MONTEREY COUNTY DEFERRED Compensation Plan | Nationwide® is on your side

2026 NAGDCA Award Submission

Plan profile: Monterey County 457(b) Deferred Compensation Plan

Participants	Assets	Administrator	Consultant
5,200	$513M	Nationwide	Fiduciary Consulting Group

Submission Category: Plan Design & Administration

Initiative: Automatic Enrollment for Every New Hire

Plan Profile

- Plan type(s): Governmental 457(b) deferred compensation plan (Monterey County 457(b) Deferred Compensation Plan)
- Default features:
  - Automatic enrollment at 1% of pay for eligible employees who do not take action by their Automatic Enrollment Date
  - Automatic annual increase of 1% up to a 10% maximum deferral on anniversary date
  - Default investment alternative (DIA): Vanguard Target Retirement series, with participants mapped to an age-appropriate Vanguard Target Retirement Fund based on a target retirement age of 65

Background – Need and Problem Statement

Monterey County's workforce includes thousands of public servants across diverse bargaining units and departments. In 2024 and 2025, the County's deferred compensation committee started an initiative to meet with all bargaining units to determine interest in utilizing auto enrollment for all new hires. California falls under the anti-garnishment rules, thus necessitating union approval. Two bargaining units, CEMA and SEIU decided to opt in effective 7/1/2025 and 9/1/2025, respectively. Prior to this initiative, only about 20% of new hires chose to enroll in the County's 457(b) plan during their first year of employment. Many employees expressed good intentions to save "later", but competing financial priorities and the perceived complexity of investment decisions led to inertia and delayed participation.

At the same time, County leadership and labor partners recognized growing concern about long-term retirement readiness, especially for new employees who might rely heavily on their supplemental plan to complement pension benefits. The County needed a solution that would nudge employees into action while preserving choice, flexibility, and strong participant protections.

Goals – Intended Outcomes

The automatic enrollment initiative was designed to:

1. Significantly increase new-hire participation in the 457(b) plan, particularly during the first year of employment.
2. Normalize saving as a default behavior—making enrollment the "easy" choice while ensuring simple opt-out for those who prefer not to participate.
3. Improve long-term retirement readiness by combining automatic enrollment with automatic increases, encouraging employees to raise their contributions over time.
4. Streamline operations for the County and its industry partner by creating a consistent, rules-based enrollment framework that reduces manual processing and follow-up.
5. Create a scalable model that could be adopted by other public sector plans of similar size and complexity.

Written Justification

Monterey County, in partnership with Nationwide, implemented an automatic enrollment and automatic increase framework within the Monterey County 457(b) Deferred Compensation Plan. Key design elements include:

- Automatic Enrollment Feature
  - Eligible employees are assigned an Automatic Enrollment Date based on plan provisions and payroll cycles.

    - If an employee does not take affirmative action by that date, they are automatically enrolled at a 1% deferral rate, which is contributed to their 457(b) account on a pre-tax basis.
    - Participants retain full flexibility to opt out or change their contribution rate—including to 0%—at any time, subject to applicable timing rules.

- Automatic Increase Feature
    - Once enrolled, participants are subject to an annual 1% automatic increase in their contribution rate, up to a 10% maximum deferral.
    - The feature is applied only when three conditions are met:
        - The participant is automatically enrolled or already contributing at or above the minimum deferral.
        - Their current deferral is below the plan's maximum deferral.
        - The scheduled increase will not push them above the maximum; in that case, the contribution is simply raised to the cap.
    - Participants can opt out of automatic increases or elect a different deferral (including 0%) at any time.
- Default Investment Alternative (DIA) and Investment Options
    - For participants who do not provide investment direction, contributions are invested in the plan's Default Investment Alternative, the Vanguard Target Retirement Fund series, matched to the participant's date of birth and a target retirement age of 65.
    - Participants may change their investments at any time, including exchanging out of the DIA without additional fees within the 90-day initial window following their first contribution to the default fund.
- Participant Protections and Flexibility
    - Clear opt-out and change-election rights are emphasized:
        - Participants can opt out of automatic enrollment or automatic increases, or set a deferral of 0%, online or by phone.
        - Within 90 days of the first automatic deferral, participants may request a return of automatic contributions and earnings, paying only income tax (no additional 10% early withdrawal tax).
    - These protections are thoroughly described in participant communications, ensuring employees understand that the program is designed to help them, not lock them in.

