

# Retirement Plan Evaluation

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# Agenda

- Retirement plan features
- Defined contribution retirement plan options
- Retirement plan objectives
- Objective measures
- Retirement plan success
- Plan design vs. plan objectives
- Plan costs
- Investment menu
- Plan administration responsibilities
- Take away

# Retirement Plan Trends

- Defined contribution plans replaced defined benefit plans
- Participant-directed replaced employer-directed
- Emphasis on employee education
- Limitations on employer fiduciary responsibility
- Roth (after tax contributions)
- Rollover provisions
- Diverse choice of investments strategies and styles

# Retirement Plan Features

- Automatic enrollment
- Qualified default investment alternatives (QDIA)
- Online enrollment (self-enrollment)
- Payroll integration
- Fund flexibility

# Defined Contribution Plans Options

- Simplified Employee Pension (SEP) Plan
- SIMPLE (Savings Incentive Match Plan for Employee) IRA Plan
- 403(b) Tax Deferred Annuity (TDA)
- 403(b) Thrift Plan
- 401(a) Money Purchase Plan
- 401(a) Profit-sharing Plan
- 401(k) Profit-sharing Plan
- Safe Harbor 401(k)/403(b) Plan
- 457(b) Deferred Compensation Plan for Tax Exempt Organizations

# Retirement Plan Objectives

- What are the retirement plan objectives?
  - Retention
  - Recruitment
  - Rewarding employees
  - Key employee incentive
  - Increase employee benefit package
  - Retirement savings (salary deferral/employer contributions)
  - Other

# Objective Measures

- What features are available in your plan to measure objective goals?
  - Turnover/plan withdrawals
  - Industry standard on retirement plans
  - Participant rates
  - Fund performance

# Retirement Plan Success

- Partner with a Retirement Plan Services Provider who offers:
  - Specialize in retirement plan design
  - ERISA compliance
  - Qualified plan investment expertise
  - Diverse choice of investments strategies and styles
  - Fiduciary protection
  - Enrollment and education support
  - Industry partnerships
  - Cost-effective design



# Plan Design vs. Plan Objectives

- Plan design vs. plan objectives
  - Eligibility requirements
  - Vesting schedules
  - Employer contribution types
    - Discretionary
    - Match
    - Base/profit sharing
    - Safe Harbor
  - Automatic enrollment
  - Loans
  - Hardships/withdrawals

# Plan Costs

- Plan Administration fees
  - Administration cost factors
    - Financial advisor
    - Third party administrator
    - Bundled provider
  - Processing fees
    - Amendments
    - QDROs
    - Withdrawals
    - Loans
    - Payroll integration
    - Statements
    - Education/enrollment
  - Design costs
    - Employer contributions
    - Vesting/forfeitures
    - Plan size
- Investment fund fees
  - Fund management

# Cost

- Actual cost
  - Hard dollar costs
    - Invoices from service provider, advisor, payroll, TPA
    - Audit expenses (from CPA)
  - Investment costs
    - Expense ratios, contract charges, asset-based fees
- Time
  - Administration, communications, reporting
- Cost of the benefit
  - Employer contributions to the plan

# Cost

- Trust fees
- Contract fees
- Plan start-up or conversion fees
- Wrap fees
- Separate Account fees
- Fees by fund share class
- Administration fees
- Distribution fees
- Plan asset charges
- Surrender fees
- Front end commissions
- Contingent deferred sales charge
- 12b-1 fees

# Investment Menu

- Investment Options
  - Number of funds
  - Fund families
  - Fund management
  - Asset allocation
- Investment performance
  - How are the funds performing?
  - What monitoring tools are available?
- Investment choices meeting needs
  - Does the profile match your organization demographics?

# Plan Administration Responsibilities

- Understanding your responsibilities
  - What do we need to do?
  - What does our service provider handle?
- Staff training
  - Be aware of turnover
- Pursue opportunities to streamline administration
  - Plan design
  - Technology
  - Leverage your vendor/service provider

# Plan Administration Responsibilities

- Plan design/cost management
- Plan document/amendment preparation services
- Summary plan descriptions (SPDs), as appropriate
- Regulatory compliance services
- Form 5500 reporting
- Non-discrimination testing services
- Loan administration/ benefit payment services

# Plan Administration Responsibilities

- Audit requirements
  - Growing organizations
    - **Retirement plans are highly regulated!**
- Plan document requirements
  - Need to be kept current...changing legislation
- IRS requirements
  - Form 5500 filings for ERISA plans
- DOL requirements for ERISA plans
  - Notices
    - Fee disclosures, etc.



# Plan Administration Responsibilities

- Each plan type may have different plan document, government reporting, and employee notification requirements
- Conduct annual compliance meetings with your plan provider(s)
- Conduct regularly scheduled employee meetings (ERISA Section 404(c) compliance)
- Periodically review plan design features and costs
- Annual plan audit requirements may vary depending on plan type and number of employees

# Plan Administrative Responsibilities

- Who has oversight of the plan? Who is a fiduciary?
  - Committees?
  - Senior leadership team?
- Use of investment policy statements
  - Important considerations
- Process is critical
  - Maintain a consistent regular review process
  - Keep records

# Take Away

- Retirement Plan Benefits

## See Prospectuses For More Information

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