# Defined Contribution Insights

The Solution Source for Plan Sponsors

Summer 2020 • Vol. 68, No. 2



PSCA
Plan Sponsor Council of America

## In Every Issue

# New Members

## Corporate Members

**City of Charlotte**
Charlotte, NC
Industry: Government
Contact: Christina Fath

**Lockheed Martin Corporation**
Bethesda, MD
Industry: Contractors
Contact: Paul Bazzano

**PartnerComm, Inc.**
Arlington, TX
Industry: Communication Services
Contact: Rebecca Sooter

## Certified Plan Sponsor Professionals

**Samantha Beimly**
*Coastal Ridge Real Estate*

**Knikki Berry**
*Hallmark Financial Services, Inc.*

**Stacy Blanch**
*Stiles Machinery, Inc.*

**Margie Bogle**
*Autokiniton Global Group*

**Gregg Braccili**
*Energizer Holdings, Inc.*

**Donna Bradley**
*Masonic Health System of MA*

**Jaime Brandrup**
*Accelogix*

**Mary Booth Butler**
*CureSearch for Children's Cancer*

**Jo Anne Castellano**
*OCI Associates, Inc.*

**James Cross**
*IIABCal*

**Donald Fogg**
*The E.W. Scripps Company*

**Susan George**
*Gestamp North America, Inc*

**Kimberly Hanlon**
*Regional Management Corporation*

**Lenora Hernandez**
*Meade Instruments Corp*

**Sarah Jones**
*Mercatus Center*

**Susanne Love**
*UT Battelle*

**Marjorie Mann**
*NextEra Energy, Inc.*

**Anne P. Marsh**
*MaineHealth*

**Elizabeth Morse**
*IPG Photonics Corporation*

**Nicole Murray**
*VNA Care*

**Leslie Pannkuk Nienkark**
*Twin Cities PBS*

**Cheree Peterson**
*iSpeak.com, Inc.*

**Kathleen Schneider**
*Crittenton Services for Children and Families*

**Kara Skotzke**
*Stiles Machinery, Inc.*

**Debbie Sobotka**
*CPSE*

**Katie Sorgaard**
*Charps, LLC*

**Petia Sotirova**
*CMCI*

**Wanda Stokes**
*American Cleaning Institute*

**Stephanie Taylor**
*Johns Hopkins Applied Physics Laboratory*

**Sylvia Townsend**
*Playworks*

**Gabrielle Turner**
*MMA/Tillys*

**Maryanne Vuckovich**
*PMB Real Estate Services, LLC*

**Linda Walker**
*Market Walker Productions*

**Susan Walsh**
*A3 Technology Inc*

**Mary Jane Williams**
*HarborOne Bank*

**Changes in member contacts should be faxed to PSCA at (703) 516-9308 or sent to psca@psca.org.**



**PSCA publishes articles by its members in Defined Contribution Insights magazine.** If you have an idea for an article of 1,000 to 3,000 words in length, please contact hattie@psca.org.

**Subscriptions** to Defined Contribution Insights magazine are part of PSCA membership, and are also available to non-members for $75.00 per year. Contact PSCA at 703-516-9300 for subscription or membership questions.


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# Leadership Letter

## Systemic Racism and the Impact on Retirement Savings

### How can PSCA and its members help address the societally imposed barriers to minorities saving for retirement?

*By Will Hansen*

Lately, I've struggled to determine how I, as an individual, and the organizations with which I work, can best contribute to eliminating systemic racism in this country. Over the past few weeks, thousands of Americans of all races have been exercising their first amendment rights by participating in numerous peaceful protests against racism. In addition, behind the scenes, individuals are continuing to push for change through community engagement, education, policy development, and other activities.

The movement is not political — it's aimed at nothing less than the elimination of the systemic racism that is evident at every level of American society. I've done my research. I've asked my friends. I've determined ways in which I can use my skills personally to further this cause. But, should it stop at what I am able to do on a personal level using my personal time? Should the business community, including professional organizations like the Plan Sponsor Council of America (PSCA) and the American Retirement Association (ARA), determine ways to support eliminating systemic racism? I think the answer is yes.

One of the fundamental goals shared by PSCA and ARA, is to promote the importance of saving for a secure retirement. Numerous studies highlight the reality that minorities accumulate substantially less in retirement savings than white Americans. This disparity in retirement savings is attributed to a number of economic barriers imposed on minorities and embedded into our economy, including (1) access to financial education; (2) upward mobility; (3) wage suppression; and, importantly, (4) access to a retirement plan at work. Many of the barriers have nothing to do with retirement savings, but nevertheless directly impact an individual's ability to save for retirement.

At PSCA, we know we can't solve the racism deeply rooted within our economy, but we can play an important role in confronting and addressing the issues that impede retirement savings for minorities. We can shine a light on the problem and develop solutions, but — ultimately, change will occur only when individuals and businesses work together to strip away barriers that hold many minorities back.

I need your help. I want to hear from you on what PSCA can do to break down the barriers that prevent minorities from savings for retirement. Overall, how should we approach this critical movement in our society? How should we communicate our goals? What should be the focus for PSCA? Do plan design decisions negatively impact minorities? How about access to retirement plans? How does financial education play a role in increasing retirement savings? As plan sponsors, you have a unique, first-hand knowledge that can illuminate how systemic racism in our society impacts retirement savings, and ultimately retirement security. Sharing your knowledge and promoting involvement of other stakeholders on this endeavor will be necessary, but I am confident that with your help, we can be a force for real change that can have a positive and lasting effect on the retirement security of millions of Americans.

I look forward to hearing from you. Please contact me at whansen@usaretirement.org.

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*Will Hansen is PSCA's Executive Director and the Chief Government Affairs Officer for the American Retirement Association.*

# 2020 PSCA Signature Award Winners

## Winners were announced in May.

*By Tobi Davis*

PSCA's Signature Awards recognize exemplary retirement plan communications to both plan sponsors and plan participants. While effective communications and education have long been essential elements in helping American workers save for retirement, they are even more critical today as participants consider their options in the wake of the COVID-19 pandemic. Although the pandemic didn't hit until after this year's competition, PSCA knows that plan sponsors look to their peers for ideas on how to reach employees and this year's winning campaigns may help with the situations that many companies are in right now. PSCA commends the hard work done by benefits teams, often with their provider partners, to create campaigns that go beyond the basics of communication and education.

Award-winning campaigns are those that engage employees and drive action, helping employees be better prepared for retirement. The winners are examples of what can work when a company values its retirement plan and its employees by striving to make the plan a best-in-class benefit for participants.

Congratulations to the 2020 winners! We applaud them and all the entrants for their hard work helping their participants. This year the judges chose 30 winners in 11 categories. Below is a complete listing of the winners and, on the following pages, a more detailed summary of each of the winning campaigns.

### Signature Awards 2019 Full Winners List

#### Creating Culture Change

1st Place **Sonepar USA**

#### Events and Workshops

1st Place **Booz Allen Hamilton Inc.**
2nd Place **The University of Kentucky**
3rd Place **Raymond James Financial, Inc.**

#### Financial Wellness

1st Place **Ascend Performance Materials**
2nd Place **Dawn Food Products, Inc.**
3rd Place **Hy-Vee, Inc.**

#### Investment Education

1st Place **Akin Gump Strauss Hauer & Feld LLP**
2nd Place **California Institute of Technology**
3rd Place **JTEKT North America**

#### Overcoming Obstacles

1st Place **JBS and Pilgrim's Pride**
2nd Place **St. Luke's University Health Network**
3rd Place **Best Buy**

#### Plan Changes — Large Company

1st Place **Howard University**
2nd Place **Nestlé USA**
3rd Place **New York-Presbyterian**

#### Plan Changes — Small Company

1st Place **Mountaire Corporation**
2nd Place **Bose Corporation**
3rd Place **Palm Beach Sheriff's Office**

#### Promoting Participation — Large Company

**1st Place Community Health Systems, Inc.**
**2nd Place Gruma Corporation**
**3rd Place Bechtel with Empower Retirement**

#### Promoting Participation — Small Company

1st Place **NFL Player Benefits Office**
2nd Place **Ryan Specialty Group**
3rd Place **Red Wing Shoe Company**

#### Provider Campaigns — Participant Education

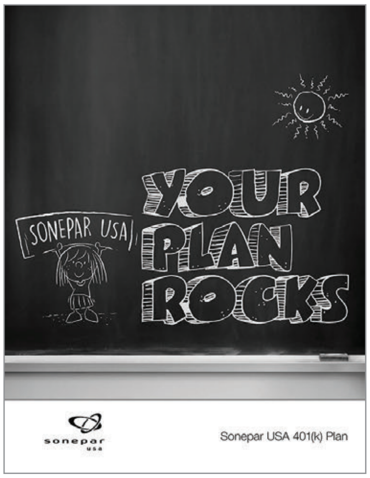
1st Place **MassMutual**
2nd Place **Principal®**
3rd Place **TIAA**

#### Provider Campaigns — Plan Sponsor Education

1st Place **Prudential Retirement**
2nd Place **Prudential Retirement**

## Creating Culture Change
1st Place

**Sonepar USA**
with Schwab Retirement Plan Services, Inc.




Sonepar USA distributes electrical, industrial, and safety products, services, and solutions with 14 operating companies, and 700 US locations with 10,000 total employees.

