



**Advisors to retirement programs, nationwide.  
Since 1981.**



# Is Your Retirement Plan Best in Class?

Presented by:

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# The Mission



**All hard working people should retire with dignity**

# The benefit why

- **80%** of workers would keep a job with benefits rather than take one that offered more pay and no benefits ([American Institute of CPA](#))
- **78%** of workers would likely remain with their employer because of the benefits it offers, up from 72% in 2016 ([WTW](#))
- **68%** of employees did not choose salary as the most important factor to inform their decisions to take or reject job opportunities ([Lexington Law](#))



# Let's talk about THEM

What does retirement look like to your employees?

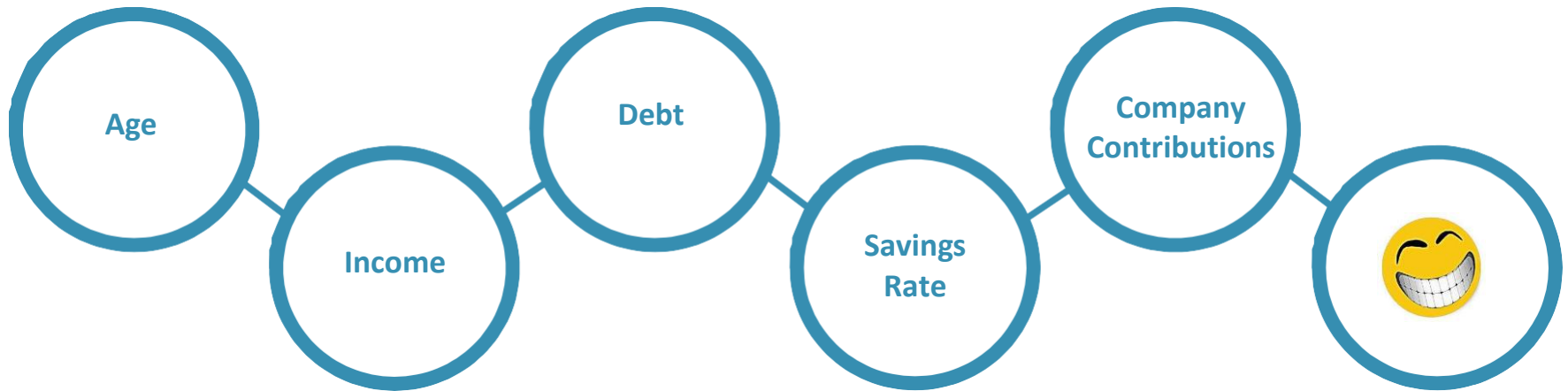


# Fiduciary Duties

## ERISA requires a fiduciary to discharge its duties:

- **Solely** in the interests of participants and beneficiaries (the duty of undivided loyalty)
- For the exclusive purpose of **providing plan benefits**, or for defraying reasonable expenses of plan administration (the exclusive benefit rule)
- With the care, skill, prudence and diligence that a **prudent person** acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims (the prudent expert rule)
- By diversifying the plan's investments to **minimize the risk of large losses** (the duty to diversify investments)
- **In accordance** with the documents and the instruments governing the plan

Connect the dots to *THEIR* ideal retirement...



**...control cost and build better benefits**

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# Significant environmental & industry trends are impacting benefits and workforce decisions...



## Demographics/ workforce changes

- 4-5 generations working side by side, creating diverse cultures, needs, and preferences for engagement
- 10K baby boomers retiring each day<sup>4</sup>
- Millennials are largest generation in American workforce<sup>5</sup>



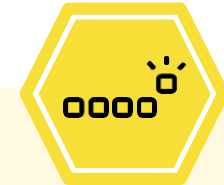
## People are living longer

- Most Americans underestimate their life expectancy and this can create a savings gap
- In nearly two-thirds of married 65-year-olds, at least one spouse will live to age 90 and nearly 2 in 5 will live to 95<sup>2</sup>
- Women live an average of 2.5 years longer than men<sup>3</sup>



## Retirement plans increasingly do not provide guaranteed lifetime income

- Shift from defined benefit to defined contribution plans<sup>1</sup>
- Popular target-date funds do not provide guaranteed income
- Income gaps likely for many in retirement



## Regulatory focus on retirement income

- Incentive for employers to adopt auto enrollment/auto escalation safe harbors (PPA)
- DOL asked to create QDIA safe harbor (PPA)
- SEC issues proposals on standards of conduct for investment advice

