

DEFERRED COMPENSATION PLANS 2025-2028 STRATEGIC OBJECTIVE DISCUSSIONS

PLANS MANAGEMENT BOARD

DECEMBER 2024 MEETING



At the meeting on December 7, 2021, the Plans Management Board (PMB) discussed and adopted [strategic initiatives](#) for the deferred compensation plans.

The PMB also discussed and adopted [strategic initiatives](#) for the DE529 Education Savings Plan at the September 2021 meeting.

The strategic initiatives covered plan efforts for 2021-2024.

New overviews are being presented to PMB at the December 2024 (deferred compensation) and March 2025 (education savings) meetings for discussion and adoption.

ABLE and Delaware EARNs will also be incorporated into meetings in 2025.



DEFERRED COMPENSATION PLANS



Program Summary:

The Delaware Retirement Savings Plans, also known as DEFER, exist to provide retirement security for State of Delaware employees. DEFER consists of the State's 457(b) plan which is available to employees, the 403(b)-plan available to State education employees employed by public school districts, the DOE, and DTCC as well as DSU, and the 401(a)-match plan which is currently suspended. Employees voluntarily elect to have contributions deducted from their paycheck and deposited into a DEFER account.

The current recordkeeper for the plans is Voya Financial. The State of Delaware and Voya entered into a new five-year agreement on October 1, 2022. The agreement also consists of three additional one-year extensions

	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	9/30/2024
Deferred Compensation								
Assets (MM)								
457(b) (millions)	\$ 638.80	\$ 613.50	\$ 736.20	\$ 840.70	\$ 948.58	\$ 792.44	\$ 910.70	\$1,020.00
401(a) Frozen Match Plan (millions)	\$ 22.20	\$ 20.20	\$ 22.90	\$ 25.00	\$ 26.58	\$ 21.30	\$ 22.19	\$ 24.00
403(b) Voya (millions)	\$ 80.60	\$ 99.60	\$ 146.30	\$ 195.50	\$ 249.09	\$ 228.90	\$ 294.34	\$ 355.90
403(b) Legacy (millions)	\$ 311.60	\$ 361.30	\$ 290.60	\$ 296.70	\$ 308.20	\$ 239.54	\$ 247.93	\$ 254.70
Total Plans (millions)	\$1,053.20	\$1,094.60	\$1,196.00	\$1,357.90	\$1,532.45	\$1,282.18	\$1,475.16	\$1,654.60

Notes:

- The 457(b) and 403(b) Voya receive ongoing participant contributions.
- The 401(a) Match Plan was frozen to any new state match contributions since FY09.



DEFER presently includes a multi-tiered investment architecture providing participants with three overarching types or “tiers” of investment options for participants.

Tier One – “Make It Easier for Me”

This option selects an investment for a participant based upon a date of birth and years left to retirement. The fund periodically rebalances the allocation to stocks and bonds and adjusts its risk as the participant approaches retirement. Target Date funds target a certain date range for retirement, or the date the participant plans to start withdrawing money. Participants can select the fund that corresponds to their target date. They are designed to rebalance to a more conservative approach as the date nears.

Tier Two – Give Me Some Choices

This option allows participants to choose from a set of actively and passively managed investment options from the major asset classes.

Tier Three – Let Me Have it All

This option allows participants to access thousands of investment options through a self-directed brokerage account at Schwab Investments if a participant is willing to take on the additional risks and costs of managing your account.



