



# Retirement Plan Success

Confidential



# Professional Profile



**Jamie A. Hayes, CPFA, C(k)P®, AIF®**

Senior Vice President at NFP

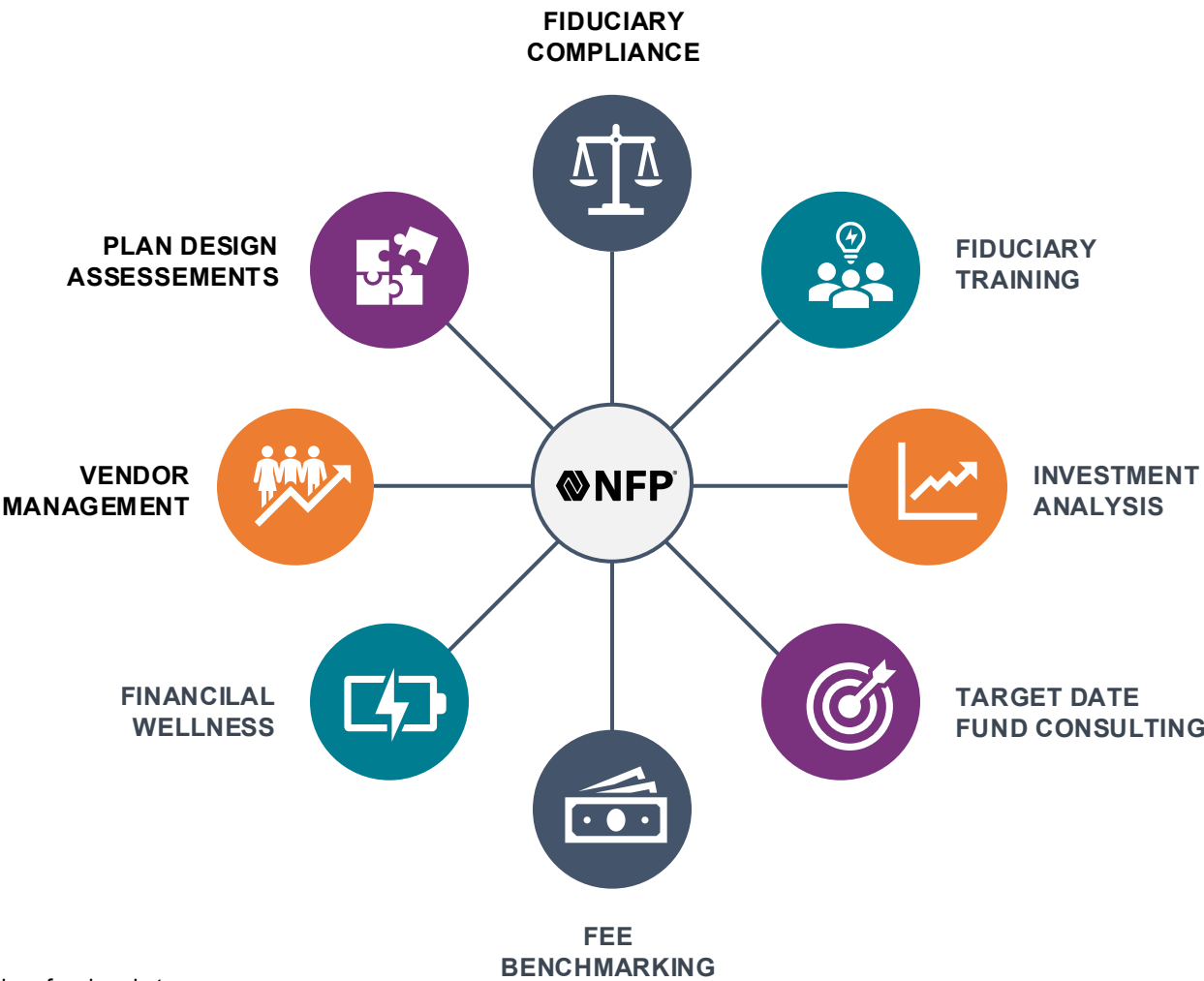
Jamie focuses on ensuring her clients' plans are well positioned for success. She uses the newest scientific research to implement practical strategies to improve outcomes for employees. Jamie combines powerful behavioral finance strategies with the maximization of fiduciary risk management to help promote retirement confidence for both employers and employees.

Jamie is the national leader of the NFP Financial Education program. Jamie designs holistic financial wellness solutions that help employees create confidence in their financial life.

After graduating with high honors from the University of Michigan where she majored in Economics, Jamie enjoys spending time with her husband Bobby and watching their two daughters excel in volleyball and cheerleading.

# NFP Retirement Plan Consulting Services

We're problem solvers that provide subject-matter expertise across all plan management areas.



<sup>1</sup> NFP provides ERISA-trained professionals to assist our clients but does not provide legal advice.

# Agenda

- Financial Wellness What Employees Need Help With and How To Engage Them
  - Inside Committee Room (Board Room)
  - Outside Committee Room (Lunch Room)
- Overview of Fiduciary Responsibilities and Best Practices
- Compensation & Benefits for Top Talent in Today's World



A photograph of a family hiking in a forest. In the foreground, an older man with a grey beard and a dark beanie is smiling and looking to his right. He is wearing a brown and black plaid shirt and holding black binoculars. Behind him, a younger man with dark hair is walking, looking down. To the right, a young girl in a red beanie and a light blue jacket is walking. The background is a blurred forest scene. The entire image has a semi-transparent blue overlay.

# **Financial Wellness – Inside Board Room**



# Creating Retirement-Ready Employees



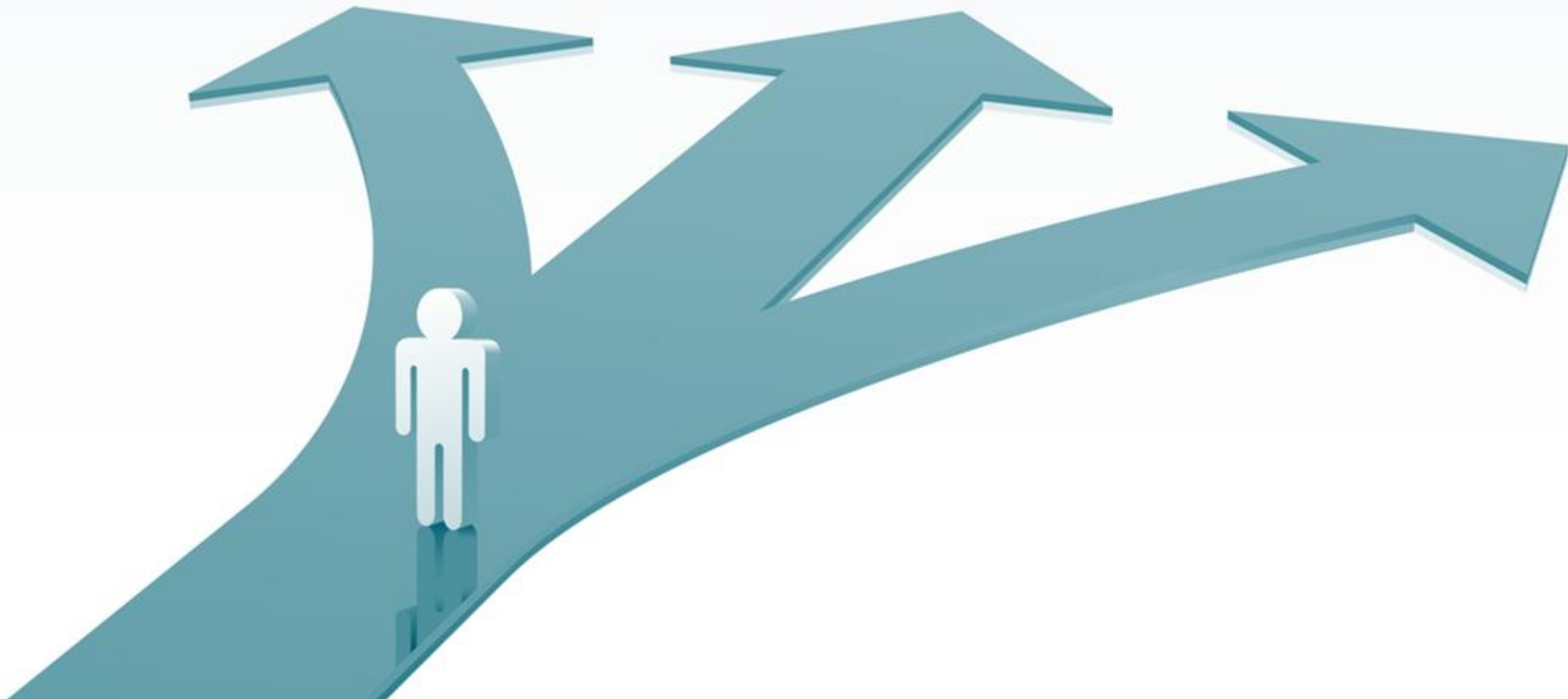
# What is behavioral finance?



- Behavioral finance studies how mental shortcuts, emotions and other behavioral factors affect the way we make financial decisions.
- Behavioral finance is a relatively new yet evolving science combining psychology and money.



# How did we get here?



# Our Goal

## To Make a Better Retirement Plan

- At least **90%** should be saving for retirement
- Saving rates ought to be more than **10%**
- **90%** should let professionals construct their portfolios
- Call it the **90–10–90** rule or simply Plan Success Goals!

# Inertia



12%

☒ donate organs

**12% Donors**

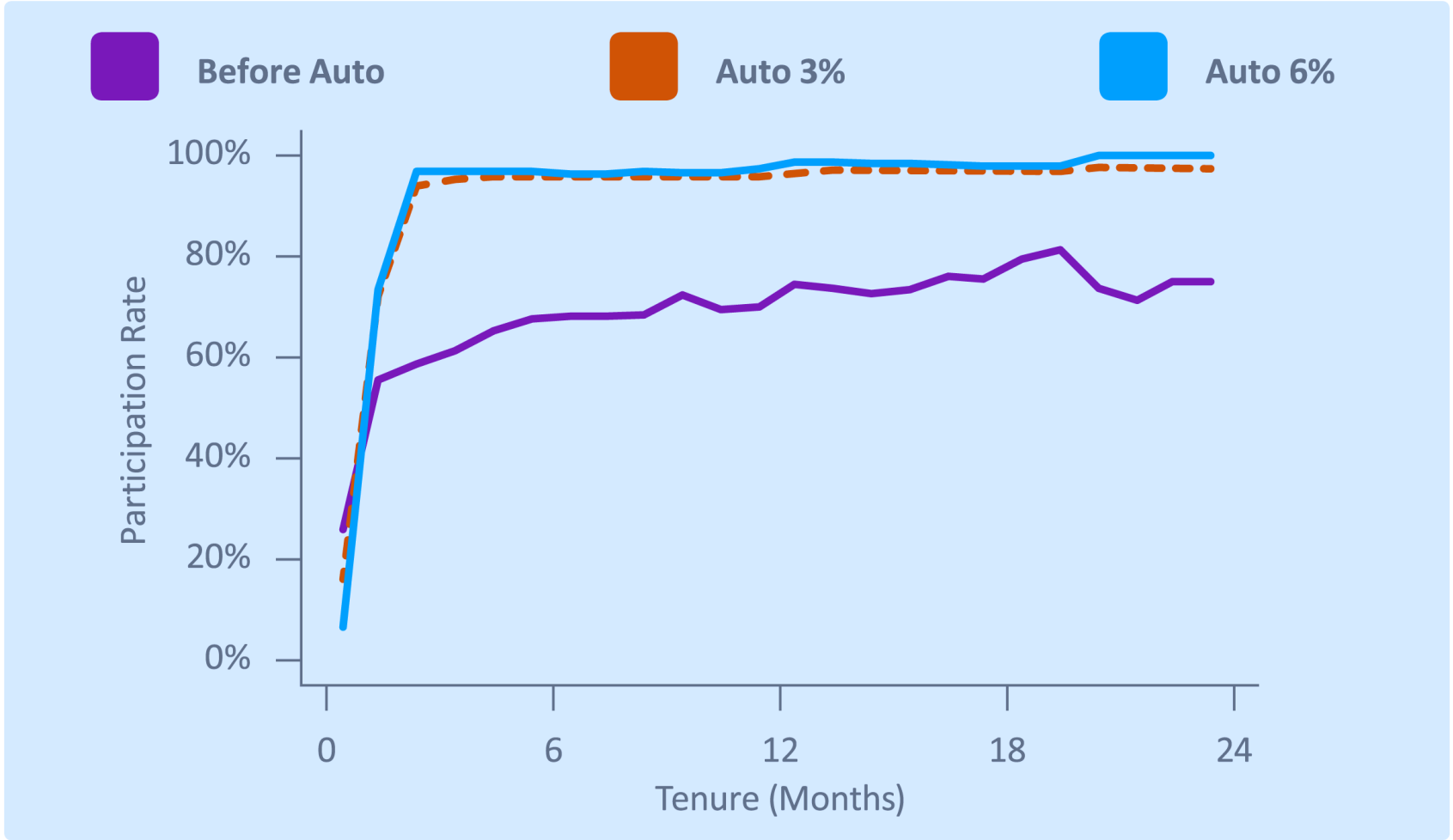


1%

☒ don't donate

**99% Donors**

# SAVE: Automatic Enrollment & Plan Participation



Source: Beshears, et. al (2009)



