

2017



Plan Sponsor Report





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The Retirement Readiness Landscape at Sample Plan Sponsor

We are pleased to provide our annual Retirement Readiness Analysis Plan Sponsor Report. We hope you find this information useful in driving higher levels of employee retirement readiness within your workforce. Our focus at Financial Soundings is to help employees, at all income and education levels, improve retirement readiness outcomes and, in so doing, assist our clients in realizing their objectives as employers, plan sponsors and fiduciaries.

In this report, you will find plan specific information on your employees' engagement in your retirement plans organized into the following sections:

- ☒ Overarching Retirement Readiness Metrics
- ☒ Generational Scorecard
- ☒ Salary Tiered Scorecard
- ☒ Yearly Retirement Readiness Trend Analysis
- ☒ Impact Analysis of Employees No Longer Employed
- ☒ Retirement Readiness Control Group Analysis
- ☒ Case Study on the Impact of Working Longer
- ☒ Case Study on the Impact of Plan Design

We appreciate the opportunity to partner with you in helping drive one of the most important outcomes in today's economic and cultural landscape, and look forward to continuing this partnership. This includes a future of improved retirement preparedness for your workforce.

Sincerely,
Financial Soundings

Plan Snapshot

Data As Of **7/31/2016**

2,022 Reports mailed to employees

Number of Participants **1,975**

1,759 of the Participants were contributing

Number of Non Participants **47**

97.7% are enrolled in the plan

87.0% are actively contributing to the plan

Total Assets included for the 1975 Participants **\$75,262,719**

Your Average Participant

Age	41.0
Salary	\$39,903
Calculated Retirement Age	67.0
Replacement Ratio (Goal)	82.4%
Replacement Rate (Calculated)	95.0%
Monthly Income Goal (\$)	\$5,828
Contribution Rate (% of Salary)	4.7%
Account Balance	\$28,343
Portfolio Risk (1-10)	7.1
RR Score (1-10)	6.4
Projected Wealth at Retirement	\$556,212
Projected Income at Retirement	\$7,049

Did you know?



Since the initial report run, **57** employees have received the Non Participant version of the report. Of these, **52** have enrolled in the plan!

Averages, where depicted, represent a "Trimmed Arithmetic Mean" calculation to reduce the effects of outliers on the calculated values.



How are your employees tracking towards retirement?

The RR Score is a proprietary, trademarked, Monte Carlo driven probability analysis depicting the likelihood that the employee's retirement plan assets will fulfill the income objective through retirement. The calculation uses set assumptions for inflation and salary growth, forward looking capital market assumptions for asset class volatility and return, and factors all contributions, assets, and income sources, including Social Security and pension plans if applicable. The calculation uses an easy to understand 1-10 scale and encourages employees to reach the **Target Zone**, which equates to an RR Score of 7.5 or higher.



Let's take a look at how your employees stack up

Average RR Score for the employees current contribution rate and asset allocation

6.4

7.9

would be the average RR Score by following the Suggested Strategy

Of the 1975 Participants we analyzed,

1,105

are in the Target Zone

573

of your employees are at the top of the spectrum with an impressive score of 9.5

At the other end,

382

have room for improvement with a score of 0.5

We will break these statistics down by age and salary later in the report to help identify specific problem demographics.

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Of the **1,680** employees that received a report last year, **647** improved their RR Score, **686** stayed the same, and unfortunately **347** went backwards.





Plan Contribution Rate Analysis

Understanding the deferral amounts made to your plan is crucial when analyzing the steps your employees are taking to prepare for retirement. Our goal in this analysis is to show the contribution habits of your employees by looking at the deferral rates from multiple angles. This includes all voluntary sources and deferral types, any employer matching or profit sharing programs (if applicable), our Suggested Strategy Savings Plan and the impact from the previous year for plan renewals. Keep in mind that the information here is based on the most recent data submitted to Financial Soundings, and could potentially be slightly distorted as a result of the timing of our data collection.



Let's take a look at your 1,759 employees who are currently making a contribution

Average voluntary contribution rate (all sources) **4.7%**

This equates to an average annual inflow of **\$1,926** to the retirement account

4.5% is the average current pre-tax contribution rate

4.7% is the average current roth contribution rate, for those making one

Our Suggested Strategy includes a contribution rate increase, which averages out to **8.0%**

Digging a little deeper

Making a pre-tax contribution	1,757	Maximizing contribution to the IRS limit	9
Making a roth contribution	61	Maximizing the employer match	1,347
Deferring a percent of salary per pay	1,739	Receiving an additional employer contribution	0
Deferring a dollar amount per pay	18	Only contributing the employer contribution	0

We will break these statistics down by age and salary later in the report to help identify specific problem demographics.

