# 4 Re-enrollment Misperceptions

# About Re-enrollment

A **plan re-enrollment** is a process by which participants are notified that their existing assets and future contributions will be invested in the plan's qualified default investment alternative (QDIA), which may be a target date fund (TDF) based on their date of birth. All participants' assets, and future elections, are automatically moved into the QDIA on a certain date unless the participant makes a new investment election during a specified time period.

Re-enrollment may help put participants on the path to better retirement outcomes, but some common misperceptions could be preventing plan sponsors from leveraging this strategy.

## Participant Benefits

- Potential for improved asset allocation
- Helps new and existing participants

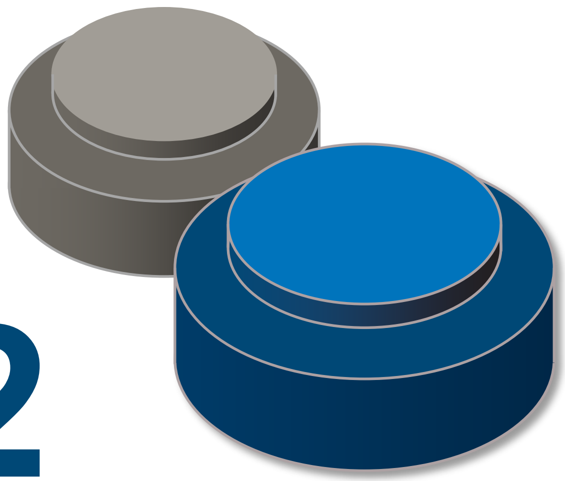
## Plan Sponsor Benefits

- Potential for protection from liability
- Better participant experience

# Participants May Pushback on Re-enrollment

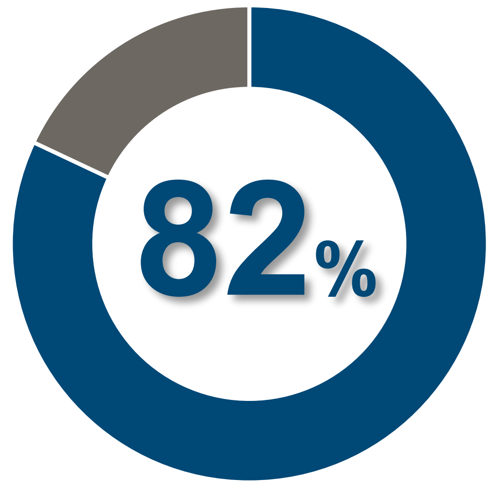
Data shows:

## *Participants say they need help*



**1** in **2**

participants would rather push the easy button.[1]




of participants support employers conducting a re-enrollment.[1]

*Note: Participants always have the opportunity to opt out of re-enrollment.*
*[1]JPMorgan: Top Re-enrollment Misperceptions*

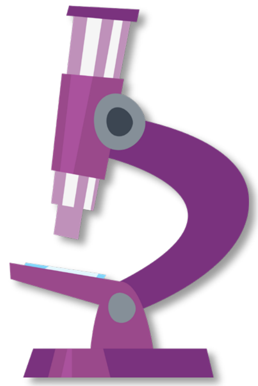
Misperception #2

# Re-enrollment is Too Much of a Fiduciary Risk

Data shows:

## *ERISA safe harbor protections are available for assets re-enrolled into a QDIA*

### A closer look at the safe harbor



Plan sponsors are responsible – and thus potentially liable – for providing participants with prudent investments, even when the plan has delegated the ability to direct the investment of assets to participants and the participants have done so. Plan fiduciaries may want to rely on rules that provide a safe harbor from liability for imprudent investing by participants.[1]

**39%**

of plan sponsors are not aware of the potential to receive fiduciary protection for assets defaulted into the plan's QDIA during a re-enrollment.[2]

[1] "Using Re-enrollment to Improve Participant Investing and Provide Fiduciary Protections" White Paper by J.P. Morgan
[2] JPMorgan: Top Re-enrollment Misperceptions

Misperception #3:

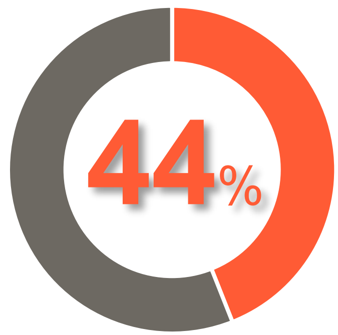
# A Diversified Investment Menu Leads to Well-Diversified Participants

Data shows:

## *The view at the participant level often tells a different story*

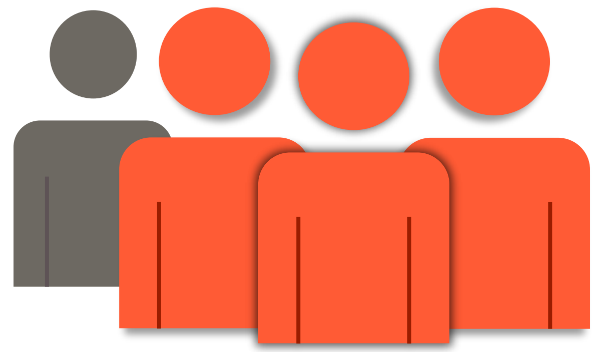
**88%**

of participants fall outside the range of equity exposure generally considered appropriate for their age.[1]



