



Actuaries and Employee  
Benefit Consultants

# The Swerdlin Quarterly

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## Swerdlin & Company Acquires Qualified Plan Administrators, Inc.

We are pleased to announce the acquisition of Augusta, Georgia-based Qualified Plan Administrators, Inc. (QPA). This transaction follows Swerdlin & Company's 2011 acquisition of Boston-based Penret Services, continuing the firm's growth as the need for employee benefits consulting increases.

In joining forces with QPA, Swerdlin & Company gains several new employees, including the executive level talent of QPA President, Karen F. Dixon-Burroughs. Dixon-Burroughs

will serve as Vice President of Defined Contribution Services for Swerdlin & Company, and will work in the Atlanta and Augusta, GA offices.

"This is a fantastic opportunity for Swerdlin & Company to expand the firm's national footprint, building on the excellent service and expertise of both companies," said Lee Swerdlin, President of Swerdlin & Company.

To view the full press release, visit our website, [www.swerdlin.net](http://www.swerdlin.net). ■

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## Dorn's Corner

This quarter I'd like to talk about workplace cultures. Every organization has one, but we often unconsciously let the culture develop on its own. If not attended to, the culture can shift in a negative way.

People complaining can seriously damage the environment and culture in a company. Jon Gordon wrote a book called *The No Complaining Rule: Positive Ways to Deal with Negativity at Work*. In this book, Gordon lists the cost of complaining and negativity.

- Negativity costs the U.S. economy between \$250 and \$300 billion every year in lost productivity, according to the Gallup Organization. And this number is conservative since it doesn't take into account the ripple effect of complaining and negativity.
- Ninety percent of doctor visits are stress related, according to the Centers for Disease Control and Prevention, and the #1 cause of office stress is coworkers and their complaining, according to Truejobs.com.
- A study found that negative employees can scare off every customer they speak with – for good (*How Full Is Your Bucket?* By Tom Rath).
- Too many negative interactions compared to positive interactions at work can decrease the productivity of a team, according to Barbara Frederickson's research at the University of Michigan.

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# How Can I Help My Participants Get Ready for Retirement?



“**R**etirement Readiness” is one of the most popular catch phrases in the 401(k) industry. What is Retirement Readiness? Retirement readiness refers to the ability to retire with enough savings to cover your living expenses through the retirement years. A recent study by Ernst & Young reports that three out of every five middle-class retirees will outlive their retirement savings.

The catch phrase “retirement readiness” is not a new term. Back in 2003, the Employee Benefit Research Institute (EBRI) developed a system to assess plan participants’ ability to retire with adequate savings to sustain them. In addition to retirement readiness, you may also hear “paycheck for life” or “lifetime income.” Those in the retirement industry are trying to educate plan participants about the importance of saving for retirement.

In 2010, EBRI updated their initial study and determined nearly 50% of the first wave of Baby Boomers are at risk of not having enough retirement income to pay for basic needs and uninsured health care costs. The younger Boomers are only slightly better prepared and Gen Xers are in the worst shape of all. As bad as these numbers seem, they are better than the results of the initial study back in 2003. Although the news is nothing to celebrate, we are showing signs of improvement! What changes have we made and what can we continue to do to prepare for retirement? The most obvious answer is to save more and invest these savings wisely.

Employer-sponsored 401(k) plans offer employees an easy and affordable way to save for retirement. Unfortunately, participants are not taking full advantage of this opportunity. What can plan sponsors do to encourage participation? The list below offers a few suggestions:

1. **Offer “Savings” Education.** Provide information about the time value of money and also, if a company match is offered, information on how to maximize your contributions to the level needed to receive the match. You may also consider providing a gap analysis report for participants that illustrates the gap between what the participant currently saves and how much they need to save for retirement.