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Of the **1,650** participants that received a report last year, **615** increased their contribution rate, **689** stayed the same, and unfortunately **346** reduced their contribution. For those employees who increased, the average contribution rate increase was **1.9%**.





Projected Income In Retirement

The analysis below provides a look at the projected outcomes at retirement for your employees. The FS Calculation Engine generates a personalized retirement income goal and projects a monthly income stream for each source of retirement income, including: Social Security, pension plans (if applicable), retirement accounts and outside assets included via our Insights Portal. Projections for the retirement accounts and outside assets are derived using our proprietary Monte Carlo based simulation engine and represent the median results under average market conditions. We also look at the impact of following our Suggested Strategy, which includes a personalized savings plan and investment strategy.



Projecting retirement income under normal market conditions

Average monthly retirement income (all sources)

\$7,049

Breaking down the averages

Income from Social Security	\$4,113
Income from Pension Plans	N/A
Income from Retirement Accounts	\$2,910
Income from Outside Assets	N/A

Comparing against the income goal

889

employees are facing a shortfall, averaging

\$984

per month

The income from Retirement Accounts is derived from the projected account value at retirement. For your employees, this averages out to

\$556,212

For the employees that have told us about their Outside Assets, we project an average account value at retirement (wealth) of

N/A

By following our Suggested Strategy

Projected monthly income	\$8,173
Income from Retirement Accounts	\$4,040
Wealth from Retirement Accounts	\$772,871

Employees with a shortfall	738
Average shortfall amount per month	\$947

We will break these statistics down by age and salary later in the report to help identify specific problem demographics

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Of the **1,650** participants that received a report last year, **1,348** increased their projected monthly income, and unfortunately **300** went the other direction. For those employees who increased, the average monthly increase was **\$1014.69**.





Generational Scorecard



	Boomers (55+)	Generation X (41-54)	Millennials/iGen (40 and under)
Number of plan eligible employees	315	789	918
Number of Participants	310	780	885
Number of contributing Participants	277	667	815
Number of Non-Participants	5	9	33
RR Score			
Current RR Score	3.2	5.6	8.3
Suggested RR Score	3.8	7.8	9.3
Number of employees in the Target Zone	57	310	738
Number of employees at the RR ceiling	25	104	444
Number of employees at the RR floor	179	149	54
Contributions			
Current Contribution Rate (all sources)	6.2%	4.8%	4.4%
Current Pre-Tax Rate	6.2%	4.8%	4.0%
Current Roth Rate	0.0%	0.0%	4.7%
Number Maximizing their contribution	3	5	1
Number Optimizing the employer match	223	497	627
Projections			
Monthly Income Goal at Retirement	\$3,377	\$5,076	\$7,345
Current Strategy Projected Income	\$2,982	\$5,287	\$10,270
Income from Social Security	\$2,180	\$3,458	\$5,418
Suggested Strategy Projected Income	\$3,110	\$5,908	\$12,254
Current Strategy Projected Wealth	\$156,614	\$344,223	\$928,084
Suggested Strategy Projected Wealth	\$182,284	\$463,228	\$1,299,589
Investments			
Current Strategy Portfolio Risk (1-10)	6.0	6.6	7.4
Suggested Strategy Portfolio Risk (1-10)	6.2	7.0	8.1
Number of employees fully allocated to Target Date	92	306	696
Number of employees partially allocated to Target Date	25	54	53
Number of employees not using Target Date funds	193	420	136



