



PROJECT SUMMARY

One of the North Carolina Department of State Treasurer's (NC DST) primary missions is to help its public servants become "retirement ready." This mission was accomplished despite a challenging environment where new pension contribution legislation emerged. We proudly submit the work we did in 2019 in partnership with Prudential Retirement® for your consideration in the Plan Design & Administration category.

Plan Design Drives Outcomes

For employers, offering these valuable, but optional, supplemental retirement plans is a solid step in the right direction. Taking it to the next level involves voluntarily offering some form of employer contribution. Our experience and research have made it clear that when NC local employers offer a contribution, their plan participation rate is *nearly twice* the average participation rate of employers without a contribution, 75 percent versus 38 percent.*

Two Challenges We Faced in Boosting Employer Contribution Rates

2019: A Shifting Pension Landscape Put Employer Contribution Dollars at Risk

Effective July 1, 2019, the North Carolina legislature dictated that local employers had to increase their Local Governmental Employees' Retirement System (i.e., pension plan) contributions from 7.75 to 8.90 percent of reported compensation. (For law enforcement officers, this rate increased from 8.50 to 9.70 percent of reported compensation.) This put additional compression on employer contributions in a whole new way, making it increasingly difficult to not only add new employer contributions, but to maintain the existing ones as well.

Flexible Plan Design: A Double-Edged Sword

The plan design gives individual sub-employers the autonomy to choose from three employer contribution types (across-the-board, matching, and a combination of across-the-board and matching)—or to not contribute at all. In addition, the decision to contribute can be reconsidered because the funding is supported by local budgets. And, we can all appreciate the strain that is placed on them.

The NC DST emphasizes the importance of employer contributions *each year*. Consequently, the messaging must be reinvigorated, and the results closely monitored.

Nevertheless, in 2019, We Reached New Heights**

Despite the aforementioned challenges, 2019 was a particularly successful year, as we demonstrate here:

The # of unique employers that...	2014	2015	2016	2017	2018	2019
Offer an employer contribution	452	459	479	489	497	512

What these numbers really tell us

- The number of employers offering some type of contribution increased 3 percent on a year-over-year basis (from 2018 to 2019).
- Overall, the DST has seen a 13.3 percent increase in the number of employers offering their contributions—from 452 to 512—since 2014.

Looking at the bigger picture, the data in this chart emphasizes one critical fact: Our plan design has been paying dividends for years. Our 2019 results were not an aberration, but rather, evidence of an ongoing trend—and our continued success.

* Source: myNCRetirement Statement, 2019 data

** Source: Prudential Retirement 2019 Year-End Plan Data

JUSTIFICATION

Plan Design Flexibility Leads to Tough Choices

The supplemental retirement plans' design allows employers flexibility in deciding whether, and how much, to contribute to their employees, according to the economics-driven feasibility of making such a commitment. That can be a double-edged sword.

Since the pension plan increased employer contributions to nearly 9 percent of employees' reported compensation and nearly 10 percent for law enforcement, employer contributions funded by local budgets came under a whole new lens of scrutiny and never-before experienced pressure in 2019.

Our In-person Approach in 2019 Paid Dividends

So, in 2019, during budget referendum season, we decided to leverage that critical time frame and challenged our Retirement Education Counselors to ramp up their efforts to reinforce the value of employer contributions. Our counselors conducted one-on-one meetings with scores of individuals—to reiterate for those already offering contributions the value of that benefit, and to demonstrate to those municipal and local decision makers who were not yet offering that essential plan enhancement how critical employer contributions can be to retirement planning.

Two Key Messages Were Delivered

During their meetings, they used our “*Sound business reasons for offering an employer contribution*” flyer to share two key messages that demonstrate the advantages of offering employer contributions:

- 1) Employer contributions to the 401(k) are less expensive than pay increases; and
- 2) On average, those employers that offer an employer contribution have an enrollment level that is nearly two times higher than those that do not.

The Power of Competition

During these conversations, an employer contribution listing flyer was presented so employers could see what other employers in their area were providing. And as they compete for talent, this becomes an important talking point. In 2019, we updated this flyer twice to keep the listing current.

Fifteen New Employer Contributions in 2019

Due to the exceptional partnership between the Retirement Education Counselors and municipal and local decision makers, they not only preserved nearly all of the employer contributions already in place, but added 15 employers that are now making employer contributions to the supplemental retirement plans. We are extremely proud of this accomplishment.

But we do not plan to rest on our laurels. We will continue to make the changes we feel are necessary to encourage enrollments, which helps us to reach our goal of helping North Carolina's public employees become retirement ready.

The Stark Contrast Between Employers Offering Contributions—and Those That Don't

There is a reason why all of these efforts matter when it comes to the big picture. Of those employers making an employer contribution, **77 percent** of their employees are on track to be retirement ready—compared to **only 47 percent** of those employees who work for an employer that does not make an employer contribution.***

*** Source: myNCRetirement Statement, 2019 data

PLAN DESIGN & ADMINISTRATION CATEGORY

INCREASING AND MAINTAINING EMPLOYER CONTRIBUTIONS

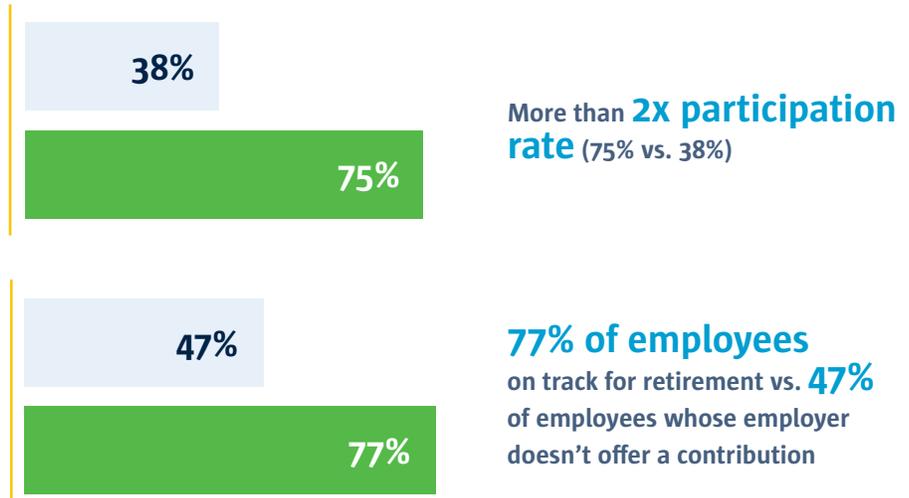
2014	452
2015	459
2016	479
2017	489
2018	497
2019	512



AN EMPLOYER CONTRIBUTION MAKES A SIGNIFICANT DIFFERENCE IN RETIREMENT OUTCOMES

A DIFFERENCE IN ENROLLMENT AND RETIREMENT READINESS

NC local employers who offer a contribution see (on average):



TWO CHALLENGES WE FACED

Working to overcome...

1. COMPETING FOR DOLLARS

2. PLAN DESIGN

Effective July 1st **mandatory pension contributions** increased **15%**

Flexibility is a double-edged sword because contributions can be **discontinued at any time**

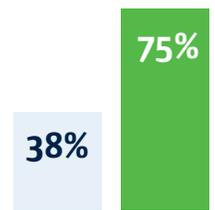
DEMONSTRATED THREE SOUND BUSINESS REASONS FOR EMPLOYER CONTRIBUTIONS

1



cost less than pay increases

2



led to **more than 2x enrollment** (75% vs. 38%)

3



are a major factor when **competing for talent**