



Wespath

BENEFITS | INVESTMENTS

OCTOBER 2017

Automatic Features

AUMCPBO

Agenda

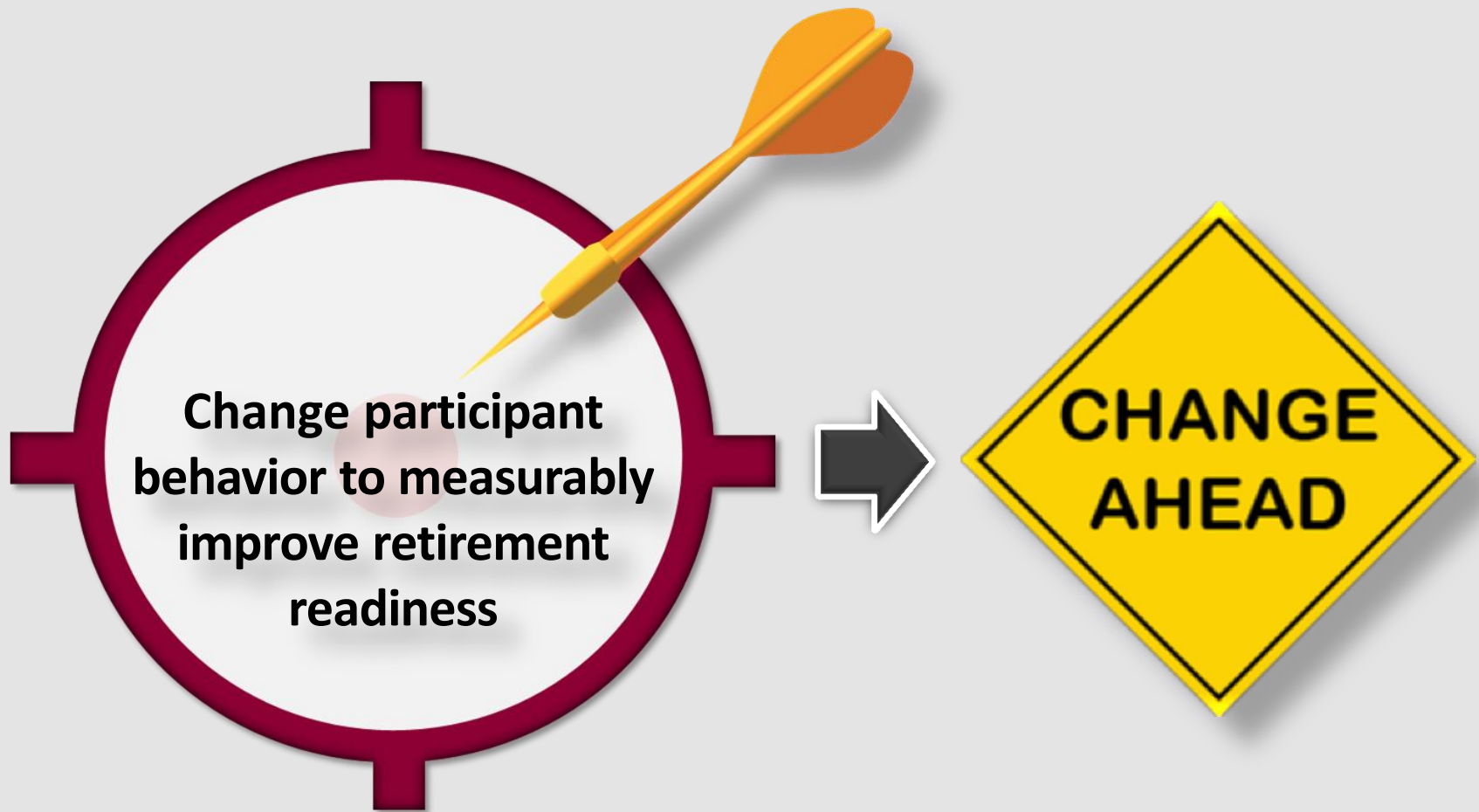


Objectives


Review automatic features:

- Overview
- Pilot group
- Next steps

Our Shared Goal



UMPIP Automatic Features Project



Automatic Features Overview

The United Methodist Personal Investment Plan (UMPIP) is a defined contribution retirement plan administered by Wespath Benefits and Investments. In 2018, Wespath will begin making automatic features available to plan sponsors in a phased rollout.

Automatic enrollment and automatic contribution escalation allow plan sponsors to:

- Enroll participants in UMPIP at a specified (default) before-tax contribution percentage
- Automate annual increases to the UMPIP contribution percentage (usually 1% each year) up to a maximum percentage for participants who contribute

Automatic features will help increase the likelihood that your participants' retirement benefits will be sufficient to support their lifestyles.

