

Best Practices in Retirement Benefits

Increasing participation in, and appreciation of, your company's retirement benefits can pay off in higher retention, lower training costs and more motivated employees. Just ask *The Principal 10 Best Companies—2007*. Their best practices can help your company do the same.

- **Make sure employees are diversifying.** “We monitor how diversified employees’ portfolios are,” says Dan Roth, CEO, National Futures Association. “We know how many are in just one fund and how many are highly diversified. We don’t try to talk them out of anything—we just try to make sure they’ve made an informed choice.”
- **Implement automatic enrollment.** Eliminate the “I lost my paperwork” excuse by making enrollment in your company’s retirement plan automatic. “After the 90-day waiting period, associates either lost the paperwork or forgot about it. We decided there wouldn’t be those excuses with automatic enrollment,” says Beth Nighbor, associate development leader, Badger Mining Company. “Plus it gets people in the mindset of starting to save from day one. It’s a positive thing.”
- **Consolidate your plans with one provider.** Business Roundtable reduced expenses, saved time and improved their employee communications by consolidating all three of their retirement plans with a single provider.
- **Consider a Roth 401(k) savings option.** Employee demand for Roth 401(k) plans is growing—especially among younger workers who want the option of saving post-tax. Five of this year’s winners are offering the Roth 401(k) option.
- **Educate, educate, educate.** Make retirement education a year-round endeavor, and it will pay off for your company and your employees, according to Steve Gfroerer, CFO, Cobb Strecker Dunphy & Zimmermann. “We’ve found a correlation in that the more education we do, the more participation we get. We’ve gotten up to 100 percent participation and their contributions keep getting higher, currently an average of 9.2 percent. We have no automatic enrollment. It’s all voluntary.”



(From left to right) Scott Egginton, president, CSD&Z; Renee Schaaf, vice president, Principal Financial Group, and Bruce Telander, chairman, CSD&Z.

- **“Age” your education along with your workforce.** As your employees near retirement, your education should keep pace with their changing needs. “In years past, our education efforts were on helping people save enough money. Now we have to help get them the education they need to manage that nest egg,” says Dan Roth at National Futures Association.
- **Give employees an incentive to increase their contributions.** Even small gifts are great motivators. PMSLIC Insurance Company, for example, offered a free book of stamps or a free music gift card to employees who increased their 401(k) contribution by at least one percent.
- **Offer investment choices—but not too many.** “We try to give employees meaningful choices without overwhelming them,” says Vic Adamo, president and COO, ProAssurance Corporation.
- **Raise the education bar.** Don’t stop focusing on education once you’ve reached your participation goals. “We now have about 95 percent participation in the 401(k) plan,” says Julie Burns, vice president of human resources at PMSLIC. “So instead of continuing to encourage participation, we’re trying to get them to increase their participation level and looking at how they have their investments allocated. This year we had a program that focused on lifecycle and asset allocation tools like rebalancing.”
- **Offer lifecycle or lifestyle funds.** These autopilot investment options are perfect for employees who don’t want to allocate their own investments. “The employee-directed investment is good for those who want to do it themselves. A lot of people want help,” says Vic Adamo, president and COO, ProAssurance. “Lifetime funds have been a very popular investment.” Ninety percent of *The Principal 10 Best Companies—2007* offer lifecycle funds in their plan, and many offer them as the default investment option.

“Automatic enrollment can boost participation by as much as 35 percent.”

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