



**MILWAUKEE
COUNTY**457

Bringing Financial Security to Milwaukee County Employees

Milwaukee County Select Committee on Deferred Compensation

August 2023

Select Committee Members: Erika Bronikowski, Steve Cady, Jennifer Folliard, Joe Lamers, and Judd Taback



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Milwaukee County 457(b) Deferred Compensation Plan

What is a 457(b) deferred compensation plan?

- Employer-sponsored retirement plan created in 1978 under Section 457(b) of the Internal Revenue Code
 - Different from 401(k), 403(b), 401(a) and Individual Retirement Accounts (IRAs)
 - Similar to a 401(k) but for public sector employees
- Contributions through salary deduction
- No early withdrawal penalty prior to age 59 ½
- Contribution limits apply as determined by the IRS
- Plans are responsible for maintaining plan documents, investment policy statements and keeping up-to-date with IRS regulations and state laws
- Recordkeepers provide support to plan sponsors and education to plan participants
 - Empower is largest retirement services provider in the government space¹
 - \$1.3T+ plan assets administered in total²
 - 17M+ participants²
 - 71,000 total plans²
 - 23 Best-in-class awards³

¹ Pensions & Investments DC Recordkeeper Survey 2022, as of September 2021.

² As of December 31, 2022. Information refers to all retirement business of Empower Annuity Insurance Company of America (EAICA) and its subsidiaries, including Empower Retirement, LLC; Empower Life & Annuity Insurance Company of New York (ELAINY); and Empower Annuity Insurance Company (EAIC), marketed under the Empower brand. EAICA's consolidated total assets under administration (AUA) were \$1,324.8B. AUA is a non-GAAP measure and does not reflect the financial stability or strength of a company. EAICA's statutory assets total \$75.3B and liabilities total \$71.8B. ELAINY's statutory assets total \$7.2B and liabilities total \$6.9. EAIC's statutory assets total \$83.4B and liabilities total \$81.9B.

³ 2022 PLANSPONSOR Defined Contribution Survey, January 2023.

Milwaukee County's 457(b) deferred compensation plan (MC457)

- County Plan established in 1984
- Over 4,000 participants with an account balance
 - includes current, separated and retired employees
- \$391M in participant assets
- Empower is the recordkeeper
- R.V. Kuhns and Associates, Inc. (“RVK”) is the investment consultant
 - Monitor investment policy statement and all investments in the plan
- Dollars are held in trust for the benefit of the participants and their beneficiaries; not publicly funded
- Participants pay the cost to operate the Plan

Milwaukee County's 457(b) deferred compensation plan (MC457)

- Plan has low participant administrative fees
- Save up to \$22,500 in 2023, plus an extra \$7,500 if you're age 50 or older.
- Participants select their own investments from fund line-up, including target date funds and a managed account service
- Easily access your account at www.milwaukeecounty457.com or call center
- 1% of salary contribution minimum
 - Before-tax and/or Roth (post-tax)
- Two full-time Retirement Plan Advisors from Empower are onsite
 - Meet virtually and in-person exclusively with County employees
- Empower call center located in downtown Milwaukee



