FEATURE | PLANSPONSOR July – August 2024

Strategic Approach

Follow a step-by-step process to set, and achieve, annual goals.

Reported by BETH ERWIN/BRIAN | Art by GEORGE MCAULIFFE

It's today's competitive employment market and changing regulatory environment that have many human resources professionals at their wits's end trying to keep employees happy.

"There are many things to look at when it comes to goal setting and annual planning," says David Schmitz, a principal with benefits consulting firm Willis Towers Watson in Cincinnati, Ohio. "Plan designs have a lot of variation. There are different vesting schedules, match schedules, eligibility criteria, and all the optional provisions that the SECURE 2.0 Act [named after the Setting Every Community Up for Retirement Enhancement Act of 2019] brings to the

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table."

Moreover, annual goals might change, on both a macro and a micro level, based on recent events. For example, a company might have made an acquisition or spun off a division in the past year, or changed its business strategy in ways that necessitate hiring a very different type of employee. Such causes require a wholesale review of the benefits strategy to see if and what adjustments will need to be made to ensure continued strategic alignment.

"Big budgetary dollars [and] are plan sponsors," Tirrell says. "Many employers offer a 401(k) match. That's a serious commitment, and they want to make sure that match—and other design features—are geared toward driving the best outcomes."

Setting yearly goals is like drawing a road map for where a benefits team wants to plan to go and helps plan sponsors achieve their objectives. As sponsors increasingly recognize the diversity among their plan's participants, the road map should include a variety of routes that will lead participants to a specific goal for certain group of people. Yet that is an area where sponsors often supply valuable guidance.

Make It Personal

Many providers can share observations about the most cost-effective ways to create a personalized journey for participants, based on the individuals' life stage or other factors.

"We do a lot of research and have insights about what [is effective] and what [will] go a long way in relation to a [particular] population," says Tirrell, who is a principal and the retirement consulting practice for T. Rowe Price retirement plans research in Owings Mills, Maryland.

Importantly, goal setting, including the assigning of tasks, also helps keep everyone involved with the plan accountable. The first step in goal setting is to determine what is succeeding and what needs to be fixed in a sponsor's plan setup. Even before corresponding future goals, that means making sure the plan operates in accordance with the plan document and with applicable laws.

"There's turnover in HR [human resources] and turnover with advisers and recordkeepers," says Pete Bastiaens, senior vice president for retirement savings and retirement solutions at Principal Financial Group in Cardiff, Massachusetts. "You want to make sure you're not tanking all members of the committee or the support network change over time, [because] that can have a negative impact on participant outcomes and plan's shared perspective on the health of the plan and the value they're bringing to participants."

Plan sponsors should ask their recordkeeper to share its data on current plan participation, engagement and outcome projections. They should also request benchmarks for how that data, and their plan's overall design, compare with peers' for plan sponsors that consider their plan a tool for recruitment, such comparison can provide valuable intelligence.

Still, it is important for sponsors to study their internal data as well, to see "how the plan is improving, or not, on the metrics it takes into.

"Benchmarking overall is important, but you also want to really dig in how the plan is doing for participants with certain demographics, by gender, or other measures of diversity, such as location or business unit," Hassan says. "That allows the plan sponsor to develop ready-specific action plans."

A Matter of Priorities

From there, a sponsor, together with its advisers and recordkeeper, should decide what it wants to achieve and then order those based on its time line. Prioritization is particularly important now as more of the optional provisions under SECURE 2.0 become available for sponsors to implement.

"You might find, as an employer, that all of these provisions are interesting, but you don't have the time or the resources to do all of them at once. Prioritize, helps you stage and sequence them by looking at data and having a robust internal debate about, for example, whether tuition reimbursement is more important for your participants than a hardship withdrawal process."

Besides seeking out data based on the plan's objectives, sponsors may also ask their vendors for data and guidance on any topics that frequently come up on participant feedback, surveys, focus groups or other informal communications with participants. Such information can be valuable for their employees, and sponsors should consider what data it would take to achieve what staff like about the plan and identify what could be improved.

