

PENTEGRA RETIREMENT PLAN

# TRENDS STUDY



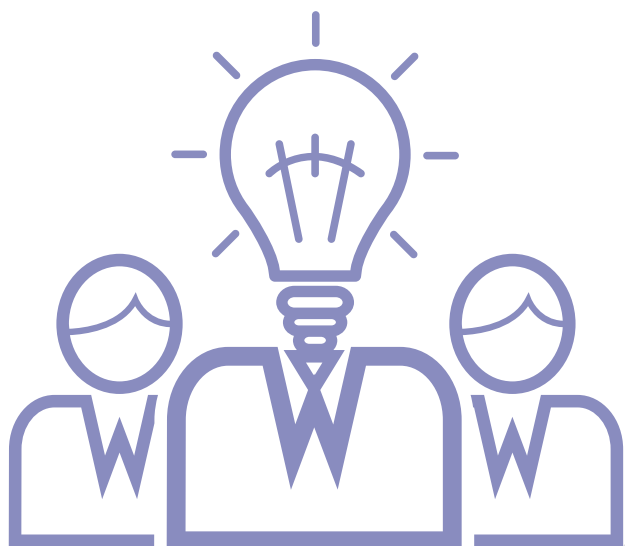
The Collective Challenges We Are All Facing

 PENTEGRA

## The collective challenges we are all facing

We know that all businesses have been impacted in some way—some large, some small—by the COVID-19 crisis. Our recent client study provided us with an opportunity to hear directly from our clients and capture what they've been experiencing over the last few months. It's helped us learn more about the challenges that we are all facing right now—especially as they relate to retirement plans.

**We are pleased to share what we've learned from our conversations with you.**



# A Challenging Environment

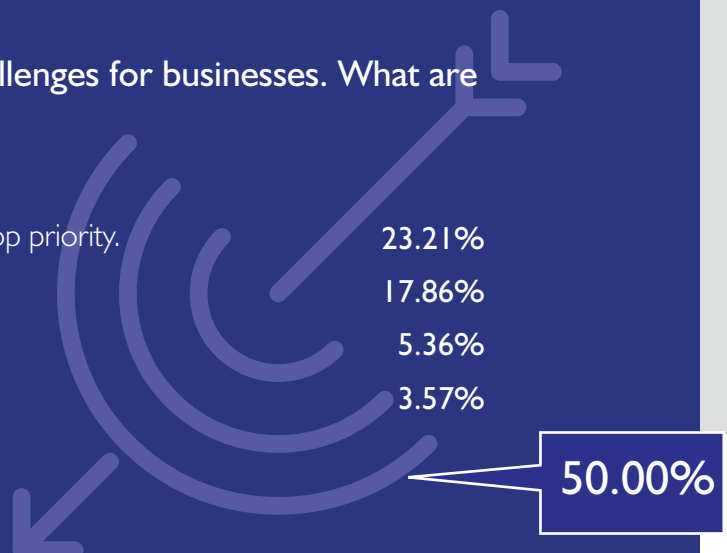


## What are the top priorities for businesses right now?

Clients nationwide echoed similar concerns.

Our findings reinforced that providing strong service, retaining customers, attracting new business and controlling expenses, all while trying to get back to some kind of “normal”—are high on employers’ lists of priorities.

The COVID-19 crisis has brought a lot of challenges for businesses. What are you most concerned with right now?



Being able to get back to some kind of “normal” is my top priority.	23.21%
Providing strong service and retaining my customers.	17.86%
Attracting new business and generating sales.	5.36%
Controlling and reducing expenses.	3.57%
<b>All of the above.</b>	<b>50.00%</b>

## The new normal looks different than how we've traditionally conducted business.

When asked about changes to their business models as a result of the COVID-19 crisis, the vast majority of our customers have had to adjust to a new way of doing business.

Companies nationwide have had to make changes to how they do business as a result of the COVID-19 crisis. What changes have you had to make to your business model?

We've had to suspend services and adjust hours of operation.

16.07%

**We're supporting remote work and modified schedules.**

28.57%

We've had to furlough employees.