1. The percentage of workers in the private sector whose only retirement account is a defined benefit pension plan is now 4%, down from 60% in the early 1980s. ([https://money.cnn.com/retirement/guide/pensions\\_basics.money/mag/index7.htm](https://money.cnn.com/retirement/guide/pensions_basics.money/mag/index7.htm); Employee Benefits Security Administration, Private Pension Plan Bulletin Historical Tables and Graphs 1975-2014, tables E1 and E7, 2016).
2. These data are based on calculations for non-smoking individuals with average health using the Actuaries Longevity Illustrator developed by the American Academy of Actuaries and the Society of Actuaries, available at [www.longevityillustrator.org](http://www.longevityillustrator.org).
3. U.S. Census Bureau, 2015 Projections at Birth.
4. Landau, Joel. "Health-Care Dilemma: 10,000 Baby Boomers Are Now Retiring Each Day." CNBC, 3 Oct. 2017. [cnbc.com/2017/10/03/health-care-dilemma-10000-boomers-retiring-each-day](http://cnbc.com/2017/10/03/health-care-dilemma-10000-boomers-retiring-each-day).
5. Pew Research Center. "Millennials are the largest generation in the U.S. labor force," 11 April 2018. [pewresearch.org/fact-tank/2018/04/11/millennials-largest-generation-us-labor-force/](http://pewresearch.org/fact-tank/2018/04/11/millennials-largest-generation-us-labor-force/).

# ...and creating challenges for plan sponsors



**Creating relevant benefit programs that are appreciated by today's workforce**



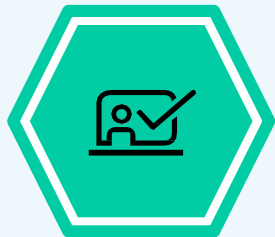
**Helping employees make educated financial decisions**



**Offering products and services that promote retirement readiness with lifetime income**



# Helping employees make educated financial decisions



## **Solution**

A holistic approach to help employees balance short- and long-term financial needs



## **Best Practices**



Understanding what motivates employee financial decisions



Offer easy-to-use financial well-being tools and access to personalized, 24/7 financial advice

# Your Employee's Risk Today

During accumulation phase

Market Risk

Longevity Risk

Inflation Risk

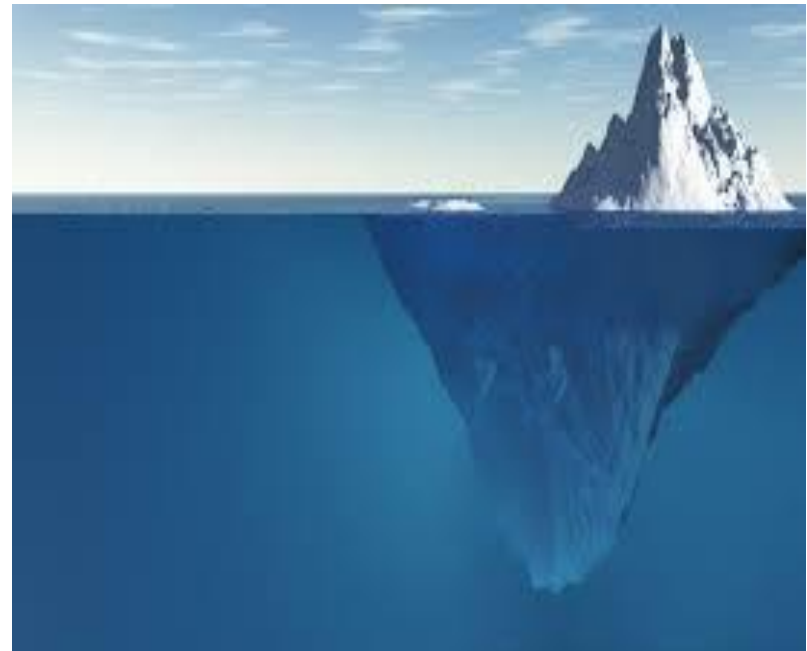
Transition Risk



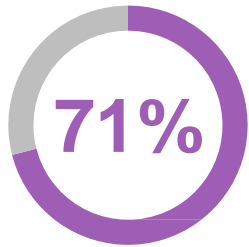
# Tomorrow's Risk

**Deploying your savings to generate retirement income**

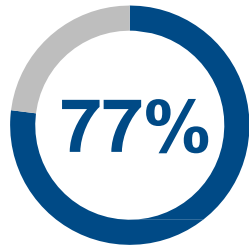
- Withdrawal Rate Risk
- Longevity Risk
- Market Risk
- Inflation Risk
- Health Risk
- Spending Risk



# Advice matters



of Americans are interested in getting advice.

