CASE STUDIES OF SUCCESSFUL LOCAL GOVERNMENT FINANCIAL WELLNESS PROGRAMS

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Introduction

Well before the onset of the COVID-19 pandemic and the related economic impacts, many Americans were worried about their personal finances and financial security. Among the varied research findings on financial wellness, 61 percent of Americans can't answer more than three of five questions correctly on a financial literacy quiz, 54 percent don't have enough money set aside to cover three months of unexpected expenses, and 16 percent spend more than 20 hours each month worrying about personal financial issues while at work.[1]

For employers of the approximately 18.5 million individuals working for state and local governments, this is reason for concern. In the public sector, nonwage benefit compensation plays a particularly important role in helping governments compete in the labor market and attract and retain a talented workforce. When people are not in control of their finances, they can become distracted at work and can have difficulty doing their jobs effectively.

To better understand the role of public sector employers in financial wellness, the Center for State and Local Government Excellence (SLGE) partnered with the Wells Fargo Foundation in 2018 to develop a practitioner-oriented report, Financial Literacy Programs for Local Government Employees. This report offered a landscape assessment of local government employee financial literacy programs through a literature review and data from a survey of elected officials and human resources (HR) directors from local governments across the United States.

Among the key survey findings, only 26 percent of HR directors reported that their government offers a financial literacy program. When these programs were provided, they most often covered the topics of planning for retirement and budgeting and spending. Efforts to address different populations, such as those with limited formal education, those for whom English is not their primary language at home, or those in different age groups, was fairly limited. The report concluded with seven recommendations for practitioners to improve financial literacy programs. The first of these recommendations was to assess employee needs and preferences.

In a continuation of this line of work, SLGE conducted a survey to explore what state and local government employee needs and preferences are regarding employer-provided financial literacy/education programs. A second practitioner-oriented report, A Focus on Public Sector Financial Wellness Programs: Employee Needs and Preferences, presents the results of an online survey of 507 state and local government workers conducted by SLGE and Greenwald & Associates in July 2019. Survey results showed that 68 percent of respondents reported that they would be likely to participate in a financial literacy/financial wellness program in the near future or if offered one. Further, 51 percent of respondents agreed that "improving the financial literacy of employees should be a priority of your employer" and 65 percent agreed that it is important for their employer to offer a financial literacy program.

This report highlights two local governments that have successfully implemented financial wellness programs to address the needs and preferences of their respective workforces. While the geographic and demographic characteristics of the jurisdictions and their approaches to employee financial wellness vary, the case studies show many similarities in terms of lessons learned and all show promising practices that other states and localities can adopt and/or adapt to meet the unique needs of the communities they serve.

CASE STUDY:
Twin Lakes, Wisconsin

JURISDICTION BACKGROUND

Jurisdiction: Village of Twin Lakes

State: Wisconsin

Population: 6,204 (2019 est. U.S. Census Bureau)

Square Miles: 5.4 square miles

Population Density: 732 people per square mile (2010 U.S. Census)

Number of Full-Time Employees: 29.5 Full-time

Urban/Rural Classification: Rural

Poverty Rate: 11.6%

Total General Fund Annual Expenditures: $5.2 million (FY2019)

Retirement Benefits

- Twin Lakes employee retirement benefits include a combination of the Wisconsin Retirement System's defined benefit pension—with costs evenly split between the village and the employees—and an optional deferred compensation program to which employees may contribute. Employees are also covered by Social Security benefits.

Health Benefits

- Employee health coverage is provided at a cost per employee (or family) of $20-$40 per month and a $200-$400 deductible, with the village paying the balance.

- The village also provides each employee $500 in a flexible savings account to assist in covering health-related expenses. Employees can choose to contribute additional funds up to the IRS maximum.

INITIAL CHALLENGES AND CONCERNS

Twin Lakes is a small community near the Wisconsin-Illinois border with just 29 full-time employees. In 2016, a few midcareer employees were chatting at lunch with Village Administrator Jennifer Frederick and mentioned in passing, "Our pension is enough to retire on, right?" From a discussion with those employees and others, it became apparent that such benefits discussions took place at hiring, but not after, and perhaps as a result, there was a general disconnect on issues of retirement planning.

