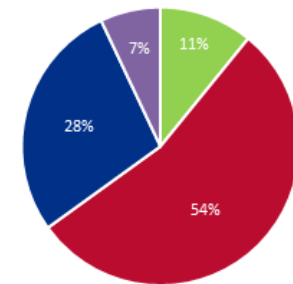
Fiduciary recommendations are accompanied by a **Recommendation Summary**, and advice engagements have principal oversight.

Quarterly **plan-level reporting** available.



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Types of Advice Engagements



■ Consolidation ■ Distribution ■ Investing ■ Savings

Source: Empower Best Interest Advisory data for Jan – Jun 2020.

For illustrative purposes only.

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# People need and want financial planning...

Large majorities find a **comprehensive financial planning** service to be interesting, useful and compelling.<sup>1</sup>

78%

General interest

84%

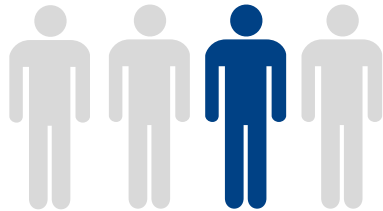
Useful and compelling

90%

Want a personalized plan that adjusts to their needs<sup>2</sup>

Life events

Trigger financial planning changes<sup>2</sup>



One in four employees rank a financial wellness benefit with access to unbiased **financial counselors as the most desired employer benefit to be added.**<sup>3</sup>

1. Empower Consumer Survey by the Harris Poll: 9/27/19 – 10/8/19
2. Empower Life Stages Consumer Survey – January 2020
3. 2019 PWC Employee Wellness Survey



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# Comprehensive Financial Planning

Help your employees – regardless of their WDC account balance – set clear goals, stay on track with ongoing support, and keep peace of mind.



## Schedule

- Email campaign
- Convenient online scheduler
- Phone and video conferencing\*



## Financial planning consultation

- Goal-based planning: needs, wants and wishes
  - Digital dashboard and planning tools (MoneyGuidePro\*\*)
- 3-5 hours consultation time per comprehensive plan
- Includes spouse/partner



## Implement

- Comprehensive financial plan
  - My financial plan and important documents binder
  - Solutions and help implementing plan

## Broad range of topics

- Budgeting
- Emergency savings
- Debt management
- College planning
- Insurance coverage
- Long-term care
- Retirement readiness
- Saving for multiple goals
- Health savings accounts
- Net worth statement
- Asset allocation report
- Roth conversion planning
- Taxable vs. tax-deferred planning
- Income planning
- Social Security planning
- RMD planning
- Estate planning

\* In-person meetings may be available in certain locations

\*\* Advised Assets Group, LLC, an affiliate of Empower Retirement, LLC, provides financial planning services using the MoneyGuidePro tool. MoneyGuidePro is not affiliated with Empower Retirement.



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# Comprehensive Financial Planning

Offer Summary	Plan-Paid	NEW! Individual direct-pay	
		Subscription	One-time
<b>Pricing</b>	<ul style="list-style-type: none"> <li>▪ Priced-in (Added to RK fee, pricing based on expected volume)</li> <li>▪ \$15 per eligible employee per year (plan can define the group)</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$299 one time + \$29 monthly</li> <li>▪ If enrolled in Managed Accounts* \$199 one-time + \$15 monthly</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$499 one-time</li> <li>▪ If enrolled in Managed Accounts* \$399 one-time</li> <li>▪ Upgrade to subscription: no charge for first 3 months (\$29/mo thereafter)</li> </ul>
<b>Service Model and Customer Experience</b>			
• Financial planner	Dedicated	Dedicated – unlimited access	Dedicated
▪ Comprehensive plan (doc)	Yes	Yes	Yes
▪ MoneyGuidePro customer portal	Yes	Yes – ongoing	Yes (90 days)
▪ Unlimited access to planner	Yes	Yes	NA
▪ Annual plan review	NA	Yes	NA
▪ Special content (newsletter)	NA	Yes (in development)	NA
<b>Financial planning team</b>	Highly qualified and tenured: Certified Financial Planner (CFP), FINRA Licensed 6/7, 63, 65/66 (dual licensed)		

\* Managed Account service must be available under the retirement plan. Managed Accounts fee applies separately under the plan.



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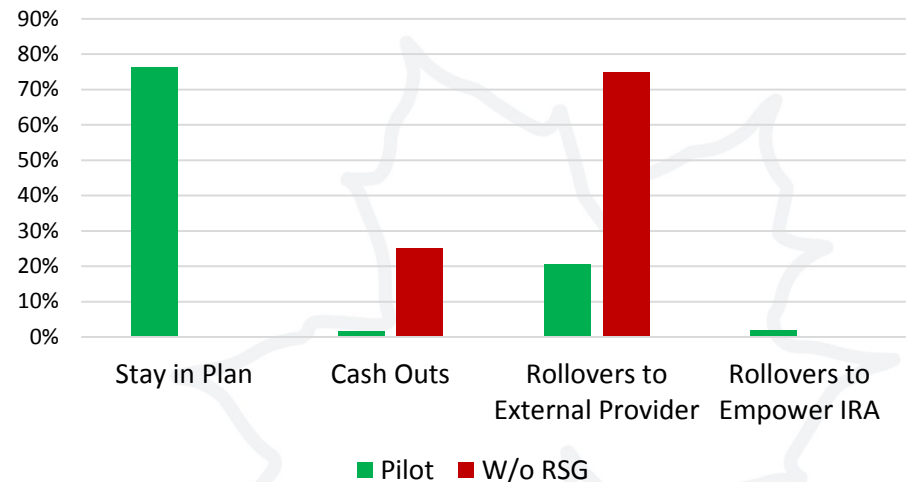
# Retention Efforts Included

