From Compliance Headaches to Future Stability: The 401(k) Transformation for a Construction Industy Client

Building a Modern Plan for a new generation of ownership

For employees, a well-managed 401(k) plan brings financial stability during retirement and ensures they do not run the risk of outliving their savings. However, many businesses have limited resources and knowledge for managing complex tasks like 401(k) plan administration. To better serve the retirement needs of their employees, businesses turn to the expertise of financial advisors.

A construction industry client sought help to revamp their outdated 401(k) plan from Retirement Impact, a financial advisory firm that companies rely on for investment advice and retirement solutions.

An Outdated and Poor-Performing Retirement Plan

The client, a leading construction materials testing company, has been in operation for over 45 years, providing inspection and testing services to ensure that construction projects meet industry standards and regulations.

Recently, the company underwent a generational shift, with second-generation family members taking over operations. Among the changes the new leadership sought to implement was the modernization of the 401(k) plan.

Although the company's 401(k) plan had accumulated $5 million in assets, it was not performing optimally. The leadership felt it had become outdated, resulting in poor investment performance and high fees.

To get the long-overdue review their 401(k) needed, they sought the services of Retirement Impact.

Modernizing an Outdated Plan to Exceed Industry Standards

At Retirement Impact, we are familiar with the issues the client was facing. Many of these problems arise when companies stick to the status quo and fail to implement industry best practices in fiduciary oversight.

In this case, poor performance stemmed from operational gaps, particularly a lack of structured governance and inadequate support from their previous advisor. There was a clear need to modernize the 401(k) plan to align with industry standards and the company's new vision for its employees.

Our Solution: Optimizing the 401(k) Plan Phase by Phase

To transform the 401(k) and lay the foundations for long-term financial success, we overhauled their plan using a phased strategy that enabled us to work on core problems step by step. Our processs, which we call the Impact Method, uses a combination of structured governance and actionable intelligence using proprietary tools that allows us to pinpoint areas of focus and improve outcomes for plan

Phase One: Cutting Costs and Boosting Returns

Our first step was to assess the existing plan and identify areas to cut costs and improve investment options. We sent out a Request for Proposal (RFP) to other service providers to evaluate whether the fees paid to the current recordkeeper were fair. After reviewing proposals, we used this information to negotiate with the existing recordkeeper, reducing fees by 58%. We also reduced the advisory fee 50%, bringing the plan more into alignment with reasonable industry standards. Additionally, the company moved to a more open investment platform with their current recordkeeper. Now with more flexibility in choosing appropriate investments, we expect to see an improvement in plan performance of over 1% for 3- and 5-year periods.

Phase Two: Aligning 401(k) Choices with Participant Goals

We conducted a detailed analysis of participant investment behavior using our proprietary Participant Allocation Reports (PAR). The analysis revealed that only 63% of participants were investing appropriately for their age. We recommended a re-enrollment into a new target date fund aligned with the demographics of the Plan. After re-enrollment, the percentage of employees with age-appropriate investments rose from 63% to 95%.

Phase Three: Improve Participation Through Automatic Enrollment

Though the plan had made progress, participation rates remained low at 40%. After a thorough review, we recommended automatic enrollment at a 5% contribution rate, with a 1% annual increase up to 10%, unless employees opted out. This strategy was designed to not only boost participation but also improve plan testing, match contributions, and cash flow. The committee approved the change, and participation surged to 94%, significantly enhancing employee engagement and overall plan outcomes. This increase also contributed to more favorable plan testing results.

Measurable Success and Long-Term Gains

By using the IMPACT Method, The solutions we implemented resolved all the major issues the company faced in managing its 401(k) plan. The plan is now compliant with regulatory testing requirements and has a robust fiduciary governance process in place. Our three-phased approach led to the following measurable successes:

From the three-phased approach, we saw measurable success with

58%	**50%**	**63% to 95%**	**40% to 94%**
reduction in recordkeeper fees	reduction in financial advisor fees	Increase in age-appropriate investments	Increase in plan participation

With better management and performance, the company's employees are more satisfied and secure with their retirement plans. Over time, we expect to see continued improvement in plan testing and investment options

"We wish all our service providers are as good as our fiduciary investment advisor, Retirement Impact, is with the retirement plan."

~ Director of HR & General Counsel ~

*This testimonial is from a current client. No compensation was paid for the testimonial. The client has no conflicts of interest.

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