Automatic Enrollment and Automatic Escalation

in State and Local Government
Defined Contribution Plans

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Introduction

Over the past dozen years, many state and local governments across the country have adopted automatic enrollment and, to a lesser extent, automatic escalation for their employees' defined contribution plans (also known as deferred compensation). These governments have experienced overall employee satisfaction and success in increasing employee savings. While the number of governments adopting automatic enrollment or automatic escalation continue to slowly grow, resistance or indifference also persist due to concerns first discussed nearly a decade earlier, such as perceptions that the savings tools are paternalistic, would be too financially burdensome for employees, or are simply unnecessary. Building on previous research,[1] this report considers the current environment for automatic enrollment and automatic escalation and explores their success over time by revisiting case studies from previous reports as well as examining two governments that have more recently adopted them.

Automatic enrollment and automatic escalation are design features applied to defined contribution (DC) plans for the purpose of increasing participants' retirement savings. Behavioral economic theory underlies both features. With automatic enrollment, employers or plan sponsors automatically enroll employees in a DC plan at a default contribution rate and in a default investment. Under automatic escalation, employees participating in a DC plan have their contributions automatically increased at regular intervals, such as annually or biennially, until a predetermined maximum contribution level has been reached. Participation in both design features remains voluntary, in that the employee retains the right to leave the plan (i.e., opt out) or change their level of contribution.[2]

State and local government adoption of automatic enrollment has expanded substantially over the last 15 years. Early adopters included the Employees' Retirement System of Georgia and the South Dakota Retirement System, which both approved the feature for their supplemental defined contribution plans in 2009.[3] Today, 17 states and the District of Columbia now either require or explicitly permit automatic enrollment through state statute for the state government, local governments, or both.[4] Furthermore, 13 states may permit use of the tool, though the statutory language is unclear. For those states where automatic enrollment is not statutorily permitted, local governments are partnering with unions through employment contracts to enact it (see case studies of City of Los Angeles and Multnomah County). Currently, no comprehensive database listing the local governments that have adopted automatic enrollment exists, although the National Association of Government Defined Contribution Administrators is collecting this information.[5]

Far fewer state and local governments have adopted automatic escalation than automatic enrollment even though some experts in the field believe that this saving feature is not precluded through wage garnishment laws.[6] In other words, if an employee participates in a defined contribution plan, then the government could legally enroll them in automatic escalation. Due to political considerations, state and local government officials may be hesitant to implement this feature without either statutory authority or through a voluntary employee program (see case studies of Virginia Retirement System and Missouri State Employees' Retirement System).

Need for Employee Savings Still Exists

Few public sector retirement plans and retiree health benefits have been substantially amended over the last few years, but the impact of changes that occurred in response to the Great Recession still affects employees today.[7] Whether due to a smaller defined benefit multiplier, reduced employer contributions for retiree health care,[8] or a higher minimum retirement age, employees still need to save throughout their careers even during this time of plan stability. While many employees do not consider saving for health care in retirement or early retirement, doing so can be critical to financial well-being.

Beyond reforms to primary retirement plans, many state and local governments across the county have reduced or eliminated cost of living adjustments (COLAs) for their employees' defined benefit retirement plans. These COLAs compensate retirees for higher costs and thus are critical to retaining retirees' standards of living. According to the National Association of State Retirement Administrators, between 2009 and June 2022, 32 states amended their COLA benefits.[9] Without a COLA (or with a reduced one), employees will need to have a greater amount of personal savings to pay for the higher cost of goods and services.

The reductions in COLAs and our current fiscal environment make employee savings even more necessary. Over the last two years, inflation has reached its highest levels in decades: 8.0% in 2022 and an annualized rate of 3.2% as of July 2023.[10] For the previous 30 years, the average inflation rate equaled less than 3.0%. With high inflation, retirees will quickly lose the buying power derived from their primary retirement plan. This impact is exacerbated when the plans either offer a very limited COLA or no COLA. Personal savings act as a cushion for higher costs. Expecting employees to act on their own to enroll in deferred compensation accounts during a period of high inflation may be too optimistic an assumption, as employees will likely want to retain as much of their current income as possible if salary increases do not keep up with inflation rates.

Finally, elected officials and policymakers may not fully appreciate how much employees need to save for retirement.[11] They often continue to view "supplemental defined contribution plans" as just that – supplemental – when in actuality these are an essential component of overall retirement planning. Elected officials have an incentive to say that their government offers a very generous retirement benefit, but a generous plan in terms of a government's financial commitment may still not result in their employees receiving an adequate retirement income without personal savings. Many policymakers could benefit from receiving more data about the retirement income needs of their employees and with such information, may be more open to automatic enrollment features.

Beyond the benefits to the employees, the provision of a robust package of defined benefit and defined contribution retirement plans and the financial education required to make informed choices can contribute to the overall competitiveness of public sector employment and improve employee morale and retention, helping governments limit the expense and disruption of excessive turnover.[12]

> MissionSquare Research Institute's report, [Public Sector Employee Financial Wellness Program Needs and Preferences] (April 2023), presents the results of a 2022 national survey that included questions about the financial worries of respondents and their preferences for financial wellness programs. The research found that 29% of respondents often worry about their finances and financial decisions while at work and nearly half (48%) do so sometimes. Less than a quarter (23%) replied that they do not worry about their finances or financial decisions. To increase their financial literacy, respondents were by far most interested in learning about planning for their retirement (56% of respondents listed this topic as one of their top three). The next two topics receiving the most votes were investments (36%) and budgeting and planning (23%).

Challenges to Automatic Enrollment and Escalation: Old and New

Though the importance of employee savings has only grown in recent years, resistance to automatic savings tools continues. Historical challenges can be categorized as either administrative and perceptual; these challenges and corresponding counterarguments are described below.

Administrative Issues

- Government resistance to selecting a single plan administrator or record keeper, which is necessary with automatic enrollment.

  Counterargument: A single record keeper improves coordination of employee investments and financial consultation.

- Automatic enrollment and automatic escalation may increase government costs due to high employee participation in plans with employer-matching programs.

  Counterargument: This supposition centers on a positive outcome – that the matching program will lead to more employees having greater retirement savings. Officials typically approve a match rate that ensures their employees have a sufficient, not excessive, retirement income. If officials determine that their government truly cannot afford to provide contribution matches to all new plan participants, then they can consider amending the government's match so that it adjusts for the higher employee-participation rate.

