# EDUCATION POLICY STATEMENT

# FOR THE

# 457(b) DEFERRED COMPENSATION PLAN

# SAN MATEO COUNTY

Policy

Education Policy Statement will be reviewed, modified as needed and approved annually.

History

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# INTRODUCTION

## Background

The County of San Mateo ("Plan Sponsor") offers to all eligible employees a Deferred Compensation Program ("Program") through a 457(b) Plan ("Plan"). The Plan Sponsor seeks to comply with the Internal Revenue Code section 457(b) and other applicable laws and regulations.

The Plan Sponsor recognizes the vital role of education for both plan fiduciaries (Boards, Councils, Committees, plan administrators and support staff) and plan participants. The details of educational programs are divided into two parts: Part 1 covers the duties and responsibilities for **fiduciary education**. Part 2 covers the duties and responsibilities for **participant education**.

The Education Policy Statement ("Policy") is based on established ERISA and state regulatory requirements and industry best practices regarding both Plan Sponsor and Provider responsibilities for education. The Policy is intended to aid Plan Sponsors in meeting fiduciary and other responsibilities pertaining to the Plan.

## Purpose

The purpose of this Education Policy Statement is to document the procedures demonstrating "care, skill, prudence and diligence" that will be used by the Plan Sponsor in the selection and monitoring of educational programs for the Plan fiduciaries in Part 1 and participants in Part 2.

The Policy intends to establish procedures for the identification, communication, and evaluation of educational programs to allow participants to make informed decisions regarding their retirement planning, investments, and distributions. Further, the Policy intends to establish educational programs to allow fiduciaries to fulfill their fiduciary due diligence responsibilities in managing the Plan.

# PART 1: EDUCATION POLICY – DECISION-MAKERS

## 1.1 Intent

**For plan fiduciaries and staff**, it is the assertion of this Policy that the Plan Sponsor and Provider must:

- Acknowledge that it is critically important that fiduciaries make informed judgments on all matters which come before them.
- Understand the primacy of all actions for the benefit of plan participants and their beneficiaries.
- Adopt the types of objectives and procedures for plan participants as stated in Part 2 of this Policy.
- Offer regular, recurring educational programs to fiduciaries and staff that cover plan compliance, legislative and regulatory activities, fund selection and monitoring, and "best practices" in operational standards.
- Encourage fiduciaries to participate to the fullest extent possible in educational activities provided by recognized associations and institutes for defined contribution plans.
- Establish and make a commitment to ongoing funding for internal and external educational programs as appropriate for the Plan.
- Develop an annual plan of scheduled educational programs for fiduciaries and staff.
- Expressly focus attention on new fiduciaries and staff to assure they know and understand their fiduciary roles.
- Establish mutually agreeable performance standards for the delivery of education to fiduciaries and staff.

## 1.2 Objectives of Fiduciary Education

The goal of fiduciary education is to assure that all trustees and support staff understand their fiduciary and due diligence responsibilities in the actions they take on behalf of plan participants and their beneficiaries. The objectives of fiduciary education are to:

- Assure that new fiduciaries and staff receive comprehensive education covering all their responsibilities.
- Especially for Investment Performance review, assure that fiduciaries and staff understand basic fund evaluation methodology, fund objectives and characteristics and appropriate benchmarks.
- Increase fiduciary awareness of national best practices in plan monitoring, especially in educational programs available to plan participants.

- Understand and help shape plan review content and frequency.
- Incorporate essential performance standards and financial guarantees into all requests for proposals and renegotiation of services by Providers.
- Supply sufficient communication of information and education.
- Wherever possible, screen and participate in the types of education programs offered to participants (e.g., education, guidance and advice services, basic Provider education programs).

## 1.3 Types of Educational Programs.

Below are a series of categories and types of information provided in education to fiduciaries. These categories and informational types are meant to be illustrative, not exhaustive.

