With nearly 900 employees scattered across more than 60 locations throughout the southwest, Morrison Supply Company needed to make participating in the Morrison Supply Company 401(k) Plan as easy as possible. Introducing automatic enrollment turned out to be the perfect solution.

Headquartered in Fort Worth, Texas, Morrison Supply Company is a leading national distributor of commercial and residential plumbing, heating and air conditioning, industrial piping and valves, and oilfield supplies. Many of its employees are lower-paid, hourly employees who find it difficult to give up even a small percentage of their paychecks to participate in the plan.

Automatic enrollment – it’s a good thing

“We wanted to increase participation in the plan and pass non-discrimination testing more easily,” explained Mike Kamp, Controller. So, in April of 2004, Morrison implemented automatic enrollment. “We also did it for our employees’ own good,” he added.

Research conducted by the Employee Benefit Research Institute (EBRI) and the Investment Company Institute (ICI) indicates that automatic enrollment has the greatest impact on lower-income workers, as members of this group are less likely to participate in a 401(k) plan on their own. “These employees are reluctant to join the plan because they are afraid,” said Mike. Morrison has found that automatic enrollment has increased participation, particularly with their lower-paid employees such as warehouse workers and truck drivers. “Once these employees understand they are participating in the Plan, they realize it’s a good thing. We get a lot of compliments,” added Mike.

(Continued on page 3)

Dear Sponsor:

In this quarter’s “Sponsor Exchange,” we introduce you to Texas-based Morrison Supply Company, and share how implementing automatic enrollment has increased participation in their 401(k) Plan.

What does the future of retirement look like? We provide you with a glimpse of what’s in store for retirees and offer recommendations to prepare your Participants for the future.

Finally, this quarter’s “In Focus” provides you with the seven “R’s” for motivating your Participants.

Sincerely,

David Shute
Worth A Look Publisher

Top, Left to right: Tina London, Michael Kamp; Bottom, Left to right: Lois Scanio, Charles Allen
Created during the Great Depression to move older workers out of the workforce to make room for younger workers, the concept of retirement eventually became the reward for years of hard work.

Many of us remember how our grandparents lived during their golden years: naps, retirement communities, “early bird specials.” And on the last Friday of each month, they lined up at the teller (What ATMs?) to deposit their trusty Social Security checks.

The retirement of the future, however, promises to be a very different animal. Gone is the idea of retreating from the workplace the moment you hit 65. Instead, most workers plan on spending their time bouncing between work, education and leisure, making retirement a time of reinvention rather than just relaxation.

Living long and prospering
There are two major factors in defining the retirement of the future. The first is the dramatic increase in life expectancy brought about by medical advances and healthier lifestyles. At the turn of the 20th century, the average life expectancy was 47 years. Today it’s 77 years, and, according to the National Center for Health Statistics, by 2040, the average life expectancy is projected to be about 85 years.

Blending, boomer style
This increase in longevity is compounded by the second factor, the baby boom. The United Nations projects that by 2050, 21% of the world’s population will be made up of people 65 or older, up from just 8% in 1950.

Just as it has redefined every other phase of life, the baby boom generation is creating a new paradigm for retirement as well. With a global trend toward “postponing old age,” the retirement of the future will include a combination of work and leisure time. A recent survey indicates 42% hope to find a balance between the two.

Most respondents say they see retirement as a time for challenges and taking risks. Of the 76% of boomers who plan on working, 56% plan on starting an entirely new career, and 13% have plans to start their own business.

What’s driving the desire to continue working? It isn’t necessarily the money. Most want to stay mentally active (67%), physically active (57%), and connected with others (48%).

The future is now
While no one can say for certain what the future holds, there are ways to help your Participants prepare for this new brand of retirement:

• **Encourage Participants to save earlier and save more.** As life expectancy increases, so does the length of time spent in retirement. Plus with fewer people in the workforce, the greater the strain on Social Security.

• **Find more creative, “personalized” ways to share information.** People are two to three times more likely to talk to friends and read newspapers or magazines when planning for retirement as they are to seek professional advice.

• **Think outside the box.** With so many workers rethinking their ideas about retirement, reconsider the way your own plan can help Participants realize their goals, whatever they may be. Encourage maxing out plan contributions, promote catch-up contributions to those age 50 and older, and stress the need to rebalance according to life stage.

The face of retirement may be changing, but one fact remains the same. Planning and education are still the keys to helping your Participants achieve their goals for the future.