- Fully analyzing the financial needs of employees requires administrative expense.

  Counterargument: While many local governments have limited staff to thoroughly review employee benefits, their deferred compensation record keepers can assist with creating and implementing a plan with automatic features that meets the needs of the government and its employees.

Perceptual Issues

- Government should not act paternalistically by automatically enrolling employees in a deferred compensation program.

  Counterargument: Employees are typically automatically enrolled in a primary defined benefit retirement plan. Doing so for a supplemental deferred compensation plan is only an extension of that action. Of course, employees can always opt out of the plan if they choose. Furthermore, employees may very well appreciate that automatic enrollment was done with their best interests in mind.[13]

- Additional employee savings are unnecessary.

  Counterargument: A review of employee benefits can best help with that determination but additional savings likely are needed (see previous section).

- Employees will work at least 30 years for the government and earn a full retirement.

  Counterargument: Younger employees are switching jobs more frequently and thus will need more of their own savings to offset periods when they may have left an organization without fully vesting in the retirement plan and lost potential retirement income. Governments should review the median years of service of employees to determine if savings features are needed.

- Public officials do not want to overburden employees by shifting pay to savings.

  Counterargument: Many governments have overcome employees' concerns with automatic features through financial education. Studies have shown that public employees automatically enrolled in deferred compensation plans are choosing to stay in the plans at rates comparable to the private sector.[14] A national survey of state and local government employees found that if automatically enrolled in a supplemental defined contribution plan, 77% would elect to stay in the plan.[15] Many states and local governments[16] have used federal COVID money and/or higher tax receipts to provide pay raises to employees in FY 2022 and/or FY 2023 and thus help alleviate inflationary fiscal pressures and make retirement savings achievable for their employees.

Beyond the obstacles just discussed, retirement experts have also suggested more nuanced reasons why many governments have resisted adopting automatic features for their defined contribution plans.[17]

- **Concerns about additional pension reform**. The initial public sector adoption of automatic enrollment was often done in conjunction with necessary retirement plan reforms that reduced employees' pension benefit (e.g., creating a hybrid plan). As such, employee unions and employee advocates may be concerned that implementing automatic enrollment now is a precursor to more pension changes. Unless a government can assure its employees that it does not plan on amending its primary retirement plan for the foreseeable future, resistance may be expected.

- **Messaging needed for deferred compensation is complicated**. Explaining how much income employees will need during retirement is not easy as it requires discussing multiple revenue sources, anticipated expenditures, investment returns, etc. Deferred compensation professionals need to clarify how much retirement income employees will receive from their primary retirement plan and Social Security, and then calculate how much additional personal savings are required to meet a replacement income goal.

- **Lack of attention to supplemental defined contribution plans**. A government's retirement plan often is not managed holistically; rather, management of the defined benefit plan is typically separate from the deferred compensation plan. Defined benefit plan administrators typically focus their attention on the plan's investments and maintaining a healthy funding level and do not consider how much income the plan will offer employees at retirement. As such, they often do not communicate with policymakers about whether employees will need additional savings for retirement.

Challenges to enacting automatic features may seem numerous, but they can all be overcome with quality information and communication to policymakers and employees. Public employees deserve a retirement befitting the service they have performed for their communities. However, governments alone cannot bear that financial burden, making automatic savings features in employee deferred compensation plans an attractive option.

The remainder of the report presents several case studies about state and local retirement plans that have successfully implemented automatic features for their defined contribution plans. Five of these were first researched nearly 10 years ago by the Center for State and Local Government Excellence (now MissionSquare Research Institute)[18] while two cases focus on plans that have adopted automatic enrollment within the last four years. The historical perspective and more recent adoptions offer lessons learned and bolster the argument that automatic savings features are effective in helping employees save.

Status of Automatic Features in the Private Sector

In the private sector, automatic enrollment is generally considered a best practice and is becoming more commonplace every year. According to a 2022 study by one vendor, 56% of all of its plans and 75% of plans with at least 1,000 employees had adopted automatic enrollment by the end of 2021.[19] Of plans with automatic enrollment, two-thirds had also instituted annual automatic deferral rate increases (i.e., automatic escalation). Furthermore, these plans have been increasing their initial deferral contribution rates. Over half (58%) of the plans now have a default deferral rate of 4% or higher, compared with just 32% of plans a decade earlier.

A new federal statute, referred to as the Secure Act 2.0 and signed into law in December 2022, builds on the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 in order to further increase the retirement savings of Americans.[20] Starting in 2025, all new private-sector retirement 401(k) and 403(b) plans are required to automatically enroll participants in one of these plans at a default contribution rate equaling at least 3% of employee salaries. These rates must be automatically escalated by 1% annually until at least a 10% contribution rate is reached. The contributions can come from the employer and/or the employee and employees can opt out of the plan. Businesses with 10 or fewer employees and churches are exempted from this statutory provision.

The further expansion of automatic enrollment and automatic escalation to thousands of new businesses will undoubtedly increase state and local government officials' awareness of them. In fact, many elected officials will likely be participating in private sector plans that have or are adding such features. The future ubiquity of automatic features will likely address some of the current resistance to adopting these features in public sector defined contribution plans as well. Moreover, the public sector may need to adopt these features in their retirement plans in order to be competitive as employees increasingly expect to have them.

Making It Work: Case Studies of Success

Kentucky Public Employees' Deferred Compensation Authority[21]

The Kentucky Public Employees' Deferred Compensation Authority (Authority) had two primary goals when reforming its deferred compensation program in 2019. One goal was to help younger employees save, recognizing that younger workers often focus on maximizing take-home salary to buy a home or pay off debt at the expense of preparing for retirement. A second goal was to increase overall membership in the Authority's plans, as only about 85,000 out of an eligible 400,000 employees participated in a deferred compensation plan (The Authority serves employees from state government, public higher education institutions, school districts, and counties.). After researching different methods to meet the Authority's membership objectives, Executive Director Chris Biddle decided that automatic enrollment would be the most successful tool because it relied on well-established behavioral economic theory.

Biddle first went to his board and explained his goals and how they could be reached with automatic enrollment. The board fully supported the idea, and the Authority began working with the Kentucky Legislative Research Commission to draft a bill that would permit automatic enrollment to be applied to state employees' deferred compensation plans. State Senator Jimmy Higdon, chair of the Public Pension Oversight Statutory Committee, sponsored the legislation[22] during the 2019 legislative session. The bill passed both houses with near unanimous approval. Two reasons underlie the bill's bipartisan support: first, automatic enrollment significantly helps employees and second, adding the tool would not cost the government any additional monies to implement.