Paths to Retirement

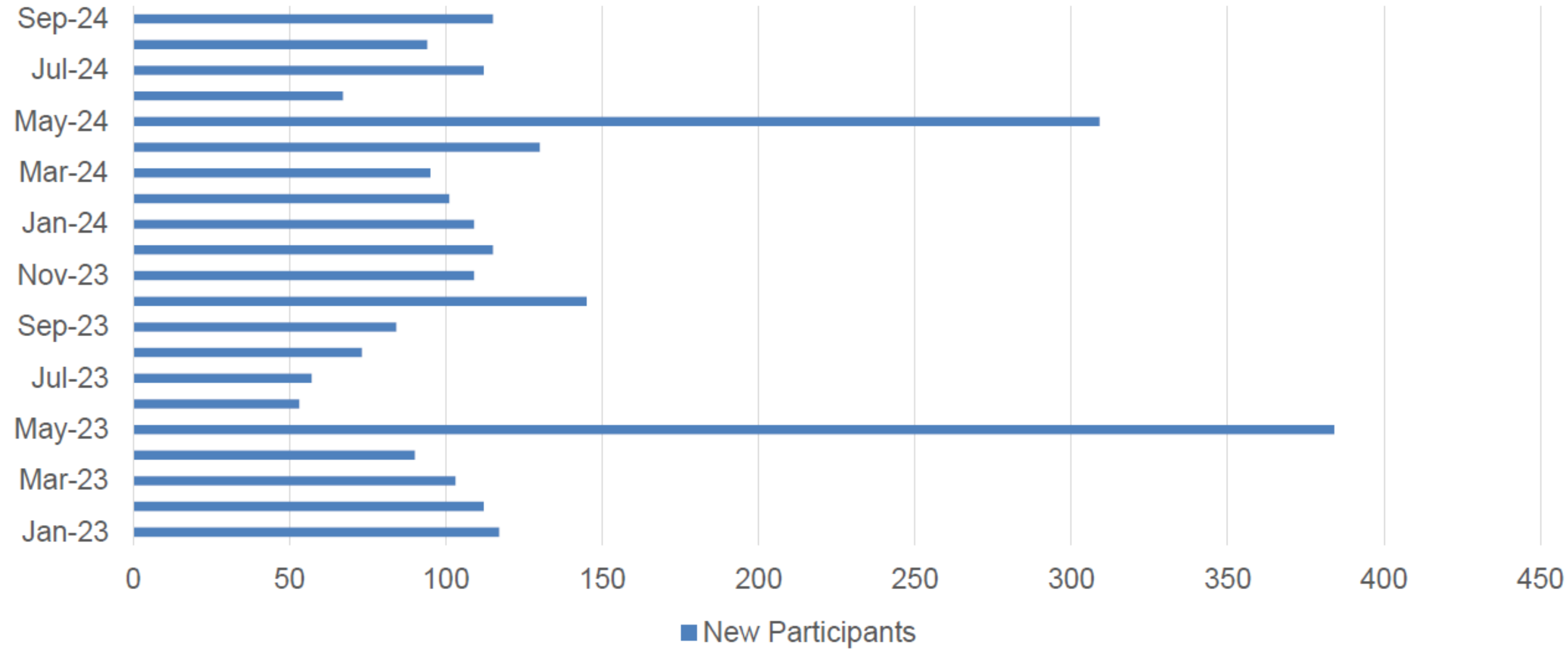
- **85% of unique plan participants invest in the target date series**
 - **70% of plan assets are invested in the target date series**
 - **69% of new contributions went into target date funds in the third quarter 2024**
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- **27% of plan assets are invested in the core fund options or Tier Two**
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- **3% of plan assets are invested in Tier Three**

As of September 30, 2021



DEFERRED COMPENSATION PLAN ENROLLMENT

New Participants



Notes:

- Average approximately 1,400 new enrollments each year
- Enrollment boost during May with the State’s Open Enrollment period for health benefits
- October is “National Retirement Security Month” which includes OST and Voya (direct mail) marketing

Deferred Compensation New Enrollments

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
2017	73	70	74	58	102	79	67	65	118	146	90	80	1,022
2018	143	100	83	80	120	73	85	119	116	125	93	77	1,214
2019	105	109	130	112	156	74	85	137	139	149	129	102	1,427
2020	127	122	77	65	173	87	58	90	76	145	172	145	1,337
2021	128	103	137	84	245	100	107	104	111	132	128	136	1,515
2022	147	121	110	85	265	87	52	92	112	114	135	115	1,435
2023	117	112	103	89	384	53	57	73	84	145	113	115	1,445
2024	109	101	95	124	309	63	108	94	115	158			1,276



S.W.O.T. ANALYSIS - DEFERRED COMPENSATION PLANS

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Enrollment growth (Open Enrollment Boosts) • Simplified Investment architecture • Three tiers of investment choice (target date funds, core, brokerage) • Target date funds as default option in plan • Fee Transparency • Institutional Pricing • Online retirement income analysis tools • Four field representatives to meet with employees • Special catch-up provisions allow for annual leave payout deferrals • Ability to purchase service credits (defined benefit) • DHR, Pensions, Statewide Benefits Office and School Business Manager Collaboration • Recent Market growth • Plans Management Board Oversight 	<ul style="list-style-type: none"> • Mature work force that leads to potential retirement wave (for every 2 enrollments there is one retiree that separates service who was contributing to the program) • Active participation rate impacted with retirements and casual seasonal employees • Brand confusion (DEFER versus Delaware Retirement Savings Plan vs Deferred Compensation) • Operational challenges with IRS limit aggregation at recordkeeper and payroll providers • Limited tier two investment fund options (i.e., 14 funds compared to plans of similar size 22-24 funds) • Low beneficiary designation of existing accounts (new enrollments have 80-90% designation rate) • Casual/Seasonal employees not eligible to participate (Will be eligible in 2025) • Lack of matching incentive/frozen Match 401(a) Plan • No percentage deferral, only flat dollar contributions • Lack of standardized enrollment process
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Tier Two investment choice depth • New hire enrollment and lower tenured employee (under 10 years of service) engagement • Auto-Enrollment and percentage deferrals • Saver's Credit and Saver's Match • Environmental, Social, Governance (ESG) options • Retiree education and account retention • Retirement income investment solution • Legacy account consolidations (Currently, \$350 million with legacy vendors) • Municipality participation in program • Standardized new hire program – Launch Pad 	<ul style="list-style-type: none"> • Outside legacy advisor/broker solicitation of retirees • Pension and Social Security complacency (“the pension will take care of me”) • Lack of personal retirement planning and fear/procrastination • Competing retirement products (e.g, ROTH IRAs) • Discretionary income for savings and competing consumer needs • Inflation • Market volatility





PROGRAM VISION:

To empower Delaware's public workforce with financial confidence and secure retirement futures through flexible, accessible, and expertly managed savings plans. DEFER is committed to fostering a culture of long-term financial well-being, enabling employees to achieve their retirement goals with confidence and ease.