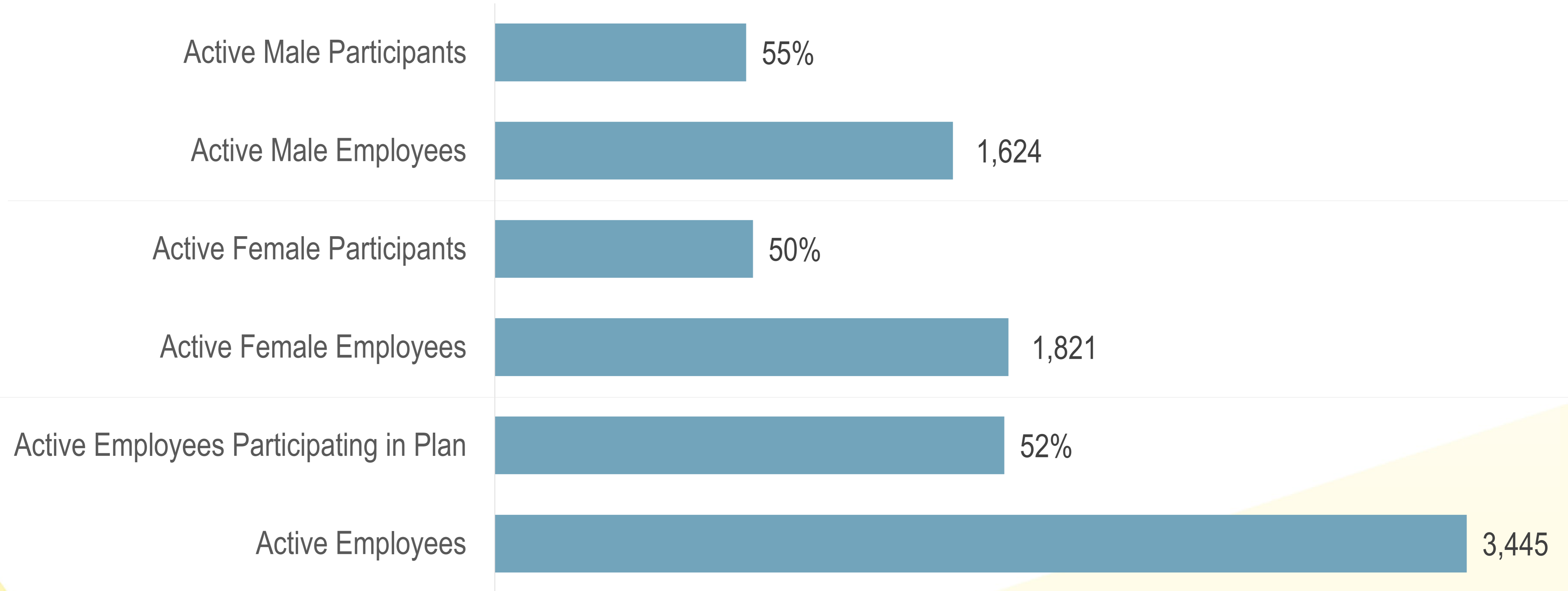
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Financial Wellness and Racial Equity at Milwaukee County

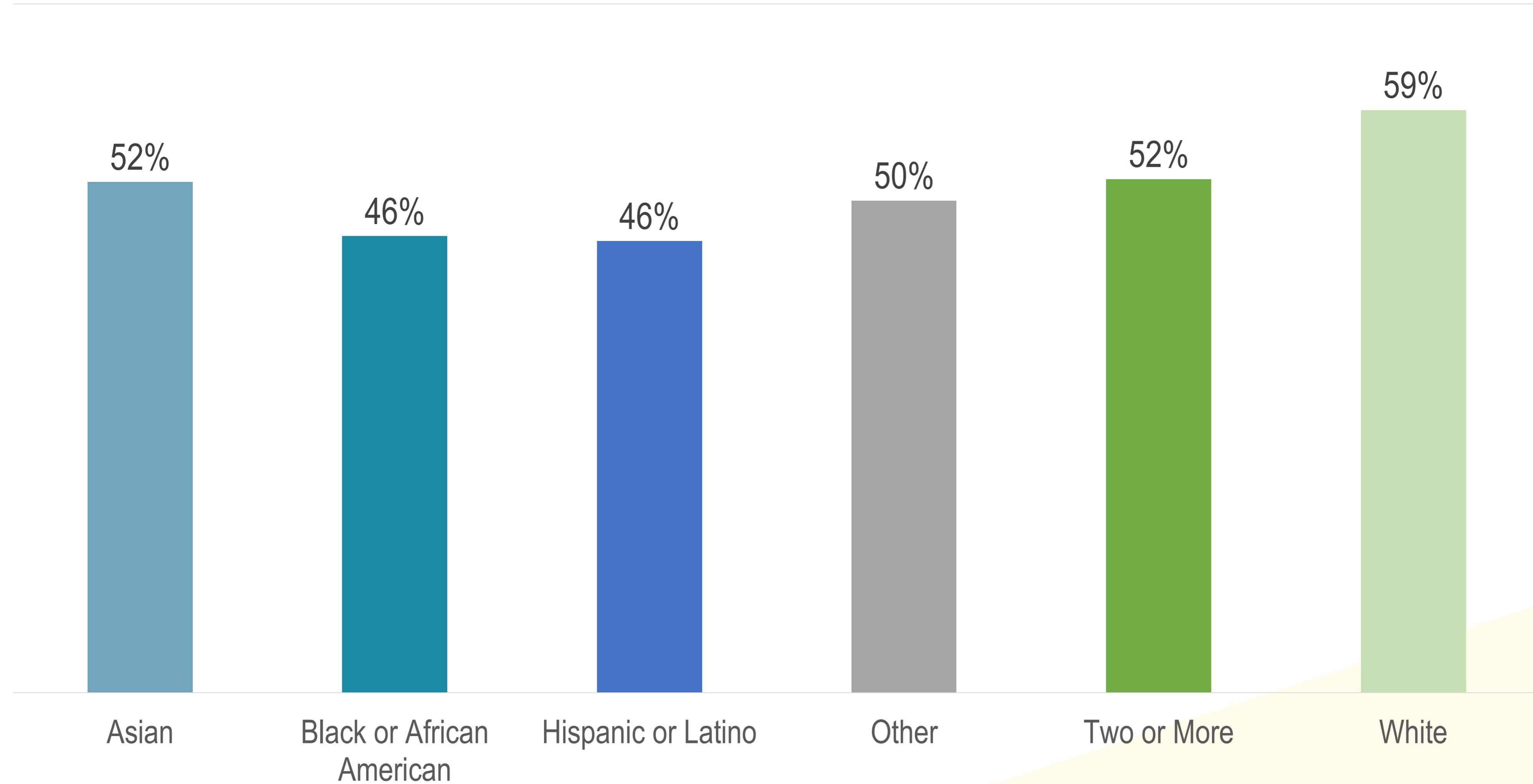
Financial Wellness at Milwaukee County Today

