



Improving the ROI of Your Retirement Plan

April 20, 2016

Presented by:

Douglas G. Prince, CPA, AIFA®, PRP
Retirement Plan Advisor
DPrince@ProCourseAdv.com

866.824.8040

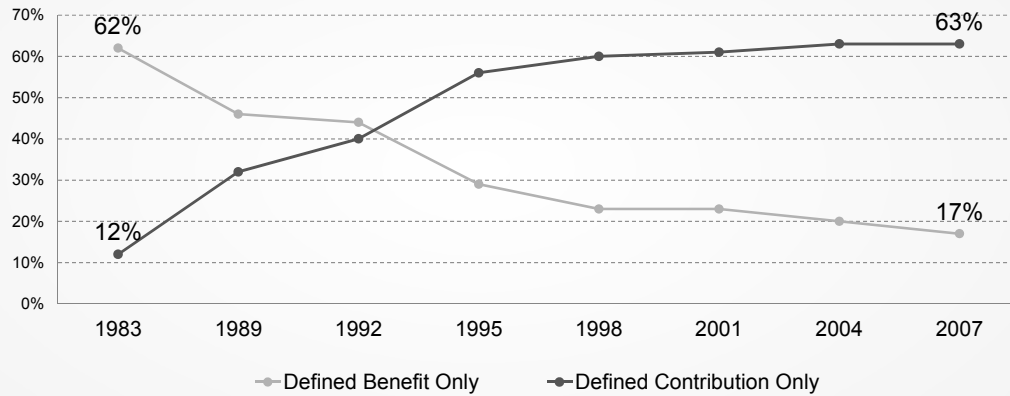


www.ProCourseAdv.com

Why Does Your Organization Have a Retirement Plan?



