

## FOCUS ON RETIREMENT PLANNING

# Tout benefits of company's retirement plan

By **STEVE REINBRECHT**

Special for Lehigh Valley Business

Defined-benefit pensions are a thing of the past. Social Security's future appears shaky.

So most workers know a good retirement plan is essential, and employers know it's vital to attract and retain good employees.

"It's more important than ever," said Sam Marrella, a Certified Public Accountant at Raymond James Financial Services Inc.'s office in Wyomissing.

Virtually no local private employers any longer offer defined-benefit plans to new employees, Marrella said.

Most companies offer plans such as 401k's that require workers to contribute to their own retirement funds. Many small companies offer simple IRA plans rather than 401k plans because they are much easier and cheaper to manage than a 401k.

Experts have identified several trends in retirement planning that are helping employers attract and retain workers.

## RESTORATION OF MATCHES

Jay R. Kemmerer, CEO of Berkshire Advisors Inc., Wyomissing, said he is hearing and reading that companies are restoring the matches they had dropped when they had to cut expenses in the recession.

A typical company might contribute 4 percent of an employee's earnings to the employee's 401k account and match his or her contribution up to 3 percent.

Some pay less and some go further. Kemmerer said he recently worked with a Netherlands-based company, which has a CEO who lives in Berks County, that decided to match employees' contributions up to 10 percent of their earnings.

Description	Current	Year to Date
EMPLOYEE CONTRIBUTION	\$659.16	\$7,909.92
MATCHING TOTAL CONTRIBUTION	\$165.79	\$1,979.91

## TRENDS IN RETIREMENT PLANNING

- Employer matches for 401k's are being restored.
- Workers are getting more education and advice.
- More workers are automatically enrolled.
- Risk is adjusted as retirement approaches.
- Fees are more transparent.

## EDUCATING WORKERS

Too many times, employees aren't being educated about how good their company's retirement plan really is, Kemmerer said.

A top concern discovered in a survey of Pennsylvania companies that use 401K plans was that employee education about retirement plans was lacking, he said.

In response, companies are making sure their workers understand their retirement plans and may offer advice on budgeting and other home-finance issues.

Most workers, when taught about the plan and can afford to contribute, will participate to get the match, Kemmerer said.

Kemmerer worked with a Berks auto dealer with 10 percent of its employees enrolled in its retirement plan. After education sessions, another 88 percent joined.

## EASIER TO AVOID FEES

Since July 2012, the Employee Retirement

Income Security Act has required companies to more clearly tell their workers about the fees associated with investing in a defined-contribution plan.

"Internal expenses were kind of hidden and not very transparent in the past," Kemmerer said.

The new disclosure rules have helped business owners understand the fees and reduce them for better plan performance, he said.

That also means it's important for owners to shop around, because smaller companies might be able to compete against large, traditional insurance companies that generally charge higher fees.

"Don't take the first one [plan] your life-insurance agent offers," Kemmerer said.

## AUTO ENROLLMENT

Rather than asking new employees if they want to enroll in a retirement plan, more employers automatically enroll new employees, who must then opt out if they don't want to participate.

According to Fidelity Investments, the use of auto enrollment continues to increase, and plans with auto enrollment have an 84 percent participation rate compared with a 53 percent participation rate for plans without auto enrollment.

Workers don't mind the decision being made for them, Kemmerer said.

"I don't hear, 'I didn't know what I was signing up for,'" he said.

## AUTOMATIC ALLOCATION

A recent Fidelity survey of participating employees found that 77 percent acknowledged not having the time or knowledge to be confident in their investment decisions.

To help people adjust their holdings as they age, target-date plans have captured a lot of attention in the market place, Kemmerer said.

Under this type of plan, as a worker's retirement date approaches, investments in riskier, higher-growth stocks are automatically transferred to more conservative holdings.

Thirty-five percent of 401k participants had all of their plan assets in a target-date fund, up from 3 percent 10 years ago, and the rate was much higher for younger workers, according to Fidelity Investments.

