

**RETIREMENT PLAN CHALLENGES:
GETTING EMPLOYEES TO JOIN AND PARTICIPATE FULLY**
By Phil Zimmerman, CFP®

With volatile markets, a struggling economy, and the uncertainty of Social Security, it is vital that employees take full advantage of the tools available to help them save for retirement. The challenge for you, the Plan Sponsor, is this: How do you get your employees to join and participate fully in your plan?

Automatic Enrollment and Automatic Increase

One of the best ways to combat inaction by employees is to eliminate the need for them to take action. By using automatic enrollment an overwhelming majority of employees stay in the plan once enrolled. For example, the average opt-out rate for plans with automatic enrollment at our firm is only 7%, and we have had 122,281 participants enrolled through this program feature to date.

Further positive results may be achieved by coupling automatic enrollment with automatic contribution increases. Default investment vehicles for these increases assists by providing immediate diversification, and employees can select an automatic increase rate, which helps ensure increases beyond the default contribution elections. Currently, 50% of our clients who use automatic enrollment also use automatic contribution increases. Many plan sponsors chose to offer automatic enrollment only for newly-eligible employees. Others also automatically enroll eligible non-participating employees. The latter approach has the greatest immediate impact on overall plan participation. Currently, 57% of our plan sponsors who use automatic enrollment include only newly-eligible employees, while 43% use automatic enrollment for their entire eligible employee population. In 2008, we saw a 63% increase in automatic enrollment among our clients over 2007.

Annual Health Benefit Enrollment

A fast growing trend has been the coupling of 401(k) enrollment with the annual health benefit enrollment campaign. A number of plan sponsors have found this a very successful approach to increasing plan participation. By coupling 401(k) enrollment with a benefit election that has a hard deadline, a sense of urgency is created, often prompting employees to take action. Although it may seem counterintuitive, many sponsors have found that by giving participants the option to change their contribution percentage, participants have been inclined to increase their contribution rates, even during difficult economic times.

Of course, unlike annual health enrollments, participants are free to change their 401(k) contribution amounts at any time.

Targeted Campaigns

Targeted campaigns utilizing messaging with very specific calls-to-action for employees can be a simple but effective way to net powerful results. Messaging should be based on a number of factors, such as the employee's age, since factors that appeal to and motivate a 22-year-old are often quite different than those that appeal to a 50-year-old. This level of targeting and personalization can help drive strong results.

Employee Meetings, Live and Online

Communication is important particularly in times of high market volatility in order to help assuage employees' fears and concerns. In-person meetings are one of the most effective communication tools, but only if employees attend. Our experience has shown that making education meetings mandatory can be a good approach. Many plan sponsors schedule employees for specific seminar slots and require "sign-ins" to validate attendance. Completion of the enrollment process is encouraged prior to leaving the meeting and employees electing not to enroll are asked to sign an acknowledgement of that fact.

We have also seen significant success with pre-recorded online meetings with e-mailed invitations. Embedded in the e-mail is a link to the online meeting, which employees may view at their convenience and, as the sponsor, you may then choose to follow up with those who did not enroll with additional reminder notices. This strategy works best for companies with decentralized workforces and whose employees have ready access to e-mail.

Electronic Enrollment Kits

Electronic enrollment kits can be customized and delivered via e-mail or the plan sponsor's intranet. This new "e-kit" allows an employee to learn about the plan with the help of a virtual guide who explains the benefits of participating and offers the ability to enroll while viewing. Our experience shows that more and more plan sponsors are moving from traditional hardcopy plan materials to this new e-kit because of its flexibility, ease of use, speed of distribution, and overall effectiveness. Many plan sponsors are scheduled to implement these innovative e-kits in 2010.

Advocacy Programs

Success has been demonstrated in training human resource representatives, regional/branch managers and other designated influential employees as employee champions or advocates at our client's companies. Plan advocates conduct seminars and/or informally promote the plan internally, maintaining enthusiasm among their peers.

By using these innovative methods, you may be able to increase your employees' interest and participation in your company's retirement plans.

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