# Loss aversion



Source: Chen, et. al (2006)

# Measurable and Sustainable Goals



Behavioral Finance solutions  
help you improve outcomes  
for employees



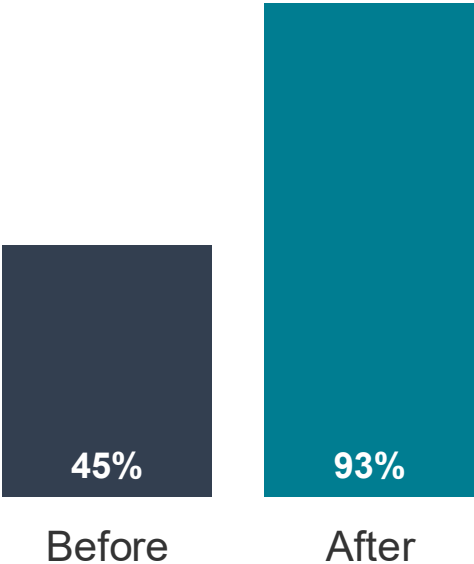
# Creating Retirement Read Employees

Save, Save More, Save Smarter



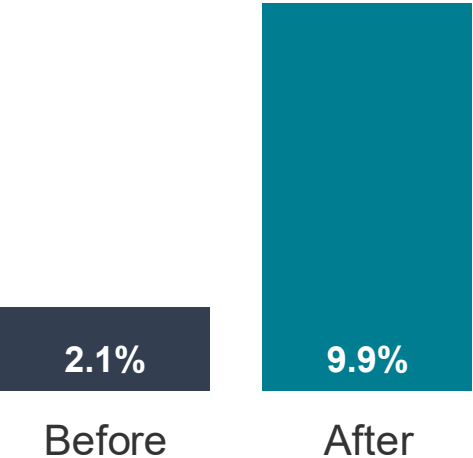
Behavioral Finance solutions  
help you improve outcomes  
for employees

**Save**  
Participation Rate



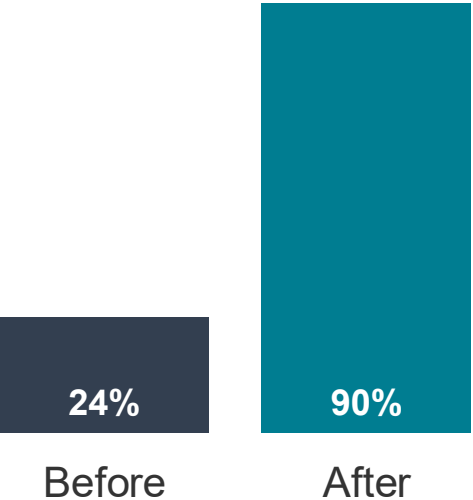
95.6% increase

**Save More**  
Deferral Rate



371% increase

**Save Smarter**  
Participants in Diversified  
One Stop Portfolio  
Solution



270% increase



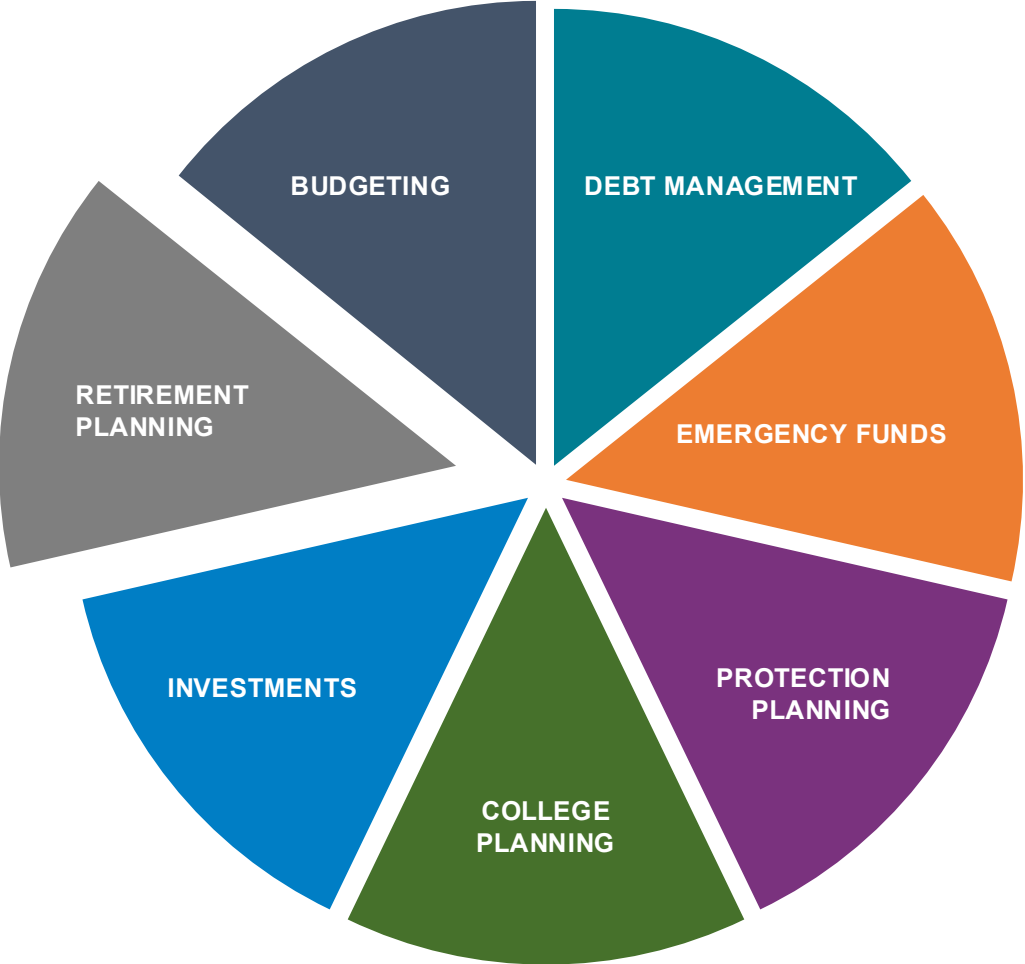
A photograph of a family hiking in a forest. In the foreground, an older man with a grey beard and a dark beanie is smiling and looking to his right. He is wearing a brown and black plaid shirt and holding black binoculars. Behind him, a younger man with dark hair is walking, wearing a light blue jacket over a tan shirt. To the right, a young girl in a red beanie and a light blue jacket is walking. The background is a blurred forest scene. The entire image has a semi-transparent blue overlay.

# Financial Wellness – Lunch Room

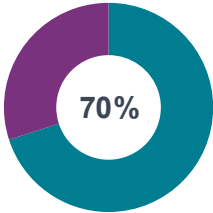




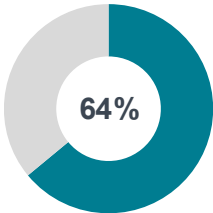
# Financial Wellness Programs



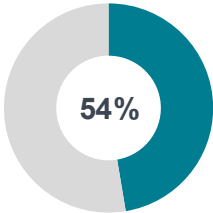
Address near-term financial challenges so employees can make better long-term financial decisions



Americans that live **paycheck to paycheck**<sup>1</sup>



Americans that **can't cover a \$1,000 emergency** without borrowing money<sup>3</sup>



Americans that are **not getting financial advice**<sup>2</sup>

1. 2017, CareerBuilder, Living paycheck to Paycheck is a Way of Life for a Majority of U.S. Workers  
2. 2017, Mercer, Inside Employee's Minds™: Volume 2  
3. 2017, Mercer, Inside Employees' Minds™: Volume 2  
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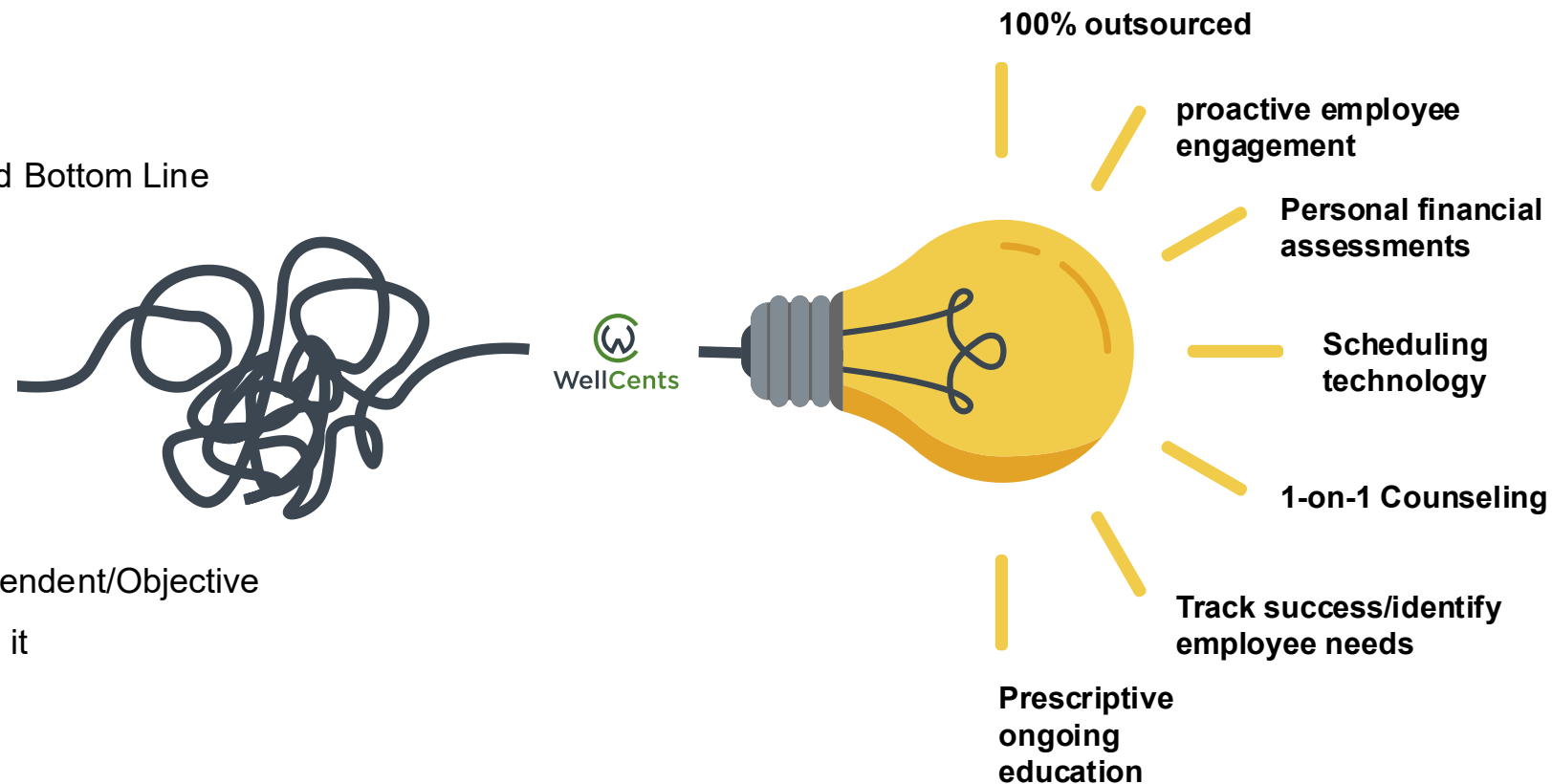
# Current State vs Alternative

## Employee Financial Stress

- Distracts employees
- Negatively impacts Productivity and Bottom Line

## Existing Programs

- Self-Service
- Reactive
- Low Utilization
- Retirement Plan Centric
- Some Service Providers Not Independent/Objective
- HR does NOT have the time to run it
- Doesn't Move the Needle

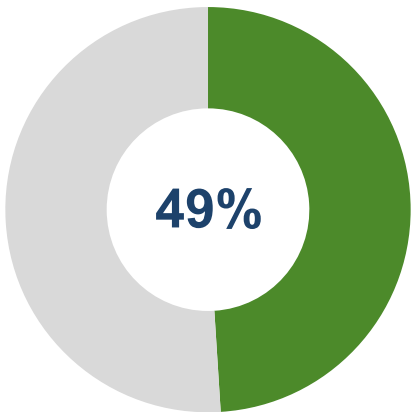
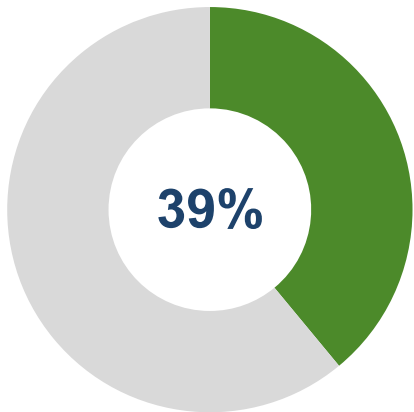
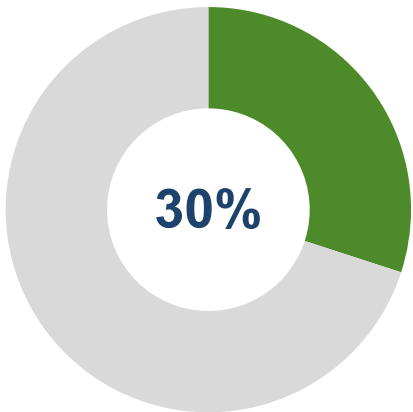