More, more, more

Upon attaining Plan eligibility, Human Resources notifies employees they will be automatically enrolled at a 3% contribution rate. Because most employees don’t respond to the communication they receive, they don’t realize they are enrolled at first. Since these are hourly employees, their pay fluctuates based on the number of hours worked, so they don’t miss the money that is deducted. Tina London, HR Administrator said, “After they start to receive statements and realize how much they are saving, these employees want to save more.” Currently the average contribution rate is 4%.

As Participants contribute more to the Plan, they are also able to take advantage of the company match. Morrison provides a discretionary match, based on company earnings, that is paid once a year. “It’s gone up every year. This year, the match was 12% of contributions,” explained Mike. If a Participant contributes a total of $10,000, the company will provide a match of $1,200.

Investments on the move

Morrison has provided Participants with investment education that has encouraged movement of money out of the default fund, the Transamerica Stable Value Fund. “We have been offering workshops from Transamerica’s Investments Made Simple™ series for about a year now,” explained Mike. At a recent workshop in Houston, a Transamerica representative presented investment information in a way that Participants could understand and, as a result, 5% of Participants moved their money into other funds.

Tell me about it

Utilizing Transamerica’s payroll stuffers and posters, Morrison announced automatic enrollment to all employees. “Payroll stuffers are the most effective form of communication with our employees,” commented Tina. Additionally, Transamerica representatives promote the plan to new employees and educate current Participants at regional seminars offered in Morrison’s larger locations, such as Fort Worth and Houston. “The workshops have been extremely helpful; people are very receptive to them,” said Mike.

The results are in

Participation in the Morrison Supply Company 401(k) Plan has increased by 15%, and Participants have increased contribution rates.

Automatic enrollment has exceeded expectations at Morrison. Fewer than 5% choose to stop participating after being automatically enrolled. “We expected more people to opt out of the plan after they realized they were in it, but that’s just not happening. I honestly anticipated only a 75% retention rate,” said Mike.

The perfect partnership

“Transamerica has helped us tremendously,” said Mike. Having worked with three different 401(k) administrators in the 10 years he has been employed by Morrison, Mike has been extremely satisfied with the relationship. “Transamerica is far better than any other administrator we’ve had. Everyone is easy to work with, they have cutting-edge technology, and we have been really pleased with the communication materials. It’s been a great marriage so far,” he added.

If you have a Transamerica success story or any information you’d like to share, please contact LaTanya Hayes at LaTanya.Hayes@transamerica.com or 213-742-2526.

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2 Transamerica or Transamerica Retirement Services (TRS) refers to Transamerica Financial Life Insurance Company (TFLIC). TRS markets the products and services of TFLIC and its affiliates.
Going Beyond the Three “R”s to Educate Your Employees

It used to be that if you learned the three “R”s, you had a solid educational foundation. While this is still true, Sponsors need to go beyond the basics. The good news is the National Endowment for Financial Education (NEFE)¹ has come up with the seven “R”s that can be used when educating employees about saving for retirement.

Readiness – While most individuals do realize saving for the future is necessary, everyone has this revelation at a different time. So, don’t be discouraged if employees pass up the chance to join your company’s plan once they are eligible. Individuals must be ready to start saving in order to act. Continue to reinforce the importance of saving for retirement; eventually your message will get across.

Resources – Let Participants know you are available to answer questions and help them to better understand the plan. Introduce them to the numerous tools and resources available on Transamerica’s Web site, as well as the Participant version of Worth A Look.

Relevance – Tailor your communication and education program to make plan information more meaningful to your employees. For example, if you offer a workshop on developing investment strategies, and your audience is comprised of Participants who are just starting families, stress the importance of rebalancing (or automatic rebalancing, if offered) particularly at different life stages.

Respect – Generally, employees are concerned about saving for the future and desire more information.² In order to provide employees with the appropriate plan and investment education, you must develop a genuine interest in their needs. For example, if you want Participants to take advantage of catch-up contributions, be sure to send the information to those Participants who are eligible. Consider the demographics of your target audience to ensure you communicate effectively and respectfully.

Responsibility – Making financial decisions may seem less intimidating and overwhelming to Participants if they receive the right mix of information, tools and resources. Offer workshops from the “Investments Made Simple” series that focus on investing basics, the fundamentals of investing for retirement and developing investment strategies. With a little coaxing, Participants can plan responsibly for the future.

Reward – In an age of instant gratification, showing the bottom line can motivate Participants to save or save more. Provide Participants with projections of future savings to show how much money they could save over time. Also, direct Participants to the various retirement calculators on the Transamerica Web site.

Replication – Provide clear and straightforward information consistently and repetitively, using different media (on-site-workshops, online tools, printed material) to reinforce your message. Also, consider recruiting peers and co-workers to act as plan advocates. Some employees may feel more comfortable learning about the plan from a friend or co-worker.

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