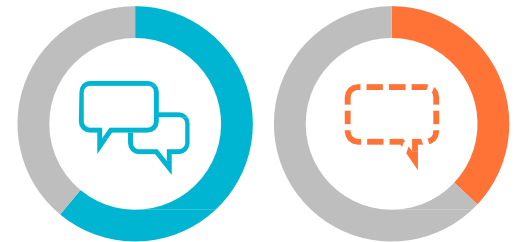


of those who have met with a financial advisor regret not seeking help sooner.



**Three in four Americans** say they would be more likely to consider a job **if no-cost financial advice were offered.**

**Investors who have received advice are more confident** **(61%)** about their financial situation than those who have not **(37%).**



Source: The TIAA 2016 Advice Matters Survey was conducted by KRC Research online among 1,000 adults, age 18 years and older living in the United States, from Aug. 10 to Aug. 15, 2016. The sample was proportionally obtained by demographics such as age, gender, region and income to promote reliable and accurate representation of the national population age 18 and older.

# What makes a retirement plan best in class?



# Components

1. Coverage – do we have one?
2. Contributions – how much?
3. Investments – where do we put it?
4. Governance – who will oversee it?
5. Measure – how will we measure success?



# Coverage

- Who
- What



# Contributions

## Types

- Company
- Employee
  - Pre-tax
  - Roth
  - Catch-up



# Investments

- Mutual Funds
- Target Date Funds
- Managed Portfolios
- Allocation Models
- Income Solutions





# Governance

**A corporate governance structure using committees allows a company to:**

- Comply with ERISA's fiduciary duties,

*Committees are able to oversee the control, management and administration of employee benefits programs .*

- Manage benefit costs and risks and support the business strategy

*Better access at an organizational level to information about the benefits can help in the management of benefit costs and risks and ensure that the benefits are used to support the overall business strategy.*

# Governance

**Two basic types of fiduciary functions performed by the Named Fiduciary and Plan Administrator:**

- Investment functions
- Administrative functions

**Do we outsource these?**

# What makes your retirement plan best in class?





# Measure

How do you  
measure  
success?