(Figures exclude seasonals)

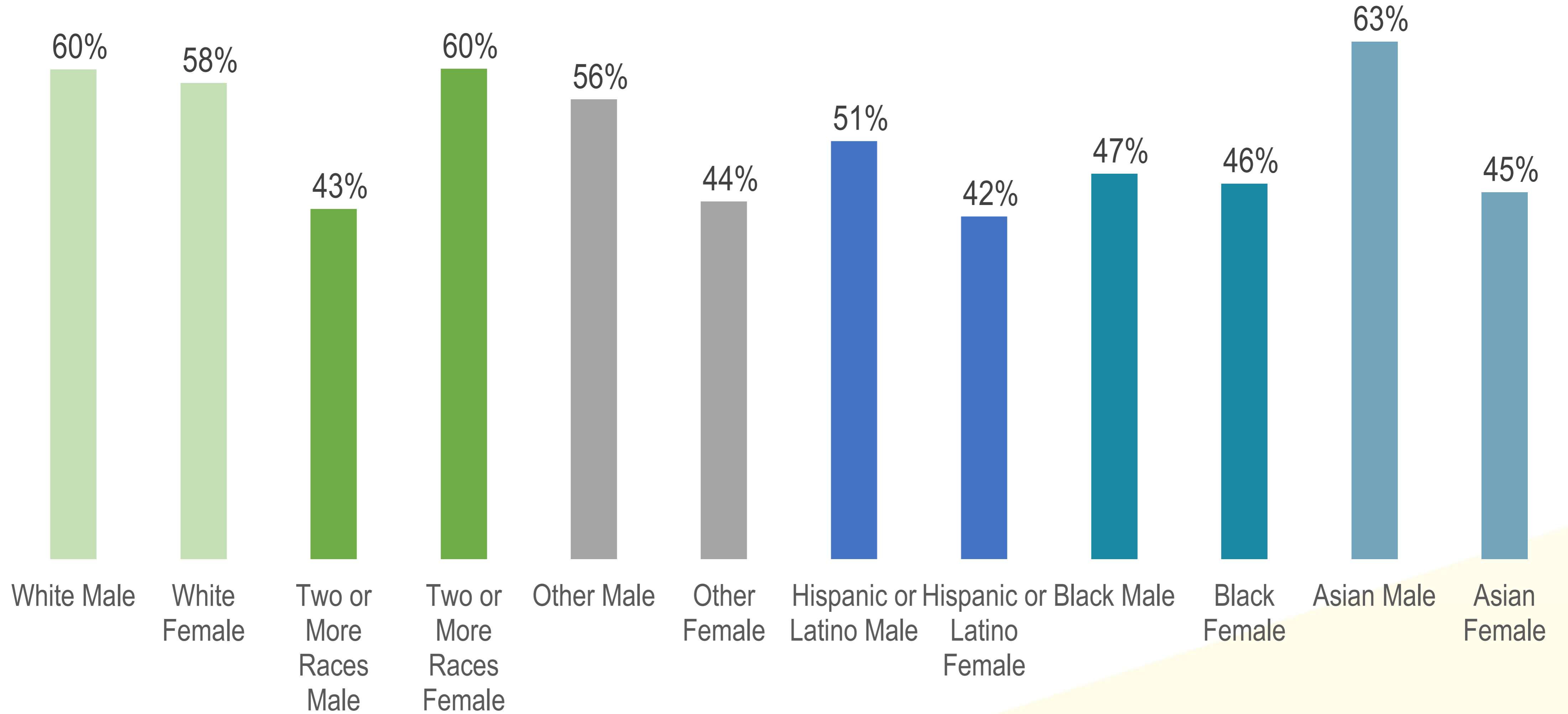
Overall 457(b) Plan Participation by Gender



