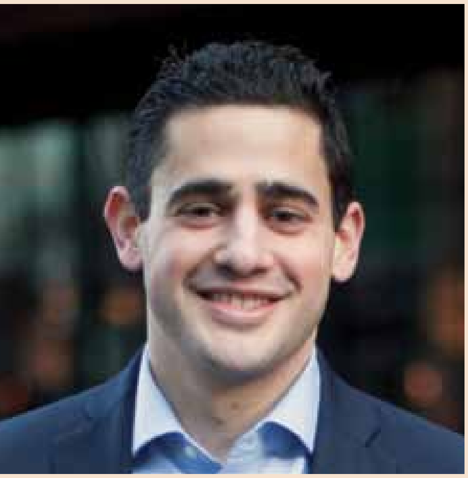
what's working | 401(k) plan advice and education



Alex Assaley

Three years ago, about 58% of Calibre CPA Group LLC's employees were participating in the company's 401(k) plan profit-sharing plan. The Bethesda, Maryland firm had used the same 401(k) advisor and administrator for several years.

"We knew we needed more," said Glenn M. Eyrich, a partner and retirement plan trustee. "We needed a better website interface and consulting services, and especially better education. The educational component needed improvement."

Calibre has about 115 employees, including 85 professionals who are often performing audits at clients' worksites. Besides its Bethesda headquarters, the firm has an office in Chicago, Illinois. Eyrich said that at least 50% of employees are under the age of 30—young certified public accountants and auditors hired straight from college who are working on their CPA designation.

"We know that on the retention side, it's very important to have a good 401(k) plan and, with that, good participation," he said.

Calibre had done employee benefit seminars with AFS Financial Group in the past, and in late 2010 hired the firm to help improve Calibre's retirement program and financial education. Since then, the retirement committee has gone through a comprehensive 401(k) vendor analysis that resulted in hiring Mass Mutual as the plan's new administrator/recordkeeper. The plan started enrolling new employees automatically and retooled investment options, adding target-date funds to the lineup. Education about the plan and around saving, investing and basic financial and retirement planning is better targeted toward Calibre's workforce.

Enrollment in the 401(k) plan as of June 30 had grown to 74%. Alexander G. Assaley III, advisor for corporate retirement plans for AFS, hopes participation will rise closer to 90% by early 2014 and that ongoing education is resulting in higher savings rates and wiser investment choices.

Another measure of a 401(k) plan's success is how many participants borrow from their 401(k) accounts. The loan rate averages 23-24% for most plans, while Calibre's 401(k) loan rate has steadily declined over the past three years and is at 6%, perhaps because of education about the pluses and minuses of taking out loans, Eyrich said.

Twice a year, AFS advisors meet with the retirement committee for a midyear checkup. Early on, it recommended an administrator vendor analysis—something AFS recommends plan sponsors do every three to five years, Assaley said. From among 40 or so top-tier administrator/recordkeepers, "we had a short list of seven we felt would be good alternatives" to compare against Calibre's vendor at the time.

"When we do a vendor analysis, we look at six things—recordkeeping, cost, technology, communication, investment management and compliance—and we essentially benchmark each vendor across those areas," he said.

Different organizations have different needs, Assaley said. For a large labor organization whose plan participants are working different shifts, the ability to offer on-site education to each shift might be especially important. An organization whose employees are paid based on their time on the clock may find it important that a vendor have a brick-and-mortar office employees can visit on a day off.

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For Calibre, "one of the enhancements of transitioning to Mass Mutual was an improved, interactive and engaging employee website," Assaley said. Also, administrative costs dropped by 15%, a savings passed on to employees in the form of lower investment expenses.

Calibre made another significant change by introducing autoenrollment in January 2013, which so far has boosted participation by a few percentage points.

"We are big proponents of autoenrollment," Assaley said. "Employees, not only at Calibre but across the country, have so many things going on in their daily lives, between work responsibilities and their personal lives and families, that it's challenging to get someone to fill out a stack of paperwork to get into a 401(k) or profit-sharing plan. Automatic enrollment has been a trend since it became prominent in 2006, when the Pension Protection Act was passed. Now you see it in a lot of plans—probably in one-half of all Fortune 500 plans. It's not right for everybody, but it takes the downside of inertia and makes it a positive by saying: 'We believe that retirement is important and therefore we want you to get into the 401(k) plan, so we automatically enroll you. If you don't want this to happen, all you need to do is return this one-page form. Otherwise, you're going to go in automatically at 6%.' "

The Calibre retirement committee is discussing whether to take the plan's automatic features to the next level—automatic escalation of contribution rates. Eyrich said he likes the idea of autoescalation, but said some committee members are concerned it would be too "Big Brother."

