

FROM

NAME & TITLE	Henry J. Raymond, Chairman Retirement Savings Plan Board of Trustees <i>HJR</i>
AGENCY NAME & ADDRESS	Retirement Savings Plan Board of Trustees 4 South Frederick Street
SUBJECT	City Council Bill 15-0219R Informational Hearing

CITY of  
BALTIMORE  
**MEMO**



TO

Changes to the City of Baltimore Deferred Compensation Plan

DATE:

The Honorable President  
And Members of the Baltimore City Council  
100 Holliday Street  
Baltimore, MD 21202

May 1, 2015

The Retirement Savings Plan of the City of Baltimore (RSP) Board of Trustees has reviewed City Council Bill 15-0291(R) *Informational Hearing – Changes to the City of Baltimore Deferred Compensation Plan*, which requests that the RSP Board of Trustees, Department of Finance, the Employees' Retirement System, and the Labor Commissioner report to the City Council on the enhancements to the City's Deferred Compensation Plan (DCP).

### **Background**

Prior to providing comments and analysis on Council Bill 15-0291(R), the RSP Board of Trustees will provide some clarification on certain terms that will be used throughout the comments and analysis section. Those terms are Managed Accounts, State Street Global Advisors (SSgA) Target Date Funds, and opt-out mapping.

- **Managed Accounts** – Managed Accounts are professionally managed portfolios where investment professionals select the asset allocation and investment options for a participant based on their unique circumstances and goals for retirement. The portfolios are automatically rebalanced each quarter and updated as appropriate annually.
- **SSgA Target Date Funds** – SSgA Target Date Funds are designed to simplify retirement investing. Each Target Date Fund is a diversified mix of underlying stock and bond investments. The investment mix becomes more conservative as the target date is approached.
- **Opt-out Mapping** – As part of the ongoing initiative to simplify and streamline the DCP fund lineup so that it aligns with the new RSP 401(a) lineup, most participants will automatically be moved to the new default investment, Managed Accounts. However, participants are able to actively elect their own investment choices, or opt-out of the move.

### **Comments and Analysis**

The RSP Board of Trustees is responsible for the administration and operation of the City's DCP. Beginning at its initial meeting on July 1, 2014, the Board has worked diligently and extensively with the DCP record-keeper and third party administrator, Empower Retirement,

and the DCP investment consultants, Segal Rogerscasey, to assess and evaluate how participants were utilizing the DCP and what outcomes they were achieving in terms of retirement readiness. The Board feels very strongly that the DCP is a crucial component in enabling City employees to be able to retire with dignity. The Board is also of the belief that every eligible City employee should participate in the DCP, which is why the minimum contribution remains \$10.00 per pay period.

The assessment and evaluation of utilization of the DCP occurred simultaneously with the implementation of the new RSP, a 401(a) defined contribution retirement plan. As with the DCP, the RSP Board of Trustees is responsible for the administration and operation of the RSP 401(a) retirement plan(s). The RSP 401(a) was implemented with a simplified investment lineup of 11 mutual funds and a series of State Street global Advisors (SSgA) target date funds, and the RSP Board of Trustees selected Managed Accounts as the default investment for RSP participants. The RSP Board judged this as a means to better engage RSP participants in the retirement planning process. The past several years have seen both public and private sector defined contribution plans move in the direction of having streamlined investment choices and Managed Accounts has grown in its use as the default investment.

As the Board of Trustees evaluated utilization and outcomes for DCP participants, it determined that participants were not using the plan as effectively as possible. The consensus was to streamline the DCP investment fund lineup to align it with the 401(a) fund lineup, which would make communication more straightforward and lead to less confusion for participants. In addition, the consensus was to change the default investment from the SSgA target date funds to Managed Accounts to encourage DCP participants to become more engaged in their planning for retirement. The RSP Board of Trustees unanimously approved these enhancements to the DCP at its' December 2, 2014 meeting.

The Board of Trustees worked closely with City leadership, the Office of the Labor Commissioner, the Department of Human Resources, the unions (AFSCME, CUB, and MAPS), individual agencies, Empower Retirement, and Segal Rogerscasey to develop an outreach plan to notify DCP participants of these changes and help them to understand their choices. Along with mailings to every DCP participant, and targeted emails, several seminars on the enhancements were planned. The initial plan called for 18 seminars at nine (9) different locations taking place during the month of February. However, due to increased demand, an additional 11 seminars and four (4) additional locations were added, and the seminars extended all the way into the month of May. This brought the total number of participant seminars to 29 and the number of locations throughout the City to 13. Seminar locations included the AFSCME union hall on Bush Street, Back River Wastewater Treatment Facility, the Central Fleet Garage, the FOP lodge #3, the Public Safety Training Center, the Baltimore Police Headquarters auditorium, and the Convention Center.