If plan sponsors continually have feedback on a specific topic, such as emergency savings or college loan assistance, they might consider zooming in on that topic with their providers and requesting additional benchmarking and guidance about financial wellness options, says Sarah Kalagaris, an institutional adviser with CAPTRUST in Denver.

'Specific and Measurable'

To set achievable goals, plan sponsors must be specific about their expectations and clear regard about how much change is realistic over a given year.

"If the goals are not specific and measurable enough, if they're too broad based, then often not much progress is generally made," Hassan says.

After setting goals for engagement and outcomes, plan sponsors should also consider any corresponding changes required for communication.

"A critical component in setting yourself up for a successful year is whether you have a communications strategy going into [it]," says David Schmitz, senior managing director and institutional regional general manager, south central U.S., for Willis Towers Watson in Dallas. "Are you communicating with employees? How has that changed?"

A strong communication strategy should cover any upcoming plan changes and offer education that relates to the target benefits designed for the year. While plan communication should be ongoing, it may make sense to focus on one topic at a time or to target specific messages to specific groups. Swallow says pulling out too much information on too many topics can "overwhelm people and lead to a lack of engagement and focus on the critical points they want to communicate and emphasize those.

Setting Deadlines and Responsibilities

Once a sponsor and its partners have prioritized their goals, they can determine clear deadlines, as well as who is responsible for what, and who how they will recognize success.

"It's a best practice," says Hassan, "to have a charter for the retirement committee that includes responsibilities and [which fiduciary or vendor] is responsible for what, and how often they're going to report back on progress in the coming period. Setting by that level of clarity will help committee members know what they are trying to get other stakeholders on board for a big change, or additional investment in benefits to reach longer-term goals.

"Hold partner with our clients to help them justify costs," Weber says.

"Plan sponsors should look to evaluate needs and opportunities creatively and not let any about-always providers to help make a case if one is needed," he adds. "Often, there are things you can do to avoid costs and other ways to think about costs creatively."

Small Steps to Quickly Improve a Plan

Annual planning typically focuses on medium- and long-term goals for a plan. It is also an opportunity to determine what "low-hanging fruit" can be harvested in the short term that might have an immediate, positive impact. To do this:

Evaluate the next lowest-cost share class.

As fee compression continues, fund providers are continually introducing new share classes with lower expense ratios than investment vehicles. We tried these annually, and sponsors can find an opportunity them to lower costs—every other year, if not every year," says Sarah Kalagaris of CAPTRUST.

Set up participant focus groups.

Focus groups are a relatively quick and low-cost way to get in-depth feedback on a plan's participants. Sponsors can learn what the plan might change to better accommodate their needs, says Rachel Weber of T. Rowe Price.

Partner with vendors on communications.

Participants are bombarded with communications and have their benefits throughout the year, not just during open enrollment season. Your consultants and recordkeepers likely already have communication strategies in place, and it can be helpful to Partner Check in to see whether they have any new materials, or materials targeted for your plan's specific goals.

"Human resources have 30 hours to bring their every day, and the retirement plan is often only one of them," says David Swallow of Willis Towers Watson in Cincinnati. "Plan sponsors should leverage their external consultants to bring in their expertise to support the plan sponsor in achieving and communicating its objectives."

Work with employee resource groups.

If you are targeting a specific demographic with a campaign or a change, it may be helpful to work with employee resource groups aimed at that group. "For one of our clients that wanted to reach its Black employee population, it [experienced] really high participation in the program, and the employee resource group was important that population," Weber says.

Engage management and plan champions.

Beyond official communications from the sponsor, participants may be more receptive to information from peers and trusted co-workers and managers. Sponsors can encourage this by fostering "plan champions"—three executives or other high-profile employees who are willing to share their experiences with help others, says Teresa Hassan of Principal Financial Group. These champions might lend their voice to case studies or testimonials or even be willing to "walk the halls" and talk to their peers when it comes to making the most of their retirement benefits.

