

ONE CLIENT LOWERS RETIREMENT PLAN COSTS AND INCREASES EMPLOYEE PARTICIPATION

OVERVIEW

Rising pension plan costs and low participation in a 401(k) plan spelled trouble for one SHDR client. This plan sponsor needed a solution for lowering pension costs and increasing 401(k) participation, while controlling administrative costs.

CHALLENGE

The employer questioned their ability to provide meaningful retirement benefits for their employees at a reasonable cost. Increased regulations and potential costs put pressure on decision makers to implement a quick fix — reduced employee benefits.

This employer also needed to better engage employees in their 401(k) plans. More responsibility than ever lies with the employee; industry-wide, retirement strategies require employees to fund their own retirement. However, many employees are not participating — and employees who do not participate will not accumulate enough wealth for retirement security.

SOLUTION

SHDR designed a comprehensive retirement strategy for this employer, understanding that a good strategy does not require deep pockets, just the desire and motivation to pursue a win-win solution. With the right advice, this employer was able to provide tremendous value to their employees while manage costs in time and money.

To reduce the administrative burden, SHDR provided an action plan which clarified roles and responsibilities, reduced administrative time commitment and increases the performance of the benefits expense. To improve plan performance and participation, SHDR developed a detailed solution including the following elements:

- **Adjust the Pension:** Preserve benefits for a select group of tenured employees and modify the formula to manage costs in the future for all other employees. The plan design is flexible enough to keep annual costs in line with budgetary constraints, while creating an option to improve benefits in the future when the company can afford it.
- **Improve the Match:** To improve employee participation and the growth of account balances, increase the company's matching contribution and allowing for automatic enrollment or automatic increase in the deferral percentage.
- **Update Investment Policies:** Balance and diversify plan investments for the pension plan to increased returns with lower volatility. Lower intrinsic expenses on the 401(k) plan investment alternatives based on review findings and provide participants more investment alternatives to reduced volatility or increase returns. Streamline required paperwork and address the fiduciary risk associated with investment reviews.
- **Communication:** Help employees identify the opportunities available in the new program and adapt to program changes. Distribute a retirement planning statement providing a summary of the changes. Include a "retirement score" to help benchmark an employee's level of retirement security. Show current deferrals and accumulations and the impact of additional deferrals on an employee's score. Additionally, translate the after-tax impact on take home pay to reveal that a significant improvement to retirement security could be achieved by most employees for less than \$7 a week.

RESULTS

Management had a sound benefit program for its employees, an annual action plan detailing activities for the year, lower cost structure for providing benefits and a long-term approach to reduce the administrative burdens of providing benefits for employees. And the employees were happy too, greeting the plan changes with enthusiasm. Several employees increase their deferral percentages in their 401(k) plans and many employees expressed appreciation for the thoughtful approach and detailed communications.