

CLIENT CASE STUDY

Streamlined Plan Delivers Success

After declines in participation rates, Newport Group and its advisor partner help a cabinet manufacturer build a better 401(k) Profit Sharing Plan.

Situation

After freezing its pension plans, a leading cabinet manufacturer found that participation rates in its 401(k) Profit Sharing Plan were on the decline. A survey of plan participants revealed that many started enrollment, but failed to follow through to completion. These employees said they were confused with the plan's 30+ investment choices. Most plan participants were also not properly diversified. In addition, ADP testing was failing, resulting in refunds to highly-compensated employees. The client turned to Newport Group and its advisor partner to:

- Improve participation
- Increase deferrals
- Pass testing
- Improve investment diversification
- Remove hurdles to enrollment

Solution

Newport Group and its advisor partner proposed the following:

- Adding 4 percent auto enrollment to the plan design
- Simplifying the investment menu with target date funds (with re-enrollment) and model portfolios
- Adding a Safe Harbor matching formula of 100 percent on the first 4 percent
- Streamlining the eligibility/enrollment process
- Introducing an easy enrollment mailing campaign, with advisor-led meetings at all of the company's locations.

Outcome

The Newport Group solution delivered dramatic results. Plan participation rates more than doubled (from 34 percent in 2012 to 76 percent today), deferral rates increased, and 95 percent of participants are now properly diversified. The plan also has a free pass on ADP testing, thanks to the inclusion of the Safe Harbor design. Importantly, the company has positive feedback from participants on these new changes.

Fast Facts

- Client: Manufacturer
- Plan Type: 401(k) Profit Sharing
- Plan Assets: \$150 million
- Plan Participants: 5,569
- Client since 2001

How We Helped the Client

- Reduced total plan costs by 45 percent
- Reduced client burden by taking on the eligibility and enrollment process
- New plan design changes took the focus off the frozen DB plans

How We Helped Our Advisor Partner

- Provided easy enrollment cards and communication materials to assist with meetings to attain client goals



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