



RETIREMENT PLAN MANAGEMENT:

A CASE STUDY FOR IMPLEMENTING A PRUDENT AND REPEATABLE PROCESS

May 5, 2011

“Six Steps to Fiduciary Protection and Best Practices”

1. The **plan committee should meet** at least once a year.
2. There should be a **written report** covering, at the least, the plan investments. Other topics may include participant education and usage of other investment services.
3. The committee members should read the report and consider any applicable recommendations. The committee members **need to understand the report well enough to make informed decisions**. They should **ask questions** where they do not understand.
4. **Minutes of the committee meeting** should be prepared and drafted in a conclusive style. They should be limited to citing the materials reviewed, issues discussed and decisions made. The minutes, together with the report, should be placed in a due-diligence file.
5. As a best practice, the committee should **discuss whether the plan is operating successfully**. Is there a high level of participation, high rates of deferral, and prudent participant investing?
6. As a best practice, the committee should **review the investment policy statement** and determine whether it continues to be appropriate for the needs of its plan and its participants. Amend as needed.

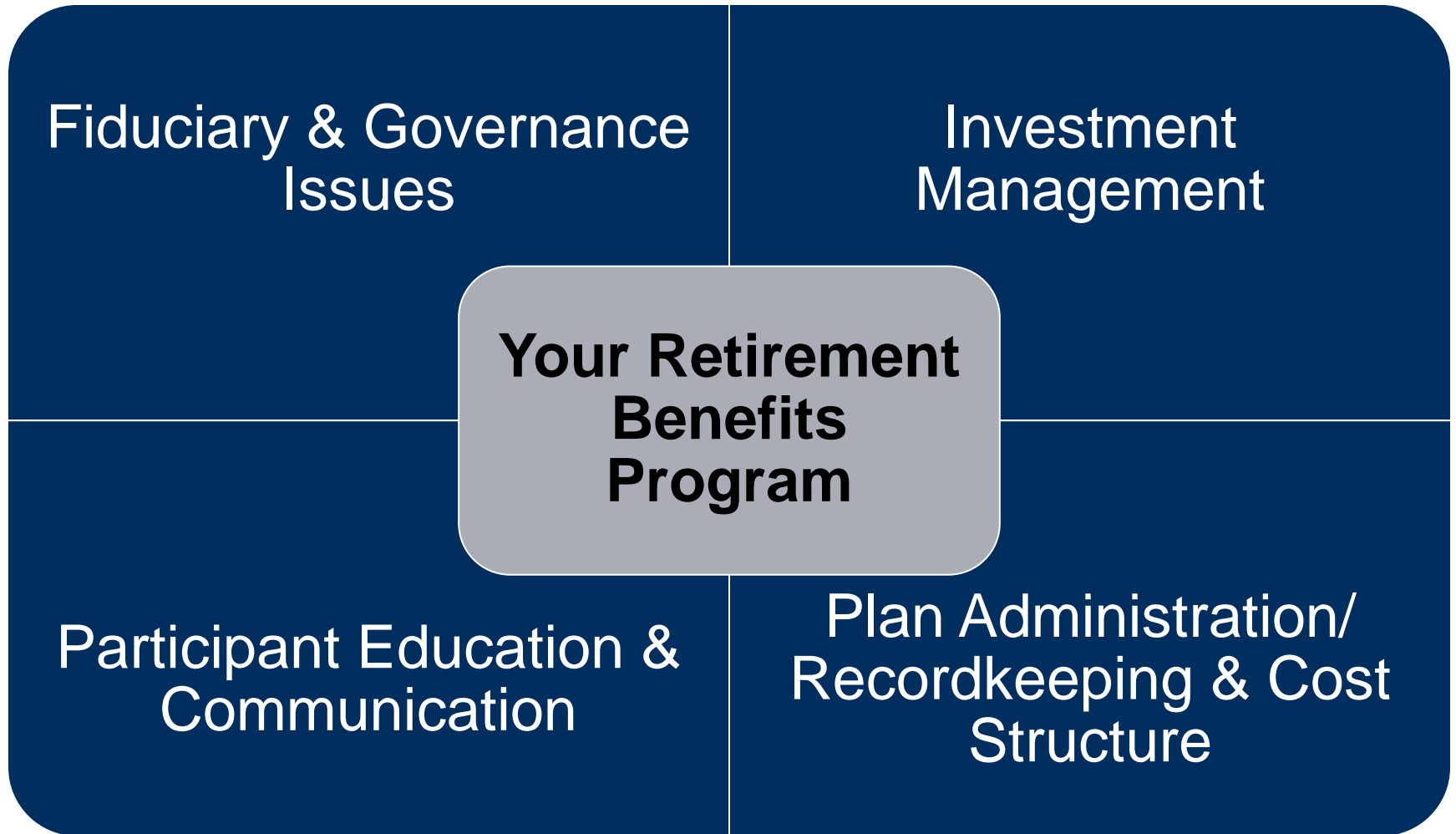
Source: Fred Reish, Reish Luftman Reicher & Cohen