Salary Tiered Scorecard



	Highly Comped (120k+)	Mid Level (60k-120k)	Base Level (60k and under)
Number of plan eligible employees	8	211	1803
Number of Participants	8	210	1757
Number of contributing Participants	8	190	1561
Number of Non-Participants	0	1	46
RR Score			
Current RR Score	4.9	5.0	6.5
Suggested RR Score	5.8	6.5	8.0
Number of employees in the Target Zone	2	65	1038
Number of employees at the RR ceiling	0	9	564
Number of employees at the RR floor	2	51	376
Contributions			
Current Contribution Rate (all sources)	9.7%	5.8%	4.6%
Current Pre-Tax Rate	9.7%	5.8%	4.4%
Current Roth Rate	0.0%	1.5%	4.8%
Number Maximizing their contribution	3	2	4
Number Optimizing the employer match	8	156	1183
Projections			
Monthly Income Goal at Retirement	\$17,367	\$10,122	\$5,374
Current Strategy Projected Income	\$16,827	\$10,302	\$6,650
Income from Social Security	\$5,637	\$5,313	\$3,973
Suggested Strategy Projected Income	\$18,193	\$11,993	\$7,706
Current Strategy Projected Wealth	\$2,059,397	\$923,864	\$511,643
Suggested Strategy Projected Wealth	\$2,386,470	\$1,231,592	\$716,210
Investments			
Current Strategy Portfolio Risk (1-10)	6.1	7.0	6.9
Suggested Strategy Portfolio Risk (1-10)	7.2	7.4	7.4
Number of employees fully allocated to Target Date	1	53	1040
Number of employees partially allocated to Target Date	1	26	105
Number of employees not using Target Date funds	6	131	612



Gender Analysis by Generation

There is an abundance of new market research being conducted to help determine how plan sponsors can properly communicate to their employees based on gender as it relates to retirement planning. The increased life expectancies and traditional lower median incomes for females coupled with likely breaks in employment for important life events create a retirement readiness gender gap.

Financial Finesse, an industry leader on Financial Wellness, dedicated their 2016 research report to a focus on the gender gap that exists in financial wellness. Their study identified a 28% gap in the additional retirement savings needed to cover estimated retirement expenses, primarily due to women's greater life expectancy. Along with the higher need illustrated above, their study showed that the median 25-year-old woman should save about 25 percent of her income in order to stay on track for retirement at 65 if she plans to take a ten-year career break in her 30's.

Given market trends toward focused and relevant employee communication specific to gender and age, the retirement readiness metrics below will be helpful in evaluating where your employees stand as they prepare for retirement.

# of Boomers				
Average Salary			160	155
# of Participants			\$43,549	\$38,667
Average Contribution Rate			156	154
Average RR Score			6.1%	6.3%
Average Projected Wealth at Retirement			3.3	3.0
			\$169,914	\$143,561
# of GenX'ers				
Average Salary			504	285
# of Participants			\$47,456	\$38,081
Average Contribution Rate			498	282
Average RR Score			5.1%	4.5%
Average Projected Wealth at Retirement			5.9	5.2
			\$403,692	\$248,761
# of Millennials/iGen'ers				
Average Salary			596	322
# of Participants			\$37,957	\$33,152
Average Contribution Rate			573	312
Average RR Score			4.5%	4.1%
Average Projected Wealth at Retirement			8.3	8.2
			\$991,704	\$823,006



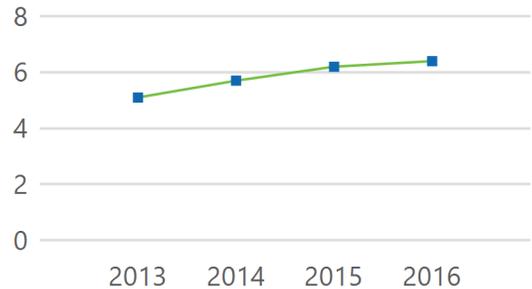
Yearly Retirement Readiness Trend Analysis

The visuals below track plan averages since the initial implementation of the program. We will be taking a closer look at the employees who are no longer employed this year, which may be causing some anomalies compared to the previous year.

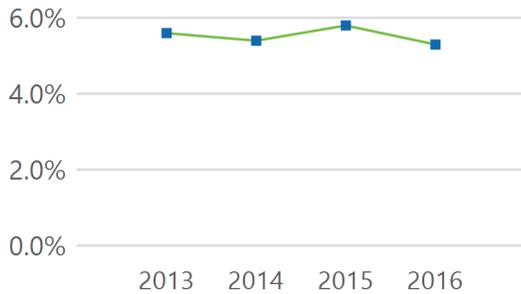


Year	Average RR Score
2013	5.1
2014	5.7
2015	6.2
2016	6.4

Average RR Score (1-10)



Average Contribution Rate (all sources)



