

MEMORANDUM

TO: Supplemental Retirement Board of Trustees
FROM: Steve Toole, Director Retirement Systems Division
DATE: March 7, 2014
SUBJECT: GoalMaker Age Adjustment Project

At the October 16, 2013, Board fiduciary training, the GoalMaker program was reviewed in depth. During this meeting, the Board inquired about the differences in age adjustment between the NC 401(k) and 457 plans. Age adjustment is a beneficial GoalMaker provision that adjusts a member's portfolio based on the number of years until retirement or point of withdrawal. This provision automatically keeps the member on a glide path within the investment style they selected.

This provision was developed and added to GoalMaker in mid-2006, approximately 2.5 years after the NC 401(k) transitioned to Prudential. GoalMaker and age adjustment were added to the 457 plan soon after transitioning to Prudential in December 2008. Due to these facts, the percentage of GoalMaker participants not currently utilizing the age adjustment feature in the 401(k) plan is much larger than those in the 457 plan (36.13% vs. 6.87% respectively*). For this reason, we would like the Board to approve placing the population of NC 401(k) members in GoalMaker into age adjustment with an option to opt out.

Focus of Project

The focus of the project will be on NC 401(k) members enrolled in GoalMaker but not in age adjustment. Staff consulted the Groom Law Group, and no immediate concerns were raised. Groom did suggest using best practices in communicating the process to the population no more than 90 days but no fewer than 30 before a change in the member's account may occur. In working with Prudential, our plan is to use a negative consent election, where the member will be placed into age adjustment with a default retirement of age of 65. The member will be able to elect out of age adjustment at any point afterwards without a restriction or fee.

The initial timeline is proposed to occur after the GoalMaker rebalance in June, providing enough time to communicate with the members. The members will be able to opt out or change their retirement date through Prudential's Call Center or by secure access online. A change may occur in a member's account with the September rebalance if their date of birth and retirement age determines the portfolio should be updated. Prudential will also review the population to determine potential large portfolio variations and work with Staff to address appropriately.

Communication

As mentioned above, communication will follow a best practice of no more than 90 days but not fewer than 30 days. The communication will be coordinated with Prudential to ensure proper service and member experience. The communication will summarize the activity, benefits, and any action the member may need to take to adjust their retirement date or opt out of age adjustment. The communication will also include why a member may want to change their retirement age or not want to be enrolled in age adjustment, such as accessing their funds at a date later than their retirement age, an established financial planning strategy, regular review of investment portfolio, etc.

*As of September 30, 2013