Timeline and Implementation

- Pre-Implementation (Prior Plan Year)
    - New-hire enrollment rate was approximately 20%, based on the proportion of eligible new hires who elected to participate in the 457(b) plan within their first year.
    - The County, unions, and Nationwide analyzed participation patterns by bargaining group and department, identifying pockets of particularly low enrollment.
- Plan Design and Stakeholder Engagement
    - The County's Benefits and Human Resources teams collaborated with Nationwide to model the impact of various default deferral rates and increase schedules.
    - Labor representatives were engaged early to ensure alignment with bargaining agreements and to build shared understanding that automatic enrollment is a benefit enhancement, not a mandate.
    - The County selected a conservative default contribution rate (1%) to encourage broad acceptance, with the automatic increase feature serving as a mechanism to help employees grow their savings over time.
- Communication Development
    - Nationwide and the County co-developed a comprehensive communication package, including:
        - Personalized automatic enrollment notices (such as the "Auto Quarterly" notification) explaining the plan's automatic enrollment, automatic increase, DIA, and participant rights.
        - Clear instructions directing employees to online tools and a dedicated service center (website and 877 phone line) for elections, changes, and additional information.
        - Messaging that positioned the program as supportive, flexible, and employee-centric, emphasizing that doing nothing results in enrollment, but opting out is straightforward.
- Go-Live and Ongoing Operations
    - Automatic enrollment launched for new hires, with eligibility and entry dates coordinated with payroll and HR systems by bargaining group.
    - The County and Nationwide implemented ongoing quarterly and annual reviews of:
        - New-hire cohorts by department and bargaining unit.
        - Automatic enrollment statuses (auto enrolled, affirmative election, opted out).
        - Contribution changes, including participants who increased above the default or shifted to fixed-dollar contributions.

Significance to Plan Operations

The initiative has yielded important operational improvements:

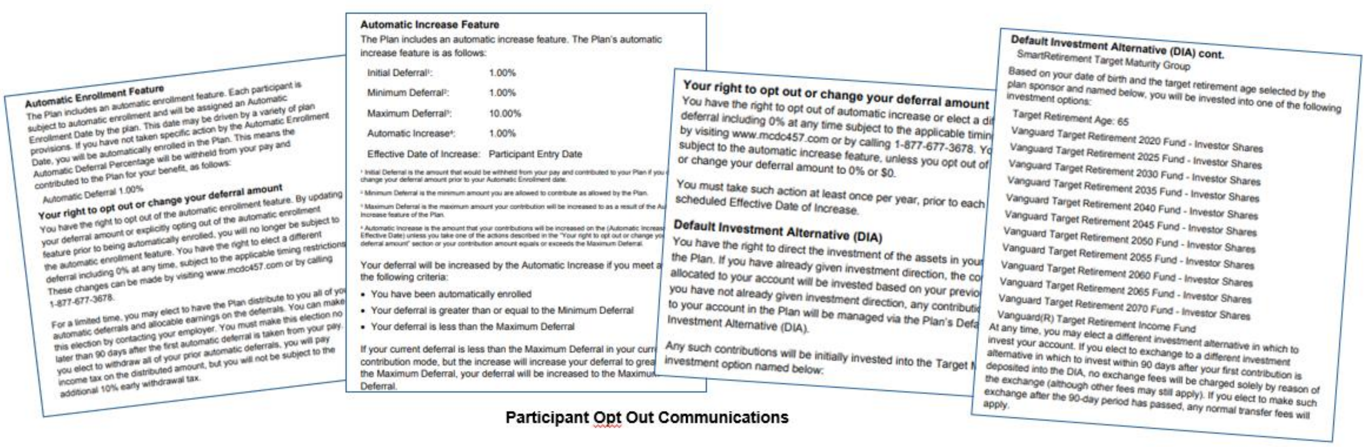
- Standardized Enrollment Process:
  Automatic rules now govern the majority of new-hire enrollments, reducing reliance on manual forms and follow-up.
- Streamlined Participant Support:
  With a consistent enrollment framework, the County's staff and Nationwide's call center can deliver clear, repeatable guidance to employees, improving service quality and reducing confusion.
- Better Data for Management and Governance:
  Dedicated "Auto Enrollment" and "Summary" reporting—by department and bargaining group—gives the County insight into where adoption is strongest, where opt-out rates are higher, and how behavior changes over time. This supports continuous improvement and targeted outreach.
- Alignment with Industry Best Practices:
  The structure of the program (auto-enroll, auto-increase, age-appropriate target-date DIA, clear opt-out) mirrors recognized best practices in defined contribution plan design, positioning Monterey County as a leader among public sector sponsors.

