

Case Study: Progressive Thinking and Fiduciary Oversight Lead to Participants Positioned for Success

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Cammack Retirement Group

For The First Church of Christ, Scientist, headquartered in Boston, Massachusetts, discussion and decisions made by the retirement benefits committee are focused on putting their participants first. Since 2011, the Church has been working with an advisor to monitor and improve the retirement plan offering for their participants. And while not subject to ERISA, the Church has voluntarily chosen to adopt fiduciary best practices and operate as though they were.

In recent years, as the plan transitioned from a defined benefit pension plan to a defined contribution plan, the Church has sought to minimize the impact on participants by increasing their employer contribution and match, while also making additional age/service-based contributions during the first five years following the freezing of the pension plan.

In 2017, a lump sum deposit from the termination of the defined benefit plan prompted negotiations with the Church's recordkeeper that resulted in a fee reduction of 22.5%. After conducting a Request for Information (RFI) with four recordkeepers, the Church was able to negotiate a further fee reduction of an additional 35.5%, for a total reduction of 50% from the original recordkeeping cost.

To help ensure employees are saving sufficiently for retirement, the plan was an early adopter of auto-enrollment (at 2%) and auto-escalation (up to 5%), which is now being increased to 3% and 10%, respectively.

The committee at The First Church of Christ, Scientist also engaged in a thoughtful conversation regarding fee fairness, determining that implementing a levelized fee arrangement was the most equitable and appropriate choice for their participants. In moving to a levelized fee arrangement, the committee and its advisor

analyzed each investment option in the plan, looking at the expense ratio and revenue share to determine which share class should be offered to provide participants with the lowest net investment cost. The committee found that in many cases for a given investment option, the share class with the lowest expense ratio was not necessarily the option with the lowest net investment fee. Thus, instead of offering the share class with zero revenue share without any additional analysis, the committee implemented a policy to select the share class for each option with the lowest net investment fee, revisiting this data annually to ensure that each selected share class continues to follow this policy.

The committee also addressed participant investment choices, encouraging proper diversification by offering a core array of funds, a fixed account product, a custom target date offering, and a managed account service. This investment offering was supplemented by individual education opportunities with a representative from the recordkeeper, providing employees an opportunity to discuss how to align retirement goals with investment choices. The efforts of the Church have resulted in 93.9% of active participants with a balance in a diversified mix of funds.

RESULTS

The committee's constant diligence in structuring the plan to provide the best possible outcomes for participants has garnered results. The plan design and offering, combined with the robust communication strategy, have resulted in improved participant success measures. The current participation rate is 90.3% of eligible employees, up from 86.2% in 2017. 73.8% of participants are saving at or above the maximum matching rate, up from 67.7% in 2017. The average account balance for participants is over \$106,000.

CONCLUSION

We believe the First Church of Christ, Scientist has shown progressive thinking and exemplary fiduciary oversight by adopting a fund revenue equalization process that takes into account the actual net cost of an investment option, and their successful negotiations with their recordkeeper have resulted in a significant reduction to plan fees. Their constant focus on participants' retirement readiness has resulted in strong participation rates, overall proper diversification and healthy account balances, positioning their participants for success. For their efforts, The First Church of Christ, Scientist was recognized in 2018 by PLANSPONSOR as a finalist for Plan Sponsor of the Year in the Nonprofit <\$100M category.

***Note:** Plan results are dependent on each plan's circumstances and may not be replicated for all plans. Plan sponsor is an independent organization that selects plans for certain categories based in information provided by the plan.*

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