History of Retirement Plan Utilization

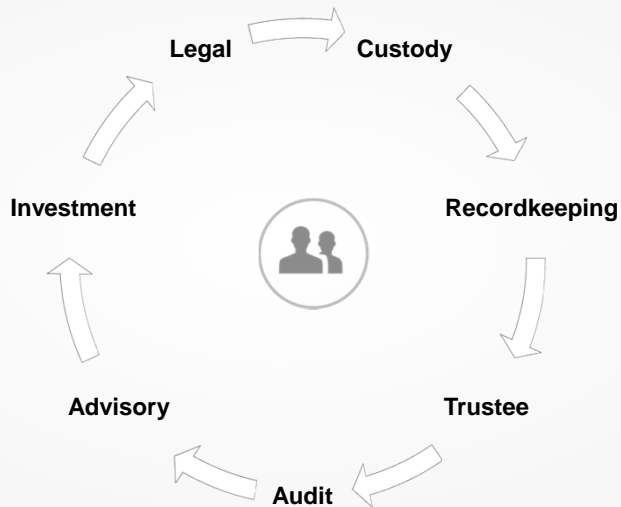


http://crr.bc.edu/wp-content/uploads/2009/11/wp_2009-26-508.pdf

www.ProCourseAdv.com

3

Costs to You and/or Your Participants

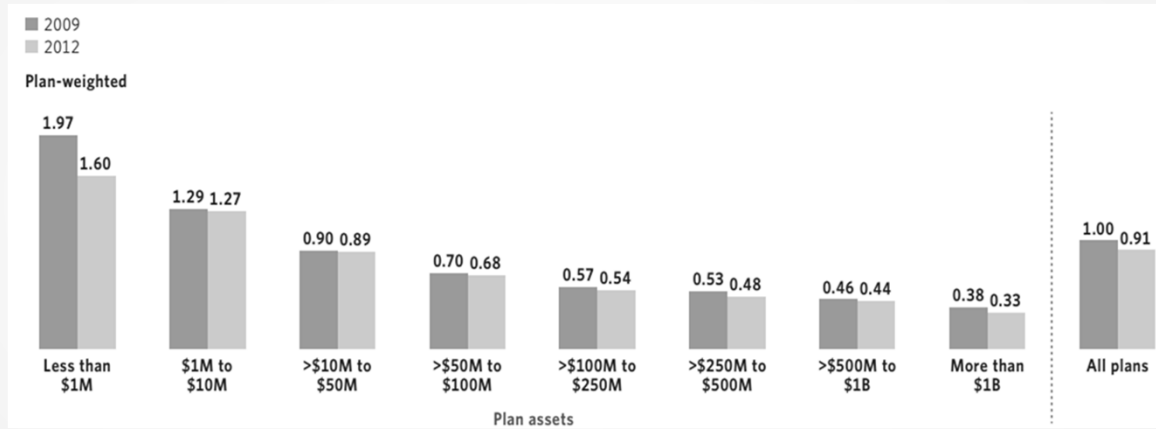


www.ProCourseAdv.com

4

Total Plan Costs by Plan Assets

Investment Company Institute



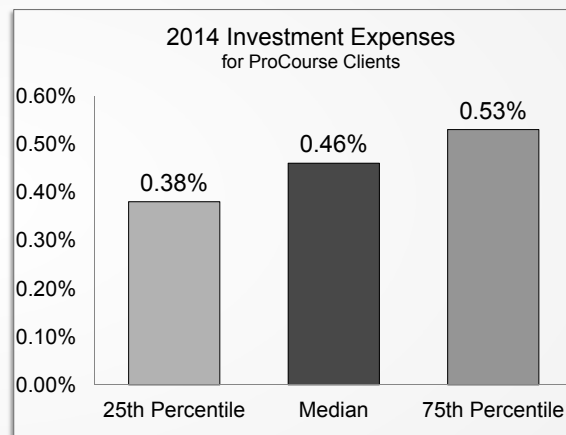
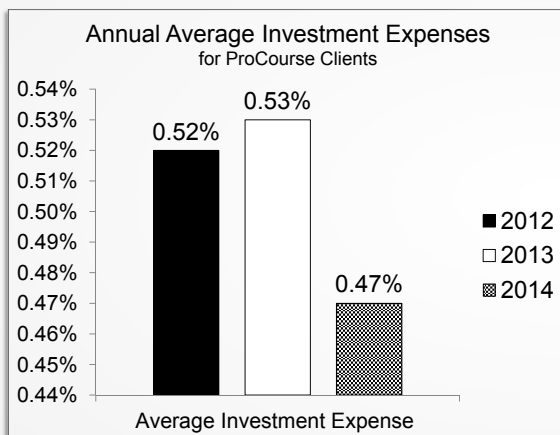
Source: <https://www.ici.org/pdf/per20-03.pdf>
 Total plan costs* as a percentage of assets among plans with audited 401(k) filings in the BrightScope database (by plan assets, 2009 and 2012)

www.ProCourseAdv.com

5

Benchmarking Data

Investment Expenses



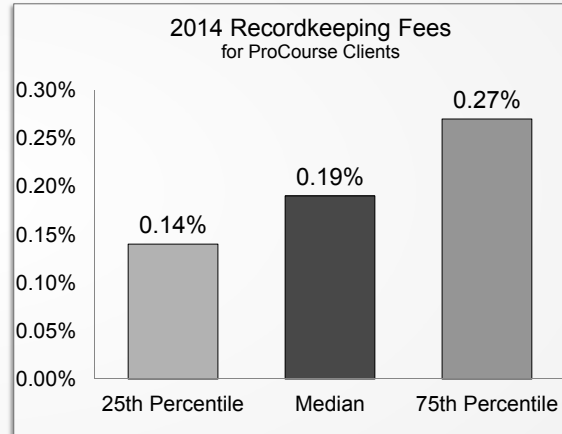
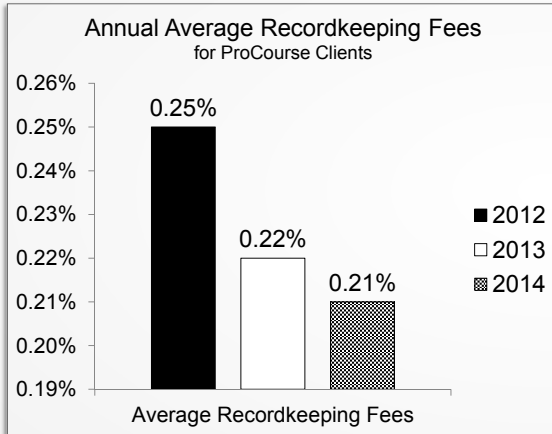
For calculations and source data, see Disclosures: Monitoring Fees Section

