RETIREMENT PLAN PERSPECTIVES

Insights for Your Plan and Employees

Q4 2017

Offer Employees a Do-Over with Reenrollment

Who doesn't appreciate a do-over? Getting a second chance to do something better than you did the first time—like a mulligan for your sliced tee shot on the golf course or having another crack at making a first impression—is something that most people would overwhelmingly embrace.

When it comes to investing in a 401(k) plan, many participants could certainly use a do-over. That's where 401(k) reenrollment comes in.

What is reenrollment?

Reenrollment is a process that allows your employees to modify their *existing* (and, potentially, unsuitable) 401(k) investment choices into a qualified default investment alternative (QDIA). The QDIA is usually a professionally managed target-date fund (TDF) that automatically invests and allocates participants' assets according to their date of birth and projected retirement date. Plan participants will receive notification that their existing assets, as well as future contributions, will be directed to the QDIA on a specified date, *unless* they choose to opt out. (Similar to auto-enrollment, reenrollment opt-out rates are surprisingly low compared with adoption rates.)

Why do your employees need reenrollment?

Recent research from J.P. Morgan reveals that employees who choose investments on their own rarely have the expertise or confidence to aptly select the right asset allocation mix and judiciously manage their accounts over time. In short, they need help!

Reenrolling into a TDF removes the guesswork. It also provides an effective means for your employees to achieve a more appropriately diversified portfolio that automatically rebalances on a periodic basis—something that most participants fail to do on their own. And while employees of any age can benefit from reenrollment, older employees may find reenrollment especially beneficial. Specifically, it will help ensure that they guard against too much equity exposure (and a greater risk of market volatility) as their retirement date approaches.

Plan sponsors benefit, too!

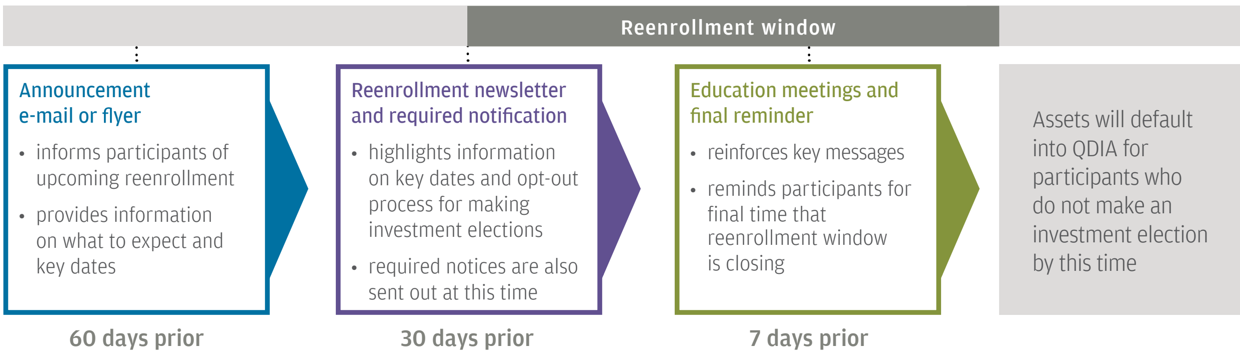
To be sure, reenrollment primarily benefits plan participants. But there are compelling benefits for retirement plan sponsors as well—not the least of which is the potential mitigation of fiduciary risk. Plan sponsors who conduct a reenrollment may enjoy safe harbor protections for assets that are invested in the QDIA. (Remember, prudently selecting a QDIA is, in itself, a fiduciary act.)

In addition, by offering mechanisms such as reenrollment, plan sponsors are equipping their valued employees with impactful strategies for investing their hard-earned retirement assets. This leads to a better participant experience, which in turn fosters improved employee morale.

Offer Employees a Do-Over with Reenrollment *(continued)*

Wondering what actually happens when you conduct a reenrollment?

The illustration below represents a typical reenrollment process timeline. Specifics, of course, vary by recordkeeper.



Source: J.P. Morgan Asset Management

5 New Year's Resolutions for Retirement Plan Stewards

The new year is the perfect time for retirement plan sponsors and fiduciaries to reflect on all aspects of their retirement plans. With that in mind, here are five resolutions that will help you promote sound fiduciary, plan, and participant health in 2018 and beyond.

1) Supercharge participant savings rates

Your employees may be saving, but are they saving enough? To help answer this question, analyze current participant balances and participation rates and then compare them with historical participant benchmarks. Do employees understand the critical role that their workplace retirement plan plays in their future financial well-being? If the answer is no, meet with your retirement plan advisor to discuss how a meaningful retirement savings education strategy could enhance your employees' overall financial wellness.

2) Analyze your plan's design

When was the last time you put your plan's design under the microscope? If it's been more than a year or two, changes may be in order. Does the plan offer auto-features and an incentivizing matching contribution for your employees? Has the design of the plan kept up with the needs of business owners and key stakeholders? Staying current and forward thinking as your company grows is critical to building a plan that works well in the present and the future.

3) Install a comprehensive investment process

Creating an investment policy statement (IPS) is the starting point for investment committees and plan fiduciaries. Next, the selection, analysis, and (if needed) replacement of the plan's investments should follow the process set forth in the IPS. Does the investment menu cover desired sectors and categories, plus offer TDF options? A thorough review with your retirement plan advisor will ensure that the plan's investments do not stray from the guidelines prescribed in the IPS.

5 New Year's Resolutions for Retirement Plan Stewards *(continued)*

4) Audit plan fees and expenses

Ongoing expense monitoring and benchmarking is vital. Why? Plan sponsors have a fiduciary responsibility to know whether fees charged to the plan by service providers are reasonable for the services they are rendering. Most industry experts recommend that formal benchmarking take place at least every two years. Annual fee disclosure notices will help you determine who is being paid—and how much.

5) Document, document, document!

Last but certainly not least, maintaining a well-organized 401(k) file (either hard copy or virtual) of important plan documents, vendor correspondence, contracts, forms, and agreements will help you meet ERISA record retention requirements. It will also ensure that you are well prepared in the event of an audit.

We Can Help

Contact us if you would like to know more about the reenrollment process, your New Year's fiduciary checklist, or any aspect of your plan–we're ready and willing to help.

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