- For new fiduciaries, a comprehensive review of basic plan features, documents (e.g., Plan Document, Investment Policy Statement, Education Policy Statement, By-Laws, Reserve Policy) forms, past fiduciary actions (prior year of minutes).
- Detailed review and understanding of charts / graphs used in Provider or third-party fund performance reviews.
- Detailed review and understanding of performance standards and guarantees used in Provider performance reviews.
- Familiarity with plan participant education, guidance, and advice services,
- Understanding special plan responsibilities, even if the task is outsourced, covering unforeseen emergencies, catch up provisions (both 50+ and traditional), loan options, domestic relation orders and Roth options.
- Awareness of rollover options and strategies for encouraging plan participants to remain in the plan after retirement.
- Coordination of defined benefit and defined contribution assets to influence both asset allocation strategies as well as retirement objectives.
- Use of outside educational programs such as the National Association of Defined Contribution Administrators (NAGDCA), International Foundation of Employee Benefit Plans (IFEBP), International Foundation of Retirement Education (InFRE).

## 1.4 Process for Reviewing Education Objectives

At least annually, the Plan Sponsor will review the Education Policy Statement and identify upcoming education based on Plan Sponsor priorities. The Plan Sponsors will determine the frequency of fiduciary education with the intent of having short education modules frequently and broader, more comprehensive education at least periodically.

# PART 2: EDUCATION POLICY – PLAN PARTICIPANTS

## 2.1 Intent

**For plan participants**, it is the assertion of this Policy that the Plan Sponsor and Provider must:

- Acknowledge that the purpose of education is to enable participants to make self-interested, informed decisions regarding their retirement planning and security.
- Offer regular, recurring educational programs and services to plan participants that incorporate basic plan information as well as investment guidance and advice.
- Make Certified Financial Planning services available to participants, especially those near or in retirement.
- Tailor educational content to participants in different agencies / departments or at various stages in their life / career (from early employment through retirement).
- Utilize diverse mediums and formats (face-to-face, print, electronic and internet) to maximize participant education.
- Develop an annual plan of scheduled educational programs to meet the diverse needs of plan participants.
- Communicate to plan participants, at least annually, the content and schedule of upcoming educational programs.
- Evaluate educational programs primarily based on participant satisfaction but also considering other behavioral impacts including: plan participation, contribution, diversification, rebalancing, and distribution management.
- Establish mutually agreeable performance standards for the delivery of participant education.

## 2.2 Plan Objectives

The goal of the Program is to provide all employees with a comprehensive, prudently managed voluntary retirement savings program. The Plan objectives are the following:

- The Plan is established for the exclusive benefit of the participants and their beneficiaries.
- The Plan is a vehicle through which eligible employees and participants may accumulate assets to provide for a portion of their retirement needs.
- The Plan seeks to provide a broad range of educational programs recognizing participants' diverse demographics and their differing retirement objectives.
- The Plan will assure that investment guidance and advice programs are readily available with no or reasonable cost to plan participants. Ideally, the range of programs will allow participants to manage their own investments without assistance, to manage their own investments with assistance or to have their investments managed entirely by a designated Provider of services to the plan.

- The Plan will regularly, at least annually, review its educational policies, educational curriculum, performance standards and procedures to assure that strong and effective strategies for plan participants are represented.

## 2.3 Duties and Responsibilities

The Plan Sponsor must identify individuals responsible for carrying out Plan duties. Typically, the Plan Sponsor will appoint a Deferred Compensation Committee ("Committee"), whose general duties and responsibilities for Plan participant education are as follows:

- Establish educational services offered by providers to plan participants.
- Require Provider adherence to this Education Policy.
- Develop education-specific Provider performance standards based on goals and financial guarantees that will be part of ongoing Provider evaluation.
- Review this Policy at least annually and recommend amendments to the Policy at any time to reflect changes in the procedures or to incorporate requirements based on new regulations and / or best practices.
- Approve annual educational topics, establish the schedule of on-site educational programs targeted to both current employees and retiree participants and assure that the programs are easily accessible by all plan participants.
- Identify multi-channel (i.e., electronic, one-to-one, printed, etc.) educational programs which are made available to participants.
- Provide input and approve ongoing communication / marketing of educational programs.
- Promote plan participant use of guidance and investment advice services.
- Encourage coordination of defined benefit and defined contribution information as well as other participant assets to achieve the most comprehensive development of asset allocation strategies.
- Establish and monitor, at least annually, the impact of educational programs on participant behavior including, but not limited to, the number of participants in the plan, total and average plan contributions, number of fund selections per participant, frequency of re-balancing by participants, and participant usage of different components of the educational program. Wherever possible, the identified information will be distinguished by gender, age, and department / occupation.
- Assure that the Education Policy Statement is easily accessible by plan participants as appropriate.
- Although the Employee Retirement Income Security Act of 1974 (ERISA) does not apply to the Plan, the Committee intends to operate the Plan generally in conformance with ERISA 404(c).