**High Utilization**

**Increased Employee Retention**

**Benefits Optimization**

# Initial Outreach Case Studies

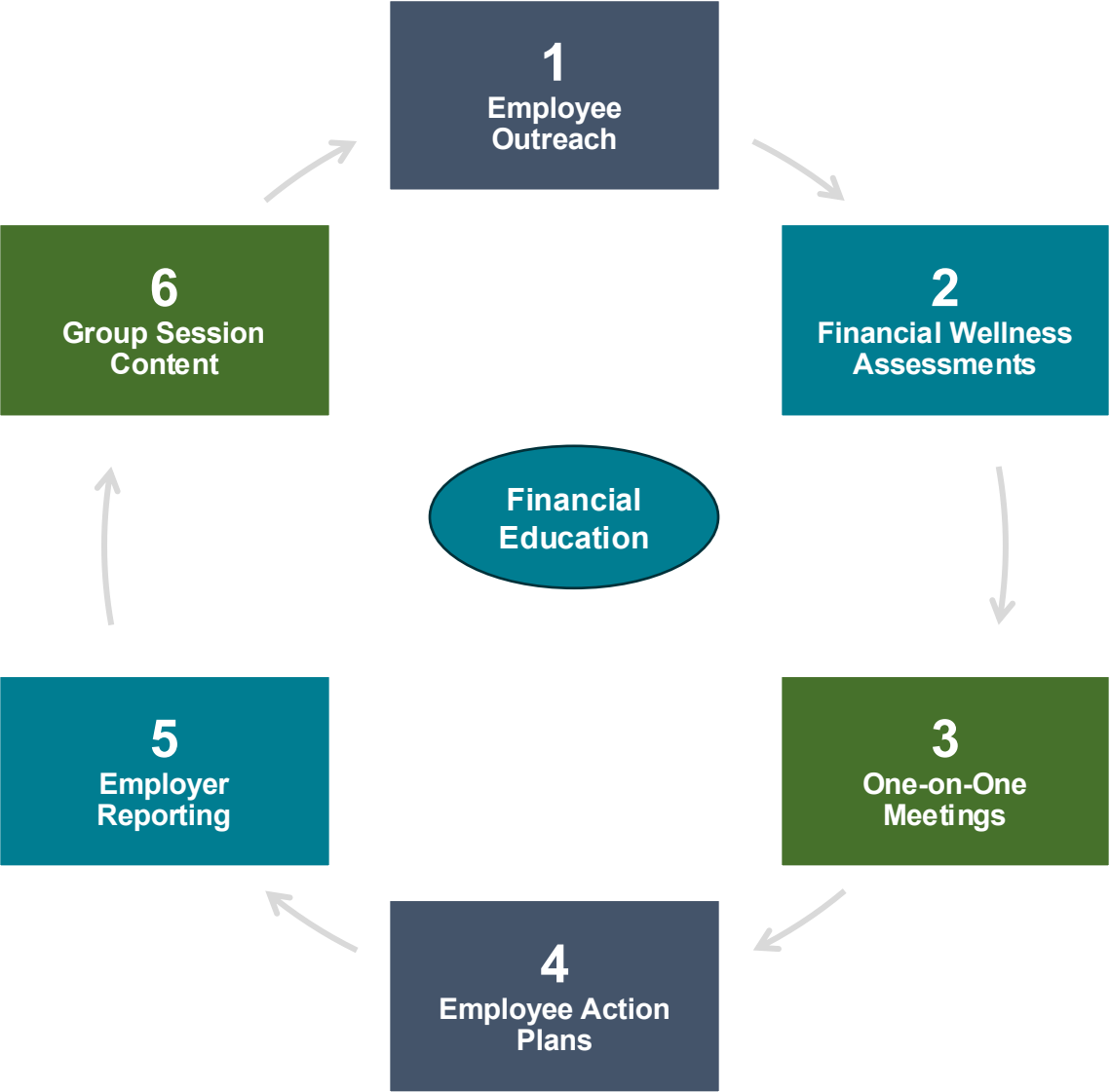




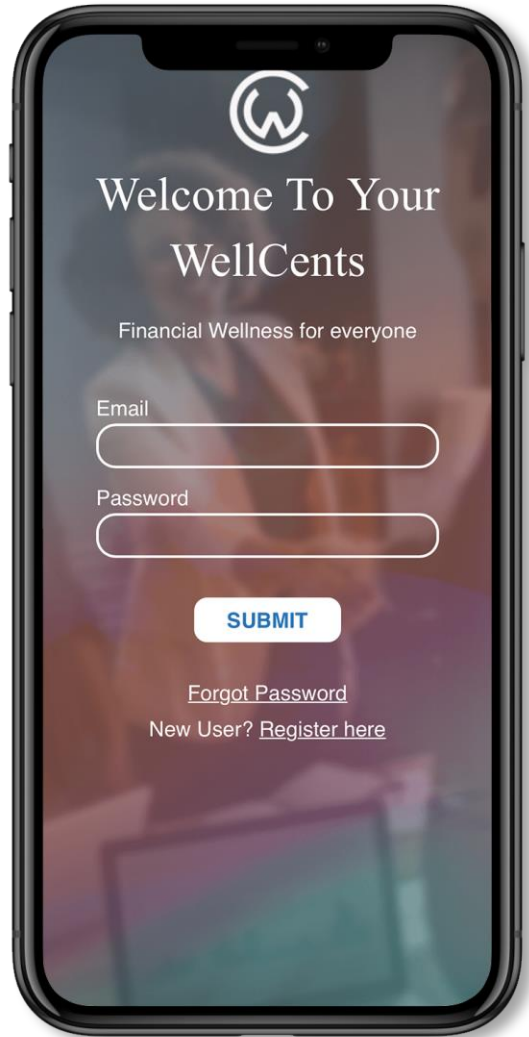
# Custom Campaigns to Drive Engagement



# Cohesive Delivery Model



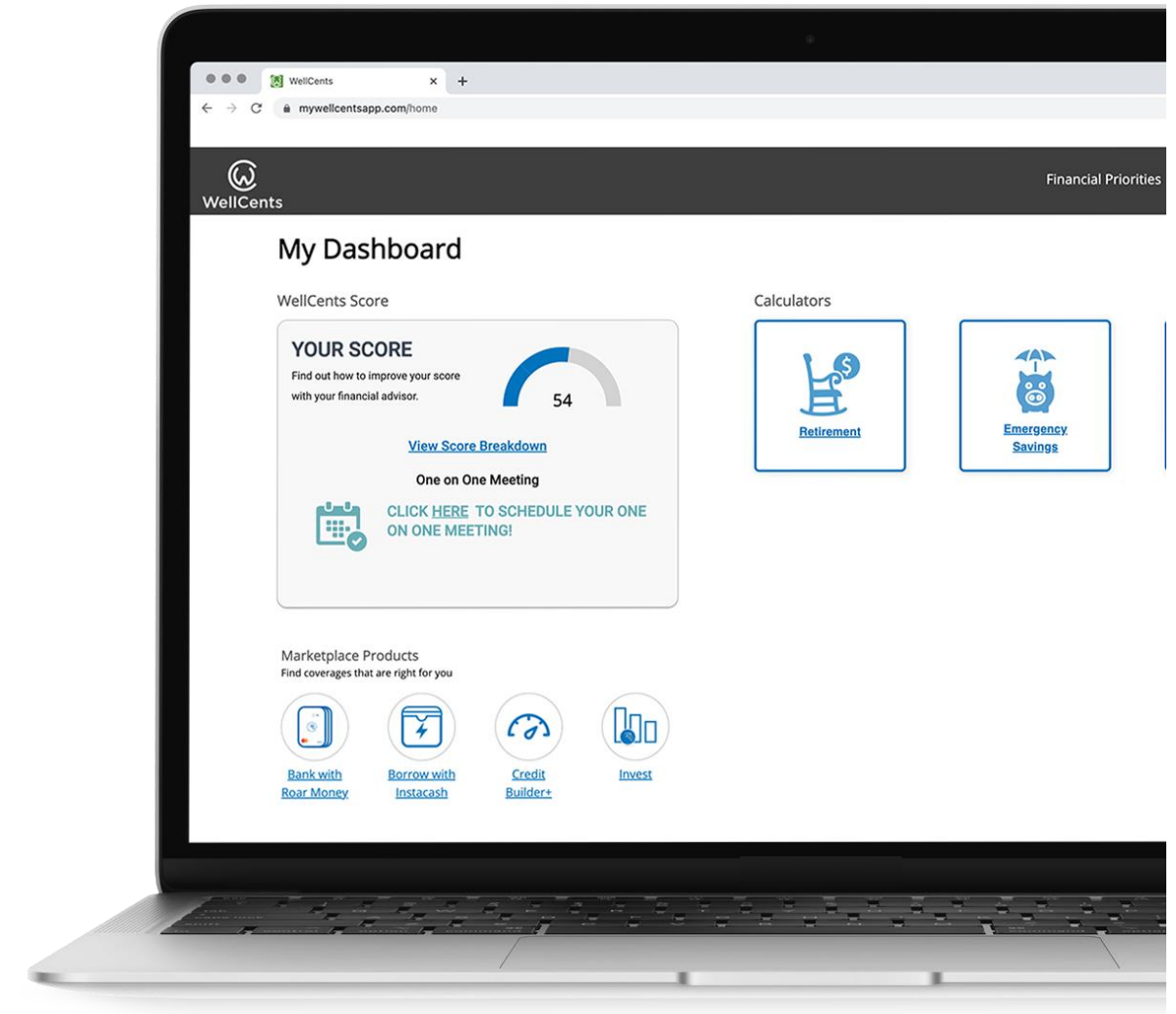
# Promotion and Engagement



- Proactive employee outreach efforts with contests and prizes encourage employees to participate.
- Customized emails
- Text messaging
- Social media outreach
- Contests and prizes
- Flyers
- Posters with QR codes
- Postcards
- Custom designed Microsite and App

# Assessment Scores and Priorities

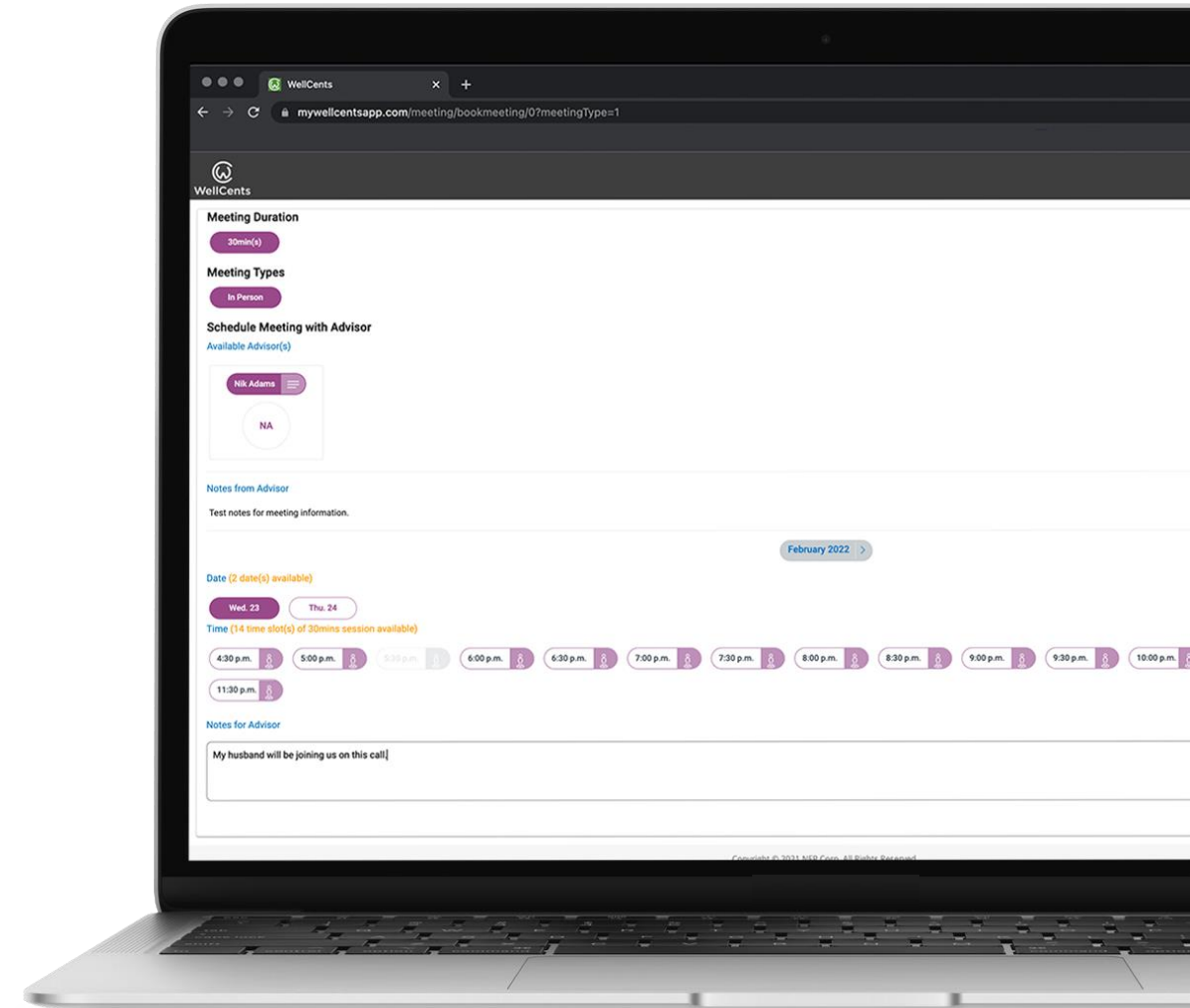
- Individual score and specific areas of interest form the basis for one-on-one meeting agendas
- Drives efficient, individualized and productive interactions
- Provides the framework for developing personal financial plans for each employee





