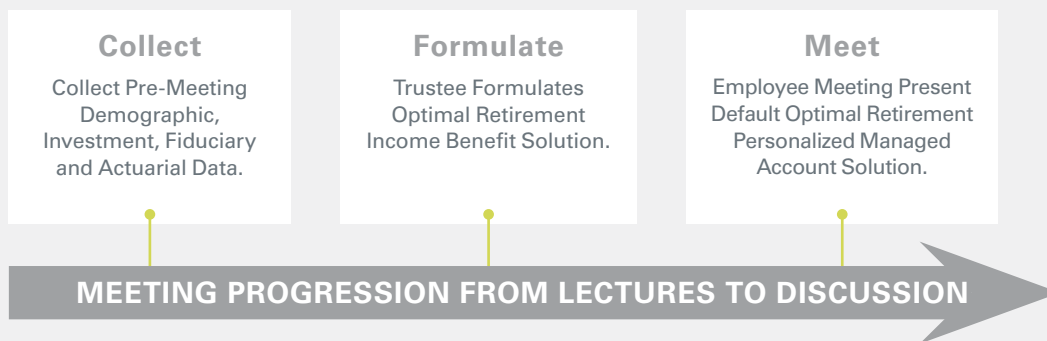


EMPLOYEE ENROLLMENT MEETINGS

Progressing From Boring Standard Lectures to Individualized Goal Oriented Discussion

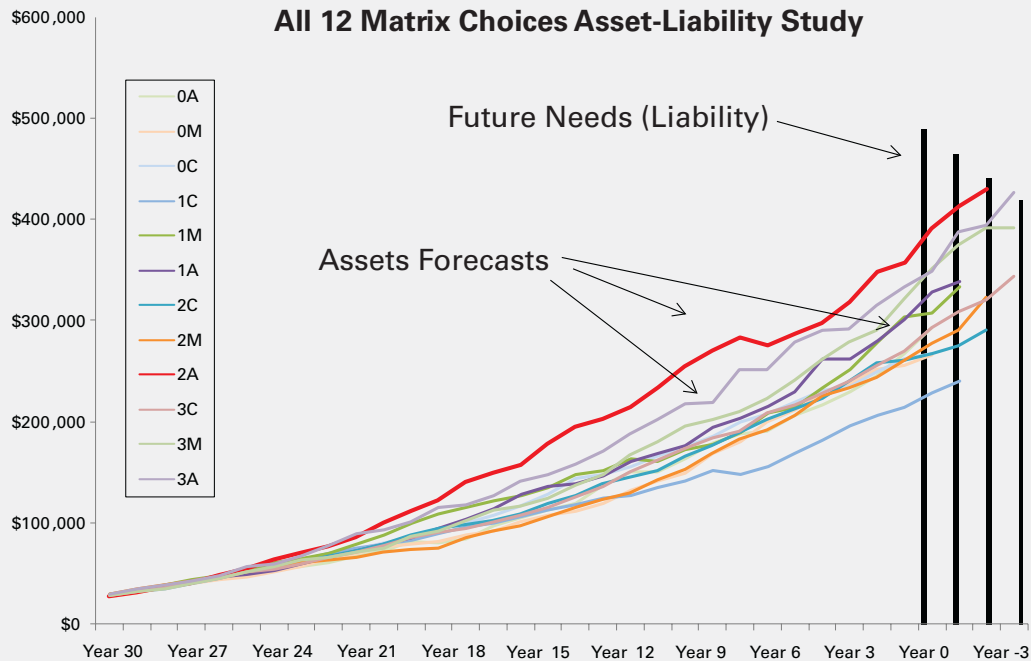


Historically, a routine and often boring enrollment meeting is held shortly after a company establishes its 401(k) plan (and commonly periodically thereafter for new entrants). Some workers are motivated to attend, pay attention and make good decisions but most are overwhelmed by all the choices they must make. No doubt efficient employee communication is needed to help the participants understand the way their plan works and help satisfy the disclosure and compliance requirements under ERISA. It is also needed to effectively promote the 401(k) plan.

Generally the enrollment meeting occurs over an hour and then the plan sponsor and retirement plan advisor spends the next 25 years trying to get plan participants to make better decisions.

Approximately one-third of eligible workers do not participate at all in their employer's 401(k) plan. Studies suggest that automatic enrollment plans could reduce this rate to less than 10 percent, significantly increasing retirement savings. Congress recognized this and, in 2006, tried in PPA to create an "automatic 401(k)" by adding automatic enrollment, possible escalators of annual savings and the Pension Protection Act (PPA) default into an age-based target date fund. However, for most participants this was still an inadequate solution. The automatic enrollment should be taken further to a "personalized managed account solution" and presented as the default pathway.

This approach should recognize the purchase of retirement income is the largest financial transaction participant's will make in their lives and it must be handled at a professional level. The plan fiduciaries should gather important investment, actuarial, compensation and demographic participant data prior to the enrollment meeting.



Next the trustee should calculate the retirement solution whereby the forecasted asset and liability match each other (“fully funded”) for each participant. The trustee must manage the liability as well as the asset. This means the trustee, must look at a decreasing magnitude of liabilities past the normal retirement date to find a fully funded solution. This should be then presented individually to the participant in the enrollment meeting while assuring his or her privacy. The optimized solution is presented as a default pathway and next the fiduciaries should calculate the retirement solution whereby the forecasted asset and liability match each other (“fully funded”) for each participant. The trustee must manage the liability as well as the asset. This means the trustee, absent specific instructions from the plan participant, must look at a decreasing magnitude of liabilities past the normal retirement date to find a fully funded solution. This should be then presented individually to the participant in the enrollment meeting while assuring his or her privacy. The optimized solution is presented as a default pathway and QDIA.

Participants can provide additional information in the enrollment meeting concerning risk tolerance, retirement age, outside assets or other retirement factors that would impact their personal retirement solution. In such cases, a new solution would be derived for the participant by the plan fiduciary and presented at a later date. It should be recognized that this would be a minority of participants, for the vast majority, the pure default pathway retirement income solution becomes their de facto financial plan. Participants should be able to give additional information in the enrollment meeting concerning risk tolerance, retirement age, outside assets or other factors that would impact their personal retirement solution. In such cases, a new solution would be derived for the participant by the plan fiduciary and presented at a later date. It should be recognized that this would be a minority of participants, for the vast majority, the pure default pathway retirement income solution becomes their de facto financial plan.

The enrollment experience should present a solution that has been developed prior to the meeting. This should be done for each plan participant individually and on a quarterly basis going forward. The goal and process is formalized in the plan’s Benefit Policy Statement (BPS).