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2011Hot Topics in Retirement:

A Changing Horizon

Jeremy Bok

The AON Hewitt 2011 Hot Topics in Retirement reveals employers are continuing to assess the most effective way to deliver retirement benefits to their employees and keep up with the evolving retirement landscape. Responses from more than 210 employers with plans that cover more than 6 million participants offer a preview of the changes we can expect in the retirement landscape during 2011.

The overwhelming theme in this year's survey is the continuing shift in responsibility and risk from the employer to the employee. This can be done through resources that encourage and support the employees taking accountability for their future (such as online tools available through the platform providers). Also top of mind is plan design, noting that 39% of plan sponsors are very likely to assess their plan design this year. 57% of plans already have automatic enrollment and 13% not offering it today intend to add the feature sometime in 2011.

There continues to be interest in the Roth 401(k), but only about 34% offer it and most employers report the reason they have not offered it in their own plans is because of the lack of significant employee usage for those who already do.

Are some of these items on your agenda for 2011? If so, give Planned Financial Services a call to discuss your plan's options.

Company Match Makes a Comeback

Data from a recent Profit Sharing/401k Council of America's (PSCA) survey, titled "Response to Current Conditions" indicates that the economy just may be strengthening; companies that suspended or reduced contributions to 401(k) and profit sharing plans due to economic conditions are restoring or planning to restore them. "Companies continue to make their 401(k) plans a top priority," said David Wray, PSCA President. "Those that have suspended their matches are in the process of restoring them, and companies are aggressively restructuring their investment lineups."

More than 70 percent of companies made no changes to matching contributions and nearly 10 percent increased them in the last three years. Of the 14.8 percent of companies that suspended matching contributions in the last three years, 39.3 percent have restored them and 37.8 percent are planning to restore them within the next six months.

Employees are also continuing to contribute to their plans, with many increasing their contributions. While nearly 40 percent of companies reported no change to the number of employees making contributions, 31.6 percent indicated an increase. However, 78.1 percent of companies that suspended matching contributions (which remain suspended) reported a decrease in participation.

The survey was conducted in October 2010 and reflects the responses from 531 401(k) and profit sharing plan sponsors from across the country. PSCA conducted a similar survey of 403(b) plans. Both reports are available at www.psca.org.

Complying With ERISA 404(c)

According to ERISA, plans intending to comply with 404(c) must provide that participants: Have the opportunity to choose from a broad range of investment alternatives (which are adequately diversified); may direct the investment of their accounts with a frequency which is appropriate; and can obtain sufficient information to make informed investment decisions. The plan sponsor must provide annual written notification to participants with its intent to comply with 404(c), and be able to provide the following:

- Information about investment instructions (including contact information of the fiduciary responsible for carrying out participant investment instructions);
- Notification of voting and tender rights;
- Information about each investment alternative; and
- A description of transaction fees and investment expenses.

Compliance with section 404(c) of ERISA protects plan fiduciaries from liability for losses that result from the investment decisions made by participants. Conversely, failure to comply with 404(c) could result in liability for losses due to poor investment decisions made by plan participants. To comply with some of the important requirements of 404(c), your RPAG consultant encourages its clients to review and execute a formal 404(c) Policy Statement and Employee Notice and send the Notice at least annually to all employees. To help with this effort, we will provide you with a boiler plate template you can use for your plan.

Checking the Right Box on the Form 5500

When you complete your annual Form 5500 you are asked to indicate if your intent is to comply with ERISA Section 404(c). Many times your 401(k) vendor (who typically prepares this form for you) will answer this question in the affirmative on your behalf; however, the "Yes" answer can be considered fraudulent by the DOL in the event the fiduciary did not research and document his or her understanding and acknowledgement of his or her fiduciary responsibilities. If you have not taken the necessary steps in identifying your plan's fiduciaries and documenting their responsibilities, please contact Jeremy Bok via email at jeremy@plannedfinancial.com.

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