PENTEGRA RETIREMENT SERVICES

SMARTPATH™

Plan design best practices to drive successful retirement outcomes

PENTEGRA

The Pentegra SmartPath™ successful plan outcomes start with effective plan design.

THE PENTEGRA SMARTPATH™

Today, plan success is measured in terms of how well your plan is able to help participants meet their retirement goals for financial security. Real plan effectiveness should be measured in terms of whether participants are on track to succeed. The industry has learned that education alone does not drive participant behavior. Promoting successful participant outcomes begin with progressive plan design that maximizes positive participant behaviors.

Plan features—automatic features—that better meet the needs of plan participants and plan sponsors can drive successful outcomes for participants and sponsors alike. These features can help participants hit the all-important 10% savings rate that we believe is crucial. Participants benefit as they experience higher levels of retirement readiness. Plan sponsors benefit as participants become more engaged with their plan.

Automatic features can include automatic enrollment, automatic escalation of salary deferrals, auto rebalancing and utilization of qualified default investment vehicles. These features help plan participants set a reasonable level of salary savings, increase their contributions over time, achieve proper investment diversification, and make better use of a plan's investment alternatives. This is why we have developed the Pentegra SmartPath™, a series of progressive plan design metrics crafted in a way to best promote successful retirement outcomes for you and your participants.

Plan Design For Successful Outcomes—The Pentegra SmartPath™ Advantage

1. Make it easy to participate.

Why: Strong participation rates start with eligibility features that make it easy for participants to take advantage of your plan—from day one. That means allowing for immediate eligibility. Consider getting employees enrolled in the plan right away and give them an "ownership" stake in their investments. Keep in mind that this does not necessitate offering a matching contribution immediately to new hires, but immediate eligibility makes it easy to start payroll deductions immediately and get employees into the habit of saving through the plan.

As an added bonus, allow new hires to make rollover contributions to the plan, and provide an easy way to keep them from spending lump sum distributions from a prior plan. Another consideration—offer "dual" eligibility requirements. As an example, you may wish to set eligibility requirements so that all employees become eligible shortly after their date of hire, and require a longer waiting period for employer contributions.

Service Requirements for Employees to be Eligible to Make Contributions to the Plan by Plan Size

	PLAN SIZE BY NUMBER OF PARTICIPANTS					
Service Requirement	1-49	50-199	200-999	1,000-4,999	5,000+	All Plans
None (Immediately Eligible)	35.1%	43.5%	39.8%	68.5%	73.8%	51.6%
Between 1 and 3 Months	11.3%	18.5%	23.9%	11.2%	10.7%	15.5%
3 Months	21.6%	17.6%	21.2%	6.7%	10.7%	15.9%
6 Months	10.3%	8.3%	8.8%	7.9%	1.9%	7.5%
1 Year	21.6%	12.0%	6.2%	5.6%	2.9%	9.6%
	99.9%	99.9%	99.9%	99.9%	100%	100.1%

Source: PSCA's 64th Annual Survey of Profit Sharing and 401(k) Plans

Make it easy for partcipants to take advantage of your plan from day ONE

2. Keep vesting schedules short.

Why: While immediate vesting schedules are ideal, a 2- to 3-year vesting schedule ensures you're not spending company dollars on "short-timers" while still providing a nice incentive for employees to stay with your company. Vesting schedules of 4 or more years are not as compelling for employees.