Every so often, the village would bring in retirement plan representatives to provide informational sessions, but employees would not necessarily take advantage of these opportunities.

To rectify that situation, Ms. Frederick organized a Benefits 101 session to review average pension benefits, the deferred compensation program, student loans, the place of unused sick leave in the calculation of service credit, and the various decisions employees might make that would impact the funds available to them upon retirement. The program was run directly by village staff, providing a PowerPoint overview of all benefits provided, and retirement plan representatives were available as a backup if there were more complex questions or to meet with employees one-on-one after the presentation. This format helped to frame the presentation as a human resources initiative, not as something requiring technical financial expertise and not as a vendor-led sales pitch.

The session was not planned with employee input beyond what had been imparted in those first informal discussions. Although there was no formal role or approval from the village board, Ms. Frederick indicates that they would have been supportive.

PROCESS, IMPLEMENTATION, AND FINANCIAL CONSIDERATIONS

Audience

To maximize program participation, the program was structured as a "lunch and learn" session with all employees required to attend and with lunch provided. Since many financial decisions are made as a family, spouses also were invited to attend so those conversations could get started when the HR representative was on hand to answer questions.

Format

The full Benefits 101 curriculum was delivered at the in-person lunch and learn session, and copies of the PowerPoints were available for any who wished to review the information on their own.

The content was solely derived from available plan documents and Ms. Frederick's own experience in managing payroll. In addition, she drew on her prior tenure as the mayor's chief of staff in Green Bay, Wisconsin (population 105,000), where as part of a 2011 Financial Planning Day, employees were able to meet one-on-one with a range of local financial planners and get free advice on in-depth questions like, "Is it better to contribute to my IRA or pay off my student loans first?"

Technology and Communications

Communication to employees and their spouses was accomplished via printed flyers and notification from department heads. All employees were English-speaking, so no translation services were required.

Financial Considerations

The only costs incurred for the program were for the lunches provided—pizza for the 30 attendees—and for the employees' time away from work. There was no charge for the employees or their spouses to participate. The only printed materials were those provided by participating third-party organizations.

Outcomes and Evaluation

"One approximately 25-year-old employee had dropped their deferred compensation contribution from $25 to $10 per month so they could afford a gym membership," said Ms. Frederick. Through the Benefits 101 program, she emphasized the importance of making early-career contributions—before employees have acquired mortgage debt or child care expenses—as well as the value of allowing funds to accumulate and earn compound interest, rather than viewing one's deferred compensation balance as a checking account available for routine withdrawals. For those looking to increase their deferrals, she discussed the time value of money and the benefits that could be achieved by "paying yourself first"—setting aside at least a portion of funds from step increases or promotions toward retirement.

The pension plan website provides calculations for employees of what certain contribution rates, investment income, and pension benefits would equal as a monthly retirement income when they reach retirement age. The presentation did not go into any personal data in order to protect employees' privacy, but it did address how such factors could be weighed in making one's own determinations for what made the most sense for their families.

As a result of the presentation, some employees signed up for deferred compensation who had not done so previously, some increased their contributions, and some changed their allocations to funds that were somewhat more aggressive over the long term. "It was a real awakening to see how few people knew how to make their money work for them," said Ms. Frederick, which made the resulting changes in savings habits so rewarding.

Not all of the feedback on the program was positive. Some perceived it as a bit "sales-pitchy" or were reluctant to sign up for an insurance program or deferred compensation program that were still complex to understand. To counter those attitudes, the program focused on what was being provided to the employees, the cost impact or savings they would realize, and the fact that the village did not have a financial stake in their decisions. For example, when discussing flexible spending plans, the use of one pharmacy or another for routine maintenance medications, or the various providers available to perform lab work, the emphasis was on the choices available to the employees, the tax savings they could realize, or the cost per prescription under different plans, with a clear statement that the village does not benefit one way or the other.

Given the small size of the organization, it is difficult to characterize the results as being indicative of a larger trend. Likewise, given the fact that there is not significant staff turnover, the program was not deemed necessary to replicate annually, although every few years may be suitable.