Under the new statute, any full-time state employees hired on or after July 1, 2019 would automatically be enrolled in the state's 401(k) deferred compensation plan at a rate of $30 per month. State salaries are modest (the average is $44,000) and employees already contribute 5% of their salaries to their retirement plans.[23] At the time the legislation was passed, the state had not been able to issue pay increases for a few years as well. Taking all these factors into consideration, legislators and the Authority wanted to minimize any financial hardship for employees and therefore allowed participants to opt out of automatic enrollment.[24] This strategy appears to have worked as 94% of enrollees have continued contributing over the last three and a half years, even with inflation.

Recognizing that contributing only $30 per month ($15 per pay period) will not lead to substantial savings even after many years, the Authority spends considerable effort trying to raise employees' contribution amounts through communication and financial education. The organization offers several different webinars as well as free financial planning to members.[25] Ensuring investment fees[26] are low is also a priority so that employees can capture as much earnings as possible. Also, the state has been able to provide 8% and 6% raises in FY 2021 and FY 2022, respectively. These actions have proven successful in raising employees' contribution rates after their initial year of membership, averaging $100 per month.

When evaluating why Kentucky's automatic enrollment plan has been so effective, a few key points emerge. First, stakeholders considered several different issues when drafting legislation, such as the political environment, employee salaries, frequency of raises, and the savings behavior of younger employees. These conditions drove the mechanics of establishing automatic enrollment, such as a default savings rate and the choice of investments. Second, quality financial education can successfully increase savings levels. The addition of comprehensive and timely webinars, target marketing, and financial planning is also starting to make a positive difference in members' retirement readiness.

Georgia

The State of Georgia was one of the first states to adopt automatic enrollment in 2009 when it reformed its retirement system into a hybrid plan. Since that time, the legislature has expanded the right of all local governments to also adopt this automatic feature. The number of local governments that have taken advantage of this opportunity is not large but it is growing, and the following case studies demonstrate that automatic enrollment can be implemented successfully for large, small, and rural governments.

Employees' Retirement System of Georgia[27]

Since 2009, the State of Georgia has provided new employees a hybrid retirement plan (called the Georgia State Employees' Pension & Savings Plan, or GSEPS) managed through the Employees' Retirement System of Georgia (ERSGA). The plan includes a defined benefit and a 401(k) plan for employee and employer contributions. The defined benefit portion has a 1% multiplier, and employees contribute 1.25% of salaries to fund it. The employee contribution to the defined benefit plan has remained unchanged since the plan's inception. Originally, employees were automatically enrolled in the 401(k) plan, contributing 1% of their salaries. The employer matching formula equaled 1% for employees' initial 1% contribution and increased by 0.5% for each additional 1% an employee contributed until the maximum of a 3% match was reached.

The state raised the automatic enrollment default contribution amount to 5% for new employees on July 1, 2014 in order to increase the number of employees fully taking advantage of the state's matching contributions.[28,29] Based on his research, Jim Potvin, executive director for ERSGA, believed these employees would not decrease their contributions at the new default level; his thinking has proved correct. In June 2014, the average GSEPS member contribution equaled 2.22% of salaries and that figure had grown to 5.56% by June 30, 2022. Likewise, on June 30, 2014, 19.3% of GSEPS members were sufficiently contributing to receive the full employer match and that number had risen to 81.0% as of June 30, 2022.[30] The number of employees opting out of the 401(k) plan continues to be extremely low. As of June 2022, 94.6% of all GSEPS members participated in the 401(k) plan.[31] According to Potvin, a higher automatic enrollment default amount, financial and plan education for employees, and the improved employer match have all been hugely important in keeping employee contribution levels up.

In July 2022, the state increased its matching benefit to dollar for dollar up to a 5% employee contribution. At the same time, the state also added a longevity matching benefit for GSEPS members to promote employee retention. For employees who have at least six years of service and are contributing a minimum of 5% of their salaries to their 401(k) plan, the state will fund an additional 0.5% employer match for every full year of service thereafter, up to a maximum 9% match, which is three times higher than the original one of 3%.[32] Therefore, employees with at least 13 years of service will receive a 9% employer match by also contributing 5%. Potvin and his team regularly conduct extensive data analysis to track and measure the impacts of changes to GSEPS savings over time. Potvin is interested in learning how the higher employer match, especially the longevity benefit, will affect employee behavior (in particular, workforce retention rates) and saving amounts over time.

Local Governments and Automatic Enrollment

With the success of the state plan, it made sense for automatic enrollment to be extended to local governments. To confirm its permissibility, the state legislature passed Senate Bill 333 (SB333) in 2018, which explicitly permits local governments to adopt automatic enrollment. The bill passed unanimously in the Senate and nearly so in the House, was signed by the governor, and went into effect in May of that year. The exact number of local governments that have adopted automatic enrollment for their defined contribution or deferred compensation plans is unknown, but at least six of the state's 159 counties have adopted the feature and their sizes vary dramatically, from a county with a population of just 9,000 to one with over 770,000.[33] Kale Hodges of the Association of County Commissioners of Georgia believes that for those local governments that he knows have adopted this feature, it has worked well. Overall, he has not seen employees leave their 401(a) defined contribution and 457(b) deferred compensation plans, even with today's higher inflation.

Hodges believes there are several reasons for the success of automatic enrollment. First, it can easily be added to a defined contribution plan or deferred compensation plan once a single administrator for the plan has been selected. Second, there is substantial flexibility in plan design, enabling a government to establish one that addresses employees' retirement savings needs while also staying within the financial constraints of the government. If a government wants to provide a matching contribution, a formula can be used that takes into consideration a very high participation rate so that its total commitment is known beforehand with some certainty. When providing new employees with information about the deferred compensation plan, employees will likely be far more supportive of a higher initial default contribution rate if they also know that that their commitment comes with great support from their employer.

Troup County[34]

Located in west Georgia, Troup County has a population of slightly over 70,000[35] and 462 full-time employees. In January 2021, the county added automatic enrollment to its defined contribution plan, which has been the primary retirement plan since 2006.[36] In 2020, staff reviewed the retirement plan's provisions with the plan administrator, seeking a means to encourage younger employees to save more; staff recognized that younger employees often focus more on current take-home pay and less on retirement, which may be 20 to 30 years down the road.