www.ProCourseAdv.com

6

Benchmarking Data

Recordkeeping Fees



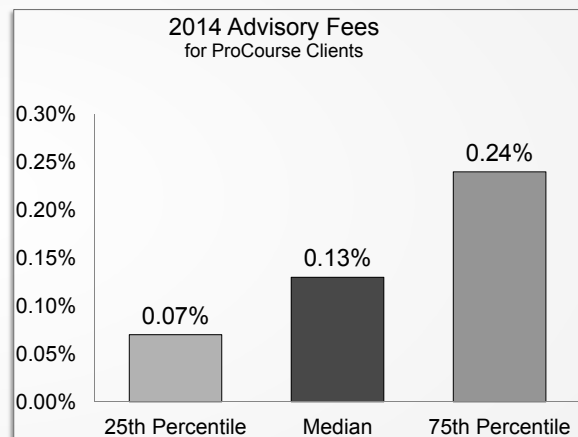
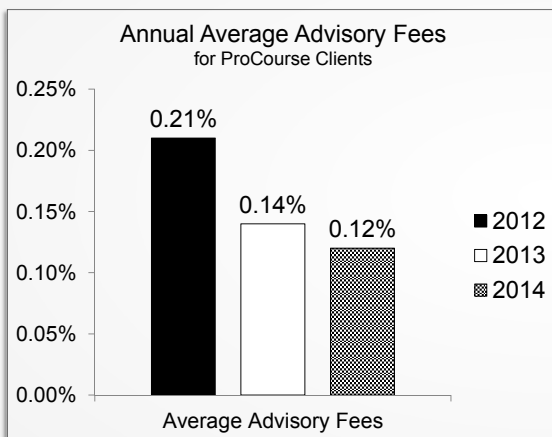
For calculations and source data, see Disclosures: Monitoring Fees Section

7

www.ProCourseAdv.com

Benchmarking Data

Advisory Fees



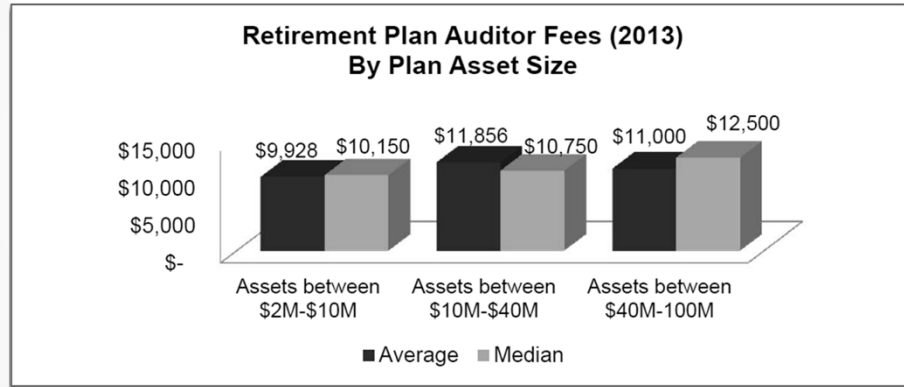
For calculations and source data, see Disclosures: Monitoring Fees Section

8

www.ProCourseAdv.com

Benchmarking Data

Audit Fees



Survey of ProCourse clients, representing 35 organization's auditor fees in 2013. Information presented is for educational purposes only.

www.ProCourseAdv.com

9

What Your Plan Can Pay For:

ERISA Plan Expense Checklist

Type Of Service For Which Expense Was Incurred	Example	Legally Permitted (Fiduciary, Not Settlor in Nature)?
1. Basic Administrative Services (plan wide)	Plan recordkeeping	Yes
	Plan accounting	Yes
	Legal services relating to plan fiduciary issues (not settler issues)	Yes
	Trustee	Yes
	Safekeeping of plan assets (i.e. custodial services)	Yes
	Periodic/annual compliance auditing	Yes
	Legally required reporting (e.g., Form 5500)	Yes
	Claims Processing	Yes
Participant Communications (e.g., distributions of SPDs, SARs, benefit statements)	Yes	



http://www.groom.com/media/publication/143_ERISAPlanExpensesv4.pdf
ProCourse does not provide legal advice, please consult your legal counsel.

www.ProCourseAdv.com

10

What Your Plan Can Pay For:

ERISA Plan Expense Checklist

Type Of Service For Which Expense Was Incurred	Example	Legally Permitted
4. Expenses Incurred in Connection With Settlor Decisions – May NOT be paid with plan assets	Legal or Consulting Services in connection with plan formation	No
	Plan Design Activities (e.g., legal or consulting expenses incurred in advance of the adoption of the plan or plan amendment; plan design studies; cost projections to determine the financial impact of the plan change)	No
	Drafting of discretionary Amendments (e.g., plan spin-off; establish a participant loan program; early retirement window)	No
	Other employer responsibilities (e.g., preparation of FASB Statement No. 87,88)	No
	Legal and consulting expenses in connection with plan termination (decision to terminate and drafting of plan amendment)	No



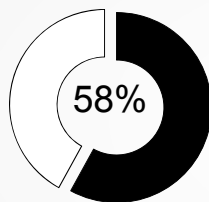
http://www.groom.com/media/publication/143_ERISAPlanExpensesv4.pdf
ProCourse does not provide legal advice, please consult your legal counsel.

