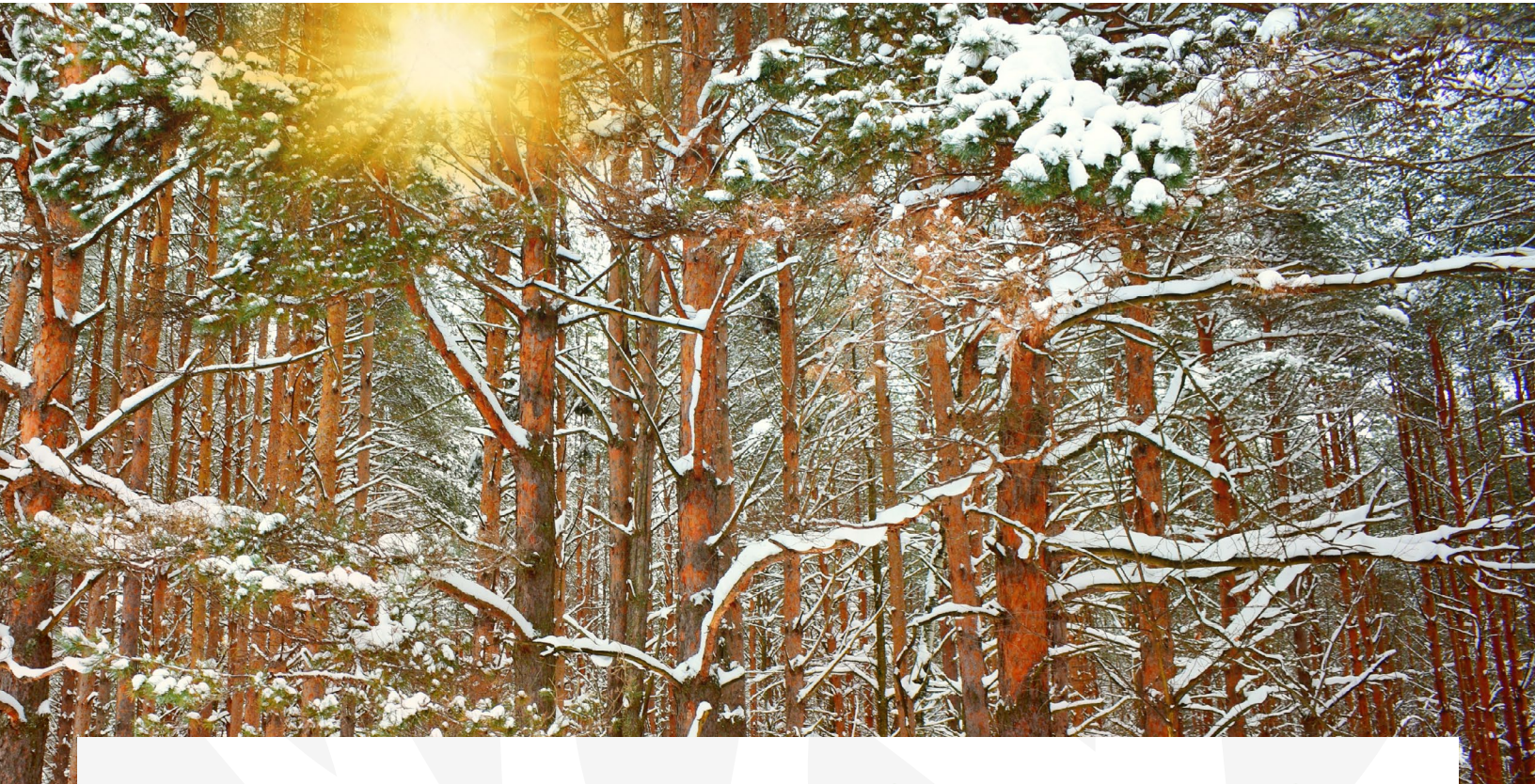




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RETIREMENT PLAN SERVICES



NEWS AND INFORMATION — for Employers —

RETIREMENT LEADERSHIP INSIGHTS

What Does a 401(k)
Committee Do?

401(k) Committee
Changes and Tips to
Help New Members

Should You Consider
Auto-Features for Your
Retirement Plan?



What Does a 401(k) Committee Do?

How a 401(k) committee can support with plan success.



Who is making sure that your retirement plan works for you, your company, and your employees?

That's the job of your 401(k) committee. From compliance to employee education, the committee helps tailor the plan to fit your team's needs. Let's explore the essential tasks and responsibilities your 401(k) committee will focus on to help maintain an effective, compliant, and competitive plan.

Who should be on the 401(k) committee?

Typically, a 401(k) committee includes leaders from HR, finance, and upper management. These members act as fiduciaries, meaning they are legally required to act in the best interest of the employees. Failing to meet fiduciary responsibilities can lead to penalties or lawsuits, so it's essential to have knowledgeable and dedicated members on the committee.