The process of approving and implementing automatic enrollment was smooth and easy with the help of the county's plan administrator. First, the administrator went through different matching options with county staff, and helped them craft a matching formula that the government could afford. Next, County Manager Eric Mosely educated County Commission members about the feature, who were very supportive, especially once they understood that employees still retained the option to change their contribution rate. There has been very little negative pushback from employees, especially since they are educated at their orientations about how the match works and the importance of retirement savings. The county does not specifically track how many employees reduce their contributions below the default rate.

Troupe County's automatic enrollment applies only to new employees. For each employee's defined contribution account, the county provides a base contribution equaling 2% of salary and will provide a 1:1 match of employee contributions, up to 4% of the employee's salary. The employee default contribution rate is 4% so that employees reach the county's maximum contribution of 6% and a combined contribution of 10% of salary at the beginning of their service. The default investment fund is a target date fund. Employees vest in the plan after five years and also participate in Social Security.

So far, Mosely believes automatic enrollment has been successful and does not foresee eliminating this feature as it has been well received by employees. The feature has been a smart move for the county as its employees will have a more secure retirement, which is important because they are not just employees but also county residents and voters. According to Mosely, "They [employees] need to be satisfied with their retirement now and when they retire. They see how automatic enrollment helps their retirement. It's a no-brainer and has very little cost to the county."

Cobb County[37]

Cobb County (pop. 772,000) also has had a positive experience with using automatic enrollment for its deferred compensation plan, which is part of a hybrid retirement plan. Under the plan, employees receive a pension benefit that applies a 1% multiplier to an employee's years of service. From January 1, 2010 until December 31, 2013, employees paid 5% of their salaries to the defined benefit portion of the plan. The county then reduced that contribution to 3% effective January 1, 2014. The county began automatically enrolling employees in its 457(b) plan in 2013 after voluntary participation was much lower than anticipated — just one-third of employees enrolled, even with a county-matching contribution. The county was able to implement the automatic enrollment feature prior to SB333 because it allowed employees to opt out of the plan on their first workday (i.e., at the same time they were being automatically enrolled).

Since 2013, the county has made few changes to its retirement plan with the major exception of an increase in its matching rate from 50% of an employee's contribution to 100%. The initial employee default rate is 1% of salary and the maximum contribution rate is 4%. The county matches this employee maximum as well for a total contribution reaching 8%. The default investment fund continues to be a target date fund.

Education is big part of the county's retirement program as well. The county, in partnership with its plan administrator, educates employees through seminars and individual conversations about the importance of saving and how the deferred compensation plan works.

According to Tressie Bloodworth, Cobb County human resources supervisor, "Automatic enrollment has been very helpful in assisting our employees to save for retirement." The numbers support that statement: over 98% of employees remain in the deferred compensation plan, a rate that has been stable over time. Even with inflation, the county has not seen a decrease in participation though employees are able to opt out of the plan at any time.

Georgia: Lessons Learned

The Georgia experience demonstrates automatic enrollment can be effectively adopted in a variety of governments and plans. The following lessons reflect the significance of research and communication with stakeholders.

- **Work** with your plan administrator to create a deferred compensation plan that meets the savings needs of employees and the financial constraints of the government.
- **Educate** elected officials about the benefits of automatic enrollment and address any of their concerns.
- **Provide** quality education to new employees about the importance of retirement savings and continue to offer education opportunities over the course of their employment so they can see how their savings grow over time.

Partnering with Employee Unions

In California and Oregon, automatic enrollment is not permitted due to anti-garnishment statutes. In response, local governments have creatively partnered with employee unions to have this saving feature added to deferred compensation plans. Two local governments, the City of Los Angeles, CA and Multnomah County, OR, have successfully added automatic enrollment to their union employment contracts.

Multnomah County, OR[38]

As a member of the Oregon Public Employees Retirement System (PERS), the county established a hybrid retirement plan in 2003 for new general employees that changed the defined benefit multiplier to 1.5 times years of service. The employer fully pays the necessary contributions. Additionally, employee contributions equaling 6% of their salaries are deposited into individual defined contribution accounts (referred to as the Individual Account Program, IAP). The county currently picks up this cost on behalf of the employees.

Effective July 1, 2020, PERS began redirecting a portion of IAP contributions for some employees into a separate account in support of the pension benefit (referred to as the Employee Pension Stability Account, EPSA).[39] Employees participating in the hybrid plan whose earnings are above the threshold amount ($3,570 monthly salary in 2023) have 0.75% of their IAP contribution deposited into EPSA and only 5.25% into their IAP accounts. Employees earning less than the threshold do not have any of their IAP contributions diverted to EPSA. State law also permits members to contribute their own money via payroll deduction into their IAPs to offset the EPSA contributions. For hybrid plan participants, the estimated retirement benefit after 30 years of service equals 65% of final salary when including both the defined benefit and defined contribution portions. Employees also participate in Social Security.

In 2012, the president of the county's largest union, Local 88 AFSCME, began working with the county to increase the union members' participation in the supplemental deferred compensation plan (457(b)) as their rates were low. Union leadership also felt comfortable that the pension benefit would not be further reduced in the foreseeable future. The solution was including an automatic enrollment provision in the union's new contract with the county. The feature's specific details were an initial employee contribution rate of 1% of salary, a target date fund investment default option, members having the ability to "opt out" of the plan or change their contribution rate, and no employer match. The feature applied only to new employees.

A decade later, Local 88 has continued to include the automatic feature in its union contracts with the county. Two additional unions, the Oregon Nurses Association (ONA 22) and the Multnomah County Deputy Sheriff's Association (DCDSA 117), also have added automatic enrollment to their contracts.[40] Together, these three unions represent 67.8% of all county employees.[41] The feature continues as it was originally designed for all three organizations, although the county is in the process of increasing the default contribution amount. Overall, the county is satisfied with automatic enrollment and how it is helping employees save. The county receives little negative feedback from employees and the continued inclusion of the feature in union contracts is a testament to their satisfaction with it as well. The countywide participation rate in the plan is 67.2%. However, the number of employees who opt out of being automatically enrolled in the deferred compensation plan is unknown since the county does not track that information.

