

Evraz

When Evraz Oregon Steel Mills (“EOSM”) evaluated their traditional 401(k) plan in 2003, they realized that participation rates had sagged to about 40 percent in their union plan, and 50 percent in their non-union plan. The company believed that most of their employees wanted to save for retirement, but because of the flood of choices and decisions involved in retirement plans, many put off signing up. To remedy this, EOSM decided to work with their 401(k) provider, to set up an automatic 401(k) plan. Employees would be enrolled unless they declined, and their contributions and match would be invested in lifecycle funds.

EOSM’s automatic 401(k) plan had two implementation phases: the first was for non-union employees (implemented in 2004) and the second was for union employees (implemented in 2005).

The biggest concern Evraz had was a potential reaction from employees. To assuage these concerns, the company at first only enrolled new employees in the plan. Then, in 2006, EOSM educated eligible employees who weren’t participating by mailing them letters detailing the automatic 401(k) process. Each person in the non-union plan would be enrolled at a four percent savings rate with a four percent match in a lifecycle fund. As with all participants, they would be allowed to change the amount of money contributed to the plan, or opt-out altogether. Only a handful of employees declined. In 2007, the company did another re-enrollment of existing employees and upped the default settings to a five percent savings rate with a five percent match. Again, only a few opted out.

For the union plan, Evraz negotiated through their bargaining unit. They found the union accepted an automatic 401(k) plan as long as it included an opt-out feature. For this plan, they set the savings rate at two percent with a one percent match. Once again, only a few employees declined.

Employee reaction to the new automatic 401(k) plan exceeded the company’s expectations. Not only have participation rates skyrocketed to 97 percent for the non-union plan and 75 percent for the union plan, but most employees have had nothing but good things to say about the plan. Employees are happy to have a start in their retirement savings—and are now looking for ways to increase their participation. And for the few who opted out, life circumstances as was the reason, rather than dislike of the plan.

Evraz is continuing to look for ways to keep their plan competitive, by upping default savings rates and continuing to match contributions. And the cost of managing the plan has been no more than their traditional plan, a point crucial to the smooth adoption of this new and improved way to save for retirement.