

Frequently Asked Questions

City 457 Deferred Compensation Plan versus the Commonwealth of Virginia (COV) 457 Deferred Compensation Plan

- 1. Why does the City of Virginia Beach (hereinafter the “City”) want to change its Deferred Compensation Plan?**
 - a. The contract with the existing deferred compensation provider (third party administrator), Empower Retirement Services, expires June 30, 2018. This provided a good opportunity for the Deferred Compensation Board to review the 457 Plan and look for options that may be more beneficial for our employees.
- 2. Why was the Commonwealth of Virginia Deferred Compensation 457 Plan chosen as a potential new provider?**
 - a. Since 2014, when Hybrid employees first began contributing to this plan, the City’s Deferred Compensation Board (DC Board) has realized the potential for the Commonwealth of Virginia Deferred Compensation 457 Plan (COV 457), managed by the Virginia Retirement System (VRS). Hybrid employees are not eligible for the City 457 Plan. Over time, as the Hybrid employee population increases, there will be fewer employees eligible for the City 457 Plan, which is expected to increase fees for those remaining in the current City 457 Plan.
- 3. Why wasn’t a Request For Proposal (RFP) process used?**
 - a. The Code of Virginia, Section 51.1-603.1, authorizes a locality to enter into an agreement with VRS to allow its employees to utilize the state deferred compensation plan. A RFP is not required.
- 4. What type of review has the Deferred Compensation Board done to recommend the COV 457 Plan for Virginia Beach?**
 - a. The DC Board retained an independent financial advisor to review the COV 457 Plan. That report may be accessed at:
<https://www.vbgov.com/government/departments/finance/Pages/DCB.aspx> (for City employees) and on the Consolidated Benefits Office intranet site (for School employees). It concludes that the COV 457 Plan is a good plan that could serve Virginia Beach employees well.
- 5. What are the COV 457 Plan advantages to employees?**
 - a. One of the primary advantages is lower fees. Most COV 457 funds have fund fees of 8 basis points (0.08%), compared to an average of 58 basis points (0.58%) for the current VB 457 Plan (for non-managed accounts). In addition, the COV 457 charges an explicit record keeping fee of \$30.50 annually, which is a best practice, rather than embedding

the record keeping fee in the fund fees as with our current plan. Over a career, that savings is substantial.

- b. VRS provides excellent resources with educational information and calculation tools. Your account would be accessible through a mobile app on your smartphone or handheld device.
- c. You may review the COV 457 Plan at www.varetire.org/457. Additionally, because the COV 457 Plan is a VRS plan, along with your City retirement plan, you would be able to view both plans in myVRS (myVRS.varetire.org), which helps you see a more holistic view of your retirement. The website, myVRS, also includes planning tools and a suite of financial wellness resources for VRS members.

6. I am an employee who has my investments managed by Empower. The COV 457 Plan does not have managed accounts. What happens to me?

- a. Employees whose investments are being managed by Empower pay an additional 45 basis points for that service, which is in addition to the fund fees. In the COV 457 Plan, the “Do It For Me” path features a series of target date portfolios that would automatically rebalance your portfolio as you approach your retirement date (the “target” date). The investment fees for most of the target date portfolios is 8 basis points plus the annual record keeping fee of \$30.50. On a \$100,000 portfolio, e.g., this will save almost \$1,000 annually.

7. What type of investments does the COV 457 Plan have?

- a. The COV 457 Plan has a tiered investment menu to make it easier for participants to implement their investment decisions to meet their investment objectives, risk tolerance and investing style:
 - i. **Do-It-For-Me Path** - Includes target-date portfolios for those who want a broadly diversified portfolio that invests across numerous asset classes. Participants select funds based on projected retirement date and individual needs. Fund fees are currently 8 basis points and may change periodically.
 - ii. **Help-Me-Do-It Path** - Offers a carefully selected menu of funds for those who prefer to take a slightly more active role in investing by assembling their own portfolio of funds. Most fund fees are between 2 and 11 basis points and a few are in the 28 to 58 basis point range. Fund fees may change periodically.
 - iii. **Do-It-Myself Path (Self-Directed Brokerage Account)** - Is available for knowledgeable investors who want to directly manage their investments. Thousands of publicly traded mutual funds, exchange traded funds (ETFs) and individual securities are available. Most of the investments currently available through Empower are available through this account at comparable costs.

8. What is a target date fund?

- a. The COV 457 target date portfolios are broadly diversified across global asset classes, with asset allocations becoming more conservative over time. For example, a Target Date 2060 Portfolio will have a greater allocation to higher risk investments if you invest today, but as you get closer to the year 2060, the risk is gradually reduced. In other words, the amount of funds allocated to equity is reduced and the weight to fixed income is increased. A Target Date 2030 Portfolio will have less risk than a Target Date 2060 Portfolio.

9. Would I have to move my funds or can I leave the money with Empower Retirement Services?

- a. Empower Retirement Services is the record keeper for the City 457 Plan. If the City decides to terminate its plan and move to the COV 457 plan, your funds will be mapped to similar fund classes with the COV 457 plan.

10. Can I select my new funds with the COV 457 Plan rather than my funds being mapped?

- a. If the change is approved, you may access your account information and move funds after the funds are transitioned to the COV 457 Plan. More details will be provided by April 2018 prior to the proposed implementation date.

11. How can I learn more about the COV 457 Plan?

- a. You may review the COV 457 Plan at www.varetire.org/457. Additionally, educational meetings, mailings and resources will be made available to employees.

12. How can I learn more about this proposed change?

- a. There are multiple ways to learn more about the COV 457 Plan and the transition process. Special meetings open to all City and School employees are scheduled at the ATC for January 9 at 8:30 a.m. and at 5:30 p.m. to provide background on the COV 457 Plan.
- b. For those who cannot attend an in-person meeting, a WebEx meeting will be available sometime in January.
- c. The Department Leadership Meeting (City only) will contain a short briefing on the new plan.
- d. Meeting in Building 19 (City and Schools) on January 20, 2018.
- e. Member Conversations (City Only) on January 30, 2018.

13. If the change is approved, what happens during the transition process?

- a. As we get closer to the proposed transition date, a number of things will happen. Representatives from ICMA-RC, the VRS 457 COV Plan record keeper, will conduct numerous meetings to educate employees about the program, how to navigate the website, how to make changes, and provide details about what to expect on the exact transition date.

- b. Before the actual conversion to the COV 457 Plan, you will receive information via mail from ICMA-RC. Following the conversion, you will receive a confirmation letter that your account was moved, along with instructions on accessing your account.

14. What are some things I should be thinking about over the next few months to prepare for the possible transition?

- a. It would be a good idea to review the educational materials on the VRS COV 457 Plan and your current beneficiaries, as well as which funds you are currently invested in. Consider whether they will help you achieve your retirement goals.