# Retirement Plan Solutions

Optimizing Outcomes through Plan Design

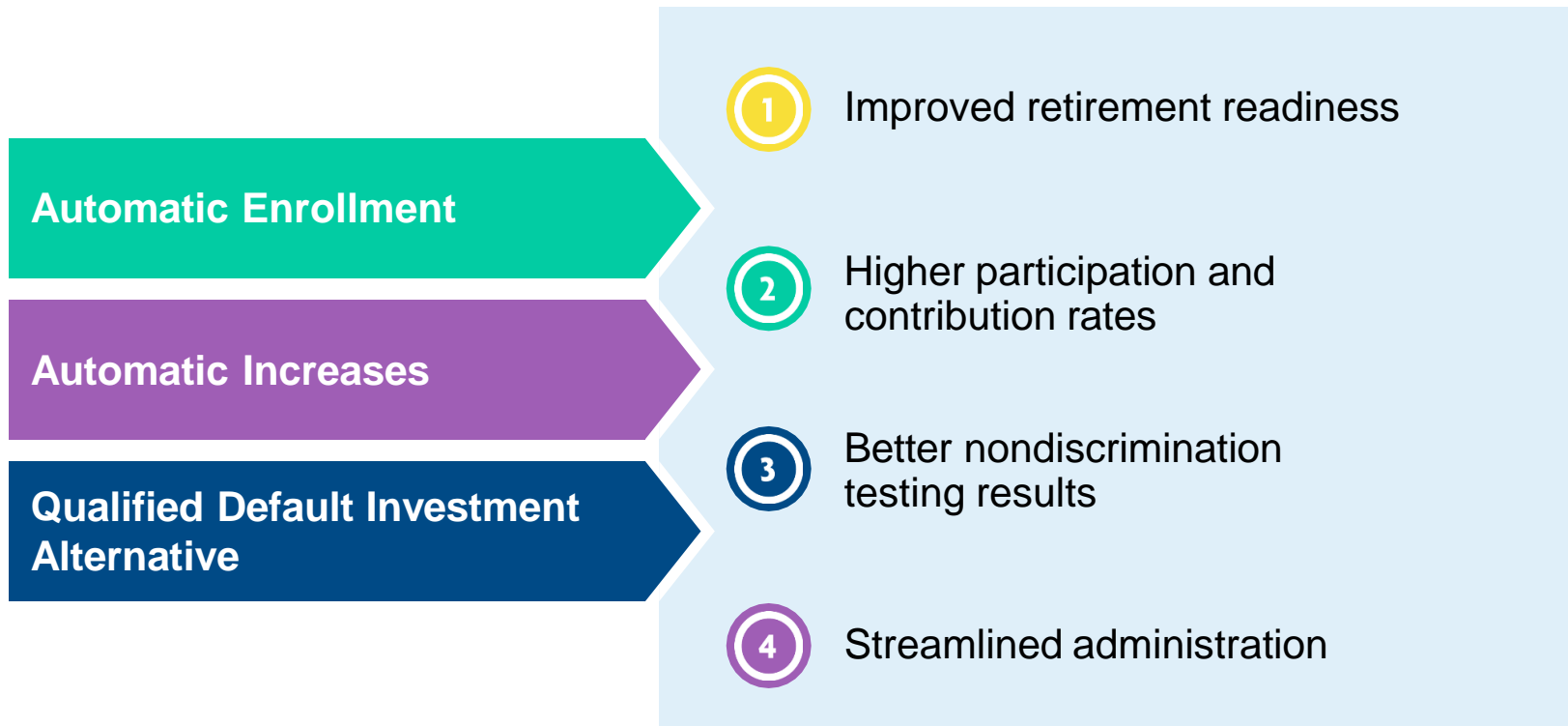
- Automating Success
  - Auto enroll
  - Auto Escalate
  - Auto Re-enroll
- Extracting the Most Tax Benefit
  - Offer Roth



**Reduce Plan Leakage**

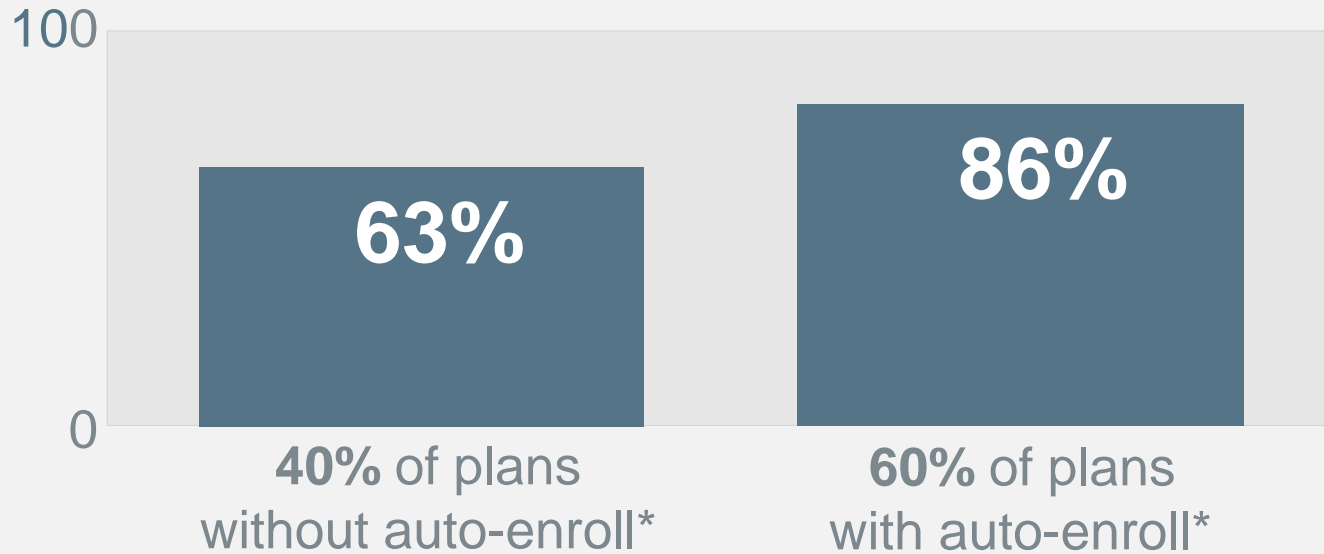
**Maximize the Value of the Company Contribution**

# Top four potential benefits of automatic services



# Automating Success

## Participation Rates\*



Aon/Hewitt 2016 Universe Benchmarks.