Defining “success” for your retirement benefits program

There are many attributes of a successful plan, and each sponsor has unique benefits philosophy and priorities. The following attributes can be used as a resource to help establish specific plan objectives.



Four Facets of Effective Retirement Plan Management



Fiduciary & Governance Issues

IDENTIFY PLAN FIDUCIARIES AND EDUCATION THEM ON THEIR CORE RESPONSIBILITIES

Loyalty	Prudence	Education	Monitoring	Diversification
<ul style="list-style-type: none">• Discharge plan duties solely in the interest of participants and beneficiaries• Ensure expenses are reasonable	<ul style="list-style-type: none">• Act with the care, skill and diligence of a prudent expert• Develop and document processes for decision making• Hire third parties where internal expertise is lacking• Carefully select service providers	<ul style="list-style-type: none">• Provide participants with tools and education that enable them to make sound investment decisions	<ul style="list-style-type: none">• Regularly review service providers, including performance and fees• Follow terms of plan document	<ul style="list-style-type: none">• Ensure plan investments are adequately diversified to minimize risk of large losses

Fiduciary & Governance Issues

- Maintain a written investment policy statement.
 - This is one of the most important fiduciary functions.
- Take advantage of fiduciary safe harbors
 - Fiduciary Liability Safe Harbor: 404(c)
 - Additional Safe Harbors: Default Investments (QDIA)
- Review fees and expenses for reasonableness
 - Understand who is compensated from plan assets.
 - Benchmark vs. industry and peers
 - Evaluate fees in comparison to services provided.
- Educate and update participants with clear, consistent communications
- Maintain a regular governance calendar
- Document, Document, Document!

ABC 401(k) Plan: Retirement Committee Calendar

1st Quarter

Fiduciary Education for Committee Members
(Fiduciary Compliance Checklist)
4th Quarter Review Meeting
Annual Relationship Plan
Begin Due Diligence on Service Providers (every 3-5 years)

2nd Quarter

1st Quarter Review Meeting
Investment Policy Review
****Participate in Participant Education On-Site Meetings****

4th Quarter

Form 5500 Due (with extension)
Prepare Annual Required Notices with Providers
3rd Quarter Review Meetings
Legislative Update