11

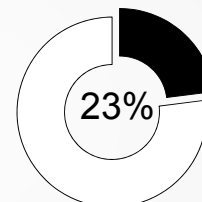
www.ProCourseAdv.com

Employees are Paying More Fees

Expect more employers to pass on all plan related costs to participants



Percentage of plan sponsors that pass on the recordkeeping costs to participants (up from 33% in 2009)



Percentage of employers paying all recordkeeping costs



Source: Ready, Set Retire 2014 Towers Watson North American Defined Contribution Plan Sponsor Survey Report

12

www.ProCourseAdv.com

How to Pay for Expenses

PERA, ERISA Account, ERISA Bucket

Method to Charge Participants:

- Pro Rata
- Per Capita

Who is Paying for Costs?

Refund of Extra Money



13

www.ProCourseAdv.com

Cost to Your Company

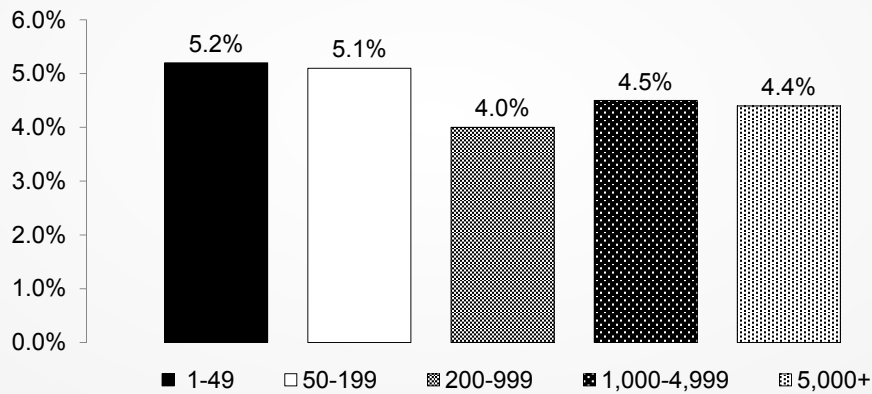
- Employer Contributions
- Employees unable to retire



Employer Contributions

PSCA 57th Annual Survey of Profit Sharing and 401(k) Plans

Company Contributions as a percentage of eligible participants' total annual payroll by plan size



15

www.ProCourseAdv.com

Employer Contributions

PSCA 57th Annual Survey of Profit Sharing and 401(k) Plans

- Average 401(k) Employer Contribution: **2.9%**
- Average Profit Sharing Contribution: **7.9%**
- Employers offering a Matching Contribution: **80.1%**
- Employer offering a non-matching contribution: **58.8%**
- Employers using a formula based on percentage of profits: **0.5%**



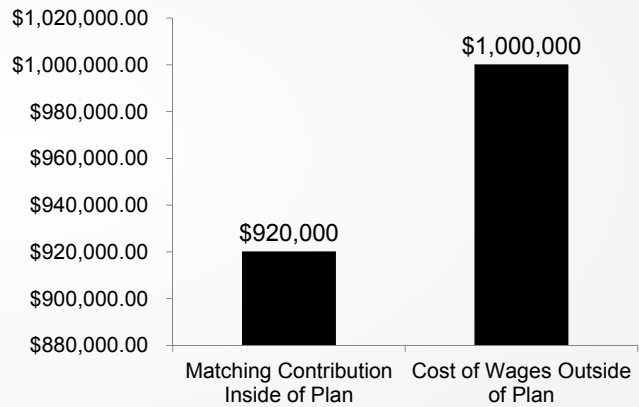
16

www.ProCourseAdv.com

What Does Your Company Contribution Cost You?

– Company Contribution vs. Regular Wages

- No FICA, FUTA taxes



Hypothetical example. \$920,000 in Matching contributions approximately equates to \$1,000,000 in wages outside of the plan

17

www.ProCourseAdv.com

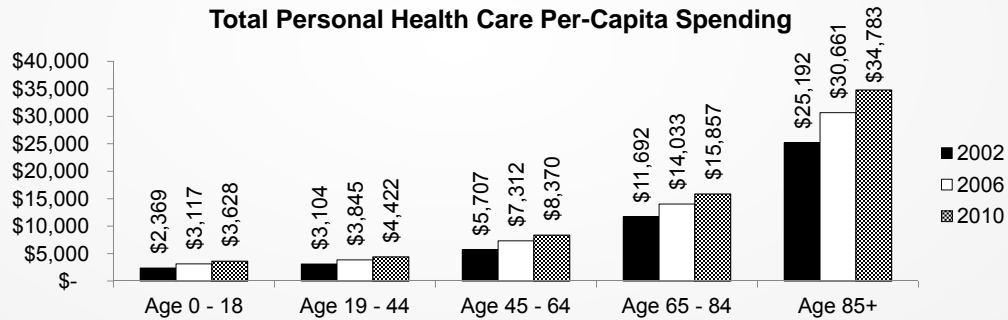
Cost of Delayed Retirement



Planning for the Future Workforce Composition

- Consider the average cost of your employees by age
 - Healthcare costs
 - Long-Term Disability
 - Wages
 - Productivity

