Lift Retirement

NEWS AND INFORMATION FOR **EMPLOYERS**

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Four Tips to Boost Your Employees' Retirement Outlook

47% of workers feel somewhat confident about living comfortably in retirement, but forward-thinking employers can look ahead themselves at ways to boost employees' retirement outlook!

#401kretirementplans
#retirementoutcomes #autofeatures
#stretchthematch

As many employees look ahead to retirement, **47% of workers feel somewhat confident** that they'll have enough money saved to retire on time and then live comfortably.[1]

However, forward-thinking employers have the ability to help their employees work toward a confident and happy retirement. According to the 2018 Retirement Confidence Survey from the Employee Benefit Research Institute (EBRI), only 17% of American workers feel very confident in their ability to live comfortably in retirement. Additionally, their 28th annual survey found that another 47% of workers feel somewhat confident about living comfortably in retirement. That means that over 64% of Americans (or 2/3 of your workforce) feel prepared for their retirement future. To help boost confidence, here are 4 forward-thinking tips proactive employers can do to help improve your employees' retirement outlook:

Amp Up Auto Features

The majority of plans, nearly 6 out of 10, have already adopted auto-enrollment. A lot of plans started years ago; but back when many employers implemented automatic enrollment, it was at a 3% default deferral, with no auto-escalation feature.

If you're auto-enrolling employees at a low rate like 3% and leaving the deferral rate there, consider that many retirement-savings experts believe that Americans need to save 12% to 15% every year. Relying on a 3% deferral, even with a match, may limit your employees' chances of reaching their goals upon retirement.

We can help you figure out whether a higher initial deferral rate makes sense for your participants and for your organization's budget constraints on match spending. Auto-escalation has become the new norm: 73.4% of auto-enrolling plans now have this feature.2

Strengthen the Match

Many employees take their cue on how much they should save for retirement from the message you send with the employer match you offer. Match 100% of the first 3% of pay that an employee defers, for example, and employees may think they need to save 3% a year to have enough for retirement. In reality, they most likely will need to save more.

[1] Employee Benefit Research Institute. "2018 Retirement Confidence Survey." April 2018.

We can work with you to analyze your options for a match formula that can help your employees save more for retirement. For some sponsors, this means implementing a "stretch" match that requires employees to contribute more to get the full employer match: Instead of a 100% match on a 3% deferral, for instance, a plan could match 50% up to 6%. Other employers, realizing the long-term costs to the company if employees do not retire on time, have decided that it makes business sense to offer a more-generous match to employees. According to the 60th Annual Survey of Profit Sharing and 401(k) Plans by the Plan Sponsor Council of America, it was found that employer contributions have increased to an average of 4.8% of payroll, up from 3.8% in 2007. [1]

Move Forward on Re-enrollment

Even if you auto-enroll, all your eligible employees may not experience the benefits. Many employers implement automatic enrollment only for new hires, not employees already working at the company when auto-enroll started. And some new hires likely opted out of enrollment when they joined the organization, or later reduced their deferral because they faced a budget crunch at the time. They may be in better financial shape now, but most won't take the initiative to sign up on their own for participation in the plan.

Think about re-enrolling all eligible employees currently not participating in the plan and eligible employees currently contributing less than the initial default deferral rate. So, if you use 6% as your initial default deferral rate, for example, the re-enrollment could include non-participating employees and active participants saving less than 6%. Some employers do a re-enrollment as a one-time event, while others do it every year. We can help you evaluate whether re-enrollment makes sense for your plan.

Send Targeted Messages to Low Savers

Research has shown that people respond more to communications that have been tailored to them individually. Fortunately, recordkeepers have made big strides in their data-crunching and customization capabilities in the past few years. Now they can more easily drill down and identify particular groups of participants in a plan–such as those saving below a particular percentage of their pay—and then do an education campaign targeted to that group, personalizing the communication for each participant.

Consider moving ahead with a customized communication campaign to low savers in your plan, such as those participants not currently contributing enough to maximize the match. We can serve as a liaison between you and your recordkeeper to coordinate a targeted campaign to a particular group of participants.

[1] Plan Sponsor Council of America. "PSCA's 60th Annual Survey." Feb. 2018.

Think Green: Have You Considered 401(k) e-Disclosures?