3rd Quarter

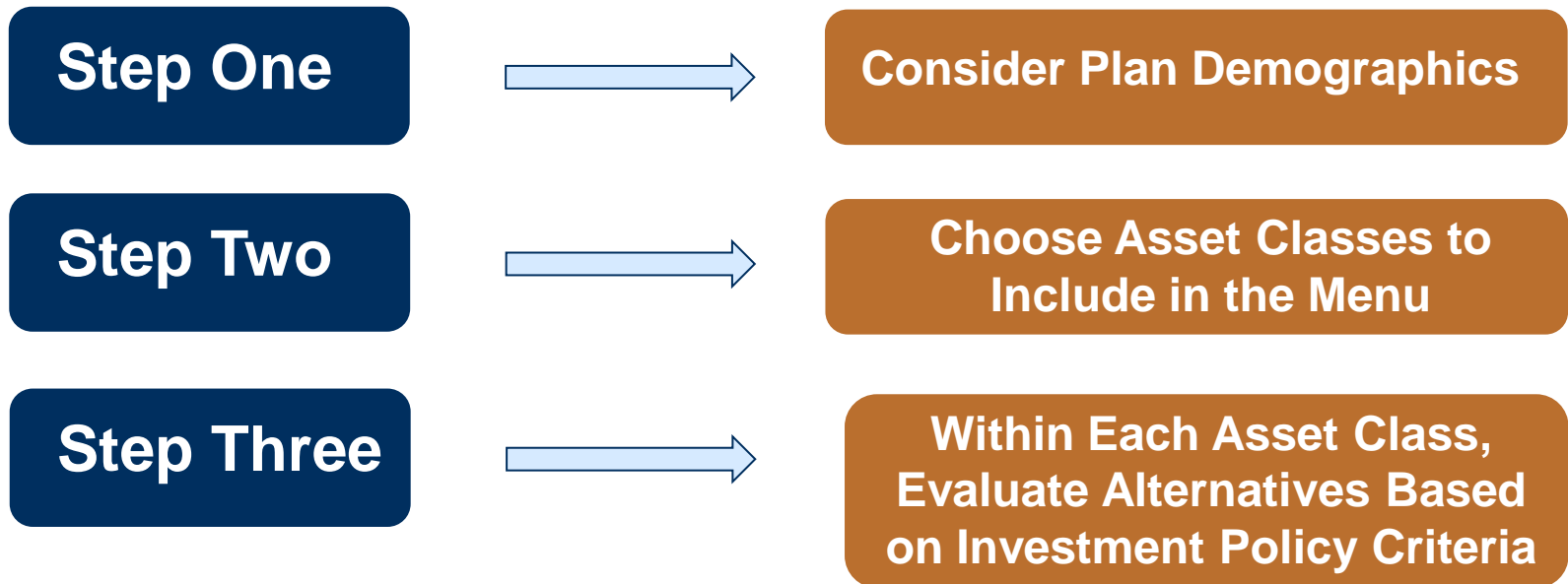
2nd Quarter Review Meetings
Fee Disclosure & Benchmarking
Meeting with HR Staff and Service Provider to Analyze Demographic Data and Education Success

Investment Management

As a Plan Sponsor, you must demonstrate a consistent criteria for hiring, monitoring and firing investment managers.

Be Consistent with Investment Policy.