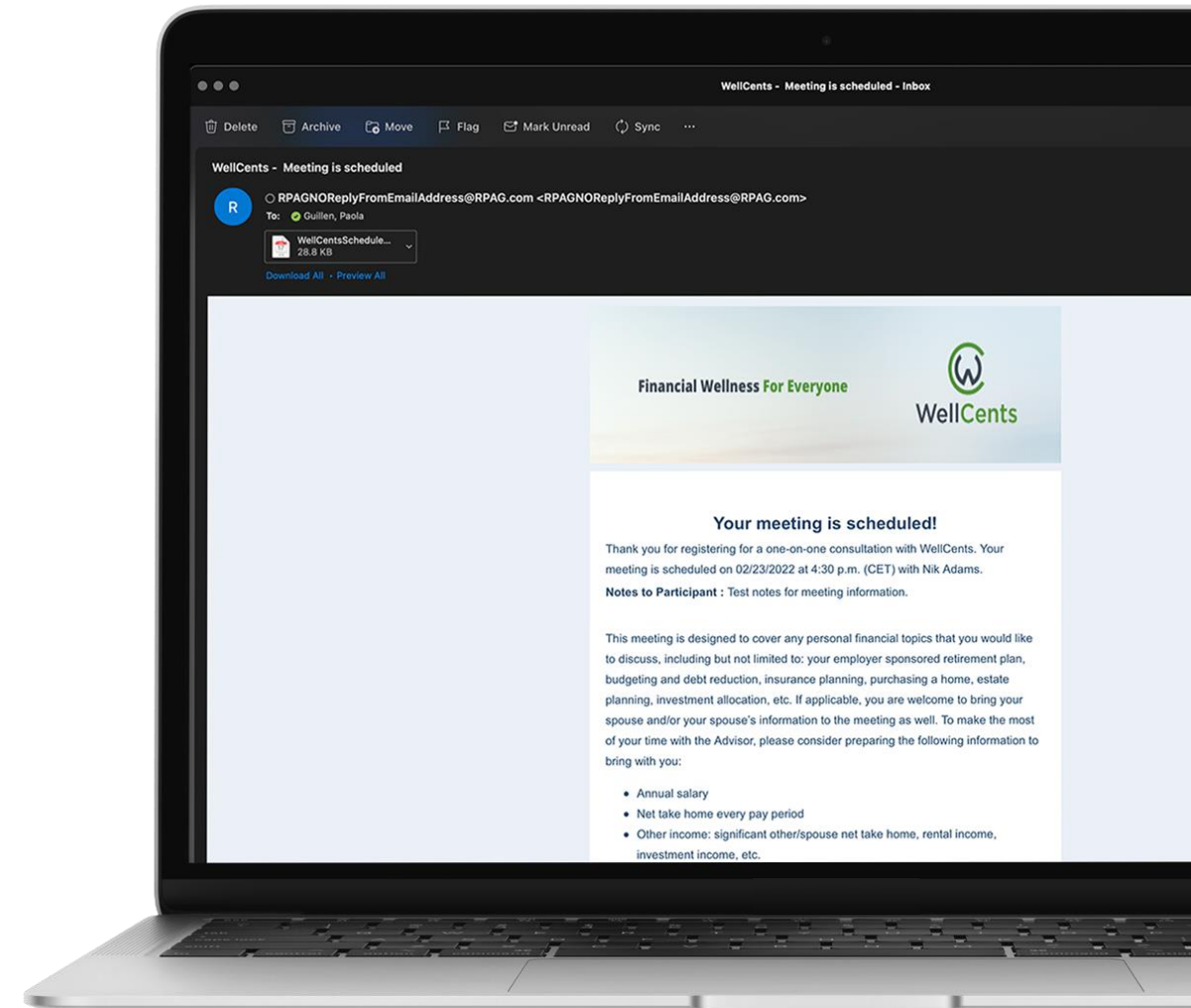
# Scheduling One-on-One Sessions

- Employees select an available time slot via our scheduling calendar.
- One-on-one sessions can be scheduled for
  - In-person meetings
  - Virtual meetings



# Meeting Confirmation, Instructions and Reminders

- Employees receive the following items after a one-on-one session is scheduled
- Calendar invitation
- Confirmation email
- Link to cancel or reschedule meetings
- Meeting prep instructions and items to bring
- Virtual meeting link or address of the meeting location
- Automated reminders sent as meeting date approaches



# Financial Planning Topic Details

Financial professionals provide the knowledge to meet your employees where they need it most

## PERSONAL FINANCE

- Managing Spending
- Creating a Budget
- Reducing Debt
- Emergency Savings
- Time Value of Money

## RETIREMENT PLANNING

- Retirement Income Basics
- Social Security Basics
- Retirement Income Needs
- Retirement Savings Goals
- Distribution Planning

## PROTECTION PLANNING

- Risk Management Basics
- Health Insurance
- Disability Income Insurance
- Life Insurance
- Property and Casualty Insurance

## RETIRING WELL

- Longevity
- Fixed Expenses
- Variable Expenses
- Social Security and Medicare
- Retirement Income Solutions

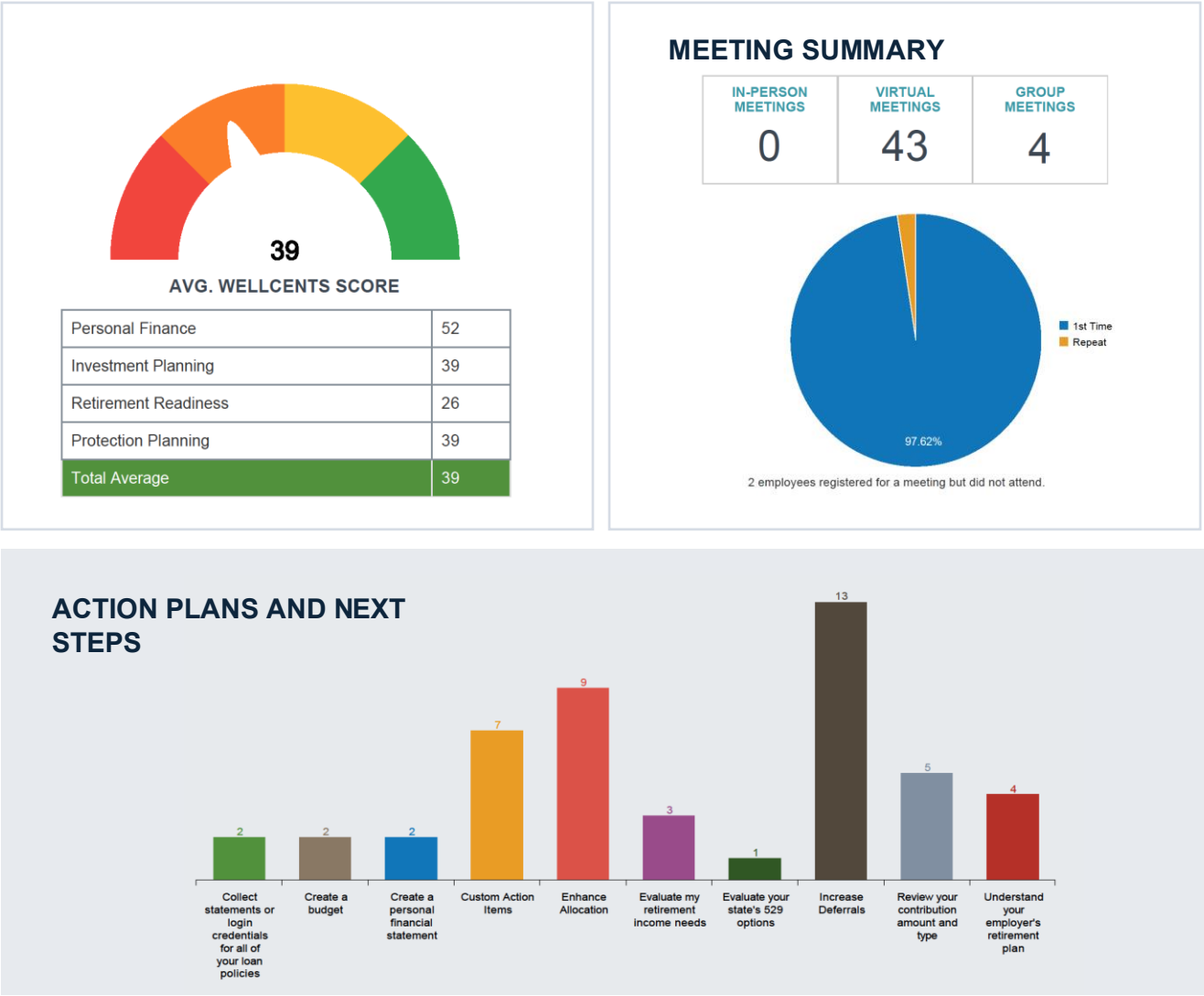
## INVESTMENT PLANNING

- Setting Investment Goals
- Identifying Time Horizons
- Understanding Risks
- Identifying Risk Tolerance
- Benefits of Diversification

## ESTATE PLANNING

- Estate Planning Basics
- Probate
- Wills and Trusts
- Gifting
- Advance Directives

# Employer Financial Wellness Reporting



- Provides valuable insights into a workforce’s challenges and measures areas of improvement
- Workforce’s financial challenges summary
- Workforce financial improvements summary
- Behavioral action planning progress
- Accountability report
- Employee survey results

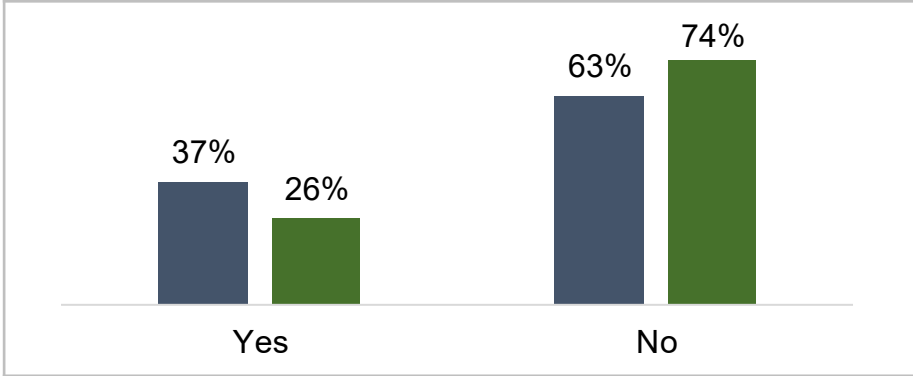
# Financial Priorities

<div>PAY DOWN/PAY OFF DEBT</div> <div>183</div>	<div>RETIREMENT INCOME PLANNING</div> <div>143</div>	<div>ESTABLISH AN EMERGENCY FUND</div> <div>135</div>
<div>HELP WITH BUDGETING</div> <div>118</div>	<div>BUYING/REFINANCE A HOME</div> <div>112</div>	<div>SAVE FOR A LARGE PURCHASE</div> <div>40</div>
<div>SOCIAL SECURITY/MEDICARE PLANNING</div> <div>36</div>	<div>PROPERLY MANAGE MY INVESTMENTS</div> <div>27</div>	<div>OPTIMIZE TAX EFFICIENT SAVINGS</div> <div>22</div>
<div>COLLEGE SAVINGS</div> <div>20</div>	<div>EVALUATE MY INSURANCE NEEDS</div> <div>19</div>	<div>ESTATE PLANNING</div> <div>13</div>