**44%**

of plan sponsors are not confident that their participants have an appropriate asset allocation.[1]



**3 in 4**

participants are not confident they know how to best allocate contributions.[1]

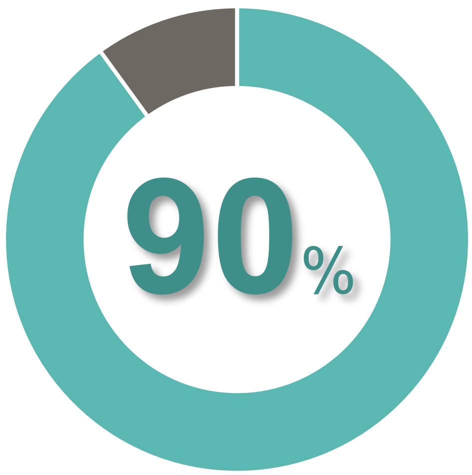
[1] *JPMorgan: Top Re-enrollment Misperceptions*

Misperception #4

# Participants Won't Take Advantage and Utilize Target Date Funds

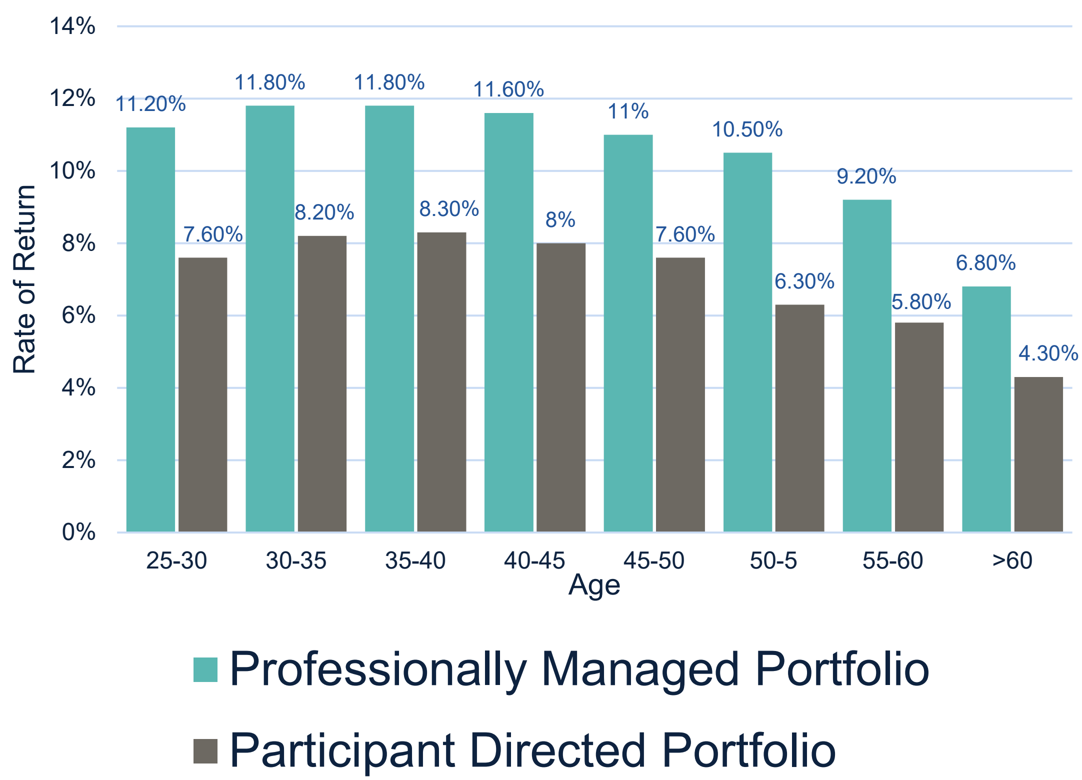
Data shows:

## *A re-enrollment can dramatically increase TDF utilization rates, which can potentially lead to higher returns*




of participants find target date funds appealing.[1]

Median Returns of Participant Portfolios




[1]Aon Hewitt. Help in Defined Contribution Plans: 2006 through 2012. May 2014.

# Summary

### Misperception #1

- Participants may pushback on re-enrollment.
- Data shows: Participants say they need help.

### Misperception #2

- Re-enrollment is too much of a fiduciary risk.
- Data shows: ERISA safe harbor protections are available for assets re-enrolled into a QDIA.

### Misperception #3

- A diversified investment menu leads to well-diversified participants.
- Data shows: The view at a participant level often tells a different story.

### Misperception #4

- Participants wont take advantage and utilize TDFs.
- Data shows: A re-enrollment can dramatically increase TDF utilization rates, which can potentially lead to higher returns.

**Key Takeaway: Plan sponsors can help their participants maximize outcomes through re-enrollment as well as education on the importance of diversification.**

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All investments involve varying levels and types of risks. These risks can be associated with the specific investment, or with the marketplace as a whole. Loss of principal is possible.

The target date is the approximate date when investors plan on withdrawing their money. Generally, the asset allocation of each fund will change on an annual basis with the asset allocation becoming more conservative as the fund nears target retirement date. The principal value of the funds is not guaranteed at any time including at and after the target date.

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[Securities disclosure] ACR#260383 10/17

# Thank You


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