INVESTMENT MENU CONSTRUCTION

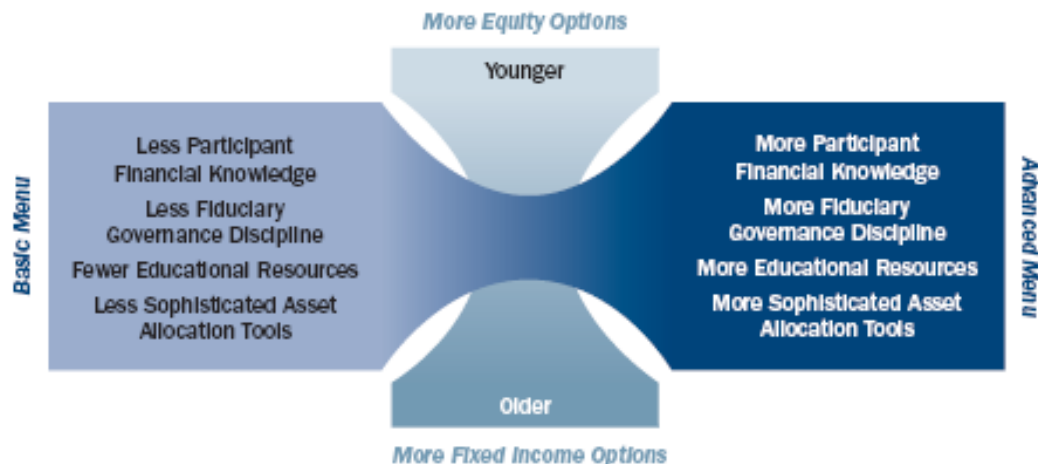


ABC 401(k) Plan: INVESTMENT MENU CONSTRUCTION


After analyzing plan demographics, the Retirement Committee concluded that most of its employees were pre-retirees, but that the largest number of new hires were “Generation Y-ers.”

- The pre-retirees are used to investing on their own, yet at this point in their lives are looking for retirement planning advice and a conservative investment offering.
- Retirement for the “Generation Y’ers” is out of sight, yet they understand that pension plans will not be available to them. This group needs a simple investment solution giving them the opportunity to grow.

Considerations for menu construction



ABC 401(k) Plan: INVESTMENT MENU CONSTRUCTION

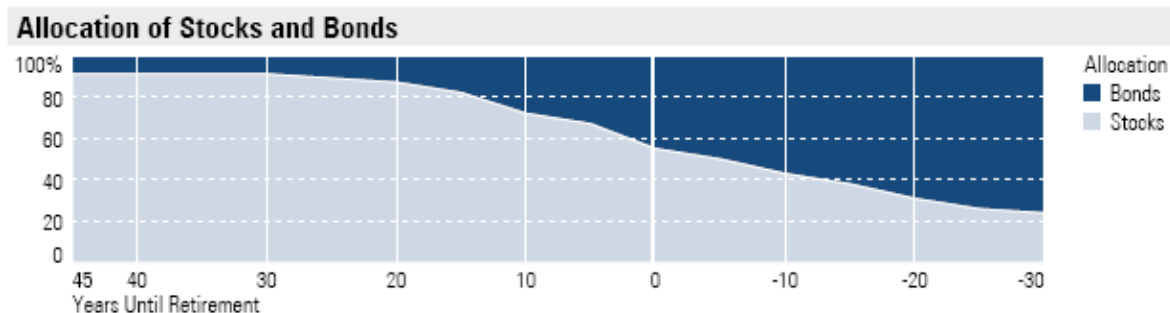
BASIC MENU	EXPANDED MENU	ADVANCED MENU	
<ul style="list-style-type: none"> ■ Money Market/Stable Value 	 <ul style="list-style-type: none"> ■ Money Market/Stable Value ■ Intermediate-Term Bond ■ Inflation-Protected Securities ■ Large Cap Value & Growth or Large Cap Blend ■ Mid Cap Value & Growth or Mid Cap Blend ■ Small Cap Value & Growth or Small Cap Blend ■ Foreign Large Value & Growth or Foreign Large Blend 	<ul style="list-style-type: none"> ■ Money Market/Stable Value 	
<ul style="list-style-type: none"> ■ Intermediate-Term Bond 		<ul style="list-style-type: none"> ■ Intermediate-Term Bond 	<ul style="list-style-type: none"> ■ Intermediate-Term Bond
<ul style="list-style-type: none"> ■ Large Cap Value & Growth or Large Cap Blend 		<ul style="list-style-type: none"> ■ Inflation-Protected Securities 	<ul style="list-style-type: none"> ■ High Yield
<ul style="list-style-type: none"> ■ Small Cap Value & Growth or Small Cap Blend 		<ul style="list-style-type: none"> ■ Large Cap Value & Growth or Large Cap Blend 	<ul style="list-style-type: none"> ■ Global Bond
<ul style="list-style-type: none"> ■ Foreign Large Value & Growth or Foreign Large Blend 		<ul style="list-style-type: none"> ■ Mid Cap Value & Growth or Mid Cap Blend 	<ul style="list-style-type: none"> ■ Inflation-Protected Securities
		<ul style="list-style-type: none"> ■ Small Cap Value & Growth or Small Cap Blend 	<ul style="list-style-type: none"> ■ Large Cap Value & Growth or Large Cap Blend
		<ul style="list-style-type: none"> ■ Foreign Large Value & Growth or Foreign Large Blend 	<ul style="list-style-type: none"> ■ Mid Cap Value & Growth or Mid Cap Blend
		<ul style="list-style-type: none"> ■ Small Cap Value & Growth or Small Cap Blend 	
		<ul style="list-style-type: none"> ■ Commodity Funds 	
		<ul style="list-style-type: none"> ■ Real Estate Investment Trusts 	
		<ul style="list-style-type: none"> ■ Foreign Large Value & Growth or Foreign Large Blend 	
		<ul style="list-style-type: none"> ■ Emerging Markets 	