PROGRAM MISSION:

To inspire and support Delaware's public workforce in building a secure financial future by driving participation, fostering contribution growth, and promoting retirement readiness. Through operational excellence, sound investment offerings, and efficient plan management, we aim to empower employees to take an active role in preparing for a financially stable and fulfilling retirement.

Draft- CORE VALUES:

- 1. Fiduciary Responsibility:** Acting in the best interests of participants by managing resources prudently and ensuring the program's integrity and sustainability.
- 2. Empowerment:** Providing employees with the tools, education, and resources to take control of their financial futures.
- 3. Accessibility:** Ensuring the program is easy to understand, enroll in, and manage for all eligible employees.
- 4. Integrity:** Upholding the highest ethical standards in managing contributions and providing transparent communication.
- 5. Operational Excellence:** Maintaining efficiency and effectiveness in program administration to deliver maximum value to participants.
- 6. Financial Preparedness:** Promoting long-term planning, sound investment offerings to help employees achieve a secure and fulfilling retirement.
- 7. Collaboration:** Partnering with participants, employers, and service providers to create a seamless and supportive experience.
- 8. Innovation:** Continuously improving the program to meet evolving needs and ensure long-term sustainability.



OBJECTIVES OF DEFERRED COMPENSATION PLANS

To achieve our mission, we will focus on three strategic objectives:

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INCREASE PARTICIPATION

GROW ASSETS

ENHANCE PLAN OPERATIONS

1. Build Upon the Enrollment Growth Momentum
 - Open Enrollment Campaigns
 - OST Email Blasts
 - Voya Marketing Campaigns
 - Delaware Launch Pad and Onboarding
2. Promote Casual/Seasonal Enrollment
3. Support Efforts to “Unfreeze” the 401(a) Match Plan
4. Explore Auto-Enrollment Opportunities for Deferred Compensation Plans

1. Facilitate Education Around Account Consolidations (i.e. 403b Legacy Vendors)
2. Survey Municipalities to determine interest/ability to join DEFER
3. Review and Broaden Tier Two Core Investment Options
4. Promote Annual Leave and Sick Time Payout Deferrals
5. Market Over 50 and 60-63 Catch Up Options
6. Investigate the Benefits of Offering Flat vs Percentage Based Deferrals

1. Oversight with Board and Committees
2. SECURE Act 2.0 and Plan Document Reviews
3. Increase Beneficiary Designation Rate
4. Promote Education Regarding Involuntary Force Out Process
5. Seek to Minimize Uncashed Checks and Missing Participant Cases
6. Increase Participant Web Registration and eDelivery Rates
7. Streamline Retiree Experience with Pensions and DUR
8. Improve Existing Internal Controls and Operations



APPENDIX





Program Summary:

The Delaware Retirement Savings Plans, also known as DEFER, exist to provide retirement security for State of Delaware employees. DEFER consists of the State’s 457(b) plan which is available to full time benefit eligible employees, the 403(b)-plan available to State education employees employed by public school districts, the DOE, and DTCC as well as DSU, and the 401(a)-match plan which is currently suspended. Employees voluntarily elect to have contributions deducted from their paycheck and deposited into a DEFER account. The current vendor for the plans is Voya Financial.

Objective One: Increase Participation

- Goal One:* Build Upon Enrollment Growth Momentum
- Goal Two:* Analyze the Opportunity to Allow Casual/Seasonal Employees to Contribute
- Goal Three:* Explore Auto-Enrollment Opportunities for Deferred Compensation Plans
- Goal Four:* Support Efforts to “Unfreeze” the 401(a) Match Plan

Objective Two: Review Investments and Grow Assets

- Goal One –* Review and Broaden Tier Two Core Investment Options
- Goal Two –* Explore Environmental, Social, and Governance (ESG) Investment Offering
- Goal Three –* Promote Account Consolidations
- Goal Four –* Investigate the Benefits of Offering Flat vs Percentage Based Deferrals

Objective Three: Enhance Plan Operations

- Goal One –* Improve Existing Internal Controls and Operating Efficiencies
- Goal Two –* Increase Beneficiary Designation Rate
- Goal Three –* Continue to Strengthen Oversight with Board and Committees
- Goal Four –* Enhance Retiree Experience

Focus Timeline

2021

- ✓ *Build on enrollment growth*
- ✓ *Promote account consolidations*
- ✓ *Increase beneficiary designation rate*
- ✓ *RFP for Plan*

2022

- ✓ *Improve existing controls*
- ✓ *Enhance retiree experience (SVD)*
- ✓ *Review and broaden Tier Two Investments*
- *Explore ESG investment offerings*
- *Flat vs fixed contribution research*
- ✓ *Oversight Fiduciary Training*

2023

- *Casual Seasonal Opportunity*
- *Auto-enrollment –Phase 1*
- *Improve existing controls*
- *Review Tier Two investments/ESG offering*

2024

- *Auto-enrollment*
- *Oversight Fiduciary Training*

