

Rocaton

INSIGHTS

15 in '15

15 Considerations for Your DC Plan in 2015

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Rocatón has compiled a list of our top 15 considerations for Defined Contribution Plan Sponsors to contemplate over the course of 2015 and beyond. Some topics are potentially time-sensitive items that could be addressed this year, while others are longer-term suggestions. Not every item may be appropriate for all plans, and clearly prioritization of these items relative to the needs of each plan is appropriate.

Suggested 2015 Considerations:

1

Revisit Investment Policy Statement

Topic: Overall Plan Health

We suggest revisiting the IPS annually as well as when there are meaningful governance or investment menu changes. In addition to keeping the document current and considering whether there have been changes in best practices, this may facilitate a review with the Committee of overall strategy, and roles and responsibilities.

2

Target Date Fund/Default Option Review

Topic: Investment Options

As more assets continue to flow into target date funds, it may be time to conduct a detailed review of the target date option in your plan if not recently completed (particularly using the DOL's published target date tips from 2013 as part of the review framework). If you have a different type of default option, a review may be warranted as well.

3

Money Market Fund Review

Topic: Regulatory/Investment Options

Given the SEC regulation that passed in 2014, if your plan has a money market option (and specifically a Prime money market option), it may be appropriate to determine what, if any, action you may wish to consider before implementation of the final regulations in 2016.

4

Fee Analysis

Topic: Fees/Benchmarking

Rocatón recommends a periodic fee analysis covering investment management and administrative fees. It is important to periodically re-examine fees as the plan size, fund allocations, fund pricing and availability may change, as may our views on best practices. In addition, Sponsors may wish to adopt a philosophy with respect to how administrative fees are paid, or revisit their philosophy if they have not done so recently, in light of current best practices and additional administrative options available from some recordkeepers.

Potential Considerations for 2015 and Beyond:

5

Evaluate the Use of Auto Features to Improve Plan Participation Rates

Topic: Overall Plan Health

Automatic features, such as automatic enrollment and automatic escalation, can help improve overall participation rates and individual deferral rates. The industry view on initial default rates is changing, the use of automatic escalation is increasing, and the use of auto features for more than just new hires is also an emerging trend. It may be time for a consideration of auto features or a reassessment of current features.

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Demographic Analysis

Topic: Overall Plan Health

This thorough analysis, using data from the recordkeeper, measures how effectively participants are using the plan's options. It often leads to investment structure and/or participant communications recommendations and can be conducted periodically. If you have not performed a demographic analysis of your plan in the last few years, 2015 could be the year to better understand how participants are using the plan and potentially identify actionable recommendations.

7

Targeted Communications

Topic: Overall Plan Health

Many have found targeted communications aimed at subsets of the overall population to be more effective than general communications. One such example includes education/communication materials on the merits of diversification aimed at participants that only hold a single investment option (other than an age-appropriate target date fund or other default option.) Another example is a communication highlighting the importance of rebalancing to participants using the core menu who have not initiated an investment transaction or otherwise rebalanced in several years.

8

Help Participants Improve Asset Allocation

Topic: Overall Plan Health

Through an investment re-enrollment or other call to action, there may be participants that can benefit from a call to action on asset allocation, and even a reset of their asset allocation should they not respond. The availability of tools and services, including auto-rebalancing features, enhanced education and/or advice and managed accounts can also be considered as part of providing tools to help with asset allocation for those participants using the core menu. Sponsors can consider whether any changes planned to benefit design, investment structure and/or recordkeeping provider may warrant a new approach or an event such as a re-enrollment. Consideration can be given to both the trends and fiduciary protections in this area relative to other approaches.

Potential Considerations for 2015 and Beyond, Continued:

9

Evaluate the Merits of Streamlining and/or Consider White Labeling Investment Options

Topic: Investment Structure

There has been some industry focus on reducing the number of options in an investment lineup, in an effort to simplify choice for participants with a goal of having each investment option play a unique role in the plan. White labeling investment options and the opportunity to potentially consolidate existing options in a multi-manager construct can help achieve a streamlined investment menu and potentially improve communications to participants. While this may not make sense for all plans or all investment options in a given plan, where this is of interest it is worth noting that service provider capabilities and costs in this area are evolving. Additionally, in some instances, white label and/or multi-manager approaches may facilitate faster manager changes in the future.

10

Identify Any Gaps in the Investment Menu

Topic: Investment Structure

When thinking about an “optimal” investment option menu for plan participants, gaps may be identified in the current plan that could be addressed by rounding out the investment menu. This can be addressed in conjunction with a broader structure review.

11

Completing the Target Date Funds Lineup

Topic: Investment Options

For plans with target date funds that do not already offer the 2055 Fund and in some cases, the 2060 Fund (where available), 2015 may be the time to plan to round out the full suite of options. Especially if target date funds are used as the default option for the plan, there is not typically a straightforward mechanism in place to move defaulted participants to an even more age-appropriate option later once the even longer-dated funds are added.

12

Retirement Income Solutions

Topic: Retirement Readiness

Given the changing landscape and additional regulations/guidance especially over the course of 2014, it may be time to consider a review of the topic or a revisit of the landscape of available products and services.

Potential Considerations for 2015 and Beyond, Continued:

13

Company Stock

Topic: Regulatory

If you have a company stock option, consider the Supreme Court ruling passed in 2014, and what, if any, impact that may have for your plan, in consultation with your legal counsel.

14

Review/Assess Recordkeeping Capabilities

Topic: Recordkeeping

It is important to continually review/reassess capabilities of the plan's recordkeeping provider, with particular attention to new capabilities and other services available but not currently utilized by the plan.

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Financial Wellness

Topic: Financial Wellness

The topic of financial wellness continues to increase in popularity. Although this may focus primarily on non-DC plan financial topics ranging from budgeting to savings rates, there are some services now being offered through or by certain recordkeeping and other DC providers. A consideration of tools for participants that holistically reflects one's entire financial picture may be warranted.

While there is no shortage of topics to consider or action items for defined contribution plan sponsors, Rocatón has identified a list of 15 considerations for 2015. As noted above, we consider the first four listed topics to be among the most actionable items in 2015, while the remaining list may warrant a slightly longer timeframe. Not every item may be appropriate for all plans, and clearly prioritization of these items relative to the needs of each plan is appropriate. As always, we are happy to discuss these considerations, and discuss how to best prioritize them given the needs and objectives of each plan. We look forward to partnering together to further improve our clients' DC plans in 2015.

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