

Plan Failure Risk is the New Fiduciary Risk

Opportunities for Advisors

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Manning & Napier

- Founded in 1970 in Rochester, NY
 - \$50.8 billion in assets under management as of 12/31/2013
 - More than 80 research professionals
 - U.S. and non-U.S. equity, fixed income, and multi-asset class strategies
 - Proven approach to active management through multiple market cycles
 - Regional, national, and global service coverage
 - Publicly traded (NYSE: MN*) majority employee-owned firm
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The Evolution of Employee Benefits

HISTORICALLY, EMPLOYERS HAVE APPROACHED HEALTH CARE AND RETIREMENT BENEFITS SEPARATELY

HEALTH CARE

The Early Days

Very few Americans had health insurance

World War II

Wage freezes made health insurance a key recruiting and retention tool

Medicare & Medicaid – 1965

Federal programs provide health insurance to individuals over age 65, the disabled, and low-income individuals

RETIREMENT

The Early Days

If an employer didn't offer a pension, many employees did not save for retirement

Pensions Take Shape

The Social Security Act of 1935
The Investment Advisers Act of 1940
The Revenue Act of 1942

Between 1940 and 1950, the number of people enrolled in **private health plans** increased from **20.6 million to 142.3 million.**

Between 1940 and 1970, the number of private sector workers enrolled in **pension plans** increased from **4.1 million to 26.3 million.**

ERISA & Health Care – 1974

The Employee Retirement Income Security Act of 1974 (ERISA)

Uniform standards established for employee benefit plans

ERISA & Retirement – 1974

The Employee Retirement Income Security Act of 1974 (ERISA)

Pension plan participation, vesting, funding, reporting, and disclosure rules established

The 401(k) is Born – 1981

1981 – first 401(k) plan

1996 – 401(k) plan assets topped \$1.0 trillion

The HSA is Created – 2003

By 2006 3.2 million employees are covered using health savings accounts (HSAs)

The Rise of Target Dates

The Pension Protection Act of 2006 (PPA) Identified target date options as Qualified Default Investment Options (QDIAs)

HSA Growth – 2013

15.5 million people are covered by using HSAs

Target Date Explosion – 2012

U.S. target date assets are over \$700 billion
Estimated \$1.5 trillion in target date assets within the next decade

The Affordable Care Act of 2010

March 23, 2010 – The Affordable Care Act is signed into law, creating a new regulatory framework

The New Health Care Landscape

OPTIONS

Employer Sponsored Coverage | Public Exchanges | Expanded Medicaid

BENCHMARKS

Broader Access | More Affordable Premiums | Higher Deductibles | Less Rich Benefits

PENALTIES

Individual Mandate | Employer Mandate (50+ employees) | Cadillac Tax (2018)



The Convergence of

HEALTH & WEALTH

No One Can Afford to Wait.

**Household
Income**



1999 – 2012

**Average Family
Health Premium**



2003 – 2013

**Employee Reported
Retirement Savings**



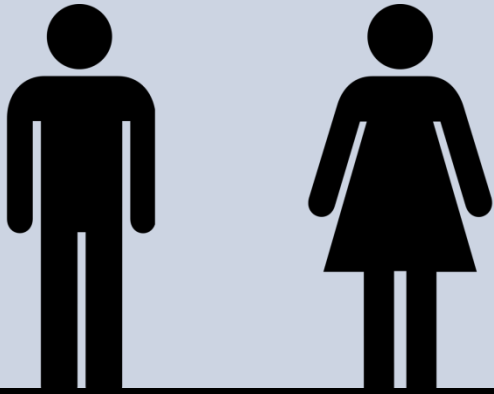
**Due to Rising
Health Care Costs**

The High Cost of Health Care in Retirement

Savings needed to have a

50% CHANCE

of covering health care expenses



At age 65 you will need

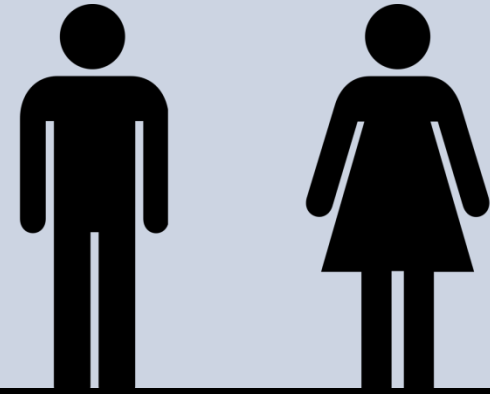
\$70k

\$93k

Savings needed to have a

90% CHANCE

of covering health care expenses



At age 65 you will need

\$135k

\$154k

Median 401(k) Balance for Someone in Their Sixties

\$135,000

For many, this needs to
cover both retirement
and health care expenses



**10,000
PEOPLE**

will turn 65 every day
for the next 19 years

Wasted Benefit Dollars = Plan Failure



Health Plan Failure

- Costs for employers and employees are out of control
- Less healthy and productive workforce
- Employers “vote with their feet”
- Money wasted

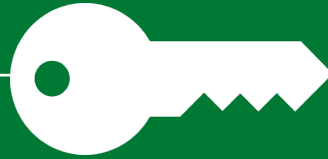


Retirement Plan Failure

- Employers lose key people
- Employees think they can't afford to contribute
- Employees can't retire on time and with dignity
- Money wasted

THE SOLUTION





The Key to Success is
**A BENEFITS
STRATEGY**

Employee Benefit Plans

The Past



Siloed

Reactive

Cost-Based

Driven by External Events

Employee Benefit Plans

The Future



Holistic

Strategic

Value-Based

Objectives Driven

What is Your

OBJECTIVE

in Providing Retirement and Health Care Benefits?

Plan sponsors need to consider the following questions.

- Why they offer a benefits program?
 - What they are able to spend on it?
 - What they hope to accomplish?
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Control Cost & Complexity



Employee Satisfaction



Executive Recruiting & Retention



Redesign health plan to offer a High Deductible Health Plan (HDHP) with an HSA



401(k) with stretched match



Wellness and disease management



Targeted financial wellness and coaching tools



Provide company contribution to the HSA



Auto features, increased matching contributions



Control Cost
& Complexity



Employee
Satisfaction



Executive Recruiting
& Retention



Health planning and
transparency tools



Retirement planning tools



Multiple health plan options and
voluntary benefits



Automatic enrollment, re-enrollment
and escalation



Defined contribution health design



Enhanced match or
profit sharing contribution



Control Cost
& Complexity



Employee
Satisfaction



Executive Recruiting
& Retention



HSA investment options



Cross-tested or
Safe Harbor plan design



Executive financial planning



Executive financial planning



Employer paid
voluntary/ancillary benefits



Cash balance or combo plan

PRIORITIZE A PRIMARY OBJECTIVE

Take Control, Use Our Prioritizer

www.manning-napier.com/TakeControl

