



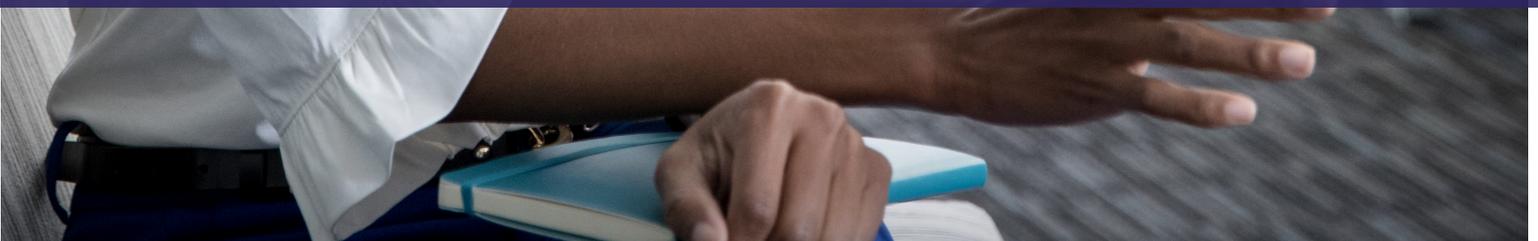
Retirement Savings
Plan and Deferred
Compensation Plan

Overview for
new employees



A short guide to preparing for a more secure retirement

Retirement may seem so far away that it is not worth thinking about. However, to be able to achieve retirement readiness, most plans need a combination of ongoing contributions and time. That's why **right now is a very good time** to not only think about retirement but also about the retirement savings options available to you as a benefit of employment.



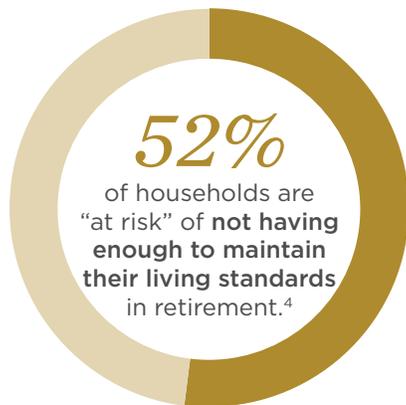


Consider these retirement realities

On average, your Hybrid membership (with pension component) or Non-Hybrid membership will provide about 45% of current income.¹ Experts suggest you may need 70% to 90% of your current income just to maintain your standard of living in retirement,² so you may be looking at a gap between the income you need through retirement and what your Hybrid or Non-Hybrid membership may provide.

However, few of us are “average.” Besides, you may want to consider:

- Increases in medical and long-term care costs
- Benefits not keeping up with inflation³
- The possibility of career changes before you become fully vested in your Hybrid or Non-Hybrid membership
- Outliving your resources



\$260,000

Amount a 65-year-old couple can expect in **total out-of-pocket health care expenses** through retirement.⁵



Age that an estimated **1 in 4 65-year-olds today will reach.**
1 in 10 are expected to live past 95.⁶

All things considered, relying on your Hybrid or Non-Hybrid benefits and Social Security benefits may lead to an income gap, especially in the latter years of retirement. **That’s where Step 2 comes in.** Consider the steps you can take now to supplement your pension and reduce your potential income gap.

¹ “Net Pension Replacement Rates,” Organisation for Economic Co-operation and Development, data.oecd.org/pension/net-pension-replacement-rates.htm (2014).

² “Do I really need 100% of my pre-retirement income?” Walter Updegrave, CNN Money (July 2012).

³ “The COLA crunch: Why Social Security isn’t keeping up with seniors’ costs,” Reuters (October 2014). The annual Social Security cost of living adjustment (COLA) tends to lag the inflation that seniors experience by a year or more.

⁴ “National Retirement Risk Index,” Center for Retirement Research at Boston College (September 2016).

⁵ “Health Care Costs for Couples in Retirement Rise to an Estimated \$245,000,” Fidelity Investments (October 2016). Estimate based on a hypothetical couple retiring in 2015 at 65 years old, with average life expectancies of 85 for a male and 87 for a female.

⁶ Data compiled by the Social Security Administration (accessed October 2016). Average life expectancy for a male is 85 years; for a female, 87.



Confirm that you are eligible

You are eligible to participate in the Employees’ Retirement Systems (ERS) if you are newly hired or rehired after July 1, 2014 by the City of Baltimore or the Baltimore City Public Schools (BCPS). ERS participation is only available for those BCPS employees not eligible for participation in the State of Maryland Retirement and Pension System.

Choose your savings approach

If you are an eligible employee, the Employees’ Retirement Systems (ERS) provides three retirement savings options.

- You **must** elect one of the two options (termed “memberships”) — the **mandatory** election
- You **may** elect the third savings option — a **voluntary** election

Membership options

Choose a membership		
Election Type	Hybrid Membership*	Non-Hybrid Membership
Mandatory election – 401(a)	ERS defined benefit plan AND a 401(a) defined contribution retirement plan	401(a) defined contribution plan
Voluntary election – 457(b)	457(b) Deferred Compensation Plan (DCP)	457(b) Deferred Compensation Plan (DCP) with an employer match

NOTE: Participation in the 457(b) plan is open to all City employees, BCPS employees, elected officials, and members of the Fire and Police Employees’ Retirement System.

