

Schwab Retirement Smart Steps™

Automated plan components that can improve retirement readiness

More and more plan sponsors are considering automating their retirement plans because it encourages saving, increases participation and may improve non-discrimination testing results. And now that the Pension Protection Act (PPA) is law, plan sponsors have even more clarity and direction to help participants increase their retirement savings, including:

- Proposed guidance from the Department of Labor that provides a certain amount of relief from fiduciary liability in selecting default investments
- ERISA will preempt state laws that directly or indirectly prohibit automatic enrollment *if* the plan provides notice to affected employees within a reasonable time before each plan year
- New safe harbor considerations in 2008

The PPA also affirms that automated plan components are among the most effective ways to help Americans save for retirement and that defined contribution plans are one of the best vehicles to do so.

Automated solutions can help employees save

Industry statistics show that participants respond favorably to the idea of plan automation. That's why we offer Schwab Retirement Smart Steps, a suite of automated components that allows participants to put retirement savings on auto pilot and lets you breathe a little easier. These components include:

- Automatic Enrollment
- Automatic Savings Increases
- Automatic Investment Selection

They offer an efficient way to run your benefit, meet your plan goals and help your employees get to and through a comfortable retirement.

How automation benefits your plan and your participants

Automated components can give your employees a better chance of reaching retirement with the savings they need. And you're not alone as you consider enhancing your plan with them. According to a recent survey from Hewitt Associates, nearly half of employers reported that they will focus on implementing automated components over the next year.¹ The Profit Sharing/401(k) Council of America (PSCA) found that 34.3% of large retirement plans already offer automatic enrollment.²

Experiences from our own clients bear this out. For example, one of our manufacturing clients saw participation rates increase from 50% to 97% after implementing automatic enrollment, and a professional services firm increased participation from 60% to 96%, with less than 1% opting out.

“We are very pleased with the results of the Schwab Retirement Smart Steps program. The response from our employees has been very positive. Many have said they were too busy to enroll or were a little unsure of where to invest, and they appreciate the automatic approach,” said a partner in the firm.

Simply put, automating your retirement plan makes it easier for your employees to save and invest. And if you’re wondering what employees think, in a recent survey conducted by Deloitte Consulting, 73% had no issues or a favorable reaction to automatic enrollment, and 26% had a few issues, but a positive experience overall.³

A consultative approach to plan design

As you consider implementing some or all of these components, rely on us to help you make decisions based on your plan’s and your employee’s needs and goals.

Component	Features	Benefits
Automatic Enrollment	Enrolls your employees in the plan at pre-determined deferral rates and investment elections based on your guidelines	Increases participation and could improve non-discrimination testing
Automatic Savings Increases	Increases your employees’ deferral rates at set intervals, usually 1% annually	Your employees save more without having to take action
Automatic Investment Selection	Defaults participants into pre-selected investment elections, including age-based target retirement funds, risk-based portfolios or other professionally managed choices	Defaults participants into investments with greater return potential than cash or stable value

Plan sponsor considerations

As you think about automating your plan, there are some factors to consider:

- Potential increase in match and administrative costs
- Possible changes to eligibility and withdrawal provisions; annual notice requirement
- Policies and procedures on reimbursing participant paycheck withdrawals

Consult with us

Schwab has the capabilities and expertise to help you evaluate automated components and determine whether they are right for you, your participants and your plan. Contact your Schwab representative, call **1-877-456-0777** or visit **scrs.schwab.com** today.

¹Source: Hewitt Associates LLC, Hot Topics in Retirement 2006.

²Source: PSCA’s 49th Annual Survey of Profit Sharing and 401(k) Plans.

³Source: Deloitte Consulting LLP, Annual 401(k) Benchmarking Survey, 2005/2006 Edition.

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