



Wespath

BENEFITS | INVESTMENTS

Action Plan

1. Review this overview
2. Discuss automatic features with your colleagues and Conference Board of Pensions
3. Request a plan-specific impact consultation with Wespath through your conference liaison

Automatic Features Overview

The United Methodist Personal Investment Plan (UMPIP) is a defined contribution retirement plan administered by Wespath Benefits and Investments. In 2018, Wespath began making automatic features available to plan sponsors.

Automatic enrollment and automatic contribution escalation allow plan sponsors to:

- Enroll participants in UMPIP at a specified (default) before-tax contribution percentage
- Automate annual increases to the UMPIP contribution percentage (usually 1% each year) up to a maximum percentage for participants who contribute

Automatic features will help increase the likelihood that your participants' retirement benefits will be sufficient to support their lifestyles.

Review this overview, discuss automatic features with your colleagues and/or Conference Board of Pensions then contact your conference liaison or Wespath's Retirement Services team for a customized impact analysis to understand how implementing these features will affect your plan administration and costs.

It's Important to Save for Retirement, So Why Haven't Participants All Enrolled In the Plan?

Research suggests that participants do not enroll in plans, and/or contribute an insufficient amount to prepare for retirement mainly because of inertia, procrastination and cognitive shortsightedness, which is the inability to delay today's gratification for the uncertainty of tomorrow. And that's where automatic features can help!

Let's Look at the Numbers...

- **82%** of Wespath-administered plan participants have a gap between the amount of retirement income they expect to have and the amount they'll need*
- **21%** is the average retirement income gap for Wespath-administered plan participants
- **90% or higher** average participation is experienced in plans that offer automatic enrollment and automatic escalation
- **Less than 10%** of automatically enrolled participants choose to opt out

Retirement plans with automatic features have improved:

- Participation rates,
- Average contribution percentages,
- Average account balances and
- Overall participant engagement.

Automatic features don't prevent participant choice. Participants can always choose to change contribution levels and/or the investment options, or opt out. These features simply remove the barriers to participation.

*Gap analysis includes Wespath-administered plan balances and Social Security, but does not include assets held by other financial institutions.

Better Together

Once participants are enrolled in UMPIP, our next goal is to ensure they contribute enough to support their retirement. Participants tend to stay at the same contribution level over time and, consequently, our participants are not prepared.

That's why automatic enrollment and automatic contribution escalation features work best together. Automatic enrollment boosts participation and automatic contribution escalation can get participants closer to their goal faster.

When will automatic features be available?

Wespath began offering automatic enrollment and automatic contribution escalation to a pilot group of plan sponsors in January 2018; the features will be available to all UMPIP plan sponsors in January 2019.

Why would a plan sponsor choose to elect automatic features?

Automatic features combat the inertia and procrastination that often prevent participants from saving and from increasing their savings over time.

Do plan sponsors have to elect both automatic features or can they be elected separately?

Plan sponsors can choose to elect:

- Automatic enrollment only, or
- Both automatic enrollment and automatic contribution escalation.

Can a participant elect not to participate in automatic features?

Yes. Participants may opt out of automatic enrollment by completing a *Contribution Election* form indicating they do not want to make contributions or want to contribute a different percentage or amount than the default percentage. Participants may opt out of automatic contribution escalation by making that election on the *Contribution Election* form.



Are plan sponsors required to contribute to participant retirement accounts if they elect automatic features?

No, a plan sponsor is not obligated to offer matching or conditional contributions to participants simply because they have opted to elect automatic features. However, if a plan sponsor's adoption agreement contains an election for offering matching or conditional contributions, those contributions must be offered to all eligible participants, whether they affirmatively enroll or are automatically enrolled in the plan.

What happens when a participant opts out of automatic enrollment?

If a participant opts out the plan sponsor must not deduct contributions from the participant's compensation.

Do you have additional questions?

Contact your Wespath Conference Liaison or the Retirement Services team for help deciding whether automatic features are right for your plan.

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