## 2.4 Objective of Educational Programs

Each year, sufficient educational programs will be offered to cover the breadth of participant needs. The Plan Sponsor has deliberately chosen to organize individuals into targeted groups based on their next best step towards retirement success. The purpose of the education program is to help and encourage employees to save, save more and save smarter in preparation for spend-down in retirement. The five key goals are: sign-up, save, allocate, consolidate and retirement success. To ensure that the messaging resonates with the intended audience, targeted communications will be developed as needed to address specific groups. Distribution will include digital distribution and physical mailing when necessary.

All education programs have been designed to elevate participant understanding about retirement and financial goals; as well as the financial impact of inertia when planning for retirement.

## 2.5 Types of Educational Information

Below are a series of categories and types of information provided in an educational program. These categories and informational types are meant to be illustrative, not exhaustive. The goal is to provide each participant and non-participant with at least one of the following campaigns on an annual basis that is based upon that individual's next best step towards reaching their retirement goal.

**GOAL: Sign-Up**
**We will encourage those not yet participating to enroll in Deferred Comp.**

Deliverables:

- Communications –
  - Target eligible employees not yet enrolled in the plan
- On-Site Education – invite those who are eligible, not yet participating to attend:
  - Group enrollment seminars
  - 1 on 1 consultations
- Virtual Education
  - Group enrollment seminars
  - Accessing participant website retirement planning tools and resources
  - 1 on 1 consultations

**GOAL: Save**
**We will encourage those not saving enough to increase their contributions.**

Deliverables:

- Communications –
  - Target anyone saving less than a set threshold based on plan needs to increase their contributions

- On-Site Education – invite individuals in this demographic to attend:
    - Group seminars focusing on saving more
    - 1 on 1 consultations
- Virtual Education
    - Demonstrate participant website retirement planning tools and resources
    - 1 on 1 consultations

**GOAL: Allocate**

**We will encourage plan participants to diversify appropriately.**

Deliverables:

- Communications
    - Target participants saving in only one, non-asset allocation fund or multiple Target Date options.
    - Target all participants regarding market volatility and staying the course during volatile times.
- On-Site Education
    - Group seminars focusing on asset allocation and diversification
    - Virtual Education/Website demonstration highlighting how to review asset allocation and making appropriate changes.
    - Website demonstration highlighting retirement planning tools and resources
    - 1 on 1 consultations
- Virtual Education
    - 1 on 1 consultations

**GOAL: Consolidate**

**Encourage participants to consolidate retirement accounts, when appropriate.**

Deliverables:

- Communications -
    - Target anyone with less than 5 years of service who has not processed a roll-in from another plan
- On-Site Education
    - Group seminars highlighting the potential benefits to consolidation
    - 1 on 1 consultations
- Virtual Education
    - Incorporate consolidation message into web-based seminars
    - Participant website retirement planning tools and resources

**GOAL: Retirement Success**
**We will provide information to retirees to help them maximize their chances for retirement success.**

Deliverables:

- Communications – Targeted to the retiree population
  - Provide helpful tips on topics such as diversification in retirement and making your retirement income last
  - Underline the benefits of keeping retirement assets in the plan

- On-Site Education – specifically invite this demographic to attend:
  - 1 on 1 consultations
- Virtual Education
  - Participant website retirement planning tools and resources
  - 1 on 1 consultations

## 2.6 Disclosure of Fees and Charges for Educational Services

Educational services requiring payment of participant fees and charges must be fully disclosed to the Plan Sponsor and fiduciaries before services are made available to plan participants.

In addition, participant fees and charges for educational services must be disclosed to all participants at enrollment and at any other time as appropriate.

## 2.7 Communication to Participants

Information about education programs and services will be made available to Plan participants. The Plan Sponsor will communicate at least annually announcing the schedule of educational on-site programs, the schedule of Provider representative availability for individual participant appointments, website educational material and special support programs (covering guidance and advice services, managed account options and any other financial planning services). Communication will be delivered in such format(s) to reach the widest participant audience, as determined by the Plan Sponsor.