Total Personal Health Care Per-Capita Spending



Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group

19

www.ProCourseAdv.com

Future Workforce Wages and Healthcare Costs

Workforce Age	Number of Employees	Weekly Wage Cost ¹	Annualized Wage Cost ²	Health Care Total Cost	Example Wages for Workforce	Example Healthcare Costs for Workforce
25-34	30	\$708	\$36,816	\$4,422	\$1,108,480	\$132,660
35-44	30	\$874	\$45,448	\$4,422	\$1,363,440	\$132,660
45-54	15	\$883	\$45,916	\$8,370	\$688,740	\$125,550
55-64	25	\$904	\$47,008	\$8,370	\$1,175,200	\$209,250
65-84	0	\$801	\$41,652	\$15,857	\$0	\$-
Total	100				\$4,331,860	\$600,120



Sources: ¹ BLS Report, December 2014 ²Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, Table 7

20

www.ProCourseAdv.com

Future Workforce Wages and Healthcare Costs

10 Year Change, 3% Inflation Assumption for Wages/Healthcare Assuming No Employees Retire

Workforce Age	Number of Employees	Weekly Wage Cost ¹	Annualized Wage Cost ²	Health Care Total Cost	Example Wages for Workforce	Example Healthcare Costs for Workforce
25-34	0	\$951	\$49,477	\$5,942	\$0	\$0
35-44	30	\$1,174	\$61,078	\$5,942	\$1,832,349	\$178,283
45-54	30	\$1,186	\$61,707	\$11,248	\$1,851,217	\$337,457
55-64	15	\$1,214	\$63,174	\$11,248	\$947,622	\$168,728
65-84	25	\$1,076	\$55,976	\$21,310	\$1,399,420	\$532,762
Total	100				\$6,030,609	\$1,217,232



Sources: ¹ BLS Report, December 2014 ²Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, Table 7

21

www.ProCourseAdv.com

Future Workforce Wages and Healthcare Costs

10 Year Change, 3% Inflation Assumption for Wages/Healthcare Assuming Normal Retirement

Workforce Age	Number of Employees	Weekly Wage Cost ¹	Annualized Wage Cost ²	Health Care Total Cost	Example Wages for Workforce	Example Healthcare Costs for Workforce
25-34	20	\$951	\$49,477	\$5,942	\$989,552	\$118,855
35-44	30	\$1,174	\$61,078	\$5,942	\$1,832,349	\$178,283
45-54	30	\$1,186	\$61,707	\$11,248	\$1,851,217	\$337,457
55-64	15	\$1,214	\$63,174	\$11,248	\$947,622	\$168,728
65-84	5	\$1,076	\$55,976	\$21,310	\$279,884	\$106,552
Total	100				\$5,900,626	\$909,878



Sources: ¹ BLS Report, December 2014 ²Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, Table 7

22

www.ProCourseAdv.com

Target Outcomes

Background on Savings Requirements

Pre-Retirement Income	Target Replacement Ratio with \$400 per Month Additional Health Care Costs (1)	Estimated Social Security Replacement Ratio (1)	Retirement Plan and Personal Saving Replacement Ratio	For replacing 80% of income		
				Estimated Annual Savings Rate Required for a Career Employee Age 30 (2)	Estimated Company Contribution as a Percentage of Pay (3)	Minimum Company Target Employee Savings Level (4)
\$20,000	113%	69%	44%	7%	9%	2%
\$30,000	102%	59%	43%	9%	9%	3%
\$40,000	94%	54%	40%	10%	9%	4%
\$50,000	88%	51%	37%	11%	9%	4%
\$60,000	84%	46%	38%	12%	9%	5%
\$70,000	82%	42%	40%	13%	9%	5%
\$80,000	82%	39%	43%	14%	9%	6%
\$90,000	82%	36%	46%	15%+	9%	6%

How much should a career employee be saving?



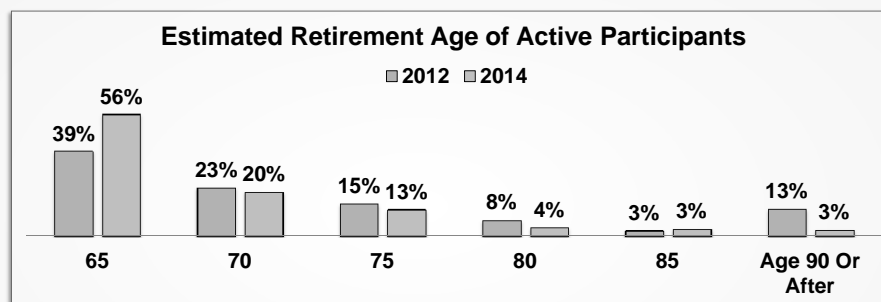
For calculations and source data, see Disclosures: QDIA/ Asset Allocation Models/ TDF Glide Paths Section

