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# PLAN SPONSOR RETIREMENT PLAN UPDATE

Quarter 1, 2012

Did you know?

We recently won the American Psychological Association's Psychologically Healthy Workplace Awards Small For-Profit Category for our innovative programs and policies that enhance the work environment of our employees

## Are you confident in your employees' ability to save for retirement?



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Employers are becoming increasingly skeptical about their employees' ability to successfully save for retirement, according to a recent survey by Aon Hewitt.

Of the more than 500 large U.S. employers surveyed, only 4% are very confident that their workers will be able to retire with sufficient retirement assets, down significantly from 30% last year. And only 10% feel very confident that their employees are taking responsibility for their own retirement and just 18% are confident that workers will be able to manage whatever income they do have during retirement.

In response to this, more than half (52%) of employers will focus on encouraging workers to take greater responsibility for their retirement savings in the year ahead, almost half (44%) will focus on helping workers retire with enough money and most (60%) say that they will place a greater emphasis on helping employees understand and utilize the employer-provided resources available to them.

Automatic enrollment has been one of the biggest retirement trends in recent years, and will continue to be in the year ahead. Currently, 55% of plan sponsors surveyed automatically enroll employees into their plan, up from 24% in 2006. In addition, more than a third (34%) are likely to add this feature for new hires this year. Of the employees subject to automatic enrollment, most (63%) aren't saving enough to get the maximum match offered by the employer. In response, nearly one quarter (24%) of employers plan to make changes to this feature in 2012. Of those making changes, 26% will apply automatic enrollment to existing non-participants (rather than new employees only), 26% will add an auto escalation feature, and 24% will increase the initial default percentage. To further help workers meet their goals, sponsors are increasingly adding investment advisory solutions and features, including Target Date Portfolios, online investment guidance and advice, and managed accounts.



## Participants Value One-On-One Communications

Many employees continue to rate one-on-one guidance and advice as the most valuable way to receive information, get motivated, and stay on track with their retirement plan savings, even with the convenience of technology. So, although it is necessary to evolve and offer communications to savers in ways that are most convenient to them, it's equally important to not lose sight of the power of face-to-face communication.

Because retirement plans are not "one size fits all", not all methods of education and communication are effective for every audience. With the responsibility of saving for retirement shifting away from the employer to the employee (due to changes in Social Security, Defined Benefit plans on the decline, tax increases and rising health care costs) plan sponsors are taking a closer look and reevaluating their retirement plan education and communication offerings, making changes in order to engage participants and help motivate them to save more.

In a recent study, 71% of participants favored one-on-one meetings with professionals when asked to rate the value of various meeting formats. Surprisingly, very few (only 19%) actually attended one-on-one meeting with a plan provider representative in the past year. The most common interactions happen across various channels;

online, on the phone, by mail and through e-mail.

To Ensure that your participants are receiving the help they need:

- Offer Options - Survey employees annually to see what ways they prefer to receive communications.
- Encourage Retirement Plan Check-Ups - Offer and encourage participants to do retirement plan reviews with a retirement consultant or financial advisor
- Make it available - Evaluate your ability to make one-on-one meetings available at varying times throughout the work day. If an alternative is necessary, consider breakfast or lunch meetings, as opposed to after-hours meetings
- Be Visible - Call on executives and other influential people at your organization that can promote and attend in-person meetings. Encourage them to comment about why the company offers the plan and how they can best take advantage of it. In the study, 79% of participants agreed that it would be appropriate for employers to encourage employees to save more, and 44% responded that the most effective approach to encourage them would

## Limits for 2012

Retirement plan limits for 2012:

- 401(k) Deferrals—\$17,000
- 401(k) Catch Up Contributions—\$5,500
- SIMPLE Deferral Limit—\$11,500
- SIMPLE Catch Up Contribution—\$2,500
- Maximum Defined Contribution Plan Limit—\$50,000
- Maximum Compensation—\$250,000





## Are You Ready for a DOL Audit?

The chances of your retirement plan getting audited by the Department of Labor just went up. The DOL's ERISA Audit force will expand to include over 1000 investigators and audit activity will be increasing, according to a recent DOL Report. Almost 3 out of 4 Department of Labor audits find violations and the average cost for a plan to correct those violations (including fines and penalties) is \$450,000. DOL Audits could be triggered by answers on the Form 5500, employee complaints, or as a result of random selection.

- 3) Are there procedures in place for reviewing plan investments?
- 4) Have you distributed benefit statements and any required notices to participants?
- 5) Has your plan been involved in any prohibited transactions?
- 6) Are you timely depositing employee contributions? (Within 7 business days for small plans, even sooner for large plans over 100 participants)



If you find a problem before the DOL does, there are two correction programs that will enable you to fix them with less severe penalties: the

Delinquent Filer Voluntary Compliance Program (for late 5500's) and a Voluntary Fiduciary Correction Program (for Fiduciary Breaches). Contact us right away if you feel you might have an issue, or if you get notification of a plan audit. Remember...we're here to help you!

Are you prepared if your plan were to be selected for a DOL audit?

Ask yourself these questions:

- 1) Is your Summary Plan Description updated to reflect current plan provisions? (It is if Noble-Davis Consulting is your plan document provider)
- 2) Have you filed your Form 5500 on time, and did you attach a complete independent accountant's audit if your plan covers more than 100 participants?

## Getting To Know Us...

### Meet Kelly Cermak.....

Kelly has been with our firm for almost 12 years, having joined us within weeks of graduating from John Carroll University with a degree in finance. She and her husband Jim have two children, four year old Jeremy and two year old Ashley. She enjoys the flexibility offered by our firm and has chosen to work from home two days out of the week for the last four years in order to spend more time with her kids. Outside of working on retirement plans, Kelly enjoys cooking and reading and is currently planning her family's first trip to Disney World for later this year.



**Quarter 1, 2012**

celebrating  
**20** years



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## Mark Your Calendar

Stay on top of your retirement plan's mandatory deadlines! Here are some important dates in the upcoming months. (Please note that filing dates are for calendar year plans. Non-calendar year plans must adjust these dates.)

**Each Payroll:** Remit deferral and loan repayments within 7 business days (small plans) or as soon as possible (large plans)

**April 17:** Distributions of excess deferrals due to participants

**April 17:** Tax Returns and contributions due (without

extension) for Unincorporated Entities, Individuals and/or Partnerships

**May 15:** First Quarter PPA Statements due for participant directed plans

**June 30:** Corrective distributions due for failed ADP/ACP Testing from a plan with an eligi-



ble automatic contribution arrangement (EACA) (without employer 10% excise tax)

**July 1:** Plan Sponsor Fee Disclosure documentation due to Plan Sponsors (extended from April 1st)

**July 31:** Form 5330 and excise tax due on prohibited transactions (i.e.: late 401(k) deposits)

**July 31:** Annual Form 5500 report and schedules due to be filed electronically with DOL (without extension)

**August 14:** Second Quarter PPA Statements due for participant directed plans