The Board emphatically believes that the efforts taken to engage City employees throughout the process have been extraordinary. By the time this first round of participant seminars are complete, nearly 1,000 City employees will have attended a seminar. As a direct result of the seminars, City employees have enrolled in the DCP, had one-on-one retirement planning

sessions with the local retirement plan counselors, and increased their contributions to the DCP, as the following table indicates (as of April 24, 2015):

<b>Seminar Results</b>	
Seminars	29
Seminar Locations	13
<b>Seminar Attendees (as of April 24, 2015)</b>	<b>800</b>
DCP Enrollment	68
Completed One-on-One Retirement Planning	267
Scheduled One-on-One Retirement Planning	133
Scheduled Onsite Visits to City Location	38
Managed Accounts Conversions	43
Contribution Increases	80
Beneficiary Updates	32

As indicated previously, the outreach efforts also included four separate mailings to all DCP participants. The first mailing went to DCP participants in February and informed them of the changes to the DCP investment fund lineup. Subsequent mailings in March, April, and (upcoming in) May informed participants of the change in the default investment to Managed Accounts and instructed them how to opt out of being enrolled in Managed Accounts if they wanted to continue making their own investment elections.

The bulk re-enrollment to Managed Accounts (for those who have not otherwise opted out) will take place from Tuesday, May 26 through Friday, May 29. The Board is currently planning to conduct five additional weeks of seminars following the bulk enrollment for those participants that have not opted out. Just as with the seminars that were conducted from February through May, the post-bulk enrollment seminars will be held at numerous locations throughout the City. AFCSME has offered to identify additional locations beyond the 13 where the first round of seminars was held. The collaboration with AFCSME, CUB, and MAPS has been a key factor driving the success of the first round of seminars. The Board of Trustees, that now includes AFCSME Council 67 President Glen Middleton as a voting Trustee, and CUB and MAPS Presidents Yvonne Rice and Anthony Polsinelli as non-voting Trustees, welcomes continued collaboration and partnership with AFSCME, CUB, and MAPS.

The enrollment in Managed Accounts does come with a cost. However, the RSP Board was able to negotiate a 30% discount from the fees typically charged and believes that participants will see enhanced investment returns. This represents a significant reduction in fees and enables DCP participants to access the same type of investment advice offered by retail financial institutions at a sharply lower cost. In addition, all participants will have a 90-day period in which to try the Managed Accounts service for free. The RSP Board of Trustees feels very strongly that the 90-day "free look" will allow DCP participants to better plan for retirement even if they opt-out of the service after the 90-day "free look" is concluded.

The table below reflects the annual fee with the 30% reduction for participation in the Managed Account service:

<b>Participant Account Balance</b>	<b>Annual Managed Account Fee</b>
First \$100,000 of account balance	0.40%
Next \$150,000, up to \$250,000 account balance	0.30%
Next \$150,000, up to \$400,000 account balance	0.20%
Amounts in excess of \$400,000	0.10%

In addition to the enhancements, there has been a complete rebranding of the DCP. This includes a new logo and color palette that better reflect the City of Baltimore than the previous logo and cruise ship motif did. The rebranding is comprehensive and ongoing, as all participant communication materials have been overhauled to incorporate the new City of Baltimore Deferred Compensation logo, color palette, and overarching “*Retiring with BaltiMORE*” theme. The DCP website was re-launched with a new URL, [www.RetirewithBaltiMORE.Com](http://www.RetirewithBaltiMORE.Com). A quarterly newsletter, published on the DCP website, was launched in the fourth quarter of 2014. The next newsletter was published on [www.RetirewithBaltiMORE.Com](http://www.RetirewithBaltiMORE.Com) on April 26, 2015.

In summary, the RSP Board of Trustees firmly believes the enhancements to the DCP will better serve City employees in their retirement planning and security. The Board, in collaboration with key City agencies, Senior Staff, AFSCME, CUB, MAPS, and Empower Retirement will continue to make extensive efforts to engage participants with the DCP and in planning for their retirement. Going forward, the Board will continue to closely monitor the effect of the enhancements on plan utilization and participant outcomes.