Whether autoescalation aligns with an organization's values, mission and culture is "a conversation that a firm like Calibre—or any organization—needs to have," Assaley said. Autoescalation takes the plan further by saying "if you really want to have enough money to retire by age 65 and have that money last you 25, 30 or maybe 35 years, then you're going to have to save more than 6%. . . . To make it easier for you, every year we're going to take you up a little bit, 1% or 2%, to get you closer to 11% or 12%."

Although Calibre has a well-educated workforce, its employees are similar to most American workers, who, "regardless of their profession, don't spend enough time creating strategies and a plan for their future," Assaley said.

Through one-on-one sessions with participants, three or four large group meetings, webinars, a monthly newsletter and e-mails, AFS customizes financial education to focus on different challenges Calibre employees face. The kind of information it provides to each employee often depends on demographics.

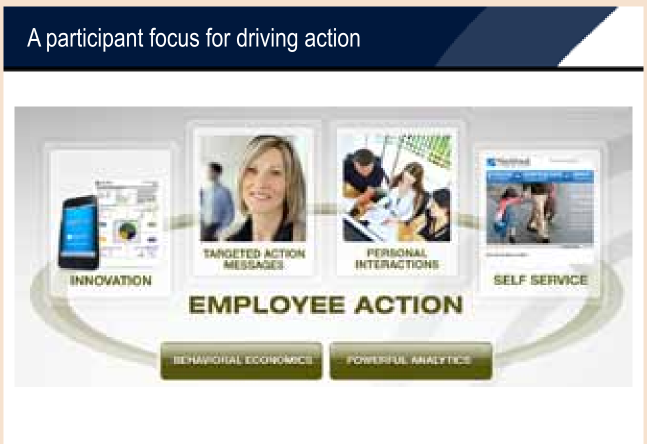
"A 26-year-old and a 62-year-old aren't thinking about the same thing when it comes to their future," Assaley said. "Generally, when you get to your late 50s or 60s, that's when it really hits you that retirement is right around the corner. You start having these serious conversations with yourself and others."

"When we're doing education and advice sessions for younger employees, it's really about acting now, getting started, getting on track the right way. The earlier you get started, the earlier you can get into the plan—early in your career or in your first job—and maintain that strategy, the more prepared you will be."

The delivery style also is geared to the specific workforce. With so many Calibre employees spending most of their time at client sites, the communication method of choice is e-mail. But employees do gather together a few times a year. AFS began slowly, at first asking for 45 minutes to give a presentation at an all-staff meeting. "As we've learned more about the firm, we devel-

Glenn Eyrich

oped education to really align with them," Assaley said. "Now, pretty consistently throughout the year, Calibre has sessions where their professional staff can earn continuing education credits. We've elected those dates to do our education meetings and fortunately, we can present on topics and present in a way that they can earn CE credits from our presentation."



Topics include Financial Success 101, which covers the basics of financial planning—budgeting strategies and basic savings concepts such as saving for emergencies, short- and medium-term goals, and long-term goals—and Retirement Plan Resources 101. Financial Planning 101 is a high-level view of comprehensive financial planning, with concepts such as insurance, estate planning and other ways to put together a financial plan.

AFS also provides webinars that employees in the field can attend and ask questions via their computers. The webinars are recorded and hosted on Calibre's internal network for employees who can't attend the live presentation.

Another service AFS provides is leading Calibre's retirement committee through a quarterly process of reviewing, analyzing, selecting and monitoring the investments employees can choose in their 401(k) plan. "Our effort is not to make changes on a quarterly basis," Assaley said. "In fact, we want to find a lineup of investments that allows employees to build a balanced and diversified portfolio without confusing them."

Target-date funds recently were added to the plan, which has about 16 investment options. Only 8% to 9% of total plan assets are invested in these funds, probably because many employees had already selected investments. But Assaley predicted investments in target-date funds would increase; nearly half of new employees are choosing this investment option.

Eyrich said Calibre hasn't surveyed employees formally about what they think of the 401(k) plan, but "with the level of attendance at group and individual education sessions, along with the increased participation rate, we are headed in the right direction but will always look to improve what we are doing for the employees."

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