HERITAGE INSTITUTIONAL

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RETIREMENT Report

Solutions for a Stressed-out Nation

Financial stress is a reality faced by the American worker every day—its ripple effects impacting individual health, productivity, and quality of life. In May, 2014 New York Life Retirement Plan Services sponsored a research study, in which they surveyed more than 1,500 workers to uncover individual stress levels, its causes, and how to best combat it.

How stressed are we?
Quite simply—we are very stressed. Nearly three-quarters of survey respondents admit to experiencing stress in their daily lives—and more than 25% report feeling extremely stressed. And when asked to identify the causes of stress, financial worries bubbled to the top:

- 60% worry about possible financial difficulties
- 47% are concerned with facing potentially unaffordable medical expenses
- 46% fear possible job loss

Only half of all survey respondents considered their financial situation to be good.

The impact of stress:
Stress is not something to be taken lightly. It impacts the individual and their employer.

On organizations:
- The World Health Organization estimates the cost of stress to U.S. businesses to be $300 billion annually.[1]
- Productivity losses related to personal and family health problems cost U.S. employers $1,685 per employee per

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The different faces of stress

Individuals identifying as highly stressed people are aware that they are not taking action to rectify their financial situation. 58% of highly stressed respondents admitted showing poor effort in saving for retirement, and half report that they fail in the basics of budgeting.

Financial stress is not limited to low earners. More than one quarter of respondents earning more than $100,000 reported feeling highly stressed.

Women feel financial stress more acutely—34% of women responding to the study reported experiencing extreme stress, compared to 22% of men—and are significantly more likely to bring that stress with them to work.

Lower income workers—those earning less than $50,000—are more concerned with establishing an emergency savings than higher paid colleagues, establishing that safety net trumps retirement savings, day-to-day bills, and medical bill concerns.

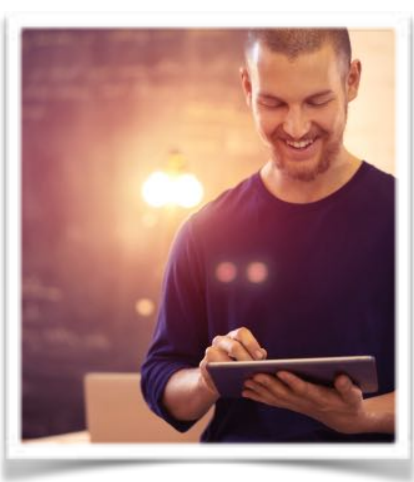
Solving for stress

As it stands now, 70% of respondents see their stress levels staying the same or increasing in the next year. But can we change that?

By and large, respondents recognize the value of taking action, considering the act of establishing a financial plan the most helpful in reducing stress. A holistic financial plan—one encompassing basic financial skill sets like budgeting, savings, debt management, and retirement and investments—may effectively combat financial stress.

This means we must re-examine the best way to engage plan participants. Simply focusing on retirement planning in participant education and engagement strategies ignores the complexities of an individual's financial life—and rings hollow and incomplete.

To successfully empower individuals to save for retirement, it is imperative that we utilize tools and advice to support the broad spectrum of their financial lives. In order to increase productivity and lower the healthcare costs associated with financial stress, we need to help reduce financial stress.