2. **Add Automatic Enrollment and Automatic Escalation features in the plan.** This is an easy way to introduce employees to saving for retirement without having to make “overwhelming decisions” about how much to save and how to invest the savings. Generally, auto-enrollment programs start out with a low percentage of salary and the contributions are “defaulted” into an appropriate, age-related investment.
3. **Offer a matching contribution or increase the matching threshold.** A matching contribution can increase plan participation. If you currently offer a match, consider increasing the match rate or the threshold of participant contributions eligible for the match. Industry studies show increasing the amount of the matching contribution has a direct impact on the participation rate.
4. **Offer Investment Education.** Industry surveys show investment education has a direct impact on participation rates. Education can be offered through individual and group meetings as well as web-based tools and personalized retirement readiness reports.
5. **Implement a Marketing Campaign.** Keep the 401(k) plan in front of employees. Display posters, use payroll stuffers, and consistently include articles on savings. This marketing campaign for the 401(k) plan can be featured in your company newsletter or on your intranet.

These are just some examples for helping to increase participation in your plan. Education and incentives are key elements in enticing participants to join the plan or increase their contributions. If you are interested in discussing a strategy for increasing participation in your plan, call your Swerdlin representative. We have resources to help you improve your communication strategy. ■

We can help you with the following:

1. Actuarial services, including:
  - Defined Benefit
  - Cash Balance
  - Supplemental Executive Retirement Programs (SERPs)
  - Actuarial Expert Witness
  - Medicare Part D Actuarial Attestation
  - Post-retirement medical calculations: ASC 715-60
  - Actuarial studies for Health and Welfare Plans
  - Compliance testing for self-funded plans.
2. **ESOP administration**, including:
  - Publicly traded
  - Privately held
  - Leveraged
  - Non-leveraged
  - KSOPs
  - Repurchase Liability Studies
3. Other Defined Contribution Plans, including:
  - 401(k)
  - TPA & Recordkeeping Services
  - Cross-tested and age-weighted
  - 403(b), 401(a), 457
4. Cafeteria (Section 125) Plan Administration, including:
  - FSAs
  - POPs
  - HRAs
  - QTPs
5. Other consulting services, including:
  - Comprehensive Employee Benefit Statements
  - Plan Design
  - Employee Communication
  - Regulatory Compliance
  - Special Studies

Each retirement plan must retain an outside broker or investment advisor. We are not investment advisors.

Give us a call at 770-396-6601 or

800-507-9373.

[www.swerdlin.net](http://www.swerdlin.net)

## Service Spotlight: ESOPs Are Booming With the Baby Boomers!

The National Center for Employee Ownership (NCEO) currently estimates there are 11,000 employee stock ownership plans (ESOPs). They also estimate 28 million employees participate in ESOPs and control about 8% of corporate equity.

Almost two-thirds of ESOPs are used as an exit strategy for a retiring owner. The remaining exist for many reasons, such as a supplemental employee benefit plan, or as a way for the company to raise capital in a tax-favored manner.

Here are some things to consider when contemplating the establishment of an ESOP:

1. Are all of the owners of the company willing to sell? Obvious as it may be, there is no point in pursuing the ESOP route unless all are on board.
2. Conduct a feasibility study. This analysis determines how much extra cash the company has available to devote to the ESOP, and whether it is sufficient to meet the intended purposes of the ESOP.
3. Select your ESOP service provider team. You will need a valuation professional, a plan trustee for the transaction, an ESOP attorney, and a third party administrator (TPA). To ensure the success of your ESOP, all service provider team members should be involved as early as possible.
4. If everyone is on board so far, you should have a preliminary valuation of the company performed to determine if the company value is acceptable to all parties. If so, a full valuation should follow. Performing a valuation before establishing the plan is necessary. If the price is too low, the sellers will not want to sell. If the price is too high, the ESOP may not be able to afford it or acquire a large enough loan to make the buy.
5. Next, your ERISA attorney writes the plan document. You have many options to consider and evaluate. It is important that the plan be designed to meet your needs and goals. It is helpful to include your TPA in this process. If you take the time up front to understand the plan options available to you, and choose them carefully, you may save the company money in the long run.



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## Service Spotlight

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6. You are now ready to obtain funding for the ESOP. One common source of funding is a loan from either a bank or the selling shareholder(s). Another source is on-going company contributions, aside from loan payments. While ESOPs must, by law, primarily invest in company stock, they may invest in other assets in order to build a fund for purchasing the shares.
7. You need to establish a process for operating the ESOP. Privately-held companies can appoint a trustee from within the company, or some may find it prudent to hire an outside trustee.