Mail or email? Learn about the new Department of Labor's e-disclosure safe harbor rule and how employers might "think green" by transitioning to fully electronic delivery of 401(k) plan disclosure materials.

#401k #DOL #Retirement #SafeHarbor #Compliance #ERISA #Environment #Green

Anyone who has received stacks of mailed booklets, leaflets or other paper 401(k) disclosure materials might be cheering about the Department of Labor's (DOL) recent rule that expands employer options for delivering retirement plan documents online.[1]

The *Electronic Disclosure Safe Harbor for Retirement Plans* went into effect July 27, 2020 as a "voluntary safe harbor for retirement plan administrators who want to use electronic media, as a default, to furnish covered documents to covered individuals, rather than sending potentially large volumes of paper documents through the mail."[1]

This has many employers "thinking green" and considering a transition to a fully electronic delivery of 401(k) plan disclosure materials, which is also welcome news for many plan participants who are often overwhelmed by the extensive tiny-print disclosures they currently receive as required by ERISA each year.[2]

Going green could save some green

Companies making this transition could see a cost savings. According to the DOL, the move will save approximately $3.2 billion in net costs over the next decade for ERISA-covered retirement plans by eliminating significant materials, printing and mailing costs associated with furnishing printed disclosures.[1]

The DOL also shows that electronic delivery can create "cost savings (that could) ultimately be passed back to participants, translating to lower expenses – and higher net investment returns."[1]

Additionally, another research study notes that participants may be able to respond quicker to plan information when received electronically because by providing real-time information, it is more accessible, digestible and customizable.[3]

1 Department of Labor. "Electronic Disclosure Safe Harbor for Retirement Plans." May 21, 2020.

2 Department of Labor. "Employee Retirement Income Security Act (ERISA)." March, 29 2016.

3 Spark Institute. "Improving Outcomes with Electronic Delivery of Retirement Plan Documents." June 2015.

Considerations and helpful information

Here's what you need to know if you are considering a switch to fully online disclosures.

- **Covered individuals.** Covered individuals are participants, beneficiaries and others who are entitled to receive covered documents.
- **Covered documents.** Covered documents are any documents or information that the administrator is required to provide to plan participants and beneficiaries under Title I of ERISA, other than a document or information that needs to be furnished only upon request.
- **Eligible materials.** Documents and disclosures covered under the new e-delivery rule include, but are not limited to:
  - Summary plan description
  - Summary of material modification
  - Summary annual reports
  - Participant-level fee disclosures
  - Blackout notices
- **Initial notification.** Plan administrators must send an initial paper notification that they are changing to the new electronic delivery method, provide the website address and offer the right to opt out if the participant prefers.
- **Right to paper.** Workers can choose paper copies of specific documents or globally opt out of electronic delivery entirely at any time, free of charge. However, the expectation is that most will likely stay enrolled in the e-disclosure option, especially since an estimated 99% of retirement plan participants have internet access.[4]
- **Notifications of Internet Availability (NOIA).** Plan administrators must inform participants each time covered documents are posted on the website. Each NOIA must also provide an option for the participant to receive paper copies of notices.
- **Website retention.** Documents must be accessible online until a newer version is added, but in no event for less than one year.
- **System check for invalid electronic addresses.** Plan administrators must keep track of the recipient's email address; and if the address becomes invalid, they must correct the issue or treat the participant as opting out of electronic delivery.
- **Employment termination.** If an employee leaves the company, the plan administrator must ensure the "continued accuracy and operability of the person's employer-provided electronic address."[1]

Under the new rule, the two options for electronic delivery are website posting and email delivery. Plan participants can receive the required notices and disclosures as long as they have access to the information electronically and they are properly notified of any changes.

The move towards an environmentally friendly, more efficient and cost-effective 401(k) disclosure process could be an opportunity for employers to enhance their retirement plan communication with plan participants.

4 Spark Institute. "Default Electronic Delivery Works." November 2019.

The Importance of a Retirement Plan Committee & Annual Reviews

Retirement plan committees wear many hats, including reviewing plan performance, investments and fees annually to ensure the plan is on track toward achieving key goals. Here is key information your committee should review every year.

