



Phil Stoddard, Anthony Estell, John Nixon,
Kerrie Vanden Bosch and Phillip Jeffery

2014

PLAN SPONSOR OF THE YEAR FINALIST

PUBLIC DEFINED CONTRIBUTION State of Michigan

The state of Michigan has been transitioning steadily from defined benefit (DB) plans for new employees to hybrid and defined contribution (DC) plans. Because of this, its 401(k) and 457 plans have focused on encouraging participants to contribute enough to get the full match, which varies among employee participants.

“The employer offers hybrid plans—which have a base DB benefit alongside a DC plan—or a DC plan to most new employees,” says Kerrie Vanden Bosch, director of plan development and compliance at the state’s Office of Retirement Services in Lansing, Michigan. “We want to make sure that our participants have the best possible chance for a good financial future.” Through plan-design changes and educational efforts, the percentage of participants contributing enough to get their employer’s full match jumped from 71% in 2011 to 86.5% at year-end 2013.

The state’s 401(k) and 457 plans have a total of \$6.1 billion in assets, 148,611 participants and a 92.3% participation rate. The 401(k) has a 4% average deferral, and the match variation among employers participating in these plans ranges from 100% of the first 2% an employee contributes to 100% of an employee’s 7.5% deferral. State law, rather than individual employers, determines the current match formulas. The state has a legacy defined benefit plan for some administrative staff, state police, public school employees and judges. There are two hybrid plans: one for

public school employees and one for state police.

As of March 1997, newly hired state employees got enrolled into a defined contribution plan. Starting in July 2010, newly hired public school employees were enrolled into a hybrid plan, and they later had the option to choose between the hybrid and a DC-only plan. Beginning in July 2012, new state police troopers and sergeants went into a hybrid plan. “Governor [Rick] Snyder has been focusing on capping and funding our long-term liabilities, so retirees can rely on these plans in the future,” Vanden Bosch says.

Because more people depend on defined contribution benefits, the legislature in 2010 and 2011 passed automatic enrollment for various employee groups, into the 401(k) plan. New hires are auto-enrolled at the deferral percentage that allows them to receive the full employer match. So far, only 8.12% of auto-enrolled employees have opted out of participation.

The state has also stepped up its participant education. “For those who opt out of participating, we follow up by phone to make sure they know that they are not going to get the employer match,” Vanden Bosch says. Recently, 7% of employees who got that call reversed their decision, she says. “We want to help them make decisions that will set them up for success in the future,” she says. “And it’s hard to just dismiss somebody you are talking to versus throwing a mailer away.” —*Judy Ward*