



# MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM

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JUNE 12, 2019  
BOARD MEETING



## APPROVAL OF MINUTES FROM PRIOR BOARD MEETINGS

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November 20, 2018

March 15, 2019



CHAIR'S REPORT  
HON. JOSHUA GOTBAUM

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# CHALLENGES FOR STATE IRA PROGRAMS

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- Feasible at reasonable cost?
- Will **small businesses**:
  - Accept without being forced?
  - Adopt **401k plans** instead?
- How many employees will **opt out**?
- How much** will employees save?
- Will savings convert into **secure lifetime retirement income**?

# WHAT'S NEEDED TO MEET CHALLENGES TO STATE IRA PROGRAMS

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## What's Needed

Feasible at reasonable cost?



Will small businesses

- Accept without being forced?
- Adopt contributory plans instead?

- No/low cost automatic connection to payroll systems
- No employer contribution
- No legal liability for investments

Workers

- How many will opt out?
- How much will they save?

- Strong effective marketing/communication
- Automatic costless access to emergency funds

Will savings convert into secure lifetime retirement income?

- Not unless done as a default





## WHAT WILL NEW FEDERAL RETIREMENT LEGISLATION DO?

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- Credits for small businesses to start employer plans, Not IRA's
  - Encourage Multiple Employer Plans
  - Defer forced retirement spending to age 72
  - Lifetime income disclosure required
  - Easier annuity selection requirements
- ...and many other things.

## WILL OPEN ERISA ACCOUNTS SOLVE THE PROBLEM?

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- ❑ Open MEP shares costs across multiple employers ⇒ Lower cost 401ks
- ❑ Simplified reporting
- ❑ Tax credits to employers

*But they still have...*

- ⊗ Federal regulation
- ⊗ Federal reporting
- ⊗ Potential legal liability under ERISA



# 2019 BOARD MEETINGS

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- September 9, 1pm-3pm
- December 11, 9:30am-11:30am





# EXECUTIVE DIRECTOR'S REPORT

## JOHN WASILISIN

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- Getting Started
- Budget Update
- Program Timeline



# GETTING STARTED

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- Initial Meetings
- Budget Review
- State Benefits for Staff
- Initial Observations



# BUDGET UPDATE

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## MD Small Business Retirement Savings Program

### FY20 Budget

	FY19 Expenditures	FY20 Budget	Comments
<b><u>Program Development</u></b>			
Program Consultant		75,000	For program design in FY20
Program Marketing	21,836	220,000	messaging/PR strategy/outreach/market research
Program Administrator/Recordkeeper		50,000	For program start-up in FY20
<b>Total Program Development</b>	<b>21,836</b>	<b>345,000</b>	
<b>Travel/Expense Reimbursement</b>		<b>9,000</b>	All exps must be supported with receipts and reviewed by Supervisor
<b><u>Personnel</u></b>			
Wages	236,137	310,000	3 FTEs in FY20 vs 2.5 in FY19
Benefits (38%)	47,767	63,800	includes 8% SEP/IRA for staff
Performance Comp Adjustments		75,000	staff bonus/COLA
<b>Total Personnel</b>	<b>283,904</b>	<b>448,800</b>	
<b>Rent</b>			
Executive Plaza	14,978	13,356	
<b>Office Supplies/Equipment</b>	<b>16,992</b>	<b>6,000</b>	Start-up purchases made in FY19
<b><u>Professional Services</u></b>			
Legal	47,840	50,000	
Accounting	5,690	7,500	
Payroll Processing	1,200	1,200	
Audit	12,000	13,000	
Tech Support	2,732	3,000	
Internet/Phone	3,321	3,000	
D&O Insurance	20,116	20,000	
Office Insurance	1,166	1,300	
<b>Total Professional Services</b>	<b>94,065</b>	<b>99,000</b>	
<b>Totals</b>	<b>431,775</b>	<b>921,156</b>	

### **Budget Summary**

<b>Total Loans</b>	<b>2,159,086</b>
<b>Total Expenses</b>	<b>1,352,931</b>
<b>Cash on Hand 6/30/20</b>	<b>806,155</b>
<b>FY21 State Request</b>	<b>800,000</b>



# PROGRAM TIMELINE

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## July-September

- Solicit for/Select Program Consultant(s)
- Solicit for/Select Marketing Partner(s)

## October-December

- Solicit for/Select Program Administrator/Recordkeeper
- Finalize Program Design





## PROGRAM TIMELINE (CONT.)

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### January-March 2020

- Solicit for/Select Investment Manager
- Finalize Public Awareness Campaign

### April-June

- Launch Public Awareness Campaign
- Launch Pilot Program

### July-September

- Full Program Implementation



# MARKETING UPDATE GLENN SIMMONS

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Market Research Update



# MARKET RESEARCH

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## COMPLETED PROJECTS

- Identify Specific Employer Target Audiences
- Identify Communications Channels
- Create Results-Oriented Employer and Employee Messaging Copy Platform
- Maryland Employer Focus Group Research (qualitative research)
- Review of information and research from other state programs, advocacy groups, private industry, government agencies and other sources. (ongoing)



# MARKET RESEARCH

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## CURRENT PROJECTS

- Maryland Employee Focus Group Research
- Online Employer Survey (quantitative research)

## COMMUNICATIONS PLAN

## MARKETING PLAN



# COMMITTEE REPORTS

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- Audit & Finance
- Program Design
- Legal



# **AUDIT AND FINANCE COMMITTEE FISCAL RESPONSIBILITY RECOMMENDATIONS**

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**DRAFT FOR APPROVAL 6/12/19**

1. **Executive Director – Provided debit card with a limit of \$5,000**
  - a. **All debit card purchases over \$5,000 require approval of Audit and Finance Committee Chair.**
2. **MSBRSP Audit and Finance Committee Chair Approval – Contracts and spends between \$5,001 and \$25,000.**
3. **Executive Committee Approval – Contracts and spends between \$25,001 and \$99,999.**
4. **Board Approval – Contracts and spends of \$100,000 and above**
5. **Current Banking Procedures in Place with M&T Bank’s four accounts: Payroll (Checking), Non-Profit Checking (Checking), Market Advantage for Business (Savings) and Simple Checking for Business (linked to Debit Card)**
  - a. **Executive Director has Electronic Bill Pay Authority up to \$5,000 on Non-Profit Checking account. Over \$5,000 requires Audit and Finance Committee Chair approval.**
  - b. **Executive Director has Interbank Transfer Authority up to \$25,000 on both the Payroll and Non-Profit checking accounts.**
  - c. **Executive Director has view only access granted on Market Advantage for Business savings account.**
  - d. **All Checks Require Two Signatures.**
  - e. **Audit and Finance Committee Chair has access to the funds in all three accounts, Executive Director’s access is limited, and MSBRSB Chair has third party oversight with viewing access to accounts and financial reports.**
6. **Executive Committee approval needed to exceed line item budget.**
7. **Competitive solicitations must be obtained for procurements in excess of \$25,000.**



# COMMENDATIONS

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Hon. Josh Gotbaum, Chair



# NEW BUSINESS/PUBLIC COMMENT

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# EXECUTIVE SESSION

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# APPENDIX

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Marketing Update Detail

Financial Statements