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5 **A RESOLUTION**
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7 From the Select Committee on Deferred Compensation, requesting authorization
8 to implement automatic enrollment and automatic escalation into the County's 457(b)
9 Deferred Compensation Plan for most employees beginning in 2024
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12 WHEREAS, the Select Committee on Deferred Compensation ("Select
13 Committee") was established by the County Board of Supervisors to administer the
14 County's voluntary 457(b) retirement plan for the benefit of participants, including active
15 and separated employees; and
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17 WHEREAS, the Select Committee is requesting policymaker approval to enact
18 an automatic enrollment and automatic escalation provision in the County's 457(b)
19 Deferred Compensation plan for most employees, with the ability to opt out, effective
20 pay period two 2024, beginning January 7, 2024; and
21

22 WHEREAS, the Milwaukee County 457(b) Plan of Deferred Compensation
23 ("Plan") was created in 1984 to provide a voluntary, supplemental vehicle for employees
24 to save for retirement and is similar to other participant-directed defined contribution
25 retirement plans, such as a 401(k) plan, but is geared toward public sector employees;
26 and
27

28 WHEREAS, the Plan is 100% employee funded and administered through
29 participant fees and is governed by the Internal Revenue Code, including limits on
30 annual contributions, and administered to comply with applicable laws and regulations;
31 and
32

33 WHEREAS, the Milwaukee County Plan has an overall participation rate of
34 approximately 52% of active employees (excluding seasonals), which includes 55% of
35 males and 50% of females resulting in a gender disparity; and
36

37 WHEREAS, Black or African American and Hispanic or Latino employees
38 participate in the Plan at a rate of 46%, compared to 59% for white employees, resulting
39 in racial disparities; and
40

41 WHEREAS, automatic enrollment ("auto-enrollment") and automatic escalation
42 ("auto-escalation") are retirement plan features that are becoming increasingly common,
43 even mandated for some new plans, as employers encourage and help employees to

44 accumulate retirement savings; and

45

46 WHEREAS, auto-enrollment allows an employer to automatically deduct elective
47 deferrals from an employee's wages unless the employee makes an election not to
48 contribute or to contribute a different amount, while auto-escalation automatically
49 increases an employee's deferral rates to their retirement savings at set intervals until it
50 hits a certain salary contribution rate; and

51

52 WHEREAS, the employee **always** has the opportunity to decline the enrollment
53 or deferral escalation by opting out within a defined period; and

54

55 WHEREAS, the Select Committee is recommending Milwaukee County authorize
56 auto-enroll and auto-escalation features for the 457(b) Plan of Deferred Compensation
57 beginning in 2024 to include:

58

- 59 ✓ Auto-enroll current and new employees into the Plan at a deferral rate of 3% of
60 salary. This includes employees not participating in the Plan or currently
61 contributing less than 3% of pay
- 62
- 63 ✓ Annually, re-enroll employees contributing zero to 2% at the 3% amount
- 64
- 65 ✓ Auto-escalate deferrals by 1% of salary each year beginning in January 2025 on
66 the employee's auto-enroll anniversary date to a maximum of 6%. These dates
67 will vary depending on date of hire
- 68
- 69 ✓ Provide a 60-day opt out period for employees to decline the auto-enrollment into
70 the Plan or auto-escalation of deferrals
- 71
- 72 ✓ Provide a 90-day permissible withdrawal from date of deposit of any deferrals
73 that were made through auto-enrollment or auto-escalation which the participant
74 did not wish to occur

75

76 ; and

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78 WHEREAS, all Milwaukee County employees would be included in the auto-
79 enrollment and auto-escalation **except** for the following:

80

- 81 ✓ Seasonal, Hourly, and Intern positions that are not fringe benefit eligible. (These
82 positions are still eligible to participate in the Plan)
- 83
- 84 ✓ Represented employees, including:
 - 85 ○ Association of Milwaukee County Attorneys (AMCA)
 - 86

- 87 ○ International Association of Fire Fighters (IAFF)
- 88 ○ Milwaukee Building and Construction Trades Council (MBTC)
- 89 ○ Milwaukee Deputy Sheriffs' Association (MDSA)
- 90 ○ Technicians, Engineers and Architects of Milwaukee County (TEAMCO)

91
92 ; and

93
94 WHEREAS, current employees will be subject to the following process for auto-
95 enrollment and auto-escalation:

