

DEFINING THE GOAL: RETIREMENT SUCCESS

Albert Einstein reportedly said, “Insanity is doing the same thing over and over again and expecting different results.” Many plan sponsors move from vendor to vendor while experiencing no change in outcomes. They instead focus on cosmetic items such as websites. The UnifiedPlan takes a different approach than other solutions to improve the outcomes for most participants.

Most 401(k) participants do not know how much they need to save, how to invest their monies, what changes they should make to their account over time, or whether they are on track to retire successfully. In order to improve retirement success, Unified Trust Company developed the UnifiedPlan. The UnifiedPlan is a managed account platform that develops a long-term plan for each participant, based on each participant’s unique situation, to increase the likelihood of achieving a successful retirement.

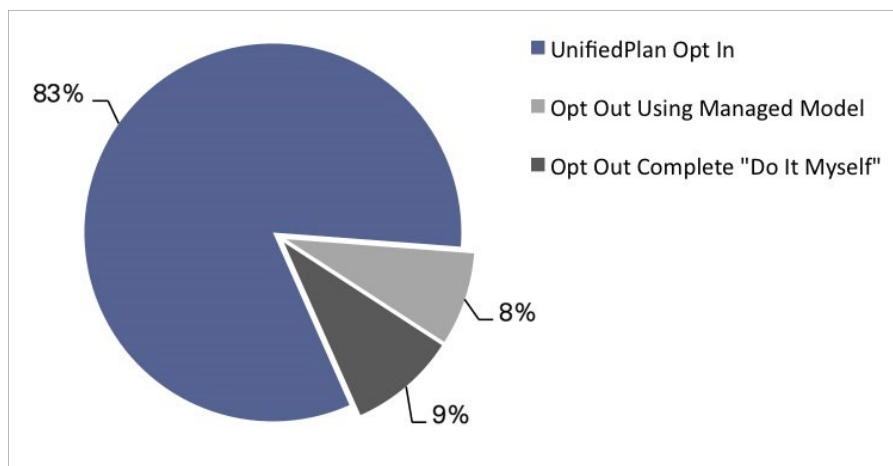
The retirement goal for most 401(k) participants is to be able to retire successfully. The default UnifiedPlan goal is to replace 70% of pre-retirement income each year during retirement. By targeting the goal-income replacement—the focus of the 401(k) shifts from being merely a defined contribution plan to a defined goal plan, where the outcome, retirement success, serves as the primary focus.¹ ERISA expert Fred Reish evaluated the UnifiedPlan² and concluded: “that the Program offers material assistance to participants to help them increase the likelihood of success for a secure retirement.” The UnifiedPlan is more than a “gap report” since it not only identifies the underlying problem, but attempts to automatically fix the problem.

HIGH UNIFIEDPLAN ACCEPTANCE

Of the 14,039 participants across the 160 plans that have the UnifiedPlan, 83% of participants elected to fully participate in the UnifiedPlan. Another 8% opted out of the UnifiedPlan but selected a trustee managed model portfolio. Only 9% of participants on average chose to “do it themselves” and select their own asset allocations. The 83% to 91% managed account advice overall acceptance rate is 10 to 25 times higher than most advice systems that are passively offered on a platform where employees must actively sign up for the service.^{3,4,5}

The UnifiedPlan achieves high acceptance because it is the “default” pathway, where a participant must “opt out” to bypass the program. There is also no additional cost for the UnifiedPlan at the participant level, eliminating a significant barrier to acceptance since many managed account platforms cost 0.40% or more per year.

Figure 2: UnifiedPlan Acceptance Rates



¹Kasten, G. “The Defined Goal Retirement Plan,” *Journal of Pension Benefits*, Autumn 2009, Vol. 17, No. 1, pp 23-44

²Reish, F., “Evaluation of UnifiedPlan®, A Whitepaper”, December 2008, © Unified Trust Company 2008

³PlanSponsor.com, “Vanguard is Offering Retirement Plan Participants Interactive Graphics”, July 10, 2013

⁴Mottola, G. and Utkus, S. “Red, Yellow, and Green: A Taxonomy of 401(k) Portfolio Choices,” *Pension Research Council Working Paper*, June 2007

⁵Financial Engines and Aon whitepaper “Help in Defined Contribution Plans: 2006 Through 2010”, September 2011

