Maryland Small Business Retirement Savings Program

Board Meeting

November 20, 2018
Maryland Small Business Retirement Savings Program

Report from the Chair
Hon. Joshua Gotbaum
Executive Director Report

- Budget
- Vendor Meetings
- Directors and Officers Insurance
- Program Timeline
## FY 2019 Spending in Line with Budget

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>YTD October 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Set up Costs</td>
<td>$100,500</td>
<td>$1,300</td>
</tr>
<tr>
<td>Total Operations</td>
<td>$51,056</td>
<td>$1,008</td>
</tr>
<tr>
<td>Total Payroll</td>
<td>$407,079</td>
<td>$110,990</td>
</tr>
<tr>
<td>Total Facilities</td>
<td>$19,960</td>
<td>$9,956</td>
</tr>
<tr>
<td>Total Office Supplies</td>
<td>$19,450</td>
<td>$7,421</td>
</tr>
<tr>
<td>and Equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Professional</td>
<td>$92,900</td>
<td>$4,910</td>
</tr>
<tr>
<td>Unallocated</td>
<td>$100,000</td>
<td>$1,644</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$790,945</strong></td>
<td><strong>$137,229</strong></td>
</tr>
<tr>
<td><strong>YTD Variance</strong></td>
<td></td>
<td><strong>$26K Positive</strong></td>
</tr>
</tbody>
</table>
1) Distribution Strategies
   a) Prudential - IncomeFlex Target

2) Investment Opportunities
   a) State Street Global Advisors - Target Date Methodology

3) Payroll Interface
   a) Paylocity
   b) Balance Point
   c) Paycom
   d) Heartland
   e) Munis
   f) Accenture
<table>
<thead>
<tr>
<th>Plan</th>
<th>Directors &amp; Officers</th>
<th>Fiduciary Liability</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$10,352</td>
</tr>
<tr>
<td>2</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$15,816</td>
</tr>
<tr>
<td>3</td>
<td>$3,000,000</td>
<td>$3,000,000</td>
<td>$19,866</td>
</tr>
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</table>

The highest limit available is $3,000,000
MSBRSP Major Milestone Timeline

November
- Release Outside Legal Counsel RFP
- Finalize Program Default Research
- Investigate Payroll Interface Opportunities

December
- Release Consultant RFP for Program Administrator Search
- Continue Market Research Partnership Activities
MSBRSP Major Milestone Timeline

January 2019
• Select Consultant for Program Administrator Search
• Start Investment Provider Search

February 2019
• Release Program Administrator RFP
MSBRSP Major Milestone Timeline

March 2019
• Select Program Administrator

August 2019 - September 2019
• Launch Pilot

January 2020
• Targeted Program Launch
Audit and Finance Committee Report

David Belnick for Kathleen Davis, Chair

• Approve October 31, 2018 Financials
• Present restated August 31, 2018 Financials
• Present restated Financial Accountability Guidelines
Program Design Committee Report

Sarah Mysiewicz Gill, Chair
Component #3: Use of Roth

- Workers can retain access to their money with a Roth IRA, as you can withdraw your contributions (but not earnings) at any time without penalty.
- California, Illinois and Oregon default to Roth IRAs, Connecticut defaults to a traditional IRA.
- Roth option a better fit for our target audience given their low marginal federal tax brackets and lack of meaningful benefits of tax deferral.
Component #1: Default Contribution Rate

- Illinois, California and Oregon use a 5% default contribution rate, Connecticut uses 3%.

- Feasibility studies show that opt-out rates for default contribution rates of 3% versus 5% were not statistically significant.

