



Implementing an Effective Auto-Enrollment Strategy

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If you haven't adopted auto enrollment, what are the barriers to doing so?

*Do not edit
How to change the design*

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State of Illinois Deferred Compensation Plan – Intro to the Plan and Auto-Features



Key Plan Statistics

- The Plan serves approximately 75,000 participants
- Plan assets total over \$6.2B as of June 30, 2025
- Investment menu consists of a target date fund suite, set of passive asset class building blocks, and a capital preservation option

Goals

The goals in adding auto-features to the Plan were to increase participation and contribution rates to help participants close the gap between current savings and pension benefits and their expected spending needs in retirement.

Auto-Enrollment

- Enabling legislation passed in August 2019, and the program went into effect July 1, 2020.
- Newly hired participants are auto-enrolled at 3% of compensation on a pre-tax basis.
- Participants are auto-enrolled 30 days after being notified of their eligibility unless they make a proactive election.
- Once auto-enrolled, participants have 90 days to withdraw from the plan and have contributions (+/- earnings) returned.
- Participants are automatically enrolled into the age-appropriate target date fund.

Auto-Escalation

- Enabling legislation passed in July 2021, and the program went into effect January 1, 2022.
- Participants who have not made any affirmative contribution choices and have participated for longer than 6 months have their contribution rate increase by 1% annually up to 10% of compensation.
- Increases go into effect at the start of each calendar year.

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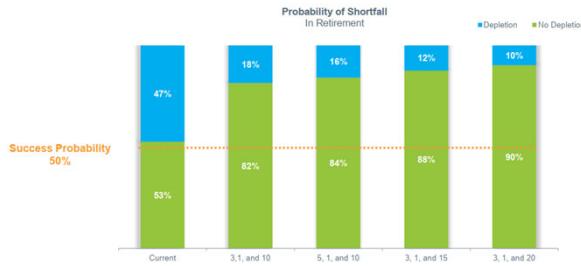


State of Illinois Deferred Compensation Plan – Research & Education to Support Auto-Features



Auto-Escalation Stochastic Analysis

- Illinois worked with RVK on a stochastic analysis, leveraging DC plan and pension data, to estimate income replacement rates and the probability of a participant experiencing a shortfall in retirement after saving through different auto-escalation programs.
- The analysis showed that significant improvements in replacement rates and shortfall risk can be achieved through auto-escalation, and that the “cap” is more impactful than the starting default rate.



Communications to Support Auto-Escalation

- Illinois worked with the DC Plan's recordkeeper, Empower, to design a communications campaign to supplement required regulatory communications.
- The communications emphasize the importance of saving through the DC plan and provide instructions should a participant decide to revise their deferral elections.



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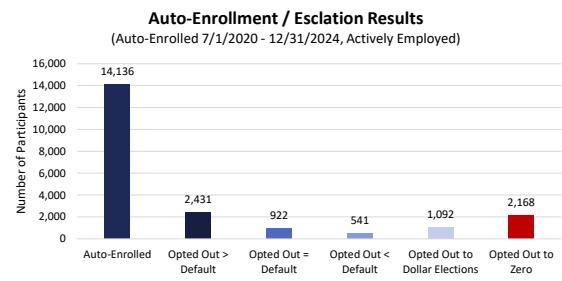
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State of Illinois Deferred Compensation Plan – Results & What's Next



Auto-Enrollment and Auto-Escalation Results

- Over 21,000 current employees have been subject to auto-enrollment since implementation, and almost 90% are still participating in the DC Plan. Prior to auto-enrollment, DC plan participation was ~30%.
- Over 95% of those saving are doing so at the default rate or higher (auto-escalated or affirmative election).
- 2025 saw the first cohort reach 6% of compensation, 96% of these participants remained auto-enrolled.



Auto-enrollment statistics provided by Empower.

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What's Next?

- Potential legislation to auto-enroll all employees, not just new hires.
- Periodic re-review of 3% initial default and 10% auto-escalation cap.
- Continued participant education on the value of saving in the DC plan, including use of percentage-based deferral elections.
- Continued assessment of participants' retirement readiness and review of solutions to help participants draw down assets in retirement.



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San Bernardino County's Auto Enrollment



Goal

Help employees close the gap between their current savings and their retirement income goals of the future through automatic enrollment in the 457(b) Plan

Challenges

- Live in a state with anti-wage garnishment laws
- Auto enrollment had to be negotiated separately for 25 bargaining units with 14 Memorandums of Understanding (MOU's)

How we overcame challenges

- Strong communication and legal groundwork
- Design features like:
 - 30-day-opt-out window
 - 90-day permissible withdrawal

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San Bernardino County's Auto Enrollment



Audience

Current and new hire employees in bargaining units that adopted automatic enrollment through signed Memorandums of Understanding (MOU's)

Call to Action

Go online to review your choices and learn why it's important to enroll

Materials

- Email
- Self-mailer
- Enrollment video
- Enrollment Supplement Confirmation Letter

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San Bernardino County's Auto Enrollment



Results

Plan participation rate increased from 55.4% to an **88.6% participation rate**, a nearly 60% increase

\$619 million starting assets in the 457(b) Plan grew to **\$1.3 billion** in plan assets since auto enrollment roll out

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