

Frequently Asked Questions

Q: Why did the City decide to offer one deferred compensation plan provider?

A: As an employer offering a benefit program to our employees, it is our responsibility to review each plan's fees, investment options, and other plan details on a regular basis. Staff from Finance, Human Resources and City Attorney's Office jointly reviewed the City's deferred compensation plan structure and recommended that the City offer the Minnesota Deferred Compensation Plan (MNDCP) as the sole provider. The transition to MNDCP will reduce the City's need to provide costly plan administration and investment oversight while providing City employees with lower investment fee options.

Q: Why was MNDCP selected as the sole deferred compensation plan provider?

A: After an extensive review, City staff determined that MNDCP offers the most competitive fee structure overall, while still providing a wide range of investment options. Minnesota State Retirement System (MSRS), the administrators of the MNDCP, has a strong reputation for consistently demonstrating a high level of quality and service for Minnesota public employees. In addition, the Minnesota State Board of Investments (SBI) – the entity that will be managing the standard investment funds - has professional staff and extensive experience with investment fund selection and management.

Q: What is the relationship among the Minnesota State Retirement System, MNDCP and the SBI?

A: MSRS administers a number of retirement plans for Minnesota public employees including the MNDCP. The SBI acts as the plan investment fiduciary for the MNDCP and other MSRS plans. SBI is responsible for the fund lineup and for managing the investments within the MNDCP.

Q: What will happen to my account with ING or ICMA?

A: Your investments in the ING or ICMA plan options will be transferred to the MNDCP over the Labor Day weekend. Details on the transfer process will be provided in later communications.

Q: I am an active employee. Can I leave my account with ING or ICMA?

A: No. Effective September 4, 2012, the MNDCP will be the only deferred compensation plan option available to City employees. All assets in the City's ING and ICMA plan options will transfer to MNDCP over the Labor Day weekend.

Q: I'm a former City employee. Can I leave my account with ING or ICMA?

A: As a former employee, you have the option to receive a distribution or to rollover your account to another qualified plan or an IRA. If you do not exercise one of the available options before the Labor Day weekend, your account will transfer to the MNDCP.

Q: How will my ING or ICMA account proceeds be invested with the MNDCP?

A: Your account assets will transfer to the MNDCP in similar investment options. Once the transfer is complete, you will have the option to reallocate your investments within the MNDCP.

Q: My current deferred compensation plan provider offers many investment options. How can MNDCP meet my investment objective if it offers only 11 core funds?

A: The 11 standard investment options offered through the MNDCP span the risk-return spectrum (i.e. various asset classes with different levels of risk are offered) so that you can build an appropriately diversified investment mix that help you meet your retirement savings goals.

If you would like help managing a diversified portfolio throughout your career, you have the option of choosing to invest in a "target retirement date fund." Investments in these funds become more conservative as the target retirement date approaches.

Finally, you have the option of placing some of your assets in mutual funds offered through a Self-Directed Brokerage Account. The brokerage account offers access to more than 13,000 different mutual funds.

Q: What is a target retirement date fund?

A: Each fund offers a diversified portfolio designed to manage risk and grow your investment. With the target retirement date option, you would choose the target date fund year that best meets your specific needs considering your total portfolio and personal circumstances. Most often, this will be the target date fund closest to your expected retirement date. Each fund is a pre-mixed portfolio of stocks and bonds or fixed income investments. A professional money manager selects and manages the right mix of investments based on the target retirement date and adjusts the portfolio over time becoming more conservative as the target retirement date approaches.

Q: What is a Self-Directed Brokerage Account?

A. MNDCP provides a Self-Directed Brokerage (SDB) Account through TD AMERITRADE. The SDB Account allows you to select from over 13,000 mutual funds beyond MNDCP’s regular fund offerings. Many of the mutual funds are offered as “no load” (meaning they do not incur an additional sales charge to purchase or redeem) or “low load” (meaning the sales charge is considered to be below-normal when compared to other mutual funds).

This account is for participants who understand the risks associated with many of the investments contained in the SDB account. There is a \$30 annual fee for the use of this service in addition to investment fees and expenses associated with the selected mutual funds.

Q: Can I invest only a portion of my account in the Self-Directed Brokerage Account?

A. The minimum transfer amount is \$500 and you must maintain a \$500 balance in the MNDCP core investment options.

Q: Can I use any advisor I choose?