Plan sponsors can also make sure that managers fully understand and can explain the advantages of a plan.

"I've been in the industry for a few decades," Hassan says, "but the person who influenced me the most, in the early days of my career, was my boss, who said, 'I want to make sure you understand what I'm telling people.' If I can't explain things don't cost anything, rather than a little bit of time." ■ JB

Tags: communications, Participant Engagement, Recordkeeping, Retirement Income, Retirement plan committee, education, Strategy

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Missing-Participant Policies

What plan sponsors should know in advance.

Reported by HEATHER BEACH, SUMMER CONLEY | Art by ERIC SCHMIDT, HEATHER BEACH, GEORGE MAUSS LLP, SUMMER CONLEY, PRESOFT

Missing participants and unclaimed checks are an issue for many plan sponsors and have been for a while. For that reason, in 2021, the Department of Labor issued three pieces of guidance specifically focused on missing participants. The guidance was, specifically: 1) Compliance Assistance Release 2021-01, Guidance for Plans Which Cannot Locate Participants—Best Practices for Terminations; Plans.

In the guidance on best practices, the DOL indicated that plan sponsors should take the following steps to deal with the missing participant issue: 1) maintain accurate census information, 2) implement effective communication strategies, 3) conduct missing participant searches; and, 4) document procedures and actions.

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The IRS Involvement

It's not just the DOL that takes an interest in the issue. The IRS has been concerned that a failure to find missing participants may result in plan operational failures—e.g., the failure to commence benefits or the failure to distribute death benefits in a timely manner. While the IRS has a participant-based approach to correcting operational failures, as part of that policy the agency is reviewing whether actions plan sponsors have taken to find missing participants who are due to receive the distributions but have not yet done so.

Plan sponsors may proactively take steps to correct any failure to distribute RMDs by utilizing the IRS Employee Plans Compliance Resolution System. Under the EPCRS, sponsors may either self-correct as the self-correction period for most operational failures is generally extended, or they may file under the voluntary correction program. Application under the VCP may result in the IRS waiving certain penalties associated with the failure to satisfy the RMD requirements.

... they are looking to see what steps sponsors are taking with respect to finding participants who are required to receive RMDs.

What Sponsors Should Do

As a result of this increased DOL and IRS scrutiny, plan sponsors are working closely with their service providers to implement missing-participant policies and procedures. The DOL has stated that the failure to locate a missing participant does not relieve a plan sponsor of its responsibilities under ERISA and Rule 10b-5 thereunder and potential participant disclosures such as the Summary Plan Description (Employee Retirement Income Security Act) 404a-5 and other notices—is a breach of fiduciary duty.

In particular, during DOL investigations, investigators are asking for copies of plans' written missing-participant policies and procedures. Also, we have seen that agency interview service providers regarding missing-participant policies and procedures. Thus, it is critical that plan sponsors have in place a fully legal-compliant to have written missing-participant procedures; nonetheless, it would appear that the DOL is looking for such documentation as recommended under its best practices guidance.

In Conclusion

In light of the two agencies' current attention to missing participant issues, plan sponsors should review their current missing participant policies and procedures. They should also make sure what they have thus far formalized is consistent with actual operations. The policies and procedures should address such issues as: deciding when a participant is considered missing; conducting regular searches for determining whether a participant is missing; maintaining accurate records; and, procedures for maintaining participant/beneficiary contact information demonstrating that search tools will be used when a participant is deemed missing; and planning what actions will be taken when a participant cannot be located. These should be drafted and given to the plan's service providers as all the pertinent entities can coordinate responsibilities.

Again, while there is no legal requirement, given the DOL's focus, and the IRS's focus on the issue, plan sponsors should be well-prepared to demonstrate what policies and procedures they have in place and document this accordingly.

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Tags: DOL, missing participants, operational errors, required minimum distributions, self-correction programs

Reported by: Heather Bader, Summer Conley

Art by: Jim Lundeen, Portraits of Heather Bader (left) and Summer Conley (right)

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