23

www.ProCourseAdv.com

Assessing Your Workforce's Ability to Retire

Client Example



Plan Year	Age 65	Age 70	Age 75	Age 80	Age 85	Age 90	Total
2012	99	57	38	19	7	32	252
2014	162	59	36	12	10	9	288

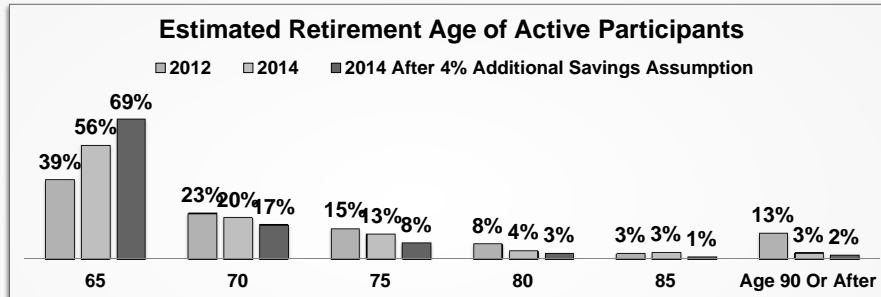


24

www.ProCourseAdv.com

Assessing Your Workforce's Ability to Retire

Client Example



Plan Year	Age 65	Age 70	Age 75	Age 80	Age 85	Age 90	Total
2012	99	57	38	19	7	32	252
2014	162	59	36	12	10	9	288
2014 (with 4% Savings Increase Assumption)	198	50	24	9	2	5	288



25

www.ProCourseAdv.com

Improving Company ROI with Your 401(k)

	Age 65	Age 70	Age 75	Age 80	Age 85	Age 90	Total
Current Situation	162	59	36	12	10	9	288
4% Increase in Annual Savings	198	50	24	9	2	5	288
Difference	36	-9	-12	-3	-8	-4	0
Assuming \$5,000 per year Difference per employee in Health Care Costs		\$ 225,000	\$ 600,000	\$ 225,000	\$ 800,000	\$ 500,000	\$ 2,350,000

	Annual Cost
4% Employer Contribution Each Year	\$ 600,000.00
2% Additional Match + 2% Employee Increase	\$ 300,000.00
Increase In Employee Contributions by 4%	\$ -



Hypothetical example for illustrative purposes only

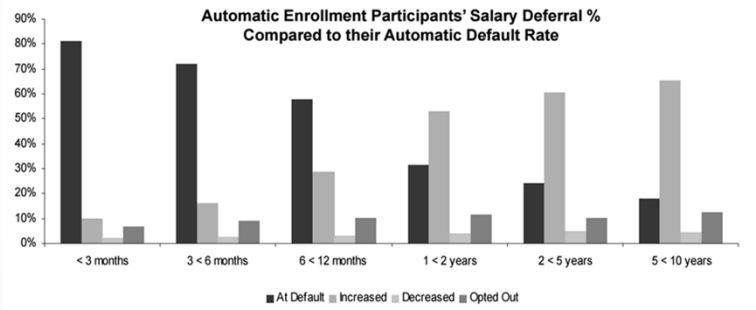
26

www.ProCourseAdv.com

Changing Outcomes

- **Automatic Enrollment**
- **Automatic Increase**
- **Stretch Match**
 - Incentivize larger deferral percentages

- Participants with deferrals above their default rate grow over time (due in part to auto services such as auto increase)



Source: <http://www.ebri.org/pdf/programs/policyforums/Robinson0510PF.pdf>

27

www.ProCourseAdv.com

Making a Difference

In order of effectiveness as perceived by ProCourse

- 1. Plan Design Features**
 - a. Automatic Enrollment
 - b. Automatic Increase
 - c. Simplified Enrollment
 - d. Earlier Entry (watch out for Top-Heavy & Testing)
 - e. Stretch Match
 - f. Reducing Fund Options
- 2. Advice**
 - a) Managed Accounts (in-person)
 - b) Target Date Funds (easier but does not address savings levels)
 - c) Managed Accounts (online)
- 3. Education**
 - a) Targeted / Specific
 - b) Group



28

www.ProCourseAdv.com

Disclosures

Monitoring Fees

Total Investment Expenses (2014):