# Auto Solutions Work

Percent of eligible employees with a potential income replacement ratio of at least 70%

*No auto features*

**53%**

Employee initiated participation

*Auto-enrollment*

**67%**

Employer auto-enrolls participants at 5%

*Auto-increase*

**73%**

Employer auto-enrolls participants at 5% and annual increases deferral rates by 1%

# Automating Investment Selection

- Qualified Default Investment Alternatives
  - Target Date Funds (TDFs)
  - Managed Accounts
  - Balanced Funds
- Auto-Enroll Driving TDF Growth\*
  - 71% of AE plans default to TDFs
- Allocations to TDFs Vary by Age\*
  - 42% of participants in their 20s
  - 15% of those in their 60s
- Managed Accounts\*\*
  - Offered by 34% of all plans
  - QDIA option for 18% of Mega Plans



\* 2016 Investment Company Fact Book, Investment Company Institute, 5.4.2016.

\*\* Cerulli Edge, US Retirement Edition-, 1Q 2017



# Extracting the Most Tax Benefits - Roth (After Tax) Contributions



**60%**

**Plans with Roth Feature\***



**15%**

**Participants Contribute to Roth\***



**77%**

**Households that Pay 15% in Federal Income Tax or Lower\*\***



**Auto Enroll Low Wage Earners into Roth Account**

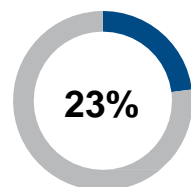
\* <http://money.usnews.com/money/retirement/articles/2016-08-22/seldom-used-features-of-401-k-plans>.

\*\* <http://www.marketwatch.com/story/45-of-americans-pay-no-federal-income-tax-2016-02-24>.

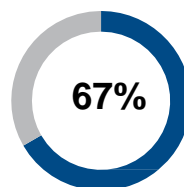
# Plan design insights in the not-for-profit market

## Plan Design<sup>1</sup>

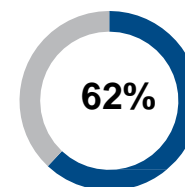
Plan Type	%
403(b)	75%
401(k)	20%
401(a)	15%
457 (top-hat)	45%
DB	31%



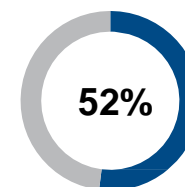
offer automatic enrollment



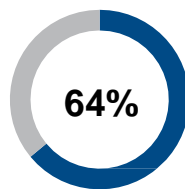
average participation rate in plans that use automatic enrollment, compared to 45% in those that don't



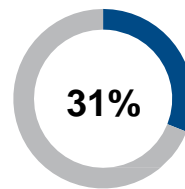
use a sole recordkeeper



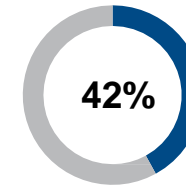
offer guaranteed investment options



offer advice



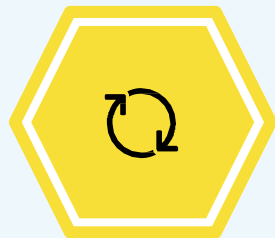
offer employer matching contributions



offer employer flat % contribution

1. Source: "Spectrem Group - Voice of the Investor." Not-for-Profit Sector. Spectrem Group, May 2019, spectrem.com.

# Offering programs that promote retirement readiness



## Solution

A hybrid approach using strategies that promote lifetime income and engagement



## Best Practices



Add investment options that can generate lifetime income



Consider adding innovative custom default products



Adopt automated plan services that offer effective, simple approaches to increase participation



# Is Your Plan Best in Class?

- ✓ Identify – what you want to do
- ✓ Assess – population and understand what you are solving for
- ✓ Build a Solution

# Blurred Line



ESSENTIAL



LIFESTYLE



HEALTHCARE

Healthcare planning, or lack thereof, can directly impact YOUR retirement.