Racial Equity – 457(b) Plan Participation Rate by Race



Racial Equity – 457(b) Plan Participation by Race and Gender



"Other" meaning 30 participants of American Indian/Alaska Native/Hawaiian/Pacific Islander descent



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City of Milwaukee's Auto Enrollment Experience

City of Milwaukee achieved greater racial equity with the use of automatic enrollment beginning in 2016



- The City's 457(b)(b) deferred compensation plan underwent significant plan enhancements including automatic enrollment in 2016.
- Between Q4 2016 and Q4 2021:
 - Participation among women in the plan jumped from 66% to 89%
 - The average deferral rate among women rose from 5% to 6.3%
 - Black employees' participation grew from 62% to 87%
 - The average deferral rate increased from 4% to 5.6%
 - Latino employees' participation improved from 69% to 87%
 - The average deferral rate advanced from 5.1% to 7%

The City of Milwaukee has an overall participation rate of 89% compared to 52% for the County largely due to the implementation of automatic enrollment in 2016. This results in better retirement outcomes, on balance, for City workers.



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Automatic Enrollment Proposed to Start in 2024

What is automatic enrollment?

- Anyone contributing less than 3% would be automatically enrolled into the MC457 plan at 3% unless they opt out
 - New hires would be automatically enrolled at 3% unless they opt out
 - On an annual basis, with the option to opt out, anyone contributing 0 to 2% will automatically be enrolled at 3%
- Annual increases (aka auto escalate) of 1% up to 7% would take effect on their anniversary automatic enrollment date with the County unless they opt out
- 60-day opt-out period
- 90-day permissible withdrawal (90 days from date of deposit)
- Contributions are invested in the default investment option (Vanguard target date funds) until the participant chooses to direct their allocations otherwise

Who will be automatically enrolled?

- All employees of Milwaukee County **except**:
 - Seasonal, Hourly, and Intern positions that are not fringe benefit eligible. (They still may participate in the 457 Plan)
 - Represented employees, including:
 - Association of Milwaukee County Attorneys (AMCA)
 - International Association of Fire Fighters (IAFF)
 - Milwaukee Building and Construction Trades Council (MBTC)
 - Milwaukee Deputy Sheriffs' Association (MDSA)
 - Technicians, Engineers and Architects of Milwaukee County (TEAMCO)

The employee experience

- Existing employees:
 - Receive notification that they're being auto-enrolled by November 13
 - Have until January 18, 2024 to opt out (Providing a 60-day opt out period)
 - On January 19, Empower would send a file to the County including anyone who has not opted out
 - The County would begin contributions with the January 26, 2024 paycheck
 - The participant would have up to 90 days from January 26 to request a withdrawal of auto-enrolled dollars if they missed the opt out period

The employee experience (cont.)

- New Hire example:
 - Hired on February 1, 2024
 - Issued a notification on February 7 that they're being auto-enrolled
 - They'd have until April 7 to opt out (Providing a 60-day opt out period)
 - The County would begin employee payroll contributions on April 19
 - The participant would have up to 90 days from April 19 to request a withdrawal of auto-enrolled dollars if they missed the opt out period
- Contribution Escalations beginning in 2025
 - Annual notice of auto-escalation ahead of auto-enroll anniversary date sent to those contributing less than 3%
 - Deferral change would take effect at least 60 days from notification date

Why automatic enrollment for Milwaukee County?

We want to achieve greater racial equity and close the gaps in financial disparity at Milwaukee County

- Beginning in 2025, all new 401(k) and 403(b) plans established after the enactment of SECURE 2.0 (12/29/22) will be required to automatically enroll new hires at a contribution rate of 3 to 10%
 - An annual increase of 1% will also be required until the contribution rate reaches 10 to 15%
- Many financial professionals say employees need about 80% of their pre-retirement earnings to comfortably maintain their pre-retirement standard of living.*
 - Milwaukee County's pension may cover approximately 16% of pay for every 10 years of service
 - Social Security may replace approximately 20% to 45% depending on earnings
 - Personal savings like 457(b) assets need to make up the rest

Why automatic enrollment for Milwaukee County? (Cont.)