It is vital for the success of the ESOP to clearly communicate to employees how it works and how valuable it is to each of them. Establishing an ownership culture is a long-term process and not something that happens overnight. Many of our new ESOP clients have rolled their plans out with a celebration over lunch or dinner to create enthusiasm over the new program. We have assisted many of our clients in introducing the ESOP and explaining how it works.

Contact your Swerdlin representative to learn more about ESOPs. ■



## PBGC Premium Provision Changes Due to MAP-21

- The Moving Ahead for Progress in the 21st Century Act (MAP-21) increases the per-participant Pension Benefit Guaranty Corporation (PBGC) Flat Rate Premium for single-employer plans. The premiums increase from \$35 to \$42 in 2013 and to \$49 in 2014. The \$49 premium will be inflation-adjusted after 2014.
- The minimum Variable Rate Premium (VRP) per \$1,000 of unfunded vested benefits increases from \$9 to \$14 in 2014 and to \$19 in 2015, with future inflation indexing.
- The maximum VRP is capped at \$400 per participant (also inflation-adjusted after 2013).
- The PBGC has issued guidelines indicating that the alternative method will not be changed to incorporate MAP-21. Therefore, the rates used to determine the unfunded vested benefits are based on segment rates without the corridor of 25-year average rates.

## Cash Balance Plans Grow In Popularity

Cash balance (CB) plans are the fastest growing defined benefit pension plans. Many businesses are seeing the benefits of the flexibility, transparency, and employee satisfaction offered by these newly-regulated plans.

CB plans are hybrids between a defined benefit (DB) and a defined contribution (DC) plan. These plans create a hypothetical account for each employee to which the plan sponsor contributions are based on a set interest crediting rate (ICR) and a percentage of the employee's pay. This produces a plan that is easy to understand and completely employer funded. Participants can roll over the entire account balance at any time after termination, without having to wait until retirement.

For plan sponsors with 401(k) profit sharing plans, a separate cash balance plan can be established and coupled with the existing 401(k) plan. This arrangement allows small business owners to substantially increase contributions to their retirement programs and manage their tax liabilities. This type of retirement program is especially viable for professional groups, such as organizations staffed mostly by accountants, lawyers, or doctors.

It will be important for business owners to look at all alternatives to manage their tax liabilities. Making a change to their retirement programs may be part of the solution.

Call us if you would like to hear more about this type of retirement plan and see if it is right for your company. ■



# Flexible Spending Accounts— When Can Employees Make Changes?

While employees may only enroll in flexible spending account (FSA) plans annually, plan sponsors may permit changes to benefit elections during the year under the following conditions:

Change in legal marital status
Change in number of dependents
Change in employment status
Change in work schedule affecting a participant's eligibility in the plan
Dependent satisfies or ceases to satisfy eligibility requirements
Significant change in residence or worksite
Judgment decrees or orders pertaining to child or spouse

## What's Happenin'

Anniversaries we celebrate this quarter: **Melissa Spencer**, 21 years; **Glenda Devechio**, 18 years; **Kathy Latour**, 15 years; **Patti Williams**, 10 years; **Alicia Turner**, **Jan Smith**, **Lorene Pierre**, **Rita Teague**, and **Tianna Barran**, 5 years; **Scott Foreman**, 3 years; **Ana Marengo**, 2 years; and **Dee McKnight**, 1 year.

We welcome **Jan Welch**, a Benefits Specialist for our Health & Welfare Department.

**Laura O'Connor** retires for the 3rd time! This time we think "it's for real." She sold her house in Atlanta and has bought a new one outside of Tampa, Florida. We wish her good luck as she moves on!

**Glenda Devechio & Cynthia Navan** attended EBIA's 15th Annual Advanced Cafeteria Plans and Benefits Conference in Seattle, July 10-12.

On August 15-16, **Ed Ilano** and **Susan Petrirena** led a session with our client, Nancy Mills-Smith, Vice President of Operations at K2 Solutions, Inc., at the Carolinas Annual ESOP Conference held at Pinehurst, North Carolina.

