



**YOUR  
RETIREMENT**  
AT YOUR SERVICE.

**COUNTY OF  
SAN MATEO**



# NAGDCA Award Submission Plan Design & Administration

## County of San Mateo Deferred Compensation Plan

The goal of this project was to ensure retirement readiness for San Mateo County employees by increasing participation and salary deferral rates in the County of San Mateo Deferred Compensation Plan.

While San Mateo County employees do have a Defined Benefit Plan, we know that in order for participants to live comfortably at retirement, they must also save money from their own paychecks. Considering the rising cost of inflation, and increase in average life expectancy, the Defined Benefit Plan will simply not be enough to ensure people's financial security through retirement. Our goal was to help employees who, because of inertia or lack of understanding, aren't taking appropriate action to save.

**To that end, we implemented two new solutions — automatic enrollment and auto-escalate — with this plan.**

## Automatic Enrollment

The first new provision is an automatic enrollment for any employees currently not participating in the plan. In 2016, the plan instituted automatic enrollment for new hires. As a result of this change, plan participation rates have risen dramatically: from 62% in January 2016, to 82% as of January 2019.

### After automatic enrollment for new hires



However, since the automatic enrollment only applied to those hired after 2016, there is still a significant portion of the San Mateo County workforce not participating in the plan, and thus not saving enough for retirement. In order to reach employees hired before 2016, the County coordinated with key stakeholders to implement an automatic enrollment provision for current non-saving employees who work under three management groups and three collective bargaining agreements.

## Auto-Escalate

We also implemented an auto-escalate provision for current savers and those who will be automatically enrolled under the new automatic enrollment provision. Since 2016, the plan has been enrolling new participants at 1%. Though this is a great start, it is well below recommended savings rates. Financial experts generally recommend that people should save around 10% – 15% of salary to ensure financial security at and after retirement. With this in mind, we believed it was important to increase participant saving rates. In 2019, we implemented an auto-escalate provision of 1% each year, up to a maximum of 5% for employees who work under three management groups and three collective bargaining agreements.



**Auto-Escalate**  
**1%** each year  
with a max of **5%**

## Overcoming obstacles

California law currently prohibits automatic enrollment and auto-escalate for public sector employees, unless they are collectively bargained and agreed to during contract negotiations. In order to get approval to implement these solutions, we did an extensive amount of work to negotiate with 3 of the collective bargaining units that currently make up the County's workforce. We are still in negotiations with additional collective bargaining units, and hope to negotiate these new provisions for all County employees.

To get buy-in from the various entities, we showed how widely successful these types of plan provisions are. Since adopting automatic enrollment in 2016, the plan has seen only a 10% opt-out rate from employees who decide not to participate. By highlighting this information during our negotiations, it helped secure approval to move forward with the automatic enrollment and auto-escalate provisions.

We also timed the implementation of these new provisions to align with employee cost of living increases. This helps to ensure the overall impact to employees' paychecks is less palpable. This strategy was well received during contract negotiations.

## Measurable benefits

In 2019, we anticipate that approximately 1,243 employees, across three collective bargaining units and three management groups, will be impacted by the new automatic enrollment and auto-escalate provisions. Our current automatic enrollment program has a 10% opt-out rate; based on this, we project that approximately 90% of the County employees who are impacted by the new provisions will stay in the program.

Our estimated additional savings into the County's plan will be \$312,000 during 2019, and an estimated \$1,561,000 over the next five years (likely more as we continue contract negotiations and see more entities adopt these new provisions). To put this in context, the County's Deferred Compensation Plan deposits an average of \$1,162,000 on a bi-weekly basis and has approximately \$488,000,000 in plan assets.

**Estimated savings for  
San Mateo County**

**\$312,000**  
during the first year

**Estimated savings for  
San Mateo County**

**\$1,561,000**  
over five years

Beyond dollars and cents, this means that San Mateo county employees will be more prepared for their eventual retirement.

## Feasibility for use with public entities our size

We strive, year after year, to help our County employees reach their retirement goals. This challenges us to be innovative with the ways we bring new solutions forward to help employees prepare for their future.

We believe this type of engagement is feasible for public entities of similar size. There may be hurdles to overcome, especially for states with anti-wage garnishment laws, like California. However, we are proof it can be accomplished. Providing concrete data on the benefits of automatic enrollment and auto-escalate, along with timing the implementation with cost of living increases, may help achieve favorable outcomes if a plan needs to go through similar collective bargaining negotiations.

## Testimonial

“I personally think it’s a fantastic initiative to ensure County employees are [made] aware of their retirement savings with no action needed to enroll.”

**ALAN VELASQUEZ**

SAN MATEO COUNTY  
COUNCIL OF ENGINEERS