City of Los Angeles, CA[42]

The governing board for the City of Los Angeles Deferred Compensation Plan (the plan) has a long history of supporting automatic features as a means to increase employee savings. While the board and staff had considered these features over the years, research to add automatic enrollment to the plan began anew shortly after the government slightly amended its three defined benefit plans (for fire and police, general employees, and water and power utilities) in 2013.[43] The analysis determined that due to anti-garnishment prohibitions, the city would only be able to implement automatic enrollment through collective bargaining agreements with the unions.

The city provides a longevity-based pension to its employees, which varies within hire date–based benefit tiers of each defined benefit plan. In the newest benefit tier, general employees receive a 1.5% benefit multiplier if retiring at 60 with at least 5 years of service but the multiplier increases to 2% if they work at least 30 years. Members of the fire and police pension in the newest benefit tier are eligible for retirement at age 50 with 20 years of service, with 40% of final average salary.[44] A multiplier increases with additional years of service up to a maximum of 90% with 33 years of service. Retirees can receive a COLA annually under provisions of their respective defined benefit plan. City employees and the government both contribute to the respective defined benefit plan. City employees do not participate in Social Security.

Because city employees do not contribute to Social Security, additional personal savings are important for them to fully replace their net "lifestyle" income upon retirement. The city uses this interpretation for needed retirement savings as a way for employees to understand how much they should save. The Board of Deferred Compensation Administration officially added automatic enrollment with automatic escalation as voluntary features to its plan in 2018. The initial employee default contribution amount is 2% of salary and with each subsequent year, the contribution increases by 0.25% annually.[45] After an initial 90-day opt-out window, contributions are transferred from an FDIC-insured savings account into the Moderate Profile Portfolio investment fund unless the employee selects a different investment option. Employees can opt out of the plan at any time during the initial 90-day window. The city does not contribute to the plan. To date, the city has not experienced any problems with implementing the automatic enrollment and escalation features.

At this time, only one union, the Police Protective League, which represents sworn officers with the ranks of lieutenant and below, has signed a contract that includes automatic enrollment for newly sworn police officers. The city employs approximately 9,400 sworn officers out of a total of 46,100 employees citywide.[46] When newly hired officers go through the police academy, they are signed up for the automatic enrollment feature when they graduate unless they have already chosen to actively enroll. The exact number of officers participating in the feature is unknown as the city does not track how many of these employees opt out of the feature.

The city has approximately three dozen different collective bargaining units[47] so there is ample opportunity to expand the program to more unions in the future. However, a high percentage of city employees already participate in the plan (76.3%);[48] most do so through a set dollar amount rather than as a percentage of salary as the former contribution method was how the plan was originally set up. The city is encouraging employees to switch their contributions from a set dollar amount to a percentage of salary in order to have their savings grow with their wages.

Financial Education

Multnomah County, with its retirement plan administrator, provides financial education through mailings and webinars to employees throughout the year. Additionally, the county has a large webinar catalog for employees to learn about saving for retirement. Luella Wampler, senior finance specialist for the county, believes that financial education is critical for employees to adequately prepare for retirement, which includes having sufficient personal savings.

To help employees prepare for retirement, the City of Los Angeles' Deferred Compensation Plan invests heavily in employee communication by offering many different financial education webinars; it has even developed a sophisticated retirement calculator. Like Multnomah, the plan has a video library employees can watch on demand. The plan also offers seminars, quarterly newsletters, and tutorials.

Automatic Escalation

While automatic escalation is commonplace in the private sector, it remains less so in government deferred compensation plans. However, two state retirement systems have used this savings feature for several years in conjunction with automatic enrollment for their deferred compensation plans, achieving greater savings for employees. Like automatic enrollment, automatic escalation converts inertia into a positive as employees accept investing higher contribution amounts over time. Additionally, automatic escalation assists employees in knowing how much they should invest through the saving cap that the plan has set.[49]

State of Missouri Deferred Compensation Plan[50]

The State of Missouri Deferred Compensation Plan (MO Deferred Comp) is a 457(b) plan available to state employees, including those working in public universities. As a result of legislation, in July 2012 MO Deferred Comp began automatically enrolling new state employees in 457 accounts at a default contribution rate of 1% of salary — a rate that has remained unchanged.[51] This action was done to increase participation in the plan as rates fell when the state removed a monthly matching incentive for deferred compensation savers in 2010. As of 2023, 20,400 of the plan's participants have joined through this feature (53.1% of all plan participants). Over the last 11 years, the average participant opt-out rate has been 6.9% but during the last few calendar years, that number has decreased to just 3.5%. Furthermore, the plan has not seen any trends regarding employees leaving the plan due to inflation. The total employee participation rate has increased from a low of 63% in 2010 to 83%[52] in 2023.

MO Deferred Comp also has implemented voluntary automatic escalation, as the initial default contribution rate is only 1%. The goal is to help employees increase their rates of savings. Since the automatic escalation is voluntary, no legislation was required to add the feature. The automatic escalation feature is designed to maximize ease in enrollment and flexibility. Employees sign up electronically, can choose the escalation amount in increments of a tenth of a percent, select the month when the contribution increase will occur, and can join or opt out of the feature at any time. All MO Deferred Comp Plan participants can enroll in automatic escalation. MO Deferred Comp has developed several educational videos that explain the mechanics of this savings feature and its benefits. To date, approximately, 10% of all contributing employees have added the feature, or about 1% annually.

To help members better prepare for retirement, MO Deferred Comp has created webinars designed around employees' career timeline, on topics such as Essentials, Essentials 2.0, Completing the Retirement Paycheck Puzzle, Pocket Change, I'm Retiring, Retiree Financial Basics, and Retirement Income Spend-down Strategies. Other informational tools include printed materials, a robust website (www.modeferredcomp.org), in-person group seminars, one-on-one meetings with in-house financial education professionals, and the "Grow Your Retirement Savings" and "RetiremenTrack" calculators.

The governor and the legislature have continued to promote the importance of employee savings. Significant actions in this regard have been wage increases for employees as the state strives to be a more competitive employer and as of July 2023 the state reinstituted a matching contribution at a dollar-for-dollar rate of $25 - $75 per month.[53] Undoubtedly, all these actions have helped in the success of the 457 plan. Reflecting upon a decade of using automatic features for its deferred compensation plan, Cindy Rehmeier, manager of defined contribution plans for the Missouri State Employees' Retirement System, emphasizes three key points:

- **Automatic enrollment**, no matter the level, helps increase participation and gets employees to start saving.
- **Robust and ongoing education** is key to communicating the benefits of voluntary automatic escalation.
- **Assisting employees** in calculating their retirement income gap and in determining how much they should be saving are critical components in helping employees prepare for retirement.