Lessons Learned and Takeaways for Other Jurisdictions

Aside from hesitation about complex financial decision making, one of the background factors affecting the program was a trust issue. With the passage of Act 10 in Wisconsin in 2011, collective bargaining rights were eliminated for all but public safety employees. According to Ms. Frederick, this change and the perception of a more adversarial relationship between management and staff have meant more time needs to be spent on face-to-face communication to overcome distrust or rumors. As she is organizing similar benefit awareness and financial literacy programs in her current jurisdiction, she is considering separate sessions in each city building so that she can listen and respond to the varying questions from each department.

Content for this case study comes from information provided by the Village of Twin Lakes, Wisconsin and from an interview with Jennifer Frederick, Director of Financial Services at Geneva Joint 4 Woods School, Fontana-on-Geneva Lake, Wisconsin (formerly of Twin Lakes) on January 8, 2020.

CASE STUDY:

CITY AND COUNTY OF DENVER, COLORADO

JURISDICTION BACKGROUND

Jurisdiction: City and County of Denver

State: Colorado

Population: 619,968 (2011 U.S. Census Bureau); 716,492 (est. 2020)

Square Miles: 155 square miles

Population Density: 4,044 per square mile (2020, World Population Review)

Number of Full-Time Employees: Over 11,000

Urban/Rural Classification: Urban

Poverty Rate: 12.2%

Total General Fund Annual Expenditures: $1.49 billion (FY2020)

Retirement Benefits

- All permanent employees are enrolled in the Denver Employees Retirement Plan (DERP). DERP provides a lifetime monthly retirement income for vested employees. Employees are eligible to receive these benefits after five years of continuous service and upon reaching the age of 65.
- The city and its employees contribute to Social Security.
- Employees may participate in the city's 457 plan, Summit Savings. The city does not match employee contributions.

Health Benefits

- The City and County of Denver offers employees a choice of six health insurance plans, including high-deductible health plans and deductible Health Maintenance Organization plans.
- Employees may participate in a health savings account (HSA) if they are enrolled in a high-deductible health plan. They must make their contributions through payroll deduction to their Optum bank account in order to receive the city's HSA contribution. For every $1 an employee contributes, the city will contribute $2. The minimum contribution required of an individual in 2020 is $150/year; the maximum is $300. For families, the minimum contribution is $450; the maximum is $900.

TAKING A COMPREHENSIVE APPROACH TO EMPLOYEE WELLNESS

In 2017, Denver was invited to be part of a Harvard-Bloomberg City Leadership Initiative to promote cross-sector collaboration (CSC). Mayor Michael Hancock, Chief Information Officer Dave Edinger, and Chief Human Resources Officer Karen Niparko attended CSC training and then suggested areas in the city that would benefit from the project. The mayor chose employee wellness.

Well-being is a priority for Denver for a variety of reasons, including employee retention, a potential reduction in employee stress and in annual health care costs per employee, greater employee engagement, and fewer days missed per year due to unexpected illness. Like many other cities and counties, Denver's healthcare costs had been rising and employee participation rates in the pre-2017 wellness program had been low. The city's former wellness program focused on citywide data and could only track participation. There were no agency-specific wellness goals.

Denver's well-being initiative is data driven and allows agency leadership to target the area of wellness that they decide is a priority for their employees. The initiative is based on four pillars: financial, mental, physical, and professional wellness.

Supported by a two-year Bloomberg grant, two Harvard fellows worked with city staff for 10 weeks to help restructure the city's existing wellness program. They aggregated and organized data from medical claims, retirement and financial savings, the number and amount of retirement loans, the number of employees in each agency who participate in the HSA, how many have named a beneficiary for their life insurance, absenteeism, workers' compensation, and other general personnel information related to the four pillars. Each of Denver's 32 agencies receives aggregate data on the four pillars and how their agency compares to the rest of the city.

The aggregate data guides agency leaders in determining which pillar should be their agency's area of focus. They then coordinate with the Office of Human Resources to review the potential interventions that can address their agency's priority. All of the city's partners, including those involved with Denver's financial portal, the employee assistance program, and health insurance providers, have resources that the agency can tap by to improve outcomes. Employees have been appreciative of the initiative, recognizing that their agency is seeking way to support their well-being. If the agency has only a small number of employees, no data are provided. When agencies have at least 50 to 100 employees, they can receive aggregate data.

