

JF NEWS

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Constructing an Effective Program

Frequent onsite employee workshops or seminars are vital to an effective educational program. Generic content will be presented on accepted planning principles.

A Workshop Invitation

An invitation should include times and locations that is provided to each eligible employee and posted in conspicuous locations. This information should also be included in any general employee newsletters as well as promoted electronically via email and website postings.

Written Communication

Written communication about the plan should be sent to all eligible employees. Not only does this satisfy the annual requirement that employees be notified and given information to promote participation in the plan, it continuously demonstrates the employer's concern that employees take advantage of their entitlements. An administrator or department leader should make introductory remarks at the beginning of each workshop to demonstrate that this aspect of employee education is a high priority of the employer.

Providing an Effective Opportunity to Employees to Participate in a 457 Plan

Per Internal Revenue Code, employers are required to make their 457 plan universally available to all eligible employees. Under IRS Regulations, employers are also required to provide a "meaningful" or "effective" opportunity for employees to enroll or make changes no less than once each calendar year. Prior to reports of current IRS audits of 457 plans, there has been no clear definition of what is meant by "effective" or "meaningful" opportunity. However, based on those reports and followed by discussion with a Senior Staff Specialist from the Audit division of the IRS, clarity is finally being provided about the definition of those terms.

The Audit Reports

Based on reports about current IRS audit activity, IRS Field Examiners are taking a much closer look at the participation levels of eligible employees in 457 plans. In these reports, when participation levels are low (reportedly in the 18-20% range), examiners are asking the employer to provide data about the employer's educational program. Examiners are also asking plan sponsors to share the ways in which "effective opportunity" is being provided to employees to encourage initial enrollment and the process to make changes to their contribution levels with their chosen providers. In an interview with an IRS Senior Staff Specialist, he commented: "We are recognizing that diverse activities must take place in order to satisfy the diverse types of employees. It is not enough to provide an annual communication to employees about the availability of the 457 plan, along with information on how to take advantage of it. And, when participation rates are low, we must question how that opportunity is being provided."

The Challenge Facing Plan Sponsors

Many 457 plan sponsors do not have the expertise or educate employees about planning for their retirement. Sponsors frequently comment that not only do they not have the expertise to offer an adequate educational program, they also do not have the time in their schedule to develop and implement such a program. The result is that many plan sponsors do not offer an educational program designed to help motivate eligible employees to take action and start saving and/or gain an understanding of why it is so important to participate in the plan. Sponsors are asking what the elements of an effective education program are, and who will help them develop one.



Jackson Financial Teaches Financial Literacy

Our plan provides a variety of Financial Literacy and Education Programs. Designed for any employee at any stage of their career, these no obligation non sales programs help teach employees about basic retirement and financial planning principles. To help ensure that all employees have access to our programs, they can be delivered by three different methods:

- Onsite Financial Literacy Workshops that explore subjects such as plan basics, the fundamentals of retirement investing, and income planning in retirement.
- In person meetings and "study hall" sessions that are held quarterly and cover more specific topics such as TRS, the effects of taxation, and the basics of saving.
- Online webinars and meetings that allow employees access from the comfort of their home or office.

These basic educational programs help ease employer budget concerns by helping employees retire at a normal age. More importantly, they help satisfy IRS Universal Availability and meaningful notice requirements that are normally responsibilities borne by the district and subject to current IRS audit activity .

Who Benefits from a Well Designed Education Program?

An effective educational program will benefit both employers and employees. Employers benefit when long term (often top of the salary scale) employees retire at normal retirement ages because they have saved enough to make normal retirement possible. These employees can often be replaced with new hires at the lower end of the salary scale. Since salaries and FICA taxes are usually the largest item in an employer's budget, employers can save significant dollars. Additionally, a demonstrated concern for the well being of employees is a great morale booster, as well as a public relations booster.

Of course, employees also benefit from an effective educational program. A successful education program generally leads to more prudent saving and investment strategies that can enable employees to retire at, or even before, normal retirement age. They can feel more confident that the income from their basic pension benefit (supplemented for many by Social Security and/or TRS benefits), combined with the savings nest egg accumulated through their participation in their employer's 457 plan, will allow them to retire at a reasonable age rather than continuing to work when they have lost interest and energy.



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