DEFINED CONTRIBUTION

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USI CONSULTING GROUP

PLAN SPONSOR UPDATE

A guide for Plan Sponsors on how to measure behavior in their retirement plans before, during, and after COVID-19

COVID-19 is a global pandemic that will have a large impact on the population's health and will also cause many individuals and employers financial distress. During these difficult financial times, both current and future dollars that are planned for retirement may be affected.

Participants may now have greater flexibility and access to the money in their retirement plans to help buffer the financial pressures caused by COVID-19 since Congress passed the CARES Act. Changes to hardship withdrawals and loan provisions for participants have made access to their money more available during this time. Many plan sponsors have adopted these CARES Act provisions. For the changes to Defined Contribution loan and withdrawal provisions provided by The CARES Act, please contact your USI Consulting Group representative.
https://www.usi.com/content/downloads/The_CARES_Act_What_It_Means_For_Retirement_Plans.pdf

During these difficult financial times many employers have had their businesses disrupted by COVID-19 and some have taken actions such as employee layoffs, furloughs and/or reduced work hours. Moreover, some plans have had to suspend or reduce the amount of matching contributions to their plan.

While taking advantage of these steps during a time of crisis may be necessary, it is important to note that any short-term financial relief a participant or plan sponsor realizes, it may make the long-term goal of saving for retirement or incentivizing employees to save for retirement more difficult to achieve in the future.

So how does a Plan Sponsor balance the goals of the short-term actions that the participant or plan sponsor may need to take while keeping participants on track for their long-term goal of saving for retirement? Here are some behaviors to monitor and some steps that can be taken to help the plan and your participants achieve these competing goals.

BEHAVIOR TO MONITOR IN RETIREMENT PLANS

Participants

- Reducing or stopping contributions to the plan
- Loans, withdrawals, or using the additional temporary flexibility of accessing their retirement savings provided by the CARES Act
- Significant changes to investment selections

Plan Sponsors

- Reducing or suspending matching contributions for employees
- Significant changes to the employee population through reductions or turnover

S.T.A.I.R. - 5 STEPS A PLAN SPONSOR CAN TAKE TO GET BACK ON TRACK

Rationale and Checklist for Implementing S.T.A.I.R.

Task	Description	Reason	Timeline
Survey	Evaluate the employer and the employee population to determine how COVID-19 may have impacted the plan.	COVID-19 will impact plans differently. Some will feel a major impact based on type of business or region of the country and others will feel little impact.	Q2 2020
Track	Participation rates, contribution rates, loan amounts, withdrawal amounts, average account balances, asset allocation percentages and employer matching amounts.	Short-term actions taken that could detract from participant long-term goals	Q2 2020
Analyze	Analyze the participant behavior you tracked to see if there is a change in the metrics, and the Sponsor's financial health as we move further through the crisis.	To determine what the impact has been from COVID-19.	Q3 or Q4 2020
Improve	Evaluate if the plan would like to use tools such as auto enrollment, auto increase, re-enrollment for anyone below the match amount, QDIA Investments, education sessions, communication campaigns and for those sponsors who have reduced/eliminated matching contributions, consider resuming.	Take proactive steps to get participants back on track to achieve their long-term retirement goals	Q4 2020 or Q1 2021
Review	Determine if the action steps the plan took improved the participant behavior statistics.	Determine if goals were met or additional actions are needed.	Q2 or Q3 2021

Here is a further description of some of the terms used in the above chart.

Auto enroll- if there has been significant turnover in the employee population and/or participants decided to stop contributing, the plan can auto enroll either new or all employees to maintain previous participation rates.

Auto increase- If participants reduced their contribution rates, implementing auto increase will bring participants back to a higher, more appropriate level.

Re-enrollment- Re-enroll those participants that stopped their contributions. Anyone below matching contribution rate can be re-enrolled into the plan. They may have stopped or reduced contributions temporarily, but re-enrollment will get them back on track with their long-term retirement goals.

Default participants into a Qualified Default Investment Alternative. This is sometimes used with plan mergers or when changing providers, but a plan can also use the QDIA when plan participants' overall asset allocations have changed significantly.

By tracking, analyzing and acting upon the above data, the Plan can better assure progress toward established long-term goals and objectives that were identified in more normal and less stressful times pre-COVID 19. S.T.A.I.R. may also be referred to in the case of future severe market downturns or other catastrophic events.

Please contact your USI Consulting Group representative to assist you in creating a STAIR process for your Defined Contribution plan.