



FOR RETIREMENT

Retirement Plan Leader

October 2010



News from Lincoln Financial Group for retirement plan sponsors. Hello future.®

Match makeover

Matches are slowly making a comeback. Half of mid-size to large employers who stopped or reduced matching contributions in 2008 intend to reinstate them this year, as do one-third of small employers who cut matches.¹ Consider a match makeover if you're about to do the same. Restoring your match is also an opportunity to rethink it. Moreover, even if you didn't touch your match, it's a good idea to revisit your benchmarking, match ceiling, vesting and communications.

Benchmark peers and goals

Compare your plan's match formula and overall structure to those in plans offered by others in your industry, organizations of similar size and competitors in your region. Reassess your match with the aim of meeting retention and recruitment goals. Make certain your match stands out or is at least competitive. Remember: retirement plans and matches are common. A 2010 study by the Society for Human Resource Management found most organizations of all sizes offer plans, and seven in 10 have matches.²

Consider raising the ceiling

Participants tend to set deferral rates at their match ceiling — the amount they must defer to receive the maximum matching contribution. For example, most participants in a plan that matches up to 6% of pay will choose 6% as their deferral rate.³ However, with only 54% of workers surveyed by the Employee Benefits Retirement Institute confident they'll have enough money to live comfortably in retirement — down sharply from 70% in 2007⁴ — it may be time raise your ceiling to encourage greater saving.

Examine workforce demographics

One match size may not fit all. Sort employees by salary, seniority, position and age; then look at participation and deferral rates in each category. You may uncover opportunities for cost-effective match restructuring. For example, high turnover among employees who have less than two years of service may prompt you to offer higher match percentages the longer employees work for you rather than setting an across-the-board percentage. A one- or two-year vesting schedule may be another solution in that case.⁵

Focus on communication

Get the maximum impact out of a restored match. Use e-mail, company intranet and mailings to give employees advance notice so they can budget for it. They're likely to respond. According to a recent survey, retirement plan participants said the employer match was the most important factor influencing their savings — more influential than their household budget.⁶ Contact your Lincoln Financial representative to discuss a match makeover and restoration strategy.

¹Eleanor Laise and Kelly Greene, "Employers Slow to Resume Pay Perk," *The Wall Street Journal*, August 3, 2001: C1.

²Society for Human Resource Management, "2010 Employee Benefits," June 2010: 18–57.

³Dean Kohmann, "Priming the 401(k) Pump," *Employee Benefit Advisor*, April 2010: 22–23.

⁴Alix Stuart, "Sea Change: Companies Now Play a Much More Active Role in Guiding Employees' 401(k) Investment Decisions," *CFO*, April 2010: 44–48.

⁵See note 3 above.

⁶See note 1 above.



A match suspension of just one year can seriously reduce retirement balances. Take a 30-year-old employee who earns \$50,000 a year, contributes 6% of her pay to a defined contribution plan, receives a 3% match and has an investment return of 7%. A one-year match suspension could mean she has \$16,000 less at retirement.

This hypothetical illustration is not indicative of any product or performance and does not reflect any expenses associated with investing. Taxes will be due upon distribution. It is possible to lose money by investing in securities.

Hello future.®

Products issued by:
The Lincoln Life Insurance Company
Lincoln Life & Annuity Company of New York



Chuck C. Cornelio

Ten retirement plan touch-ups

This is an excerpt from “Ten Ways Retirement Plans Can Help Organizations Recruit and Retain Talent,” by Chuck C. Cornelio, president of Defined Contribution, Lincoln Financial Group, which appeared in the July 26, 2010 edition of EmployersWeb magazine. Contact your Lincoln Financial representative for a reprint of that article.

Revisit your retirement program with an eye to making it a more competitive retention and recruitment tool. Here are 10 plan touch-ups to consider.

