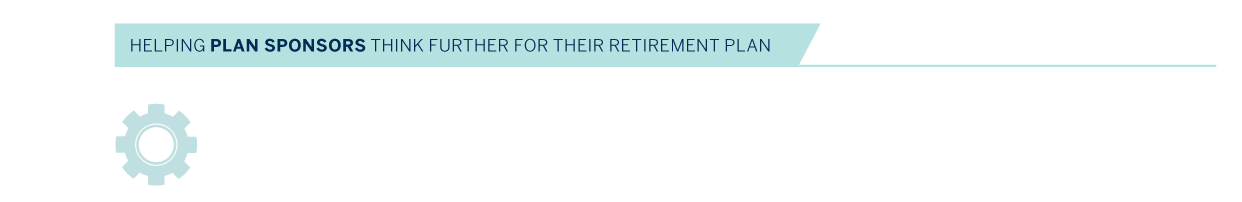
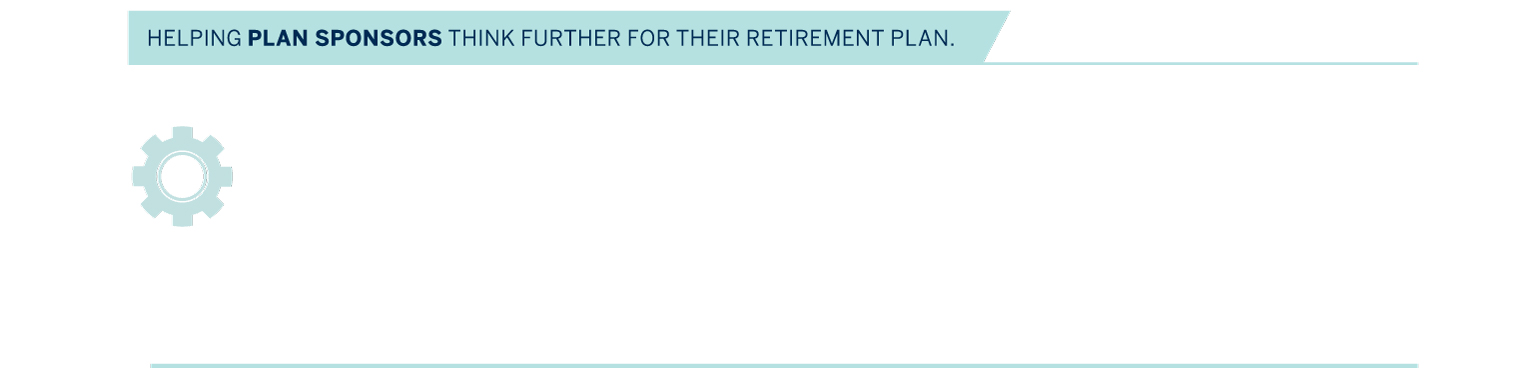
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| --- | --- | --- | --- |
| **PLAN NAME** |  | **DATE** |  |

Plan sponsors establish retirement plans to help their employees save for a financially secure retirement.   
It is important to periodically measure plan performance to make certain the plan is meeting that objective. Monitoring key metrics and benchmarking the plan against other businesses will provide plan sponsors a window into their plan’s effectiveness and help them identify strategies to improve plan health.



The following framework is designed to help plan sponsors **Think Further** about their plan’s key performance metrics and identify plan design changes and other strategies for improving metrics that are not as strong as desired. A list of common metrics is provided. However, objectives and employee needs will vary among plans. Remove or add items from the list in this framework as appropriate for your retirement plan.



Financial advisors can play a key role in evaluating plan performance by helping plan sponsors

* Identify and prioritize plan objectives
* Determine meaningful metrics to evaluate
* Identify steps that would improve plan health such as changes in plan design, employee   
  communications and education, or additional services

1 **ANALYZE AND BENCHMARK CURRENT PERFORMANCE METRICS**

**Review current performance metrics and then benchmark those metrics against an appropriate peer group. Plan features, fees, and performance will vary depending upon the size of a business and the demographics of the employees (e.g., age, income level), so it is important to select an appropriate peer group for benchmarking. To access information regarding the plan’s current performance metrics, review reports and collect data from the recordkeeper or third party administrator.** **Many** **financial advisors have access to benchmarking tools and industry studies through their broker dealer or firm, or through recordkeepers, that will** **assist in providing** **the appropriate** **industry benchmarking information.**

