

PROJECT SUMMARY: AUTOMATIC RETIREMENT READINESS

PLAN PROFILE

The Gwinnett County Retirement Program is managed by the Retirement Plans Management Committee (the “RPMC”) and includes a frozen defined benefit plan and the following two defined contribution plans:

1. **401(a) Defined Contribution Plan:** Employees hired January 1, 2007 (date the defined benefit plan was frozen) and later are automatically enrolled in the 401(a) Plan. Prior to July 1, 2021, participants chose one of three irrevocable participant contribution elections: 2.5%, 5%, or 7.5%. If no election was made, the employee’s contribution percentage was defaulted to 5%. Gwinnett County also contributes an additional 7% of eligible earnings to the employee’s 401(a) Plan account. As of December 31, 2021, 6,142 participants were in the 401(a) plan, holding \$393,339,701 in assets.
2. **457(b) Deferred Compensation Plan:** All employees are eligible to participate in the 457(b) Plan on a voluntary basis. Prior to July 1, 2021, employees hired after January 1, 2007 received a 1% supplemental matching contribution to the 401(a) Plan by contributing at least 2.5% to the 457(b) Plan. As of December 31, 2021, 7,307 participants were in the 457(b) Plan, holding \$303,109,680 in assets.

While not subject to ERISA, Gwinnett County elected to default participants to an age-corresponding target date fund, based on a retirement age of 65, in the event no investment election was made.

BACKGROUND INFORMATION

The RPMC worked with Voya Financial – provider for the 401(a) and 457(b) Plans – to conduct a data analytics study to help visualize key metrics and evaluate plan design opportunities.

The data analytics study viewed and compared participation rates, total contribution rates, and investment usage by employees participating in different retirement savings scenarios – frozen defined benefit, defined contribution, deferred compensation, and a combination of Plans.

The in-depth study was insightful showing a sizeable range in average, annual contribution rates depending on irrevocable election and whether or not an employee was taking full advantage of the match. It also reinforced the fundamentals of retirement planning: one of the most effective ways to build a retirement account is to save more – and the easiest way to do that is by starting early and increasing your contribution rate incrementally every year.

GOAL

A continuous goal of the RPMC is to drive retirement readiness among its employees, making it easy for people to maximize their benefit and feel secure about their financial future. With the insights gained from the data analytics study in mind, the decision was made to add automatic enrollment and automatic contribution escalation to the 457(b) Plan, restructure contribution rates to increase savings in both plans, and to add a second full-time local Retirement Education Specialist.

IN THEIR OWN WORDS

“Part of Gwinnett’s comprehensive compensation program includes our retirement contribution offerings and supplemental employer match. In order to assist employees in saving for their retirement, and to encourage proactive planning for their future, we implemented an automatic contribution increase program in 2021. This program was well-received by employees as it has removed some of the burden of financial planning while automating what would be a fiscally-sound investment approach to our employee’s benefit. This proactive financial approach is a key aspect of how we, as an organization, serve to exemplify the ‘Gwinnett Standard’ for our employees.”

PROJECT JUSTIFICATION

DETAILED DESCRIPTION OF THE PROJECT

ACTIONS TAKEN

The RPMC took the following significant actions in 2021 – all designed to drive retirement readiness among its employees, making it easy for people to maximize their benefit and feel secure about their financial future.