- 96
- 97 ✓ Receive a notification (email and letter) by November 13, 2023, they are being
- 98 auto-enrolled into the Plan.
- 99
- 100 ○ Affected employees will have until January 18, 2024, to opt out, therefore
- 101 providing the 60-day opt out period
- 102
- 103 ○ On January 19, 2024, Empower Retirement will send a file to the County
- 104 (Payroll Division) including anyone who has not opted out
- 105
- 106 ○ The County would begin deferrals with the January 26, 2024, paycheck.
- 107 (Pay Period 2)
- 108
- 109 ○ For participants who do not specify how the money should be invested,
- 110 the Plan's Qualified Default Investment Alternative (QDIA) are the
- 111 Vanguard Target Date Funds; the specific one will be based on when the
- 112 participant turns 65
- 113
- 114 ○ Participant would have up to 90 days from January 26, 2024, to request a
- 115 withdrawal of auto-enrolled dollars (adjusted for market gains/losses) if
- 116 they missed the opt out period
- 117

118 ; and

119
120 WHEREAS, any new hires will be afforded the same 60-day opt out period
121 before enrollment in the Plan at 3% would begin and 90-day permissible withdrawal
122 from date of deposit of any deferrals that were made through auto-enrollment or auto-
123 escalation which the participant did not wish to occur; and

124
125 WHEREAS, the process to opt out of the auto-enrollment initiative is easy and
126 participants can either log into their account on the website
127 (www.MilwaukeeCounty457.com) or calling Empower and speaking to a representative;
128 and

129
130 WHEREAS, beginning in January 2025, auto-escalation would begin for those
131 auto-enrolled in January 2024 and other employees hired after the initial enrollment will

132 have unique anniversary dates based on their initial enrollment into the Plan; and

133 WHEREAS, improving financial wellness is a critical factor in improving the
134 overall health of an individual, which Milwaukee County strives to do as part of its
135 mission; and

136

137 WHEREAS, the City of Milwaukee implemented auto-enrollment in late 2016 and
138 has dramatically improved the overall participation rates of employees (non-
139 represented) from approximately 63% to 89%; and

140

141 WHEREAS, The City of Milwaukee also realized these improvements since the
142 implementation of auto-enrollment in 2016:

143

- 144 • Participation in the Plan among women jumped from 66% to 89%
 - 145 ○ The average savings deferral rate among women rose from 5% to 6.3%
- 146
- 147 • Black employees' participation in the Plan grew from 62% to 87%
 - 148 ○ The average savings deferral rate increased from 4% to 5.6%
- 149
- 150 • Latino employees' participation in the Plan improved from 69% to 87%
 - 151 ○ The average savings deferral rate advanced from 5.1% to 7%

152

153 ; and

154

155 WHEREAS, this results in better financial outcomes, on balance, for City workers
156 who have more assets to fund their retirement and automatic enrollment has also
157 reduced the participation and saving disparities for employees of color; and

158

159 WHEREAS, Empower Retirement manages the administrative fee revenue
160 collected from participants on behalf of the Milwaukee County Plan of Deferred
161 Compensation and processes payment requests for Plan approved expenses; and

162

163 WHEREAS, if auto-enrollment is approved, the Plan will be incurring expenses
164 for participant communications this fall that would be easier to administer if payments
165 could be processed by Accounts Payable from a County interest-bearing trust account;
166 and

167

168 WHEREAS, implementing auto-enrollment and auto-escalation for most
169 Milwaukee County employees, with the ability to opt out, is expected to result in better
170 financial outcomes and retirement readiness while reducing racial and gender
171 disparities in Plan participation; and

172 WHEREAS, the Committee on Personnel, at its meeting of September 5, 2023,
173 recommended adoption of File No. 23-804 (vote 5-0); now, therefore,
174

175 BE IT RESOLVED, that the Milwaukee County Board of Supervisors hereby
176 authorizes the Select Committee on Deferred Compensation to implement an auto-
177 enrollment program at 3% of pay for most non-represented, fringe benefit eligible
178 employees beginning in 2024, as outlined in this resolution and report attached to this
179 file, and provide a 60-day opt out period for employees to decline to participate, as well
180 as a 90-day period to receive funds that were deferred to the Plan which the participants
181 did not wish to be deferred; and
182

183 BE IT FURTHER RESOLVED, the County Board authorizes an auto-escalate
184 feature to begin in January 2025 which would increase salary deferrals by 1% of salary
185 each year beginning on the employee's auto-enroll anniversary date to a maximum of
186 6% of salary with the same 60-day opt out period and 90-day period to receive funds
187 that were deferred to the Plan which the participants did not wish to be deferred; and
188

189 BE IT FURTHER RESOLVED, the Office of the Comptroller and County
190 Treasurer are authorized and directed to establish an interest-bearing trust account to
191 hold a maximum of \$20,000 of administrative funds generated by the Plan (no tax
192 funds) to pay Plan expenses approved by the Select Committee in accordance with IRS
193 guidelines.
194

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196 09/05/23
197 S:\Committees\2023\September\PER Sept 5\Resolutions\23-804 deffered comp auto enrollment authorization
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