Virginia Retirement System[54]

The Virginia Retirement System (VRS) serves a total of 832 public employers[55] across the state, including the State of Virginia, public colleges and universities, local school systems, local governments, and special authorities, through its management of their defined benefit and defined contribution plans. Currently, VRS administers the Hybrid Retirement Plan for most members and Plan 2 for certain members (hazardous duty) and a legacy retirement plan (Plan 1).[56] All VRS members participate in Social Security as well. Plan 1 and Plan 2 active members contribute 5% of salary to the plan. Plan 1 members receive pensions calculated with a multiplier of 1.7% and an annual cost-of-living adjustment (COLA) based on the Consumer Price Index for all Urban Consumers (CPI-U) after retirement. Plan 2 participants receive a similar benefit to those in Plan 1 except for a benefit multiplier of 1.65%.[57]

State employees in Plans 1 and 2 are automatically enrolled in a supplemental 457 plan with an initial default contribution rate of $20 per semi-monthly period.[58] The state matches employees' contributions at $0.50 to every $1.00 up to $20 per semi-monthly period. Therefore, an employee who contributes $960 annually would receive a state contribution of $480. Since 2020, the average opt-out rate for these employees has been 8.9%. Having an opt-out rate comparable to the private sector is rather positive considering these employees also receive a defined benefit and COLA. For all active plan participants,[59] the average deferral rate is $177.32 per pay period.

The hybrid plan includes a defined benefit with a 1% multiplier and a two-part deferred compensation component. Employees contribute 4% of salary for the defined benefit plan. There is a 401(a) plan for mandatory employee and employer contributions. Both groups contribute 1% of employee salary each. Additionally, any employer matching contributions on employee voluntary contributions are deposited into this plan. Employee voluntary contributions are deposited into a 457 plan which is distinct from VRS' existing 457 plan for Plan 1 and Plan 2 members. All hybrid plan participants automatically have a 457 account. Employers match employee contributions at 100% of the first 1% in voluntary contributions and 50% of the next 3%. The employee's voluntary contribution maxes out at 4% of salary and at that level, the employer will also be contributing 2.5% of salary in matching contributions, in addition to the 1% mandatory contributions being made by both the employee and employer in the 401(a) plan, for a total maximum combined contribution of 8.5% to the defined contribution components (i.e., 401(a) and 457) of the plan. To help employees reach that maximum contribution rate, the plan includes an automatic escalation feature. Many hybrid plan members may use a separate 457 plan administered by VRS to make contributions over the 4% allowed to the Hybrid Retirement Plan.

Hybrid 457 participants have their contributions automatically increased by 0.5% every three years. The first escalation occurred on January 1, 2017, and two more have occurred since that time. The legislature decided upon a three-year cycle and the modest escalation rate to avoid creating a financial burden for employees, especially since pay raises are not regularly approved. The data related to employee contributions after automatic enrollment events demonstrates that the program has been successful. The opt-out rates have been small: 3.1% in 2017, 1.0% in 2020, and 0.9% in 2023; the number of employees who have decreased their contributions after a contribution escalation also is low: 0.2% in 2017, 3% in 2020, and 2% in 2023. In contrast, many employees chose to increase their contributions after a contribution escalation (10% in 2017, 9% in 2020, and 2% in 2023). By 2023, over 101,000 members have had their contributions increased through automatic escalation and their average contribution equals 1.63%.[60]

VRS built its records system to permit data analysis and thus track which employees are participating in voluntary deferred compensation plans, how they are contributing, and who is opting out. With this data, VRS can craft educational materials for employers that most effectively reach those employees who are not saving much or not at all.

VRS has developed award-winning educational materials about its deferred compensation plans and automatic saving features. VRS offers videos, one-on-one financial planning counseling, and a call center to help employees understand their benefits and ensure they are saving sufficiently for retirement. VRS also has built a retirement income calculator that takes into account employee contributions, employer matches, and any pension benefit so that employees can learn if they are "on track" to retire at their desired income level. In partnership with its plan administrator, VRS also has an automatic escalation website to educate employees about the financial impact from the contribution increase. Beyond what is directly available from VRS, the system provides employers with a variety of educational materials that they can present to their employees, especially during the fall before an automatic contribution escalation. Finally, VRS has representatives that regularly meet with employers to answer questions and explain any materials.

When thinking about lessons learned over the system's 10 years with automatic enrollment and three automatic escalation cycles, VRS managers focused on the importance of communication, education, customer service, and data analysis. Plan administrators need to regularly communicate with employers to learn what educational tools they need and what works best for their employees. Governments and their employees are not all the same, so education materials should not be either but instead reflect the make-up of a range of workforces. Likewise, employees want a variety of information formats and opportunities to see how changes in contributions will affect their take-home pay and future retirement, such as through an interactive financial planning calculator. Finally, having quality data that can be analyzed is a key tool to know what to do. Through data analysis, VRS can better understand not only how many and how much participants are saving but also review what impact educational materials have had, such as after automatic escalation. More importantly, the data allows VRS to effectively provide guidance on any proposed retirement benefit policies in the future.

Lessons Learned

When considered as a whole, the case studies presented in this report reinforce the lessons learned from previous research on automatic savings features and highlight new lessons learned.

1. Most importantly, automatic features improve retirement savings. Automatic enrollment and automatic escalation increase the number of employees who contribute to their deferred compensation plans and, therefore, their retirement savings. Many public plans have used these features for over a decade without significant implementation challenges or negative employee feedback. Additionally, the elected bodies who approved these features appear to continue to do so, likely because of their success. Having these plans will be particularly important for younger workers due to changes in defined benefit plans, like the reduction or elimination of COLAs.

2. Understanding the financial, economic, cultural, and political environment is critical to creating a savings feature that will stand the test of time. The government, in partnership with its plan administrator, should consider average wages, frequency of wage increases, unemployment rate, turnover rate, average employee tenure, financial situation of the government, political viewpoints, and most importantly, the expected income employees can receive from all other sources (e.g., primary retirement plan, Social Security). After thoughtful consideration and working with stakeholders, savings features can be designed to work from large state government to small local governments and be approved through state statute, local ordinance, and even union employment contracts.

