

Dream Weavers

West Virginia's Retirement Plus program has high aspirations

JOHN FISHER has big dreams when it comes to the West Virginia Retirement Plus 457 program.

Fisher, Deputy State Treasurer and Program Director for State Treasurer John Perdue, already has seen the participation rate jump from 15% in 2006 to its current 25% figure. Fisher is shooting for 50% in five years.

While the Treasurer's office official may harbor grand plans to boost participation, Treasurer John Perdue and his colleagues had a far more basic hurdle to overcome. Originally, the 457 program was nestled with its retirement savings program brethren under the purview of the West Virginia Consolidated Public Retirement Board (CPRB).

The CPRB currently manages eight retirement programs including the Public Employees Retirement System, the Teachers' Retirement System, and the Teachers' Defined Contribution. (The Teachers' Retirement System was awarded a Plan Sponsor of the Year honor for 2009. See *PLANSPONSOR*, March 2009.)

However, Perdue thought the 457 plan deserved its own

West Virginia Retirement Plus/457 Deferred Compensation Plan (as of 7/2009)

- > **Total participants:** about 9,300 state employees and local government workers
- > **Total assets:** \$74 million
- > **Average account balance:** about \$8,000



John Fisher and John Perdue

home where it could be nurtured and grown, so he set out to convince state lawmakers to back a proposal giving the 457 plan a new address. “[Perdue] knows how difficult it is to earn a living as a state employee. We don’t make a lot of money as state employees,” says Perdue spokesman Nelson Sorah.

Fisher said Perdue felt the plan would be in good company beside the handful of financial-related offerings already based in the Treasurer's office. Perdue's staff already had significant money management with their \$1 billion 529 plan, the \$3 billion it manages in short-term funds for the state Board of Treasury Investments, and the \$100 million in the state's unclaimed property program. “Basically,” Fisher asserts, “we have a lot of successful programs that involve managing, overseeing, or serving as the custodian of public or private assets.”

The Treasurer's office also was prepared to dedicate a full-time position to the 457 plan and throw the weight of its communications and marketing efforts behind the retirement offering. Perdue's effort to get the program relocated ultimately succeeded, and the interagency transfer was effective in July 2006.

“We wanted to improve it and do a lot of things that would

get people excited about participating,” recalls Fisher. “We feel it was a good fit.”

Since then, the plan has grown from about 5,000 participants to a current roster of 9,300. Assets are up from about \$68 million in July 2006 to \$74 million as of July 2009, even after absorbing the impact of the recent market turmoil. Among those participants: employees from local government agencies who joined after Perdue broadened the plan’s base from just state workers to include local-level government employees as well. That currently involves employees from 31 West Virginia counties, 19 municipalities, and 23 other local entities including health departments and airport authorities.

Part of the explanation for the boosted participation came from the Treasurer’s staff’s determination early on to tell their story far and wide wherever they could get a group of government workers to sit long enough to hear it. “We wanted to increase the exposure of the plan and promote it aggressively,” says Fisher. Adds Sorah: “We parked ourselves on every large rock in all the counties and talked about the program. It really is hard work.”

The PR/communications effort continues to this day through the use of printed posters, participant education meetings around the state for both state and local government workers, and an effort to rely on local HR officials to become plan ambassadors to talk up the 457 program whenever they can. State officials meet with local HR representatives twice a year to make sure the local representatives are up to date on plan details. “They are really our ‘front line’ team in explaining this important benefit to public employees,” Fisher says.

However, trying to get the uninitiated to sign up was only half the battle.

The first two design changes came about a year later. Fisher and company got legislative permission to implement auto-enrollment for new hires (new-hire participation rate is now about 60%) and a matching contribution, which both became effective July 1, 2007. Under the new law, a West Virginia government worker became eligible for the match after deferring a minimum of \$10 per pay period for a fiscal year to receive a \$100 match per year for four years from funds generated by interest earned on nearly \$100 million from unclaimed property.

Also in 2007, Perdue’s office brought in Segal Advisors for a stem-to-stern plan review. Subsequently, the number of funds offered was slimmed down from 40 to about 25 as underperforming funds were removed, and the state moved to bring the investment lineup down to a more manageable level that would not overwhelm participants, but still offer the desired diversity

(the plan now offers two stable-value funds, five target-date funds, two balanced fund offerings, 13 domestic equity funds, and three global/international funds).

The plan’s investment management fee structure was trimmed by about 30%. “We felt some of the fees were just too high for a plan of our size,” Fisher recalls. The state also worked with ING, the state’s plan provider, to add three resident representatives to the one already in place in West Virginia to support the program.

In May, West Virginia also dropped four underperforming funds (an intermediate bond fund, a large-cap growth, a mid-cap growth, and a world stock fund) as well as a five-piece target-date fund package. The four funds were mapped to offerings from Vanguard, Fidelity, T. Rowe, and American Funds, while the plan moved its target-date assets to Fidelity’s Freedom target-date package.

Finally, Fisher says, the plan got ING to reduce the expense ratio for its stable-value offering by 20%, effective July 1, 2009. Fisher notes that the stable-value fund enjoys the highest utilization and has been designated as the plan’s auto-enrollment default option.

So, what of the future? Fisher still has big dreams for the 457 effort. Treasurer’s office officials now are talking about offering a retirement savings program for West Virginia small businesses—possibly in the form of an IRA—though that would require legislative approval. “We’re continuously improving this thing,” Fisher said of the 457 plan. “We want to stay on top of it.” —Fred Schneyer

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