With the new data structure, each agency can watch leading and lagging data indicators. For example, if agency leadership chooses physical wellness as its area of focus and makes weight loss a target, it can track agency employees' progress. Although the city may not necessarily see a reduction in overall health insurance claims, there may be a positive impact on the overall health insurance plan and on the health of employees in that particular agency. One agency chose mental health as its priority and is focusing on new employee assistance classes on resilience. Those classes include "Dealing with Difficult People," "Coping with Compassion Stress," and "De-escalating Potentially Violent Situations." Aggregate data that helped inform the agency's decision to focus on mental health included the number of their employees who self-reported a high level of stress on the city's health assessment.

Financial Well-being

To address financial well-being, the city identified several potential interventions:

1. Increase benefits education, especially around where to find care, such as urgent care, telemedicine, virtual visits.
2. Promote participation in benefits communication focus groups.
3. Increase management promotion of "lunch and learns" around financial health, including the Denver Employees Retirement Program, Denver Community Credit Union, and College Invest.

Data sources that help inform the financial well-being initiative include the rate of emergency room visits that could have been treated by primary care providers, the number of retirement loans, and the level of participation in the city's optional 457 deferred compensation retirement plan and HSA.

Areas that may be targeted include low retirement savings. For example, employees may benefit from more education so they understand how a 457 deferred compensation retirement plan can complement the city's pension plan. They also may not realize that they can change their contribution level or start contributing to the 457 deferred compensation retirement plan at any time without waiting for the open enrollment season. Another knowledge gap for some is how to take advantage of the pre-tax benefits when participating in the city's flexible spending accounts for health care, dependent care, and parking.

As an added bonus, the city provides annual financial incentives to employees who participate in its wellness program. When employees complete the health review and participate in a sufficient number of wellness activities between January 1, 2020 and December 31, 2020, they can achieve gold status in the program, earning them 6,000 points. That achievement allows them to earn a $600 HSA deposit or a health insurance premium reduction in 2021.

Financial incentives also are offered to employees who are eligible to participate in Denver's medical plans but waive the benefits. They can be entered into a January 2021 drawing for a $500 wish list experience and as well as the $100 gym membership reimbursement and wellness program bucks.

The wellness vendor provides a wellness portal for employees on the city's website so they can track their participation in whatever pillar their agency has chosen. It gives employees points for attending a class or participating in an activity related to their agency's pillar. The wellness portal offers many interactive features like apps, games, and challenges to help employees achieve their health and wellness goals. While many Denver employees were working at home during the COVID-19 public health emergency, the city posted a highly visible reminder that employees can take advantage of a wide variety of online classes.

For example, employees can access short, interactive, financial-focused learning experiences online. These free, mobile-accessible modules are two to seven minutes in length and cover many subjects including taxes, debt management, creating healthy financial habits, building emergency savings, and family conversations about money. When employees log in with their city email address and complete at least five different modules, they can earn 50 financial wellness health points. The vendor that provides the city's online learning center encourages employees to create a personalized playlist including "Building Financial Capability." That module covers identity protection, building a budget, credit scores and reports, debt management, family conversations around money, taxes, and healthy financial habits.

The topics covered in "Preparing for Retirement" include planning for retirement, when to take Social Security, and estate planning. "Financial Foundations" covers checking accounts, car loans, preventing overdraft fees, credit cards, mobile and online banking, and prepaid cards.

Success Factors

From the beginning, Denver's well-being initiative has enjoyed the support of top leadership, starting with the endorsement of Mayor Michael Hancock. Human Resources Director Karen Niparko and Director of Benefits and Wellness Director Heather Britton have provided ongoing leadership and guidance for Denver's 32 agencies. As this is a data-driven initiative, it also has been a high priority for Chief Information Officer Dave Edinger and his technology team.

Agency leadership has been engaged from the beginning in developing action plans that use data to create a goal around participation in the wellness programs and to integrate that goal into the city's strategic plan. For example, technology services included wellness in the agency's strategic plan. Leaders strive to model healthy behavior and to encourage supervisors and managers to do the same. They may attend wellness classes themselves and allow staff to take time to join them. Employees and managers are encouraged to take sick days when needed instead of coming to work when they might have a contagious virus. All employees are expected to invest in wellness programs themselves.