- Revised the irrevocable participant contribution election options to the 401(a) Plan by eliminating the lowest option of 2.5% for anyone hired or rehired on or after January 1, 2021. This gives employees a faster start by contributing at least 5% to the 401(a) Plan.
- Increased the minimum 457(b) Plan contribution from 2.5% to 3% in order to receive the 1% supplemental matching contribution to the 401(a) Plan effective July 30, 2021.
- Automatically increased the 457(b) Plan contribution rate to 3% for any participants currently contributing less than 3% effective July 30, 2021, in order to take advantage of the supplemental 1% matching contribution to the 401(a) Plan.
- Automatically enrolled eligible, non-participating employees into the 457(b) Plan at a 3% pre-tax contribution rate on July 1, 2021, taking advantage of a recent change to Georgia State Statutes allowing for automatic wage deduction and contribution escalation. The 3% default rate ensures they take advantage of the supplemental 1% matching contribution to the 401(a) Plan.
- Implemented automatic enrollment into the 457(b) Plan at a 3% contribution rate for all new hires starting on or after July 1, 2021.
- Implemented automatic contribution escalation for the 457(b) Plan effective July 30, 2021, increasing participant contributions 1% each year starting in 2022 until they reach 10%. Employees already contributing more than 10% to the 457(b) Plan were excluded from auto escalation.
- Added a second full-time, on-site Voya Retirement Education Specialist effective August 1, 2021, to meet with participants, helping them take control of their finances and feel more confident.

COMMUNICATING THE CHANGES

Recognizing that communications would have an impact on the overall success of the project, Gwinnett County identified three objectives for their change communications to employees and the key messages they should contain.

Objectives:

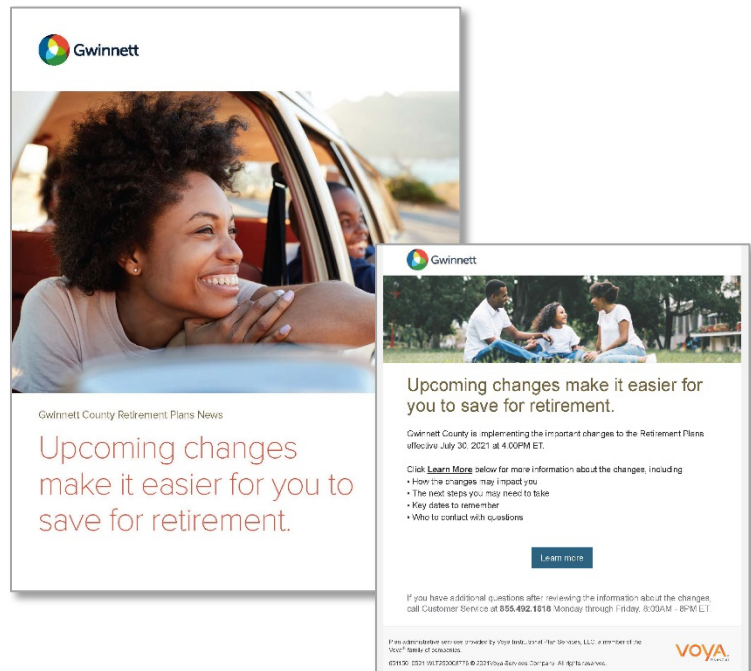
1. Help employees understand how and when the changes would happen.
2. Create an awareness of how the changes benefited the employees.
3. Minimize the number of employees opting out of the automated features.

Key Messages:

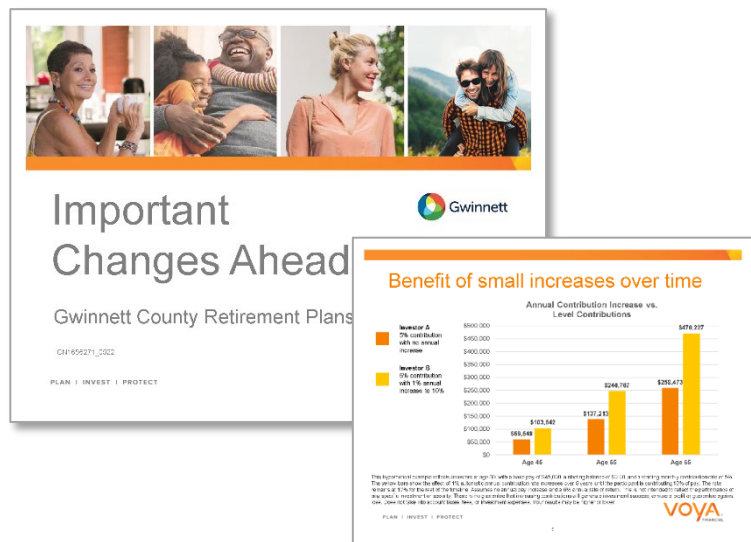
- The Gwinnett County Retirement Program is a valuable benefit with features designed to help you be financially prepared for retirement.
- Gwinnett County is enhancing the 401(a) and 457(b) Plan to help you take full advantage of those features by getting you started early, and keeping you on track with small, gradual steps.
- It's easy – no action on your part is required.