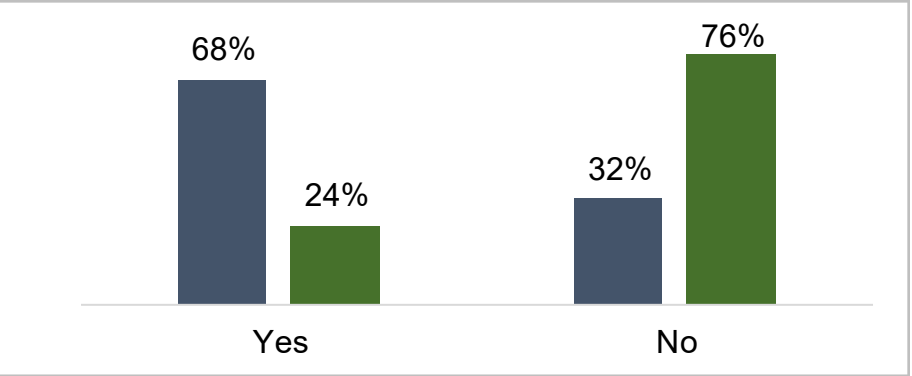
# Personal Finance Trends

NOW  BEFORE

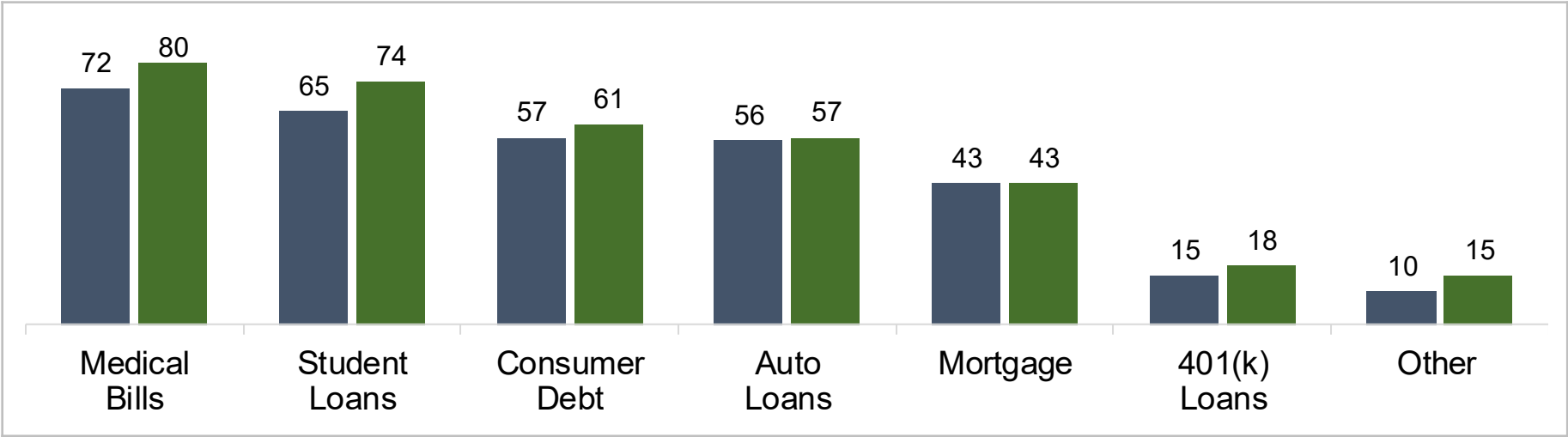
I spend less than I make each month.



I currently have emergency savings.



What kind of debt do you have?

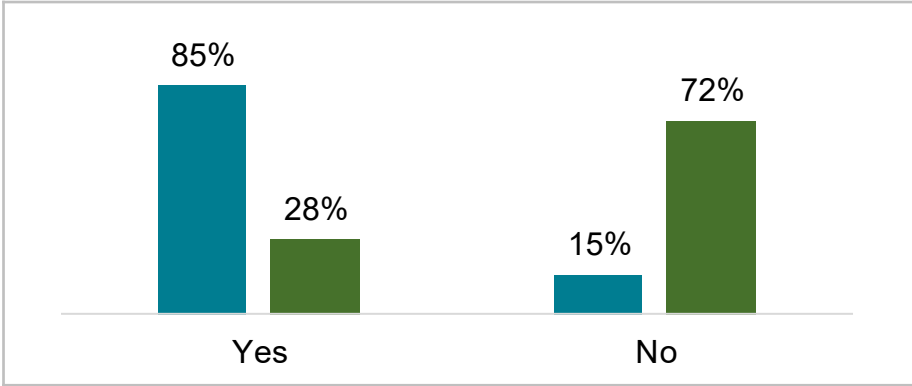




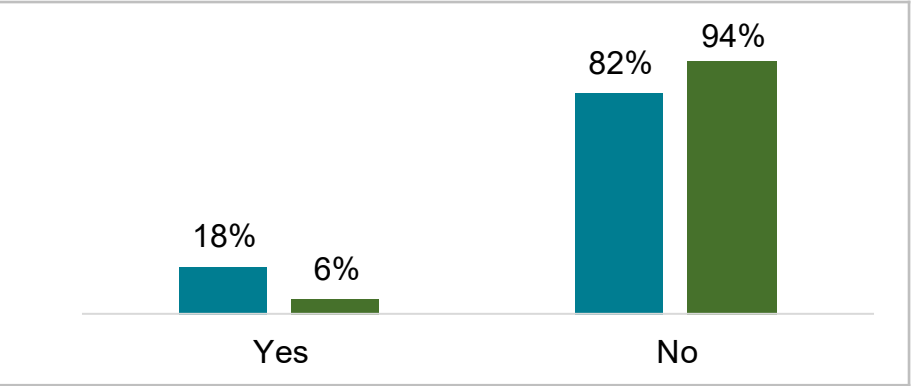
# Protection Planning Trends

■ NOW ■ BEFORE

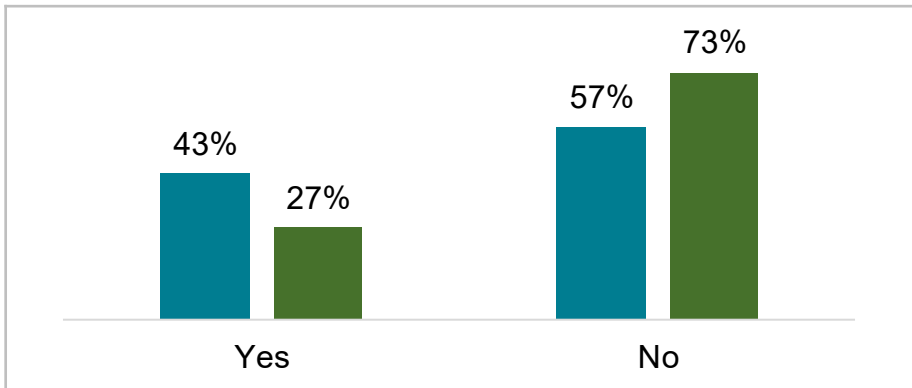
Do you have long-term disability insurance?



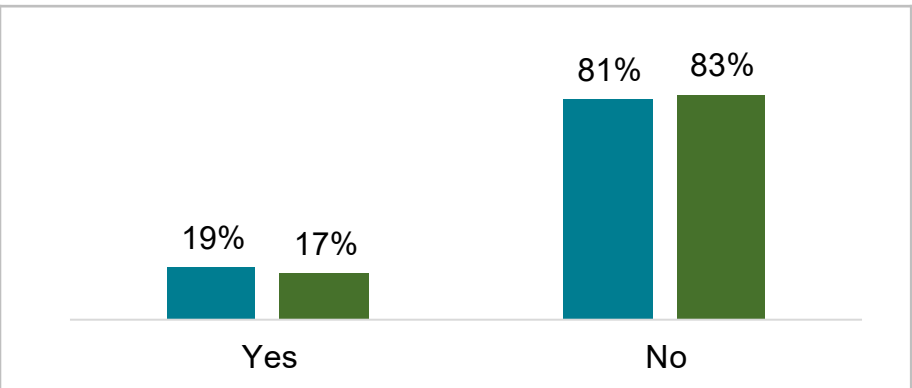
Do you have long-term care insurance?



Do you have access to an HSA?

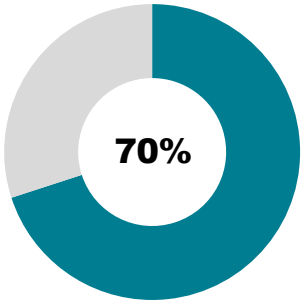
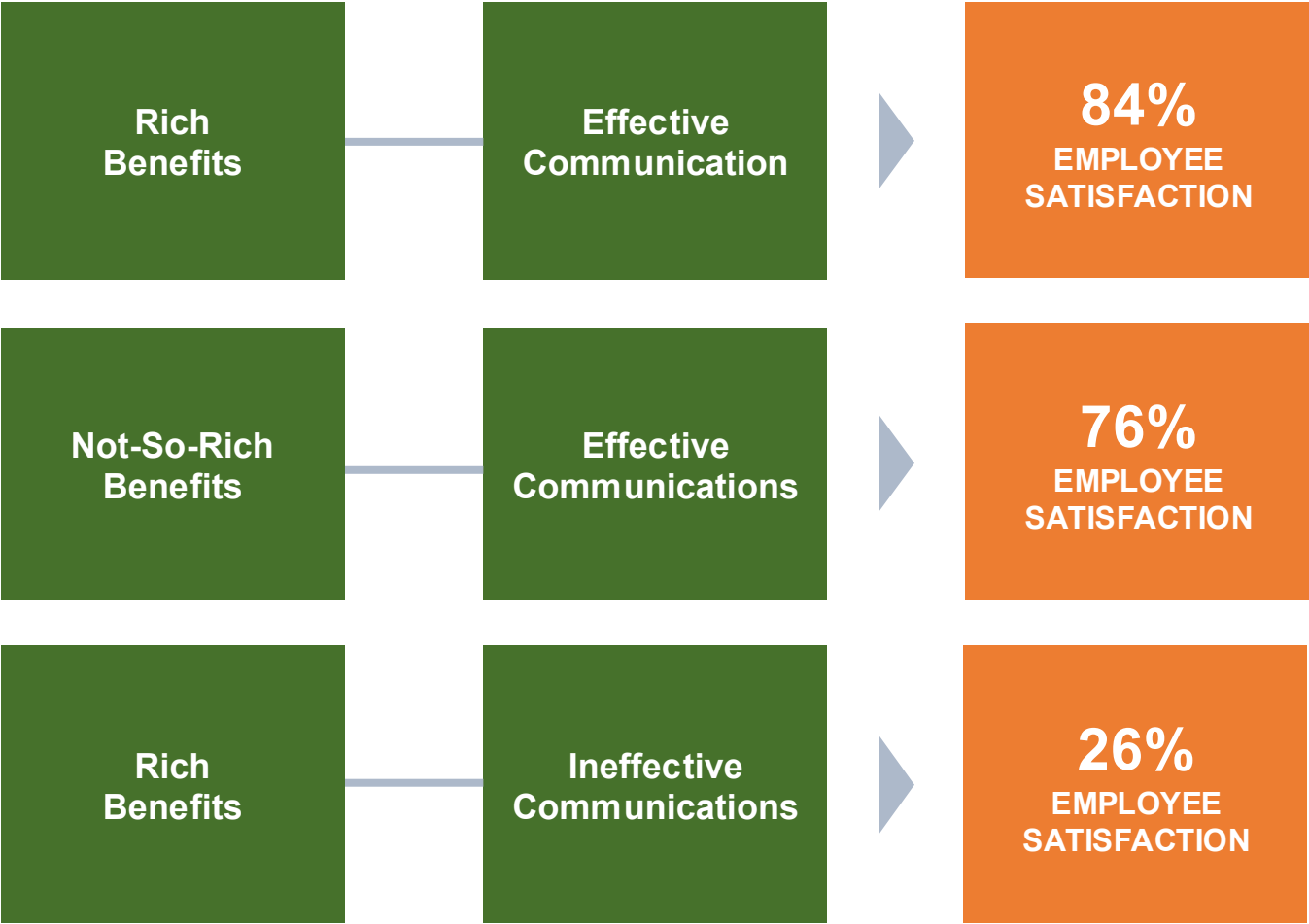


Do you have a will or family trust?

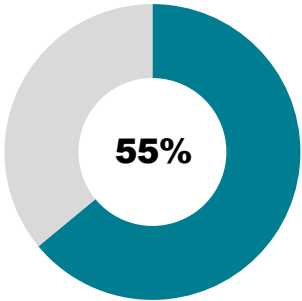


# Why Effective Communications Matter

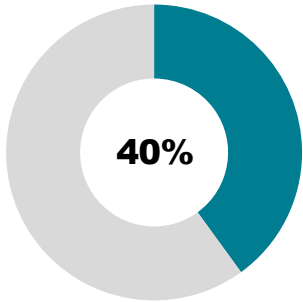
Communication impacts employee's satisfaction more than the benefits offered.