ERISA #CARESAct #cybersecurity #edisclosures #lifetimeincome

Retirement plans are complex and have many moving parts; as such, many plan sponsors create retirement plan committees to help keep them running smoothly. They may be called "investment" or "administrative" committees and can range in size. Regardless of the name or number of people involved, the committee's organization, process and documentation are key to success.

One important function of a retirement plan committee is regular, ongoing reviews of the plan's performance with regard to investments, fees and company goals. Here is an overview of what a retirement plan committee does and the type of information it should review at least once a year.

What does a retirement plan committee do?

A retirement plan committee is responsible for making operational and investment decisions for the company's retirement plan in the best interest of the plan, its participants and beneficiaries. Specifically, the committee's duties typically include:

- Evaluating the plan's design and effectiveness
- Selecting outside consultants and vendors, such as third party administrators, recordkeepers and plan advisors
- Reviewing, monitoring and, when necessary, approving changes to the plan's investment menu
- Reviewing and approving plan expenses

As such, committee members' fiduciary responsibility is significant.

Charter

The retirement plan committee should review the charter each year to ensure it remains relevant to the committee's membership and how it functions. A retirement committee charter generally details:

- How members are selected and defines their roles and responsibilities
- The committee's purpose
- Membership requirements (such as term limits)
- How often the committee meets

Committee members don't have to be financial or investing experts. Keep in mind, however, that they are plan fiduciaries, with rare exception.

Investment Policy Statement (IPS)

A primary duty of the committee includes selecting, managing and monitoring of the plan's investments. The committee should carry out this process according to a specific investment philosophy and strategy outlined in the plan's Investment Policy Statement (IPS), which typically includes:

- Guidelines and procedures for those assisting in the investment process, such as retirement plan advisors
- Criteria for fund and investment manager selection and procedures for replacements
- Benchmarks for measuring investment performance, such as changes in management, investment style, fees or expenses and assets under management

However, retirement plan committees must be cautious not to use the IPS as a "catch-all" for plan-related policies. This document is called an IPS because it should focus *solely* on the management and monitoring of the plan's **investments**. Anything else potentially exposes the committee to unnecessary fiduciary risks and liabilities, because once included, fiduciaries must fulfill all the duties set forth in an IPS. Having to uphold those additional, unrelated promises could put the committee in worse shape than having no IPS at all.[1] The committee should review the IPS on an ongoing basis, at least once a year, and revise it as necessary.

Service providers

The committee should also follow specific criteria for hiring plan service providers, and evaluate their fees and value each year. In short, the committee should determine if the fees are reasonable for the quality of service provided. In addition, the committee should carefully document its decision-making process regarding fee evaluations and the hiring and firing of service providers.

Fee benchmarking

Similarly, the retirement plan committee is responsible for regularly evaluating the plan's investment fees. A retirement plan advisor can provide the committee with detailed documentation regarding the plan's fees and expenses. Given the potential fiduciary risks, the committee should ensure that the advisor provides comprehensive information related to investment fees, as well as relevant disclosures concerning revenue sharing and other fees.

Retirement plan goals

Annually, retirement plan committee reviews may reveal whether or not a plan is performing in line with its goals. Retirement plan goals should align with corporate objectives. As such, the committee should seek to determine if the plan meets expectations regarding:

- Providing employees a benefit to help them plan to retire confidently and with dignity
- Helping employers meet plan objectives
- Recruiting and retaining top talent
- Ease of administration
- Fostering employee engagement and participation
- Encouraging healthy savings rates

If the plan falls short in any area, the committee may elect to change the plan or its design to work towards achieving these goals.

By reviewing the plan regularly, a retirement plan committee can keep tabs on plan and investment performance and relevant fees, while making adjustments as necessary. A well-informed retirement plan advisor can help the committee stay apprised of the latest and greatest offerings available and assist in making critical decisions about which features and services may benefit the plan and its participants at a reasonable cost.

1 Chalk, Steff. "Investment Policy Statement Must Stop Short of Promises." 401kTV.com. September 23, 2020.

About Financial Directions

At Financial Directions, we are specialists—we know our business. No individual has true expertise in all areas. We offer a unique team of experienced specialists who can scrutinize all facets of your finances, from investments to executive benefits to retirement plan alternatives—to develop an integrated plan that seeks to increase return potential and reduce risk. Our goal is to understand your objectives and help you make smart choices. We value ongoing relationships based on mutual trust.Insert About Us

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