### Objective
- Sonepar wanted to unite associates under a company brand for retirement and health benefits and build a culture focused on associates taking ownership of their financial and physical well-being.

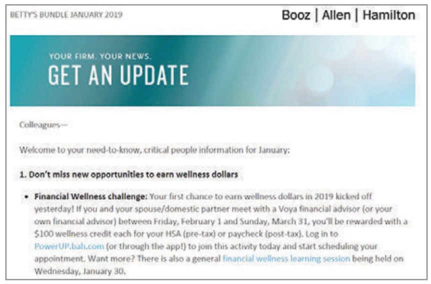
### Method
- Worked with HR leaders to learn about cultural differences and perceptions in different parts of the country.
- In-person focus group with associates to learn about their views on money.
- Used financial education tools to address the needs of the majority.

### Results
- Participation and savings rates increased over the years.
- Higher engagement in wellness events, and increased utilization of plan resources and advice.

### Why Did They Win?
- Inspiring video with a good tagline: "Life is Better with a Plan."
- Strong HR leader advocacy program and vendor partnerships helped the company to effectively meet its goals.

## Events and Workshops
1st Place

**Booz Allen Hamilton Inc.**
with Voya Financial


BETTY'S BUNDLE JANUARY 2019
Booz | Allen | Hamilton

YOUR FIRM. YOUR NEWS.
GET AN UPDATE

Colleagues—

Welcome to your need-to-know, critical people information for January:

**1. Don't miss new opportunities to earn wellness dollars**

- **Financial Wellness challenge:** Your first chance to earn wellness dollars in 2019 kicked off yesterday! If you and your spouse/domestic partner meet with a Voya financial advisor (or your own financial advisor) between Friday, February 1 and Sunday, March 31, you'll be rewarded with a $100 wellness credit each for your HSA (pre-tax) or paycheck (post-tax). Log in to PowerUP.bah.com (or through the app!) to join this activity today and start scheduling your appointment. Want more? There is also a general financial wellness learning session being held on Wednesday, January 30.

Booz Allen Hamilton Inc. provides management and technology consulting and engineering services with 28,870 employees across the country.

### Objective
- Encourage employees and spouses/partners to assess their financial wellness, set financial and savings goals, and create an actionable plan to meet their financial objectives.

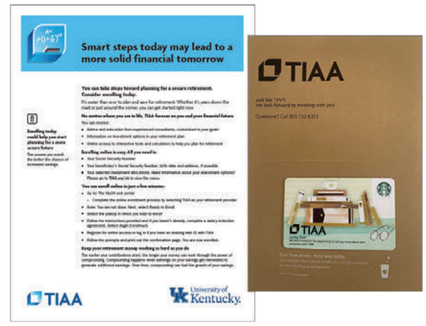
### Method
- PowerUp Financial Wellness Challenge—gave a financial reward to participants who met with a financial advisor, with an additional amount if spouse/partner joined the meeting.
- Used internal newsletter, self-assessment, web-based group presentations, direct mail, custom link on HR website, and mobile app.

### Results
- Of the 27,870 employees targeted, 945 people increased their deferral rate by 5 percent, 5,052 met with an advisor, 1,565 spouse/partners attended, and $2.6M in assets rolled in from other plans.
- Nearly all employees surveyed (93 percent) felt they now knew where they stood in retirement.

### Why Did They Win?
- Impressive number of employees who participated.
- HSA contribution or paycheck credit was a smart incentive.
- Nicely organized program with strong results.

## Events and Workshops
2nd Place

**The University of Kentucky**
with TIAA




The University of Kentucky has 23,270 employees across its 16 colleges with very diverse backgrounds, education levels, and ages. Of the total employees, 9,905 were targeted in this campaign.

### Objective
- Increase participation in voluntary plan and strengthen the partnership with TIAA with stronger promotion of TIAA as one of the plan's vendors.
- Hold enrollment fairs with at least 25 percent participation.

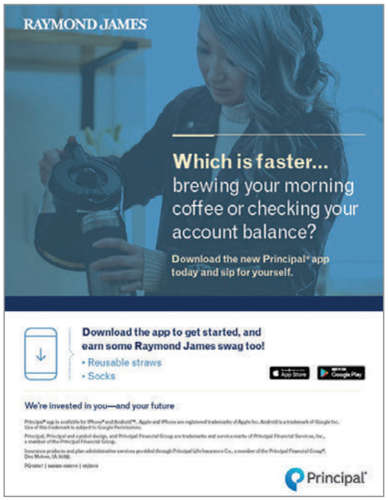
### Method
- Custom materials for each fair included flyers, quick enroll card, QR codes, raffle cards that doubled as consent-to-contact cards, customized Starbucks card with a call to action, TIAA ads on mobile devices, and geo-targeting for phones within 5 miles of campus.

### Results
- Interacted with 625 employees, had 125 booked appointments which resulted in 212 enrollments in the voluntary plan, and 239 in the other plan.

### Why Did They Win?
- Comprehensive campaign with simple, consistent messaging.
- Geo-targeting on mobile devices was interesting and smart.
- Materials were colorful and easy to read.

## Events and Workshops
### 3rd Place

**Raymond James Financial, Inc.**
with Principal®




Raymond James is a multinational financial services firm with 8,100 financial advisors globally and 13,283 total U.S. employees.

**Objective**
- Amplify Raymond James as a key partner in retirement planning and increase employees' awareness of, and engagement in, the company's retirement offering.

**Method**
- Held benefits fairs during National Retirement Security Week.
- Prizes for downloading the Principal mobile app, plan appreciation quiz with prizes, intranet messages, posters, flyers, handouts, and virtual meetings.

**Results**
- A quarter (25.3 percent) completed the quiz, 5.5 percent downloaded or used the mobile app, 2.8 percent increased deferrals with an average increase of 5.6 percent, and 2.9 percent engaged with a planner.

**Why Did They Win?**
- Comprehensive outreach with a strong message and good results.
- Quiz was a great way to educate interactively.
- Prizes aligned with corporate culture were unique.

## Financial Wellness
### 1st Place

**Ascend Performance Materials**
with Transamerica


Ascend Performance Materials produces PA66 resin and is a global provider of plastics, fibers, and chemicals with nine global locations and 2,386 employees.

**Objective**
- Deliver annual holistic well-being benefit.
- Provide opportunity for employees who work multiple shifts seven days a week to meet individually with a Transamerica consultant.

**Method**
- Financial wellness program using educational challenges awarding wellness points to address employees' concerns based on age and financial situation.
- Three learning paths: Money Management Basics, Financial Planning 101, and Get Ready to Retire.

**Results**
- The program received a 4.4 out of 5 rating.
- Of 2,386 employees, 221 completed entire learning path and 732 individual courses were completed.

**Why Did They Win?**
- Campaign was targeted, offered many avenues to get information and counseling, and it made good use of a comprehension test.
- Used educational challenges to increase engagement.
- Good results.

## Financial Wellness
### 2nd Place

**Dawn Food Products, Inc.**
with Prudential Retirement


Dawn Foods, a family-owned company, is a global manufacturer of bakery ingredients headquartered in Jackson, Michigan, with 2,600 U.S. employees and 5,000 globally.

**Objective**
- Promote the use of after-tax sources in the 401(k) plan for emergency savings and raise awareness of new tools on the website including one for easing student loan debt.

**Method**
- Benefit fairs throughout the year, print, e-newsletters, direct mail, on-demand learning, website tools, video, and manager's toolkit for HR.

**Results**
- Emergency savings campaign: 60 people used it during the year, email engagement garnered 23–25 percent open rates and a 2.5 percent click rate.
- Financial wellness program: 22 percent visited the site.
- Student loan assistance tool: 37 accounts were created.

**Why Did They Win?**
- Company provided innovative solutions for emergency savings and student loan debt.
- Created programs that addressed the specific financial challenges of the employees.

## Financial Wellness
### 3rd Place

**Hy-Vee, Inc.**
with Principal®


Hy-Vee is an employee-owned supermarket chain with more than 300 stores across the Midwest, with a total of 82,250 employees, a quarter of whom were targeted in this campaign.

**Objective**
- Support retirement readiness using educational content from Principal by adding financial wellness to existing wellness program.

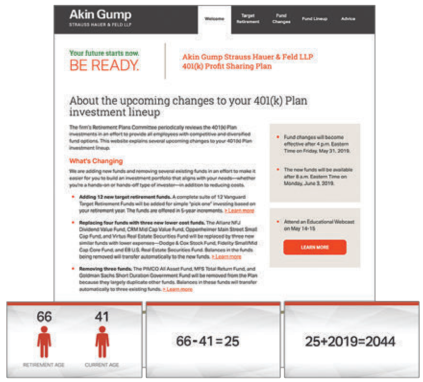
**Method**
- Webinars on financial topics and one-on-one meetings with Principal representatives.
- Direct mail, intranet messaging, and monetary credits for completing tasks.

**Results**
- More than 7,000 employees and 800 spouses viewed a webinar or attended a meeting—32 percent of the targeted audience.

**Why Did They Win?**
- Wove financial wellness with overall wellbeing.
- Rewarded participation.
- Created a program that resonated with the targeted audience.

## Investment Education
### 1st Place

**Akin Gump Strauss Hauer & Feld LLP**
with Voya Financial




Akin Gump Strauss Hauer & Feld LLP is a 75-year old leading international law firm with 1,450 total employees.

