



Maryland\$aves

***Maryland Small Business
Retirement Savings Program***

***Board Meeting
November 20, 2018***

Maryland Small Business Retirement Savings Program

Report from the Chair
Hon. Joshua Gotbaum

Maryland Small Business Retirement Savings Program

Executive Director Report

- Budget
- Vendor Meetings
- Directors and Officers Insurance
- Program Timeline

FY 2019 Spending in Line with Budget

	Budget	YTD October 2018
Total Set up Costs	\$100,500	\$1,300
Total Operations	\$51,056	\$1,008
Total Payroll	\$407,079	\$110,990
Total Facilities	\$19,960	\$9956
Total Office Supplies and Equipment	\$19,450	\$7,421
Total Professional	\$92,900	\$4,910
Unallocated	\$100,000	\$1,644
Total	\$790,945	\$137,229
YTD Variance		\$26K Positive

Vendor Meetings

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

\$1,000,000 Directors & Officers + \$1,000,000 Fiduciary Liability = \$10,352

\$2,000,000 Directors & Officers + \$2,000,000 Fiduciary Liability = \$15,816

\$3,000,000 Directors & Officers + \$3,000,000 Fiduciary Liability = \$19,866

The highest limit available is \$3,000,000

Directors and Officers Insurance

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

Maryland Small Business Retirement Savings Program

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

Maryland Small Business Retirement Savings Program

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.

Maryland Small Business Retirement Savings Program

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

Staff Research Projects

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

Maryland Small Business Retirement Savings Program

**Proposed Executive Action
on Multiple Employer Plans**

Paul Green

State	California	Illinois	Oregon
Products Offered	Roth IRA (default) Traditional IRA	Roth IRA	Roth IRA
Employee Participation	Voluntary, Opt-out	Voluntary, Opt-out	Voluntary, Opt-out
Employee Default Contribution Rate	5%	5%	5%
Employee Default Escalation Rate	1% (up to 8% maximum)	No Default Auto-Escalation	1% (up to 10% maximum)

Appendix A: State Sponsored Retirement Savings Program Program Design Choices Made to Date

State	California	Illinois	Oregon
Program Name	CalSavers Retirement Savings Program	Illinois Secure Choice Retirement Savings Program	OregonSaves
Program Model	Auto-IRA with Employer Mandate	Auto-IRA with Employer Mandate	Auto-IRA with Employer Mandate
Governing Entity	California Secure Choice Retirement Savings Investment Board	Illinois Secure Choice Savings Board	Oregon Retirement Savings Board
Program Administrator(s)	Ascensus	Ascensus	Ascensus
Investment Manager(s)	SSGA	BlackRock Charles Schwab SSGA	SSGA

Appendix A: State Sponsored Retirement Savings Program Vendor Choices Made to Date