The agency wellness champion coordinates the agency's programmatic activities, communicates activities and incentive details across the agency, and works with the Office of Human Resources wellness coordinators to ensure access to programs and resources. There are wellness champions in each agency. They are selected based on their enthusiasm for the initiative, the respect their colleagues have for them, and their communication and social skills.

The Denver Office of Human Resources provides information about the range of wellness interventions and the metrics that can be used to measure progress. Agency leaders participate in strategic planning, help select wellness champions, and develop an action plan. The wellness champions network with each other to share ideas on ways to keep employees engaged with the initiative.

A data scorecard helps agency leaders identify the needs in their agency. The next step is to align the needs with the available interventions. Once agency leaders have selected their wellness initiative, they determine which leading and lagging measures they can use to determine progress and impact and when they may need to correct their course of action. They decide how often they will measure progress and what baseline data to use. They also identify which city partners and vendors can support their wellness initiative.

Before choosing the areas of greatest need, leaders need to examine the available data. For example, if employees in an agency have had more emergency room visits and primary care visits than other agencies, it indicates that physical health likely would be a priority.

Several other factors have been important in launching and maintaining this ambitious program. The initial program costs and data analysis were funded by the Bloomberg grant. The city's health insurance and retirement providers have been enthusiastic supporters. To keep the program going after the two-year grant ended, the city has worked with its health insurance providers. The city pays approximately $120 million in annual premiums to its healthcare providers who return some of those premium dollars to the city so it can continue the robust wellness initiative. Identifying an ongoing source of funding was essential to keep the program operating.

Even though other state and local government agencies may not have the benefit of a two-year grant to help launch a comprehensive initiative, the core elements of the program offer a model that can be replicated, starting with the support of top leadership.

Five Step Process

1. Identify and align needs with interventions
2. Determine how to measure success
3. Integrate with strategic plan
4. Engage employees
5. Develop an action plan to integrate health and well-being in your agency.

The wellness initiative is in its third year and enjoys the support of all levels of government. During the COVID-19 outbreak when many employees were required to shift to telework while others have faced stressful days as first responders, the program continued to meet many employee needs through its online learning program. The four pillars of the program—physical, mental, financial, and professional wellness—give it the flexibility to meet the evolving needs of the workforce.

Content for this case study comes from information provided by the City and County of Denver and from interviews with Heather Britton, Director of Benefits and Wellness, City and County of Denver on January 16, 2020 and February 10, 2020, and with Karen Niparko, Human Resources Director and George Branchaud, Office of Human Resources Operations Coordinator, City and County of Denver on January 16, 2020.

Next Steps

This report provides two examples of local government jurisdictions in the United States that have successfully implemented financial literacy and education programs to help improve the financial security of their workforce and the surrounding communities. It is the ultimate goal of this report that jurisdictions will be able to apply many of the best practices described to start or improve upon their own employee financial wellness program.

For many jurisdictions, however, limited resources remain a very real and challenging hurdle to financial wellness program development and implementation. With this in mind, SLGE is continuing its partnership with the Wells Fargo Foundation and is collaborating with the International Public Management Association for Human Resources (IPMA-HR) and the National Association of State Treasurers Foundation (NASTF) to provide grants to 24 state and local government employers in 2020-21 to develop or improve financial wellness programs for their employees. Several of these grant recipients will be featured in a future case study report, and a repository of all grantees' financial wellness programs will be available to the public. It has never been more important to improve state and local government employee financial wellness. Highlighting promising practices can help meet this need, and ultimately improve the financial well-being of the workforce and the entire nation.

END NOTES

1 Financial Industry Regulatory Authority, "Infographic: Financial Literacy Levels," available at: https://www.finra.org/newsroom/ infographics/financial-literacy-levels; Financial Industry Regulatory Authority. "U.S. Survey Data at a Glance," available at: http://www.usfinancialcapability.org/results.php?region=US. See also Kent Allison, "Employee Financial Wellness Survey: 2017 Results," PwC, April 2017, and Mercer, "Inside Employee's Minds— Financial Wellness," 2017, available at: https://www.mercer.com/content/dam/mercer/attachments/global/inside-employees-minds/gl-2017-inside-employees-minds-financialwellness.pdf.

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777 N. Capitol Street NE | Suite 500 | Washington DC 20002-4290 | 202 682 6100 | info@slge.org