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ADVISORS

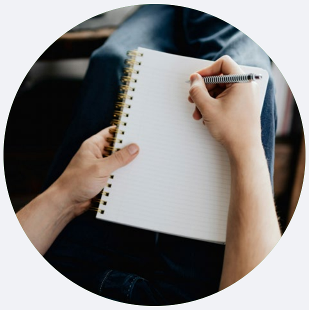
RETIREMENT TIMES

Four Plan Design Features to Help You Attract and Retain Talent

According to Morgan Stanley at Work's September Plan Sponsor Research Results, plan design is a fast-rising differentiator driving employee enrollment and supporting talent strategy in many companies.

401(k) plans remain a strong essential workplace benefit, as you well know. As plan sponsors see other benefits evolving to meet the more complex scenarios presented by the changing economic climate, they are emphasizing the need for a competitive plan with a range of features to meet the expanding financial needs of a diverse workforce.

So what exactly does that look like? What range of features can make your 401(k) plan stand out among other retirement benefits that might entice your top talent to stick around?



1. The plan design.

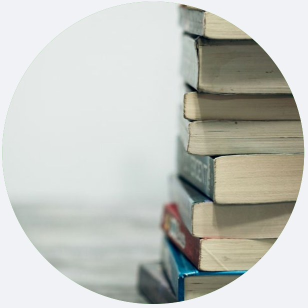
Employees are more likely to participate when the plan shows evident strategy and thoughtfulness in its design. Features such as match, profit sharing and Roth encourage enrollment because they allow participants to feel closer to their entire paycheck.

2. The match amount.

If you match 5% or more, you'll see significantly higher participation rates. Even if you match 3%, it can still feel like a warm benefit. 2% and below feel a little like the company could take it or leave it, and that will be how the participant feels about the benefit—and possibly their long-term status at the company.

3. The auto features.

Auto-enrollment points them to the benefit. Automatic employer contribution increases the value of the benefit. Automatic escalation raises awareness about the power of savings (and compounding). Automatic re-enrollment reminds them of the benefit if they waive contributions early on, and they might like to reconsider after becoming more established in the company.



4. The education.

How do you feel about your education program? Do participants have access to an advisor? When there is a financial advisor available and involved, participation goes way up.

Morgan Stanley at Work's full Plan Sponsor Research Results 2022 is chock full of insightful charts and data that can give you more ideas on how your plan design can boost your attraction and retention rates.

We'd love to hear how you're feeling about your plan design and how we can work together to make it a stellar part of your talent strategy.

Sources: https://www.morganstanley.com/content/dam/msdotcom/atwork/pdfs/plan-sponsor-research-results.pdf
https://www.napa-net.org/news-info/daily-news/plan-sponsors-prioritizing-401k-plan-design-part-talent-strategy

The Retirement Reshuffle Is Impacting Plan Sponsors

Across the nation, more and more workers are expecting to postpone retirement. In fact, a survey by the Nationwide Retirement Institute shows that 40% of older employees plan to retire later than anticipated because of inflation. And delays don't just affect employees — more than a third of employers are concerned about increased health and benefit costs, negative impacts on their staff's mental health and barriers to hiring new talent.

Employers Can Help

If you sponsor a retirement plan, you're already doing something important to encourage employees to retire comfortably and on time. And if it's part of an overall financial wellness plan, that's even better. However, while 68% of American workers have access to a 401(k), only 41% are actively contributing to it. Working with your advisor can help you design the right benefits package for your organization — and find ways to increase participation and contribution rates through access and education.

Tailor Your Plan Design

Some organizations are turning to guaranteed lifetime income investment solutions to address this issue, but several factors may weigh against adding them to a plan's lineup. These include potentially higher fees, employee knowledge barriers, the need for early participant adoption to provide sufficient income, vulnerability to inflation and disadvantages for beneficiaries in the absence of any death benefit.

Fortunately, there are many other levers plan sponsors can pull to encourage employees to save enough to retire, such as adding auto-enrollment and auto-escalation features. Increasing your match and actively encouraging workers over 50 to take advantage of catch-up contributions can also go a long way toward helping participants make up for shortfalls.

