Plan Sponsors Ask…

Q: Is choosing my plan's qualified default investment alternative (QDIA) a fiduciary responsibility? What options do most DC plan sponsors use?

A: Yes, selecting a QDIA is considered a fiduciary act, and without an approved QDIA deferral option, plan sponsors and fiduciaries are potentially liable for losses when participants defer money into a DC plan but don't actively direct their investments.

However, there are ways to limit your liability. Most plan sponsors use one of three QDIAs: target-date funds (TDFs), date-specific asset allocation funds chosen based on a participant's age, retirement date and life expectancy, where participants are defaulted into the most age-appropriate option; balanced funds, which provide a diversified portfolio based on the plan's demographic as a whole; and managed accounts, individual accounts handled by a professional investment manager. These QDIAs were established as safe harbors under ERISA and the Pension Protection Act of 2006 (PPA). So plan sponsors and fiduciaries are exempt from any liability due to investment losses in plans that comply with Department of Labor (DOL) regulations under PPA. According to the 2015 PLANSPONSOR Defined Contribution (DC) Survey, 61.7% of respondents chose active, indexed or customized TDFs as their plan's QDIA.

Learn more at http://tinyurl.com/3PSQDIAfaves.

Q: In an increasingly connected world, employees are bombarded with communications from various sources every day. How do we make sure they don't miss out on the all-important message about retirement planning?

A: The key words here are "don't miss out." The average worker receives more than 100 emails every day, not to mention text messages, social media, news and the entire internet at his or her fingertips 24/7.

Your ability to rise above the din may lie in a centuries-old concept with a new name: FOMO, or fear of missing out, according to a recent Deloitte study. Using FOMO in retirement plan communications enables you to deliver information to workers in the way they want to receive it. As such, your messages will garner closer attention and spur workers to take action.

Use four simple FOMO techniques to deliver retirement plan communications to workers in the right way, at the right time:

1. Send fewer messages: Limiting the number of messages increases their perceived value. For example, send enrollment emails quarterly instead of monthly. If workers believe they might miss the opportunity rather than being constantly reminded of it, they are more likely to pay attention and take action.

2. Target your communications: Mix things up: Try unconventional techniques such as video or written communications rather than defaulting to email to ignite attention, engagement and FOMO.

3. Select senders strategically: A message from someone with a personal connection to the recipient will likely be more high-impact. Again, targeted messages distributed to peer or social groups also naturally arouse FOMO because they are more personal, interesting and valuable than a generic, company-wide communication.

4. Create a feeling of exclusivity; choose your words carefully: Exclusivity creates heightened interest, along with increased engagement and reaction. Words like “elite” and “limited” grab attention and spark interest. Tailor the communication to be highly specific and relevant, then make it available to a select audience. The message becomes more attractive because the audience feels it is part of a “privileged” group.

Find out more at http://tinyurl.com/DeloitteFOMOstudy.

Q: We want to conduct more frequent, effective plan reviews. What should we focus on?

A: You’re not alone. Many plan sponsors say they want to review their plans more often. The 2016 MassMutual Retirement Plan Review study showed that in plans with advisors, 57% said they’d like help reviewing their plans semiannually; only 44% of sponsors reported this actually happens. Unfortunately, making sure employees are saving enough often falls to the bottom of the list during plan reviews, both for sponsors who work with an advisor (27%) and those who don’t (25%), according to MassMutual.

The primary focus should be the plan’s effectiveness and educational efforts to ensure workers are adequately prepared for retirement. Employers may face significantly increased costs for health care, disability and workers’ compensation for employees who work past the traditional target retirement age of 65-67. Proactively making sure a retirement plan is helping employees to retire by the time they’re eligible for full Social Security benefits can drastically reduce those costs. Any plan improvements should start with a detailed review, then consultation with knowledgeable plan experts, such as legal counsel and advisors.

Read all about it at http://tinyurl.com/MassMutualPlanReview