VESTING SCHEDULES BY PLAN SIZE AND CONTRIBUTION TYPE						
	PLAN SIZE BY NUMBER OF PARTICIPANTS					
Contribution Type	1-49	50-199	200-999	1,000-4,999	5,000+	All Plans
Matching Contributions						
Immediate Full Vesting	40.8%	40.7%	37.8%	35.9%	48.9%	41.0%
2-Year Cliff Vesting	2.8%	4.4%	5.1%	7.7%	8.5%	5.8%
3-Year Cliff Vesting	8.5%	4.4%	11.2%	10.3%	23.4%	11.8%
3-Year Graduated Vesting	1.4%	6.6%	9.2%	5.1%	5.3%	5.8%
4-Year Graduated Vesting	0.0%	3.3%	2.0%	2.6%	3.2%	2.3%
5-Year Graduated Vesting	16.9%	15.4%	17.3%	24.4%	9.6%	16.4%
6-Year Graduated Vesting	29.6%	24.2%	16.3%	11.5%	0.0%	15.7%
Other	0.0%	1.1%	1.0%	2.6%	1.1%	1.2%
Contribution Type	1-49	50-199	200-999	1,000-4,999	5,000+	All Plans
Non-Matching Contributions						
Immediate Full Vesting	43.6%	30.2%	35.0%	25.6%	18.9%	30.7%
2-Year Cliff Vesting	1.8%	1.9%	5.0%	9.3%	7.5%	4.9%
3-Year Cliff Vesting	10.9%	7.5%	10.0%	16.3%	47.2%	18.9%
5-Year Cliff Vesting	3.6%	0.0%	0.0%	2.3%	0.0%	1.2%
3-Year Graduated Vesting	0.0%	3.8%	5.0%	0.0%	9.4%	3.7%
4-Year Graduated Vesting	0.0%	1.9%	2.5%	4.7%	3.8%	2.5%
5-Year Graduated Vesting	12.7%	17.0%	17.5%	25.6%	9.4%	16.0%
6-Year Graduated Vesting	27.3%	35.8%	22.5%	14.0%	3.8%	20.9%
7-Year Graduated Vesting	0.0%	1.9%	0.0%	0.0%	0.0%	0.4%
Other	0.0%	0.0%	2.5%	2.3%	0.0%	0.8%

Source: PSCA's 64th Annual Survey of Profit Sharing and 401(k) Plans

3. Use online enrollment.

Why: Online enrollment offers plan sponsors and participants alike a more efficient interface operationally plus administrative ease. It can also be used as a mechanism that will make participants more likely to use online financial planning and guidance tools to help participants map out a strategy from day one.. The bottom line—it is a critical tool to help participants help themselves.

[1] PSCA's 64th Annual Survey of Profit Sharing and 401(k) Plans [1]

4. Implement auto-enrollment.

Why: In conjunction with online enrollment, consider implementing automatic enrollment. Automatic enrollment basically allows eligible participants to be automatically enrolled in their company's 401(k) plan unless they take action to opt out or choose an alternate contribution percentage. The primary advantage of auto-enrollment has been to get at least 90% of the nation's workers into a retirement savings plan. That is an impressive participation rate no matter how you look at it.

Research shows that automated solutions such as automatic enrollment positively impact participant behavior and savings rates. According to the 64th Annual Profit Sharing Council of America (PSCA) Annual Survey of Profit Sharing and 401(k) plans, 62% of plan sponsors offer auto-enrollment. Automation has become standard in many Defined Contribution (DC) Plans. "Studies show that if people default in, they stay in." [2]

[2] Dallas Salisbury, Employee Benefits Research Institute (EBRI)

PERCENTAGE OF PLANS WITH AUTOMATIC ENROLLMENT BY PLAN SIZE

	PLAN SIZE BY NUMBER OF PARTICIPANTS					
Automatic Enrollment Type	1-49	50-199	200-999	1,000-4,999	5,000+	All Plans
Percentage of Plans	30.5%	58.7%	72.6%	77.8%	69.6%	62.0%

Note: Some plans use automatic enrollment with more than one of the above groups.
Source: PSCA's 64th Annual Survey of Profit Sharing and 401(k) Plans

Studies show that if people default in, they stay in

5. Better yet, use a 6% deferral rate rather than 3%.

Why: Typical automatic enrollment sets participants' initial contributions at a minimum of 3% of their pay, increasing their contributions by 1% a year (up to 6%). While the 3% deferral rate is good, a 6% deferral rate is an even better starting point. Using 6% of pay for automatic enrollment goes a long way toward increasing savings rates overall—in particular if your matching contribution is tied to a higher deferral rate. Doing so enables senior executives and highly paid employees to save more by improving 401(k) non-discrimination test performance. While some may question whether automatic enrollment is worth the cost of additional employer matching contributions, the rise in cost will often be modest—most higher paid employees sign up for a 401(k) plan on their own. It would make sense then that the population of employees that are automatically enrolled tend to have lower salaries. While every company needs to come to terms with this individually, more and more employers have determined that the benefits outweigh the incremental additional cost. Automatic enrollment can make employees feel more secure and in turn improve morale and a company's ability to attract and retain talent. Studies continue to show that "automatic enrollment can also dramatically increase participation by women, minorities, younger workers and moderate-income employees—four groups that are most likely to under-save. [3]