- Benchmark data obtained from quarterly reports prepared for ProCourse clients as of 12/31/2014 (76 clients included).
- The rankings represented reflect the percentile ranking for all investment expenses of mutual funds held by ProCourse clients for 2012 (65 clients), 2013 (79 clients), 2014. (76 clients) The mutual fund expense ratios are from the 2014 year, similar to the information used from the IRS form 5500 for 2014. For 2012, 65 clients are included. For 2013, 79 clients are included. For 2014 there are 76 client plans included in the ProCourse universe

Advisor Fees of Clients vs. Universe:

- Data obtained from FBI Fee Benchmarking reports prepared for ProCourse clients (61 clients included).
- The advisory fee expense ratios are from the years 2014, 2013 and 2012, similar to the information used from the IRS form 5500 for 2014. For 2012, 31 clients are included. For 2013, 30 clients are included. For 2014 there are 61 client plans included in the ProCourse universe. Recordkeeper Fees of Clients vs. Universe:

- Data obtained from FBI Fee Benchmarking reports prepared for ProCourse clients (61 clients included).

Recordkeeping Fees of Clients vs. Universe

- The recordkeeping expense ratios are from the 2014 year, similar to the information used from the IRS form 5500 for 2014. For 2012, 29 clients are included. For 2013, 28 clients are included. For 2014 there are 61 client plans included in the ProCourse universe.

Client Total Fees:

- Fiduciary Benchmarks Inc. (Fbi), is a third party organization that reports and compares retirement plan fees, design, support and services to a benchmark group of similar plans. More information can be found at www.fiduciarybenchmarks.com
- All clients are representative of ProCourse clients whose plans had Fiduciary Benchmarks, Inc. conduct a Benchmarking Study in years 2012, 2013, 2014.
- Universe is representative of all retirement plans in similar groups to ProCourse clients that Fiduciary Benchmarks Inc. conducted a benchmarking study for in the years 2012, 2013, 2014.



Disclosures

QDIA/Asset Allocation Models/TDF Glide Paths

- Background on Saving Requirements:
 - Retirement Plan Design Study, Minnesota Statewide Retirement Systems, June 1, 2011 <http://www.msrs.state.mn.us/pdf/Study6-1-2011web.pdf>
 - Data obtained from Table 2 of article published in the Journal of Financial Planning, April 2007. "National Savings Rate Guidelines for Individuals", by Roger Ibbotson, PhD, James Xiong, PhD, CFA, Robert P. Kreidler, CFP, Charles F. Kreidler, and Peng Chen, PhD, CFA.
 - Based upon a 35+ year employment and savings history
 - Employee Age 30
 - Estimated Company Contribution as Percent of Pay includes both Company match (assumes employee maximizes the match) and historical profit sharing, if applicable.
 - Minimum Company Target is the Estimate Annual Savings Rate Required for a 30 Year Old Employee minus the Estimated Company Contribution as a Percent of Pay.
- Estimated Company Target Employee Savings
 - Savings and salary levels are only for employee and do not count other family-related income or savings.
 - All Participant demographic data supplied by the Plan's record-keeper and/or the company as of a specified date. Deferral rates were calculated by dividing the dollar amount deferred by the plan compensation.
 - *Data obtained from article published in the Journal of Financial Planning, April 2007. "National Savings Rate Guidelines for Individuals", by Roger Ibbotson, PhD, James Xiong, PhD, CFA, Robert P. Kreidler, CFP, Charles F. Kreidler, and Peng Chen, PhD, CFA.



Disclosures

- ProCourse Fiduciary Advisors, LLC ("ProCourse") is an SEC-registered investment adviser located in Indianapolis, Indiana. ProCourse & its representatives are in compliance with the current registration & notice filing requirements imposed upon SEC-registered investment advisers by those states in which ProCourse maintains clients. ProCourse may only transact business in those states in which it is notice filed, or qualifies for an exemption or exclusion from notice filing requirements.
- This document is limited to the dissemination of general information regarding ProCourse's investment advisory services to United States residents residing in states where providing such information is not prohibited by applicable law. Accordingly, the publication & dissemination of this document should not be construed by any client and/or prospective client as ProCourse's attempt to effect transactions in securities or the rendering of personalized investment advice for compensation. Furthermore, this document does not constitute the rendering of any legal or tax advice to any client or prospective client.
- Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that future performance of any specific investment, investment strategy (including the investments and/or investment strategies recommended by ProCourse), or product referenced directly or indirectly in this document, will be profitable. Different types of investments involve varying degrees of risk, & there can be no assurance that any specific investment or investment strategy will be suitable for a client's or prospective client's investment portfolio.
- The information in this document should not be construed, in any manner whatsoever, as a substitute for personalized individual advice from ProCourse. Any subsequent, direct communication by ProCourse with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption from registration in the state where the prospective client resides. Information pertaining to the registration status of ProCourse is available on the U.S. Securities & Exchange Commission's website at www.adviserinfo.sec.gov.
- This document & any graphic image, data, & other non-text based materials contained herein are proprietary to ProCourse and/or third parties. Any unauthorized use of the ProCourse Fiduciary Advisors, LLC name (or any variation thereof), or the graphic images & data contained in this document is prohibited.





