

# YEAR-END WRAP-UP: EVALUATING THE EFFECTIVENESS OF YOUR COMPANY'S RETIREMENT PLAN

Measuring your retirement plan's data provides key information to help increase its competitiveness, which can be extremely helpful in today's labor market.

An effective, competitive retirement plan enhances your ability to recruit and retain top talent while allowing you and your employees to save for the future. It also offers tax advantages and other incentives that help make the plan a valuable benefit for everyone.

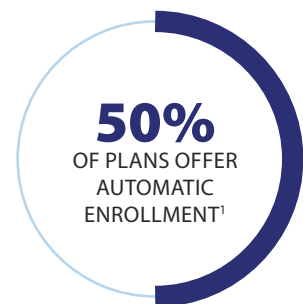
## HOW DO YOU KNOW YOUR CURRENT RETIREMENT PLAN DESIGN IS EFFECTIVE?

Benchmarking is a simple way to determine your plan's effectiveness. Gathering relevant plan data, which you should do regularly, can inform comparisons to other plans of a similar size in your industry.

Comparing your plan against industry benchmarks can help you assess how your current plan design stacks up and determine opportunities for improvement.

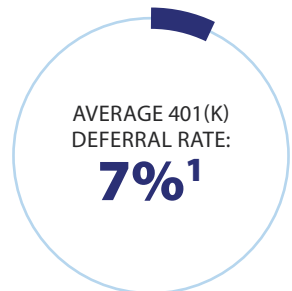
## PARTICIPATION RATES

Your plan's participation rate – the number of eligible employees making voluntary contributions – is a good measure of plan performance and how much of your workforce is actively saving for retirement.



## DEFERRALS

By tracking deferral rates – the percentage of income your employees are contributing to their retirement accounts – you can determine if they're saving effectively for retirement.



## ASSET ALLOCATION

Your participant's asset allocation – how their savings are distributed across asset classes, such as stocks and bonds – can help you gauge their investment knowledge and how they might react to market volatility. Ready-made diversified portfolios available in target date funds help improve asset allocation appropriateness for a participant's specific age and stage of life.



## LOAN ACTIVITY

Loans afford participants the flexibility to access their plan savings before retirement without paying income taxes or penalties. While this can be helpful and even raise contribution rates, loans also come with risks, including potentially reduced investment returns and repayment penalties.



## TERMINATED AND MISSING PARTICIPANTS

When participants terminate and cash out, or worse yet, go missing and lose track of their account, it puts their future retirement security in jeopardy. Plan requirements can be modified to encourage asset retention.



**\$1.4 BILLION**

= Assets recovered on behalf of missing or non-responsive participants in 2020<sup>2</sup>

## HOW CAN WE GET STARTED?

Employers have a small window, known as a Cycle 3 restatement, to update plan documents with new design preferences and recent legislative and/or regulatory changes. The deadline is July 31, 2022.

That means that now is an opportune time to benchmark and reevaluate your plan's fees and effectiveness and consider updating certain features, including adding Roth contributions, auto enrollment, auto escalation, safe harbor provisions - and more.

**HAVE QUESTIONS ABOUT  
BENCHMARKING AND PLAN  
DESIGN MODIFICATIONS?  
CONTACT US.**



**Jerome Pfeffer, CRC**

Managing Director

**INVESTMENT SOLUTIONS GROUP**

6020 Academy NE, Suite 206

Albuquerque, NM 87109

(505) 888-4015 Direct

(505) 515-0036 Fax

Jerome.Pfeffer@lpl.com

**www.investmentsolutionsgroup.com**

Securities and Advisory Services Offered Through LPL Financial. A Registered Investment Adviser.

Member FINRA / SIPC.

An investment in a target date fund is not guaranteed at any time, including on or after the target date, the approximate date when an investor in the fund would retire and leave the workforce. Target date funds gradually shift their emphasis from more aggressive investments to more conservative ones based on the target date. All investing involves risk including loss of principal.

This information was developed as a general guide to educate plan sponsors and is not intended as authoritative guidance or tax/legal advice. Each plan has unique requirements and you should consult your attorney or tax advisor for guidance on your specific situation.

© 401(k) Marketing, LLC. All rights reserved. Proprietary and confidential. Do not copy or distribute outside original intent.

<sup>1</sup> Vanguard. How America Saves 2020. June 2020.

<sup>2</sup> Moore, Rebecca. "DOL Offers Guidance for Locating Missing Participants." PLANSPONSOR. Jan. 13, 2021.