Savings Rate Suggested to Participants (as a Percentage of Pay)

	Suggested Rate (Percentage of Pay)					
	3%	4-5%	6%	7-9%	10%	More than 10%	Other
Percentage of Plans	4.8%	20.2%	30.8%	6.7%	17.3%	15.4%	4.8%

Source: PSCA's 64th Annual Survey of Profit Sharing and 401(k) Plans

3 David C. John, "The Business Case for 401(k) Automatic Enrollment, Retirement Made Simpler"

6. Add an auto-escalation feature.

Why: Encouraging participants to save more by using an auto-escalation feature is another integral best practice. Auto-escalation of at least 1% per year, but preferably 2%, is ideal. We recommend that participants start with a deferral of 6% of salary and plan to increase this deferral by another 1% each subsequent year, with a cap of 10% if your plan has a Qualified Automatic Contribution Arrangement (QACA), but no cap if there is no QACA.

By adding an auto-escalation feature in addition to auto-enrollment at a 6% of pay level, within several years many employees will hit the all-important 10% of pay savings rate that we believe is crucial.

Percentage of All Plans That Automatically Increase Default Deferral Rates Over Time by Plan Size						
	PLAN SIZE BY NUMBER OF PARTICIPANTS					
Escalation Type	1-49	50-199	200-999	1,000-4,999	5,000+	All Plans
Automatic Escalation for All Participants	13.0%	24.0%	31.5%	31.0%	23.8%	24.8%
Automatic Escalation for All Under-Contributing Participants	4.3%	4.8%	9.9%	12.6%	10.9%	8.5%
Voluntary Escalation	13.0%	19.2%	23.4%	28.7%	42.6%	25.5%
No Escalation	69.6%	51.9%	35.1%	27.6%	22.8%	41.2%
	99.9%	99.9%	99.9%	99.9%	100.1%	100.0%

Source: PSCA's 64th Annual Survey of Profit Sharing and 401(k) Plans

Auto-escalation is one of the best practices in plan design that can help promote successful outcomes.

7. Get creative with your matching contribution.

Why: One of the most attractive features of a 401(k) plan is an employer matching contribution. The majority of 401(k) plans offer a matching contribution.[4] Of plans with company matches, the most common matching formula is 50% per $1.00 of salary, most commonly up to the first 6% of pay.

Consider using employer matching contributions as a way to incent participation, and structure your matching formula to do so. Employees often contribute an amount that maximizes their matching contributions. Increasing the match cap will often result in higher deferral rates and ultimately, better retirement readiness. This can also help ensure that IRS non-discrimination tests will be satisfied so that Highly Compensated Employees are able to defer the maximums permissible under the law.

Increasing the level of contributions that a participant must make to 6% of eligible pay in order to receive a match encourages participants to save at a level that is much more likely to result in meeting their long-term goal of attaining an adequate level of retirement readiness. While the typical match of 50% on 6% is equal to 3% of pay, for nearly the same benefit dollars, you can use a 25% up to 12% of pay formula, or a 30% up to 10% of pay formula. Roll out the new formula in conjunction with a retirement education program to help employees see the value in making the most of the new match.

Keep in mind that while it is best to keep your employer match consistent, you can adjust your company matching contributions if necessary due to economic or business conditions. You can always restore the matching contributions to previous levels when conditions change.