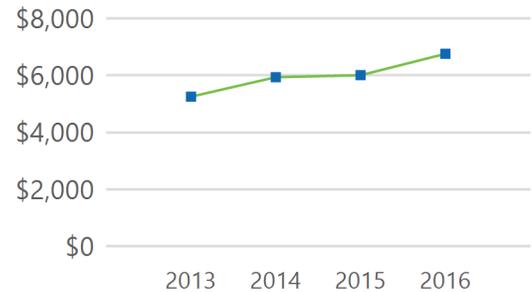
Year	Average Contribution Rate
2013	5.6%
2014	5.4%
2015	5.8%
2016	5.3%

Contribution Rate

Projected Monthly Income

Year	Average Projected Income
2013	\$5,255
2014	\$5,939
2015	\$6,009
2016	\$6,760

Average Projected Monthly Income



Average Projected Wealth



Year	Average Projected Wealth
2013	\$316,486
2014	\$410,580
2015	\$418,976
2016	\$524,142

Projected Wealth at Retirement



No longer employed



In an effort to understand the comparison trends from last year, let's take a brief moment to look at the employees that are no longer employed this year. You may ask, why does this matter? Primarily, recent retirees that left the company with high contribution rates and account values can bring down the plan averages across the board.

Recent retirees and employees no longer employed

The numbers

Total number of employees no longer employed	258	Participants	238
Boomers	30	Contributing participants	223
Generation X	77	Non-Participants	20
Millennials and iGen	151		

The averages

Average age	38.0	Average retirement account balance	\$10,533
Average RR Score	8.4	Average contribution rate (all sources)	6.0%
Average projected monthly income	\$6,842	Average projected wealth at retirement	\$505,256

Broken down by source

Monthly Retirement Income		Account Value at Retirement	
Income from Social Security	\$4,125	Retirement Accounts	\$505,256
Income from Pension Plans	N/A	Outside Assets	N/A
Income from Retirement Accounts	\$2,646		
Income from Outside Assets	N/A		



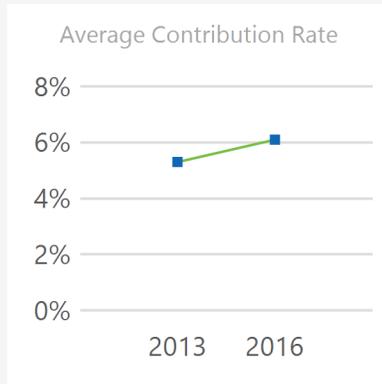
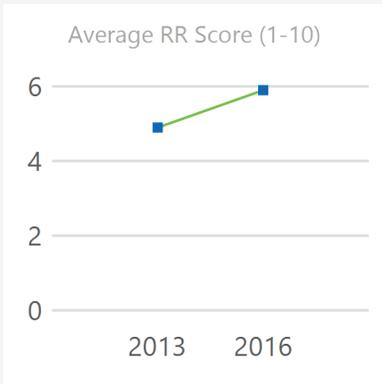
Control Group Analysis

This page offers you a look at the impact your providers, including Financial Soundings, are having on your employees annually since the first engagement. The control group below is made of those employees who have been employed since the inception of our partnership. In the third year of our service, we will include the impact on new hires as well.

Out of the **2,022** employees in your workforce today, **586** were employed in **2013** when they received their first Retirement Readiness Report. In the initial run, **575** were participants (of which **485** were contributing) and **11** were not enrolled in the plan. Since **2013**, **11** employees who were not previously enrolled in the plan are now participating. Also, **36** employees who were participants but not actively contributing at the time have started contributing.

Control Group 2013

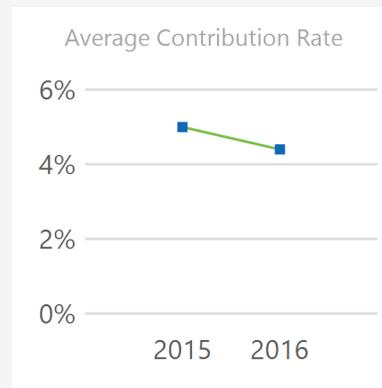
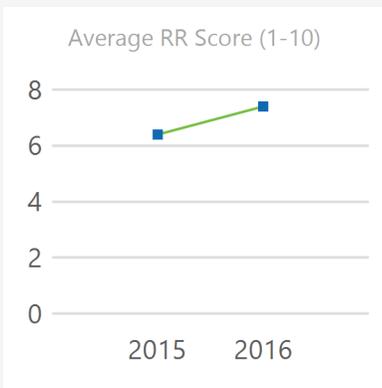
Year	Average RR Score	Average Contribution Rate	Number Maximizing Contribution	Number Optimizing Match	Average Monthly Income	Average Wealth at Retirement
2013	4.9	5.3%	2	205	\$5,150	\$307,985
2016	5.9	6.1%	5	370	\$6,635	\$529,380



