

Member *update*

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New Deferred Compensation Provider Could Begin mid-2018

VRS (COV 457) WOULD REPLACE EMPOWER

Are you saving for your future by taking advantage of the City's Deferred Compensation Plan? If you are or if you plan to start doing so, changes could be coming.

The City may be changing to a **new deferred compensation provider**. With City Council approval, beginning July 1, 2018, all employees would use the Commonwealth of Virginia (COV) 457 Deferred Compensation Plan (*Hybrid employees already use this plan*).

What would this change mean to you?

- All full-time and part-time employees would now be eligible to participate in the COV 457 Plan.
- You would pay lower fund fees.
- You would have a more holistic view of your retirement savings. Through VRS' member portal, [myVRS](#), you would be able to see your VRS retirement benefits, as well as your deferred compensation savings.

Although only the provider is changing, it can get a little confusing as to who's who and what's what. Hopefully, the following will help make it easier to understand.

The retirement (pension) plan that the City provides to you is managed by the Virginia Retirement System (VRS). This is the money the City sets aside for your retirement, in addition to the 5 percent you contribute toward it (*Hybrid can contribute up to 9 percent*). The change does **not** impact this part of your retirement.

The City also offers a Deferred Compensation Plan. This is a **voluntary** plan that allows you to supplement your retirement savings. This is where the change could occur. The company who would be providing the **City's Deferred Compensation Plan** could be changing.

WHY GET A NEW PROVIDER?

For the past 18 years, our deferred compensation provider has been Empower Retirement Services (formerly known as Great West). Their contract with the City is expiring on June 30, 2018. *If we've been with Empower this long, why change now?*

Since 2014, when the Hybrid Plan came to be, Hybrid employees have used the Commonwealth of Virginia (COV) 457 Deferred Compensation Plan for savings over and above what's allowed in the Hybrid Retirement Plan. The City has been pleased with the outcome, and they see major potential in the plan. The City also gained positive feedback from an independent financial advisor who **reviewed** the plan. So, they decided they'd like to make a change. City Council will vote on this change in February 2018.

WHAT IS THE COV 457 PLAN?

The COV 457 Plan is managed by VRS. Yes, the same VRS that oversees our retirement benefit. For the COV 457 Plan, VRS contracts with a third-party record keeper, currently ICMA-RC. A record keeper handles the day-to-day operations of the plan such as the money, call center, education, statements, etc. VRS oversees all of this. VRS manages accounts totaling over \$2.95 billion compared to the City's \$280 million.

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LIKE-FUND MAPPING AND LOWER FEES

If I'm currently participating in the VB 457 Plan, what would happen to my funds if we transition to the new COV 457 Plan?

No action would be required by you. All deferred compensation accounts would be moved using "like-fund mapping." This means we would automatically move the funds in your account (map them) to investments most like what you have now.

If the change is approved by City Council, and once details around the transition are finalized, you will be provided with more information.

What if I don't like how my funds are mapped?

If the transition occurs and you don't like how your funds are mapped/matched, you will be able to make changes. We would simply be doing the pre-work for you to match your funds as best as we can.

How would the fees work exactly?

Many of you participating in deferred compensation may not even realize that you currently pay a record keeping fee for your plan.

Currently:

- The record keeping fee is embedded (implicit) in the VB 457 fund net investment returns and is **not** deducted directly from your account balance.
- Participants pay an average of 58 basis points (.58 percent) in fund fees; a portion of this is for record keeping fees.
- The specific amount that goes toward record keeping fees varies from one fund to another.

With the COV 457:

- **Most funds have fund fees of 8 basis points (.08 percent).** Fund fees include only investment-related expenses.
- The record keeping fee is charged separately.
- An annual explicit record keeping fee (**not** embedded in the fund net investment returns) of \$30.50 is charged to your plan (\$2.54 per month).
- You will be able to see the fee deducted on your quarterly statement. It does not vary based on your account balance or the investments selected. Over a career, this savings can be substantial.

WHAT IF I NEED MORE INFO NOW?

Informational meetings about the change in providers will be held at the **Advanced Technology Center:**

January 9 – 8:30 a.m. - 10 a.m.

January 9 – 5:30 p.m. - 7 p.m.

Information will also be shared at the January 30 Member Conversations. And, we're working on a WebEx meeting where you can get details from the comfort of your desk. A Saturday meeting is also in the works. More details will be shared in the next few weeks.

Also, knowledgeable, helpful ICMA-RC representatives would be on-site for a period of time before and after the transition occurs. Specific dates, times and locations, along with a new custom website for the transition, would be provided via mail in April 2018. You may review the COV 457 plan now at www.varetire.org/457.

If City Council approves this change in February 2018, current deferred compensation participants would receive home mailings with lots of specific information. The mailings would be sent about a month before the actual transition occurs.

Would we have a COV 457 representative on-site year-round?

An ICMA-RC deferred compensation representative would be available on-site, periodically, for individual and group meetings throughout the year.