ALGER

PLAN WELLNESS CHECKS

THINK FURTHER FOR RETIREMENT

A healthy plan drives the level of savings that aligns with the employees' needs and the business objectives. To make certain plan performance today is driving the savings rates needed to reach those future objectives, plan sponsors should perform periodic plan wellness checks.

HELPING **PLAN SPONSORS** THINK FURTHER FOR THEIR RETIREMENT PLAN

This article provides an overview of plan performance metrics that a plan sponsor may want to track to monitor plan health. Periodic plan wellness checkups will help Plan Sponsors **Think Further** about how well their plan is serving the needs of both the business and plan participants and make adjustments to improve performance when needed.

1 WHAT IS A "HEALTHY" RETIREMENT PLAN?

A healthy plan means different things to different plan sponsors.

Employee Retirement Goals

- Increase likelihood employees will be able to retire at a reasonable age
- Provide tax benefits for savings

Business Objectives

- Provide competitive benefits that will help attract new employees
- Ensure employees are able to retire at a reasonable age to create opportunities for advancement for emerging talent
- Reward loyal, long-term employees

Plan objectives may change over time as the business grows and evolves or employee demographics change.

2 WHAT ROLE DO FINANCIAL ADVISORS PLAY IN PLAN HEALTH?

- **Help plan sponsors identify and prioritize their objectives**
- **Assist in determining the most meaningful plan performance metrics**
- **Help gather data and analyze key plan metrics**
- **Suggest measures that would improve the metrics**
  - Alternative plan design features
  - Participant communications and education
  - Additional services

3 WHAT ARE THE MOST MEANINGFUL PLAN PERFORMANCE METRICS?

There are a variety of plan metrics that a plan sponsor may want to measure. Following is a list of some of the most common plan performance factors.

The relative importance of the metrics will vary depending upon the plan sponsor's objectives for the plan.

PLAN SPONSOR METRICS

- ☐ Plan fees as a percentage of plan assets
- ☐ Percentage of participants invested in the plan's default investment
- ☐ Percentage of eligible employees participating
- ☐ Average deferral percentage
- ☐ Percentage of auto-enrolled participants saving at default rate
- ☐ Percentage of participants deferring the amount needed to receive maximum employer matching contribution
- ☐ Average plan account balance
- ☐ Percentage of participants with an outstanding loan
- ☐ Percentage of participants with defaulted loans (in last 12 months)
- ☐ Percentage of participants who took a hardship distribution (in last 12 months)

Once the metrics are selected, a plan sponsor may want to look deeper than simply plan-wide averages to gain a more accurate assessment of plan health.

- ☑ Age
- ☑ Wage level
- ☑ Tenure
- ☑ Geographic location

A few participants with large balances can camouflage low overall savings rates.

4 WHY IS BENCHMARKING SO IMPORTANT?

It can be hard for a plan sponsor to gauge the health of their plan without comparing it to other plans.

While national averages are somewhat helpful, benchmarking a plan's metrics against plans of a similar size or industry or geographical area may provide more meaningful information.

- Most plan sponsors rely on their financial advisor to provide this critical information.
- Most advisors have access through their broker-dealer or firm, or through recordkeepers, to in-depth benchmarking data and research data that will help a plan sponsor evaluate how their plan is doing.

5 WHY ARE PLAN FEES INCLUDED AS A PLAN PERFORMANCE METRIC?

Plan fiduciaries, typically the plan sponsors, have an obligation to make certain that fees paid from plan assets are for services that are necessary and the fees are "reasonable."

- Most plan sponsors rely on their financial advisors to help them analyze whether fees are reasonable, including analyzing revenue sharing arrangements and their impact on plan fees.

In recent years, there have been a growing number of participant class action lawsuits alleging that plan fiduciaries breached their fiduciary duties by paying excessive fees for investments or administrative services.

6 HOW OFTEN SHOULD A PLAN EVALUATE PERFORMANCE?

Evaluating plan health is an ongoing process.

Many plans benefit from an annual review of key metrics. If plan performance is not trending in a positive direction given the business objectives for the plan and employees' needs, financial advisors can introduce strategies such as plan design or employee education targeted to improve specific performance metrics.

To obtain more information about the plan performance metrics that drive plan health or to access a plan wellness benchmarking tool that can be used with plan fiduciaries, reach out to your Alger contact, email us at retirement@alger.com or visit us at www.alger.com.

The views expressed are the views of Fred Alger Management, LLC ("FAM") and its affiliates as of June 2022. These views are subject to change at any time and may not represent the views of all portfolio management teams. These views should not be interpreted as a guarantee of the future performance of the markets, any security or any funds managed by FAM. These views are not meant to provide investment advice and should not be considered a recommendation to purchase or sell securities.

This material must be accompanied by the most recent fund fact sheet(s) if used in connection with the sale of mutual fund shares. Fred Alger & Company, LLC serves as distributor of the Alger mutual funds.

This document contains a general, high level summary of certain considerations applicable to qualified retirement plans. This summary does not purport to be a complete description of all the considerations applicable to a plan, plan sponsor, fiduciary or participant and it should not be considered to be guidance of any kind regarding a specific plan or situation and should not be relied upon as such. The summary is based upon general principles in the Internal Revenue Code of 1986, as amended (the "Code"), the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), as well as certain guidance issued under the Code and ERISA that may be applicable, all as currently in effect at the time that this summary was drafted, and all of which are subject to change or to differing interpretations, possibly retroactively, which could affect the continuing validity of this summary. There should be no anticipation that this summary has been, or will be, updated for any developments in the law or interpretation.

Tax and ERISA matters are very complicated and the consequences to plans, plan sponsors, fiduciaries and participants will depend on the facts of a particular situation. We encourage retirement plan sponsors, fiduciaries and participants to consult their own advisors regarding these matters, including applicable federal, state, local and foreign laws and the effect of any possible changes in the law.

ALPWCBRO-0622