



MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM

SEPTEMBER 9, 2019

BOARD MEETING



**APPROVAL OF MINUTES FROM
THE JUNE 12, 2019 BOARD MEETING**



CHAIR'S REPORT
HON. JOSHUA GOTBAUM



EXECUTIVE DIRECTOR'S REPORT
JOHN WASILISIN



PROGRAM TIMELINE (as of 8/30/19)

July-September

- Solicit for/Select Program Consultant
- Finalize Market Research
- Solicit for Investment Consultant

October-December

- Select Investment Consultant
- Solicit for Program Administrator and Investment Manager (Bd approves RFP @ 12/11/19 Bd Mtg.)
- Finalize Program Design
- Solicit for/Select Marketing Partner(s)

PROGRAM TIMELINE (CONT.)

January-March 2020


- Select Program Administrator and Investment Manager (Bd selects @ March 2020 Bd Mtg.)
- Finalize Public Awareness Campaign

April-June


- Launch Public Awareness Campaign
- Launch Pilot Program

July-September

- Full Program Implementation



MARKET RESEARCH UPDATE
JIM ROSAPEPE/GLENN SIMMONS



MARKET RESEARCH WORKING GROUP

MARYLAND\$AVES

Jim Rosapepe

Glenn Simmons

THE ZODIAC GROUP

Chris Cullen

Matt Schatzle

The working group has been meeting regularly for 8 months.

FINDINGS FROM SDAT EMPLOYER SURVEY

- Maryland employers report that cost and lacking resources to administer plans are the reasons listed most often for not sponsoring a savings plan. (confirms national research)
- A tax credit or lower business taxes for starting a plan is a stronger incentive than not having to pay the \$300 Maryland Business Annual Report fee. **Language is important!**
- NO COST and NO LIABILITY for plan administration are big drivers.
- 75% of employers manage payroll internally, 25% outsource payroll.

KEY TAKEAWAY!

Different entities could potentially sponsor this retirement plan. Please indicate your level of support for the plan if it were to be sponsored by the state of Maryland.

	Percent
MD State Government	37
Federal Government	28
Non-profit	26
Mutual Fund Company	25
Insurance Company	21%

**State is most trusted
entity of all options tested.**

EMPLOYEE FOCUS GROUP FINDINGS

Generally Positive Reception: When the program was explained, most of the participants were all positive about the program as described, and the option to opt out, if necessary.

- “If you have one of those programs that you can’t touch the money until you are a certain age, I can’t do it because there are too many things that come up.” –
- “It definitely makes one job more attractive than another if they have this in place, all other things being equal.”
- “Can I take the funds out for any reason or does it have to be an emergency, what constitutes an emergency? Is that something that will keep me from accessing the \$1000, what if I just need it for living? Who decides what an emergency is?”
- “The fact that you can have an “Emergency Fund” is attractive.”

MARKET SEGMENTATION



Meetings, interviews, research and data drive our market and customer prospect segmentation by message and audience...

LARGEST MARKET SEGMENTS

1. Intermediaries – (Non-industry Specific)

- SDAT, payroll companies, CPAs/accounting firms, HR Directors and HR decision-makers

2. Large employers with large numbers of part-time employees not eligible for employer's existing plans

3. Industry Specific Groups

- Largest underserved industries are:

Hospitality

Manufacturing

Financial Services

Health care

Retail

Foodservice

Professional Services

Construction

Transportation

Education

Real Estate

Administrative Services

4. Third Party Endorsers

- Professional groups, e.g. chambers of commerce, trade associations, etc.



MARYLAND\$AVES COMPETITIVE ADVANTAGES

- Access to SDAT list and other state resources
- The ability to uniquely leverage payroll company partnerships, many of whom are working with other state programs, a possible incentive program
- For accountants, a possible incentive program
- Trade associations are more likely to partner with a non-profit, state administered program versus a commercial concern

KEY TAKEAWAYS

- State sponsorship of program is viewed as a positive with employers **and** employees.
- Building partnerships with business organizations, payroll companies and CPAs will be a priority as we approach the program launch date.
- Employer enrollment is an important milestone, but not the end of the participation process. A robust follow-up plan should be in place to ensure that employee census data and contributions make it to the recordkeeper in a timely fashion.
- Maryland\$aves must provide clear and concise materials for employers to distribute to employees to encourage them to stay in the program.
- We can significantly stretch the marketing budget by communicating with target audiences through existing channels. (partner websites, newsletters, etc.)



COMMITTEE REPORTS

- Audit & Finance, Kathy Davis
- Program Design, Sarah Mysiewicz Gill
- Legal, David Morse, K&L Gates

PROGRAM DESIGN COMMITTEE UPDATE

☐ Placeholder Defaults

- Roth (but possibly offer both)
- Employee Default Contribution Rate– 5%
- Auto Escalate Rate– 1% annually up to a cap of 10%.
- No placeholder on annuitization question

☐ Timeline

- Committee mtgs held since last Board mtg: June 21, July 18
- Committee mtgs scheduled: Sept. 9, Sept. 27, Oct. 25
- RFP scheduled for release in Q4 for Investment Manager
- Next step: agree on investment principles to use as a rubric for developing RFP and choosing vendors

☐ Background Discussion on Annuities

- Heard from IL Secure Choice, thought leaders, and a few providers
- Discussed innovations in the field, decision process IL Secure Choice went through when deciding whether to offer annuities, and general pro's and cons' about the use of annuities
- Will hear from 4-5 investment firms this month (9/27) to get a general overview–no decisions being made at this time



NEW BUSINESS/PUBLIC COMMENT



EXECUTIVE SESSION - CLOSED