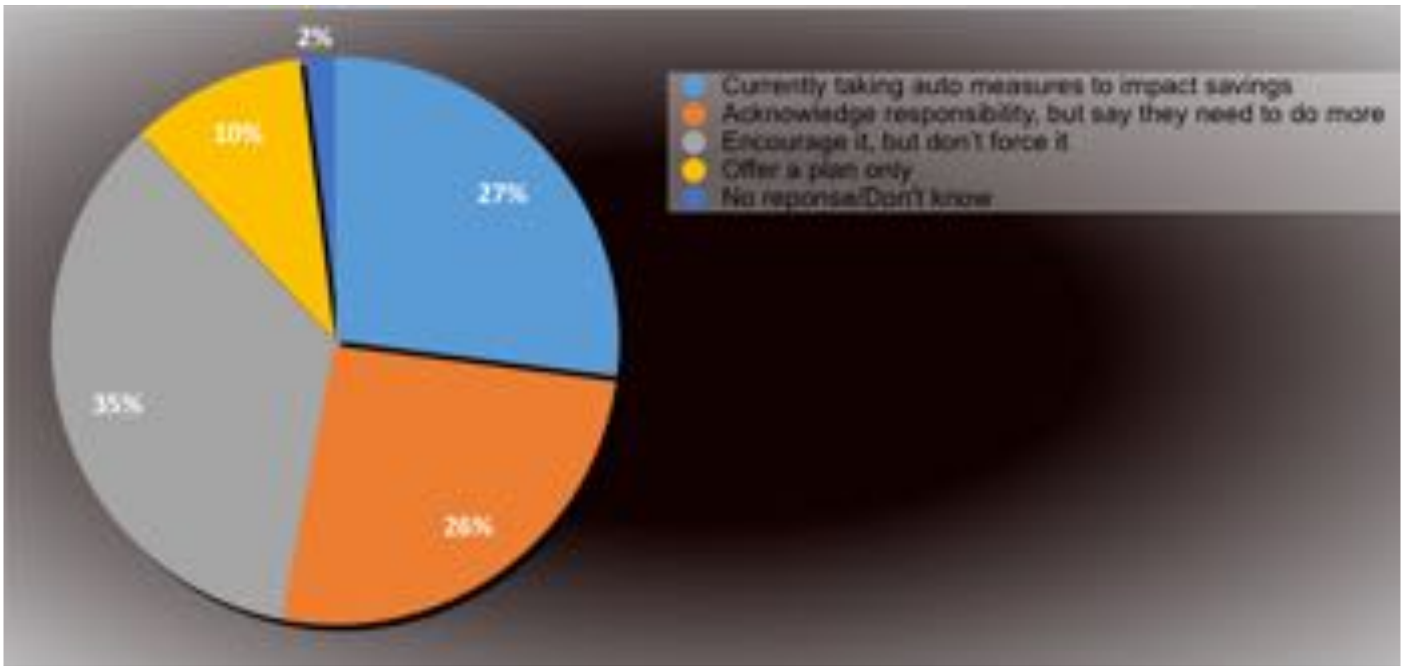
[1]Forbes, 2012
[2]Center for Disease Control, October 2013
[3]PwC Employee Wellness Survey, 2013

Fiduciary Seminar Alert

Plan fiduciaries have a primary responsibility to understand and prudently discharge their duties in accordance with ERISA and their plan document. To complement the fiduciary consulting services we make available to you, consider taking advantage of fiduciary education sessions hosted by the DOL. The website provided below has great content on other fiduciary topics as well.

Please let us know if we can assist you in any areas impacting successful outcomes for your plan.

Please see the following link for more information: http://www.dol.gov/ebsa/fiduciaryeducation.html



HOW TO ENCOURAGE POSITIVE RETIREMENT OUTCOMES IN TAX EXEMPT PLANS

One of the major trends right now in retirement plans is the use of automatic plan design features to encourage plan participation and retirement participation. We have seen a steady increase in adoption of automatic plan design features, at large, in the past few years; however, tax exempt organizations seem to have a different attitude towards the implementation of these strategies. Compared to the general retirement plan population, tax exempt organizations seem to be a bit more split when it comes to measures that would force their employees into retirement contributions. A look at the chart below tells us that, in summation, only 27 percent of tax exempt plan sponsors currently include some type of automatic plan design feature.[1] Plan sponsors of tax exempt organizations generally view retirement plans as another component of their employee benefits offering; putting the decision-making control in the hands of their employees. In addition, tax exempt organizations tend to be more wary of fiduciary liability; so they prefer to be more hands off.

When “Float” is a Bad Thing

What is “float”? Float refers to the earnings or “compensation” accruing to a service provider while a plan’s contribution remittance (or other assets held in suspense) is awaiting deposit or distribution.

With many service providers, a contribution received after 2 p.m. EST will not be deposited until the next day.

Any return on these remittances that are held overnight (i.e. if placed in an interest bearing account) is considered by the DOL to be “compensation” and therefore treated as such and should be disclosed as required by ERISA Section 408(b)(2). The plan sponsor, as per 408(b)(2), has a responsibility to determine whether total compensation inclusive of float is reasonable. Failure to do so may result in a prohibited transaction.

This may be a good time to inquire to your service provider as to this issue of float in order for this not to become a compliance issue down the road. The question to pose is as simple as “are there any opportunities for you, the service provider, to obtain what ERISA considers compensation for plan assets held in abeyance either for contributions pending allocation, which may be held in an interest bearing account, a forfeiture account, or a distribution check issued but not yet cashed?”

This ounce of prevention may be worth pounds of cure.

COMMUNICATION CORNER: Retirement Plan Basics

This month’s memo reminds employees about the importance of participating in the company’s retirement plan and includes ten things to know about their company’s retirement plan.

As a reminder, we post each monthly participant memo online via the Fiduciary BriefcaseTM (fiduciarybriefcase.com).

Call 405-608-8660 or email Brad or Matt if you have questions or need assistance.
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