# A new way of viewing HSAs

**75% of employers** view HSAs as part of their **retirement benefit** offering







# YOUR Healthcare Cost In Retirement

- Healthy 65 yr-old couple
- Can expect to spend **\$266,600-\$288,000** in retirement on Medicare premiums
- Does **NOT** include out-of-pocket expenses or long-term care

# HSAs Distribution Efficiency

Need **\$245,000** for Healthcare, **25%** Tax Bracket

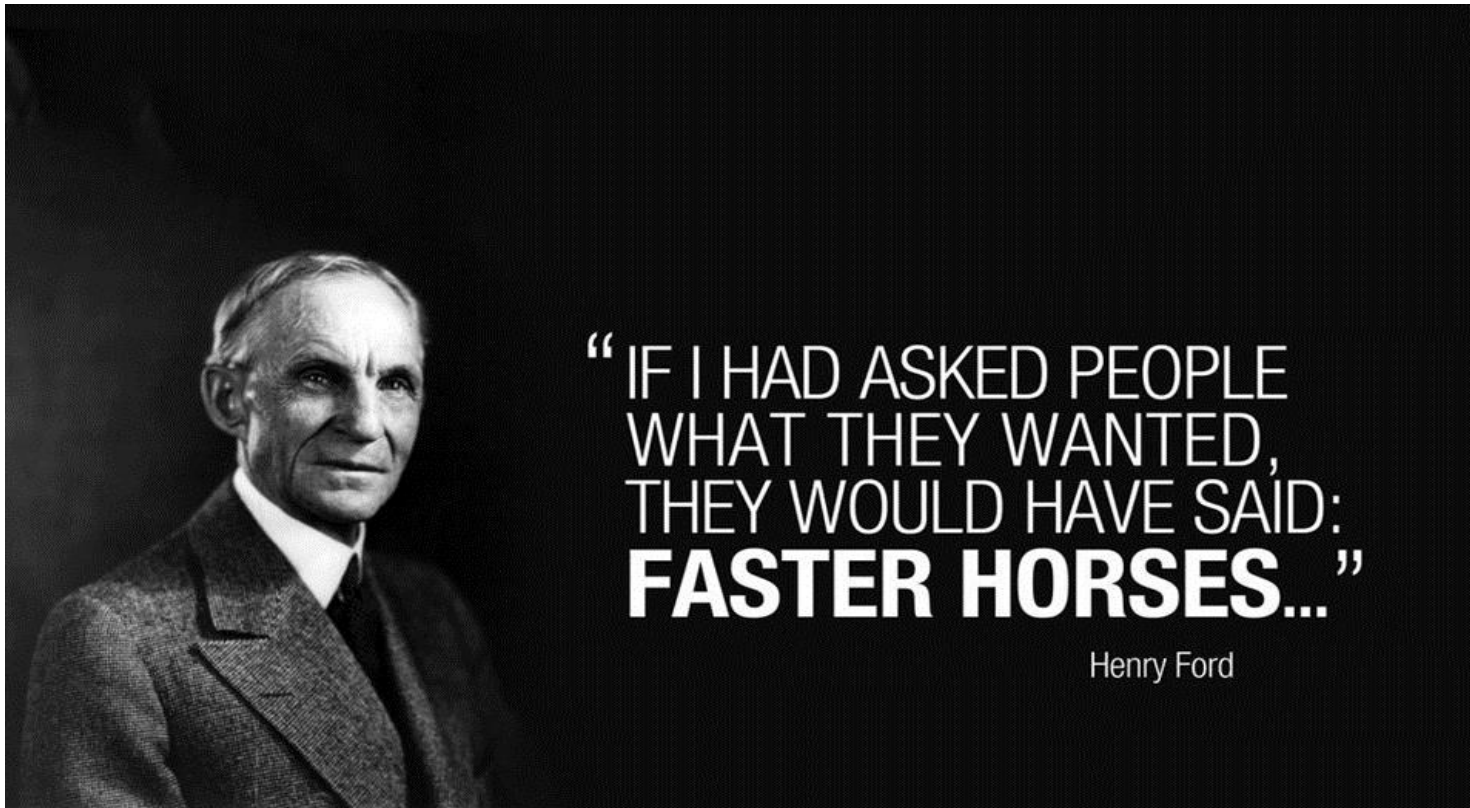
401(k) needs to equal **\$306,250**

HSA needs to equal **\$245,000**

## YOU Saved \$61,250



# Problem Solver



# Contact Information

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