RETIREMENT INSIGHTS

TOP RE-ENROLLMENT MISPERCEPTIONS

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.

WHAT'S HOLDING PLAN SPONSORS BACK?

1 "If I conduct a re-enrollment, my participants will push back."

Participants say they need help.

1 IN 2

participants **WOULD RATHER PUSH THE EASY BUTTON**

82%

of participants **SUPPORT EMPLOYERS CONDUCTING A RE-ENROLLMENT**

Don't forget that participants always have the opportunity to opt out.

2 "A re-enrollment is too much of a fiduciary risk."

ERISA safe harbor protection may be available for assets re-enrolled into a QDIA.

A CLOSER LOOK AT THE SAFE HARBOR

QDIA regulation provides that safe harbor protection may be available when **"the participant . . . had the opportunity to direct the investment of the assets in his or her account but did not direct the investment of the assets."**

Source: ERISA Regulation Section 2550.404c-5(c)(2).

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

3 "My plan is well diversified at an aggregate level, so everything is fine."

The view at the participant level often tells a different story.

44%

of **PLAN SPONSORS ARE NOT CONFIDENT** that their participants have an appropriate asset allocation

88%

of participants **FALL OUTSIDE OF THE RANGE OF EQUITY EXPOSURE** generally considered appropriate for their age

3 IN 4

PARTICIPANTS ARE NOT CONFIDENT they know how to best allocate contributions

4 "I added target date funds to the plan's lineup, but there is nothing I can do about my participants not taking action."

Implementation strategy of TDFs matters. A re-enrollment can dramatically increase TDF utilization rates.

TDF UTILIZATION RATES (as % of plan assets)

1% TO 4%

Add-to-menu

49% TO 97%

Re-enrollment

16%

of plan sponsors who haven't conducted a re-enrollment said it was because they **WEREN'T AWARE IT WAS AN OPTION** or **DIDN'T KNOW ENOUGH ABOUT IT**

For more re-enrollment resources or to explore our 2017 Defined Contribution Plan Sponsor Survey Findings further, visit **jpmorgan.com/dcresearch**

DID YOU KNOW?

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 based on their date of birth. All participants' assets are automatically moved into the QDIA on a certain date unless the participant makes a new investment election during a specified time period.

Before conducting a re-enrollment, a plan sponsor must engage in a prudent process for determining whether a re-enrollment is appropriate for the plan and its participants.

PARTICIPANT BENEFITS

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

PLAN SPONSOR BENEFITS

- Potential for protection from investing liability
- Better participant experience

Source: J.P. Morgan Plan Participant Research 2016; J.P. Morgan Plan Sponsor Research 2017; J.P. Morgan retirement research, data as of December 31, 2016.

TARGET DATE FUNDS. Target date funds are funds with the target date being the approximate date when investors plan to start 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 the target retirement date. The principal value of the fund(s) is not guaranteed at any time, including at the target date.

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