

STRATEGIES FOR SUCCESS

SUMMER 2019



RETIREMENT READINESS

Women and retirement savings

Women have broken through numerous career barriers and many now occupy high positions in industry, finance, academia, and government. Yet despite positive and encouraging signs of progress, women still face significant economic challenges on many levels.

	Women	Men
Fear they will outlive assets	31%	25%
Expect significant health care costs in retirement	35%	27%
Think they will incur long-term care costs	31%	28%

In particular, the issue of retirement security is one that presents numerous problems for women. Research from LIMRA-SRI,* an

insurance industry group, recently found that women feel far more vulnerable to retirement risks than men.

In addition, a report** issued by the National Institute on Retirement Security (NIRS) three years ago noted that across all age groups, women have substantially less income in retirement than men. For example, data indicated that for women age 65 or older, typical income is 25% lower than men of that age. Women's lower lifetime earnings mean they have less money available to save for their retirement security.

Lower income for women could be attributable to the fact that women generally have shorter job tenures. Work-life interruptions, such as taking time off to raise children and care for elderly parents, typically result in lower lifetime earnings. More importantly, time out of the workforce means lost opportunities to contribute

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5 KEY PRINCIPLES THAT DRIVE RETIREMENT PLAN SUCCESS



EFFECTIVE PLAN DESIGN AND ADMINISTRATION

Help meet the organization's goals while also encouraging and enabling employees to pursue their retirement goals.



MEET FIDUCIARY RESPONSIBILITIES

Operate the plan in compliance with a strict set of fiduciary and regulatory standards.



COST AND RESOURCE MANAGEMENT

Save time, effort, and money by implementing the right solutions and working with the right team.



OPTIMIZE INVESTMENTS

Offer an investment menu that is diversified to meet employees' varying time horizons and goals.



RETIREMENT READINESS

Give plan participants access to guidance, advice, and tools to measure and monitor their progress toward achieving their retirement goals.



Dealing with missing participants

When participants terminate their employment, either through retirement or a job change, many choose to leave their defined contribution accounts with their former employers. While no longer actively contributing to their accounts, these individuals are still considered participants, and the accounts continue to add to the plan's administrative and cost burdens.

A fiduciary risk

These accounts can also potentially create fiduciary vulnerabilities for plan sponsors. How? The plan sponsor is responsible for contacting inactive participants as much and as often as they would active participants. What happens, however, when the participant moves and does not leave a forwarding address? Unfortunately, it remains the responsibility of the plan sponsor to find the missing participant.

The mobility of the American labor force is largely responsible for the missing participant problem. The Government Accountability Office estimates that 25 million terminating employees left one workplace plan account behind between 2005 and 2015. Millions more left two or more accounts behind. When auditing plan sponsors for compliance, the federal Department of Labor (DOL) has been looking at the issue of missing participants and whether sponsors are making adequate efforts to locate them.

In October 2017, the IRS issued a field memo outlining some steps plan sponsors could take to avoid an IRS challenge of failure to comply with required minimum distribution (RMD) rules. The IRS memo states that plans with missing participants of RMD age must:

- Search plan and related plan, sponsor, and publicly available records or directories for alternative contact information;
- Use any of the following search methods: a commercial locator service, a credit reporting agency, or a proprietary Internet search tool; and,
- Attempt contact through the U.S. Postal Service certified mail to the last known mailing address and through appropriate means for any address or contact information (including email addresses and phone numbers).

Best practices for compliance

There is no assured way of conducting a compliant search process when plan sponsors do not have a formal or unified set of guidelines from the DOL and IRS to assist in the process. However, historic best practices indicate that plan sponsors should have a clearly documented and consistently applied set of procedures that have specified steps for tracking and locating missing participants and their accounts.

Plan sponsors should also consider adopting "automatic rollover" provisions that allow plans to roll accounts with vested balances of between \$1,000 and \$5,000 into an individual retirement account (IRA) meeting certain requirements. Under this approach, the former employee is no longer regarded as a participant in the plan as soon as the IRA rollover is completed. There is no requirement that the IRA provider be monitored after the funds are in the IRA.

To protect your retirement plan from a plan auditor inquiry, contact your SunTrust Representative to discuss the best course of action to manage the process of missing plan participants.





Competing for employees in a tight labor market

With the economy currently experiencing very strong growth and businesses finding it harder to recruit skilled workers, employees are growing more confident of their marketability. In this environment, many are likely to jump ship and go elsewhere in search of better salaries, benefits, and prospects.

Data* from the Employee Benefit Research Institute (EBRI) shows that median employee tenure tends to decrease during a strong labor market. According to the EBRI research, the percentage of wage and salary workers ages 20 or older who had one year or less of tenure with their current employer increased from 17.4% in 2010 to 20.5% in 2018. Median tenure of all wage and salary workers ages 25 or older fell from 5.5 years in 2014 to 5.0 years in 2018.

