



GREENRIDGE
WEALTH PLANNING

P L A N G R O W P R E S E R V E

How Sponsors Can Influence Participant Success

Plan sponsors have the tools to influence participant outcomes. They can measure the success of those efforts, act on those measurements, and measure again.

What follows are sample goals that demonstrate how plan sponsors can have a positive impact. Note that each plan should develop its own set of goals.

	 Participation Rate	 Savings Rate	 Investment Results	 Retirees in Plan
Goal	<p>100% Ideally, every employee should participate in the DC retirement plan</p>	<p>15% An industry rule of thumb is that the average savings rate should be 15% of compensation</p>	<p>Comparable to QDIA Participants should have results comparable to those of the plan's QDIA (qualified default investment option)</p>	<p>50% of retiring participants choose to stay in plan Retirees in plan may benefit from lower cost, institutional investments</p>
Measure	<p>What is your plan's participation rate?</p>	<ul style="list-style-type: none"> • What is the participant savings rate? • What is the average rate by age cohort? Tenure? Compensation? • How many participants fall below the goal percentage? 	<ul style="list-style-type: none"> • What are the average participant results? • Do they differ by age cohort? • How do they compare to the results of the target date fund (TDF) or QDIA? 	<ul style="list-style-type: none"> • Are more retirees choosing to stay in plan? • Is your target date option as appropriate for the distribution phase as it is for the savings phase?
Influence	<ul style="list-style-type: none"> • Auto-enroll new employees • Auto-enroll all non-participating employees annually 	<ul style="list-style-type: none"> • Auto-enroll at a meaningful rate (e.g., 10%, 12%, 15%) • Auto-escalate at a meaningful amount (e.g., 3%, 5%) • Plan sponsor match • Creative match design 	<ul style="list-style-type: none"> • Investment re-enrollment • Evaluate investment lineup • Encourage roll-ins to create a consolidated retirement picture 	<ul style="list-style-type: none"> • Plan communications to highlight benefits of staying in plan • Create a "Retirement Tier" in the investment menu with additional appropriate, liquid retirement income options • Evaluate your TDF to ensure it meets the needs of retirees

Case Study: XYZ Corporation

A company with 6,500 participants and \$850 million in retirement plan assets wanted its defined contribution plan to serve participants through both the saving and distribution phases. The company closed its defined benefit plan in 2008 and wanted to help participants achieve a more “defined-benefit-like” experience within the defined contribution plan. Objectives included:

- Provide a means for participants to save enough
- Use behavioral finance to promote successful outcomes
- Let retirees take scheduled distributions while benefiting from plan features

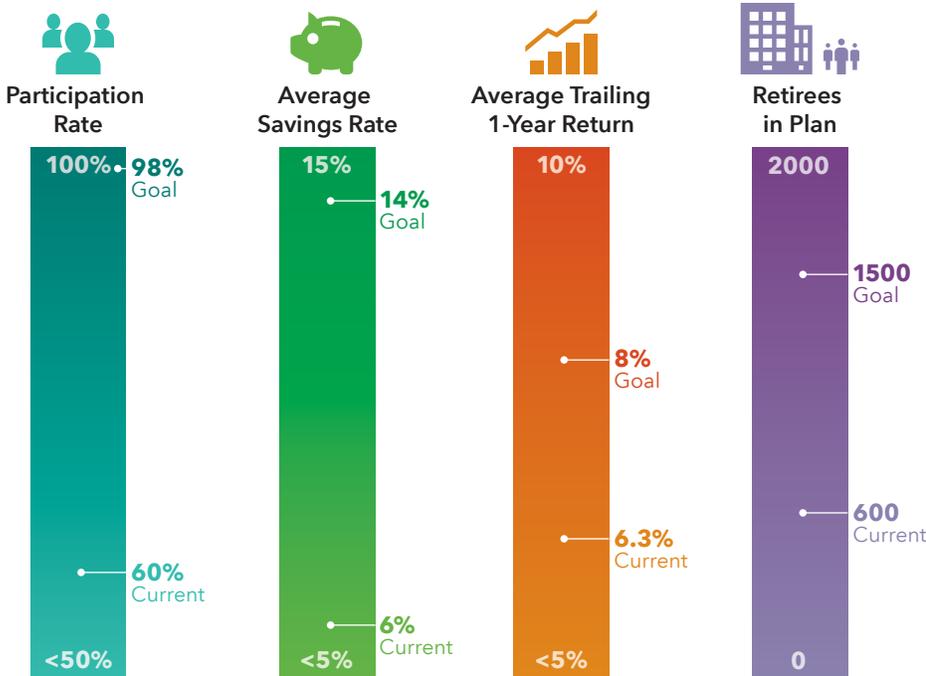
Targeted Strategies to Improve Participant Success

The company worked with its plan consultants to develop actionable strategies to match these objectives. They focused on the areas they could influence:

- Increase participation through auto-enrollment of new and existing participants
- Increase the savings rate with an 8% default, company match and auto-escalation
- Improve investment results through investment re-enrollment and regular QDIA re-evaluation
- Increase the number of retirees in the plan by eliminating withdrawal fees, enabling scheduled payments and establishing a retirement tier to the investment structure

Success Metrics

These measurable objectives allowed XYZ Corporation to chart the progress from its current state to the future goal in each of the four areas of focus.



Measuring Participant Success in the Distribution Phase

Participants ultimately are successful if they can live well, pay health care costs, and have their money last through retirement – perhaps with legacy assets left over. Measuring this can be problematic:

- Is 4% a reasonable amount to withdraw per year?
- Is 40% a reasonable income replacement ratio?
- Is 7x ending salary a reasonable level of retirement savings?

Sponsors can make this calculus easier for participants by keeping the focus on the savings phase: contributing 15% per year over a 40-year career and investing wisely.

Repeat the Process Regularly

The process of filling the gap between where the plan is now and where the sponsor wants it to be involves constant measurement – and continuous improvement. If the plan does not meet its initial success objectives, sponsors may want to take additional steps to make it stronger. These should then be measured – and measured again regularly.

Plan sponsors can partner with outside consultants or advisors on the plan design and investment menu issues to help oversee implementation and measurement.



Taking Action

Working with their consulting and recordkeeping partners, sponsors can develop and implement plan changes that can improve participation, savings, returns and retiree involvement. The steps are:

- Measure plan
- Set plan goals
- Direct your efforts toward plan goals
- Measure again – and again and again!

Start now with year-end planning to implement measures that can encourage success for all your DC plan participants.

Conclusion

Concerns about participant retirement readiness have driven many plans to take actions such as participant education to improve decision-making. The results of such efforts are mixed, because they rely on participants taking action.

Participants will be successful if plans are successful. Plan sponsors, by focusing on the things they themselves control, can help drive more successful participant outcomes.

Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.

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