Participant Communications and Experience

The Auto Quarterly notification and related communications are central to the participant experience. They:

- Explain the plan and features in plain language, including:
  - The plan name and that it is an employer-sponsored 457(b) deferred compensation plan.
  - The automatic enrollment and automatic increase features, and default deferral levels.
  - Participants' rights to direct investments or remain in the DIA.
- Highlight key choices and deadlines, such as:
  - How to opt out or change deferral rates before the Automatic Enrollment Date.
  - The 90-day window to request a return of automatic deferrals.
  - How to access the www.mcdc457.com website and call center for help.
- Reinforce help and support, clearly stating that specialists are available extended hours to answer questions about investment options, fee disclosures, and plan features.

This communication strategy reduces anxiety for new hires, respects participant autonomy, and underscores that automatic enrollment is a supportive default, not an irreversible commitment.



Automatic Enrollment Feature
The Plan includes an automatic enrollment feature. Each participant is subject to automatic enrollment and will be assigned an Automatic Enrollment Date by the plan. This date may be driven by a variety of plan provisions. If you have not taken specific action by the Automatic Enrollment Date, you will be automatically enrolled in the Plan. This means the Automatic Deferral Percentage will be withheld from your pay and contributed to the Plan for your benefit, as follows:

Automatic Deferral 1.00%

Your right to opt out or change your deferral amount
You have the right to opt out of the automatic enrollment feature. By updating your deferral amount or explicitly opting out of the automatic enrollment feature prior to being automatically enrolled, you will no longer be subject to the automatic enrollment feature. You have the right to elect a different deferral including 0% at any time, subject to the applicable timing restrictions. These changes can be made by visiting www.mcdc457.com or by calling 1-877-677-3678.

For a limited time, you may elect to have the Plan distribute to you all of yo[ur] automatic deferrals and allocable earnings on the deferrals. You can make this election by contacting your employer. You must make this election no later than 90 days after the first automatic deferral is taken from your pay. [If] you elect to withdraw all of your prior automatic deferrals, you will pay income tax on the distributed amount, but you will not be subject to the additional 10% early withdrawal tax.

Automatic Increase Feature
The Plan includes an automatic increase feature. The Plan's automatic increase feature is as follows:

Initial Deferral[1]:	1.00%
Minimum Deferral[2]:	1.00%
Maximum Deferral[3]:	10.00%
Automatic Increase[4]:	1.00%
Effective Date of Increase:	Participant Entry Date

[1] Initial Deferral is the amount that would be withheld from your pay and contributed to your Plan if you change your deferral amount prior to your Automatic Enrollment date.
[2] Minimum Deferral is the minimum amount you are allowed to contribute as allowed by the Plan.
[3] Maximum Deferral is the maximum amount your contribution will be increased to as a result of the Au[tomatic] Increase feature of the Plan.
[4] Automatic Increase is the amount that your contributions will be increased on the (Automatic Increase Effective Date) unless you take one of the actions described in the "Your right to opt out or change yo[ur] deferral amount" section or your contribution amount equals or exceeds the Maximum Deferral.

