

Items your annual retirement plan review may be missing

As a plan sponsor, you are no stranger to the annual retirement plan review. Although you may meet quarterly or semi-annually with your advisor, a yearly plan assessment is an opportunity to evaluate the health of your plan.



Many times, the focus of an annual review has to do with investments and fund line-ups; and while this is important and should absolutely be addressed, your review should go further. In this article, we are going to discuss a few not-so-common items to add to your [annual plan review checklist](#). Your review should assess five major areas: plan design, retirement readiness, fiduciary oversight, service provider due diligence, and investment due diligence.

Plan design

When discussing plan design, it is important to evaluate 3 key demographics: participation rate, deferral rate and diversification. If your plan suffers from low participation and deferral rates, as well as poor participant driven investment decisions, you are not alone.

<p>1 Participation Rates</p>	<p>90% Auto-enrollment</p>	<p>79% Voluntary enrollment</p>
<p>2 Deferral Rates¹</p>	<p>10-15% Industry recommendation</p>	<p>6.2% Average deferral rate</p>
<p>3 Diversification¹</p>	<p>90% Balanced investment strategy for those auto-enrolled</p>	<p>Not applicable</p>

Assessing your company's annual rates could shine light on auto features that may enhance your plan design. Implementing options such as auto-enrollment, auto-escalation, and target-date or QDIA defaults may combat the common obstacles mentioned above.

Retirement readiness

At the end of the day, the purpose of your plan is to prepare your employees for their ultimate goal of retirement. The design of your plan can help your participants prepare via defaults and automatic features, but can you do more to motivate and educate them?

Fiduciary oversight

Your annual review is a great opportunity to pop open your fiduciary vault to organize, review and update your plan documents. The documents may include:

- Investment Policy Statement (IPS)
- Education Policy Statement (EPS)
- Retirement plan charter
- Plan documents and annual filings
- Service agreements

Service provider due diligence

While assessing the fees and services that each service provider offers, don't forget to ask about new services and technologies. Tech develops quickly these days and your service providers may have updated websites, mobile apps and reporting software. Ask what is new and developing and if it has an impact on plan fees. Another question you may consider is how the fiduciary rule may affect your vendor relationships and if there are any conflicts of interest they need to disclose.

Investment due diligence

One of the costliest fiduciary missteps you can make is having an Investment Policy Statement (IPS) and not following it. It was listed previously in the fiduciary oversight section, but is well worth another mention. A, I, R, S, B, C, F. Listing the options for investment share classes may look like the letters you select during a Wheel of Fortune bonus round; but, they do matter and should be discussed during your annual meeting.

Looking ahead

It is just as important to look ahead during your annual review as it is to look back on the previous year. Use this opportunity to set goals for the plan and put them on a timeline. Consider adding them to your quarterly or semi-annually meeting agendas to help you stay on track.

¹ Vanguard. "How America Saves." June 2017.

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