Why regular meetings matter

Committees need to meet regularly to review the plan's performance, support compliance with evolving laws, and address any potential issues. Laws like the SECURE Act can impact plan requirements, such that staying up-to-date is key to adapting innovations and staying an employer of choice.

Making sure the plan works for employees

The primary role of the committee is to ensure the 401(k) plan serves employees well. This includes checking investment options, making sure that fees are reasonable, and regularly comparing the plan to industry benchmarks. Keeping fees in check could mean more money in employees' retirement accounts, which can significantly impact their long-term savings.

Motivating employees to participate and save

Beyond compliance and investment oversight, the committee's most important task is motivating employees to participate and save for retirement. Tools like auto-enrollment and auto-escalation automatically enroll employees in the plan and gradually increase their savings rates. Setting a goal of 10-15% savings is typically appropriate for achieving long-term financial security. In fact, it is the recommended annual savings amount by industry experts.



The importance of outside help

Many businesses work with a professional advisor and third-party administrator (TPA) to manage employee 401(k) plans. Advisors can help with documentation, market updates, selecting appropriate investment options, and employee education. They also keep the committee updated on legal and regulatory changes.

Customizing the plan design

The 401(k) committee also has the flexibility to adjust the plan's design to meet employees' needs better. This might include adding Roth options, changing the employer match, or introducing profit-sharing features. A customized plan can make a big difference in employee satisfaction and savings outcomes.

Benchmarking for success

To help ensure that your 401(k) plan stays competitive, the committee should regularly compare it to similar plans in your industry. This includes evaluating fees, participation rates, and investment choices. By benchmarking, you can help ensure your plan is not only compliant but also an attractive benefit for your employees, helping you attract and retain top talent.

Educating employees about the plan

Effective communication is crucial. The committee should take steps to regularly educate employees about the plan's features and encourage them to save intentionally. This may include workshops, emails, and one-on-one meetings. When employees understand the plan, they're more likely to take full advantage of it.

Helping employees retire successfully

Ultimately, the committee's goal is to help employees retire with confidence. By monitoring plan performance, ensuring fair fees, and promoting higher savings, the committee plays a vital role in setting employees up for a successful financial future.

Managing a 401(k) plan can be complex, but with a well-run committee, it can be a valuable benefit for both your company and your employees. By focusing on compliance, cost control, and encouraging participation, the committee can work to meet everyone's needs.



401(k) Committee Changes and Tips to Help New Members

As senior leaders start to retire, learn best practices for smooth committee transitions.

Change is upon us. The Silver Tsunami is lifting the baby boom generation into retirement. For many companies, this means shifts in 401(k) committee leadership. As with all committee processes, having a clear plan is essential. A well-documented transition process can help new and existing members understand their roles, and a smooth transition will keep the plan operating seamlessly.

Develop a consistent onboarding process

A thorough and repeatable process for onboarding new committee members is essential. In many cases, the process begins with an orientation program that includes:

- ERISA regulations and compliance best practices.
- Fiduciary education and oversight responsibilities.
- Previous and current plan design.
- Plan operations, administration, costs, and other key issues.
- Key plan documents, including the plan document, investment policy, criteria for hiring outside consultants, and other pertinent information.
- The committee's history, governance structure, composition, meeting minutes, and operations.

Depending on the size of the committee, it may be beneficial to assign a mentor to each new appointee. These mentors can help less-experienced individuals understand their roles and responsibilities and provide ongoing guidance.

Passing down essential knowledge

Stepping into a new role on the 401(k) committee can feel like drinking from a fire hose. Here are a few ways to make sure that important knowledge is passed down smoothly:

- **Share exit insights:** Gather insights from departing members through exit surveys. Ask them to share challenges, solutions, and best practices. This helps new members learn from previous problems and avoid the same mistakes.
- **Create advisory roles for retiring members:** It may be a sound idea to have retiring members serve in advisory roles for a period of time.
- **Ease into new roles:** When committee members step into leadership roles, consider offering transition support. The outgoing leader can serve as a mentor by sharing knowledge and easing the shift. By co-leading a couple of meetings, it allows for a smooth transition and helps the incoming committee leader establish relationships.
- **Highlight the importance of documentation:** To remain in compliance with ERISA, retirement plan committees must maintain meticulous records. This is a great time to review your documentation practices and identify any gaps. Best practices suggest that all plan processes, decisions, and non-decisions be thoroughly documented.

Tips for new 401(k) committee members

Communication is one of the keys to smooth transitions. It is important for new members to review plan documents and meeting minutes. This is a first step in understanding the current structure of the plan and the benefits it offers to participants. Keep a list of any questions that arise and add them to the next meeting agenda.

