

PLAN SPONSOR Q&A

Q: There are a few accounts in our 401(k) plans that belong to people we can no longer find. They moved and didn't give us a forwarding address. We plan to terminate our plan, which makes it even more important that we find these "lost" participants. What can we do?

A: The Pension Benefit Guaranty Corporation (PBGC) may be able to help. Although the PBGC is primarily about safeguarding DB plan benefits, they said in December 2017 that they will now grant access to their missing-participant database to defined contribution plans terminating in 2018 or later, and to affected participants. That's good news for you and others with terminating plans, but unfortunately it does not address unlocated participants from ongoing plans. Beginning January 1, 2018, sponsors of terminating DC plans may transfer the accounts of "lost" participants to the PBGC, rather than to a financial institution IRA. The accounts will not be diminished by fees, and instead interest will be paid on the account balance when the participant is located. By having a central location for participant accounts, it is expected that it will be easier for participants to find their money. Read more here: <https://www.pbqc.gov/prac/missing-participants-program>.

Q: We are considering adding auto-enrollment to our 401(k) plan, and have seen many reports about the benefits of doing so. There seems to be no downside. Is that true?

A: Let's start by saying that the upside of using auto-enrollment (and auto-escalation) features in a 401(k) plan are considerable. Participants in plans that use auto-enrollment seldom opt out, even when they are enrolled at 6%-10% of pay. This has resulted in many new participants saving for their futures. Recently, though, a study was done that suggests people who are automatically enrolled in their plan may take on more debt than they would have otherwise. According to an article on financialadvisoriq.com, the study's co-author, James Choi, a professor of finance at the Yale School of Management, said that employees who were auto-enrolled had \$1,563 more in consumer and automobile debt than those hired before auto-enrollment, and they owed \$4,131 more on their mortgages. Those figures amount to more than the additional \$3,237 on average saved by the workers who were auto-enrolled. Please don't let this information discourage you from adding auto-enrollment. Rather, use it to inform your plan communication efforts. If you address budgeting, debt and other financial wellness topics, you may be able to offset any negative impact participants could experience.

Q: We are thinking about improving our financial education for employees, in hopes that it will have a positive effect on savings rates. The problem is finding topics that interest our employees. What are other companies doing?

A: You are right that general financial education, in addition to education specific to the 401(k) plan, can encourage employees to save more for retirement. Topics like budgeting, debt management and reduction, and finding ways to save on household purchases may allow employees to feel more confidence in contributing more of their income to the plan. In turn, that can lead to improved retirement readiness. It's wise to consider employee interests when selecting topics, because there is some disconnect between what employers think is important for employees to know, and what employees *really* want to know. For example, 81% of employees want more education about how to obtain life insurance, but only 68% of employers thought they would. 47% of employees want to know about saving for children's education, compared to 24% of plan sponsors. And refinancing or paying off student debt is on the minds of 46% of employees, but just 18% of employers said it was



important. You might consider an employee survey to identify the financial topics that are truly on the minds of your employees. That way, you may get greater participation in the sessions—as well as in the 401(k) plan.

Read more in the Aight 2018 Hot Topics in Retirement and Financial Wellbeing report, here:
<https://tinyurl.com/Aight2018HotTopics>



ANDREW BAYLISS

Vice President | Retirement Services

Marsh & McLennan Agency LLC

Andrew.Bayliss@MarshMMA.com

Tel: 617 587-2342 | Mobile: 617 460-1541