1.79%

We've had to adjust how we manage and communicate with employees.

16.07%

Some or all of these measures; this has turned our world upside down.

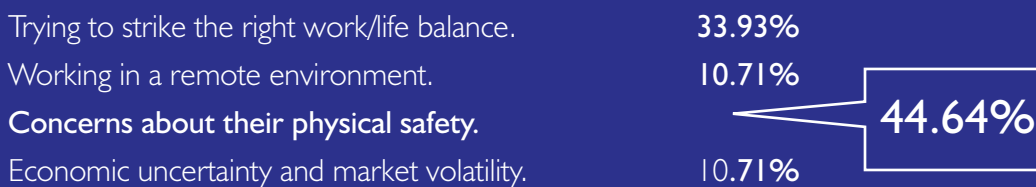
37.50%

“Executives everywhere are thinking about what the new normal will look like. One thing was clear from our conversations—the trend toward organizational speed and agility, digital communication, virtual meetings and remote work environments will continue.”

## Employees want help

Our research echoed similar concerns across the board when it comes to employee wellbeing. Workplace safety continues to be top of mind for employees. In terms of business impact, remote work is the new norm, both now and for the foreseeable future, despite the sometimes blurred lines between work and home life and the challenges that this can present for employees.

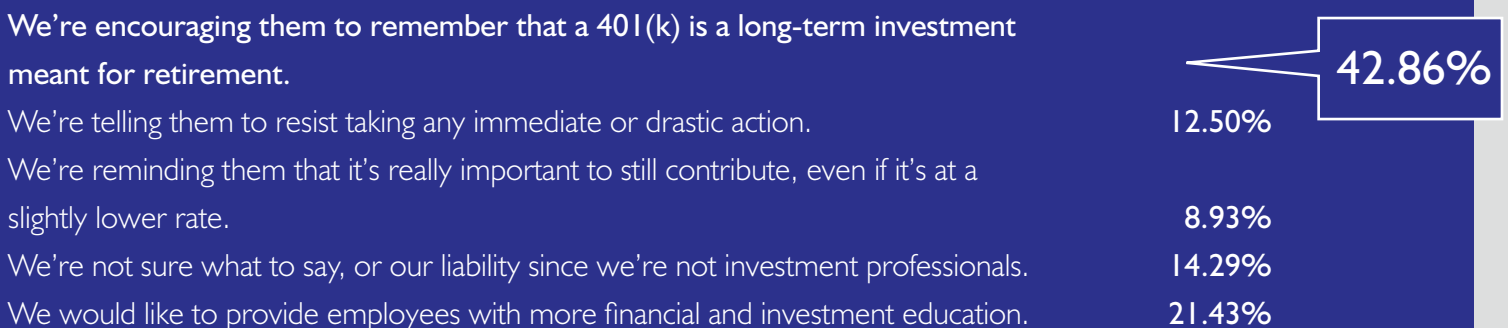
### The COVID crisis has impacted employees too. What stresses seem to be impacting employees most?



### Market volatility is a source of concern.

Our discussions confirmed that one of the chief stressors for employees right now is financial security amid continued market volatility and economic uncertainty.

### Market volatility is driving a lot of stress and a lot of concerns for participants right now. How are you taking steps to ease employee stress?



## Retirement security is a source of concern.

The majority of employers are encouraging employees to remember the long term investment objective that 401(k) plans are designed to accomplish, reinforcing our SmartPath accumulation strategies. Many employers continue to be interested in increased education efforts at this time. Retirement security along with financial wellness continue to be key sources of concern for employees.

### The crisis has left many employees concerned about retirement security.

#### How are you helping your employees?

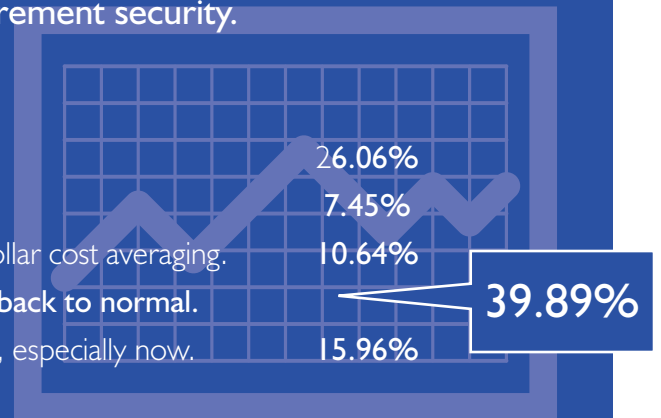
We haven't really thought about this.

