

The University Senate of Michigan Technological University

Proposal 28-15 (amended 03-18-15)

(Voting Units: Full Senate)

“Proposal on Opt-out ~~Pension Design~~ Retirement Plan”

I. Introduction

For employees of Michigan Technological University to receive matching contributions from the University through the Defined Contribution Plan, employees must presently “opt-in” to benefit from this program, specifying that they want to participate and indicating what percentage of their ~~compensation~~ **salary** they want put away towards retirement. Currently, the University will match contributions for eligible employees up to 7.5% of their salary.

An analysis of current participation patterns reveals that some employees either neglect or choose not to participate in this program by failing to “opt-in.” In 2014, the Michigan Legislature passed a law that enables employers to automatically enroll employees in a defined contribution plan unless they choose to specifically “opt-out” of such participation.

II. Proposed Change to the Employee Matching Defined Contribution

The present proposal is to automatically divert 3% of an employee’s ~~compensation~~ **annual salary** with a 3% University-funded match, into the Defined Contribution Plan unless that employee chooses to actively “opt-out” of the program. The intention of this proposal is to encourage employees to begin saving for retirement early in their careers in order to accrue funds to augment retirement income from other sources such as Social Security and other personal savings plans that may prove to be inadequate to meet retirement expenses. **The employer will continue to match the employee’s contributions up to 7.5% of the annual salary.**