

## Bradley Arant Raises the Bar with Schwab Retirement Smart Steps™ Automatic Features Case Study

Recent statistics and behavioral science studies show that automated retirement plans — any combination of automatic enrollment, savings increases, and investment selection — help employees enroll, stay in plans longer and save more over time. And now that the Pension Protection Act is law, plan sponsors have additional reasons for adopting automatic enrollment, including:

- Relief from fiduciary liability regarding default investments
- Preemption from state laws on wage withholding without employee consent for automatic enrollment

Bradley Arant Rose & White LLP, a Schwab client since 2002, has seen compelling results by working with Schwab to strategically introduce Schwab Retirement Smart Steps, a suite of automatic features, to the firm's two 401(k) plans. The firm's philosophy, "Raise the Bar," which demonstrates its ongoing commitment to client service and professional achievements, now applies to its 401(k) benefit as well.

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### The Firm

Bradley Arant is a client-driven law firm that measures its success by its clients' success. Since its founding in Birmingham, Alabama in 1871, the firm has remained committed to its goals of providing the highest quality legal services to its clients, understanding and addressing their needs, and doing so in a timely and cost-effective manner.

The firm has two 401(k) plans: one for partners and staff, and one for associates. Combined, the plans have more than \$100 million in assets and nearly 900 participants.<sup>1</sup> Profit-sharing is available, although there are no matching contributions.

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### The Challenge

Bradley Arant wanted to help everyone in the firm get to and through a comfortable retirement as part of its plan goals. Schwab provided a consultative approach to:

- Increase participation through automatic enrollment
- Keep deferral rates healthy
- Move participants toward better asset allocation

"Our role as a plan sponsor is to provide quality investments, focus employees and partners on the need for retirement planning — at early ages — and encourage them to participate in the plan," said Kevin Henderson, a Bradley Arant retirement plan committee member. "Forming the habit of contributing is essential and the direction we've received from our Schwab team has been phenomenal."

The firm’s approach is to automatically enroll every eligible employee every year, requiring those who aren’t participating to reconsider their decisions *each* year. “We do it this way because we want to be absolutely sure that we’ve done everything possible to help our lawyers and staff reach their retirement goals,” said Henderson. “The reward for us is helping people realize the importance of saving for retirement.”

**The Solution**

**Strategic Introduction of Automatic Features**

December 2003	Added Schwab Managed Retirement Trust Funds™ (SMRT Funds) — target-date funds with ready-made asset allocations <sup>2</sup> that adjust over time
April 2005	Added Schwab Personal Retirement Planning™, an advice and managed accounts service provided at no additional cost <sup>3</sup>
November 2005	Annual automatic enrollment notice sent to <i>all</i> eligible employees ahead of 01/01/06 implementation
January 2006	Changed default investment option to an age-appropriate SMRT Fund Adopted automatic enrollment in the associates plan – 4% default Adopted automatic enrollment in the partners and staff plan – 3% default
January 2007	Implemented annual automatic re-enrollment for all eligible non-participants

“We had no idea how successful the re-enrollment process would be, and with less than 5% opting out, we couldn’t ask for more,” said Henderson. Bradley Arant’s experience reflects recent research, as well. According to Deloitte, 73% of participants had no issues or a favorable reaction regarding automatic enrollment.<sup>4</sup>

A highly skilled member of the firm’s technology group, a help desk analyst in her forties, was admittedly behind the curve in her retirement planning. “Automatic enrollment served as a wake-up call for me,” she said. “I began to think about my retirement and have even increased the amount I now save.”

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## The Results

From 01/01/06 to 12/31/06:

### Associates Plan:

- Participation increased from 60% to 97%
- Average deferral rate of 5.45%, with a 5.62% effective deferral rate (only measures those who are active)

### Partners and Staff Plan:

- Participation increased from 82% to 91%
- Average deferral rate of 6.23%, with a 7.05% effective deferral rate (only measures those who are active)

### Overall:

- Less than 5% opted out of automatic enrollment (3% for associates plan; 5% for partners and staff)
- 38% of employees now use a target-date fund — Schwab Managed Retirement Trust Funds — up from 23% prior to the default auto enrollment option
- 13% are enrolled in Schwab Personal Retirement Planning, an advice and managed accounts service provided at no additional cost

“We are extremely pleased with the results of the Schwab Retirement Smart Steps program. Participant response has been very positive, and many participants have said that they were too busy to enroll or were unsure of where to invest. They seem to appreciate the automatic approach and Schwab Retirement Smart Steps made it easier,” said Henderson.

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## Consult with Us

Your Schwab representative can help you evaluate the Schwab Retirement Smart Steps program and determine if automated components are right for your participants and your plan. Contact your Schwab representative, call **1-877-456-0777** or visit **scrs.schwab.com** today.

<sup>1</sup> As of 12/31/06.

<sup>2</sup> The Schwab Managed Retirement Trust Funds™, the Schwab Institutional Trust Funds®, and the Charles Schwab Stable Value Fund™ are collective trust funds distributed by Charles Schwab Trust Company (CSTC), a division of Charles Schwab Bank. CSTC acts as trustee and manager of the Funds. The Funds are not mutual funds, and their units are not registered under the 1933 Act, as amended or applicable securities laws of any state or other jurisdiction. The Funds are not registered under Investment Company Act of 1940, as amended, or other applicable law and unit holders are not entitled to the protections of the 1940 Act. The Funds are not insured by CSTC, any of its affiliates, the FDIC or any other person. As defined in the Funds' Declaration of Trust and Participation Agreement documents, the Funds are available for investment by eligible, qualified retirement plan trusts only. The unit value of the Funds will fluctuate, and investors may lose money. Various asset classes of the underlying funds, such as small-cap and international, may carry additional risks.

<sup>3</sup> Schwab Personal Retirement Planning investment advice is formulated and provided by GuidedChoice Asset Management, Inc. (GuidedChoice). GuidedChoice is not affiliated with, nor is it an employee or agent of Charles Schwab & Co., Inc. (CS&Co.) or Schwab Retirement Plan Services, Inc. (SRPS). The GuidedChoice service is available to participants enrolled in plans that use the recordkeeping and related services of SRPS. Availability is subject to regulatory requirements. Participant access to the GuidedChoice service is facilitated through SRPS's affiliate, CS&Co. Neither CS&Co. nor SRPS supervises, makes recommendations with respect to, or takes responsibility for monitoring the advice provided to participants by GuidedChoice.

<sup>4</sup> The Charles Schwab Corporation (Charles Schwab) provides services to retirement and other benefit plans and participants through its separate but affiliated companies and subsidiaries, Schwab Retirement Plan Services, Inc.; The 401(k) Companies, Inc. and its subsidiaries; Charles Schwab Trust Company, a division of the Charles Schwab Bank; and Charles Schwab & Co., Inc. (Member SIPC). Charles Schwab also provides equity compensation plan services and other financial and retirement services to corporations and executives through Charles Schwab & Co., Inc.

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