We're encouraging them to avoid taking distributions.

We're encouraging them to contribute more and take advantage of dollar cost averaging.

**We want to be proactive, but are focused on getting our business back to normal.**

We could use help providing more financial and investment education, especially now.



“Throughout our conversations clients shared employee concerns about emergency funds and saving for retirement. Some expect that the crisis may have a positive long-term impact on saving and spending habits, with employees more aware of the importance of saving for retirement.”

## Employers want help

### Clients don't want to deal with the details of their retirement plans right now.

It is clear that clients have a lot on their plates right now. So many of them are busy focusing on their business and trying to get back to "normal" whether that means reopening with new guidelines for doing business, retaining customers, or dealing with the long term effects of the crisis, especially reduced revenues. **Retirement plans are something they don't want to have to think about.**

You're busy focusing on your business right now and trying to get back to normal.  
How do you feel about managing the details of your retirement plan?

I don't spend much time on our retirement plan.

I spend some time on it, but could use help managing the details of my plan.

I know it's important, but put it off because it's confusing and difficult.

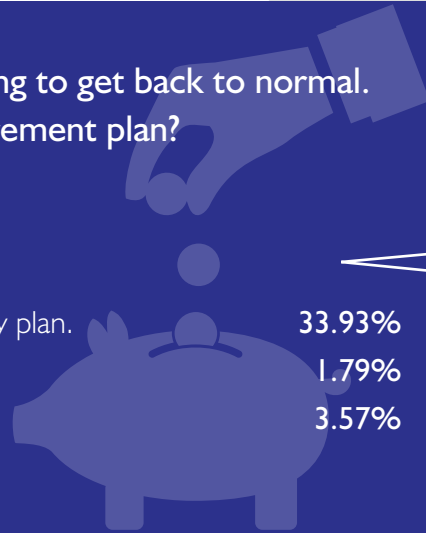
It's a distraction and I'd really like to not have to think about it at all.

33.93%

1.79%

3.57%

53.57%





## Fiduciary responsibilities haven't gone away.

In the midst of all this, retirement plan fiduciary responsibilities haven't gone away. Despite these challenges, plan sponsors are still fiduciaries.

### As a plan sponsor, you are a fiduciary. How does this make you feel?

What is a fiduciary?

I thought you did this for me?

Do I have to be a fiduciary?

Being responsible for this makes me uncomfortable.

Can Pentegra take on the risk and responsibilities for me?

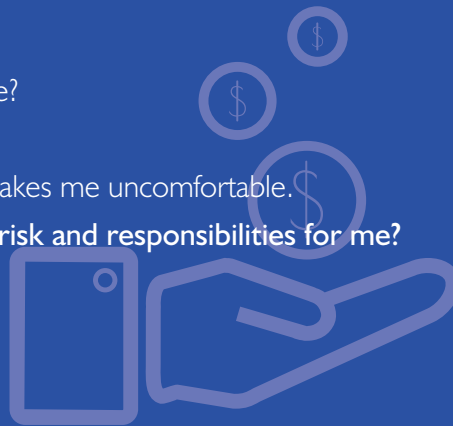
7.14%

10.71%

10.71%

28.57%

42.86%



“Clients are finding new ways to reach their customers online, they’re making adjustments to how and when they do business, and working hard to balance family obligations at the same time. Given the blurred line between work and home life, clients also shared concerns about employee stress levels and mental health along with their own stress levels.”

## Employers want help

Clients recognize that offering a retirement plan is important to their business, key to attracting and retaining talent.

