

# UPDATE

Employee Benefit News for  
The Cooperative Industry

August 2018

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## Case Study: Automatic Enrollment

### The Challenge

Allied Cooperative, a sponsor of the Co-op 401(k) Plan in Central Wisconsin, offers a matching contribution of 50% up to the first 6% of pay. However, participation in the plan lagged at 40% and the average deferral rate was just below 3%. Allied Cooperative had a desire to ensure the company was considered a great place to work and retire from and wanted to help get their employees in a position to retire.

“  
[We want] to help those  
that need help the most.  
”

Tim Diemert, CEO

In 2017, after consulting with their relationship manager from Milliman, Allied decided to tackle the issue of low participation and savings rates. The sponsor felt an obligation “to help those that need the help the most.”

The goal was to design and implement a strategy to get all participants saving in the plan and headed toward a financially-healthy retirement. Allied Cooperative wanted to increase their participation rate so it was more in line with the industry average, which at the

time was 57% for those plans without automatic enrollment and 82% for plans with automatic enrollment. Milliman was able to assist by projecting out the retirement readiness of the participants based on the new assumptions and recommendations from the relationship manager.

### The Solution

During ongoing meetings with Allied and the relationship manager, the group discussed several different methods to achieve the goal of increasing participation. Milliman recommended a few strategies to help drive the results. The first was to loosen the eligibility requirements and add an automatic enrollment component. This would allow more participants to enter the plan while taking advantage of the automatic enrollment provision. The second was to offer a print campaign and educational series to help promote and educate participants on the importance of saving for retirement. Milliman recommended conducting the meetings prior to any changes to the plan to allow participants to understand the changes before they went into effect and answer any questions they may have.

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Co-op **401k** Plan 

AMERICA'S LEADING 401(K) PROGRAM FOR COOPERATIVES  
Administered by Milliman

## Case Study: Automatic Enrollment

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With the help of Milliman, Allied Cooperative decided to implement the following changes:

- Reduce eligibility period from one year of service to 60 days
- Add auto enrollment for newly eligible participants at 3%
- Host educational meetings, conducted by Milliman, prior to the plan change
- Distribute posters announcing the change and meetings dates

### Outcome

During the 2018 Annual Plan Review, Milliman reviewed the new demographics with the sponsor. In the year since Allied decided to focus on getting people enrolled in the plan, the participation rate had increased to 89% and the average deferral rate increased to just over 5%.

This case study demonstrates the power of adding automatic enrollment to a plan. In consultation with Milliman, Allied Cooperative determined that in order to truly help their participants save for retirement, they could amend the plan to allow participants to enter the plan earlier and by automatically enrolling them when they become eligible it alleviates some of the hurdles that some may face when considering saving for their retirement.

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## Reminder: Mergers and Acquisitions

Going through a merger or acquisition? As detailed in our April 2018 Update Newsletter, Milliman can help mitigate some of the issues that may arise. We can also perform an analysis and review of the plan documents and consult with sponsors on what is the best course of action. By doing so, we can answer the following questions:

*How are the plans performing?* When comparing plans, it is important to look at the demographics of the plans.

*What are the options for ongoing plan design?* This may be a good time to reevaluate what options are available to the sponsor of the plan.

*Are there any compliance issues?* If a plan involved has any type of compliance issue, this could result in significant issues.

*Is there fiduciary protection?* Sponsoring a retirement plan makes you a Fiduciary. However, there ways for a sponsor to share in that responsibility with other providers. For example, when sponsoring the Co-op 401(k) Plan, sponsors can mitigate their Fiduciary risk.

*What is the fee structure?* It is important to review what services are included in the fees, and what investment options you may or may not have.

Milliman and our team of consultants can help the throughout the process. If you have any questions please contact your Relationship Manager or call 1.800.652.6675.

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