|  |  |  |
| --- | --- | --- |
| **Performance Metric** | **Plan** | **Industry Benchmark** |
| * Fees as a percentage of plan assets | \_\_\_\_­­\_\_\_\_\_\_ % | \_\_\_\_­­\_\_\_\_\_\_ % |
| * Number of investment alternatives | \_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_ |
| * Allocations among the investment alternatives | \_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_ |
| * Percentage of participants invested in the plan’s default investment | \_\_\_\_­­\_\_\_\_\_\_ % | \_\_\_\_\_\_\_\_\_\_ % |
| * Percentage of eligible employees participating | \_\_\_\_­­\_\_\_\_\_\_ % | \_\_\_\_\_\_\_\_\_\_ % |
| * Participation rate among specific employee sectors   + Earnings level **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**   + Division **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**   + Age **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** * Other **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** | \_\_\_\_­­\_\_\_\_\_\_ % | \_\_\_\_\_\_\_\_\_\_ % |
| * + Average deferral percentage | \_\_\_\_­­\_\_\_\_\_\_ % | \_\_\_\_­­\_\_\_\_\_\_ % |
| * Default deferral rate if automatic enrollment is used | \_\_\_\_­­\_\_\_\_\_\_ % | \_\_\_\_­­\_\_\_\_\_\_ % |
| * Percentage of auto-enrolled participants saving at default rate | \_\_\_\_­­\_\_\_\_\_\_ % | \_\_\_\_­­\_\_\_\_\_\_ % |
| * Percentage of participants deferring the amount needed to receive maximum employer matching contribution | \_\_\_\_­­\_\_\_\_\_\_ % | \_\_\_\_­­\_\_\_\_\_\_ % |
| * Average account balance | $ \_\_\_\_\_\_\_\_\_\_ | $ \_\_\_\_\_\_\_\_\_\_ |
| * Percentage of participants with an outstanding loan | \_\_\_\_­­\_\_\_\_\_\_ % | \_\_\_\_­­\_\_\_\_\_\_ % |
| * Percentage of participants with defaulted loans (annual) | \_\_\_\_­­\_\_\_\_\_\_ % | \_\_\_\_­­\_\_\_\_\_\_ % |
| * Percentage of participants who took a hardship distribution (annual) | \_\_\_\_­­\_\_\_\_\_\_ % | \_\_\_\_­­\_\_\_\_\_\_ % |
| * Other | \_\_\_\_­­\_\_\_\_\_\_ % | \_\_\_\_­­\_\_\_\_\_\_ % |

|  |  |
| --- | --- |
| **Performance Objective** | **Design Considerations** |
| * **Analyze fees** | * Review due diligence process for collecting and analyzing service provider and investment fee disclosures * Benchmark current service and investment fees * Confirm appropriate value of services relative to fees * Evaluate alternative share classes and impact of revenue sharing as well as alternative investment options (e.g., collective investment trusts) * Other: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| * **Enhance investment   diversification** | * Evaluate the number of investment alternatives * Review the default investment option – explore Qualified Default Investment Alternative (QDIA) * Explore re-enrollment options * Enhance investment education * Target communications to participants whose investments are not appropriately diversified * Engage investment expert to create model investment portfolios * Provide investment advice services * Other: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| * **Increase participation** | * Add automatic enrollment feature * Lower eligibility requirements (age, service) * Enhance participant education regarding 401(k) plan benefits * Create a strategy for targeted communications for non-participating employees * Provide online planning tools * Other: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| * **Increase savings rate** | * Add automatic deferral increase feature * Explore safe harbor 401(k) feature * Evaluate a stretch match (increase deferral percentage needed to receive maximum matching contribution) * Educate participants about age 50 catch-up contributions * Educate participants about the option to consolidate retirement assets (rollovers from prior employer plans) * Other: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| * **Reduce leakage** | * Educate participants about the tax impact and reduced savings caused by hardship distributions and defaulted loans * Limit number of outstanding loans a participant may take out at the same time * Educate participants about distribution options to preserve retirement savings  (direct vs. indirect rollovers) * Other: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| * **Other:** | **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** | |

2 **EVALUATE PLAN DESIGN OPTIONS FOR IMPROVING PERFORMANCE METRICS**

**Based on the benchmarking and analysis in Step 1, identify the metrics that you wish to target for improvement and the plan design changes, along with communications and education efforts that will be adopted to drive stronger performance. Although you may wish to improve multiple performance metrics, it is generally beneficial to prioritize your objectives and focus on only one or two at a time. Samples of objectives and strategies are provided below.**

3 **PUTTING YOUR PLAN INTO ACTION**

**Based on the benchmarking and analysis in Step 1 and the design changes selected in Step 2, devise a strategy for implementing the changes and measuring the impact of those changes.** **Many** **plan sponsors will tap into the expertise of their financial advisor to** **assist with the creation** **and** **execution** **of their strategy.**

|  |  |
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| * **Prioritize performance objectives and select  design features** | * Work with financial advisor and/or recordkeeper to determine the top performance objectives for improvement * Select the design changes that will be adopted to improve the metric * Model the potential impact of the changes * Estimate costs (e.g., document amendment, administration, additional employer contributions, participant education and communications) * Other: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| * **Create an employee education and communication strategy  to introduce design changes** | * Identify target audience (e.g., newly eligible employees, targeted groups, all employees) * Engage training resources (e.g., financial advisor, recordkeeper) * Determine topics and objectives for the education and communications * Select the education format (e.g., live onsite meetings, webinars, on-demand videos) * Build an education and communications calendar * Other: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| * **Measure the impact of the design change** | * Work with financial advisor to review the high priority metrics annually * Review the metric aligned with the design change to assess the overall impact of the change * Assess the impact of the change on any sub-group of employees targeted for improved metrics * Explore additional design changes if insufficient improvement in metrics * Assess the need for ongoing employee education and communications * Other: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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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.

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