Retirement Times

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Use Plan Analytics to Evaluate Your Retirement Plan

Michael Viljak, Senior Plan Advisor

Your retirement plan is a valuable resource for your employees and serves as a vehicle to attract and retain top talent. Ensuring plan success is crucial. Examining plan analytics can help evaluate its success.

Plan analytics you should explore:

- **Median age, tenure and savings rates of plan participants**
  These analytics can be helpful to determine which age groups are not strongly participating and may be encouraged to do so via on-site meetings, focused mailings and other communication and education.

- **Participants not contributing sufficiently to receive all eligible employer match**
  Participants "leaving money on the table" can be studied to explain why contributing to the employer match maximum is so advantageous (e.g., with a 50 percent match, participants automatically earn 50 percent "return" on their contribution before any investment gains occur).

- **Participants, by age, in each target date fund**
  Another demographic that can be helped by focused participant communications.

- **Participants taking loans**
  It is important for plan fiduciaries to determine if the plan loan provision is being abused. This can result in significant asset leakage with participants and oversight concerns for plan fiduciaries.
- **Loan default rates**
  Loan defaults also create problems for participants (taxation & penalties for premature distributions) and plan fiduciaries (loan defaults at 90 days arrear are a fiduciary breach).
- **Dollar amounts of employee contributions by type and source**
  These analytics allow for a deep dive into appropriateness of participant behavior potentially impacting plan menu design decisions, employee investment assistance, Roth utilization, TDF utilization and more.

Many factors impact the success of your plan. Studying your plan's analytics helps you improve your plan and ensures your employees reach their retirement goals.

For assistance in analyzing your plan analytics, please contact your plan advisor.

About the Author, Michael Viljak
Michael Viljak joined RPAG in 2002 and has over 30 years of experience in the pension field, on both the wholesale and retail levels, focusing on 401(k) plans ever since their inception in 1981. Michael has an interest in fiduciary related topics and was part of the team that created RPAG's proprietary Fiduciary Fitness Program. He also authors many of the firm's newsletter articles, communication pieces and training modules.

Health Modification Can Increase Retirement Dollars

A top concern for individuals nearing retirement is out-of-pocket healthcare costs. A recent survey revealed that 74 percent (of 1,316 U.S. adults aged 50 or older) admit that one of their top fears is out-of-control healthcare costs, and 64 percent are terrified of what healthcare costs may do to their retirement plans (up from 57 percent in 2015).[1]

Although the fear is clearly real, there is something people can do mitigate future healthcare costs. Personal care and healthy lifestyle choices can reduce healthcare costs and increase retirement dollars.

Many organizations are initiating wellness programs to promote healthy living among their employees. These programs focus on employee engagement and correcting the health epidemics facing Americans today. Eighty-seven percent of the world's workers are disengaged.[2] Additionally, sedentary office culture is being linked to lifestyle-related conditions such as diabetes and heart disease.[3]

A case study conducted by HealthyCapital follows a typical 45-year-old male (John) diagnosed with high blood pressure. The study showed that John will spend $1,591 more annually out of pocket today versus a healthy person. With a few simple lifestyle adjustments (exercising, limiting alcohol intake, choosing healthy fats and limiting dietary salt) he could save an average of $3,285 annually over his lifetime, extend life expectancy by three years and reduce his pre-retirement (age 50-64) healthcare costs by $65,697. If he invested his annual savings into a typical retirement portfolio, John could generate an additional $100,348 for retirement by age 65.[4]

Annual Out-of-Pocket Healthcare Costs[5]:

	AVERAGE	WELL MANAGED	REDUCTION IN HEALTH EXPENDITURES
Age 45	$2,477	$1,286	$1,192
Age 64	$13,936	$7,343	$6,592
Total Pre-Retirement	$138,288	$72,591	$65,697
Total In-Retirement	$51,790	$28,031	$23,759
Grand Total	$190,078	$100,622	$89,456

Moving from an average lifestyle to well-managed living is a clear win — not only does the well-managed person feel better, they also have additional income in both pre-retirement and retirement.

Encouraging employees to live a well-managed life through wellness programs is not only a benefit for employees, but employers as well through reduction in medical-related employee absence and increased productivity and morale.