SUPPORTING THE RETIREMENT JOURNEY

## TERMINATED EMPLOYEE ENGAGEMENT IMPACT

- **Pilot** results in comprehensive **dedicated** Government team, which is the now dedicated Govt team that will support WDC participants with \$25k+ account balances
- All participants receive termination brochure upon receipt of a **termination date**
- Approximately **60%** of calls involve distributions, and the new dedicated Government team focuses on **stay in plan**
- Consultants make distribution options **easy** to understand
- **Fair** and **balanced** conversations
- Consultants act in the **best interest** of employees

### Destination of Terminated Assets - Govt



Source for Pilot: Empower Retirement, Feb - Apr, 2020  
Source for W/o RSG: Empower Retirement, 2019



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# 2021 Communications Proposal

ACTIVITY	GOAL/ACTION	AUDIENCE	TACTICS	TIMING
<b>At risk group targeted messaging: Meet with your RPA</b>	Review your investments with your RPA	<ul style="list-style-type: none"> <li>Age 50+ with &gt;75% equity</li> <li>Age 50+ with &lt;10% equity</li> <li>Any age with &lt;25% equities</li> <li>Retirees</li> </ul>	<ul style="list-style-type: none"> <li>One personalized email to 4 targeted groups</li> <li>Mailer (check investments, provide email)</li> <li>Tweet (Meet with RPA)</li> </ul>	March (Q1)
<b>Annual Participant Survey</b>	Rate your satisfaction with the WDC	All participants	<ul style="list-style-type: none"> <li>Email</li> <li>Reminder email</li> <li>Prelogin bulletin</li> <li>Postlogin message</li> <li>Tweets</li> </ul>	September (Q3)
<b>Partnering with the State on pilot and financial wellness grant</b>	Develop and deliver a financial wellness program for public service employees and retirees and their families	Employees in pilot program	<ul style="list-style-type: none"> <li>Presentations/webinars/video</li> <li>Emails and Tweets</li> <li>Online financial wellness tools</li> <li>Promotion of CFP and fiduciary advice services</li> </ul>	All year
<b>Employer communications</b>	<ul style="list-style-type: none"> <li>Increased awareness of WDC and financial wellness</li> <li>Outreach to eligible employers</li> </ul>	<ul style="list-style-type: none"> <li>Eligible employers</li> <li>Existing employers</li> </ul>	<ul style="list-style-type: none"> <li>Employer newsletter</li> <li>Non-participating employer outreach</li> <li>Attend benefits fairs, 2020 Clerks convention and 1-2 additional conventions</li> <li>Employer plan reviews as needed/requested</li> </ul>	Ongoing
<b>Seasonal Tweets</b>	Promote WDC awareness	All WRS members	<ul style="list-style-type: none"> <li>Tweets sent by ETF</li> <li>Sample Twitter videos customized with WDC Logo: <a href="https://www.empower-retirement.com/video/better-retirement/pr2/index.html?id=metal-detector-15">https://www.empower-retirement.com/video/better-retirement/pr2/index.html?id=metal-detector-15</a></li> </ul>	Monthly



# 2021 Communications Proposal

ACTIVITY	GOAL	AUDIENCE	TACTICS	TIMING
<b>DB Estimate Addition</b>	Go online to review your DB addition Meet with RPA to review	All participants	<ul style="list-style-type: none"> <li>• Email and reminder email</li> <li>• Mailer</li> <li>• Prelogin bulletin</li> <li>• Postlogin message</li> <li>• Statement narrative</li> <li>• Tweets</li> </ul>	Q2
<b>Restart savings campaign</b>	Start saving again	<ul style="list-style-type: none"> <li>• Participants who stopped contributing</li> </ul>	<ul style="list-style-type: none"> <li>• Email</li> <li>• Mailer</li> <li>• Tweet</li> </ul>	October (Q4)
<b>Biannual Stay in Plan campaign (if not RSG)*</b>	Stay in the Plan to keep included benefits	<ul style="list-style-type: none"> <li>• Participants with a balance age 53+</li> </ul>	<ul style="list-style-type: none"> <li>• Email</li> <li>• Mailer</li> <li>• Tweets</li> </ul>	January and July
<b>Rollout Fiduciary Advice and/or CFP**</b>	Promote new financial wellness services to WDC participants (staged communications)	<ul style="list-style-type: none"> <li>• All participants</li> </ul>	<ul style="list-style-type: none"> <li>• Email</li> <li>• Mailer/letter</li> <li>• Tweet</li> </ul>	February begin date

\*If RSG service is added to WDC, RSG will communicate the Stay in Plan messages on an ongoing basis based on termination date of participant.

\*\*Dependent on service adoption.



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┌ Thank you for your continued partnership