The Core Menu was supplemented with a **Target Retirement Date Fund** Offering and a **Customized Retirement Plan Advice Tool**.

Target Retirement Date Funds: Going Beyond Performance

- Level of Diversification Through Asset Classes
 - Traditional stocks, bonds and cash
 - TIPS, Real Estate, Emerging Market Equity, International Debt, Commodities, Long-Short/Market Neutral, etc.
 - Income Component? (Coming Soon...)
- Investment Expenses
- Management Expertise and Experience with this asset Class
- Five or Ten Year Increments?
- Investment Structure: proprietary, diversified, active, passive
- Structure of Glidepath
 - What is the allocation to equity?
 - How does the manager view the portfolio post retirement?.

Example of a Glidepath



Recordkeeping/Administration & Cost Structure

Key Considerations

- Are plan provisions competitive (for plan size and industry)?
- Is the Plan Sponsor taking full advantage of provider's services?
- Would a Bundled vs. Unbundled Platforms be more appropriate?
- Understand Cost Structure Options – hard dollar vs. soft dollar fees
- Identify Plan Design & Compliance Pitfalls and Opportunities
- Consider Potential Advantages to Integrated Benefits
- Evaluate Timing of Contributions
- Do Plan Testing issues exist?

ABC 401(k) Plan Evaluation of Plan Design and Administrative Practices

Questions Considered During Annual Fiduciary Compliance Update

- ✓ Are plan provisions where we would like to see them? Opportunity to offer more to employees?
- ✓ Are there opportunities to outsource administrative functions?
- ✓ What processes can be automated?
- ✓ Are plan procedures well documented?
- ✓ Are procedures reviewed to ensure they are consistent with plan document?
- ✓ Is the data provided to the recordkeeper accurate?
- ✓ Is contribution data provided in a timely, consolidated basis?
- ✓ Is the employer contribution calculated accurately
- ✓ Do we receive & utilize available reports from provider?

Participant Education & Communication

The Key to Participant Education:

Remember that there is no one size fits all solution. Everything works some of the time; Nothing works all of the time. Target Employees and Use Multi-Media!!

Identify Participant Education & Communication Objectives:

- Increase the participants' probability of success in meeting their long-term retirement objectives
- Improve the participants' understanding of the total benefits package
- Increase Participation
- Increase Salary Deferral
- Improve the Investment Choices made by participants
- Limiting liability through 404 (c) compliance

ABC 401(k) Plan: Participant Education/Communication Calendar

January	February	March	April	May	June
1st Quarter Statements Quarterly Newsletter	Transition Seminars for Retirees (rollover options)	Tax Season Mailing: Ways to Reduce Tax Bill	2nd Quarter Statements Quarterly Newsletter	Spring Targeted Campaigns (personalize to target participation, save more, invest wisely)	On-Site Meetings: <i>TOPICS VARY</i> (group and one-on-one) Educational Webinar
July	August	September	October	November	December
3rd Quarter Statements Quarterly Newsletter	Back to School Theme (on demand seminars on Roth, Advice Tool, Budgeting, etc.)	401(k) Day Promotion	Health Benefits Enrollment (add 401k enrollment as component)	Fall Targeted Campaigns (personalize to target participation, save more, invest wisely) Annual Required Notices	Annual IRS Contribution Limit email