Matching Formulas Used in Plans With Fixed Matching Formulas

Cents Matched Per $1.00	Percentage of Plans
Less than $0.25 per $1.00 on the First 7% or Less	0.9&
$0.25 per $1.00 on the First 4%	2.2%
$0.25 per $1.00 on the First 6%	3.0%
$0.25 per $1.00 on the More Than 6%	2.2%
Between $0.25 and $0.50 per $1.00 on the First 4% or More	3.0%
$0.50 per $1.00 on the First 3% or Less	2.6%
$0.50 per $1.00 on the First 4%	1.3%
$0.50 per $1.00 on the First 5%	0.9%
$0.50 per $1.00 on the First 6%	25.4%
$0.50 per $1.00 on the First 7-8%	3.0%
$0.50 per $1.00 on the First 10%	2.2%
Between $0.50 and $1.00 per $1.00 on the First 5% or More	4.7%
$1.00 per $1.00 on the first 3% or less	8.6%
$1.00 per $1.00 on the first 4%	11.2%
$1.00 per $1.00 on the first 5%	9.5%
$1.00 per $1.00 on the first 6%	12.1%
$1.00 per $1.00 on the first 7-10%	2.2%
More than $1.00 per $1.00 on the first 5% or less	0.9%
Dollar Limit Rather than Percentage of Pay	4.3%
	100.2%

Source: PSCA's 64th Annual Survey of Profit Sharing and 401(k) Plans

[4] PSCA's 64th Annual Survey of Profit Sharing and 401(k) Plans

8. Alternatively, adopt a Safe Harbor Matching formula.

Why: Safe Harbor formulas provide alternative, simplified methods of meeting the non-discrimination requirements by offering certain minimum employer contribution formulas for 401(k) plans. Adopting a safe harbor 401(k) plan design allows an employer to avoid discrimination testing of employee elective deferrals and/or employer matching contributions (ADP/ACP testing). Based on your employee demographics and how your employees are using your plan, the Safe Harbor approach may be a good option if you want to avoid discrimination testing, allowing HCE's to maximize their contributions and ensure that the plan provides all employees with a base of retirement savings.

TYPE OF SAFE HARBOR PLAN DESIGN USED IN PLANS WITH A SAFE HARBOR MATCH

Type of Safe Harbor	All Plans
Traditional Formula	27.9%
Automatic Enrollment	43.3%
Enhanced Formula	28.8%
	100.0%

Source: PSCA 64th Annual Survey of Profit Sharing and 401(k) Plans

Consider using employer matching contributions as a way to incent participation.

9. Add a Roth 401(k) feature (with an In-Plan Roth conversion feature).

Why: A Roth 401(k) option combines the features of a traditional 401(k) with a Roth IRA, providing employees with a source of tax-free retirement income. The key differences between a traditional 401(k) contribution and a Roth 401(k) contribution center on the tax status of both contributions and withdrawals, along with the rules governing rollovers. Unlike a traditional 401(k) contribution, Roth 401(k) contributions are made on an after-tax basis. Traditional 401(k) contributions reduce a participant's income for federal and (usually) state tax purposes at the time contributions are made and grow on a tax-deferred basis until the participant takes a distribution, which is treated as ordinary income. Roth 401(k) contributions and investment earnings, on the other hand, are tax-free upon withdrawal as long as the employee has maintained the Roth 401(k) account for at least five years and has attained age 59 ½.

The Roth 401(k) with an in-plan Roth conversion feature may offer advantages to those who are currently in a low tax bracket but who expect to be in a higher tax bracket later on. Another benefit—the Roth 401(k)'s tax-free withdrawals can help highly paid workers better manage their tax situation in retirement. For most people, the main reason to contribute to a Roth 401(k) is to let the money grow tax-free. No one knows what the tax rates will be in the future, so it may be beneficial to hedge the taxable salary deferrals and earnings in a traditional 401(k) with earnings in a Roth 401(k) that can be withdrawn tax-free. That said, why wouldn't you offer a Roth feature under your plan?

TYPES OF PARTICIPANT CONTRIBUTIONS PERMITTED

	PLAN SIZE BY NUMBER OF PARTICIPANTS					
Type of Participant Contributions	1-49	50-199	200-999	1,000-4,999	5,000+	All Plans
Pre-Tax	96.0%	97.2%	99.1%	97.8%	100.0%	98.1%
After-Tax Roth	82.8%	89.9%	83.5%	83.7%	91.3%	86.3%
Traditional After-Tax (non-Roth)	15.2%	9.2%	11.3%	28.3%	37.9%	19.9%

Source: PSCA's 64th Annual Survey of Profit Sharing and 401(k) Plans

A Roth 401(k) feature combines the features of a traditional 401(k) with a Roth IRA.