A: Any financial advisor could advise a participant on their SDB assets. However, ING advisors are the only advisors the MNDCP offers through its Advice Service (see below for information).

Q. I have a lot of money in a fixed income (stable value) account. Does the MNDCP have a similar account with similar investment returns?

A. Yes. MNDCP offers a fixed interest account that is invested in a well-diversified portfolio of high quality fixed income securities with strong credit ratings. Historical average annual returns, as published by the plan providers, for the MNDCP Fixed Interest Account, the ING Fixed Account and the ICMA-RC Vantage Trust PLUS Account are shown in the table below.

Average Annual Returns for the period ending 4/30/2012 (net of fund fees and expenses)	1 Year	3 Years	5 Years	10 Years
MNDCP SIF Fixed Interest Account	3.21%	3.88%	4.22%	4.42%
ING Fixed Account	3.01%	3.00%	3.05%	3.37%
ICMA-RC Vantage Trust PLUS Fund	2.77%	3.12%	3.70%	4.04%

Q: What fees and commissions will apply to my MNDCP account?

A: The MNDCP annual administrative fee is only 0.05% of your account balance and is not charged on assets over \$100,000. The 0.05% administrative fee equals \$.50 for every \$1,000 invested. Since the fee is only assessed on account balances up to \$100,000, the maximum administrative fee is \$50 per year.

All investment options charge operating expenses. These fees pay for the trading and management expenses of the investment company. With over \$4 billion in assets, MNDCP is able to offer fees that are lower than those charged by funds offering “retail” mutual funds. Operating expenses on MNDCP investment options range from 0.01% - 0.92%, or an average operating expense of 0.32%.

There are no commissions or hidden fees such as withdrawal charges, surrender fees, trading fees or account maintenances fees or commissions. However, some investment options may impose redemption fees. This is common in International funds to avoid market timing practices.

Q: At MNDCP, will I have access to representatives who will provide financial planning or investment advice?

A: MSRS representatives are available for individual meetings to review your account investment portfolio and for investment consultation. MSRS representatives can recommend an appropriate asset allocation strategy based on your personal investor profile. While MSRS representatives cannot provide investment advice, all representatives are licensed by the Financial Industry Regulatory Authority (FINRA) to provide investment education.

MNDCP also has two advisor services to offer you additional support. Both services use information on file about your MNDCP account, pension benefit (if applicable), and Social Security to develop a retirement income projection for you. You are also encouraged to add more data to the analysis, such as other retirement savings accounts, to view your entire retirement picture.

Personal Online Advisor	Professional Account Manager
An interactive web-based service to help you actively manage your MNDCP account at no additional cost.	An advice service where you delegate management of your account to a professional advisor. A monthly fee will apply if you enroll in the program.
<ul style="list-style-type: none">• Get advice about which investments to select.• Explore different contribution amounts, risk levels and goals.• Check back regularly to make sure you’re on track.• Available at no additional cost.	<ul style="list-style-type: none">• A custom investment strategy is created for you and a <i>Personal Plan Preview</i> is sent.• ING Investment Advisors enter investment transactions to put your strategy into action.• Professionals monitor your account, adjust your strategy as needed and send you progress reports.• The fee for this service is no more than 0.60% of your account balance per year.*• For more information, visit www.financialadvice.com/forMSRS

**The program fee is 0.60% of your managed account balance, deducted from your account. That’s about \$5 a month for each \$10,000 in your account. Discounts apply for balances over \$50,000.*

Q: Will I have online access to my account at MNDCP?

A: Yes. It is easy and convenient to access your account information online 24 hours a day, seven days a week. Other features of the online account include the ability to:

- Change contribution amount at any time.
- Execute financial trades or change your future contribution allocations.
- Track your account personal performance.
- Request a distribution from your MNDCP account (if eligible).
- Access an online Resource Center to help you become a more informed and confident investor.
- Access online calculators to help you make retirement planning decisions.
- Access on-demand statements for any date range.
- Obtain electronic delivery of paper statements and confirmations.

Q: When will I receive additional information?

A: In June, you will receive detailed information regarding the transition to MNDCP, your options, and any action you may need to take. Participant seminars will be held at many City locations in July and August. The seminars will provide opportunities to learn more about the MNDCP and to discuss your options with an investment professional. In the meantime, if you have questions, please contact City of Minneapolis Benefits at (612) 673-3891 or benefits@minneapolismn.gov or MNDCP at (651) 296-2761.