PLAN SPONSOR RETIREMENT PLAN UPDATE

Quarter 3, 2015

Did you know?

We recently won the North Coast 99 Award recognizing us as one of the best places to work in Northeast Ohio for the 7th year in a row!

Inside this issue:

5 Steps You Should Take

There is a lot of responsibility involved with sponsoring a retirement plan. And, as with most things we have to be responsible about, it pays to be proactive. Here are some steps you can take to protect your plan.

1. Make sure the plan's service providers are doing their job. Even though you hired someone to manage the plan's administration, investments or recordkeeping, it doesn't mean you are in the clear. There is a duty to monitor the performance of all of the plan's service providers to make sure the work is accurate and reasonable.

2. Make sure you know what your plan document says. The day-to-day plan work must match the directions contained in the plan document. Here is where you'll find the rules for when people enter the plan, what compensation you need to consider and when people can take money out of the plan. If you're not sure, just ask us!

3. Write your plan decisions down and file plan related items away. You may need to produce a plan document back to the inception date of the plan. You may need to know the account balance of participant on their wedding day back in 1995. You may be audited and asked why you made a certain plan decision. Keeping clear and organized records is the best way to protect the plan from future unforeseeable events.

4. Review your insurance coverage. Every plan must have an ERISA fidelity bond in place for at least 10% of the plan's assets. (up to $500,000) This bond covers the plan from fraud or dishonesty. You may also want to consider fiduciary liability insurance which would protect plan fiduciaries if a participant would happen to sue the plan.

5. Make sure the fees paid from the plan are reasonable. Read the fee disclosure documents that have been provided. Ask how your providers are being paid. Inquire if the share class of your funds are the least expensive available. Being educated about fees and benchmarking them against other plans protects you, the plan and the participants.

Igniting your Matching Contributions

How do you get employees to contribute more to your retirement savings plan? Consider redesigning your employer match. Spreading the company match over a larger portion of employees' contributions may boost participant contribution rates.

Making the Most of the Match

For some employees, the employer match is one of the main reasons they participate in their employer's retirement savings plan. They make sure they contribute enough to take full advantage of the match since it's "free" money.

By redesigning the match formula, you may be able to encourage your employees to increase the amount they contribute to the plan.

A New Formula

Raising the threshold for your employer matching contribution could increase employee contributions at no extra cost to your company. For example, suppose your current formula is a 100% match on the first 3% of compensation. You redesign your match formula so that you offer a 50% match on the first 6% of compensation. Employees now have to contribute 6% of their income to receive the full match, potentially increasing participant contributions without increasing your overall matching contribution amount.

Opportunity To Educate

Redesigning your match also can be an opportunity to better educate your employees on the benefits of increasing their contribution rate. Review your communication materials to make sure they encourage employees to contribute more to the plan and to take full advantage of the employer match.

Retaining Plan Records

Most retirement plan sponsors are well aware of their reporting and disclosure responsibilities under the pension law (ERISA). You may be less aware that, as a plan administrator, you also have an obligation to retain all the records supporting the information included in your plan's Form 5500 (*Annual Return/ Report of Employee Benefit Plan*) and other reports and disclosures.

Having an established document retention system that allows you, as the plan administrator, to periodically review, update, preserve, and dispose of documents in an organized fashion fosters good administration and helps the plan comply with pension law.

Government Reports and Supporting Records

Government reports, such as Form 5500, and the records used to prepare them generally must be kept for at least six years after the filing date. What supporting records does your plan need to retain? Basically, whatever records a government auditor might need to verify the accuracy of the original report. These include, but aren't limited to, financial records; service provider information; hours of service and vesting determinations; corporate income-tax returns (to reconcile deductions); the plan's fiduciary bond; documents relating to plan loans, withdrawals, and distributions; and nondiscrimination and coverage test results.

Other Records

Other records that should be maintained and updated on a more or less permanent basis include the plan document; applicable IRS opinion, advisory, or determination letters; insurance contracts; Summary Plan Descriptions, Summaries of Material Modifications, and other employee communications; resolutions, benefit determinations, and distributions; and information about plan participants. For participants, you should retain eligibility determination and hire and termination information, beneficiary designations, notarized spousal consents and waivers, loan and hardship withdrawal documentation, vesting data, and compensation used for nondiscrimination testing, elective deferrals, and matching contributions.

Engaging Your Employees

Your work force may include a number of employees who aren't taking full advantage of your retirement plan and are at risk of not having enough savings to retire comfortably. How can plan sponsors engage employees and encourage them to use their retirement plan effectively? Tailoring employee communications and education can help. Below, we answer questions you may have about targeted communications.

Why do targeted communications encourage greater engagement? Different groups of employees often have different retirement planning needs. When a retirement plan communication is tailored toward a specific group, that message is more relevant. For example, younger employees may be more interested in a message about the importance of getting an early start on saving and the power of compounding than older employees who are getting close to retirement age.

How should employees be segmented? It really depends on the demographics of your work force. Grouping employees by life stages is a relatively common approach. But other criteria, such as income or educational level, also may be useful.

In addition to demographics, you may want to look at retirement plan behaviors. For example, messages can be targeted toward employees who don't participate in the plan, employees who don't contribute enough to receive the full employer matching contribution, employees who don't increase their contributions over time, and employees who take frequent loans from the plan.

Should retirement planning messages be gender specific? Women have a longer average life expectancy than men do. They are also more likely to have stopped working at some point during their careers due to the demands of their families. Workshops, articles, and other communications that discuss issues like these may encourage female employees to make sure they're taking action to have sufficient income during retirement.

Should plan communications target specific cultures? If a workplace has a significant non-English-speaking population, providing bilingual plan communications and presentations that are also sensitive to specific cultural differences could help boost plan participation and contributions.

What strategies may be effective when communicating with younger employees? Younger employees need information on the importance of joining their retirement plan and contributing as much as possible. Communications should concentrate on how the plan works and on the advantages of pretax contributions, tax-deferred compounding, starting early, and contributing regularly. In addition to tailoring the message, also consider how employees will receive the information. Younger employees may be interested in learning about financial issues through social media, for example.

Which topics will resonate with older employees? Participants who plan to retire in the next five years need information on transitioning from accumulating assets to spending those assets in retirement. Older workers generally are interested in information on shifting their account's asset allocation into investments that are more conservative. Older employees also should understand their plan's distribution options and the need for a withdrawal strategy during retirement that helps guard against depleting savings too quickly. The impact inflation may have on their expenses and investments is another topic of interest.

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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).

September 30: Summary Annual Report due to participants (if Form 5500 not extended).

October 15: Extended deadline for filing Plan's annual Form 5500 filing.

November 14: Third quarter PPA Statements due for participant directed plans. Quarterly fee disclosure documentation also due to plan participants.

December 2: Last date to send out annual notices for safe harbor, QDIA and automatic enrollment plans.

December 15: Summary Annual Report due for plans that extended the Form 5500.

December 31: Required Minimum Distributions must be paid to those affected participants over age 70 1/2

January 1: Check Cost of Living Adjustments (COLA) to consider the effects of any annual increases on deferral and catch up amounts

January 31: 1099-R Forms are due to participants who received distributions in the prior year

February 14: Fourth quarter PPA Statements and quarterly Fee Disclosure documents due for participant directed plans