

Does the WealthBuilder Defined Contribution Plan (SB176) Meet Retirement Best Practices?



| Gold Standard | Senate Bill 167 (2021) |
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| <p>Defined Plan Objectives <i>Ensure plan objectives are defined in writing as part of a comprehensive benefits policy statement.</i></p> | <p>YES</p> |
| <p>Communication and Education <i>Ensure members are educated on the available choices and have all relevant information to make competent retirement choices.</i></p> | <p>YES</p> |
| <p>Auto Enrollment <i>Enroll new employees into the Wealth Builder – Primary Retirement Savings plan by default.</i></p> | <p>YES</p> |
| <p>Adequate Contributions <i>Replace approximately 80% of a worker’s final salary.</i></p> | <p>YES</p> |
| <p>Retirement Specific Portfolio Design <i>Offer “one-touch” investment options for employees who are not sophisticated investors and do not want to avail themselves of in-plan investment advice.</i></p> | <p>YES</p> |
| <p>Benefit Portability <i>Safeguard the ability to recruit highly mobile 21st Century employees.</i></p> | <p>YES BUT SHORTER VESTING PERIOD NEEDED</p> |
| <p>Offer Distribution Options <i>Provide members with a variety of asset distribution methods while limiting borrowing.</i></p> | <p>YES</p> |
| <p>Disability Coverage <i>Offer a separate disability insurance benefit from a quality insurer.</i></p> | <p>YES BUT SHORTER ELIGIBILITY PERIOD NEEDED</p> |

| Objective | Gold Standard | Senate Bill 167 (2021) |
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| Defined Plan Objectives | Defines objectives in writing as part of a comprehensive “benefits policy statement” or at least within a “retirement plan policy statement.” | <i>Senate Bill 176 provides a formal statement of legislative intent and plan objective that is consistent with best practices: “The intent of the General Assembly is for the State of South Carolina Wealth Builder-Primary Retirement Savings (WPRS) Plan to be the primary retirement plan for participants of the state’s retirement system. The objective of the WPRS is to provide participants with a path towards having a secure retirement through a focus on lifetime retirement income in order to maintain a participant’s standard of living, following a full career of employment.”</i> |
| Communication and Education | Educated members on the available choices and relevant information needed to make competent retirement decisions. | <i>The current communication and education offering are solid and consistent with best practices. Changes will be needed to reflect the new retirement income focused objective of SB 176 and portability features of the WPRS, but if current standards are continued members should be provided with the most timely and pertinent information.</i> |
| Auto Enrollment | Defaults members into a defined contribution retirement option if no other option is selected upon hire. | <i>New hires are automatically enrolled into the new Senate Bill 176-created Wealth Builder-Primary Retirement Savings Plan when no other option is selected within 60 days of beginning public employment.</i> |
| Adequate Contributions | Replace approximately 80% of a worker’s final salary. | <i>Retirement experts agree that a total contribution rate of between 10% and 15% is necessary over a career to adequately fund retirement when combined with social security and personal savings. The WPRS contribution design of 16% (9% employee/7% employer) for most employees will meet these best practice contribution standards.</i> |
| Retirement Specific Portfolio Design | Offer “one-touch” investment options for employees who are not sophisticated investors and do not want to avail themselves of in-plan investment advice. | <i>Senate Bill 176 provides substantial guidelines by authorizing the use of a wide variety of investments under the plan including annuities, mutual funds and other similar investment products and professionally managed portfolio options.</i> |
| Benefit Portability | Safeguard the ability to recruit highly mobile 21st Century employees. | <i>Employer contributions into the Wealth Builder-Primary Retirement Savings Plan are fully vested after five years of service. While 5-year graded vesting is longer than desired, it is still shorter and provides better portability than the DB plan’s 8-year cliff vesting. Full and immediate vesting would be preferred.</i> |
| Offer Distribution Options | Provide members with a variety of asset distribution methods while limiting borrowing. | <i>The distribution methods offered under the WPRS will depend on the vendor but will generally include a wide variety of options that will meet best practice standards, including annuities, full or partial lump-sum withdrawals and periodic payments. The WPRS also meets best practice standards by not permitting participant retirement loans or hardship distributions.</i> |
| Disability Coverage | Offer a separate disability insurance benefit from a quality insurer. | <i>Disability coverage in the WPRS is the same as in the DB pension plan. This is an improvement over the current ORP structure, which provides no disability benefit for ORP members. Employers are required to make separate contributions to help fund the benefit. While the consistency between plans is good, the DB disability benefit is not available until an employee has eight years of creditable service. This seems excessive and not in line with best practice standards.</i> |