3. Data tracking provides important information about the impact of savings features. The state plans, particularly ERS and VRS, know the participation and contribution rates of their plan participants. With this information they can design education tools that resonate most with certain groups of employees (class or position of worker) or employers (e.g., size of government). The data is also important for determining if changes should be made to the feature such as raising the default rate or the impact of reforms that have been made. Finally, the data can be shared with stakeholders and the media to demonstrate the tools' effectiveness.

4. If financially feasible, combining government matches with automatic features appears to keep employees in the plans and at higher contribution rates. The matches incentivize employee savings and can help keep employees who have been automatically enrolled from decreasing their contribution amounts. Additionally, the matches serve the primary goal of helping employees reach savings levels they will need in retirement.

5. Education is a critical component for keeping employees in a deferred compensation plan and increasing contribution rates. Successful deferred compensation systems and administrators have invested resources in developing savings and retirement information that explains why and how much employees need to save, which reduces employee resistance to automatic features and deters them form opting out.

Conclusion

The expansion of automatic features continues, albeit modestly, across state and local governments. With the private sector set to greatly increase the number of plans with these features in a couple of years, the public sector likely will follow suit. The good news is that the current adopters have shown that automatic enrollment and automatic escalation can increase employee savings in deferred compensation plans with relatively little negative feedback or implementation challenges. Key lessons for achieving this positive outcome are to thoughtfully design a program that reflects the financial conditions of the employees and the employers, collect data to understand how well the program is working, consider adding an employer match if financially feasible, and finally, providing quality financial education to employees.

Endnotes

1. See Center for State and Local Government Excellence, *Survey Findings: Nudging Deferral Rates with Public Sector Supplemental Retirement Plans* (Washington, DC: Center for State and Local Government Excellence, March 2019); Paula Sanford, *Using Automatic Escalation in Public Sector Retirement Plans to Increase Savings* (Washington, DC: Center for State and Local Government Excellence, March 2014); Paula Sanford, *Using Automatic Enrollment in Local Government to Increase Savings* (Washington, DC: Center for State and Local Government Excellence, June 2014). Center for State and Local Government Excellence is now MissionSquare Research Institute. All reports found at www.slge.org/retirement/resources?fwp_research_topics=retirement
2. Sanford, *Using Automatic Escalation in Public Sector Retirement Plans to Increase Savings* and Sanford, *Using Automatic Enrollment in Local Government to Increase Savings*.
3. Robert L. Clark, Joshua M. Franzel, and Denis Pelletier, *Impact of Automatic Enrollment in the 457 Plan for South Dakota Public Employees* (Washington, DC.: Center for State and Local Government Excellence, March 2018).
4. Based on MissionSquare review of state statutes on automatic enrollment. Shared with author via email on 10 April 2023.
5. Interview with Matthew Petersen, Executive Director, National Association of Government Defined Contribution Administrators, Inc. on 12 April 2023.
6. Ibid.
7. Center for State and Local Government Excellence and National Association of State Retirement Administrators, *Effects of Pension Plan Changes on Retirement Security* (Washington, DC: Center for State and Local Government Excellence, April 2014).
8. Joshua Franzel and Alex Brown, *Spotlight on Retiree Health Care Benefits for State Employees in 2013* (Washington, DC: Center for State and Local Government Excellence, June 2013).

9. National Association of State Retirement Administrators, *NASRA Issue Brief: Cost of Living Adjustments* (Washington, DC: National Association of State Retirement Administrators, June 2022). COLA benefit changes are as follows: 17 states for current and future retirees, 8 states current and future employees, and 7 states future employees.
10. U.S. Bureau of Labor Statistics.
11. Concept from video interview with Matthew Petersen, Executive Director, National Association of Government Defined Contribution Administrators on 12 April 2023.
12. See Gerald Young, *State and Local Government Workforce: 2023 Survey Findings* (Washington, DC: MissionSquare Research Institute, June 2023); and Rivka Liss-Levinson and Gerald Young, *State and Local Government Employees: Morale, Public Service Motivation, Financial Concerns, and Retention* (Washington, DC: MissionSquare Research Institute, March 2023).
13. Center for State and Local Government Excellence, *Survey Findings: Nudging Deferral Rates with Public Sector Supplemental Retirement Plans*.
14. See, for example, Robert L. Clark and Denis Pelletier, *Impact of Defaults in Retirement Savings Plans: Public Employee Plans Working*, NBER Working Paper 26234 (Cambridge, MA: National Bureau of Economic Research, September 2019); Bailey McCann, "Survey Highlights Need for Automatic Enrollment in Public Sector Supplemental Retirement Plans," AiCIO News, 21 March 2019; and case studies in this report.
15. Center for State and Local Government Excellence, *Survey Findings: Nudging Deferral Rates with Public Sector Supplemental Retirement Plans*.
16. A cursory search on the Internet by the author found over a dozen states approved pay raises for employees in 2022, including Alabama, Arizona, Florida, Georgia, Illinois, Kentucky, Massachusetts, Michigan, Tennessee, Virginia, Washington, and West Virginia. This list should not be considered comprehensive but only indicative of pay raises offered to employees across the country.
17. Video interview with Matthew Petersen on 12 April 2023.
18. See Sanford, *Using Automatic Escalation in Public Sector Retirement Plans to Increase Savings* and Sanford, *Using Automatic Enrollment in Local Government to Increase Savings*.
19. Vanguard, *How America Saves 2022*, June 2022.
20. Kelley R. Taylor, "SECURE 2.0 Act Summary: New Retirement Plan Rules to Know," Kiplinger Personal Finance, 24 April 2023.
21. Information for this case study came primarily from a phone interview with Chris Biddle, Executive Director of Kentucky Public Employees' Deferred Compensation Authority on 14, April 2023, as well as from state statutes and the Kentucky Public Pensions Authority website (https://www.kyret.ky.gov/).
22. 19 RS SB 107/GA, https://apps.legislature.ky.gov/recorddocuments/bill/19RS/sb107/bill.pdf
23. The state has three retirement plans: Tiers 1 and 2 are closed defined benefit plans and the current plan, Tier 3, is a cash balance hybrid plan. Hazardous duty members contribute 8% of salary. See "Members," Kentucky Public Pensions Authority, n.d., accessed 25 August 2023.
24. New employees have 90 days from their hire date to opt out of automatic enrollment.
25. Statutory authority to offer financial planning began in July 2021.
26. The default investment for enrollees is a target date fund.
27. Information about the Georgia State Employees' Pension & Savings Plan came from a phone interview with Jim Potvin, Executive Director, Employees' Retirement System of Georgia on 20 June 2023; the Employees' Retirement System of Georgia website (https://www.ers.ga.gov/); and Paula Sanford and Joshua M. Franzel, *The Evolving Role of Defined Contribution Plans in the Public Sector* (Washington, DC: Center for State and Local Government Excellence, September 2012).
28. Existing employees did not have their contributions automatically increased although they can do so at any time voluntarily.
29. In 2010, the year after implementing automatic enrollment in the defined contribution plan for GSEPS members, approximately 90% of employees had remained in the plan but 80% were at the 1% contribution amount even though the government matched higher contributions. See Sanford and Franzel, *The Evolving Role of Defined Contribution Plans in the Public Sector*.
30. The contribution level in June 2023 was 83.4%. Interview with Jim Potvin, 20 June 2023.
31. On June 30, 2014, 91.2% of employees participated in the 401(k).