[1]*Nationwide. "Healthcare Costs in Retirement Survey." https://nationwidefinancial.com/media/pdf/NFM-16070AO.pdf. [2]Gallup. "The worldwide employee engagement crisis." [3]Harvard Health. "Too much sitting linked to heart disease, diabetes, premature death." [4]HeatlhyCapital. "Building Wealth Through Wellness." [5]HeatlhyCapital. "Building Wealth Through Wellness."*

Commentary Corner

Lebel & Harriman experts have teamed up with a former practicing ERISA attorney to answer questions from all over the country.

I volunteer on the Board of Directors, so I don't have liability, right?

- Charles in Colorado

Dear Charles,

Liability is a complicated topic. If the plan is an ERISA plan, then state law is immaterial. Compensation or title have zero impact on whether an individual is a fiduciary. It is role and control that are the determinants. If you can exercise control or authority over the assets or management of the plan, you are a fiduciary. Ultimately the terms of the plan document will govern, but 90 percent of the time the organization is the named fiduciary or plan administrator. Because the board controls the organization, and thus can control the plan, the members thereof are typically fiduciaries.

If you sit on a committee and/or partake in fiduciary decisions (i.e. selecting a recordkeeper, advisor, investment manager or other party who will be paid from plan assets), you have potential liability. Fiduciary liability insurance, either as a stand-alone policy or rider on existing coverage is a potential mitigation tool. More important, a paper trail documenting the delegation of certain duties to a Committee or specific person(s) can go a long way in protecting both volunteer and paid Board members. Commonly, a "Committee Charter" is used to specify who has the authority (and liability) for fiduciary responsibilities.

Your Lebel & Harriman advisor stands ready to answer your questions, provide sample language for consideration, and offer guidance on governance and fiduciary training.

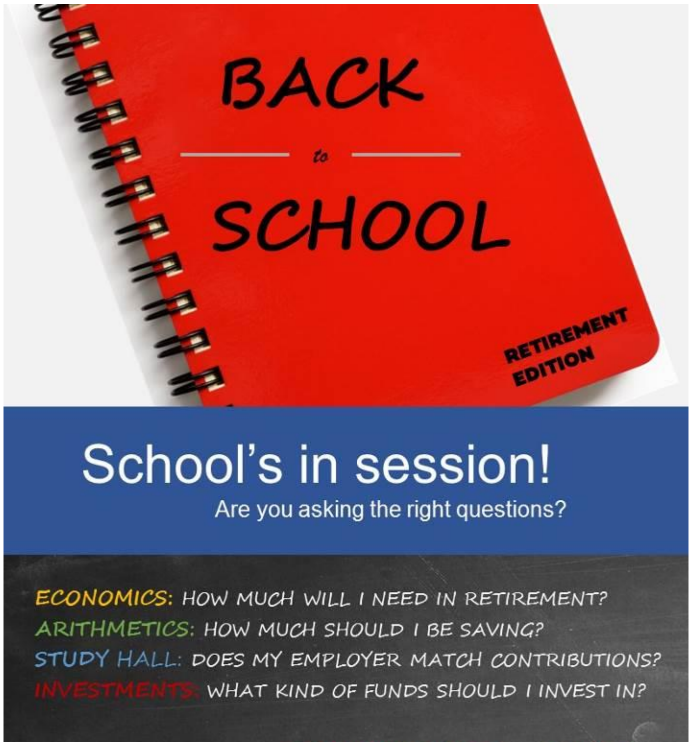
Joel Shapiro, JD, LLM
As a former practicing ERISA attorney Joel works to ensure that plan sponsors stay fully informed on all legislative and regulatory matters. Joel earned his Bachelor of Arts from Tufts University and his Juris Doctor from Washington College of Law at the American University.

Jennifer Breton, AIF®, CPFA®
As manager of fiduciary services at Lebel & Harriman, Jennifer has crafted or managed the creation of many of the documents used in our fiduciary processes, including the charter, annual fiduciary review and meeting minutes. Jennifer earned her B.S. in electrical engineering from Wentworth Institute of Technology.

If you have a question for us, please send it to Nate Moody at nmoody@lebelharriman.com. It may be featured in a future issue!

Participant Corner: Back to School

This month's employee flyer encourages participants to ask questions and be educated about their retirement plan. Hang the memo in your lunchroom or distribute to employees along with their paychecks. Please see the flyer below.



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