Review this overview, discuss automatic features with your colleagues and Conference Board of Pensions then contact your conference liaison for a customized impact analysis to understand how implementing these features will affect your plan administration and costs.

Action Plan

1. Review this overview
2. Discuss automatic features with your colleagues and Conference Board of Pensions
3. Request a plan-specific impact consultation with Wespath through your conference liaison

It's Important to Save for Retirement, So Why Haven't Participants All Enrolled in the Plan?

Research suggests that participants do not enroll in plans, and/or contribute an insufficient amount to prepare for retirement mainly because of inertia, procrastination and cognitive shortsightedness, which is the inability to delay today's gratification for the uncertainty of tomorrow. And that's where automatic features can help!

Let's Look at the Numbers...

- **82%** of Wespath-administered plan participants have a gap between the amount of retirement income they expect to have and the amount they'll need*
- **21%** is the average retirement income gap for Wespath-administered plan participants
- **90% or higher** average participation is experienced in plans that offer automatic enrollment and automatic escalation
- **Less than 10%** of automatically enrolled participants choose to opt out

Retirement plans with automatic features have improved:

- Participation rates,
- Average contribution percentages,
- Average account balances and
- Overall participant engagement.

Automatic features don't prevent participant choice. Participants can always choose to change contribution levels and/or the investment options, or opt out. These features simply remove the barriers to participation.

*Gap analysis includes Wespath-administered plan balances and Social Security, but does not include assets held by other financial institutions.

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Automatic Features

The “Future of Retirement Plans”

Church Plan Clarification Act

Overview of Automatic Features

Automatic Enrollment

- Plan sponsors elect to automatically begin UMPIP participation at a stated default contribution percentage without an affirmative participant election
- Plan sponsor selects the default contribution percentage
- Participants can opt out or change the percentage at any time

Automatic Contribution Escalation

- Automatically increases participant contribution rate annually by a stated percentage up to a maximum
- Plan sponsor elects the annual contribution increase percentage, the maximum cap and the timing
- Participants can opt out at any time

Catalysts for Automatic Features

Over time, automatic features have demonstrably improved projected retirement readiness

- Participation rate
- Contribution percentage
- Account balance

82% of our participants have a projected retirement income gap of **21%** on average

- Includes Wespath-administered plan and Social Security benefits
- Does not include outside assets (yet)

Adoption Agreement Elections



Eligible Participant Group



Automatic Enrollment Default Contribution Rate



Automatic Contribution Escalation Increase and Cap



Annual Automatic Contribution Escalation Month

Eligible Participant Groups

As the sponsor, you'll decide whether automatic enrollment applies to:

New clergy/
employees only—
least inclusive

All individuals
who are not making
participant contributions,
plus new people—
more inclusive

All individuals with
an existing participant
contribution election
at a rate that is lower
than the default rate
you select (including \$0),
plus new people—
most inclusive

Default Contribution Rate



The default contribution percentage for those who are automatically enrolled

- Industry average is between 3% and 6%
- Participants may change their contribution percentage or opt out

Automatic Contribution Escalation

- The increase percentage is the rate at which participant contributions will be escalated each year
 - 1% is most common
- The escalation cap is the maximum percentage beyond which contributions will not be further escalated
 - 10% is most common
- You may also elect the month during which the escalation will be effective
 - Often coincides with the sponsor's salary increase effective date

Scenario 1

**Plan sponsor adopts automatic enrollment at 3%
and has participants who already contribute 2%**

Outcome depends on how the eligible participant group is defined

- **New people only**—participant contribution rate will be unchanged
- **New people plus participants contributing 0%**—participant contribution rate will be unchanged
- **New people plus participants contributing less than the default**—participant contribution rate will be changed to 3%

Scenario 2


**Plan sponsor adopts automatic enrollment at 3%
and a participant is contributing 5%**

- Automatic enrollment only impacts participant contribution rates that are less than the default contribution rate chosen for the eligible participant group
- If a participant is already contributing more than the default contribution rate, the participant's elected contribution rate will not change

Scenario 3

Participant is enrolled in UMPIP via automatic enrollment at 3% and would now like to contribute 6% to the plan

Participants can change their contribution percentage at any time by submitting a *Contribution Election* form



The image shows a 'Contribution Election' form for the United Methodist Personal Investment Plan (UMPIP). The form is titled 'Contribution Election' and 'United Methodist Personal Investment Plan (UMPIP)'. It is divided into four parts: Part 1 - Personal Information, Part 2 - Before-Tax Contribution, Part 3 - Roth Contribution, and Part 4 - After-Tax Contribution. Each part contains checkboxes for selecting a contribution percentage or dollar amount, and an option to elect not to make contributions. The form also includes a section for Automatic Contribution Escalation. The Wespath logo is in the top left, and contact information is in the top right. The page number 'Page 3 of 4' is in the bottom right.

