UNIVERSITY CONFERENCE SERVICES

February 2014 Benefits Spotlight

Are We Sending the Right Messages About Retirement?

The **January 2014 issue of EBRI Notes** offers data showing that with 30 years of participation in a 401(k) plan, and assuming Social Security benefits remain at current levels, between 83 and 86 percent of workers will be able to replace at least 60% of their age-64 wages and salary on an inflation-adjusted basis. That immediately brings to mind two questions: How many people will actually have 30 uninterrupted years in a 401(k) plan or plans? And, is 60% adequate? The article goes on to conclude that retirement income adequacy improves substantially when auto features, including auto escalation, are in place. But among employers who offer a retirement savings plan, how prevalent are auto features and particularly auto escalation? According to the Bureau of Labor Statistics, about 68% of U.S. workers had access to retirement benefits as of March 2013, with about 54% actually participating. What happens to the nearly one third of workers who have no access to a plan? Just as importantly, if--as some experts advise--the adequate income replacement ratio is 80%, what happens to workers who have access to plans but who cannot meet that objective?

PlanSponsor editor and writer Alison Cooke Mintzer stated it very well in a January 2014 article titled "**Insights: Rule #1.**" She pointed out that while there are many columns and publications that purport to help people become more financially secure, they miss the first and most important point: Save More! She advocates encouraging people to save at least 10% of their salaries, noting that average 401(k) deferral rates are nowhere near that. Since way back in 1993--the year we launched our first ***Mid-Sized Retirement Plan Management Conference*** in Chicago--until recently, no one was talking about the need to save 10% or more. Instead, "experts" talked about asset allocation as the most important investment decision a participant could make. Turns out, that's not true. In a **Bloomberg article** dated January 28, 2014, Matt Fellows, CEO of HelloWallet, noted "... we found that for half of the 401(k) marketplace, 96% of their balance is a function of their contributions and employer matches. Only about 4% is investment returns." Industry professionals are finally beginning to emphasize how important participants' actual savings rate is to retirement security. A number of sessions at our upcoming ***San Francisco Mid-Sized Retirement & Healthcare Plan Management Conference*** address that very issue, including a keynote presentation by Jason Crane of Transamerica Retirement Solutions titled "**Will You (b) O(k)?**" and a workshop by his TRS colleague, Scott Coopersmith, titled "**Drive to 10: Increasing Participant Deferrals to Generate Better Retirement Outcomes**." Now that the retirement industry is taking up the mantra to save more, are we as plan sponsors doing all we can to push out that message to our participants?

Another Temporary Relaxation of ACA's Play or Pay Rules

On February 10, 2014, the IRS announced another reprieve, of sorts, for employers from fully complying with the Affordable Care Act's employer mandate. The **Final Regulations** published February 12 in the Federal Register provide guidance for employers who are subject to ACA's shared responsibility provisions (generally, those with 50 or more full-time employees). Beginning in 2015, very large employers (those with 100+ employees) must provide coverage for at least 70% of their full-time workforce. This is down from the law's threshold of 95% but moves to that level in 2016, giving employers a year of transition to work through the rules regarding how to calculate hours of service for certain types of workers and occupations. For smaller employers, those with between 50 and 99 full-time workers, the mandate has been delayed until 2016.

If you prefer something less dense than the 227-page official publication, law firm Ballard Spahr LLP offers a concise overview of the final regulations. It's available **here**. In addition, the firm's "**The ACA Tracker**," provides an online, sortable list of developments in the implementation of the healthcare law. The table includes the topic, the responsible federal agency, the type of action--e.g. Fact Sheet, Final Regulation, Advance Notice of Proposed Regulation, etc.--and links to the specific governmental publication. It's a handy, quick reference guide to all of the FAQs, rules and guidance associated with the Affordable Care Act.