Your deferral will be increased by the Automatic Increase if you meet a[ll] the following criteria:

- You have been automatically enrolled
- Your deferral is greater than or equal to the Minimum Deferral
- Your deferral is less than the Maximum Deferral

If your current deferral is less than the Maximum Deferral in your curr[ent] contribution mode, but the increase will increase your deferral to grea[ter than] the Maximum Deferral, your deferral will be increased to the Maximum Deferral.

Your right to opt out or change your deferral amount
You have the right to opt out of automatic increase or elect a di[fferent] deferral including 0% at any time subject to the applicable timin[g] by visiting www.mcdc457.com or by calling 1-877-677-3678. Yo[u] subject to the automatic increase feature, unless you opt out of or change your deferral amount to 0% or $0.

You must take such action at least once per year, prior to each scheduled Effective Date of Increase.

Default Investment Alternative (DIA)
You have the right to direct the investment of the assets in you[r] the Plan. If you have already given investment direction, the co[ntributions] allocated to your account will be invested based on your previo[us] you have not already given investment direction, any contributi[ons] to your account in the Plan will be managed via the Plan's Defa[ult] Investment Alternative (DIA).

Any such contributions will be initially invested into the Target M[aturity] investment option named below:

Default Investment Alternative (DIA) cont.
SmartRetirement Target Maturity Group

Based on your date of birth and the target retirement age selected by the plan sponsor and named below, you will be invested into one of the following investment options:

Target Retirement Age: 65

Vanguard Target Retirement 2020 Fund - Investor Shares
Vanguard Target Retirement 2025 Fund - Investor Shares
Vanguard Target Retirement 2030 Fund - Investor Shares
Vanguard Target Retirement 2035 Fund - Investor Shares
Vanguard Target Retirement 2040 Fund - Investor Shares
Vanguard Target Retirement 2045 Fund - Investor Shares
Vanguard Target Retirement 2050 Fund - Investor Shares
Vanguard Target Retirement 2055 Fund - Investor Shares
Vanguard Target Retirement 2060 Fund - Investor Shares
Vanguard Target Retirement 2065 Fund - Investor Shares
Vanguard Target Retirement 2070 Fund - Investor Shares
Vanguard(R) Target Retirement Income Fund

At any time, you may elect a different investment alternative in which to invest your account. If you elect to exchange to a different investment alternative in which to invest within 90 days after your first contribution is deposited into the DIA, no exchange fees will be charged solely by reason of the exchange (although other fees may still apply). If you elect to make such exchange after the 90-day period has passed, any normal transfer fees will apply.

Participant Opt Out Communications

Results – Key Outcomes and Measurable Benefits

New-Hire Participation Impact
Following implementation:

- Among a defined cohort of 70 eligible new hires (excluding those hired within the most recent 30 days who had not yet reached their automatic enrollment date):

    - 53 remained enrolled and contributing through automatic enrollment and/or subsequent contribution changes.
    - 8 chose to opt out of participation.
    - Several participants proactively increased their contribution rates above the default 1% or shifted to fixed-dollar contributions.

Monterey County's first automatic enrollment cohort included 70 newly eligible employees, with 53 (76%) automatically enrolled and remaining in the plan and only 8 (11%) opting out, while 6 (9%) shifted to a fixed-dollar contribution and 3 (4%) proactively increased their deferral rate above the default. The campaign reached 17 departments, with particularly strong participation in Health (13 of 15 enrolled), NMC (12 of 12), Social Services (8 of 11), PWFP (4 of 4), Emergency Communications (3 of 7), and County Admin, Human Resources, Library, Probation, Public Defender, Treas/Tax Coll, and Ag Commissioner (all 100% of eligible new hires enrolled)—demonstrating broad impact across both public safety and general government functions.

