Maximizing benefits and attracting and retaining valued employees

A guide for small businesses

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Small businesses **face unique challenges** when managing retirement savings plans designed to put their employees on track to become retirement ready. Employers often look for opportunities to **increase plan participation and maximize benefits for all employees** by exploring plan design changes. An employer contribution allocation formula may result in higher benefits for certain employees. In addition, **liberal eligibility, faster vesting** and other features may be attractive to all employees.

Voya® is pleased to share our experience gleaned from **40 plus years designing and delivering retirement plans** to employers like you. In this brochure, we will provide you with **plan design ideas** to consider that can help create a plan that is **more attractive, better utilized and more valued** by your employees.

Encourage overall plan participation

Consider the following plan provisions to help increase plan participation:

- Increase the employer match amount and/or the frequency
- Eliminate any last day or hours requirement for receipt of employer contributions
- Provide for more liberal eligibility requirements
- Automatically enroll eligible employees and automatically increase their elective deferrals each year
- Provide for an accelerated vesting schedule
- Add loan and in-service distribution options
- Permit catch-up contributions up to the maximum for the year
- Periodically re-enroll all eligible non-participating employees
- Provide on-site employee education sessions

How does your plan compare?	
60%	of plans have immediate eligibility for employee contributions
47%	of plans that provide a match have immediate eligibility for the match as well
61%	have an automatic enrollment feature
39%	have immediate vesting on the employer match
80%	of 401(k) plans permit hardship distributions
84%	of 401(k) plans permit loans
89%	rate of participation of eligible employees with an account balance
92%	of plans make a match on employee contributions
70%	of plans use a QDIA which is a target date fund in 77% of these plans
31%	of plans suggest a target deferral rate to participants; nearly half suggest a rate of higher than 6%
60%	of plans have a default higher than 3% of pay
39%	of plans offer managed accounts
73%	of auto enroll plans have an auto escalation feature
71%	of plans offer a target date fund
7.1%	the average deferral rate for all eligible participants
25%	of plans have a comprehensive financial wellness program, beyond a standard 401(k) education program

Plans with an auto-enroll feature have participation rates 8 percentage points higher than plans that do not (86% vs. 78%)

Plan Sponsor Council of America's 61st Annual Survey of Profit Sharing and 401(k) Plans, December 2018

Maximize plan benefits

Certain plan designs or allocation formulas may result in a greater benefit to a particular segment of employees and may satisfy nondiscrimination requirements. There are several options to consider.

Safe Harbor ADP/ACP plans – Even highly compensated employees can contribute up to the elective deferral limit for the year when the employer makes the specified "safe harbor" contribution (and certain other requirements are met).

Cash balance plans – Participants may accrue a greater benefit each year under this defined benefit plan (that resembles a defined contribution plan). This design incorporates both defined contribution and defined benefit features in one plan.

Cross testing and non-uniform allocation methods/ rate groups – A particular segment of employees may be provided with a larger contribution when different allocation rates are used for different groups of employees under the plan if special "rate group" nondiscrimination testing is performed.

Permitted disparity – Participants who earn more than the Social Security wage base may receive a greater percentage of the employer's contribution under a profit sharing or money purchase plan within certain specified limits.

Points allocation formula – This formula rewards specific groups of participants by assigning points based on objective criteria such as years of service, age, years of participation or compensation. The participant receives a pro-rata share of the allocation based on the participant's points over the total points earned by all participants in the plan.

Next steps and available resources

The following resources can help you learn more about the plan design options featured in this brochure and how you can incorporate them into your retirement plan.

Voya® – We can team up with a Third Party Administrator (TPA) that can bring these enhancements to fruition for plans sponsored by small businesses. Plan design decisions

should be based on the specific objectives and demographics of each employer. Some of the plan design options presented here may require special plan language, special benefit calculations and\or additional nondiscrimination testing to maximize the benefit for employees. There are experienced TPAs that can assist you in understanding which options may be best for your plan and may provide the additional testing services needed to comply with these options. Please contact your local Voya representative for more information about TPA services and those available to you locally.

Your plan advisor – Your advisor can walk you through the options and the possible impact each would have on your plan so that you may determine which of these options would best meet the needs and objectives of your plan.

Your plan attorney – Changes to your plan should be reviewed carefully with input from your plan attorney and your tax advisor to ensure the plan meets your objectives and maintains qualified status.

Voya cannot provide tax or legal advice.

The information presented here is not intended to be legal or tax advice. The applicability of the information and ideas set forth herein to your plan are dependent upon the facts and circumstances of your plan. Voya strongly suggests that you speak with your own tax and legal advisors before making changes to your plan.

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