32. "GSEPS FAQs, "Employees' Retirement System of Georgia," accessed 30 June 2023.
33. The 2022 population estimate for Irwin County was 9,126 and for Cobb County was 771,992, per U.S. Census Bureau.
34. Information for this case study came from a phone interview with Eric Mosely, Troup County Manager on 11 May 2023 and email correspondence with Valerie Heard, Troup County Human Resources, dated 23 May 2023.
35. The 2022 population estimate for Troup County was 70,191, per U.S. Census Bureau.
36. At that time, the county closed its defined benefit plan to new employees, though existing employees remained enrolled in it.
37. Information for this case study came from email correspondence with Tressie Bloodworth, Cobb County Human Resource Supervisor, dated 19 May 2023; Sanford, *Using Automatic Enrollment in Local Government to Increase Savings*; and the Cobb County website (https://www.cobbcounty.org/) .
38. Information for this case study came from email correspondence with Luella Wampler, Senior Finance Specialist for Multnomah County on 2 June 2023; the Multnomah County website (https://www.multco.us/); the State of Oregon PERS website (https://www.oregon.gov/pers/); and Paula Sanford, *Using Automatic Enrollment in Local Government to Increase Savings*.
39. The Employee Pension Stability Account (EPSA) was created by the Oregon legislature through Senate Bill (SB)1049 in 2019. This IAP redirect is supposed to be in effect until the PERS funded ratio reaches 90%. For members of Tier 1 or Tier 2 plans earning above the threshold, 2.5% is redirected to the EPSA and only 3.5% goes to their IPA accounts. "Employee Pension Stability Account (EPSA) overview," Oregon.gov, n.d., accessed 25 August 2023 and email correspondence with Luella Wampler dated 8 August 2023.
40. The general government unions that are not participating in automatic enrollment are Multnomah County Prosecuting Attorneys Association, International Brotherhood of Electrical Workers, Federation of Parole/Probation Officers, Juvenile Custody Services Specialists, Multnomah County Corrections Deputy Association, International Union of Operating Engineers, and International Union of Painters and Allied Trades. Ninety-five percent of all employees are qualified to participate in a union.
41. Local 88 has 3,372 FTEs, ONA 22 has 152 FTEs, and MCDSA 117 has 122 FTEs. "Annual Comprehensive Financial Report 2022," Multnomah County, Oregon, 261.
42. Information for this case study came from a phone interview on 11 May 2023 and email correspondence dated 16 May 2023 with Paul Makowski, Chief Benefits Analyst, Employee Benefits Division for the City of Los Angeles; City of Los Angeles website (https://lacity.gov/); City of Los Angeles Deferred Compensation Plan Document, amended 15 June 2021, and Paula Sanford, *Using Automatic Enrollment in Local Government to Increase Savings*.
43. Pension systems are Los Angeles City Employees' Retirement System, Los Angeles Fire and Police Pensions, and Water and Power Employees' Retirement Plan.
44. For more information about Tier 6, see Los Angeles Fire and Police Pensions, *Tier 6 Summary Plan Description*, July 2020 .
45. The maximum allowable annual employee contribution to the plan was $19,500 for 2020 with annual cost-of-living increases.
46. City of Los Angeles, California, *Annual Comprehensive Financial Report, Fiscal Year Ended June 30, 2021*, 371-372. Note: Sworn officers at the rank of captain or higher belong to the Los Angeles Police Command Officers Association.
47. City of Los Angeles, City Administrative Officer, "Memoranda of Understanding between the City of Los Angeles and Employee Labor Organizations," n.d., accessed 25 August 2023. /
48. City of Los Angeles, "Deferred Compensation Plan," n.d., accessed 25 August 2023.
49. Paula Sanford, *Using Automatic Escalation in Public Sector Retirement Plans to Increase Savings*.
50. Information for this case study came from email correspondence with Cindy Rehmeier, Manager of Defined Contribution Plans, Missouri State Employees' Retirement System dated 9 May 2023 and Sanford, *Using Automatic Escalation in Public Sector Retirement Plans to Increase Savings*.
51. Automatically enrolled employees' contributions are invested into a target date fund.
52. The 83% figure includes employees who were enrolled in the 457 plan prior to 2012 or university employees who are not automatically enrolled in the plan.

53. The state contributions must be approved each fiscal year as part of the state's operating budget.

54. Information from this case study came from a video interview with Jeanne Chenault, Kelly Hiers, Robert Irving, and Brian Lackey of the Virginia Retirement System on 11 May 2023; email correspondence from Kelly Hiers dated 19 May 2023; and Sanford, *Using Automatic Escalation in Public Sector Retirement Plans to Increase Savings*.

55. As of the end of FY 2022.

56. Plan 1 applies to employees vested prior to January 1, 2013. Plan 2 applies to employees hired between January 1, 2010 and December 31, 2013 or hired prior to July 1, 2010 but not vested before January 1, 2013. The hybrid plan applies to all employees (excluding hazardous duty employees who are in Plan 2) hired after December 31, 2013.

57. "Retirement multiplier is 1.65% on service credit earned, purchased, or granted on or after January 1, 2013, and 1.7% on service earned, purchased, or granted before January 1, 2013." See VRS Plan 2, Plan Overview.

58. Local governments offering the supplemental VRS 457 plan to employees may elect to adopt automatic enrollment for their employees but to date, none of have done so.

59. Hybrid Plan members and optional retirement plan participants (for higher education) can voluntarily join this plan.

60. Contribution average as of April 1, 2023.

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