ABC 401(k) Plan: Constantly Looking to Improve

2011 Initiatives

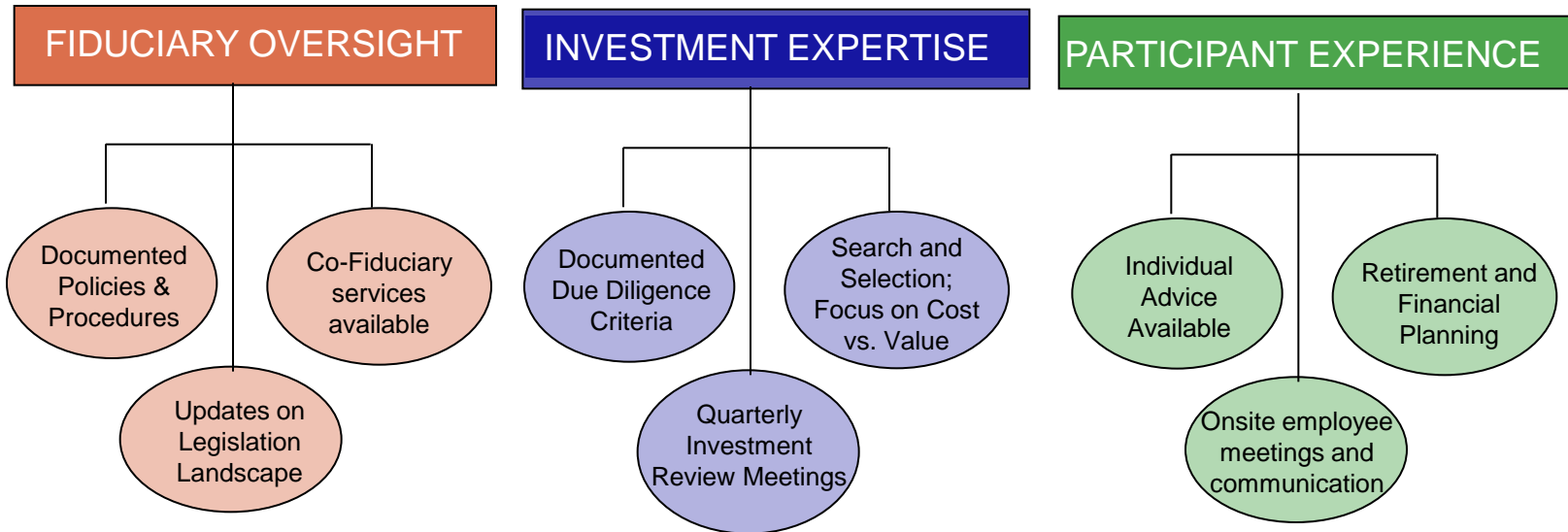
- Develop “**retirement wellness**” **communication** to be rolled out during the summer. This will follow corporate wellness initiative introduced as it relates to health benefits.
- Tying to wellness theme, consider **automatically enrolling existing hires**. Two years ago the company adopted automatic enrollment for new hires.
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- Offer **education specifically to those eligible for non-qualified plans**. Discuss how to use AdviceAccess tool to incorporate all corporate benefits.
- Communication for employees to update **beneficiary designations**.
- Working on **social security and medicare education** for pre-retirees including a corporate newsletter and education meetings..
- Corporate activity in 2010 requires the Committee to **readdress available asset classes** in the menu and how participants are using the menu.

Our Value Proposition

Our Mission

We are a local team of professionals dedicated to servicing and improving your retirement plan. We deliver value through our comprehensive consulting & fiduciary oversight for plan sponsors and 1-to-1 guidance for participants. Our current clients, both plan sponsors and participants, benefit from our breadth of experience and expertise.

Our Focus



What We Deliver

QUESTIONS & ANSWERS