31

www.ProCourseAdv.com

Thank You.



 1180 Medical Court
Carmel, IN 46032

 866.824.8040

 Contact@ProCourseAdv.com

www.ProCourseAdv.com

Appendix:



ERISA Plan Expense Checklist

Type Of Service For Which Expense Was Incurred	Example	Legally Permitted (Fiduciary, Not Settlor in Nature)?
1. Basic Administrative Services (plan wide)	Plan recordkeeping	Yes
	Plan accounting	Yes
	Legal services relating to plan fiduciary issues (not settler issues)	Yes
	Trustee	Yes
	Safekeeping of plan assets (i.e. custodial services)	Yes
	Periodic/annual compliance auditing	Yes
	Legally required reporting (e.g., Form 5500)	Yes
	Claims Processing	Yes
	Participant Communications (e.g., distributions of SPDs, SARs, benefit statements)	Yes



ERISA Plan Expense Checklist

Type Of Service For Which Expense Was Incurred	Example	Legally Permitted (Fiduciary, Not Settlor in Nature)?
2. Additional Administrative Services (plan wide)	Telephone Voice Response Systems	Yes
	Educational Seminars	Yes
	Retirement Planning Software	Yes
	Investment Advice	Yes
	Electronic Access to Plan Info	Yes
	Daily Valuations	Yes
3. Investment Related Services	Sales Charge (also known as loads or commissions)	Yes
	Management fees (also known as investment advisory fees or account maintenance fees)	Yes
	Contract Termination Charges	Yes
	Product Termination Charges	Yes



http://www.groom.com/media/publication/143_ERISAPlanExpensesv.4.pdf
ProCourse does not provide legal advice, please consult your legal counsel.

35

www.ProCourseAdv.com

ERISA Plan Expense Checklist

Type Of Service For Which Expense Was Incurred	Example	Legally Permitted
4. Expenses Incurred in Connection With Settlor Decisions – May NOT be paid with plan assets	Legal or Consulting Services in connection with plan formation	No
	Plan Design Activities (e.g., legal or consulting expenses incurred in advance of the adoption of the plan or plan amendment; plan design studies; cost projections to determine the financial impact of the plan change)	No
	Drafting of discretionary Amendments (e.g., 'plan spin-off; establish a participant loan program; early retirement window)	No
	Other employer responsibilities (e.g., preparation of FASB Statement No. 87,88)	No
	Legal and consulting expenses in connection with plan termination (decision to terminate and drafting of plan amendment)	No



http://www.groom.com/media/publication/143_ERISAPlanExpensesv.4.pdf
ProCourse does not provide legal advice, please consult your legal counsel.

36

www.ProCourseAdv.com

ERISA Plan Expense Checklist

Type Of Service For Which Expense Was Incurred	Example	Legally Permitted
5. Fiduciary Implementation of Settlor's Decisions	Routine non-discrimination testing (including actuary fees)	Yes
	Seeking IRS Determination Letters	Yes
	Implementing Discretionary Amendment	Yes
	Implementing a plan termination (including auditing the plan, preparing/filing annual reports, preparing benefit statements and calculating accrued benefits, and notifying participants of their benefits under the plan.	Yes



http://www.groom.com/media/publication/143_ERISAPlanExpensesv.4.pdf
ProCourse does not provide legal advice, please consult your legal counsel.

37

www.ProCourseAdv.com

ERISA Plan Expense Checklist

Type Of Service For Which Expense Was Incurred	Example	Legally Permitted
6. Insurance & Bonding	Insurance costs for the plan fiduciaries or for the plan to cover liability or losses occurring by reason of the act or omission of a fiduciary provided such insurance permits recourse by the insurer against the fiduciary in the case of a breach of a fiduciary obligation by the fiduciary	Yes
	Bonding	Yes
7. Sanctions/Penalties	Imposed on the Plan	Yes
	Imposed on someone other than the plan (e.g., on a plan administrator as personal liability)	No
	Audit – CAP – sanction	No
8. Qualification Error Correction	EPCRS – VCP Compliance Fee	No
9. Fiduciary Error Correction	Cost of Correction under the Voluntary Fiduciary Correction Program ("VFC Program") (e.g., closing costs, prepayment penalties)	No



http://www.groom.com/media/publication/143_ERISAPlanExpensesv.4.pdf
ProCourse does not provide legal advice, please consult your legal counsel.

38

www.ProCourseAdv.com