Engaging plan participants to improve retirement readiness

Webinar | May 12, 2022
Agenda

1. Logistics & Introductions
2. Overview of TCRS and Approach to Retirement
3. Participant Engagement Strategy
4. Questions
Logistics

• Attendees in listen only mode.

• Question are welcome. Submit using “Question” function on control panel.

• Audio/technical issues during webinar: call GoToWebinar at 1-800-263-6316.

• Webinar replay and slides will be posted at nirsonline.org/events.
Speakers

Dan Doonan
NIRS Executive Director

Ashley Nabors
Assistant Treasurer, Financial Empowerment
The Tennessee Department of Treasury

- Our mission: To invest in the well-being of Tennesseans through exceptional financial leadership, management, service and education
- Responsible for more than $99.2 billion in assets under management through various investment programs
- Approximately 275 full-time employees, including an internal investment division comprised of 35 professionals with extensive training and education

Measured as of June 30, 2021
Program administration

• Tennessee Consolidated Retirement System ($65.8 B)
• State of Tennessee Deferred Compensation Plans ($11.7 B)
• State Pooled Investment Fund and Local Government Investment Pool ($20.2 B)
• Unclaimed Property ($1.2 B)
• TNStars College Savings 529 Program ($266.8 M)
• ABLE TN ($34.0 M)
• Division of Claims and Risk Management

Measured as of June 30, 2021
Pulse Check Question

Are your defined benefit and defined contribution plans administratively attached to the same state agency/organization?

A. Yes
B. No
TCRS by the numbers

Active Members in the Legacy Plan (closed to new members on June 30, 2014)
159,293

Active Members in the Hybrid Plan
61,479

Retired Members
148,025

TCRS paid $2.9 billion in benefits to 148,025 retirees

92% of TCRS retirees remain in Tennessee

GASB Funded Status
FY 2021

<table>
<thead>
<tr>
<th></th>
<th>Assets</th>
<th>Liabilities</th>
<th>Funded %</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Legacy</td>
<td>$15,746,112,791</td>
<td>$17,384,423,117</td>
<td>90.58%</td>
</tr>
<tr>
<td>State Hybrid</td>
<td>308,241,289</td>
<td>273,028,004</td>
<td>112.90%</td>
</tr>
<tr>
<td>Teacher Legacy</td>
<td>25,456,436,717</td>
<td>24,693,863,023</td>
<td>103.09%</td>
</tr>
<tr>
<td>Teacher Hybrid</td>
<td>401,015,022</td>
<td>344,150,852</td>
<td>116.52%</td>
</tr>
<tr>
<td>Political Subdivisions*</td>
<td>11,439,968,483</td>
<td>11,199,061,543</td>
<td>102.15%</td>
</tr>
</tbody>
</table>

*In the aggregate. Each Political Subdivision is a separate liability pool.

TCRS administers 624 pension plans on behalf of 588 local government entities

Measured as of June 30, 2021
TCRS by the numbers

- TCRS concluded FY21 recording a historic 25.6% investment return, the fourth highest annual percentage return since consolidation in 1972.

- TCRS lowered its assumed rate of return from 7.25% to 6.75% beginning July 1, 2021.
TCRS governance

- The TCRS Board of Trustees consists of 9 ex-officio members, 9 representatives of active TCRS membership and two representatives of retirees. The ex-officio members are:
  - State Treasurer
  - Director of TCRS
  - Chair and vice chair of the Legislative Council of Pensions (non-voting)
  - Commissioner of Human Resources
  - Commissioner of Finance and Administration
  - Comptroller of the Treasury
  - Secretary of State
  - Administrative Director of the Courts
- Responsible for approval of actuarial assumptions, investment policy and employer contribution rates
- The board of trustees may delegate to the state treasurer the duty to carry out the day-to-day operations and responsibilities for the administration of the retirement system
TCRS turns 50

• In 2022, TCRS celebrates 50 years as a consolidated retirement plan

• On July 1, 1972, Governor Winfield Dunn signed the Consolidation Retirement Act to combine seven separate pension plans into the Tennessee Consolidated Retirement System
TCRS Economic Impact
DC Plans by the numbers

Defined Contribution Plan | Members
--- | ---
401(k) | 171,878
457(b) | 14,466
Optional Retirement Program | 36,593
403(b) | 6,061

- Faculty and exempt employees of the University of Tennessee or the Tennessee Board of Regents may choose to participate in the Optional Retirement Plan (ORP), a defined contribution plan.
- Treasury is also the plan administrator for the higher education 403(b) plan.
DC Plan Service Providers