Think Broadly

Offering an HSA gives employees another vehicle for retirement planning and saving for health care expenses. Allowing phased retirement options, sometimes referred to as "pre-tirement" — with reduced hours leading up to full retirement — can also help. Additionally, robust omnichannel financial wellness programming and employee assistance programs (EAPs) can help workers prepare for retirement and better maintain mental and emotional health in the face of economic stressors.

Helping Workers Helps Your Bottom Line

If the trend toward delayed retirement continues, impacts could be felt far and wide. It's important for employers to be proactive in helping employees retire comfortably to save on health and benefit costs and more easily usher in new talent. And if your workers are confident in their ability to meet their financial goals, they'll be happier — and more productive — while they're still part of your workforce.

Sources:
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Your Plan Fiduciary Must-Do and Should-Do Lists

When you're a plan fiduciary, you are, of course, prioritizing what ERISA law requires of you. You have a checklist of Must-Dos. But there is also a list of things that you can do proactively that will keep the plan—and plan fiduciaries—out of trouble. These tasks aren't required by law, but they are certainly worth deciding whether you want them to be on your Should-Do list.

So here are some things to remember that you *must* do and some related things to consider whether you *could* do as a plan fiduciary and the reasons we think they are worth considering.

1. You *must* have a named fiduciary.

ERISA requires one named fiduciary to be the plan's decision maker and to act in the best interest of the plan participants and beneficiaries. And a named fiduciary with expertise will be able to make prudent decisions.

You *could* delegate to a plan or investment committee to support the named fiduciary in making those decisions.
This is especially helpful if the named fiduciary somehow lacks the expertise, or time, required to make prudent decisions. ERISA does not require you to make these decisions alone if you are not equipped or duly qualified to do so. ERISA does expect that in such a scenario, those delegated the responsibilities will undertake them in a manner that leads to prudent decisions that are in the best interest of the plan's stakeholders.

Insider tip: Make sure that the committee members you choose are indeed able to contribute effectively and efficiently to the process.
If it proves to be more time consuming or cumbersome than helpful, maybe this committee isn't what you need. You can always remind committee members that there may be personal liability associated with failure to meet fiduciary responsibilities under ERISA; this prompts dropout from members who are not wholly competent and confident in their own participation.

2. You *must* have prudent decision making processes if you have a committee.

Now, if you do have a committee (and we think it's a smart choice to have one), it is important to convene periodic meetings and to document the outcomes of the processes undertaken at these meetings. A committee without regular, productive, organized meetings is bound to drop a ball, and this could be worse than not having a committee in the first place.

You *could* make your committee as effective as possible by following intuitive committee best practices.
Designate roles, organize meetings, take notes and execute your action items. Forming a committee shows a concerted effort that avoids any appearance that a plan is not being managed well. Following this intuitive process will keep everyone out of the ERISA spotlight.

Insider tip: Know that the meeting minutes prove a prudent process.
Minutes provide all past and present committee members with a record of when decisions were made, why and by whom. Minutes are useful as a reflective vehicle for reassessing a choice when the time comes.

3. You *must* conduct yourself as though you have an investment policy statement established.

While the law does not mandate that you have a *written* investment policy statement (IPS), it's a wise move to put one in place. Many fiduciaries have been glad to have a set of investment guidelines to refer to because ERISA expects them to act as though there is a guidebook in place to undertake a prudent process.

For example, when you conduct your regular review of a plan's investment options and see that one or more funds no longer meet the criteria established for the plan. Your IPS is going to be your guide in evaluating—and documenting—when and why to drop a fund or choose to leave it on the menu. In an audit, you will be able to show that you followed a set of preestablished guidelines to lead you to your prudent decision.

You *could* create a user-friendly IPS during a downtime when perspective and learning are well aligned.
A good IPS sets down prudent standards that are established either in practice or in writing when there is time to think *proactively* about what decisions should be made so that those decisions don't end up being made *reactively*. The key to the winning IPS is that it is there for you when you need it—thought of, and written, long before you need it.

Insider tip: If you have an IPS, make sure you follow it.
The Department of Labor often requests a copy of the plan's IPS upon beginning an audit—even though, as we mentioned above, one is not required by law. So, if you develop an investment policy statement, be sure the Committee refers to and abides by it because the auditors will consider it.

Sources:
https://nevinandfred.com

For more information regarding your company's retirement plan, please contact Advo(k)ate Advisors at 866-608-8650.