**Objective**
- Provide information and education about fund lineup changes and encourage employees with questions to talk to an advisor.

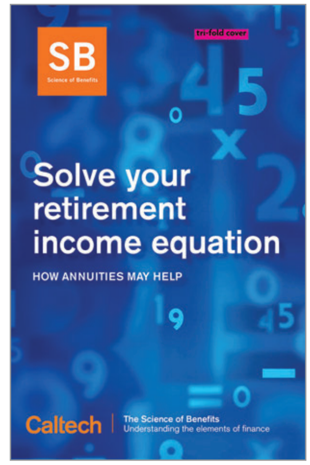
**Method**
- Phased communications using emails, e-book, webcasts, Target-date Fund video, direct mail, onsite programs, local HR outreach, and "Be Well" points for participation.

**Results**
- Initial email had an 82.4 percent open rate and a 4 percent click rate; ongoing emails had a 40–75 percent open rate.
- Fund change book had 1,021 unique views.
- Onsite sessions had 75 attendees and 160 employees met in one-on-one sessions.

**Why Did They Win?**
- Thorough, well planned, and well-executed campaign.
- Subtle and clean design with well-written materials that were easy to navigate.
- Used creative tools such as e-book and animated video.
- Offering "Be Well" points added a fun way to get engagement.

## Investment Education
### 2nd Place

**California Institute of Technology**
with TIAA




The California Institute of Technology (Caltech) is a science and engineering research and education institution, with 10,000 total employees.

**Objective**
- Educate employees about annuities and lifetime income.

**Method**
- Kick-off event with TIAA's Vice President of Actuarial Consulting Services.
- Postcard, email, and a self-mailer with card that could attach to an ID lanyard.

**Results**
- Initial email had a 34 percent open rate and an 11 percent click rate.
- Nearly sixty percent of event attendees contributed assets to a fixed annuity within 90 days.
- A 39 percent increase in use of web-based lifetime income modeling tool.

**Why Did They Win?**
- Creative theme, "Solve your retirement income equation," and "The Science of Benefits: Understanding the elements of finance," was a nice tie in to CalTech.
- Clever use of a cut-out card with contact information to reach a consultant (which could be added to participants' existing ID badge lanyards).

## Investment Education
### 3rd Place

**JTEKT North America**
with Prudential Retirement


JTEKT
Koyo
JTEKT North America 401(k) Retirement Plan

Retirement is a great time to take a risk
...but not with your savings.

The Prudential Day One® IncomeFlex Target® Balanced Fund, available in the JTEKT North America 401(k) Retirement Plan, is one way you can land softly in retirement.

Guaranteed income for life

When you save with IncomeFlex within your GoalMaker model portfolio, you're guaranteed an annual withdrawal amount each year for the rest of your life—even if the market declines.

It's a convenient way for people to secure reliable retirement income they won't outlive. In exchange for that security, a fee of 1% is assessed through the reduction of the fund's investment return. The 1% fee is assessed in addition to the investment management fees and other operating expenses or recordkeeping and administration fees applied to an IncomeFlex Target Fund.

In addition, Prudential IncomeFlex Target offers:

- Guaranteed income for your spouse for a reduced payout.[1]
- The potential for market gains: A rising market could lift your account—and retirement income.
- Downside protection: Your income will never fall due to market downturns.[1,2]
- Portability: If you leave the company, the assets may remain in the plan and stay invested in the fund or the guarantee can be transferred to a Prudential variable annuity.

(over)

JTEKT North America is a global supplier of automotive steering systems and driveline components, bearings, and machine tools with 6,000 employees.

#### Objective
- Introduce a new guaranteed income solution. Provide employees with help on income security in retirement, and education on a new offering.

#### Method
- Add Prudential's asset allocation program with IncomeFlex as the new QDIA and auto-enroll employees into it.
- Direct mailings, emails, handouts for HR reps providing one-on-one education, microsite, QDIA notice, fund fact sheet, and video.

#### Results
- Fewer than 1 percent of automatically enrolled participants opted out of IncomeFlex.

#### Why Did They Win?
- Used appropriately targeted and relevant messaging with clear action steps for each group.
- Good use of an interactive, easy-to-use modeling tool to help participants explore different future scenarios.

## Overcoming Obstacles
### 1st Place

**JBS and Pilgrim's Pride**
with Empower Retirement


JBS® USA is a leading beef and pork processor in the U.S. and a leading processor of beef in Canada with a very diverse employee population of 100,000 with more than 30 different native languages spoken.

#### Objective
- Educate non-corporate employees on the benefits of the 401(k) plan.

#### Method
- Created a "What is a 401(k)?" video using JBS employees speaking in their own native languages about their experiences with the plan.
- Company will continue to use the video with new hires and will create material from it for the HR staff to use on Facebook and to put in break rooms.

#### Results
- In the first 5 months, participation increased three percent by employees age 44 and younger, and participation increased 7 percent among those with fewer than 3 years of service.
- Average savings rates increased by 4 percent.

#### Why Did They Win?
- Judges loved the use of employees speaking their own languages in the video.

## Overcoming Obstacles
### 2nd Place

**St. Luke's University Health Network**
with Transamerica


St. Luke's University Health Network, headquartered in Allentown, Pennsylvania, is a fully integrated, regional, nonprofit hospital network of more than 15,000 employees providing services at 10 hospitals and over 300 outpatient sites, including a school of medicine and nursing school.

#### Objective
- Increase plan awareness, visibility, participation, and personal interactions with Transamerica Retirement Planning Consultants (RPC).
- Challenged by high growth rate and generous employer non-elective contribution in lieu of a match.

#### Method
- Used internal rewards program to encourage employees to watch videos about the plan.
- Created life-sized cutouts of the RPCs who were regularly onsite and placed them in various St. Luke's locations.

#### Results
- Exceeded overall participation rate goal of 50 percent—went from 38.8 percent to 53.8 percent.
- RPCs interacted with 2,272 employees and 892 increased deferral rates, and 353 enrolled in addition to those who were automatically enrolled.

#### Why Did They Win?
- Innovative use of cardboard cutouts of the consultants which was a good way to welcome employees and make the individual meetings less intimidating.

## Overcoming Obstacles
### 3rd Place

**Best Buy**
with Voya Financial


Best Buy is a provider of technology products and services with 1,500 stores and more than 100,000 U.S. employees.

**Objective**
- Increase employee engagement with the plan to help them achieve greater financial wellness.
- Increase use of a new emergency savings program.

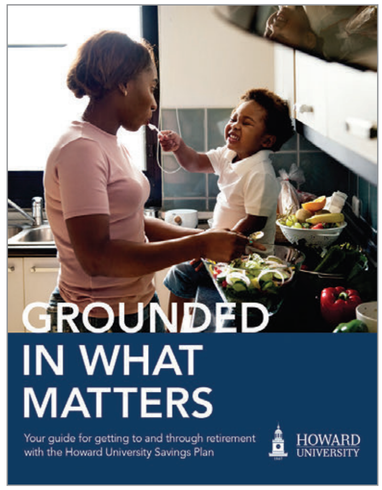
**Method**
- Website, emails, videos, golf-themed materials for benefits fairs, and sweepstakes to encourage beneficiary designations with cash prizes.

**Results**
- Emergency savings program: email open rate of 24.3 percent, and more than 2,300 employees opened an emergency account.
- Benefit fairs: email open rate of 28.6 percent, 25.7 percent logged into website, and 656 employees enrolled in the plan.
- Beneficiary campaign: email had a 25.5 percent open rate, and 20 percent took action.

**Why Did They Win?**
- Provided different ways for the associates to get involved and act.
- Used QR codes to help keep things moving in the moment.

## Plan Changes — Large Company
### 1st Place

**Howard University**
with TIAA




Howard University is a private research university with three schools and colleges and nearly 6,000 employees.

**Objective**
- Convert from multiple vendors to one.
- Simplify the retirement planning experience for employees.
- Engage and motivate participants to take advantage of the benefits.

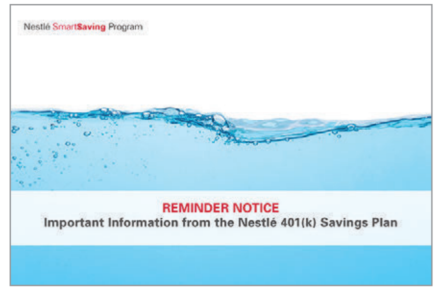
**Method**
- Brochure, emails, website messages, live seminars, 10-minute on-demand presentation, TIAA consultants staffed information desks at various locations, and one-on-one meetings.

**Results**
- Decrease in call volume post-conversion.
- On-site events garnered 845 employees, 460 attended a seminar, 120 spoke with reps at the information desks, 1,045 people updated beneficiary information, 314 met with a financial consultant, and 129 used online advice.

**Why Did They Win?**
- Simple and engaging materials with great results.

## Plan Changes — Large Company
### 2nd Place

**Nestlé USA**




Nestlé in the United States has 51,000 employees in more than 120 locations and across 47 states manufacturing a variety of food and beverage products across eight brands.

**Objective**
- Seamlessly transfer Nestlé Waters Savings Plan to Nestlé Savings Plan.
- Manage the retirement plan change while also changing health and wellness providers so as not to overwhelm employees.