10. Limit plan leakage.

Why: Early distributions from retirement plans for uses other than as retirement income are more commonly known as plan "leakage". Most plans allow participants to access their account using withdrawal and loan provisions—approximately 90% of plans offer loan and hardship withdrawal provisions.

Using a plan's withdrawal feature creates leakage. Loans can also create leakage. It is best to limit the number of total loans outstanding at any given time—ideally to one or two at most. Doing so limits plan asset outflows due to the perpetual use of plan assets to meet day-to-day spending needs.

PERCENTAGE OF PLANS PERMITTING LOANS BY INDUSTRY TYPE

Industry	Loans Permitted
Construction and Engineering	77.1%
Durable and Non-Durable Goods Manufacturing	77.2%
Financial	84.3%
Healthcare	77.8%
Insurance and Real Estate	95.5%
Non-Profit Organization	73.1%
Services	83.7%
Technology and Telecommunications	95.2%
Utility**	100.0%
Wholesale Distribution and Retail Trade	86.5%
Other*	85.0%

* Other includes the transportation category from table three due to small sample size.
** Small sample size.
Source: PSCA's 64th Annual Survey of Profit Sharing and 401(k) Plans

It is best to limite the number of total loans outstanding at any given time.

11. When it comes to plan investments, less is more.

Why: When it comes to plan investments, more is not always better. In fact, less is more. The majority of defined contribution plans contain far more equity options than are required to create a diversified portfolio. The result? Choice overload, which can leave participants overwhelmed to the point where they simply default to the most conservative investment options or even worse, avoid joining the plan. In doing so, they may sacrifice the opportunity for wealth accumulation most retirement investors should seek.

A Columbia University study on "choice overload" found that while consumers find a wide range of products initially appealing, they can find it difficult to finally decide on an option. This could not be more true than with retirement planning. The study found that the probability of an average employee joining a retirement savings plan decreases as the number of investment options increases. For every additional 10 investment choices, the researchers found that predicted participation rates decline on average by 2%.

Today, with multiple asset classes and numerous active and passive fund options, a participant can be faced with dozens of choices. The average defined contribution plan has a total of 21 investment options[6]. However, the typical participant does not spend their day reading up on investments and the ins and outs of asset allocation and diversification.

When it comes to retirement plan investing, clarity of investment choices and ease of use should be more of a priority than how many funds are available. Participants often associate more fund choices with more research, more decisions and more work for them. Streamline your fund lineup to help participants make simpler and more educated asset allocation decisions.

[6] PSCA's 64th Annual Survey of Profit Sharing and 401(k) Plans
[7] PSCA's 64th Annual Survey of Profit Sharing and 401(k) Plans

AVERAGE NUMBER OF INVESTMENT FUND OPTIONS

	PLAN SIZE BY NUMBER OF PARTICIPANTS					
	1-49	50-199	200-999	1,000-4,999	5,000+	All Plans
Number of Funds Available for Company Contributions	22	23	21	21	18	21
Number of Funds Available for Participant Contributions	22	23	21	22	18	21