Brief job tenure can have major implications with regard to retirement security. When moving to a new employer and a new retirement savings plan, workers must decide whether to participate (if they are not automatically enrolled) and whether they want to contribute at the level they were contributing in their prior job. Automatic escalation of contributions may be halted or restarted. Additionally, retirement savings leakage could result as workers take lump-sum distributions from their old plan accounts, reducing the amount available for their retirement.

In light of these trends in employee tenure, many employers are redoubling their efforts to keep their current employees satisfied,



engaged, and hopefully, less likely to consider working elsewhere. Since research has consistently shown that employees value their employee benefits, and especially rate access to retirement savings plans very highly, employers are reexamining what benefits they offer and how they can be improved to reduce turnover.

You may want to work closely with your SunTrust client service representative to examine ways you can fine-tune your retirement plan so that it remains a strong and valued component of your benefits package.

* Trends in Employee Tenure, 1983-2018, Employee Benefit Research Institute, February 28, 2019

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to a retirement plan and to take advantage of employer matching contributions.

Increasing retirement security for women

Policy and legislative changes could help reduce the financial stresses that women face entering retirement. For example, increasing defined contribution plan eligibility for part-time workers or expanding use of the Saver's Credit could help reduce the vulnerability of women to retirement risks.

Plan sponsors also can play a role in boosting levels of retirement security for women. Steps that plan sponsors can take now that could have an immediate and lasting impact on retirement security for female employees include:

Increase outreach. How active is your company when it comes to encouraging plan participation? Group meetings, live webinars, on-site individual meetings, and virtual individual meetings give employees a chance to ask questions and clarify concerns about the plan.

Emphasize auto enrollment. Make it as easy as possible for

employees to join. If you don't already do so, consider using auto enrollment for all new employees and require that they have to opt out affirmatively.

Add automatic escalation of contributions. Increase participant contributions automatically every year. Consider escalating the percentage by at least one point each year.

Review plan eligibility requirements. Check your plan's eligibility requirements to ensure that you are not putting barriers in the way of the women in your workforce that prevent them from joining.

Encouraging success

Even though saving for retirement is important for everyone, it can be more difficult for women. We can help your female workforce take steps toward financial confidence. Our Participant Education Consultants' ultimate goal is to improve retirement outcomes by tailoring education strategies and topics that best fit your employees' priorities and lifestyles. Women must make saving a priority since it can dictate future financial well-being. Contact your SunTrust Representative to discuss a customized education program.

* Retirement Income Reference Book Fourth Edition, LIMRA Secure Retirement Institute, 2018

** Shortchanged in Retirement: Continuing Challenges to Women's Financial Future, National Institute on Retirement Security, March 2016



How to improve your plan's efficiency

Many plan sponsors are overworked, under-resourced, and stressed about how to ensure that their retirement plan best meets the needs of their valued employees. Part of the problem may be related to inefficient or manual administrative processes that place a burden on internal resources and increase the potential for errors. It's also possible that the plan's design may not be creating the optimal experience for participants.

As a plan sponsor, you may be aware that your plan is not running as efficiently as it should be. You may be looking to access more efficient solutions that would help maximize your resources and streamline your plan processes and procedures. The good news is that with today's technology and the input of your SunTrust partner, you can.



SunTrust can help identify opportunities for improvement by conducting a comprehensive analysis of your plan's current platform, design, policies, and procedures. Below are some of the most common areas that come up in our efficiency discussions with clients.

Manual processes

When transactions such as loans, distributions, enrollment, and beneficiary tracking are paper-based, your in-house staff must devote significant time to their processing. You can improve on

this by leveraging the functionality of the SunTrust platform. It automates all of these processes and enables participants to request and execute transactions online or by phone. The end result is that wasted processing time is eliminated along with your current manual processes.

Plan sponsor reporting

The SunTrust platform has an extensive library of standard reports. You can customize data and automatically schedule recurring reports as needed.

Audit processes

Clients will benefit from a more manageable and streamlined audit experience with the SunTrust platform. Plan-related reporting and transaction samples required by your auditor will be provided by SunTrust. Our Representatives coordinate with clients and their auditor at all stages of the process to ensure a timely completion.

Platform integration

Recordkeeping, custody, and trust systems should ideally coordinate in real time, with as much automation as possible, in order to eliminate the need for additional reconciliements and unnecessary audit expense.

Participant experience

The SunTrust platform provides daily valuations for plans that offer both a 401(k) plan and other plans, such as a profit sharing plan. This single website access to both balances allows participants to automatically integrate this step into their retirement planning process, thereby enhancing the participant experience.

There may be other areas of your plan's operations and design that could be identified as needing improvement. As your partner, SunTrust can walk you through your options, help you set priorities, and move forward at a pace that is comfortable for you. Please contact your SunTrust Representative for more information.



If you have questions about the information in this newsletter, or to learn more about our retirement plan solutions, talk to your SunTrust representative or call 866.786.4015 to speak with one of our strategists.



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