Employees feel valued or appreciated because **employer's benefits communications are easy to understand**



Employees wish they were **more informed about their benefits** to get more value from them

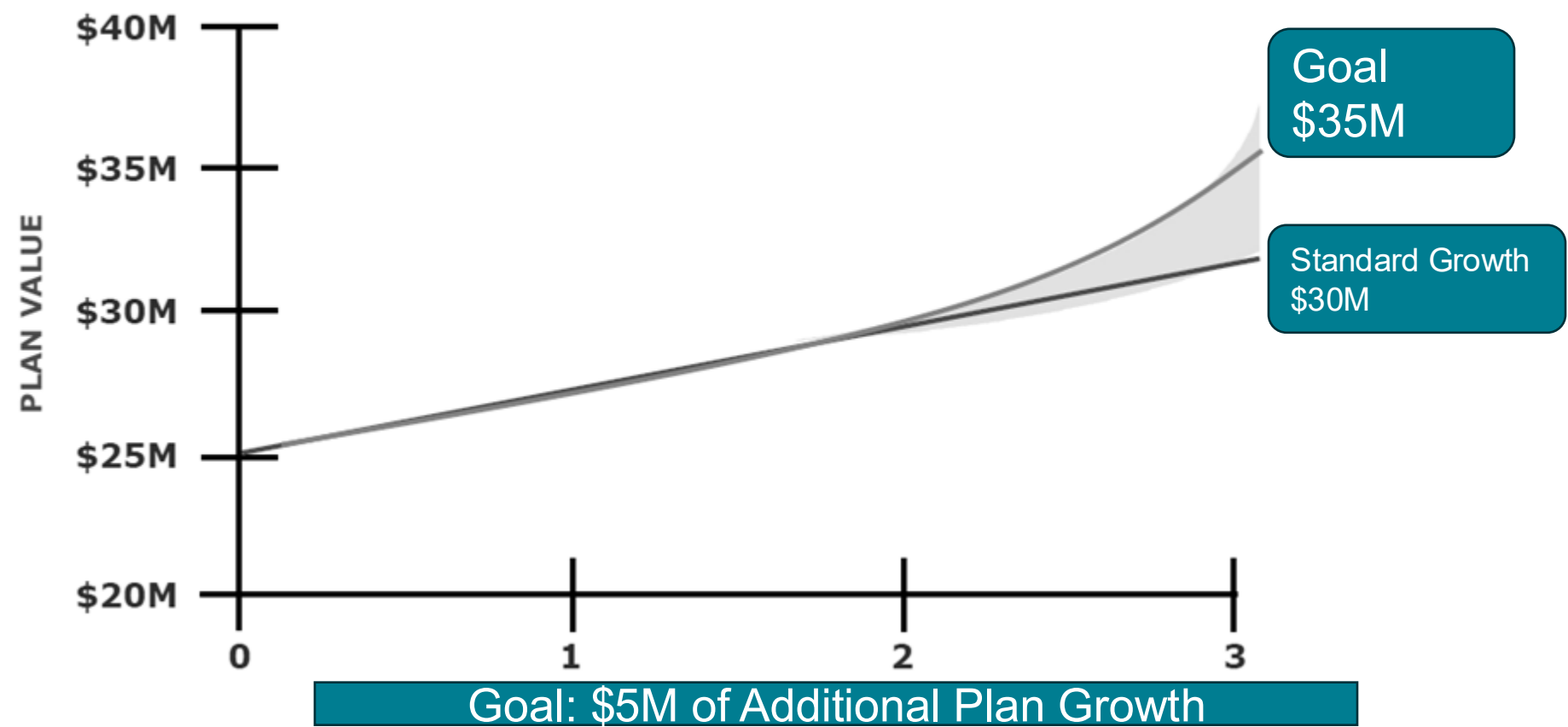


Americans spend **more than 3 hours a week** dealing with personal finance issues

Source: Effective employee communications drive financials results, Watson Wyatt  
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# The Financial Wellness Difference

Powerful Combination of Fiduciary Process, Plan Design and Financial Wellness

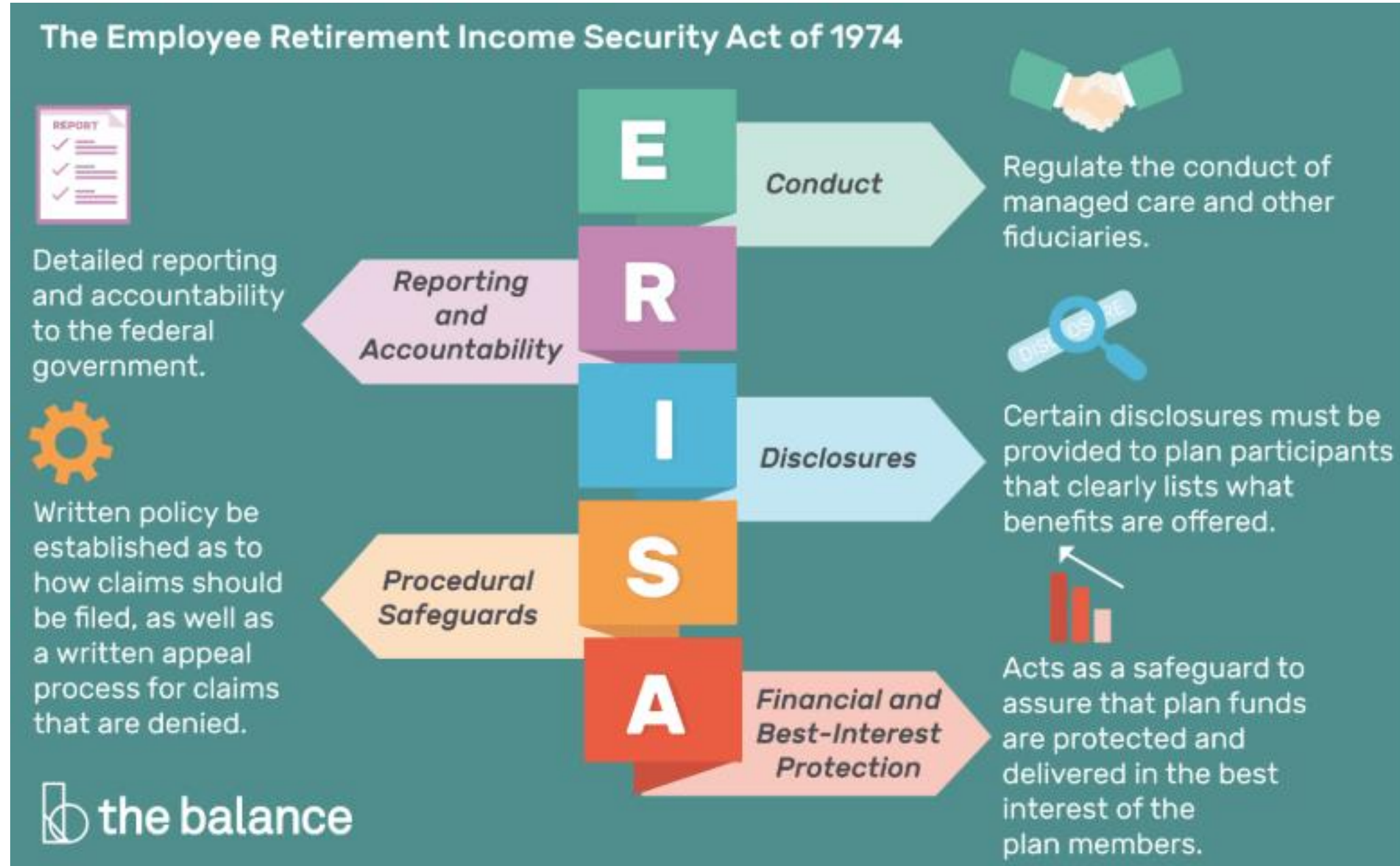


A photograph of a family hiking in a forest. In the foreground, an older man with a grey beard and a dark beanie is smiling and looking to his right. He is wearing a brown and black plaid shirt and holding black binoculars. Behind him, a younger man with dark hair and a beard is walking, looking down. To the right, a young girl in a red beanie and a light blue jacket is walking. The background is a blurred forest scene. The entire image has a semi-transparent blue overlay.

# Overview of Fiduciary Responsibilities and Best Practices



# Provisions Under ERISA



# What Are Fiduciary Best Practice Standards of Care?

## Prudent Processes





# Understanding Fiduciaries

A fiduciary is a person or organization entrusted with managing another party's (your employee's) assets

## Functional Definition – Discretion vs Administration

Retirement Plans:

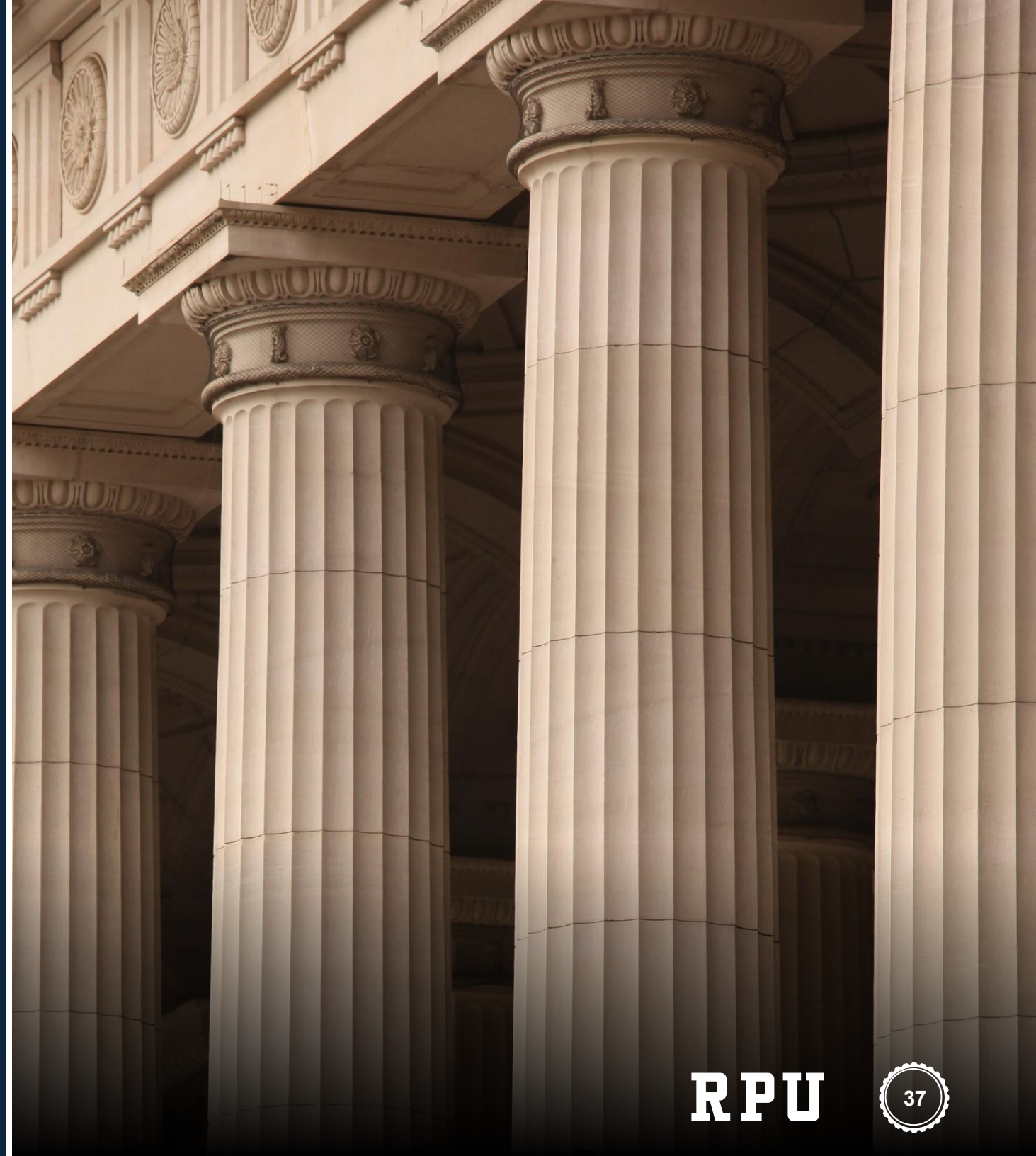
- Selecting service providers and investments
- Negotiating fees
- Following terms of the plan document





# Regulatory Bodies of Retirement and Health Plans

- The Department of Labor oversees employee benefits and ensures compliance.
- The IRS regulates tax implications of retirement plans.
- Plaintiff's attorneys play a crucial role in enforcing fiduciary duties.
- Departments of Insurance ensure that health plans meet state regulations.
- Department of Health and Human Services creating transparency
- The Treasury Department creating transparency