Source: PSCA's 64th Annual Survey of Profit Sharing and 401(k) Plans

INVESTMENT FUNDS AVAILABLE IN THE PLAN BY PLAN SIZE

	Plan Size by Number of Participants					
Fund Type	1-49	50-199	200-999	1,000-4,999	5,000+	All Plans
Alternative Asset Class	7.9%	2.7%	4.2%	6.1%	8.2%	6.2%
Balanced Fund/Asset Allocation	39.5%	35.1%	37.5%	33.3%	24.6%	32.6%
Bond-Actively Managed, Domestic	63.2%	81.1%	79.2%	84.8%	88.5%	80.3%
Bond-Indexed, Domestic	34.2%	48.6%	37.5%	54.5%	68.9%	51.8%
Bond, International	21.1%	32.4%	12.5%	12.1%	6.6%	16.1%
TIPS	21.1%	24.3%	29.2%	27.3%	21.3%	23.8%
Cash Equivalents (CD/Money Market)	26.3%	45.9%	50.0%	48.5%	34.4%	39.4%
Company Stock	0.0%	0.0%	8.3%	24.2%	29.5%	14.5%
Emerging Markets	7.9%	43.2%	41.7%	30.3%	18.0%	25.9%
Equity-Actively Managed, Domestic	86.8%	94.6%	95.8%	93.9%	85.2%	90.2%
Equity-Actively Managed, International/Global	78.9%	78.4%	100.0%	84.8%	83.6%	83.9%
Equity-Indexed, Domestic	84.2%	91.9%	87.5%	87.9%	86.9%	87.6%
Equity-Indexed, International/Global	47.4%	48.6%	37.5%	54.5%	63.9%	52.8%
ESG (Socially Responsible)	0.0%	2.7%	8.3%	6.1%	6.6%	4.7%
Real Estate	36.8%	54.1%	41.7%	21.2%	18.0%	32.1%
Sector Fund(s) (Other than Real Estate)	26.3%	16.2%	8.3%	12.1%	3.3%	12.4%
Self-Directed Brokerage Window	15.8%	18.9%	8.3%	33.3%	44.3%	27.5%
Stable Value	50.0%	64.9%	54.2%	72.7%	72.1%	64.2%
Target Retirement Date/Lifecycle	76.3%	83.8%	87.5%	84.8%	83.6%	82.9%
Target Risk/Lifestyle	10.5%	16.2%	4.2%	15.2%	9.8%	11.4%
Other	2.6%	5.4%	4.2%	6.1%	3.3%	4.1%

Source: PSCA's 64th Annual Survey of Profit Sharing and 401(k) Plans

When it comes to plan investments less is more.

12. Make your plan's Qualified Default Investment Alternative (QDIA) a "one fund" investment solution.

Why: Your plan's QDIA should be a single fund investment solution that is well diversified among the various asset classes. A typical plan has at least one single source investment solution because they are relatively easy for participants to understand. Single source solutions offer participants a way to keep their investment strategy simple, but sophisticated. Besides being a great choice for a Qualified Default Investment Alternative, these types of funds are particularly suited to participants who want a diversified portfolio in a single fund, are inexperienced investors who prefer to have their asset allocation decisions professionally made and are looking for a sophisticated investment strategy with a single decision. Investors overwhelmed by too many funds from which to choose may make less-than-optimal decisions at best and no decisions at worst. Consider the following types of single source investment solutions for QDIAs:

- **Target date funds** These are often a mutual fund or collective trust fund that is designed to provide a simple, yet sophisticated investment solution through a diversified portfolio where the asset allocation strategy becomes more conservative as the retirement target date grows closer. A time-horizon based approach, the fund strategy is sophisticated and well-diversified, giving the participant exposure to the full spectrum of asset classes.

- **Model portfolios** Here participants have their deferrals invested by professionals in a guided investment solution based on a set of specific targets, objectives and desired outcomes. Essentially, it is an investment strategy based on participants' goals, risk tolerance and timeframe to retirement. These accounts are often attractive to participants who want the professional oversight and customization that comes with this approach, but do not have the time or expertise to determine this on their own.

- **Asset allocation funds** Employing a risk-based approach, asset allocation funds seek to balance risk versus reward by adjusting the percentage of each asset in a portfolio according to variables similar to those listed above. Typically such funds offer a blend of stock, bond and cash investments; such diversification usually makes for a less risky investment strategy than other funds, as different asset classes rarely all go up or down in value at the same time.