But retirement plans are complicated. Often, sponsors may not have—or want—the knowledge of how they work. Despite that, sponsors are fiduciaries, legally responsible for administering their plans. Without the knowledge or expertise of how the details work, mistakes can happen, and there are very real and significant consequences.

Being a fiduciary comes with risk and personal liability. Even one mistake in operating your plan could cost you thousands of dollars or open you up to a lawsuit. How comfortable are you with this risk right now?

I didn't realize I was personally liable.

1.79%

I am comfortable assuming this risk.

51.79%

I'm aware and it keeps me up at night.

5.36%

I'd like to remove this risk.

16.07%

I would like Pentegra to take care of this for me.

25.00%

Clients were relieved that Pentegra offers the ability to handle many of these responsibilities for them, especially if they have a Pentegra program with full fiduciary services.

As an institutional fiduciary, Pentegra assumes key retirement plan responsibilities for clients, transferring these responsibilities to us. This helps by not only eliminating work, but also minimizing the risk and responsibility for doing the work, along with the risk of failing to meet deadlines or doing things incorrectly.

Here is a sample of a 5500 filed on behalf of your plan, with the signature of the plan fiduciary. How does this make you feel?

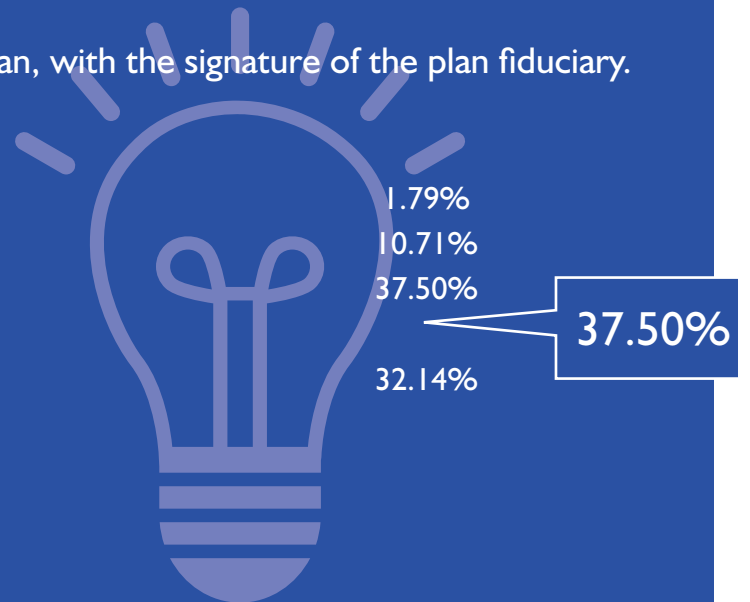
What's a 5500?

Isn't that what you do?

I don't know, but can it be someone else?

**It makes me a little nervous.**

I would love to have Pentegra take care of this for me.



“No doubt that the COVID-19 pandemic has added to business challenges around the country, regardless of type of business, size or location. Retirement plans are one thing they don't want to be challenging.”

## Employers are invested in plan success

### Retirement plans are a major investment for employers.

Ensuring successful outcomes is an important part of that investment. With the 401(k) plan becoming the sole retirement plan for many employees, it is more important than ever to ensure that these programs are designed independently, with an objective perspective, to help participants meet their retirement income goals. Ensuring successful participant outcomes begins with progressive plan design and features that are designed with their best interests in mind.

**An independent retirement provider offers greater flexibility to best serve the unique needs of you and your employees. How valuable do you feel this is when it comes to your retirement plan?**

Transparency and control over the fees we pay is an important part of our decision making process.

An independent approach allows us to tap the best expertise for our plan.

**It's important to me that my provider does what's in my employee's best interests, rather than push proprietary investment products or services.**

Objectivity and transparency are important to me and my employees.

8.93%

10.71%

37.50%

**42.86%**

**Retirement plan governance and oversight is ranked among the top concerns for plan sponsors. How are you handling this?**

What exactly does that mean?

5.36%

Is this something that's a formal process that has to be documented?

16.07%

**Doesn't the plan recordkeeper or investment manager have to do this?**

**33.93%**

I am not really sure of my responsibilities and would like some help.