By union, auto enrollment captured 79% of SEIU-represented new hires (49 of 62), 40% of CEMA members (2 of 5), and 67% of unrepresented employees (2 of 3), showing that the default design resonated across bargaining groups while still respecting opt-out choice. By age, the program was especially effective with younger and mid-career employees: 85% of those under age 30 (17 of 20) and 64% of those ages 30–39 (18 of 28) stayed enrolled, while 100% of employees ages 40–49 and over 60 (15 total) remained in the plan and 43% of those 50–59 (3 of 7) stayed enrolled. Together, these results show that Monterey County's auto enrollment initiative is driving broad, equitable participation and early positive savings behavior across departments, unions, and age group.

Plan-Level Strength and Engagement

The initiative operates within a robust, growing retirement program:

- The Monterey County 457(b) plan holds approximately $513 million in assets across more than 5,200 participants with balances, demonstrating substantial participant engagement and long-term saving behavior.
- Automatic enrollment and automatic increases reinforce this strength by capturing new cohorts of savers every year, building on the existing base.

Operational Efficiency and Member Experience

- Reduced manual enrollment workload for County staff, as most new hires follow a consistent, automated path into the plan.
- Fewer missed opportunities: employees who might not find time to complete enrollment forms now enter the plan by default and can later refine their contribution and investment strategy at their convenience.
- Improved data reporting, via dedicated Auto Enrollment and Summary views, gives the County the ability to:
    - Track adoption and opt-out rates by department and bargaining group.
    - Identify where targeted education (e.g., around the 90-day withdrawal window or investment options) could further improve outcomes.

Participant-Level Benefits

- New hires start saving earlier, gaining the advantage of compounding over a longer horizon.
- The combination of small, manageable initial deferrals and automatic annual increases supports gradual, sustainable behavior change rather than requiring large, immediate commitment.
- Those who are not ready to save can easily opt out or reduce contributions, preserving individual choice while maintaining the program's strong default.

Feasibility for Other Governments of Similar Size

Monterey County's automatic enrollment initiative was intentionally designed to be replicable for other public sector employers:

1. Standard Plan Architecture:
    - Uses a widely available governmental 457(b) plan structure with familiar features (auto-enroll, auto-increase, target-date DIA).
    - Relies on industry-standard recordkeeping capabilities provided by Nationwide and similar providers.
2. Flexible, Bargaining-Friendly Design:
    - Defaults and timing can be customized by bargaining group and department, allowing other jurisdictions to adapt the program to their own labor environment.
    - Communications emphasize choice and flexibility, making it easier to build consensus with unions and employee groups.
3. Scalable Communications Template:

  - The Auto Quarterly notification and related materials provide a proven communication blueprint that can be adapted with minimal customization (dates, URLs, plan name, and local contact details).
  - The emphasis on clear opt-out rights, investment information, and accessible help is universally applicable.
4. Data-Driven Governance:
  - The reporting structure—summary views by department, auto-enrollment cohorts, and status tracking—relies on data elements (hire date, entry date, status codes) that are common in most modern HRIS and recordkeeping systems.
  - Other governments can replicate the County's approach by defining their own "Grand Total," "Auto Enrolled," and "Opted Out" metrics across similar cohorts.
5. Resource Requirements Within Reach:
  - Implementation did not require large internal IT development; instead, it leveraged existing recordkeeper capabilities, modest HR/payroll coordination, and focused staff and partner effort on plan design and communication.
  - As a result, counties and municipalities of comparable size can reasonably adopt a similar approach without adding significant permanent staff or custom technology.

By pairing thoughtful default design with robust participant protections, clear communications, and strong industry partnership, Monterey County has created an automatic enrollment initiative that substantially improves retirement readiness for new hires, enhances plan operations, and offers a practical, scalable model for public sector plans across the country.

Commentary – Plan Sponsor Quote

"Monterey County believes it is essential for employees to begin saving for retirement as soon as they join our unions. Automatic enrollment, along with annual contribution increases, is a key tool in supporting employees as they invest in their financial futures. Our program has proven highly successful in helping achieve these goals." - Sandra Ontiveros, 457 Deferred Compensation Committee Member