- 1 Enhance employee communication** with an emphasis on staying invested, annual plan reviews, taking advantage of a match, and increasing contributions. Hold worksite events and seminars to reach as many employees as possible.
- 2 Focus on financial education** to help participants make better-informed investment decisions. Consider online resources and one-on-one financial guidance.
- 3 Promote the Saver’s Credit**, which allows low- and middle-income participants an opportunity to save on their federal income tax.
- 4 Offer risk-based and/or target-date funds** designed to help simplify participants’ investment decisions.
- 5 Offer the plan to part-time employees.** It may appeal to baby boomers transitioning to retirement and new parents returning to the workforce. You could enjoy an edge in the war for talent.
- 6 Offer a Roth account**, which allows participants to contribute on an after-tax basis and eventually withdraw their contributions and any earnings tax-free. A Roth feature may especially appeal to young employees in low income-tax brackets.
- 7 Offer a profit-sharing plan** as part of your company’s retirement program. It allows contributions to vary with company earnings.
- 8 Establish automatic enrollment** and automatic escalation of contributions. Qualified default investment alternatives (QDIAs) can help reduce your fiduciary risk in auto-enroll arrangements.
- 9 Offer retirement income planning.** Explore lifetime income distribution options and seminars on issues of interest to employees nearing retirement.
- 10 Offer a nonqualified deferred compensation plan.** These plans, which appeal to highly compensated employees, allow a company to defer payment of certain employees’ compensation to a future date—and match a portion of it, too.

And this little piggy won!

The Profit Sharing/401(k) Council of America (PSCA) recently presented Lincoln Financial with a 2010 Signature Award for its asset consolidation marketing material. This comprehensive library of more than two-dozen black-and-white pieces features an eye-catching, spot-varnished pink piggy bank in a variety of scenarios—all designed to help educate participants on the advantages of asset consolidation in a fun, engaging way.

We’re tickled pink, naturally, but not only because the campaign won PSCA recognition. Asset consolidation into a single, easy-to-manage account offers significant advantages to participants.

Do you know where your money is?
Consolidation can help you prepare for the ride ahead.

All moved.

What about me?



Linda Jacobsen
Education TLC

This is an excerpt from “Retirement Planning Education in Health Care Organizations” by Linda Jacobsen, head of Defined Contribution Customer Experience, Lincoln Financial Group, which appeared in (b)Lines from PLANSPONSOR.com, August 9, 2010.

There is growing interest among plan sponsors to offer education and resources to help their workers decide how much they should save, how to invest, and how to prepare for retirement. This is particularly true in the healthcare segment, where there is a diverse workforce with varying degrees of financial literacy, “around-the-clock” schedules, and a need to recruit top talent—particularly in the nursing field.

Faced with these challenges, healthcare organizations should work with plan providers to deliver consistent, ongoing education around retirement readiness throughout the year—not just at enrollment. Providers should host retirement planning events and educational seminars onsite at varying times of the day so all employees—on all shifts—are reminded of the importance of staying invested, reexamining their financial plans, taking advantage of company matches, and increasing contributions.

The bottom line:

It is especially important for plan sponsors at healthcare organizations to choose providers that offer onsite, one-on-one guidance and consistent communication.

Legislative Corner

Summary of fee disclosure—408(b)(2) Regulation

The Department of Labor (DOL) has issued final interim regulations regarding fee disclosure. The regulations, which require certain retirement plan service providers to disclose fee-related information to plan sponsors, take effect July 16, 2011. The intent is to help plan fiduciaries assess the “reasonableness” of the contract or arrangement in compliance with transaction exemptions prohibited by ERISA section 408(b)(2). All existing clients must receive these fee disclosures on July 16, 2011, and all new clients after this date must receive these disclosures in advance of the contract or arrangement.