We want to achieve greater racial and gender equity and close the gaps in financial disparity at Milwaukee County

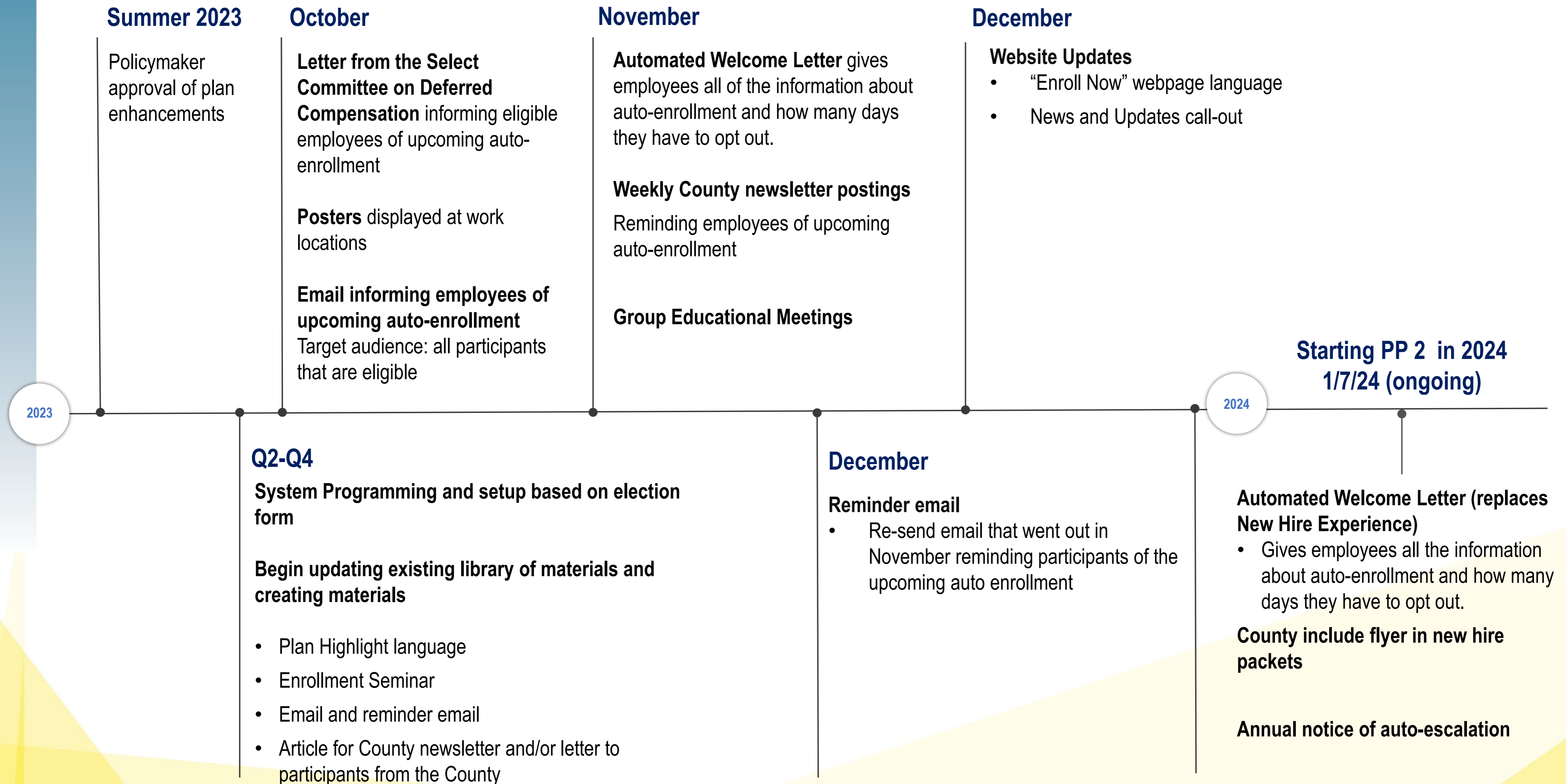
- Only 50% of the County's female employees are participating in the 457(b) plan compared to 55% of male employees
- There is a 13% participation disparity within the 457(b) plan as 46% of Black and Hispanic/Latino employees are saving in the 457(b) plan compared to 59% of white employees



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Proposed Rollout of Automatic Enrollment

Automatic Enrollment Communication Timeline





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THANK
YOU