Out of the **2,022** employees in your workforce today, **397** were hired in **2015** when they received their first Retirement Readiness Report. In the initial run, **367** were participants (of which **356** were contributing) and **30** were not enrolled in the plan. Since **2015**, **27** employees who were not previously enrolled in the plan are now participating. Also, **7** employees who were participants but not actively contributing at the time have started contributing.

New Hires 2015

Year	Average RR Score	Average Contribution Rate	Number Maximizing Contribution	Number Optimizing Match	Average Monthly Income	Average Wealth at Retirement
2015	6.4	5.0%	0	76	\$5,732	\$322,014
2016	7.4	4.4%	0	327	\$7,721	\$633,636





Case Study One - Impact of Working Longer

In this case study, we ran a random sample of 50,000 employees from our database through our calculation engine, simulating a basic 401k plan with normalized plan settings*. The results below highlight the benefits to retirement outcomes when an employee delays their retirement. This is a growing concern for plan sponsors, due to the inherent costs of employing an individual for longer than intended. Keep in mind that if you aren't retirement ready, working extra years may be your only choice.

Number of Employees	50,000
Average Age	42
Average Salary	\$44,216
Average Replacement Ratio	83% of final salary

Income Goal at Retirement	Projected Income at Retirement	
\$5,855	\$3,877	
Replacement Rate	Projected Wealth at Retirement	RR Score
57.0%	\$350,556	2.2

Age 65

Income Goal at Retirement	Projected Income at Retirement	
\$6,227	\$4,875	
Replacement Rate	Projected Wealth at Retirement	RR Score
67.0%	\$410,976	3.2

Age 67

Income Goal at Retirement	Projected Income at Retirement	
\$6,624	\$5,729	
Replacement Rate	Projected Wealth at Retirement	RR Score
74.0%	\$481,464	3.9

Age 69

Income Goal at Retirement	Projected Income at Retirement	
\$7,049	\$6,874	
Replacement Rate	Projected Wealth at Retirement	RR Score
82.0%	\$562,576	4.6

Age 71

*This analysis assumed an employer match of 100% on the first 3% of salary, Social Security normal retirement age, and the employees' specific contribution rates and plan assets.



Case Study Two - Impact of Plan Design

In this case study, we took the same set of 50,000 employees used in the previous case study and ran them through our calculation engine to show the influence that plan design can have on retirement outcomes. The results below illustrate the improvements that plan features like an employer match, auto-enroll, and auto-escalate can have on employee retirement readiness when compared to the results of a retirement plan that only offers voluntary employee contributions.

Number of Employees	50,000
Average Age	42
Average Salary	\$44,216
Average Replacement Ratio	83% of final salary

# of Employees with Shortfall	Projected Income at Retirement	
28,610	\$4,415	
Replacement Rate	Projected Wealth at Retirement	RR Score
62.0%	\$323,540	2.6

Scenario 1

No employer match

# of Employees with Shortfall	Projected Income at Retirement	
25,775	\$4,823	
Replacement Rate	Projected Wealth at Retirement	RR Score
67.0%	\$410,342	3.2

Scenario 2

Employer match:
100% up to 3% of salary

# of Employees with Shortfall	Projected Income at Retirement	
27,167	\$4,592	
Replacement Rate	Projected Wealth at Retirement	RR Score
65.0%	\$360,707	2.9

Scenario 3

No match
Auto-enroll: 3%
Auto-escalate:
1% annually up to 10%

# of Employees with Shortfall	Projected Income at Retirement	
23,174	\$5,178	
Replacement Rate	Projected Wealth at Retirement	RR Score
72.0%	\$484,715	3.8

Scenario 4

Employer match:
100% up to 3% of salary
Auto-enroll: 3%
Auto-escalate:
1% annually up to 10%