Covered plans and service providers

The regulations apply to covered plans, i.e., pensions, 401(k), 403(b) and other retirement plans subject to ERISA. The regulations do not apply to 457 governmental or IRA-based plans. A service provider that enters into a contract with a covered plan and expects to receive \$1,000 or more in direct or indirect fees is subject to the fee disclosure requirements. Covered service providers include:

- Service providers that are plan fiduciaries
- Record keepers or brokerage platforms to an individual-account plan that permits participants or beneficiaries to direct the investment of their accounts

- Persons who provide services such as accounting, auditing, actuarial, appraisal, banking, consulting, custodial, insurance, investment advisory (for the plan or for participants), legal, recordkeeping, securities or other investment brokerage, third party administration or valuation to the covered plan

Required information

The following information must be included in fee disclosure:

- A description of the services provided to the plan
- A description of direct compensation, which may be in aggregate or by service
- Indirect compensation the covered service provider (including its affiliates and subcontractors) reasonably expects to receive
- A description of any compensation that will be shared among related parties. This includes bundled service arrangements where a plan enters into a single contract and pays for multiple services provided by multiple parties.
- An estimate of what the recordkeeping cost would be as a standalone service

Lincoln Financial will share more about the new regulations as events develop. Since we’re committed to full disclosure in our communications and contractual arrangements, we don’t anticipate significant changes in policy as a result of these new requirements.



You're in good company with Lincoln Financial Group

- ▶ **More than 1.4 million American workers** are enrolled in employer-sponsored retirement plans provided by Lincoln Financial Group® affiliates.
- ▶ Lincoln Financial ranks among **the 10 largest retirement plan providers** by total number of full-service plans, according to a survey released in June 2009 by *PLANSPONSOR* magazine.
- ▶ Through its affiliates, Lincoln Financial offers a **broad portfolio of products** and services: annuities, life, group life, and disability insurance; 401(k) and 403(b) plans; savings plans; and comprehensive financial planning and advisory services.
- ▶ **A century of success** is a strong measure of client satisfaction: The oldest Lincoln Financial Group® affiliate opened for business more than 100 years ago.

Are your participants saving in circles?

Round and round they go. The folk wisdom that people who try to walk in a straight line find themselves going in circles appears to be true. A preliminary study conducted by biologists in Germany found that nine people walking in a desert and a forest tended to wander in circles or veered from a straight line if there was nothing to guide their way.¹

The same may hold true for retirement saving. If your plan participants are unaided by the guidance of a financial advisor, the compass of a retirement-needs calculator, or the basic investment knowledge provided by other resources, their emotions and biases may mislead them—to the detriment of their long-term returns.

The full story is in the October 2010 online edition of *Your Future*, a quarterly publication for participants in employer-sponsored retirement plans provided by Lincoln Financial Group® affiliates. Encourage your participants to access the latest online edition at www.LincolnFinancial.com/RetirementPlans.



Hello future.®

Not a deposit
Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value

©2010 Lincoln National Corporation

www.LincolnFinancial.com

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates.

Affiliates are separately responsible for their own financial and contractual obligations.

LCN1008-2045462

PDF 10/10 Z01

Order code: EM-PS-NWL038



¹ Matt Moore, "Walk in Circles? It's Natural, Says Study," Associated Press, August 21, 2009.

Lincoln Financial Group® businesses are subject to financial, market, political and economic risks, as well as risks inherent to their business operations. New York products are issued by Lincoln Life & Annuity Company of New York, Syracuse, NY, and distributed by Lincoln Financial Distributors, Inc., a broker/dealer. In all other states, products are issued by The Lincoln National Life Insurance Company of Fort Wayne, IN, and distributed by Lincoln Financial Distributors, Inc., a broker/dealer. **The Lincoln National Life Insurance Company does not solicit business in the state of New York, nor is it authorized to do so.** The assets and liabilities of the affiliates are separate from Lincoln Financial Group and would be used to meet obligations.

This material was prepared to support the promotion and marketing of investment and insurance products. Lincoln Financial Group® affiliates, their distributors, and their respective employees, representatives, and/or insurance agents do not provide tax, accounting, or legal advice. Any tax statements contained herein were not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. Please

consult your own independent advisor as to any tax, accounting, or legal statements made herein.

Investment company products are sold by prospectus. An investor should carefully consider the investment objectives, risks, and charges and expenses of the investment company before investing. The prospectus contains this and other important information and should be read carefully before investing or sending money. Investment values will fluctuate with changes in market conditions, so that upon withdrawal, your investment may be worth more or less than the amount originally invested. For a prospectus, please contact your Lincoln professional or call 1 800 4LINC0LN (800 454-6265).