Communication components:

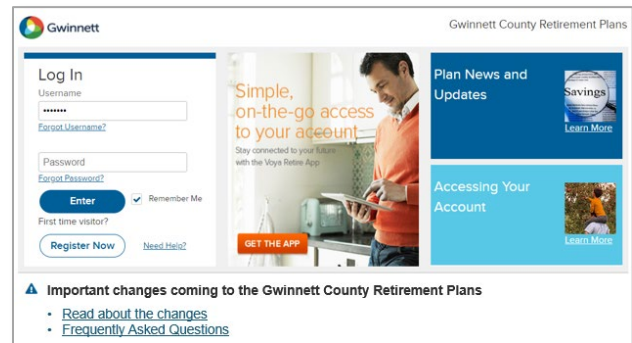
- **Newsletter**
Delivered via email and mail to participants in early June 2021. Communicated what was changing and when, the impact to the reader, and how to get any questions answered.



- **Informational Meetings**
A mix of virtual and in-person informational meetings were held in June of 2021. A recorded version was posted to the Gwinnett County intranet for those people who could not attend a live session.



- *Frequently Asked Questions*
A list of commonly asked questions and associated answers was created both for participant use, and for the reference of Voya's call center representatives to ensure the communication of accurate and consistent information.
- *Participant Web Post*
Copies of the Newsletter and Frequently Asked Questions were posted to the landing page of the participant website, GCRetire.com.



RESULTS

As a result of the actions taken by the RPMC in 2021:

- The overall participation rate in the 457(b) Plan increased from 82.8% to 97%.*
- Only 10.4% of non-participating employees opted out of automatic enrollment into the 457(b) Plan.*
- 88% of eligible employees are contributing at least 3% of salary to the 457(b) Plan and receiving the 1% supplemental matching contribution to the 401(a) Plan.* Prior to the changes, in the first quarter of 2021, 81% of eligible employees were contributing at least 2.5% of salary and receiving the supplemental matching contribution.
- 88% of employees are on track to contribute 10% to the 457(b) Plan with automatic contribution escalation.*
- As of July 1, 2021, newly hired employees start out with a combined contribution of *at least* 16% of salary to their retirement.**
- Employees now have greater access to one-on-one retirement counseling with the addition of a second full-time, onsite Retirement Education Specialist. Financial literacy and counseling can help employees improve their investment and retirement planning choices. Two representatives mean more coverage across the County, giving employees more frequent opportunities for personal account reviews and group educational meetings.

*Data as of August 15, 2021

**16% = 5% 401(a) employee + 7% 401(a) employer + 3% 457(b) employee + 1% 401(a) employer match

FEASIBILITY OF USE BY OTHER GOVERNEMENTS OF A SIMILAR SIZE

It's beneficial to review historical plan design decisions and the impact to participants in order to assess the ongoing effectiveness of plan-sponsored programs. The plan design and educational program actions taken by Gwinnett County can be implemented by other governmental sponsors (as long as state statutes allow for automatic wage deduction and contribution escalation), regardless of size.

As governmental employees become more responsible for their retirement income, the challenge is changing the perception that deferred compensation plans are voluntary. Plan design features like those implemented by Gwinnett County can help change the retirement outcomes of employees by getting them enrolled right away and putting them on the right track with small contribution rate increases over time – *automatically* – and the educational enhancements deployed can further support the needs as the employee migrates through the saving cycle during employment.