

Improving Plan Efficiency

Maximizing Return on Investment

We open our discussion by emphasizing that every plan sponsor should have a goal of maximizing the return on their investment. Likewise, the plan sponsor and plan fiduciaries should make every effort to maximize the return on investment received by plan participants relative to the dollars they pay for their retirement plan services. With this goal in mind, service providers can play a key role in achieving your desired results. We will address three areas of focus:

- 1) Investment menu selection and efficiency
- 2) Technology and capabilities
- 3) Overall plan simplification

Your plan's recordkeeper and consultant should be selected carefully, as they will play a key role in achieving plan goals including helping participants achieve a dignified retirement. First, it is vital that your recordkeeper offers the services, plan features and investment options that align with your participants' needs. Second, a consultant partner that takes a holistic approach to serving sponsors, committee members and plan participants can help you make the plan highly effective at all levels.

While cost is a key consideration when selecting providers, ***we believe that the return realized by your participants is a better measure of your plan's success.*** Another important factor should be identifying service providers who can also reduce the workload and fiduciary risk for your administrative team and plan committee members.

SERVICE
PROVIDER
CONSULTATION



Maximizing ROI

1. Investment Menu Selection & Efficiency. Partnering with a recordkeeper that offers a wide range of fund choices in all investment categories will best position you to meet your stated investment objectives and build a high quality investment menu. Engaging a retirement plan consultant that can help you identify and carry out easy-to-understand guidelines will also prove beneficial for staying on course, both for committee members and plan participants.

Creating a simplified investment menu that sticks to strong core investment principles will provide clarity for your plan participants and help them to avoid making investment selection mistakes. With this in mind, ***we recommend carefully selecting and presenting your investment categories in the same way you carefully choose and monitor your plan's funds.***

2. Technology and Capabilities. In assessing your service partners, it is also important to ensure that their technology and overall depth in capabilities meet all of your plan sponsor and participant needs. For recordkeepers, this will include reporting and website capabilities relative to both participants and your administrative team. You will want to list out all functions and features critical to your plan, and ensure that the recordkeeper can satisfy all of your core requirements.

When selecting your consultant, in addition to understanding the firm's technology and capabilities, you will want to assess their ability to communicate and coordinate with your recordkeeper. Their proven ability to partner with recordkeepers and develop impactful communications and education programs may prove critical to your plan's success.

Finally, for all service providers, it is a good idea to check references to further identify strengths and weaknesses.

Maximizing ROI

3. Overall simplification of benefits. There are likely no more than four participant decisions associated with your defined contribution plan(s): 1) How much should I contribute?; 2) Should I contribute on a pre-tax or Roth basis (if applicable); 3) How should I invest my retirement funds?; and 4) Who should I list as my beneficiary?

We believe that the easier you make it for your participants to navigate these decisions, the more likely you are to get desired outcomes. Focusing on the decisions of employee contribution amounts and investment selections, we have found two methods to be highly effective. **The first method is automating initial enrollment**, defaulting participant contributions to an appropriate level unless they select otherwise. You may want to consider automating future increases to participant contributions as well. As for investment selection, we recommend defaulting participants (again, unless they select otherwise) into target date or lifecycle funds as part of this process. **The second method is utilizing strategic presentation at enrollment.** An example of this approach would be to: (a) list a higher employee contribution amount as the first selection option on electronic and paper forms, and (b) list target date or lifecycle funds as the top choice on these same forms. Going back to our discussion on service provider capabilities, you may want to check your recordkeeper's ability to support these efforts.

Tying back into our theme of improving your plan's efficiency, simplifying the decision-making process for your participants should in turn reduce your administrative team's workload. Perhaps more important, *an effectively designed plan, with a well-thought-out investment menu and enrollment process, should minimize the possibility of negative participant outcomes.* In short, the main objective of a retirement plan is to help employees retire on their terms and at a reasonable age. Achieving this goal can further ease the burden that could otherwise be placed on your top executives and HR/Benefits team relative to older workers who are not prepared to retire.

Looking ahead, we will complete our discussion on how PlanPILOT works with our clients to achieve their plan objectives through a five-step process, with our closing letter addressing participant education:

- 1) Building a Strong Foundation: Plan Compliance and Governance
- 2) Maximizing Plan Design to Increase Employee Impact
- 3) Developing Investment Policy and Structure: Balancing Diversity and Simplicity
- 4) Improving Plan Efficiency to Maximize Return on Investment
- 5) **Helping Participants Make Better Decisions**

We hope the thoughts contained in this letter help you improve the management of your retirement plan(s).

PlanPILOT is Here to Help

We welcome the opportunity to assist you and your retirement oversight committee in managing your retirement program. Please do not hesitate to call us at (312) 973-4911 or visit www.planpilot.com to discuss how we can be of assistance to you and your plan oversight committee.