NEWSLETTER VOLUME 2016, EDITION 3

Retirement Plan Forum

Why is your employer match so important?

Designing a 401(k) plan that meets your organization's needs and your employees' needs is part science and part art. Many decisions need to be made and none are more important than deciding upon your match formula. Your decision to offer a plan in the first place gives your employees the jump start they need to save for retirement. But plan design features go a long way in guiding your employees to a successful retirement.

The impact of your match. Your match is the major determinant of how much your employees will contribute to your plan. Since the amount someone saves is the biggest determinant of how much they'll wind up with at retirement, your plan's match plays a dominant role in guiding your employees to greater retirement security.

Does the match really make that big of a difference? According to a 2016 study from Wells Fargo*, the employer match trails only automatic enrollment as the main reason employees join a plan. This same study shows the match as the #1 factor impacting how much an employee contributes to a plan. Other studies over the years show that average contribution rates tend to cluster around the match threshold. For example, if your plan matches 50% of each employee contribution up to 6% of pay, you'll probably see your average contribution rates right around 6%.

Why does this happen? Well, the first reason is obvious. Your employees see the match as the great deal that it is, and they don't want to leave any "free" money on the table. The second reason, though, isn't quite as obvious. Many employees look to their employer for help and feel that you've set your match limit at a certain level that must be the "right" level, so they'll set their contributions at this level.

National Save for Retirement Week coming October 17.

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National Save for Retirement Week coming October 17

Every year we use National Save for Retirement Week as a good reason to focus on your retirement plan with your employees. This year is no exception. From October 17 to 21, we'll be communicating directly to your employees, as well as providing you with communication tools. A big focus this year will be in using all of the great online tools that are available to help your employees be more engaged with your plan. More information will be coming your way soon.

Why is your employer match so important? – continued.

Strengthening your match.

Simply increasing your match will usually result in greater employee contributions. For instance, if you go from a 100% match up to 3% of pay to a 100% match up to 5% of pay, you'll surely see an overall spike in contribution levels. But this will raise the cost of your plan, so careful considerations need to be made. Another way that doesn't impact your cost (and can sometimes even reduce it) is to "stretch" your match. For instance, your plan currently offers a 100% match to 4%. Stretching it involves making it a 50% match up to 8% of pay. If your employees capture the whole match, they're saving 8% in total contribution in scenario 1 and 12% total contributions in scenario 2. Both cost your organization 4% of pay. Over time, you'll see the average employee contribution cluster around 8%, with total contributions (employee and employer match) near 12%.

We recommend that a good match formula sets a total contribution (employee deferral and employer match) at 10% or more for employees that capture the full match. Currently, nearly all plan sponsors (94%) are offering some form of matching or profit sharing contribution in their defined contribution plans**. Take a look at your match and see if it's driving the right behavior. Your match matters.

*Driving Plan Health2016, Wells Fargo

**Annual Defined Contribution Benchmarking Survey, Deloitte, 2015

What does the DOL Fiduciary Rule mean for you?

CUNA Mutual Retirement Solution's ERISA experts have partnered with Groom Law Group to analyze and comply with new DOL regulations. Read "The Final Fiduciary Rule: A Plan Sponsor's Perspective," prepared by the Groom Law Group, to learn what the new rules mean for you, as a plan sponsor.

Key takeaways:

- While you'll be impacted to some degree, most impacts will be felt by advisors and retirement plan providers.
- You may provide employees with plan information and educational material without taking on additional fiduciary responsibility.
- Plan services providers like CUNA Mutual Retirement Solutions will need to either accept fiduciary responsibility or modify services to fit within a status exception for a variety of common practices.
- Expect material changes to both the procurement process (e.g., RFPs) and your ongoing service provider relationships.

We will keep you informed as to any changes you need to make, or changes in services that you will receive from us or your plan advisor.

Record retention — The "paper" trail to safety.

Pension law (ERISA) includes specific reporting and disclosure obligations for organizations that offer qualified retirement plans. A lesser known fact is that ERISA also has specific requirements regarding the retention of plan records. Below we answer questions you may have about retaining records and the importance of a record retention policy.