**Method**
- Re-enrollment of Nestlé Waters employees, but investments were mapped for them.
- Letter, notices, enrollment kits, emails, webinars, on-site workshops, post cards, and HR checklist.

**Results**
- Nearly universal participation (98.8 percent) with 96 percent deferring at or above the match level.
- All assets transferred successfully as scheduled.

**Why Did They Win?**
- Conversion was successful and they achieved an almost 99 percent participation rate using an active enrollment.

# Signature Awards | 2020 PSCA Signature Award Winners

## Plan Changes — Large Company 3rd Place

**NewYork-Presbyterian**
with Prudential Retirement


NewYork-Presbyterian is a world-class academic medical center with more than 40,000 employees.

### Objective

- Communicate consolidation of 13 plans into 4 and transition to Prudential, along with investment changes.

### Method

- Print pieces mailed to home, welcome video on old website, new website, emails, brochure, letters, post cards, expos and fairs, special branding, screen savers for employee workstations, tech tattoos, and microfiber cloths.

### Results

- 51,000 accounts transferred with $1.7B in assets moved.
- Twenty thousand employees registered on the website, 2,416 designated a beneficiary, and 10,637 changed contributions.

### Why Did They Win?

- Remarkable engagement.

## Plan Changes — Small Company 1st Place

**Mountaire Corporation**
with Lincoln Financial Group


Mountaire Corporation is the seventh largest agricultural food processing company in the nation with 33 facilities across the country and more than 8,000 employees, half of whom are originally from other countries.

### Objective

- Make it easier for employees to engage with the retirement plan by consolidating account tracking.
- Increase the number of employees using the plan's website.

### Method

- Posters in three languages, mailer, tri-fold card near computer kiosks, and step-by-step guide for HR departments.

### Results

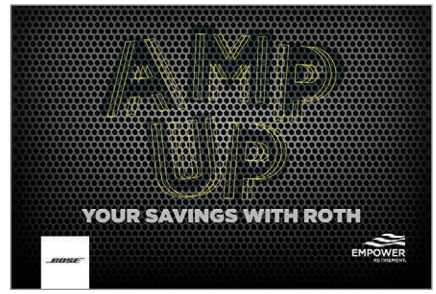
- Seventy-six percent increase in online registrations, 82 percent increase in log-ins, 96 percent increase in page views, and 526 contribution changes.

### Why Did They Win?

- Excellent print campaign in multiple languages with great results.

## Plan Changes — Small Company 2nd Place

**Bose Corporation**
with Empower Retirement




Bose Corporation, manufacturer of audio products, has more than 3,000 employees including engineers, developers, researchers, retailers, and marketers.

### Objective

- Effectively communicate addition of Roth contributions.

### Method

- Benefit fair, postcard, and emails using branding to tie in with the company's products.

### Results

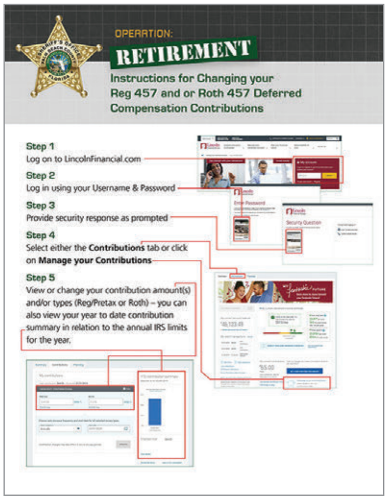
- Email open rates of 21–37 percent, click-through rates of 2.5–7.16 percent, with four percent of employees electing Roth contributions.

### Why Did They Win?

- Image/animation speaks to their business using a fun sound wave look.
- Used multiple avenues of communication.

## Plan Changes — Small Company 3rd Place

**Palm Beach Sheriff's Office**
with Lincoln Financial Group




Palm Beach Sheriff's Office (PBSO), is the largest law enforcement agency in Palm Beach County with 3,906 law enforcement, corrections, and civilian employees.

### Objective

- Effectively communicate account management change from internal self-service system to Lincoln Financial.
- Overcome challenge of privacy issues with law enforcement population when mailing to home.

### Method

- Postcard mailed to home with no sheriff's office branding, emails, Brainshark video, and how-to-guides on intranet.

### Results

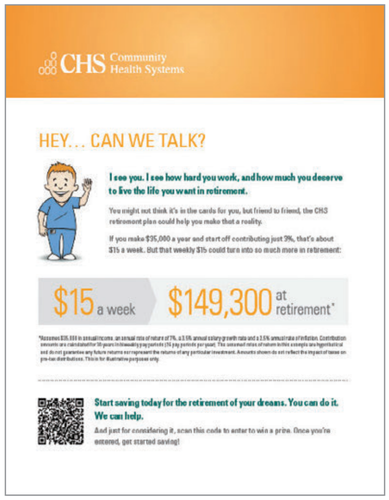
- Web usage increased from 65 percent to 75 percent, average contribution rate increased by 4 percent.
- New hires during the first six months had an 80 percent participation rate.

### Why Did They Win?

- Understood their culture by using discreet mailings that did not call out their employer.
- Good results.

## Promoting Participation — Large Company 1st Place

**Community Health Systems, Inc.**
with Principal®




Community Health Systems, Inc. is a general acute care hospital system with 99 hospitals in 17 states and 76,798 employees.

### Objective

- Increase participation and savings rates among those who opted-out of automatic enrollment.

### Method

- Leverage onsite HR staff.
- Human resources hub with posters to download, email, print, giveaways for employee participation, prizes for high-performing HR departments, and monthly HR department check-ins to determine who was on top of leaderboard.

### Results

- Participation increased from 74.7 percent to 78.3 percent, 50 of 99 locations achieved excellent engagement.

### Why Did They Win?

- Competition between HR departments was a fun factor.
- Achieved great results even though they targeted a difficult population segment.

## Promoting Participation — Large Company 2nd Place

**Gruma Corporation**
with MassMutual


Gruma is a corn and flour tortilla production company and a leading producer of wheat flour and other food products, with 79 production plants, and 7,449, primarily Spanish-speaking, employees.

### Objective

- Help employees understand the benefits of saving in the retirement plan.
- Make it easy for employees to sign up or save more.

### Method

- Emails, mailer, newsletter, poster to solicit beneficiaries, and onsite meetings all in English and Spanish.
- Used images related to the company's product.

### Results

- Increased participation by 2 percent, and a slight increase in average deferral rate.
- Mailer generated a 5.4 percent average sign-up rate.

### Why Did They Win?

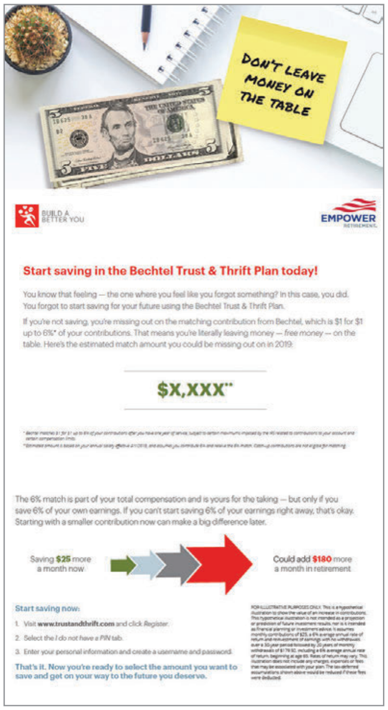
- Graphics were simple and fitting for the level of education and sophistication of the audience.
- Used imagery based on company's products.

## Promoting Participation — Large Company

### 3rd Place

**Bechtel**

with Empower Retirement




Bechtel is an engineering, construction and project management company with 8,690 employees.

#### Objective

- Increase already high participation in a plan not using automatic enrollment.

#### Method

- Focused on match "left on the table."
- Emails, mailers, table tents, posters, flyers, and QR codes.

#### Results

- Exceeded goal of a five percent response rate with a 16.8 percent response rate, and 145 enrollments.
- Overall participation increased from 87.7 to 89.2 percent.

#### Why Did They Win?

- Engaged the HR partners to assess each location's unique culture.
- Used multiple delivery methods, including QR codes on the posters.

## Promoting Participation — Small Company

### 1st Place

**NFL Player Benefits Office**


The NFL Player Benefits Office (NFLPBO) was established by the NFL and NFLPA to assist in the administration of the NFL Player Retirement Plan and has 12,600 employees.

#### Objective

- Use annual rookie campaign to educate and provide guidance regarding the 401(k) plan, learning from the prior year what worked and what didn't.
- Encourage maxing-out contributions.

#### Method

- Print, digital, and personal touchpoints.
- Eight-minute animated video, printed guidebook, and streamlined beneficiary designation process.

#### Results

- Rookie enrollment increased 13 percent over the prior year, personal session enrollment up eight percent, and online enrollment up 18 percent.
- Sixty percent of enrollees maxed out their contributions
- Beneficiary designations increased 43 percent from prior year.

#### Why Did They Win?

- Material was clearly written and did an excellent job comparing hypothetical players who maximized their contributions against players who did not.
- Great job of explaining what a 401(k) is.
- Video really spoke to the young adult audience.
- Impressive results.

## Promoting Participation — Small Company

### 2nd Place

**Ryan Specialty Group**

with Empower Retirement


Ryan Specialty Group (RSG) is an international specialty insurance organization with 2,400 employees.