401(k) and 457(b) Plans: EMPOWER

ORP and 403(b) Plans: TIAA VOYA
DC Plan Governance

- Commissioner of Finance and Administration, Chairs of the Finance, Ways and Means Committees of the Senate and House of Representatives and the State Treasurer serve as trustees
- Responsible for approval of plan document and investment policy
- Trustees shall delegate the duty to conduct the day-to-day responsibilities for managing the investment vehicles to the state treasurer
2014 Pension Reform

• Bipartisan supported legislation to close legacy retirement plan and establish a hybrid retirement plan for state and higher education employees and teachers hired on or after July 1, 2014 (Public Chapter No. 259)
  • Employer Goal
    – Mitigate contribution rate volatility through cost controls
  • Participant Goal
    – Provide employees with a retirement package capable of producing a comparable benefit to that provided under the legacy plan
    – Focus of participant financial education
Hybrid Retirement Plan

- Established for general state and higher education employees¹ and teachers hired on or after July 1, 2014

<table>
<thead>
<tr>
<th>Employer Contributions</th>
<th>Member Contributions</th>
<th>Total Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCRS</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>401(k)</td>
<td>5%</td>
<td>2%²</td>
</tr>
<tr>
<td>Total</td>
<td>9%</td>
<td>7%</td>
</tr>
</tbody>
</table>

- Members are contributory to TCRS
- 5-year cliff vesting under TCRS, immediate vesting in 401(k)
- TCRS Service Retirement at age 65 or by meeting the “rule of 90” (service credit + age = 90)
- TCRS Benefit Formula: 1% x AFC x Creditable Service = Annual Benefit

¹ Higher education employees who are exempt from the Fair Labor Standards Act may elect membership in the ORP in lieu of the Hybrid Retirement Plan.
² Members have 30 calendar days to opt out of the 2% member contribution before a contribution is made to the member’s account; otherwise, contributions to the 401(k) of 2% will be deducted each pay period from the member’s paycheck. The member may modify, or opt out of, future contributions to the 401(k) plan at any time.
We strive to empower public employees to take actionable steps toward preparing for the future.
Approach to ensuring retirement security

1. Position the defined benefit and defined contribution components of the hybrid plan as equally important sources of retirement income
2. Design the defined contribution component with features to encourage positive behavior
3. Equip members with the resources, education and personalized advice to support informed decision-making
Defined contribution plan features

- Auto-enrollment for hybrid plan members
- Carefully selected and monitored investment options
- Target Date Funds as default investment option
- Investment advice and professionally managed accounts
Retirement readiness resources

• One dedicated Call Center to assist members with their TCRS and 401(k)/457(b) accounts
• Access to one-on-one and group counseling services provided by FINRA series 6, 63 and 65 licensed investment advisors
• Online tool providing a comprehensive picture of retirement readiness

• Services procured through a contract with Empower Retirement, the State’s 401(k) and 457(b) recordkeeping provider
Call Center Services

• One phone number for all incoming calls for TCRS or the DC plans
• Complex TCRS calls routed to Treasury Assist Team
• Service level agreement: 90% of calls answered within 90 seconds

<table>
<thead>
<tr>
<th>Volumes</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>DC Calls Answered</td>
<td>72,794</td>
<td>89,858</td>
<td>66,474</td>
</tr>
<tr>
<td>DC Calls Abandoned</td>
<td>807</td>
<td>644</td>
<td>728</td>
</tr>
<tr>
<td>DB Calls Answered</td>
<td>74,302</td>
<td>80,493</td>
<td>84,084</td>
</tr>
<tr>
<td>DB Calls Abandoned</td>
<td>997</td>
<td>933</td>
<td>901</td>
</tr>
<tr>
<td>Total Calls Answered</td>
<td>147,096</td>
<td>170,351</td>
<td>150,556</td>
</tr>
<tr>
<td>Total Calls Abandoned</td>
<td>1,804</td>
<td>1,577</td>
<td>1,629</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Metrics</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Speed of Answer</td>
<td>0:32</td>
<td>0:28</td>
<td>0:39</td>
</tr>
<tr>
<td>Percent of Calls Abandoned</td>
<td>1.21%</td>
<td>0.92%</td>
<td>1.02%</td>
</tr>
<tr>
<td>Average Handle Time</td>
<td>6:43</td>
<td>7:09</td>
<td>7:15</td>
</tr>
<tr>
<td>After Call Survey Scores</td>
<td>4.58</td>
<td>4.54</td>
<td>4.58</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percent of Call Answered</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 90 Seconds</td>
<td>90%</td>
<td>90%</td>
<td>90%</td>
</tr>
</tbody>
</table>
One-on-one counseling

Retirement Readiness Reviews
Available to members at any stage in career

- Review TCRS and defined contribution accounts, debts and outside assets
- Discuss retirement goals and planned retirement age
- Determine if contribution levels and investment options are in line with your goals
- Perform a personalized retirement analysis and provide investment advice

