The Best Practices of The Principal 10 Best Companies for Employee Financial Security

Recognition Event at MEEMIC Insurance Company

RETIREMENT BENEFITS

Solid retirement benefits are vital to employees' long-term financial security. *The Principal 10 Best Companies* recognize this fact. Five of this year's winners offer two retirement plans; three of the companies boast three retirement plans.

The Principal 10 Best Companies use several creative methods to address the challenges presented by their retirement plans.

- **Consolidate different types of retirement plans with one service provider,** such as offering a 401(k) plan and a pension plan in a combination arrangement. MEEMIC Insurance Company saved 35 percent of their retirement plan costs by merging their money purchase plan into the 401(k) plan. The company still maintains a 3 percent guaranteed contribution on top of their traditional employer match of 50 percent up to 5 percent.
- **Once a year (or more), show employees who do not contribute up to the maximum company 401(k) match exactly how much benefit they're missing out on.** "That has a big impact," says Tamera Robinson, vice president of finance with Delta Dental Plan of Iowa. "After they see what they're missing, our employees will almost immediately increase their deferral percentage to take full advantage of the company match." This figure could be included in an annual total compensation statement, which shows each employee's annual compensation and the cost to the company of each benefit the employee receives.
- **Require a minimum contribution level before offering the employee match.** At Noesis, Inc., employees must defer at least 4 percent of pay to receive the company match of 100 percent. The company encourages employees to increase their deferral by continuing the 100 percent match up to 8 percent of salary.
- **Challenge employees to increase 401(k) deferrals by just 1 percent.** The impact on their paychecks will be relatively small, but the increase could result in

tens of thousands of dollars more at retirement. "We always do that at the beginning of each year, just before the raises go into effect," explains Phyllis McKenna, human resources assistant at MSU Federal Credit Union. "That way employees don't even miss the money." Each year, approximately 20 percent of MSU Federal Credit Union employees increase their deferrals as a result of this technique. The company communicates the deferral challenge via payroll stuffers and emails.

- **Implement automatic enrollment in the 401(k) plan**. With this feature, deferral contributions for eligible employees begin automatically for employees who don't enroll in the plan. Annual education follow-ups will encourage employees to increase their deferrals. MSU Federal Credit Union plans to implement automatic enrollment in the near future to further boost its 401(k) plan participation.
- **Offer employees access to a financial representative.** The more employees learn about how much money they'll need at retirement, the more likely they are to boost their retirement savings.
- **Consider a deferred compensation plan to provide an additional savings vehicle for high-income employees.** "Many of our employees are maximizing 401(k) contributions and have expressed interest in an additional venue to save money pre-tax," explains Susan Bjork, SPHR, human resources director at Lancet Software Development. "So we've recently implemented a deferred compensation plan to accommodate this need."
- **Add an Employee Stock Ownership Plan (ESOP).** ESOPs offer several advantages. The plans give employees a valuable retirement benefit and can help impress upon employees their impact on the profitability of the company. As Hypertherm, Inc. found, an ESOP can also offer an exit strategy for company owners. "Our owners want the business maintained the way it is. They don't want to worry about someone coming in and changing the management, philosophies and benefits. From their perspective, the ESOP lets them plan the future of the company," says Brenda Blair, human resources director at Hypertherm.

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