26.79%

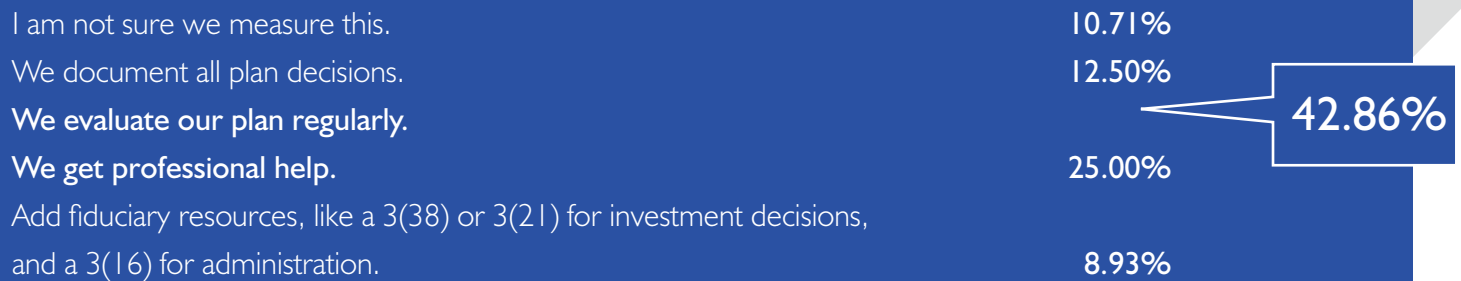
Can I hire someone to handle this?

17.86%

As more employers seek to improve plan success and retirement readiness, expectations are clearly rising with regard to fulfilling fiduciary responsibilities.

Plan sponsors who outsource fiduciary liability have a built-in layer of protection.

There are many things that help drive retirement plan success. What do you do to make sure your plan is successful?



“Plan governance and oversight is an important component of plan success. Having a professional on board to help with this is a source of relief for sponsors.”

## Employers value fiduciary oversight.

One of the key advantages an independent 3(16) fiduciary offers is ensuring your plan is administered in compliance with changing legislation.

The Coronavirus Aid, Relief and Economic Security (CARES) Act created significant changes for sponsors. The Act also made important alterations to what an Employee Retirement Income Security Act of 1974 (ERISA) 3(16) fiduciary can and cannot do.

The CARES Act created 300+ pages of new rules. It takes time to understand its impact on your retirement plan and your participants. How are you handling this?

- I can't think about this—I need to focus on my business right now.
- It's a lot to navigate and I'm worried about compliance.
- Can't someone handle this for me?
- I would really like Pentegra to handle the details for me.

8.93%

23.21%

7.14%

60.71%

## The benefits of a professional fiduciary.

During times like these, the value of a retirement plan fiduciary is more important than ever before.

Pentegra is here to help. As an institutional fiduciary, Pentegra assumes key retirement plan responsibilities for clients. This helps by not only eliminating work, but also minimizing the risk and responsibility for doing the work, along with the risk of failing to meet deadlines or doing things incorrectly.

“Now more than ever, our clients shared how much they value having fiduciary assistance to help navigate these unprecedented circumstances.”

## How we're supporting our clients, partners employees and communities right now.

**99%** of our employees are working from home, continuing to deliver the **high-touch, quality service** you've come to expect, with **0 interruptions**.

**95,000 meals** have been donated by Pentegra employees to support **Feed America** relief efforts.

Processed over **1,100** COVID-related distributions and loans for participants nationwide.