#### Objective

- Educate employees on resources available through Empower.
- Remind employees they can and should review their investments even though they are automatically enrolled in the plan.

#### Method

- Quarterly emails to targeted groups with unique messages.
- Screenshots of website areas most pertinent to users.

#### Results

- Open rates of 42-78 percent with click rates of 4–22 percent.
- Nearly all employees (95 percent) logged into website with 550 new users.
- Three-fourths diversified their investments.

#### Why Did They Win?

- Used targeting effectively.
- Key takeaways were highlighted, brief, and well written.

## Promoting Participation — Small Company
### 3rd Place

**Red Wing Shoe Company**
with Transamerica


Red Wing Shoe Company, Inc. is a privately-held company headquartered in Red Wing, MN that owns and operates two manufacturing plants in the United States with 2,000 total employees.

#### Objective
- Promote nonqualified deferred compensation plan to eligible employees.

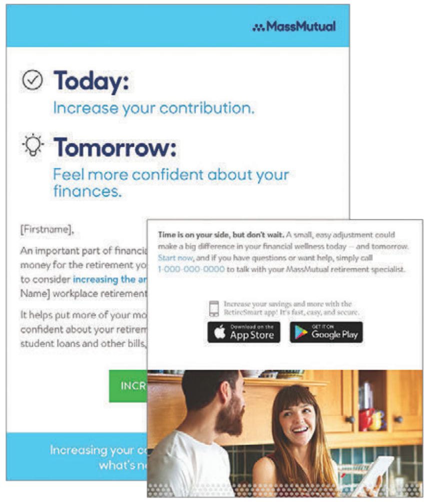
#### Method
- Emails, plan highlights brochure, and live and recorded presentations.

#### Results
- More than 25 percent of those targeted enrolled, an increase of 47 percent from the prior year.
- Email open rates from 25.6–38.7 percent with click-through rates of 7.0–13.3 percent.

#### Why Did They Win?
- Captured the feel of the company with the images used and contained well written, brief messages with links to take action.
- Good employee response rates.

## Provider Campaigns — Participant Education
### 1st Place

**MassMutual**




#### Objective
- Use annual campaign to educate and inspire participants to take positive action towards saving for retirement.

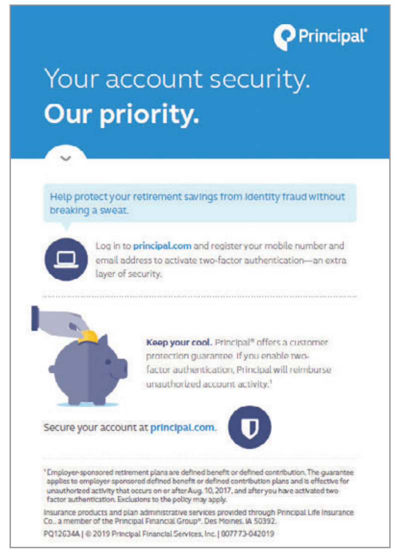
#### Method
- Segmentation of participants into Starters, Jugglers, Day-to-Day, Self-Assured, and Well-established.
- Used a “today/tomorrow” message.
- Emails, letters, custom website landing pages, app notifications, and e-newsletters.

#### Results
- Reached 2.5 million participants and had a 1.7 percent response rate.

#### Why Did They Win?
- Targeting by personas made each email seem personal, rather than generic.
- Messaging was clear and concise with the today/tomorrow theme making a strong connection between the actions the participant takes today and their happiness tomorrow.
- Calls to action were clever and insightful, such as a birthday email that read “Today I’m celebrating me!”

## Provider Campaigns — Participant Education
### 2nd Place

**Principal®**




#### Objective
- Increase online engagement and usage of multi-factor authentication (MFA) for increased account security.

#### Method
- Used Salesforce Marketing Cloud to trigger daily emails based on person’s login history.
- Images based on age group, and personalized call to action determined by whether MFA was in place.
- Quarterly direct mail to those without email on file.

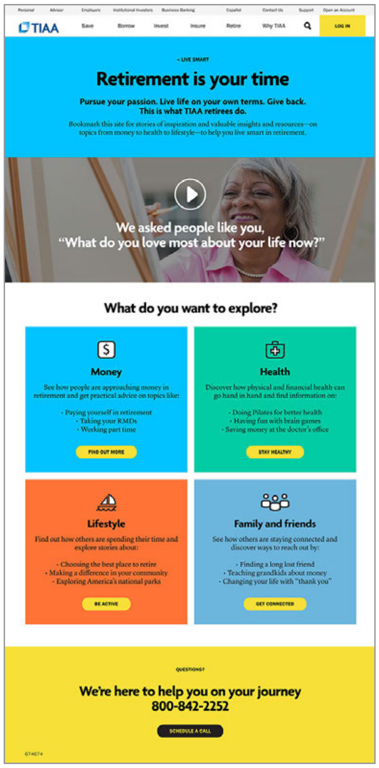
#### Results
- Accounts were secured by 6.6 percent of targeted group.
- Some increased deferrals and designated beneficiaries.

#### Why Did They Win?
- Made good use of technology using real-time data to engage those who had not logged into their account in more than a year.

# Signature Awards | 2020 PSCA Signature Award Winners

## Provider Campaigns — Participant Education 3rd Place

### TIAA




#### Objective

- LiveSmart Program created to provide unbiased education and guidance to retirees and those age 70 and older.

#### Method

- Program overview, videos, personal URL, and Required Minimum Distribution (RMD) resource center.
- Data-driven messaging.
- Phone calls, emails, direct mail, and website.

#### Results

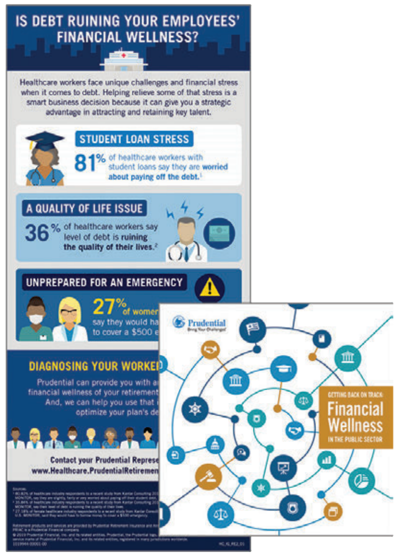
- Reached more than 400,000 participants.
- Emails had a 60 percent open rate with a 14 percent click-through rate.
- The RMD page received 88,000 visitors and 14,500 people supplied an email address.

#### Why Did They Win?

- Focused on an often overlooked and under-engaged segment of the participant population.

## Provider Campaigns — Plan Sponsor Education 1st Place

### Prudential Retirement




#### Objective

- Create marketing campaigns based on company industry to educate advisors, plan sponsors, and participants.

#### Method

- Identified four industry segments: healthcare, Taft-Hartley, manufacturing, and public sector.
- Emails, website messaging, social media, events, magazine advertising, and ads on the New York Times Square jumbotron.
- Each campaign related to an important day/event for each industry, for example, Nurses Week, Labor Day, and Manufacturing Day.

#### Results

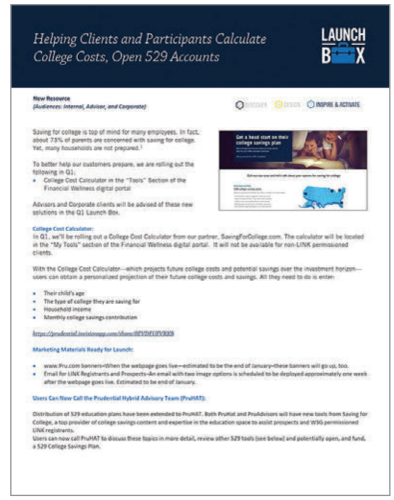
- Emailed more than 1,200 public employers, 3,000 healthcare employees, 750 union leaders, and 4,000 manufacturing employers, with good response rates

#### Why Did They Win?

- They knew their audiences very well and had a clear picture of the outcomes they wanted.
- Good job using relevant communication channels.
- Careful timing of each campaign.
- Infographics provided a quick summary view of the messages.

## Provider Campaigns — Plan Sponsor Education 2nd Place

### Prudential Retirement




#### Objective

- Create consistent, branded messaging delivered quarterly to establish better communications with clients and advisor partners.

#### Method

- Launchbox product used newsletters for internal use, for advisors, for corporate plan sponsor clients, and for tax-exempt plan sponsor clients.
- Emails, pdfs, and Sharepoint site.

#### Results

- High open rates and click through rates of 18.5 – 23.5 percent

#### Why Did They Win?

- Solid solution for communicating to diverse groups with different needs and interests.
- Good audience segmentation to avoid overwhelming people with information not interesting to them.
- Internal use by sales was a good approach.

# The "Finished" Line?

## Retirement confidence remains unchanged so far in 2020.

*By Nevin Adams*

We've been through a lot the past couple of months — and doubtless those events have unsettled (if not upended) the retirement plans of many. Or has it?

The Employee Benefit Research Institute (EBRI) and Mathew Greenwald & Associates, Inc. recently unveiled the 30th annual Retirement Confidence Survey (RCS). The most recent iteration found that 69 percent of all workers claimed to be very or somewhat confident in their ability to live comfortably throughout their retirement years, comparable to 2019 — though that was based on a January polling. So, cognizant of the dramatic events of the ensuing weeks, the researchers at EBRI and Greenwald & Associates went back to the field in late March — and found that the percentage of workers feeling confident remained "statistically unchanged" at 63 percent.

