RETIREMENT PLAN PERSPECTIVES

Insights for Your Plan and Employees

Q1 2016

Plan Design

"Ease of Use" Drives Higher Savings Rates, Employee Engagement

More needs to be done to help move retirement plan participants from inertia to action, but industry consensus is that there's no magic bullet for plan engagement. That's why it's vital that workplace retirement plans are accessible and their features as easy to use as possible.

Plan sponsors are taking notice, and this emphasis on "ease of use" is paying off, according to Deloitte's 2015 Defined Contribution Benchmarking Survey.[1] Employee contribution rates and account balances are up thanks to features like auto-enrollment and step-up contributions, as well as less-stringent service requirements for plan entry and immediate matching contributions.

Moving beyond the employer match
Plan sponsors recognize that the match is still powerful, and 94% of sponsors offer a matching or profit-sharing contribution, according to the survey. But plan sponsors are also implementing **additional strategies to help boost plan health**:

- 70% responded that auto-enrollment had a positive impact on deferrals, participation (88%), and participant awareness (64%).
- 71% offered an immediate match, and 43% offered full vesting in the match.
- 66% indicated no service requirements for plan entry.

These enhancements have fueled positive developments in plan engagement, but sponsors need to continue evolving their plan design strategies to help participants meet their retirement income objectives. Be sure to periodically review your plan features to ensure that they are in line with your plan goals and workplace demographics.

Getting RetireReady

1) **Encourage participants to have a written retirement plan.**
Pre-retirees and retirees who have a formal written retirement plan are more likely to feel confident that they are saving enough and more than twice as likely to feel very prepared for retirement than those without one, according to a new study from the LIMRA Secure Retirement Institute.

2) **Emphasize the importance of estimating future health care costs.**
Only 15% of pre-retirees have estimated the health care costs they will face in retirement, according to Employee Benefit News. Health care costs can derail any plan if they're not factored in.

3) **Explain that working with a financial advisor doubles retirement preparedness.**
John Hancock's 2015 Financial Stress Survey reports that 70% of employees who work with an advisor are on track in saving for retirement, compared with 33% of those who are not working with an advisor.

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[1] Deloitte's 2015 Benchmarking Survey is available online at http://tinyurl.com/DeloitteDCBenchmarking2015.

Maintaining Plan Compliance

New Rules for Money Market Mutual Funds

In July 2014, the U.S. Securities and Exchange Commission (SEC) issued new rules for further regulation of money market mutual funds that are to be **implemented by October 2016**. The new rules will change how money market funds are invested, priced, operated, and acted upon when financial markets are under stress.

Plan sponsors should consider how their use of money market funds should be changed in light of these revised rules. The new SEC rules include the following changes:

- Money market funds can fall into three classifications: institutional, retail, or government funds.
- Institutional funds will be required to have a floating NAV and may impose redemption fees and gates.
- Retail funds will have a stable NAV but may impose redemption fees and gates.
- Government funds (retail or institutional) will have a stable NAV and are not subject to redemption fee or gate requirements.

Here are some **steps that you can take now** in order to prepare your plan in advance of the deadline:

1) Understand the SEC amended rule for money market funds and its potential impact on your plan participants.
2) Explore alternatives to retail money market funds, including a shift to a government money market fund or a stable value collective trust.
3) Contemplate preferences for safety, liquidity, and return for this type of investment; then select a new investment that matches those preferences.
4) Implement a communication strategy to educate participants about any changes to your plan's money market fund options.

We Can Help

Our firm is ready to provide ideas, guidance, and strategies to help you and your employees prepare for what's ahead. Contact us if you would like to review any aspect of your retirement plan, including the benefits of implementing auto features or additional support for your plan participants.

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