*IMPORTANT NOTE: The Hybrid Membership option will be automatically selected for you if you do not make an election between Hybrid or Non-Hybrid membership within 150 days from your date of hire.

The Hybrid and Non-Hybrid Memberships feature differing plan components, vesting schedules and distribution options. Let’s explore these differences in the following pages.

How the Plans are Funded

Plan Type	Hybrid Membership	Non-Hybrid Membership
ERS Defined Benefit Plan (Class D) (Mandatory election option)	<p>Formula: 1% X your years of pension service X your average highest three years of base salary. *This formula may vary for participants who meet certain age and years of service requirements.</p> <p>Contribution requirement: You must contribute 5% of base salary after you have completed one year of service.</p>	N/A
401(a) Defined Contribution Plan (Mandatory election option)	Generally, your employer contributes 3% of your base salary. This contribution can be reduced to 1.5% of your base salary based on the funding status of the ERS.	You must contribute 5% of your base salary commencing after 180 days of service. Your employer will contribute 4% of your base salary.
457(b) Deferred Compensation Plan (DCP) (Voluntary election option)	Minimum contribution is \$10 per pay period, not to exceed \$19,000 this calendar year for those under age 50. For those 50 and older, the maximum contribution is \$24,500.	<p>Minimum contribution is \$10 per pay period, not to exceed \$19,000 this calendar year for those under age 50. For those 50 and older, the maximum contribution is \$24,500.</p> <p>Your employer matches 50% of any contributions you make that do not exceed 2% of your pay. Note: If you elect this option, this means that the additional 1% match brings the total employer contribution to 5%.</p>
	<p>Special 457(b) Catch-up Provision: In the three calendar years prior to normal retirement age, you may be able to contribute up to twice the annual contribution limit to the 457(b) DCP (\$37,000 this calendar year).</p>	

About Vesting

Vesting	Hybrid Membership	Non-Hybrid Membership
ERS Defined Benefit Plan (Class D)	You are vested after 10 years of credited service or upon satisfying the eligibility criteria for early retirement or normal retirement.	N/A
401(a) Defined Contribution Plan	<p>You become 100% vested:</p> <ul style="list-style-type: none"> - after 5 years of eligible vesting service - if you reach normal retirement age (age 65) and are still employed, or - upon disability or death 	<p>You are always 100% vested in the portion of your 401(a) account balance attributable to your own contributions and gains or losses on those contributions.</p> <p>You become 100% vested in the portion of your 401(a) account balance attributable to employer contributions and gains or losses on those contributions:</p> <ul style="list-style-type: none"> - after 5 years of eligible vesting service - if you reach normal retirement age (age 65) and are still employed, or - upon disability or death
457(b) Deferred Compensation Plan	You are always 100% vested.	

About Distributions

Distributions	Hybrid Membership	Non-Hybrid Membership
While employed	No loans or in-service withdrawals are permitted.	
After separation from service and before you are vested	<p>If you separate from service before you are vested in your ERS defined benefit plan benefit, you will receive a lump-sum payment equal to your contributions to the ERS, plus interest.</p> <p>Your 401(a) defined contribution plan account is forfeited in its entirety.</p>	<p>The portion of your 401(a) account balance attributable to your own contributions, and gains or losses, remains vested.</p> <p>The portion of your 401(a) account balance attributable to employer contributions, and gains or losses, is forfeited in its entirety.</p>
After separation from service and fully vested	<p>Timing of ERS defined benefit plan distributions:</p> <ul style="list-style-type: none"> - If you separate from service after you are vested but before you are eligible for early retirement, you may receive a deferred vested benefit at a later date. - If you separate from service after you are eligible for early or normal retirement, you may receive an immediate benefit. <p>The following 401(a) distribution options are available:</p> <ul style="list-style-type: none"> - Leave your account with the Plan to continue to receive the same low cost solutions and personal service. - Receive your account balance as a lump sum or in installments, or convert your account balances to an annuity. - Move your account balance to an Individual Retirement Account (IRA) or another qualified employer plan. 	<p>The following 401(a) distribution options are available:</p> <ul style="list-style-type: none"> - Leave your account(s) with the Plan to continue to receive the same low-cost solutions and personal service. - Receive your vested account balance as a lump sum or in installments, or convert your account balances to an annuity. - Move your account balance to an Individual Retirement Account (IRA) or another qualified employer plan.

My Plan Membership Selection is: Hybrid Membership Non-Hybrid Membership



Yes! I voluntarily will enroll in the 457(b) plan.

Start preparing for retirement readiness

- Consider your retirement benefit options
- Elect Hybrid or Non-Hybrid Membership on the form provided
- Enroll in the 457(b) Plan

For assistance, contact your Nationwide Retirement Specialist

Call us at (855) 826-5407
Monday – Friday 8 a.m. – 11 p.m. ET
Saturday 9 a.m. – 6 p.m. ET

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7 E. Redwood Street, 11th Floor
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Investing involves market risk, including possible loss of principal. No investment strategy can guarantee to make a profit or avoid loss. Actual results will vary depending on your investment and market experience.

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