Now, even late March might have been too soon to capture the full impact, but you might well expect that confidence is impacted, if not influenced, by movements in the market. However, back in 2006 EBRI noted that "RCS data over the past 12 years continue to show that retirement confidence overall among workers does not seem to be affected by either stock market performance or varying economic conditions."

### The Plan Difference

There's comfort in knowing that the 2020 RCS found that those with access to a retirement savings plan at work were more likely to save ("dramatically more likely" EBRI notes), "significantly" more likely to have savings, and less likely to have no savings or to have high levels of debt. Little wonder that, according to the RCS, workers reporting they or their spouse have money in a DC plan or IRA or have benefits in a DB plan from a current or previous employer are nearly twice as likely as those without any of these plans to be at least somewhat confident (78 percent with a plan vs. 41 percent without a plan).

And yet, only 44 percent of respondents overall said they had estimated how much money they would need each month in retirement. And just fewer than half of workers (48 percent) report they and/or their spouse have *ever* tried to calculate how much money they will need to have saved so that they can live comfortably in retirement (that's a bit higher than the historic norms here — but not much higher).

### (Un)certainty

While the findings in the RCS have never seemed to motivate a resurgence of interest or activity surrounding those assessments, perhaps as we emerge from this uncertain time, as we begin to take stock of our lives, our work, and our finances, workers will be more open to those considerations, more willing to establish emergency savings, and more attentive to issues of personal health.

It may be worth noting that the 2020 RCS also found that 6 in 10 workers (61 percent) report that they either strongly or somewhat agree with the statement that preparing for retirement makes them feel stressed — though I'm certain that's not nearly as stressful as getting to retirement without having done so.

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*Nevin E. Adams, JD, is the Chief Content Officer for the American Retirement Association.*

[1] I won't quibble here with the math of that characterization, though I will comment that a drop from 69 percent to 63 percent strikes me as at least "noticeable."

[2] There's some further comfort in knowing that workers reporting that they or their spouse who participate in a retirement plan were significantly more likely than those who do not participate in such a plan to have tried a calculation (58 percent vs. 11 percent).

# A Roadmap for Helping Women Prepare for Retirement

## Women face specific barriers to preparing for retirement — plan sponsors can help.

*By Jody Strakosch for PSCA's Investment Committee*

Decisions that women make throughout their lives — including choosing a career, getting married, having children, buying a home, and getting divorced — can have a significant impact on their financial security, particularly when it comes to retirement. Clearly, some decisions they make can positively affect their retirement security: saving and investing, maintaining an emergency fund, having good disability coverage, and not letting debt get out of control. Many women, however, also face hurdles that can negatively affect their retirement security: leaving work temporarily or reducing scheduled hours for caregiving, and diverting retirement savings to pay medical bills, student loan debt, or to support family members.

It was an honor to engage in a conversation with three recent PSCA Lifetime Achievement Award winners to discuss these issues: **Phyllis Borzi** (2020), the Former Assistant Secretary of Labor for the Employee Benefits Security Administration in the US Department of Labor; **Cindy Hounsell** (2018), the President of the Women's Institute for a Secure Retirement (WISER); and **Anna Rappaport** (2017), an internationally recognized expert on the impact of change on retirement systems and workforce issues who previously served as President of the Society of Actuaries.

As we talked about what women can do to overcome the challenges to their retirement security, we discussed the elements that help create a solid foundation for a woman's financial 'house.' Each time a woman embraces one of them, she adds another brick to the foundation, helping herself to prepare for the unexpected. Knowing that she has a plan in place can give her confidence, particularly in uncertain times such as these.

### Most Common Financial Risks for Women

It is generally known that women tend to live longer than men, which means they will likely need more money to support a longer life in retirement. Yet women also generally have lower potential lifetime earnings than men, with women who work full-time earning approximately 80 percent of what men earn. In addition, women are more likely to leave the workforce or work part time to care for their children or elderly parents, and part-time workers are less likely to have access to health care and retirement benefits. On average, women spend nine years more out of the paid workforce than men. In retirement, women end up depending heavily on Social Security — especially minority women, for whom each of these issues is often more pronounced.

### Messages Employers Can Offer to Help

- Retirement saving is all about taking care of yourself and is something you should pay attention to on an ongoing basis. Whenever you are about to make a major financial purchase (e.g., a car, house, or big vacation), ask yourself, "How does this affect my savings plan? Am I still saving enough for my retirement?" Also, do you have retirement assets listed in your name?
- Be sure to have an emergency or a rainy-day fund to draw on in the event of a financial shock (e.g., major car or house repairs, or a significant healthcare expense for you or a family member). As we have just witnessed with the COVOID-19 crisis, your

#### Resources for Employers

**Society of Actuaries, Aging and Post-Retirement Research**
https://www.soa.org/research/topics/aging-ret-topic-landing/

**National Resource Center on Women and Retirement Planning**
https://www.wiserwomen.org/national-resource-center-on-women-and-retirement-planning/national-resource-center-on-women-and-retirement-planning-partner-network/

**U.S. Department of Labor, Employee Benefit Security Administration, Retirement Benefits**
https://www.dol.gov/agencies/ebsa/key-topics/retirement-benefits

income from work may be at risk when least expected. The rule of thumb for emergency savings had been to have enough money to cover three to six months of expenses, but now some experts advise saving six to twelve months' worth.

- Make sure you are taking advantage of your employer benefits: healthcare, life insurance, savings and retirement plans, and long-term disability, to name a few. Also, are your beneficiary designations updated and current?
- Examine your total financial picture. What are your assets (i.e., monies that are in savings and investment accounts or retirement accounts such as a 401(k)s or 403(b)s)? What are your liabilities (i.e., credit card debt, mortgage, college loans for yourself or tuition for your children)? It's always a good idea to have all of this information in one place. Try to minimize bad debt (credit cards with high interest rate carrying charges).
- Prioritize saving for yourself over others; we all like to help others if we can, but it's important to make sure that you've taken care of your own financial needs first.
- Set a budget, start the saving habit early, and save regularly! Whether you save $5 or $50 or more per week, it adds up over the long term. While you're at it, teach your children to save and help them create their own budget.
- Estimate how long you might live — you might be surprised by this! The Social Security Life Expectancy Calculator provides useful estimates of how long you (and your spouse) may live.
- Look at your Social Security statement to see what you can expect when you retire. When you begin collecting (or, 'claiming') Social Security is extremely important. If you wait until age 70 to claim it, your benefit will be increased by eight percent for each year beyond your full retirement age (age 66 for those born during the years 1943–1954). If you claim your Social Security benefits before your full retirement age, your benefits will be permanently reduced. For example, if you claim at age 62 (using the full retirement age of 66), your benefit is permanently reduced by 25 percent. Also, in a two-earner couple, you may want a different claiming strategy for the higher and lower earner.
- Consult with your savings and retirement plan service center if you are thinking of making a change to your investments or taking money out of the plan. "Stay the course" during market fluctuations by not reallocating assets when the markets are down. It's important to not take employer-funded retirement savings out too early. Evaluate the trade-off of taking a hardship withdrawal versus a loan from the plan.

## Programs Offered by Employers Are Impactful

My discussion with these three knowledgeable women quickly evolved into one about what employers can do to help employees build strong financial foundations. Most employers generally offer a range of benefits such as healthcare, long-term disability, savings and retirement programs, life and dental insurance, programs that help employees to manage their student debt, and sometimes voluntary benefits programs. These benefits are often the first building blocks for creating strong financial foundations. All of these offerings can reduce employees' stress over their personal finances, making them happier and more productive.

Employers who don't offer employer-sponsored rainy-day savings accounts may want to consider starting one so that employees will have an alternative and be less likely to treat their 401(k) employee benefits plan like an emergency fund, harming its ability to accrue its greatest value.

With respect to the savings programs, sponsors may want to consider reframing them as a retirement income plan, in order to encourage employees to consider how they will replace their paychecks once they've retired. Remind them that retirement may last 20 or more years. The SECURE Act of 2019's Lifetime Income Disclosure provision can also help with framing this for participants. It is also important to consider the plan's distribution options; if the objective is to encourage participants to stay in the plan when they retire, then it may be time to "refresh" the distribution options so that there is flexibility and access to those accumulated assets. A range of tools, investments, and services should be offered to help participants, particularly women, understand the importance of creating lifetime income streams. All employees will benefit from the peace of mind associated with lifetime income.

Financial wellness programs also offer a useful framework to create communications around women's common lifetime experiences and their potential impact on retirement readiness. One option is to work closely with the service providers and use technology to personalize specific communications designed for women, such as ones focused on financial counseling and education covering major life events. By educating women about finance, raising their awareness of the challenges they face, and offering tools to address these issues, you help women become more likely to attain their ideal version of retirement.

We applaud the efforts of plan sponsors who work hard to promote the various programs that they offer — these are important components of building a strong financial foundation.

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*Jody Strakosch is Principal for Strakosch Retirement Strategies, LLC.*

# A Framework for Key Recordkeeping Fee Decisions

## How plan sponsors allocate plan fees to participants is a key fiduciary responsibility.

*By Julie Yusko*

Americans held nearly $9 trillion in defined contribution plan assets as of the end of 2019[1] — a figure that has doubled in the last ten years. According to the U.S. Department of Labor (DOL), there are 662,829 defined contribution retirement plans in the U.S., covering more than 100 million total participants[2].