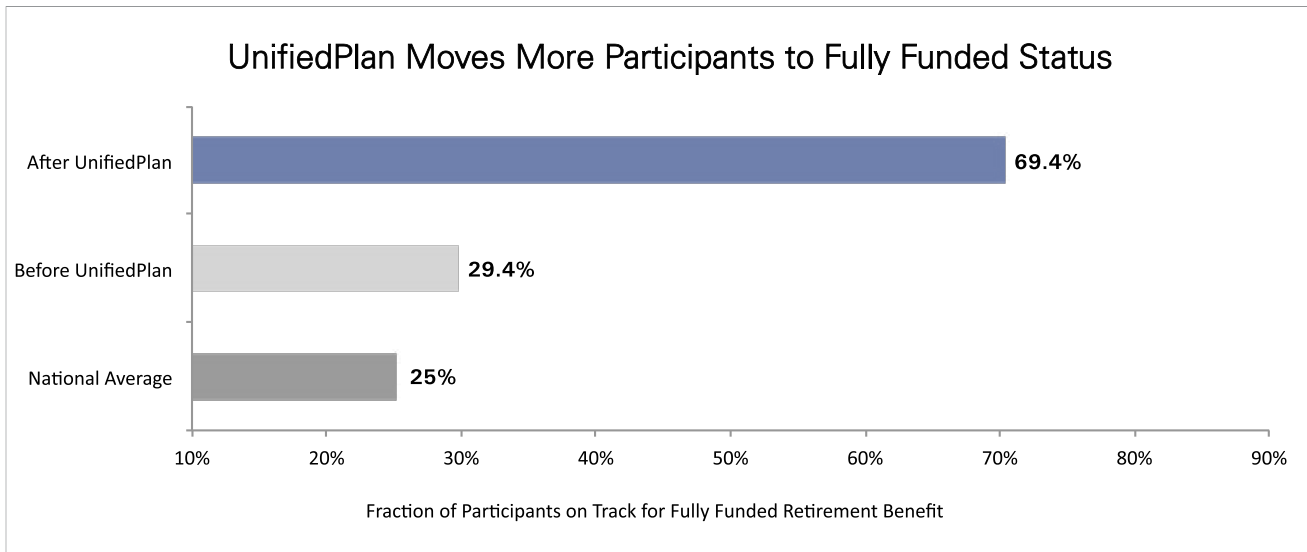
DRAMATICALLY IMPROVED SUCCESS RATES

Research on retirement readiness suggests that only roughly 20-25% of participants in defined contribution plans are on track for a successful retirement. The UnifiedPlan improves participant success rates through asset liability matching, portfolio management, and more aggressive plan savings design. The default goal of the UnifiedPlan is replace 70% of pre-retirement income as near as possible to the Social Security normal retirement age with the least amount of risk. The expected Social Security benefit is included in the calculation, as are assets outside the 401(k) and other sources of income such as part-time work in retirement, if provided by the participant.

Plans adopting the UnifiedPlan have experienced a dramatic improvement in the percentage of participants on track to retire successfully. Of the existing Unified Trust client plans (55 out of the 160 plans) before converting to the UnifiedPlan roughly 34.9% of participants were on track to retire successfully. Of the non-Unified Trust client plans (105 out of the 160 plans) using an outside vendor before converting to the UnifiedPlan only 17.0% of participants were on track to retire successfully. Between both groups, only 29.4% were on track.

After converting to the UnifiedPlan the number of participants forecast to retire successfully increased to 69.4% across all 160 plans. Even those participants who were not on track for retirement success in the UnifiedPlan still had a significant reduction in their funding shortfall and were better prepared for retirement. The percentage of participants on track in the group who elected to not participate in the UnifiedPlan (the “Opt Out” group) was much lower, at 48.3%.

Figure 3: Percentage of Participants on Track to Retire Successfully



Enough pre-conversion data existed to study 127 plans. In no plan did the number of successful participants decrease after implementation of the UnifiedPlan. In two very small plans (each with less than 10 participants) the successful number remained the same before and after adoption of the UnifiedPlan. The UnifiedPlan improved the absolute number of successful participants in every other plan and the average improvement in number of successful employees was +39.9%.

Figure 7: UnifiedPlan Greatly Improves the Cost/Benefit Status for All Plans

UnifiedPlan Cost/Benefit Impact	Before UnifiedPlan	After UnifiedPlan
Total Assets of All Plans	\$627,680,176	\$627,680,176
Total Plan Participants	14039	14039
Average Balance	\$44,710	\$44,710
Fully Bundled Total Cost as Percentage (%) {Assume Avg 10 bps for UP}	1.236%	1.238%
Fully Bundled Total Cost in Dollars (\$)	\$8,026,844	\$8,041,798
Fully Funded Plan Participant Retirement Success Rate	29.4%	69.4%
Fully Funded Successful Participant Count	4132	9743
Basis Point Cost Per Successful Participant	4.20	1.78
Total Dollar Cost Per Successful Participant	\$1,943	\$825
Relative Dollar Cost Per Successful Participant	\$1.00	\$0.42
% Higher Cost Per Successful Participant for Before Group	135.4%	n/a
"Wasted Dollars" Going Towards Failing Participants Each Year	\$5,664,455	\$2,460,555
% Reduction in "Wasted Dollars" Each Year	n/a	-56.6%