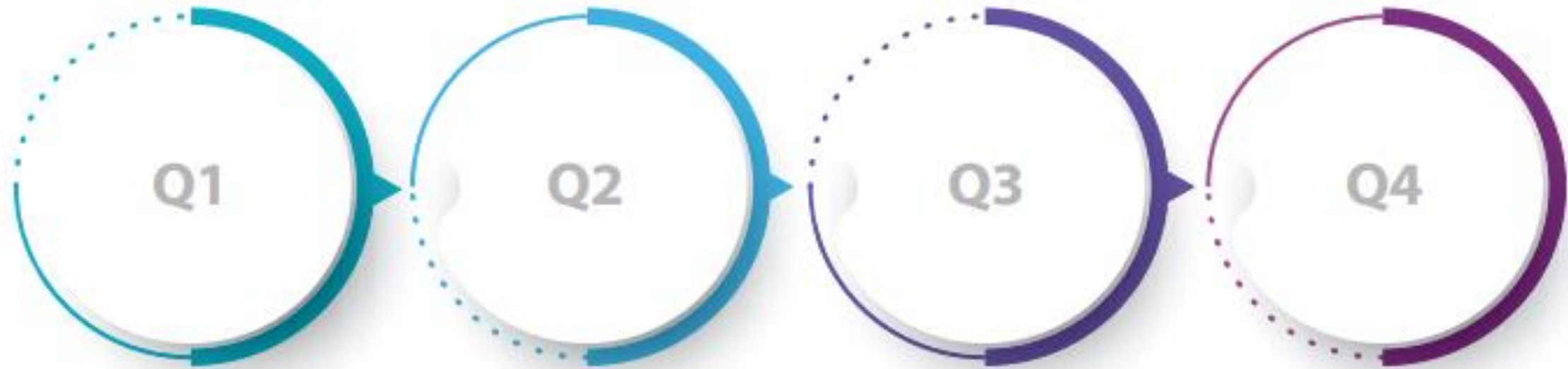
# Fiduciary Checklist – Retirement Plans

- Establish plan governance items to outline fiduciary processes and responsibilities
- Conduct a fee audit to determine the reasonableness of recordkeeping, investment, and total plan fees
- Establish criteria for selecting, monitoring, and replacing plan investment options
- Follow the DOL’s risk suitability steps for selecting a Qualified Default Investment Alternative (QDIA)
- Establish appropriate oversight and workflows to ensure compliance with plan terms and DOL / IRS requirements
- Establish fiduciary reminders to distribute required participant notices and disclosures
- Provide fiduciary training for plan committee members

**Prudent processes and documentation to support plan-related decisions and responsibilities.**

Areas of Fiduciary Responsibility	Process	Impartial	Expert
Selecting and Monitoring Investments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
QDIA / Target Date Fund Suitability & Selection	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Total Plan Expenses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Investment Fees and Charges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Recordkeeping and Administrative Fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fiduciary Education and Training	<input type="checkbox"/>		
Compliance with Tax Codes – Annual Limits, Participation Rules, and Non-Discrimination Testing	<input type="checkbox"/>		
Compliance with Plan Terms & Definitions	<input type="checkbox"/>		
Internal Workflows and Controls	<input type="checkbox"/>		
Prohibited Transactions	<input type="checkbox"/>		
Required Plan Disclosures	<input type="checkbox"/>		
Required Participant Notices	<input type="checkbox"/>		

# Fiduciary Checklist – Quarterly Calendar/Reminders



## Fee Focus

- Investment Review
- Administrative Fee Review
- Investment Expense Analysis
- Benchmarking and Trends
- Recordkeeper Negotiations

## Investment Focus

- Investment Review
- Investment Menu Review
- Asset Class Updates
- Trends and Best Practices
- Stable Value/Fixed Account Review
- QDIA Analysis

## Participant Focus

- Investment Review
- Recordkeeper Services Update
- Plan Demographic Review
- Education and Advice Review<sup>1</sup>
- Plan Design Benchmarking

## Practice and Policy Focus

- Investment Review
- Regulatory and Legislative Update
- Committee Best Practices
- Investment Policy Statement Review

# Best in Class Service Plan

<b>Investments</b>	Annual to Quarterly
<b>Investment share classes/ CITs</b>	Annual
<b>Fees against averages</b>	Annual
<b>Review governance documents</b>	Annual
<b>Fees against live bids</b>	Every 3 Years
<b>TDF suitability</b>	Every 3 Years



Fiduciaries must  
**receive** required  
fee disclosures

Fiduciaries must  
**determine** if  
compensation is  
reasonable

# Benchmarking – Record Keeping and Investment Management Costs

## Religious Organization

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**1,003 Participants**

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**\$31,770,241 in Plan Assets**

### Process

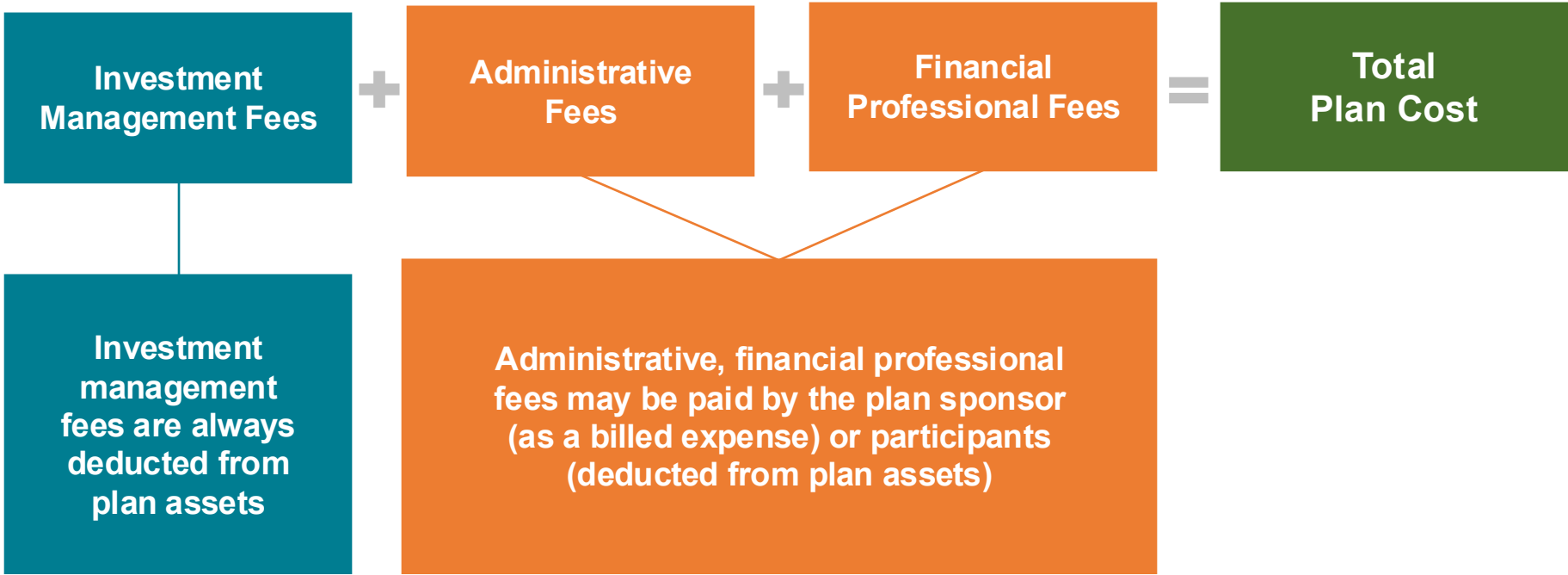
- Identify direct and indirect revenue sources
- Quantify data and compare

### Objectives

- Understand where and how provider receives compensation
- Determine if overall plan fees are reasonable

# Understanding Fees and Expenses

## Retirement Plan Cost Components



# Benchmarking Approaches

## Fee Averages

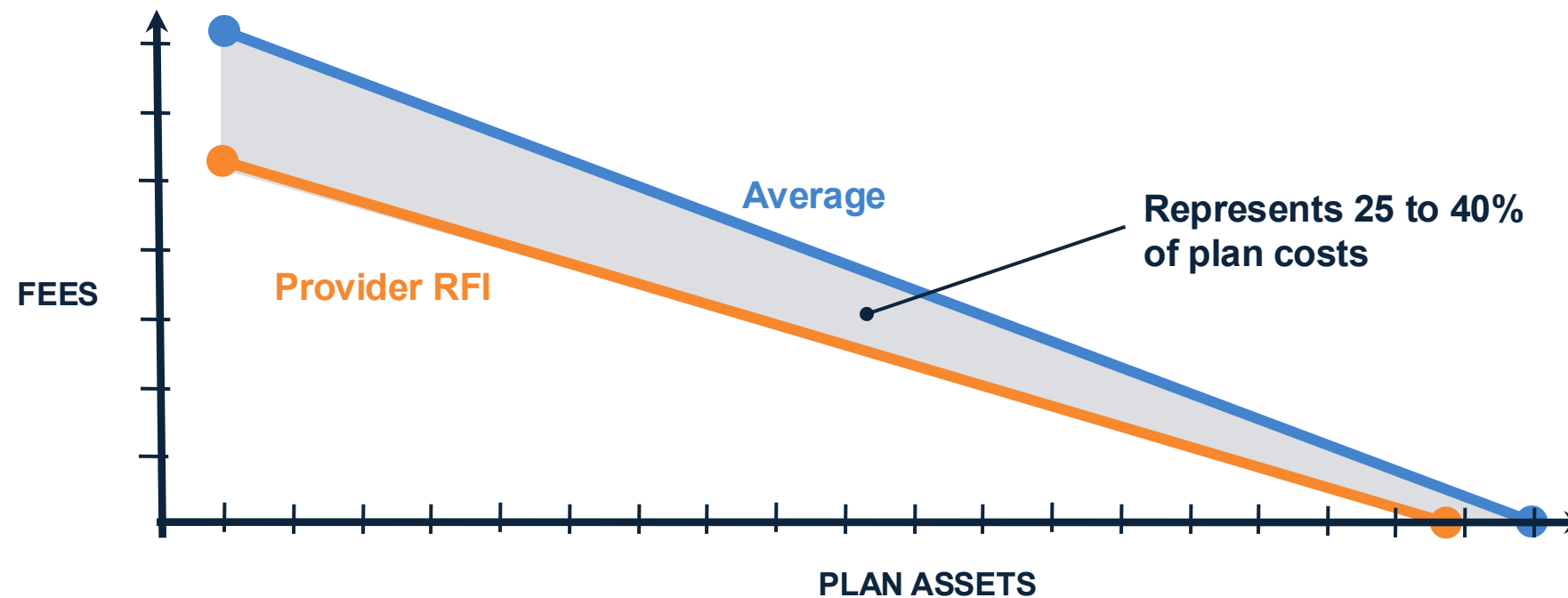
Derived from **plan averages** based on:

- **Similar** plan designs
- **Similar** plan features
- **Similar** plan demographics

## Provider Request for Information (RFIs)

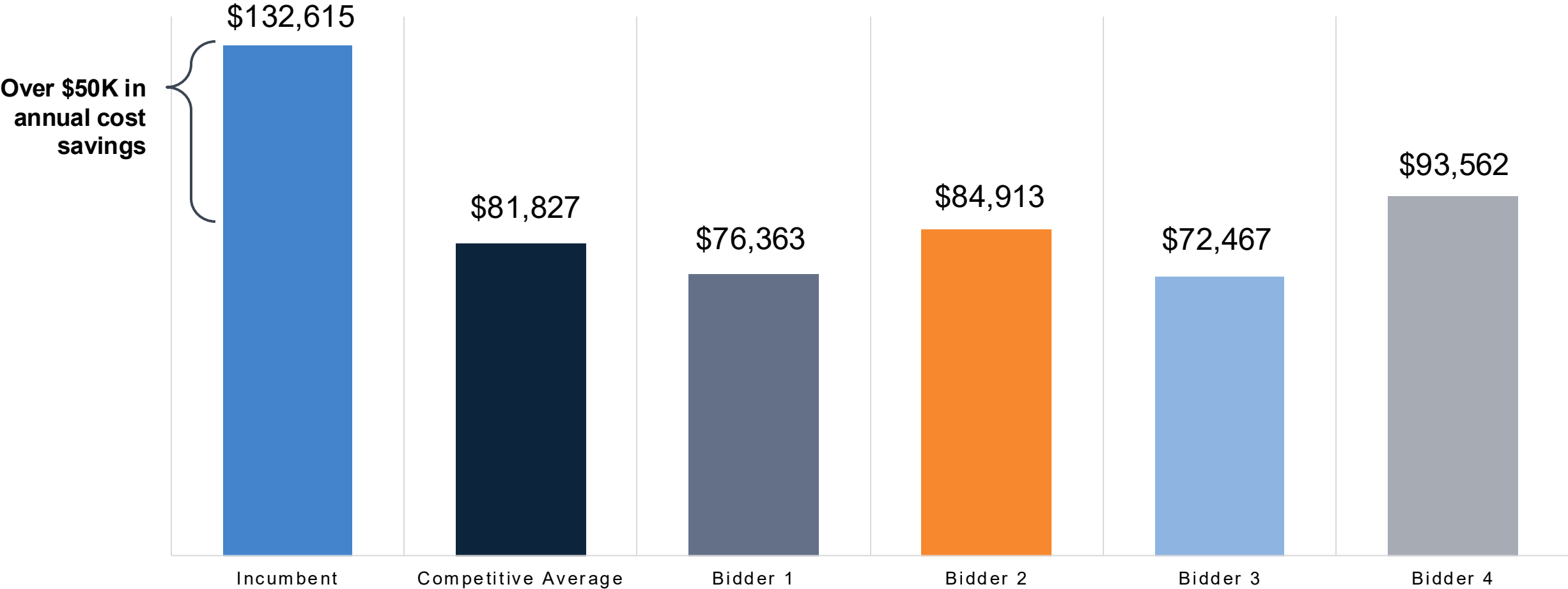
Derived from **provider bids** based on:

- **Your** plan design
- **Your** plan features
- **Your** plan demographics



# Example - Quantifying Indirect Revenue

## Recordkeeping Cost Comparisons



This hypothetical example is for illustrative purposes only.