With figures like these, it should come as no surprise that these plans receive a lot of attention and scrutiny, or that plan fiduciaries are on alert to the potential target that is on their backs. Plan sponsor surveys consistently rank plan fees as a primary area of focus for plan fiduciaries.

In 2019, settlement dollars totaled approximately $193 million from ERISA lawsuits that challenged the fees associated with defined contribution plans[3]. To put this into perspective, ERISA is expansive, and this represents about half of the ERISA settlements that were reached last year.

One of the most notable settlements of 2019 was *Tussey v. ABB*, a case whose history goes all the way back to 2006. The settlement provided for an award of $55 million to the plaintiffs, with $18.3 million going to the plaintiffs' attorneys. Among the allegations made by Tussey, was that ABB failed to monitor revenue sharing and negotiate rebates from their recordkeeper and failed to utilize lower-cost share classes; all things they should have done considering the size of their plan. However, smaller plans should not feel immune — Gucci was also among the employers that settled their class action suit last year and its plan held fewer than $100 million in assets.

With the eruption of excessive fee litigation since the mid-2000s and then the enactment of DOL fee disclosure regulations, plan fiduciaries have spent considerable time and energy focusing on monitoring and benchmarking plan fees and trying to negotiate fee reductions. Plan sponsors have been successful in these benchmarking efforts as recordkeeping fees have steadily declined through scaling efficiencies and competition. Plan sponsors that have made benchmarking their plan's fees a regular practice have not seen fees move significantly in more recent efforts. However, as recordkeeping fees may be reaching their floor, the discussions have not ended there. The lessons taken from the settlement terms in *Tussey v. ABB* illustrate the importance of understanding not only how fees are charged to the plan and determining whether they are reasonable for the services received, but also how fees are allocated across plan participants.

There are several key recordkeeping fee decisions that are important for prudent plan fiduciaries to analyze carefully. More often than in the past, when plan sponsors benchmark their plan fees, they often use the opportunity to evaluate the way fees are allocated to participants and to make changes to the way fees are paid.

Three key recordkeeping fee decisions that go directly to the heart of the question of how fees should be allocated across participants are discussed below. First is the decision as to the type of recordkeeping fee structure. Second is the decision around using a lowest-cost share class strategy for the investment menu versus a revenue

[1] Investment Company Institute. 2019. "The US Retirement Market, Fourth Quarter 2019" (March 2020).

[2] DOL Employee Benefits Security Administration, "Private Pension Plan Bulletin: Abstract of 2017 Form 5500 Annual Reports", September 2019.

[3] Bloomberg Law, Jacklyn Wille, "ERISA Class Settlements Rebounded to $449 Million in 2019", Dec. 26, 2019. https://www.bloomberglaw.com/document/X2OP8RK8000000?bna_news_filter=employee-benefits&jcsearch=BNA%25200000016ef65bdc41adfefffb378d0001#jcite

sharing model. Last is the decision of how to apply revenue sharing when there is an active decision to use that model or when it is unavoidable.

## Recordkeeping Fee Structure

There are various cost structures that are common. Most notably are the per capita, or per participant, fee structure and the pro rata, or asset-based, fee structure. The per-participant method is a fixed annual charge, typically charged quarterly, that spreads the cost of recordkeeping equally across all participants regardless of the size of their account balance. The asset-based method is typically quoted in basis points or as a percentage of plan assets. In this method, fluctuations in the size of a participant's account balance will determine that participant's share of recordkeeping fees. However, also true is that as the amount of assets in the plan fluctuates, so does the compensation received by the plan recordkeeper. Given the growth in defined contribution assets over the last decade and beyond, in the aggregate, this method has benefited recordkeepers immensely.

In recent years, more plan sponsors have considered implementing, or have implemented, a shift of all or a portion of the recordkeeping fees to a per-participant allocation method. Although this shift has been most pronounced in the large end of the market, it has quickly moved down market. Yet still, overwhelmingly among small plans, fees based on assets, whether it is a level asset-based fee or revenue sharing, remains the norm. Often, plan sponsors that have implemented the per-participant method recount that decisions are made to achieve greater transparency around the plan fees and to eliminate the fee fluctuations that may be attributable to market volatility and account growth. Furthermore, by decoupling the recordkeeping fees from the investment fees, plan sponsors can institute a policy of utilizing the lowest-cost share classes for the investments offered within their plan.

## Lowest-Cost Strategy vs. Revenue Sharing Model

Revenue sharing has been a common practice historically. In this model, a recordkeeper receives a portion of basis points charged on the investments as compensation for the administration, marketing, distribution, and/or accounting costs related to having that fund available on their recordkeeping platform. However, it was not until DOL regulations required recordkeepers, and other plan service providers, to supply plan sponsors with full disclosure of all the compensation they receive related to the plan that this practice was brought to the forefront. It became abundantly clear that recordkeeping was not a "free" service.

The fee disclosure requirements increased transparency. As plan sponsors began analyzing plan fees from various angles, the debates around the impact of the revenue-sharing model on different participant groups also began. In a typical investment menu, revenue-sharing amounts may vary greatly across funds. When participants make fund allocation decisions in their plan, their choices will likely vary, leading them to pay different amounts of fees for investments and recordkeeping.

In light of fee litigation trends, and the likely enduring trend of plan sponsors moving to per-participant fee structures, the use of the revenue-sharing model has sharply declined. More and more plan sponsors have moved towards adopting investment menus that exclusively include the lowest-cost share classes of the funds they select. Mutual fund companies have responded to the demand by launching more share classes that eliminate revenue sharing. However, revenue sharing, even in the lowest-cost share classes, may be inevitable in some cases.

## Application of Revenue Sharing

When revenue sharing cannot be eliminated, either by an active decision by the plan fiduciaries or because an alternative share class without revenue sharing is unavailable, the plan sponsor needs to reconcile how they will handle the revenue-sharing amounts that are generated.

Fee leveling, or neutralization, is an approach that seeks to reverse the effect of revenue sharing within the plan. Participants in funds with revenue sharing receive a direct credit based on their specific allocation to the given fund. Most recordkeepers can handle fee leveling, but their approaches may vary considerably. Plan fiduciaries that pursue this option should do their due diligence and understand how the process will be managed.

## What is the Right Answer?

The DOL has provided limited guidance, and beyond the general fiduciary requirements proscribed by ERISA, there is also limited legal guidance that specifically addresses how fees should be allocated across plan participants. There are no guarantees that one method will provide greater fiduciary protection. The DOL acknowledges that plan sponsors have considerable discretion provided that a prudent process is followed that considers various allocation methods, the implications of these methods on different groups of participants, and that there is a rational basis for the method that is chosen.

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*Julie Yusko, J.D. is a Senior Consultant with Portfolio Evaluations, Inc.*

# HSA—The Ultimate Retirement Savings Tool

## Health Savings Accounts can be powerful long-term savings vehicles.

*By Shelby George, Kelley Long, and Karin Rettger for PSCA's HSA Committee*

As Health Savings Accounts (HSAs) gain popularity both in the workplace and in the marketplace, more and more consumers are beginning to understand the value of health savings accounts beyond just paying for current healthcare expenses tax-free.

Many consumers have viewed the HSA as a super FSA (Flexible Spending Account) and are choosing to spend down their HSA with current year out-of-pocket health care expenses and allowing any excess expenses to accumulate. We were well-trained on FSAs to spend down our current year expenses but with the HSA, we have the option to spend it down or save it and let it accumulate tax-free.

The real power of the HSA is allowing it to accumulate and grow tax-free, which allows use of the HSA to pay for out-of-pocket health care expenses in retirement with tax-free dollars. As such, for those with the means to pay out-of-pocket healthcare expenses during their working years with non-HSA funds, the HSA is really best thought of as sitting alongside a 401(k) plan as a retirement plan benefit.

### The HSA Is a Beneficial Retirement Account

Some workers mistakenly think that Medicare will be free and that they will have all their medical expenses covered by Medicare, so when they arrive at retirement it's quite a shock to learn otherwise. The cost of Medicare Part B, and D, along with a supplement to Medicare can often exceed in cost what the worker was paying when they were working. In addition, Medicare does not cover everything. According to Fidelity, a person who retired in 2019 can expect to spend approximately $150,000 out-of-pocket in health care and medical expenses throughout retirement.

An HSA can reimburse Medicare premiums as well as uncovered medical expenses including dental, vision (eyeglasses), qualified long-term care services, and hearing aids. Instead of paying for these expenses using after-tax money from a traditional 401(k), tax-free HSA funds can be used. Relying on a traditional 401(k) or IRA to pay for those expenses will require about 25 percent more money to pay those expenses (or $187,500 to fund $150,000 in expenses).

### HSA vs. 401(k)

Rather than compare the HSA with an FSA, lets look at the HSA compared to the 401(k).

From a savings account standpoint, the HSA and the 401(k) look alike. In addition, while they both offer pre-tax savings of Federal and State taxes, the HSA adds FICA tax savings when the deduction is taken through payroll.