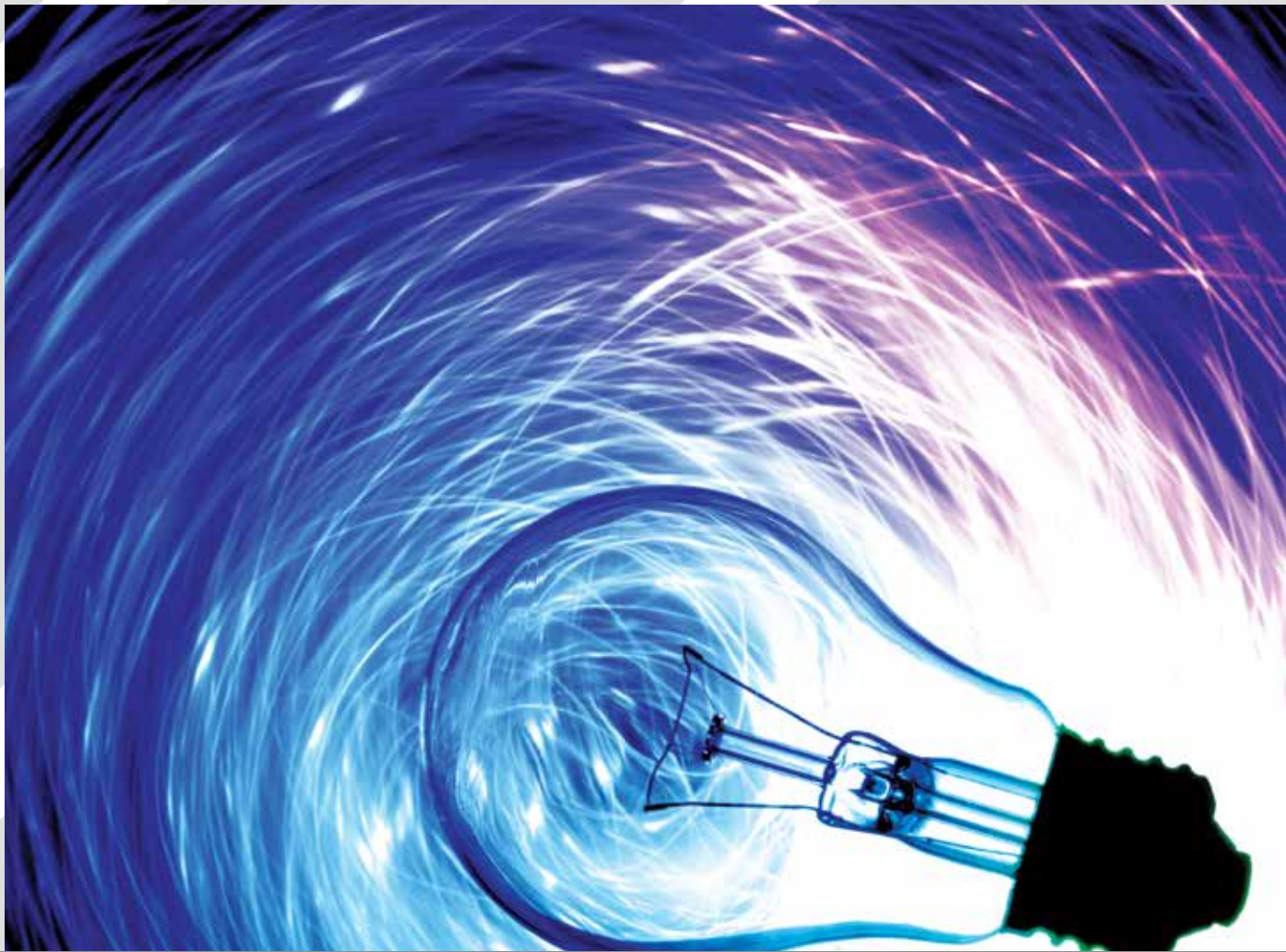
**Waived** over **\$115,000** in COVID-related distribution and loan fees.

**Delivered** more than **20 webinars** on the impact of the **SECURE Act** and **CARES Act** to over **10,000** partners and plan sponsors.

Provided **continuous support** to participants and answered more than **47,000 participant calls**.

Processed more than **7,000 deferral changes** and over **6,800 investment transfers**.





Customers today have a more powerful voice than ever. They share their experiences more often, have higher expectations, and are more informed. They want to feel connected and valued.

We hope you know how much we value your insights and appreciate the time you took to share your thoughts. We are grateful for the opportunity to share with you what many of clients have experienced during this challenging time.

Thank you for your feedback, for being a valued client and for being a part of our conversation.

Follow our conversation





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