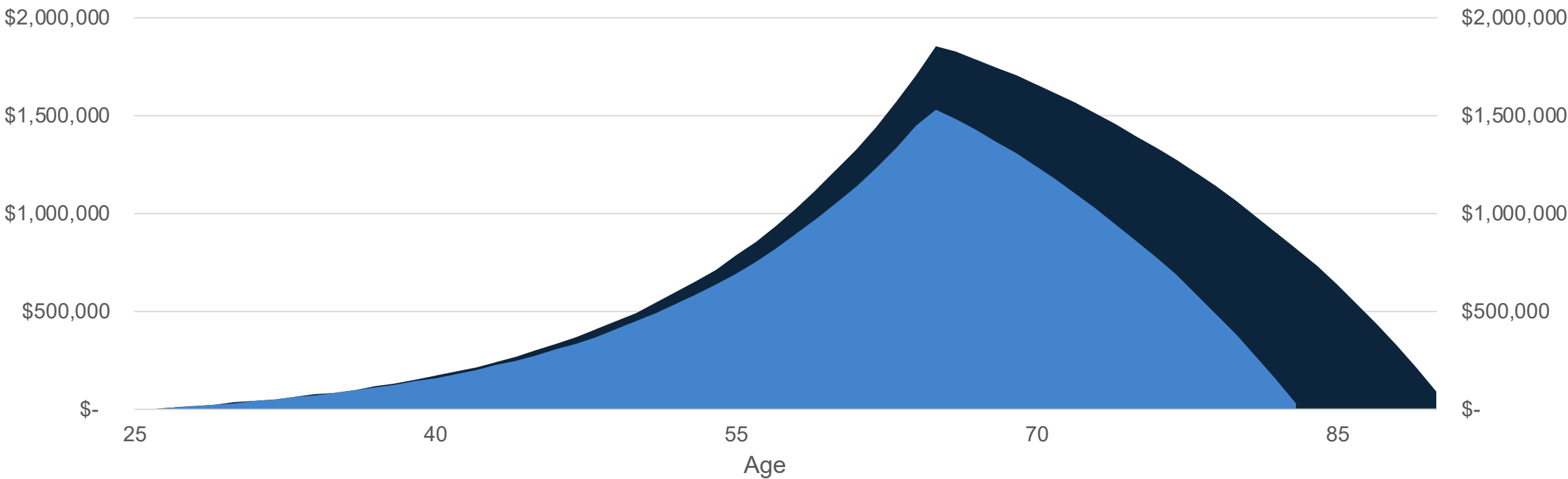
# Example – Quantifying Indirect Revenue

## Isolate and Quantify “Indirect / Hidden” Subsidies

Share Class	Year-to-Date Return	1-Year Return	3-Year Annualized Return	5-Year Annualized Return	Expense Ratio	Revenue Sharing
R3	19.79%	19.79%	7.05%	13.17%	1.14%	0.65%
R4	20.17%	20.17%	7.37%	13.50%	0.85%	0.35%
R6	20.58%	20.58%	7.74%	13.85%	0.50%	0.00%

This example is hypothetical and for informational purposes only and should be used to demonstrate the process for quantifying indirect revenue. This example does not represent any specific product.

# Impact of Share Class Savings



## Scenario Assumptions

	LCG Category Average	NFP LCG CIT	Difference
Expense Ratio <sup>2</sup>	1.00%	0.29%	-0.71%
Net Returns Before 65	7.00%	7.71%	0.71%
Account Balance at 65	\$1,566,536	\$1,857,738	\$291,202

# Areas of IRS Audit Focus

**Participation**

**Compliance with  
Plan Terms  
& Definitions**

**Internal  
Workflows  
and Controls**

**Compliance  
with Tax Codes**

**Non-  
Discrimination  
Testing**

# Areas of DOL Audit Focus



## Pre-Audit Strategies to Minimize Risks

- Confirm ERISA **standards** are being met
- Confirm **prudent processes** are in place
- Confirm **documentation** is being stored
- Consider **hiring experts**
  - Investment fiduciary – 3(21) or 3(38)



THE ULTIMATE COMPETITIVE ADVANTAGE

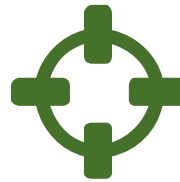
# Compensation & Benefits for Top Talent in Today's World



## The Challenges.



**The Cost of Delayed Retirement**



**The Cost of Replacing Key Employees**



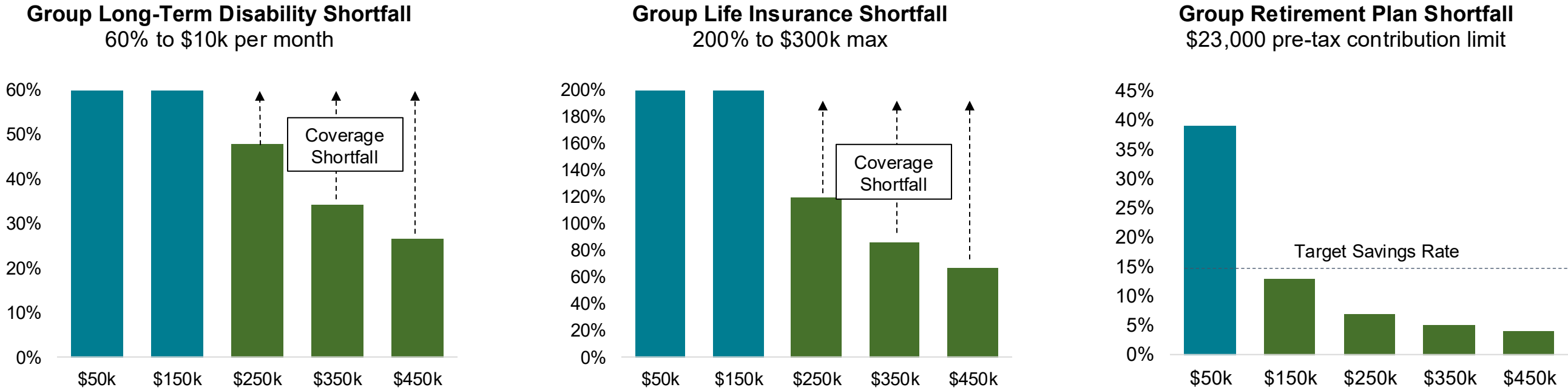
**Group Benefit Shortfalls**



# Benefit Equalization & Restoration

## Addressing the unintended shortfalls of group benefit & retirement programs

Whether by plan design, or by way of regulatory limitations, group benefit plans can cause unintended reverse discrimination against highly compensated employees. The regulatory limits on qualified retirement plans, and plan design caps on group disability and life insurance programs create shortfalls that decrease the effectiveness of these valuable programs.



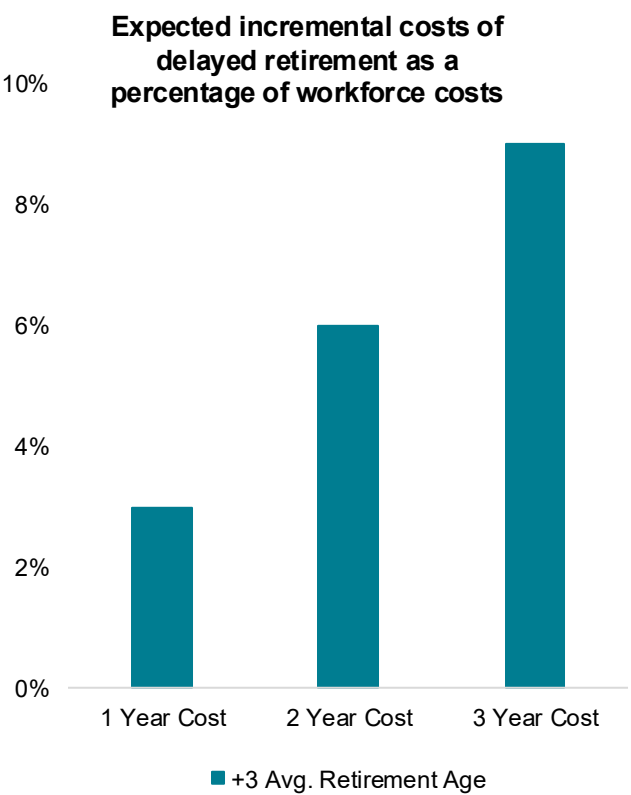
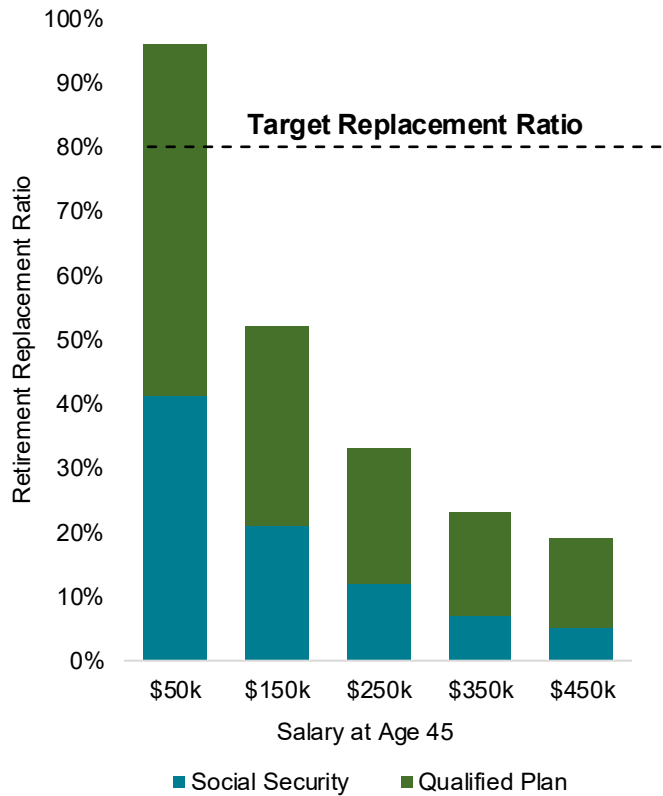
# Retirement Completion

## Addressing the Costs of Delayed Retirement

Regulatory rules restrict the amount of that can be contributed to tax-deferred plans, like a 403(b). A common rule of thumb is that retirees will need 70-80% of their final income to maintain their standard of living during retirement. Highly compensated employees may only be able to replace 30-50% of their salary — creating a Retirement Income Gap. Executive benefit solutions allow you to bridge the gap, giving you an essential recruiting and retention advantage.

*Executive age 45 contributes 10% of their pretax salary to a qualified plan. Employer matches \$0.50 of the first 6% contributed. Salary increases 3% per year and contributions are limited to the maximum allowed by law. Contributions grow tax deferred at 7% annual interest. At normal retirement (age 67), the account balance is paid out in 4% installments. Values shown include income from Social Security, and historical contributions to a 401(k), but assume no other sources of income. All values shown are hypothetical, are not guaranteed and for demonstration purposes only. They are not indicative of any security available for sale and your experience will be different from that shown here. Past performance cannot predict future results. Referenced Source: Prudential: Why Employers Should Care About the Cost of Delayed Retirements*

Even diligent after-tax savers may have trouble reaching a reasonable replacement ratio, which may result in delayed retirement.



In addition to the burden on the employee, delayed retirement has a significant impact on the total workforce cost of the employer.

# Recruiting, Rewarding & Retaining

## Build programs to creatively attract and retain top level talent.

In any employment environment, the direct costs to replace a highly compensated executive is estimated to be 200% of the annual salary associated with that position. If indirect expenses are considered, the total cost can increase to 400%. Considering the competitiveness of the upper end of employment market, attracting and retaining key employees is of utmost importance.

Sources: Society for Human Resource Management (SHRM) & Center for American Progress  
ROEI™: Return On Employee Investment™ How to Achieve It and How to Benefit From It;  
Sage HRMS White Paper

CEOs GLOBALLY		US CEOs	
Attract and retain talent	1	Attract and retain talent	1
Accelerate pace of digital transformation	2	Modify business model	2
Improve cash flow	3	Develop "Next Gen" leaders	3
Develop "Next Gen" leaders	4	Improve cash flow	4
Modify business model	5	Prepare for financial instability	5
Streamline processes	6	Employ mergers, acquisitions, divestitures	5
Focus more on sustainability	7	Streamline processes	7
Become more customer-centric	8	Accelerate pace of digital transformation	8
Lower costs	9	Mitigate cyber risk	9
Prepare for financial instability	10	Become more customer-centric	10

Note: 917 CEOs responded globally.  
Source: The Conference Board® C-Suite Outlook 2022



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