Why do you need a record retention policy? A retirement plan, by its very nature, generates a large amount of documentation. Some records should be retained indefinitely. Others may be disposed of in time. Having an established document retention system that allows plan records to be reviewed, updated, and preserved or disposed of in an organized fashion fosters good administration and helps your plan comply with pension law. Such a system can also make required documents readily accessible for IRS review, if requested.

Who is responsible for retaining plan records? Under ERISA, the plan administrator —which is often you, the plan sponsor — is ultimately responsible for maintaining the plan's records.

What records do we need to keep? The list is long. First, you need to keep all records that support the information included in your plan's Form 5500 filings and other reports and disclosures. These supporting documents essentially include whatever records a government auditor might need to verify the accuracy of the original report or disclosure. You also need to keep records used to determine eligibility for plan participation and any plan benefits to which employees and beneficiaries may be entitled.

How long do we need to keep the records? Generally, you should keep records used for IRS and DOL filings for at least six years after the filing date. Retain records relevant to the determination of benefit entitlement indefinitely (basically, permanently).

Records include:

- The original signed and dated plan document, plus all original signed and dated plan amendments
- Employee communications including Summary Plan Descriptions, Summaries of Material Modifications, and anything else describing the plan that you provide to plan participants
- The determination, advisory, or opinion letter for the plan
- All financial reports
- Copies of Form 5500
- Payroll records used to determine eligibility and contributions, including details supporting any exclusions from participation
- Evidence of the plan's fidelity bond
- Documentation supporting the trust's ownership of the plan's assets
- Documents relating to plan loans, withdrawals, and distributions
- Nondiscrimination and coverage test results
- Employee personal information, such as name, Social Security number, date of birth, and marital/family status
- Employment history, including hire, termination, and rehire dates (as applicable) and termination details
- Officer and ownership history and familial relationships
- Election forms for deferral amount, investment direction, beneficiary designation, and distribution request
- Transactional history of contributions and distributions

How much are non-retiring employees costing you?

Nearly 10,000 Americans are turning age 65 every day[1].That's 300,000 per month! Have you noticed that more of your older employees have continued to work past a normal retirement age?

Our aging population, coupled with the fact that the vast majority of Americans have not saved enough money for retirement, will place new pressures on not only our economy and social systems, but also on employers like you. It is estimated that delayed retirement is costing employers anywhere from $10,000 to $50,000 per employee[2].If people can't afford to retire, it will drive up costs for employers who are burdened with higher salaries and healthcare costs associated with older workers. Not to mention, this "retirement log jam" may adversely affect your younger workers who may start to think their career path needs may be better fulfilled at other companies.

How you can help them meet the retirement challenge.

You offer your employees a retirement plan. By doing this, you have significantly increased the odds that they will be able to retire comfortably. Here are some ideas for you to consider that may not just help your employees save for retirement, but to save enough to retire on time.

1. **Keep it visible.** Make sure your employees receive information on their plan regularly. CUNA Mutual Retirement Solutions makes newsletters, webinars and focused communication available for you to pass on to your employees. Use them to make sure your plan is top of mind and they are given relevant information to help them make good decisions.

2. **Review your company match.** For the most part, your employees do understand the value of your matching contribution and many of them will automatically contribute up to the full match amount. So, make sure the amount of your match puts them in a position to succeed. See the lead article in this newsletter for a more thorough examination of the match.

3. **Automate your plan with the intention of retirement success.** Use automatic enrollment and automatic increases at levels that are sufficient for retirement success. For example, don't just automatically enroll them into the plan at 3% and leave them there. Instead, bring them in at 6% with a 1% increase so they will be up to a 10% contribution within a few years. You'll be surprised to find virtually no differences in the rates of people that opt out of the plan as you increase the contribution rate.

4. **Create personal awareness and accountability.** Deliver financial reports/ calculators to help employees better understand their financial position and how to improve their retirement readiness. Make sure they understand their current "numbers" and what it will take to get on track. Most of your employees know they need to be saving more, but probably need a little nudge from you to drive them to action.

[1] https://www.barackobama.com/news/protect-retirement-security/

[2] The Silver Tsunami, Authur Gallagher &Co, 2015

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