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Contribution Election
United Methodist Personal Investment Plan (UMPIP)

Part 1 – Personal Information

Name _____ Social Security # _____
Mailing address _____ Primary phone # (____) _____
E-mail _____
Country of citizenship _____ Clergy
 Lay
 Bishop

Part 2 – Before-Tax Contribution

Review the Instructions for important information about automatic enrollment and automatic contribution escalation.
Choose one:

Percentage of compensation: _____% of compensation
 Dollar amount: \$ _____ per month (cannot exceed your monthly compensation)
 I elect not to make before-tax contributions (Skip to Part 3)

Automatic Contribution Escalation (choose one if this feature applies to you):

I elect to have automatic contribution escalation apply to my before-tax contributions (default)
 I elect not to have automatic contribution escalation apply to my before-tax contributions

Part 3 – Roth Contribution

Choose one:

Percentage of compensation: _____% of compensation
 Dollar amount: \$ _____ per month (cannot exceed your monthly compensation)
 I elect not to make Roth contributions

Part 4 – After-Tax Contribution

Choose one:

Percentage of compensation: _____% of compensation
 Dollar amount: \$ _____ per month (cannot exceed your monthly compensation)
 I elect not to make after-tax contributions

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Communications and Reports

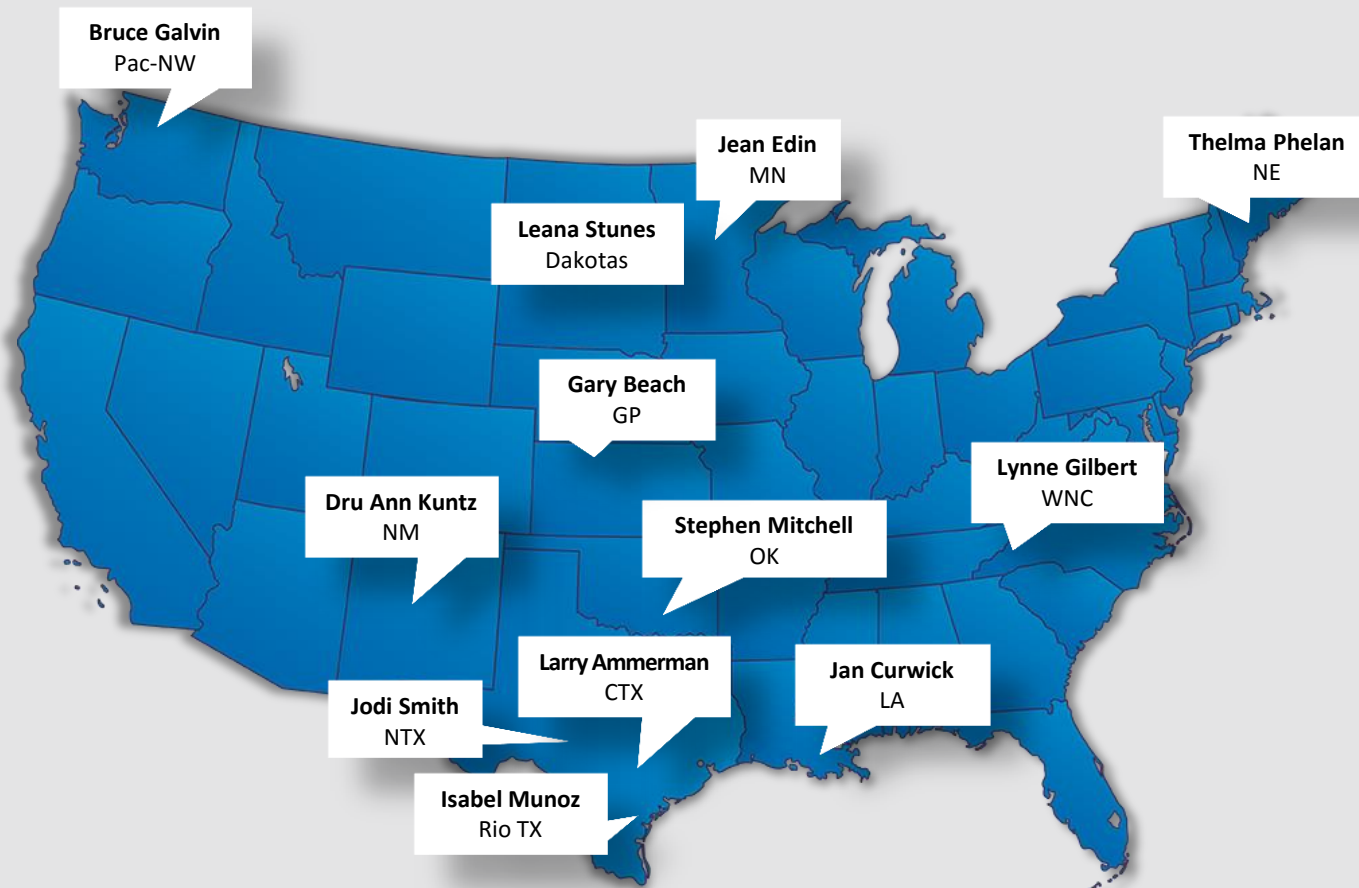
Materials developed by Wespath and provided to UMPIP plan sponsors or directly to participants