Though many workers appreciate an automatic approach, Kemmerer said, companies also should offer options based on the worker's risk tolerance.

"Not every 55-year-old should be in that target-date fund," Kemmerer said. Any group of people that age will have very diverse needs, plans and risk tolerance, he said.

Also, when interest rates rise, inflation may erode savings automatically parked in very conservative cash and bonds by a target-date plan. So such holdings might not be best, even in the last few years before retirement.

## EXPANSION

Businesses could save money by denying eligibility to part-time workers, Marrella said. But then they would find it's hard to attract good workers, he said.

Most companies would rather spend some profits on the well-being of their workers than pay taxes to the government, Kemmerer said.

Including more workers is another trend. White-collar workers have always expected to get some sort of retirement plan as a benefit, but that has expanded to blue-collar industries, Kemmerer said.

"Now most corporations and small businesses, white- or blue-collar, have retirement programs every employee can take advantage of," he said.

## FROM OUR BLOGS



## Innovative work, close to home

As you go up and down the many concrete stairs at Coca-Cola Park in Allentown on Lehigh Valley IronPigs game nights, you may not know that the baseball stadium staircases were built by a Bethlehem manufacturer, covering 10,000 seats. And when a new ice hockey arena opens in Downtown Allentown in September, the stairs you will use to get to your seat also are built by that same company.

And not to be outdone, the staircases found inside Two City Center, a new 365,000-square-foot-office building in Downtown Allentown, also were built by this same company - Bethlehem Pre-Cast Inc.

The company manufactured 47 stairs and 47 pre-cast landings, a total of 8,000 square

feet of pre-cast concrete for Two City Center, an undertaking that took nearly 900 hours of work to do from start to finish, in about six months.

One element that speeds the process is the company's products, which are pre-cast offsite at its Bethlehem manufacturing facility and then shipped to the job site, eliminating forming, pouring and stripping. Once the Two City Center tower was finished, the stairs would then be dropped into place from a crane.

It's an impressive feat that highlights the innovations that can be found with manufacturers just a stone's throw away.

## MANUFACTURED INDOORS

By finishing the products off-site, the com-

pany eliminates many of the time-consuming factors that can rise up when building materials with concrete on an active jobsite, according to David Faust, business development specialist/estimator for Bethlehem Pre-Cast.

Since the materials are manufactured indoors and not in the open, the products are not subject to weather changes and harsh elements such as rain, heat or cold, he added.

It allows Bethlehem Pre-Cast to build all types of concrete stair systems, landings, bleacher systems and other products.

It's a small operation, but one with far-reaching results.

## WORLD TRADE CENTER

Not only has the company built pre-cast materials for local middle and high school gyms, but also worked on a massive project for the World Trade Center transportation hub, creating 123 stairs, and a crystal-accented concrete staircase for the New York studio headquarters for Diane von Furstenberg, an American fashion designer.

The company is working on the U.S. Tennis

Center in New York and recently built cable concrete mats to help stabilize dunes and create buffers along a New Jersey shore town, which proved critical during Hurricane Sandy and ended up saving the dune and a nearby structure from major destruction.

## WAREHOUSES

While a significant amount of Bethlehem Pre-Cast's work is for projects outside the state, many high-profile projects can be found throughout the Lehigh Valley.

Engleman, Bethlehem Pre-Cast's parent company, built the concrete for many warehouses in the Lehigh Valley, about 50 percent of them, Faust said.

It should be well-known by now that the Valley is well-stocked with many creative innovative companies. Bethlehem Pre-Cast's customers are well-known, and it deserves a high profile, too.

*The above was excerpted from a Lehigh Valley Business blog. Visit [www.LVB.com](http://www.LVB.com) to read and comment on all of our blogs.*



Follow us online for the latest business news: Like Lehigh Valley Business on Facebook at [facebook.com/LehighValleyBusiness](http://facebook.com/LehighValleyBusiness), follow us on Twitter at [twitter.com/lvb\\_com](http://twitter.com/lvb_com) and join us on LinkedIn.



Read and comment on our blogs, and add them to your RSS reader.