



A Case Study in Workplace Emergency Savings:

How UPS and Voya Designed a Solution Resulting in \$10 Million in Savings

MARCH 2022

Executive Summary

Providing an emergency savings option through the workplace is key to improving financial security and ultimately building wealth for low- to moderate-income (LMI) workers. Emergency savings can provide an essential buffer for employees, resulting in a softer financial landing during an unexpected, near-term emergency expense. It can also help mitigate financial insecurity that fosters chronic stress among workers, which costs \$250 billion a year in reduced productivity.

Employers (plan sponsors) and recordkeepers are uniquely positioned to provide quality emergency savings products to employees (plan participants). UPS recognized this opportunity to improve its employees' financial security as part of its commitment to a strong and productive workforce. Through BlackRock's Emergency Savings Initiative, Commonwealth, UPS, and Voya collaborated to develop an emergency savings program for UPS' nearly 100,000 non-union employees. We chose the after-tax option of UPS' 401(k) Plan, administered by Voya, as the high-quality emergency savings solution.

Through a multi-channel engagement and communications campaign, we increased awareness of and participation in the emergency savings program by UPS employees, including low- to moderate-income employees, who benefit most from increased emergency savings.

Since the start of the program, 4,155 employees have taken up the emergency savings solution, representing a 39% increase in the number of participants in the first year.

Over three quarters are contributing to the after-tax option at 2% of their pay or higher, which represents a 25% increase in overall assets, or nearly \$10 million in new savings.

Introducing an emergency savings option positively impacts retirement savings for some. Employees who increased their after-tax contribution rate were about twice as likely to also have increased their pre-tax contribution rate than those who made no changes.

We found that repeated communication through multiple channels was critical for driving awareness and engagement. Finally, we identified opportunities for improvement of the intervention and implications for employers and recordkeepers interested in implementing an emergency savings program.

CHALLENGE

UPS wanted a high-quality emergency savings program for its nearly 100,000 non-union employees

APPROACH

As part of BlackRock's Emergency Savings Initiative, UPS, Commonwealth, and Voya collaborated to leverage an existing feature of the UPS 401(k) Plan to encourage employees to save for the unexpected

SOLUTION

A robust campaign and set of interventions to promote the in-plan, after-tax option in the 401(k) Plan as an effective emergency savings solution

RESULTS

Employee take-up and engagement of the after-tax account, including by low- to moderate-income employees, resulting in \$10 million in new savings

Partnering to Drive Employee Emergency Savings

The retirement benefits team at UPS, one of the first partners to join BlackRock's Emergency Savings Initiative, recognized the critical importance of a holistic approach to financial wellbeing for their nearly 100,000 non-union workers as part of their overall benefits and retirement security strategy. One missing component from that strategy was an easy and accessible way for employees to contribute to emergency savings. With support from the Initiative, Commonwealth, a national nonprofit building financial security and opportunity for financially vulnerable people through innovation and partnerships, collaborated with UPS to research, design, implement, and evaluate a program to enable employees to easily save for emergencies.

Implementing the Emergency Savings Intervention

Commonwealth and UPS began by reviewing existing data on employees' overall financial security, which informed our focus and approach to addressing emergency savings. Through extensive research on potential emergency savings interventions, based on jointly established criteria for a high-quality solution, we ultimately selected the "in-plan, after-tax" option within the UPS 401(k) Plan, administered by Voya. The after-tax option allows employees to automatically contribute funds each paycheck and withdraw those contributions without penalty.* By leveraging the existing infrastructure of the 401(k) Plan, we reduced the complexity of offering this option to UPS employees. The after-tax option allows for automatic contributions tied to employee pay, and penalty-free withdrawals of contributions, making them more liquid than pre-tax contributions.

Commonwealth, Voya, and UPS worked closely to develop a multi-channel messaging campaign to communicate the importance of emergency savings to UPS employees and offered the after-tax options as an effective option.

The campaign included:



A new landing page with information about emergency savings and details about the after-tax options



Multiple emails sent by UPS and Voya to employees and retirement plan participants



New content incorporated into other financial wellbeing resources, like webinars



Direct mail pieces as part of ongoing plan communication mailings



Behaviorally-informed interventions on the plan participant website, including well-timed, pop-up nudges to start after-tax contributions and default savings rates



Findings from a survey developed by Commonwealth to determine awareness of the emergency savings options and motivation for (and barriers to) participating

* Income taxes are automatically deducted from the investment earnings portion. Withdrawals before age 59½ are subject to a 10% penalty on the investment earnings portion.

Assessing the Impact of After-tax Emergency Savings

By tracking and analyzing data from the multi-channel messaging campaign, we saw increased awareness of the after-tax emergency savings account.



Emails sent by UPS and Voya generated high engagement, with a **40% open rate** across all emails.

