



## How Are You Boosting Participation?

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One of the most common defined contribution plan metrics of success is the level of participation in the plan, and for good reason. It is a plan dynamic that creates challenges when it is too low (passing those nondiscrimination tests), and sometimes when it is too high (funding the accompanying match).

In May, I asked NewsDash readers what they had done in the past year to improve/enhance their plan's participation rate.

The most common response to the survey was adopting automatic enrollment—a step taken by a full third of the respondents. A close second—29.6%—had added lifecycle/lifestyle funds, while roughly a quarter had targeted participation messages, and one in five had simplified the enrollment process (more than one response was permitted).

Other options taken:

- 16.7% expanded fund menu (ironically, about half that number had chosen to shrink the fund menu)
- 14.8% changed the company match
- 14.8% increased frequency of meetings
- 11.1% accelerated eligibility standards
- 7.4% made enrollment meetings -mandatory
- 5.6% made workers return enrollment forms
- 3.7% added profit-sharing
- 1.9% haven't done anything yet.

Meanwhile, nearly one in 10 said they hadn't done anything—because they were happy with their current participation rate.

Among the "other" options taken: calling/e-mailing all employees, hiring an investment adviser, and changing the plan provider.

However, as one reader cautioned, "We can't expect the dynamics of a plan to work miracles. That's why I think it's very important for an employer to sometimes step outside of the plan to see why it is an employee is not receiving the message. Is it because of high debt and they don't have the extra cash? Is it because the information they are receiving is too technical? Is it because they think they're too young? Are they putting kids through college?"

There were plenty of helpful suggestions in the responses, including:

"We hold quarterly enrollment meetings for which attendance is mandatory. I don't let them leave the meeting unless they have turned in the enrollment form and beneficiary designation."

"Three years ago, we began automatic enrollment. Participation went from 76% to 94%."

"About two years ago, we changed to immediate -enrollment at date of hire (participation now 85.91%). Require employee to sign off on contribution election percentage and fund election even though plan allows for automatic enrollment (reduces possible future legal and regulatory surprises). Also have employee sign off if membership declined."

"We targeted the new employees who seem to appreciate a 401(k) plan already and are

signing up for 10% to 30%. I guess we're hiring an intelligent bunch. We need to target the current employee population, some of whom think 5% profit sharing per year will provide the life to which they've become accustomed."

"We switched from a 3% safe harbor to a 100% on the first 4% match safe harbor. That way, employees need to contribute their own money to get any of the employer's 'free' money."

"The simplified enrollment process we used was to run an easy-to-apply enrollment campaign whereby the prospective participant receives a postcard that he can check a box to enroll, and then check a box for a given level of enrollment."

However, the **Editor's Choice** goes to the reader who said: "I would like an increased match or a winning lottery ticket."

*Nevin E. Adams*

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