Consider scheduling a few brief meetings to help new members understand fiduciary and plan basics. These discussions may cover features the committee has chosen to adopt or exclude. Informal discussions like these often reveal insights not found in formal plan documents. Here are a few other topics to discuss:

- The history of the plan
- The roles of various committee members
- Committee best practices
- Significant challenges the committee has encountered
- Current and future challenges

Your plan advisor is a valuable resource for both rookie and veteran committee members. It's a good idea to include an experienced advisor in the transition process to provide guidance on compliance, fiduciary duties, and overall plan health.

When your committee is experiencing personnel changes, get in touch. We can help support a smooth transition.

Should You Consider Auto-Features for Your Retirement Plan?

Auto-enrollment and auto-escalation are now standard for new plans. But how can you know if these “table-stakes” are a good option for your plan?

Studies have shown that auto-features, such as auto-enrollment and auto-escalation, help boost participation and savings rates. However, not all plans offer these plan design features, and existing plans aren't obligated to adopt them. Under the SECURE Act 2.0, new 401(k) and 403(b) plans must include auto-enrollment and auto-escalation, beginning in 2025. Choosing to include automatic features in your retirement plan design is an important and potentially complex decision.

Here are some key factors to consider.

Auto-features explained

Auto-enrollment is a feature that automatically enrolls eligible employees. They contribute a predetermined percentage of their salary to the plan, unless they opt out. Auto-escalation refers to a plan feature that automatically increases an employee's contribution rate at regular intervals (typically annually) by a preset percentage, unless the employee actively chooses otherwise.



Document, document, document

Retirement plan committees should carefully weigh the decision to adopt or not adopt automatic features. It can be invaluable to have a structured process and thoroughly document all discussions, the data considered, and the rationale for specific decisions (i.e., in meeting minutes) for future reference. Documentation provides evidence of prudent decision-making and demonstrates compliance with ERISA standards. Specifically, in case of an audit or legal challenge, documentation can be used to prove that the committee made decisions thoughtfully and in the participants' best interest, potentially helping shield plan sponsors from fiduciary liability.

Evaluating auto-enrollment for your plan

Although automatic enrollment may be a good fit for many plans, they aren't always the best option. Here are some scenarios where auto-enrollment can be highly effective.

When auto-enrollment works well

- 1. Organized HR teams:** Generally, companies with well-structured human resources departments can more easily manage the implementation and ongoing administration of auto-enrollment.

- 2. Stable employee populations:** Organizations with low turnover rates often benefit from the consistency that auto-enrollment provides. This stability allows for more predictable long-term planning, reduces administrative workload, and helps foster a company culture that encourages retirement saving.
- 3. Integrated payroll:** Integration between payroll and the plan's recordkeeping system is crucial to achieve the success of auto-enrollment. Real-time data exchange reduces errors, automates updates, and minimizes manual work, which can support operational efficiency and compliance efforts.

When auto-enrollment may not be ideal

- 1. High-turnover environments:** Companies with frequent employee churn may find auto-enrollment administratively challenging and less effective.
- 2. Manual payroll processes:** The administrative complexities auto-enrollment introduces may be a challenge for employers relying on manual payroll systems.
- 3. Hourly employees/variable pay structures:** Auto-enrollment may not be ideal for organizations with a significant number of hourly workers or frequently-changing pay structures.
- 4. Outdated HR technology:** Companies lacking modern, integrated HR systems may find it more difficult to effectively implement and manage auto-enrollment.

When auto-escalation works well

- 1. Stable workforces:** Organizations with low turnover and predictable salary structures may benefit from auto-escalation.
- 2. Predictable salaries:** Employees with regular, predictable pay increases are more likely to adapt well to gradual increases in their retirement contributions.
- 3. Integrated technology:** Integrated payroll and recordkeeping systems are essential to keeping up with the administrative demands auto-escalation requires.

Downsides of auto-escalation

- 1. High turnover:** Low employee retention can complicate the administration of a plan with auto-escalation features.
- 2. Frequently adjusted compensation:** In organizations with variable pay structures or frequent compensation changes, deferral percentages may require constant adjustment. This can potentially lead to over- or under-contributions and increased administrative complexity, making auto-escalation challenging to manage.
- 3. Lack of integrated technology:** Without seamless integration between payroll and recordkeeping systems, implementing auto-escalation can be error-prone and resource-intensive.

Making the choice for your plan

Implementing auto-features in your retirement plan is a significant decision that requires careful consideration. While these features can dramatically improve participation and savings rates, they may not be suitable for every plan.

When evaluating whether to implement auto-enrollment or auto-escalation, consider the following:

- 1.** Your workforce demographics and turnover rates
- 2.** The sophistication of your HR and payroll systems
- 3.** Your ability to manage the additional administrative requirements
- 4.** The potential impact on employee satisfaction and financial well-being

Thinking about auto-features for your retirement plan? Let us help you decide. Our team can guide you through the evaluation process, helping you design a retirement plan that serves your organization and employees.



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