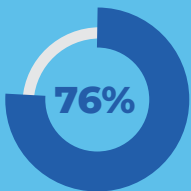
23,000 employees

visited the newly-created landing page over a one-year period.

40% of respondents to our survey were aware of the after-tax solution as an option for emergency savings. **While this 40% awareness highlights the impact of the program, it also demonstrates the need to continue promotion.**



39% increase in participation in the after-tax account, representing 4,155 employees, from August of 2020 (one month before campaign) to October 2021.



Steady increase for low- and moderate-income employees as well. **Most employees (76%)** are contributing to the after-tax option at 2% of their pay or higher.

This translates into a 25% increase in overall assets, or nearly

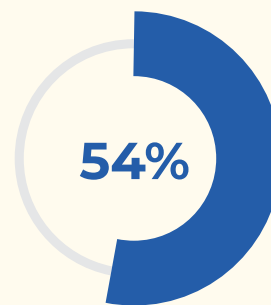
\$10 million in new savings.

Digging deeper into the findings, we found that contributing to after-tax for emergency savings generally had a positive or neutral impact on retirement savings. Employees who increased their after-tax contribution rate were about twice as likely to also have increased their pre-tax contribution rate. We also saw evidence that an “active choice” intervention on the plan participant website, where employees were encouraged to choose whether to contribute to a separate emergency savings bucket, helped to increase adoption and initial election without crowding out retirement savings. There was no evidence that the intervention negatively impacted pre-tax contribution rates.

Future Implications

We expanded our insights beyond the awareness and participation metrics through a survey of UPS employees, which allowed us to explore impact across income and demographics such as race, ethnicity, and gender. We found that a majority (54%) of LMI employees agreed employers should help with emergency savings. LMI employees were more likely to agree that employers should be helping. Black, Latinx, and Asian respondents indicated they were contributing to an after-tax account at a higher rate than white respondents.

The survey findings confirmed the importance of increasing awareness of the in-plan, after-tax option to driving action-taking: 25% of respondents started or increased after-tax contributions after hearing about the opportunity to use it for emergency savings.



A majority (54%) of LMI employees agreed employers should help with emergency savings.

Challenges and Potential Barriers to Take-Up

To ensure this collaboration increased awareness and take-up of emergency savings by employees, there were a few challenges we needed to address. UPS communicates with employees about many topics and is thoughtful about the amount and frequency of these communications. There are “blackout” portions of the year when employees are particularly busy and non-urgent communication is limited. Employees also work in various environments, some with limited computer or email access. We addressed these challenges by:

1. Scheduling messaging with the broader corporate communication context and
2. Using a multi-channel communication approach.

Secondly, the after-tax option may not be the best emergency savings account for some employees and employers. When we asked about potential improvements to the after-tax option, LMI employees said they would be more likely to contribute to a solution with:

- Faster access to money they withdraw;
- The ability to contribute exact dollar amounts vs. percentages; and
- Matching of their after-tax contributions by UPS.

Moreover, the difference between the pre- and after-tax options within a retirement plan are nuanced and complex. Clear communication in the informational material was essential so employees could make informed decisions. This added multiple steps to get from learning about the after-tax option to making changes to contributions, adding friction to the process of participating. Our analysis suggests that the number of steps required to take action was a barrier to increased participation and take-up. While 24% of messaged employees visited the emergency savings landing page, only 10% of those visitors logged into their plan account to start or increase after-tax contributions.

Applying These Insights to Employer-Based Emergency Savings

Commonwealth's collaboration with UPS and Voya to offer an emergency savings solution to UPS' non-union employees demonstrates an opportunity for other recordkeepers and plan sponsors to improve worker financial security, through an existing feature of many retirement plans. The after-tax option meets many of the criteria for a high-quality emergency savings solution and may be easier to implement than other options.

Emergency savings is a critical first step in improving worker financial security, which benefits both the employee and the employer. Some lessons from this effort that are more broadly applicable to employer-based emergency savings efforts include:

- Introducing an emergency saving option had a positive or neutral impact on retirement savings in general, suggesting that this should not be a major concern for employers;
- A well-designed emergency savings program can drive employee take-up and engagement;
- Effective employee outreach programs include: frequent messaging through multiple communication channels to drive awareness, take-up, and utilization, especially for opt-in programs;
- High levels of engagement by LMI, and Black, Latinx, and Asian employees emphasizes the need and opportunity for emergency savings solutions designed with these populations in mind; and
- Reducing friction and complexity, faster access to funds, matching/incentives, and the ability to contribute a flat amount (vs. a percentage of pay) are effective interventions that may increase take-up of emergency savings.

To improve the financial security of your employees through an emergency savings program, reach out to us at info@buildcommonwealth.org to learn more about how we can help.

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