- A 5% default contribution rate will help the program to break even sooner.
Component #2: Automatic Escalation

- Illinois and Connecticut did not directly address automatic escalation in their research.
- California and Oregon propose a 1% annual escalation (California up to 8% and Oregon up to 10%).
- Auto-escalation was predicted to decrease participation by only 5%.
- Projected plan assets would be significantly reduced over time without auto-escalation.
Research Project Updates

Glenn Simmons

- Partnership with AARP
- Partnership with Pew Charitable Trusts
- Staff Research Projects
Partnership with AARP

Position Paper: Key Decision Points for Maryland$aves Implementation
Partnership with The Pew Charitable Trusts

Analysis of existing national and other state data

- Number of uncovered workers in Maryland
- Worker opt-outs in Oregon, Illinois and CA
- Employer- and worker-focused messaging
  - Content and communication channels best practices
Partnership with The Pew Charitable Trusts

Payroll Firm Research

• Knowledge and interest level of MD payroll companies

• How are employers using payroll systems to transmit contributions?

• Outstanding payroll issues with Oregon & Illinois
Partnership with The Pew Charitable Trusts

Information from other state programs

• Who employers and workers trust as info providers and verifiers
• Info platforms used by other states
• How is Oregon data matching feasibility study?
Partnership with The Pew Charitable Trusts

Maryland State Employers Survey

• Survey development

• Strategy to identify all workers eligible to participate in the program and communication recommendations

• Identify strategies to prevent opt-out and encourage contributing until retirement.
Partnership with The Pew Charitable Trusts

Maryland State Employers Survey

• Email list 120,000 Maryland Businesses provided by SDAT

• SDAT will send at least 3 messages on our behalf
  1. Pre-survey notification and information email
  2. Link to actual survey with FAQ’s and information about the program
  3. Follow-up invitation to participate if they have not completed the survey
Are all MD Top 10 for- and non-profit employees eligible to participate in a retirement program?

Maryland’s 1099 workforce
• Are they attached to one employer or multiple?
• Does legislation need to be changed in order for them to participate?
• Do MD Chambers of Commerce offer any plans that they can participate in?

Employer and employee focus groups
Proposed Executive Action on Multiple Employer Plans

Paul Green
<table>
<thead>
<tr>
<th>State</th>
<th>California</th>
<th>Illinois</th>
<th>Oregon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products Offered</td>
<td>Roth IRA (default)</td>
<td>Roth IRA</td>
<td>Roth IRA</td>
</tr>
<tr>
<td></td>
<td>Traditional IRA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Participation</td>
<td>Voluntary, Opt-out</td>
<td>Voluntary, Opt-out</td>
<td>Voluntary, Opt-out</td>
</tr>
<tr>
<td>Employee Default Contribution Rate</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Employee Default Escalation Rate</td>
<td>1% (up to 8% maximum)</td>
<td>No Default Auto-Escalation</td>
<td>1% (up to 10% maximum)</td>
</tr>
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**Appendix A:**
State Sponsored Retirement Savings Program
Program Design Choices Made to Date
**Appendix A:**

State Sponsored Retirement Savings Program Vendor Choices Made to Date

<table>
<thead>
<tr>
<th>State</th>
<th>Program Name</th>
<th>Illinois</th>
<th>Oregon</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>CalSavers Retirement Savings Program</td>
<td>Illinois Secure Choice Retirement Savings Program</td>
<td>OregonSaves</td>
</tr>
<tr>
<td>Program Model</td>
<td>Auto-IRA with Employer Mandate</td>
<td>Auto-IRA with Employer Mandate</td>
<td>Auto-IRA with Employer Mandate</td>
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<tr>
<td>Governing Entity</td>
<td>California Secure Choice Retirement Savings Investment Board</td>
<td>Illinois Secure Choice Savings Board</td>
<td>Oregon Retirement Savings Board</td>
</tr>
<tr>
<td>Program Administrator(s)</td>
<td>Ascensus</td>
<td>Ascensus</td>
<td>Ascensus</td>
</tr>
<tr>
<td>Investment Manager(s)</td>
<td>SSGA</td>
<td>BlackRock Charles Schwab SSGA</td>
<td>SSGA</td>
</tr>
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