- Initial and annual notices
- Participant engagement promotions
- Supportive reports

Pilot Group—2018

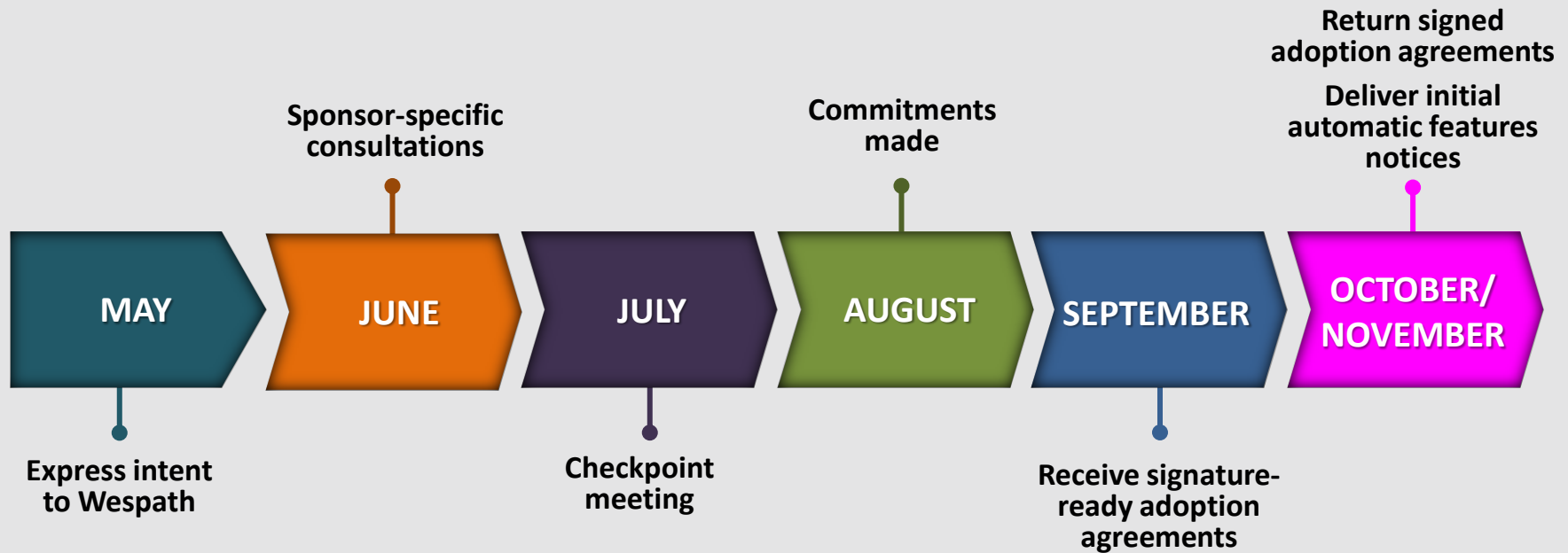
Alaska United Methodist Pacific Northwest	<ul style="list-style-type: none">• Bruce Galvin
Dakotas	<ul style="list-style-type: none">• Leana Stunes
Missouri	<ul style="list-style-type: none">• Nate Berneking• Trudy McManus• Christa Daro
North Carolina	<ul style="list-style-type: none">• JoAnna Ezuka• Christine Dodson• Sandy Lee
South Georgia	<ul style="list-style-type: none">• Derek McAleer• Eleanor Dickson
Wespath	<ul style="list-style-type: none">• Deborah Morphet• Scott Trumpy

Advisory Focus Group



Signing Up for 2019

To Do in 2018



Automatic Features Next Steps



Review the informational primer

Discuss automatic features with your colleagues, conference boards of pensions, pilot members

Request a consultation with Wespath through your conference liaison



Questions?



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