DEFAULT INVESTMENT OPTION FOR AUTOMATIC DEFERRALS BY PLAN SIZE

	PLAN SIZE BY NUMBER OF PARTICIPANTS					
Default Investment Option	1-49	50-199	200-999	1,000-4,999	5,000+	All Plans
Balanced Fund	0.0%	9.2%	12.3%	2.9%	0.0%	5.6%
Money Market Fund	2.9%	1.5%	3.7%	1.4%	4.2%	2.8%
Managed Account	5.7%	0.0%	1.2%	2.9%	0.0%	1.6%
Stable Value Fund	0.0%	3.1%	1.2%	2.9%	0.0%	1.6%
Target Date Fund	88.6%	83.1%	79.0%	88.6%	91.5%	85.7%
Target-Risk Fund	2.9%	3.1%	1.2%	0.0%	4.2%	2.2%
Other	0.0%	0.0%	1.2%	1.4%	0.0%	0.6%
	100.1%	**100.0%**	**99.8%**	**100.1%**	**99.9%**	**100.1%**

Source: PSCA's 64th Annual Survey of Profit Sharing and 401(k) Plans

A QDIA is often a solid investment choice for most participants.

13. Re-enroll periodically

Why: Quite simply, there is nothing more effective when it comes to influencing participant behavior than on-site education. Re-enrollment of existing plan participants helps participants take a fresh look at how they are investing their contributions since many participants are managing what is most likely their first or second largest asset under the "set it and forget it" mantra.

When employing education and communication strategies, think about what type of participant behavior you wish to influence. The most common reasons for providing plan education are to increase participation, to increase appreciation for the plan and to increase salary deferrals. Beyond that, is asset allocation a concern? Do participants need an investment education refresher? Have they done any retirement planning? Have your participants developed a comfort level in accessing your plan's online tools? Are they using the rebalancing and account realignment tools at year-end? Even more importantly, are they using online financial planning and gap analysis tools?

Periodic re-enrollment and education meetings help participants map out a strategy and stick to that strategy to attain their long-term goals. Use your education meetings as a platform to highlight financial planning tools to help your participants do this—in particular, tools that provide guidance and advice.

There is nothing more effective when it comes to influencing participant behavior than on-site education.

14. Outsource 3(16) administrative responsibilities.

Why: Outsourcing 3(16) administrative responsibilities offers a simple solution that minimizes risk and reduces plan administrative burdens—including responsibility for monitoring the plan features in this brochure that we encourage you to implement. Since the 3(16) administrator is responsible for managing the day-to-day operation of the plan, outsourcing the fiduciary responsibilities associated with this role transfers these responsibilities from your organization to the named 3(16) Administrative Fiduciary. As an institutional fiduciary, Pentegra can fulfill this role, so that you can rest assured that the automatic features you adopt will be administered properly over the life of your plan.

Outsourcing the 3(16) Plan Administrator role has become an increasingly important function. As any plan sponsor recognizes, retirement plan administration is complex. For many employers, the level of self-education and the commitment of time and energy required to effectively fulfill these duties is an unwelcome concern—a concern that too often distracts from the more critical responsibility of running a business. What's more, these responsibilities involve significant risk, and while most of the executives and employees assigned to these roles rarely know what the roles entail or what is expected, the legal burden falls squarely on those employees as individuals.

Outsourcing the 3(16) administrator role transfers these burdens. Outsourced 3(16) administrative services are experiencing a powerful upsurge as providers find more ways to relieve employers of the burdens of plan administration, because employers do not simply want help running the plan—they want someone to run it for them.

What most employers want and need—someone to simply handle it for them.

Some final thoughts…

Understanding a company's culture, demographics and benefits philosophy provides the basis for a dialogue that can be used to design a framework for your plan objectives and for plan redesign. Key considerations—what is your management approach and compensation strategy? Where does your organization fit comparatively to peers? What other types of retirement programs do you offer? Are all of your plans working in tandem? Understanding where a company is positioned—in terms of both strategy and existing programs—helps to incorporate plan features that will engage employees, and ultimately, shape the way they use the plan to build financial security.

We believe there will be a continued movement toward designing these programs in ways that best maximize successful outcomes for those that use them. Progressive retirement plan design is a win-win for plan sponsors.

When all is said and done, a plan's success is measured by how effectively a participant is able to meet their retirement income replacement goals. Good providers know that successful plan design is a partnership between the sponsor and the retirement plan provider. To learn more about our thoughts on progressive plan design, we invite you to visit www.pentegra.com, where you can review our current thinking and tap into our thought leadership.

To learn more about the Pentegra SmartPath™,
visit us at www.pentegra.com

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