Retirement Counseling
Available to members within three years of retirement

- Determine the total income needed in retirement
- Review benefit estimate and annuity options from TCRS and Social Security
- Review 401(k) and 457(b) balances, investments, and distribution options
- Discuss how to execute retirement plan
CY2021 RetireReadyTN Plan Advisor Satisfaction
Plan Advisor Net Promoter Scores based on 3,365 respondents

Promoters
90% of respondents rate their RPA meeting a 9 or 10

Detractors
3% of respondents rate their RPA meeting a 1 – 6

Neutrals
7% of respondents rate their RPA meeting a 7 or 8

Net Promoter Score = 87
Pulse Check Question

Does your retirement program provide counseling services? If so, which members have access to those services?

A. We provide limited or no counseling services

B. We provide counseling to all members with little to no restrictions

C. We focus counseling services on members nearing retirement
Lifetime Income Score

- Available through the 401(k)/457(b) participant portal.
- The Lifetime Income Score (the percentage shown in the circle) is the percentage of a member’s retirement income goal that is covered by their estimated retirement income.
- Once vested, a projection of the TCRS benefit will be included in the score.
401(k) participant LIS - impact of TCRS benefit

Median LIS Score

On Track for 100% Income Replacement
Participant communication and outreach

• Goal-based annual communication strategy incorporating specific calls to action for all members

• Focused communication and outreach to high need (at-risk) participants:
  - Lifetime Income Score below 70%
  - Hybrid plan member not deferring to the 401(k) (members opting out of auto-enrollment)
  - Equity risk (Age 50+ with 75%+ equity exposure)
  - Inflation risk (Age 50+ with 10% or less equity exposure/Under 50 with 25% or less equity exposure)
5-point plan for engaging high need participants

1. Create communications directly targeting these participants
2. Maximize meeting capacity
3. Leverage Treasury Outreach staff to develop relationships with participating employers
4. Promote education resources through regular employer meetings
5. Provide continuing education opportunities to plan advisors
Targeted email campaign samples
Retirement Plan Advisor templated email samples
Measurements of Success

• Email open and click-through rates
• Requests for meetings with Retirement Plan Advisors
• Positive actions occurring within a designated timeframe:
  – Enrollments
  – Increased deferrals
  – Account consolidations
  – Reallocations
Example high need targeted campaign

**Audience:**
- Equity risk – Age 50+ with >75% equity;
- Inflation Risk – Age 50+ with <10% equity, Any age with <25% equities

**Email metrics:**
- Equity risk: 34.9% open, 9.5% click
- Inflation age 50+: 35% open, 7.1% click
- Inflation under 50: 25.5% open, 8.7%

**Results:**
- 567 (3.5%) email click-throughs to set up an appointment
- 653 meetings scheduled for next 30 days
- 45% increase in meetings (203 more than average)
2021 Retirement Plan Advisor activity

- 16,289 total meetings in 2021 (a 25% increase over 2020)
  - 569 group meetings
  - 15,720 individual meetings

![Advisor-Driven Actions](Diagram of advisor-driven actions with categories: Enrollments 2260, Deferral Changes 2095, Asset Allocation Changes 2119, Account Consolidations 577).
Year-over-year comparison of at-risk populations

**EQUITY**
*Defined: Age 50+ and 75%+ equity exposure*

- **ASSETS:**
  - 21’ $1.75B
  - 20’ $1.46B
- **PARTICIPANTS:**
  - 21’ 17,011
  - 20’ 22,073
- **ACCOUNT BALANCE:**
  - 21’ $102K
  - 20’ $66K

**INFLATION**
*Defined: Age 50+ and <10% equity exposure / Under 50 and <25% equity exposure*

- **ASSETS:**
  - 21’ $261M
  - 20’ $297M
- **PARTICIPANTS:**
  - 21’ 8,883
  - 20’ 9,953
- **ACCOUNT BALANCE:**
  - 21’ $29k
  - 20’ $30K

54% of the DIY Participants are **AT-RISK**

64% of the DIY Participants in 2020

Averages
Pulse Check Question

What have you found to be the best communications method for “nudging” plan participants?

A. Email communications
B. Webinars/video content
C. Social media
D. In person meetings/events
2022 Engagement Strategy

• Continued focus on High Need audiences
• Initiating automated email campaigns creating targeted and personalized email journeys for participants
• Developing more video resources
• Launching new website experience allowing enhanced account aggregation tools
Agenda

1. Logistics & Introductions
2. Overview of TCRS and Approach to Retirement
3. Participant Engagement Strategy
4. Questions