**Exhibit 1: Similarities of HSAs and 401(k)s**

| | HSA | 401(k) |
|---|---|---|
| Reduce Taxable Pay for Federal and State Tax | ✓ | ✓ |
| Reduce Taxable Pay for FICA | ✓ | |
| Investable in Mutual Funds | ✓ | ✓ |
| Tax Free Withdrawals for Medical Costs | ✓ | |
| Take it with you if you leave your employer | ✓ Always. You can transfer it to any HSA. | ✓ Yes, with a rollover to your new plan or an IRA — either way, it's still yours. |

**Exhibit 2: Difference In $1000 Invested In an HSA vs. a 401(k) Over Time**

### HSA or 401(k)?

*Assumptions:*

- *Reducing take-home pay $1000 per year for 35 years; ages 30–65*
- *Assumed 6% per year earnings*
- *Payout in 25 "equal" installments; ages 65–90*
- *Assumes no change in marginal tax rates throughout the period*

| | Health Savings Account | 401(k) Account |
|---|---|---|
| Deposit per Year* | $1,603 | $1,429 |
| Balance at Age 65 | $183,989 | $164,017 |
| Annual Payout to Age 90 | $14,396 | $12,833 |
| Annual After-Tax Value to Age 90 | $14,396 | $8,983 |
| **Difference in Value** | **$60.3% More!** | |

**Assumes a 25% federal, 5% state, 6.2% FICA, and 1.45% FICA-Med marginal rate*

Disclaimer: This calculation is hypothetical and can also depend on your state. NJ, CA and some other states treat HSAs differently. This is for educational purposes and should not be considered advice.

Because most people do not focus on the long-term growth of the HSA, they often miss that the HSA can be invested — in options much like what a 401(k) offers. This allows the HSA to potentially grow like a 401(k) account.

The other key difference is that the HSA allows tax-free withdrawals for qualified medical expenses, and the 401(k) does not. In many ways, this allows the HSA to protect the 401(k).

## Growth Potential of the HSA vs. 401(k)

As we compare the tax advantages more deeply, lets look at a sample investment of $1,000 yearly into both an HSA and 401(k) at the same time.

As Exhibit 2 shows, because of the FICA savings, we gain an advantage of the HSA having more to deposit (including the tax savings) over the 401(k).

The exhibit shows:

- In the contribution year, we save an extra $174 in our HSAs. While 401(k) deferrals are subject to FICA taxes, Health Savings Account contributions are not.
- One year of FICA savings may not seem like a lot, but when compounded over 35 years, it means our HSA balance is $19,972 bigger than our 401(k).
- That savings means that every year in retirement we can expect our HSA to pay $1,563 more than our 401(k) distribution. The payout we receive from our 401(k) is taxable, but our HSA distribution is not if we use it to pay for qualified medical expenses.
- When taken together, the tax benefits of HSAs results in 60 percent more savings than the 401(k).

## Investing in the HSA

It is important to note that our example assumes that participants invest their HSAs, which is still a relatively under-utilized function of HSAs. As we stated earlier, an HSA offers an investment menu like a 401(k). In fact, some HSAs are even able to mirror an employer's 401(k) options.

In the past, some HSAs required a certain dollar amount be saved in the HSA before investment was allowed. A trend we are seeing is that many HSAs are lowering the limits for investing in the HSA. We encourage you to consider educating yourself or your plan participants about the investment options and utilizing them within the plan. As balances build, we expect to see more investments.

## The Benefits of the HSA vs. 401(k)

The differences between the two cannot be overlooked, and they are important to discuss. See Exhibit 3.

## How to Maximize the HSA and 401(k)

The HSA will *not* replace the 401(k), but an HSA should be considered equally as a long-term retirement savings vehicle, specifically for rising health care costs, in addition to its short-term savings power. The power of an HSA alongside a 401(k) makes the two an unbeatable pair.

In order to make the most of your HSA & 401(k), we recommend prioritizing your funds in this order, to the extent you can:

1. Deposit first dollar into HSA for eligibility
2. Save to employer's match in your 401(k)
3. Contribute to HSA maximum, or as much as you can manage

4. Return to 401(k) to save to maximum, or as much more as you can manage
5. Invest HSA for future expenses

It is important to remember that HSAs have specific eligibility requirements and even those who are eligible may not be able to afford to reserve their HSA dollars for longer term savings. But, for those who can, HSAs represent an attractive option for adding to your retirement nest egg.

### Exhibit 3: Differences Between HSAs and 401(k)s

| Benefits of HSAs (vs. 401(k)s) | Drawbacks of HSAs (vs. 401(k)s) |
|---|---|
| • Always 100 percent vested<br>• Pretax contributions for all taxes, including FICA<br>• Tax-free distributions for qualified medical expenses<br>• Tax-free investment earnings<br>• Always 100 percent portable<br>• No required minimum distributions during lifetime<br>• Pay-outs at any time for any reason (not subject to tax penalty prior to 65) making it both a short-term and long-term savings tool | • Lower contribution limits<br>• Not available for loans<br>• Match may be higher in 401(k)<br>• 401(k) investment funds may have lower fees depending upon plan size |

## Summary

HSAs have become more popular as employers and workers begin to view them as a savings account, and not just a healthcare spending account. We expect this trend to continue as assets build in these accounts and knowledge of the superpower extends beyond just the savviest of participants. As HSAs gain traction as a dual-purpose retirement savings account, participants will no doubt begin to question how these accounts fit in with traditional retirement savings vehicles.

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# Election 2020

## Where do the candidates stand on retirement security policy?

*By Andy Remo*

With a few months left until American voters across the country head to the polls in early November, it is worth examining the retirement security policy positions of the Republican and Democratic presumptive nominees for the highest office in the land.

## President Trump

On August 31, 2018, President Trump issued his Executive Order on Strengthening Retirement Security in America to expand access to and reduce workplace-based retirement plans, and reduce costs for businesses that offer workplace-based retirement plans.

### Multiple Employer Plans

The Executive Order directed the Departments of Labor and Treasury to consider issuing regulations and guidance to expand access to multiple employer plans (MEPs), under which employees of different private-sector employers may participate in a single retirement plan. In response, the Department of Labor published a Final Rule to create Association Retirement Plans (ARPs), a new type of multiple employer plan.

In December 2019, congress passed the SECURE Act and President Trump signed it into law. The SECURE Act allows for two or more unrelated employers to join a multiple employer plan or pooled employer plan.

### Electronic Delivery

The Executive Order also directed the Department of Labor to improve the effectiveness and reduce the cost of furnishing required retirement plan notices and disclosures. On May 27, 2020, the Department of Labor published a final rule that allows employers to default participants into receiving their retirement plan information electronically, noting that this rule will reduce the cost of administering retirement plans by $3.2 billion over the next 10 years.

President Trump has been silent so far on what further he would do on retirement policy if re-elected. But, the current Executive Order and the SECURE Act offers a blueprint on Agency priorities for further regulatory action in this area.

## Vice President Biden

In July 2019, former Vice President Biden's campaign published the Biden Plan for Older Americans, a section of which calls for reforms to the private sector retirement system.

### Equalizing Savings Incentives

The plan proposes to equalize the savings incentives in defined contribution plans for middle-class workers, suggesting that the current tax benefits for these plans provides upper-income families a strong tax break for saving with limited benefits for lower income workers. Unfortunately, the Biden Plan does not provide further specifics on how these benefits will be equalized, although comprehensive proposals to remove the current tax exclusions for 401(k) plans to fund a new system of Guaranteed Retirement Accounts have been floating around for years.

### Universal Retirement Plan Coverage

The Biden Plan also proposes to provide access to an "automatic 401(k)" plan for almost all workers without a current pension or 401(k)-type plan, based on a past Obama Administration proposal. The Obama Administration proposed to require every employer with more than 10 employees, that does not currently offer a retirement plan, to enroll their workers into a payroll deduction IRA program. This requirement would be coupled with a $3,000 tax credit for employers with 100 or fewer employees to defray the cost of implementing the program.

Congress would have to approve each of these Biden Plan proposals, so the likelihood of something getting done is subject to the outcome of the upcoming election. Certainly, if Vice President Biden is elected and the Democrats also gain a majority in the Senate, there will be a window of opportunity to achieve some tangible policy outcomes contained in the Biden Plan.

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# Upcoming Dates & Events

### Webcasts

June 25, 2020 Nonqualified Plans in a COVID-19 Environment

July 9, 2020 The New Electronic Disclosure Rule is Here!

## PSCA Member Benefits and Resources

**Conferences and Training**
*National and regional conferences designed for defined contribution plan administrators and sponsors.*
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*Peer and industry recognition for employee communication and education.*
Recognizing outstanding defined contribution programs implemented by plan sponsors, administrators, and service providers.

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*PSCA surveys: Most comprehensive and unbiased source of plan benchmarking data in the industry.*
Annual surveys of profit sharing, 401(k), 403(b), and NQDC plans, as well as HSAs, created by and for members. Current trend and other surveys available throughout the year. Free to members that participate. Surveys currently available for purchase on our website include:

- *2019 HSA Survey*
- *62nd Annual Survey of Profit Sharing and 401(k) Plans*
- *2019 403(b) Plan Survey*
- *2019 NQDC Plan Survey*
- *2020 Plan Investment Trends*

**Executive Report**
*A monthly electronic legislative newsletter.*
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*PSCA works to ensure fair coverage of the DC system in the media.*
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**Quarterly Magazine, Defined Contribution Insights**
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