The New South Chapter of the ESOP Association hosted their Annual Fall Conference at the Evergreen Marriott Resort in Stone Mountain, GA. The conference kicked off with a Golf Outing Fundraiser on Wednesday, September 18. **Connie Woodmansee & Ed Ilano** led the Golf Event. The conference followed the next day with **David Benoit** participating in a panel discussion on the new healthcare reform and **Connie Woodmansee** spoke on ESOP Communication.

**Adrian Farnon** was recently elected Southern Region VP of WEB National and attended the WEB National Conference in Dallas, Texas, September 19-21.

ASPPA held a breakfast meeting on July 11 at Swerdlin's office. The topic was "What Retirement Plan Professionals Should Know About the Health Care Reform Law." Several employees from Swerdlin attended, including **Lee Swerdlin**, President of the Atlanta Chapter of ASPPA.

On August 9, The National Association of Insurance and Financial Advisors held a seminar on Ethics and Legislative updates at Villa Christina. **Dorn Swerdlin**, **Glenda Devechio** and **Marjorie Cade** attended the seminar.

On September 19, Swerdlin & Company sponsored WEB Atlanta's monthly meeting at Maggiano's. The topic discussed was Retirement Readiness in Balance with Fiduciary Compliance. Those attending the September 19 meeting were **Adrian Farnon**, **Kathy Latour**, **Kim Hall** and **Lorene Pierre**.

**Dee McKnight** represented Swerdlin & Company at the 2013 Benefits Fair hosted by our client, Munich American Reassurance Company, on Friday, September 27.

On November 7-8, the National ESOP Association Annual Conference was held in Las Vegas. **Melissa Spencer** led the session on Basic ESOP Administration.

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At Swerdlin & Company, we're taking an active role in conserving the world's resources by printing on FSC-certified paper from well-managed forests with environmentally-friendly ink. Please recycle this newsletter when you are finished reading it.

## Dorn's Corner

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- Negativity affects the morale, performance, and productivity of our teams.
- One negative person can create a miserable office environment for everyone else.
- Negative emotions are associated with the following:
  - Decreased life span and longevity
  - Increased risk of heart attack
  - Increased risk of stroke
  - Greater stress
  - Less energy
  - More pain
  - Fewer friends
  - Less success.

Being grateful for what you have is one way to avoid complaining. You cannot complain when you are feeling grateful.

So how do we stop complaining? (Yes, we all do it.) Gordon's book provides three "No Complaining Rules:"

1. **The But → Positive Technique.** This simple strategy helps you turn your complaints into positive thoughts, solutions, and actions. It works like this. When you realize you are complaining, you simply add the word but and then add a positive thought or positive action. Example:
  - I don't like driving to work for an hour, *but* I'm thankful I can drive and that I have a job.
  - I don't like that I'm out of shape, *but* I love having more energy so I'm going to focus on exercising and eating right.
2. **Focus on "Get To" instead of "Have To."** Too often we complain and focus on what we *have* to do. We say things like "I have to go to work." "I have to drive here." "I have to do this or that." Instead, shift your perspective and realize it's not about having to do anything. You get to do things. You get to live this life. You get to go to work while so many are unemployed. You get to drive in traffic while so many don't even have a car or are not well

enough to travel. Focus on what you get to do. Focus on feeling blessed instead of stressed. Focus on gratitude.

3. **Turn Complaints into Solutions.** The goal is not to eliminate all complaining. That would be unrealistic. The intent is to eliminate the kind of mindless complaining that doesn't serve a greater purpose. Complaining can still be allowed when it is justified and worthwhile. The opposite of mindless complaining is justified complaining. The former is negative and the latter is positive. The difference is intent. With *mindless complaining*, you are mindlessly focusing on problems. However, with *justified complaining*, you identify a problem and the complaint moves you toward a solution. Every complaint represents an opportunity to turn a negative into a positive.

See if you can use these tools the next time someone asks you, "How are you?" You could answer, "I can't complain!"

Hope you enjoyed your summer! I'll be back next quarter. I always enjoy hearing from you and welcome your feedback and comments. ■

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