



**Wespath**

BENEFITS | INVESTMENTS

CONFERENCE FORUM—MARCH 2018

# Automatic Features

# What Are Automatic Features?

## Automatic Enrollment

Plan sponsors elect to begin UMPIP participant contributions at a default percentage without participant action required.

## Automatic Contribution Escalation

Participant contribution rates increase annually by a stated percentage up to a maximum cap without participant action required.

# 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...

<ul style="list-style-type: none"><li>• <b>82%</b> of Wespath-administered plan participants have a gap between the amount of retirement income they expect to have and the amount they'll need*</li><li>• <b>21%</b> is the average retirement income gap for Wespath-administered plan participants</li><li>• <b>90% or higher</b> average participation is experienced in plans that offer automatic enrollment and automatic escalation</li><li>• <b>Less than 10%</b> of automatically enrolled participants choose to opt out</li></ul>	<p>Retirement plans with automatic features have improved:</p> <ul style="list-style-type: none"><li>• Participation rates,</li><li>• Average contribution percentages,</li><li>• Average account balances and</li><li>• Overall participant engagement.</li></ul> <p><i>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.</i></p>
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\*This 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

# Adoption Agreements: Plan Sponsor Elections

## Primary Election:

**Automatic Enrollment**

**OR**

**Automatic Enrollment**

**+**

**Automatic Contribution Escalation**

# Adoption Agreements: Plan Sponsor Elections

## Other Elections:



Eligible Participant



Increase and Cap



Default Contribution Rate



Month and Year

# Adoption Agreements: Plan Sponsor Elections

## Other Elections:



Eligible Participant

### Who can be subject to Auto Enrollment?

- New participants only
- New **and** current participants contributing nothing
- New participants **and** participants contributing nothing **and** participants contributing less than the default contribution rate

# Plan Sponsor Elections

## Other Elections:



### Default Contribution Rate

**What is the default rate for participant enrolled automatically?**

Plan sponsor chooses the default rate  
(frequently between 1% – 5%)

# Plan Sponsor Elections

## Other Elections:



### Increase and Cap

How much will contribution increase annually and what % will escalation stop?

Plan sponsor chooses increase % and limit

#### Common Examples:

**Annual increase:** 1% – 3%

**Escalation cap:** 5% – 10%



# Plan Sponsor Elections

## Other Elections:



### Month and Year

When will the first automatic escalation occur and when will it occur each year after that?

**Month:** Any month

**Initial escalation year:**

- AA effective date
- +1 year AA effective date

# Plan Sponsor #1: Adoption Agreements Effective January 1, 2018



## Automatic Enrollment



### Eligible Participant

- + New participants
- + Current participants ***with no contributions***
- + Current participants ***with less than default***



### Default Contribution Rate

3%

# Plan Sponsor #1: Adoption Agreements Effective January 1, 2018

**When the plan sponsor's new Adoption Agreement becomes effective, would the following participants be subject to Automatic Enrollment?**

<b>New participant</b>	<b>YES—Automatically enrolled at default 3% contribution</b>
<b>Current participant contributing nothing</b>	<b>YES—Automatically enrolled at default 3% contribution</b>
<b>Current participant contributing less than 3%</b>	<b>YES—Automatically enrolled at default 3% contribution</b>
<b>Current participant contributing 3% or more</b>	<b>NO—Contributions above default</b>

# Plan Sponsor #2: Adoption Agreements Effective January 1, 2018



## Automatic Enrollment



### Eligible Participant

- + New participants
- + Current participants *with no contributions*



### Default Contribution Rate

3%



## Automatic Contribution Escalation



### Increase and Cap

Annual increase: 1%

Escalation cap: 10%



### Month and Year

Annual escalation month: March

Initial escalation year: AA effective year

# Plan Sponsor #2: Adoption Agreements Effective January 1, 2018

**Edward is a current participant who is making a 1% contribution.  
Once this plan sponsor's AA takes effect:**

<b>Will Edward be subject to automatically enrollment?</b>	<b>NO—Only new participants and participants with no contribution</b>
<b>What will happen to his contributions in March 2018?</b>	<b>1% increase He is still subject to Automatic Contribution Escalation</b>
<b>What will happen to his contributions in March 2019?</b>	<b>1% increase</b>
<b>When will Edward stop being automatically escalated?</b>	<b>When contributions reach 10% or when he opts out</b>

# Pilot Update

## 6 conferences (plus Wespath) adopted *automatic enrollment* for 2018

- Range of default contribution rates—1% to 5%
- 3 conferences also adopted **automatic contribution escalation**

# Pilot Group—2018

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

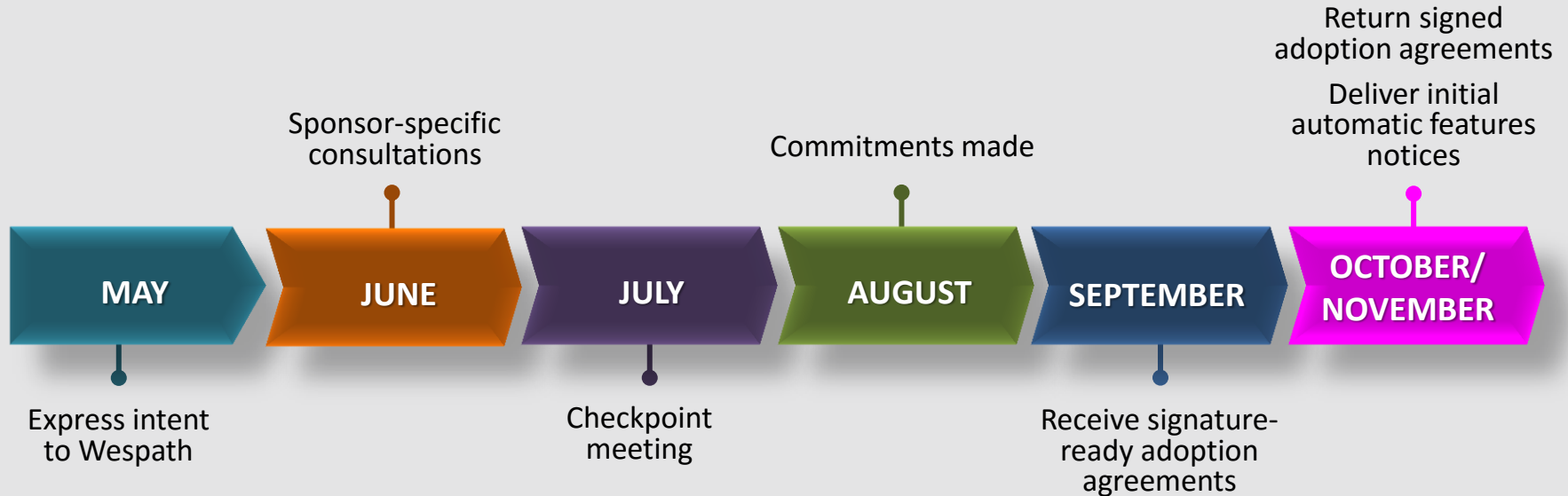
# Pilot Findings to Date

- Participants contributing zero dropped from **13.5% to 1.9%**
- **35.6%** of participants were automatically enrolled at the default contribution rate
  - **58.7%** were already above the default
- Average contribution rate increased from **4.36% to 4.99%**



# 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 and pilot members

Request a consultation with Wespath through your conference liaison



Feedback?



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