

# Plan Wellness Scorecard

For period ending December 31, 2015

Throughout 2015, employers acknowledged the importance of workplace benefits offerings, adopting retirement plan design features and engagement practices aimed at enhancing employees’ financial wellness. Employees responded to these enhancements enthusiastically, increasing enrollment, participation and contributions over the course of the year. Results from across the benefit plans we service demonstrate the power of employers, employees and service providers working together to improve employees’ financial habits and find appropriate solutions, ultimately making employees’ lives better.

This scorecard monitors plan participants’ behavior and sponsors’ adoption of new plan design features and services in our proprietary 401(k) business, which comprises \$155 billion in total client plan assets and 2.98 million total plan participants with positive balances as of December 31, 2015.\*

*“Plan sponsors are taking strategic steps to strengthen their benefits offerings and support employees’ efforts to improve their financial lives. We are pleased to partner with them. We have seen that by working together to enhance both plan design and employee engagement, we can have a real impact on retirement outcomes.”*

— Gary DeMaio  
Director, head of defined contribution product,  
Bank of America Merrill Lynch

## Key findings

Our results for the 2015 calendar year indicate that smart plan design is producing the desired effects.

- 1. Employees embrace opportunities to enhance saving and prepare for retirement.** Participation in both pretax and Roth accounts grew during the year, as did contributions to both types of accounts.
- 2. Employees utilize managed account features.** Seeking to build financial wellness, employees are selecting investment solutions that include personalized advice with a managed account option.
- 3. Strategic plan design influences employee behavior.** Employers are encouraging positive employee behavior by implementing plan design features such as simplified enrollment and automatic enrollment.
- 4. Effective education and communication programs promote employee engagement.** Delivering education and communication across multiple channels is essential to building employee engagement in holistic financial wellness programs.

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<b>Are Not FDIC Insured</b>	<b>Are Not Bank Guaranteed</b>	<b>May Lose Value</b>
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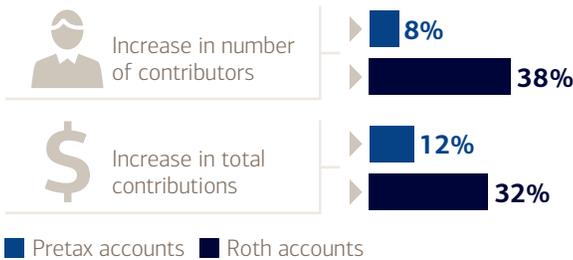
See last page for important information. For Plan Sponsor use only — Not for use with Participants.

## Employees embrace opportunities to enhance saving and prepare for retirement

Employee engagement with workplace plans grew in 2015 by every metric we measure. Total contributions increased 14% from the year before, while the number of employees with balances grew 16% during the same period.

This growth is taking place across pretax and Roth accounts, as employers continue to offer Roth as another savings option in their plans.

### Growth in average monthly contributors and contributions, 2015



In 2015, Advice Access, an investment advisory service, added the Roth 401(k) to its suite of personalized, unbiased recommendations. (See below for more on Advice Access.) This enhancement helped drive the growth in Roth usage during the year. The Roth option appeals to employees of all ages, especially those in their 40s and younger, who may be looking to diversify their retirement savings from a tax perspective. More than half (52%) of Roth contributors also made pretax contributions.

During the year, most employees (84%) who changed their contribution rates increased them. The number of employees who started contributing or increased their contributions to their savings grew 82% from 2012 to 2015, indicating that employees are taking advantage of savings opportunities within their plans as they look to save more and prepare for retirement.

## Employees take advantage of managed account features

Employers continue to adopt Advice Access, an investment solution that addresses employees' need for help and guidance. Advice Access offers savings recommendations and investment advice, including a managed account feature and asset allocation with either one-time or periodic rebalancing.

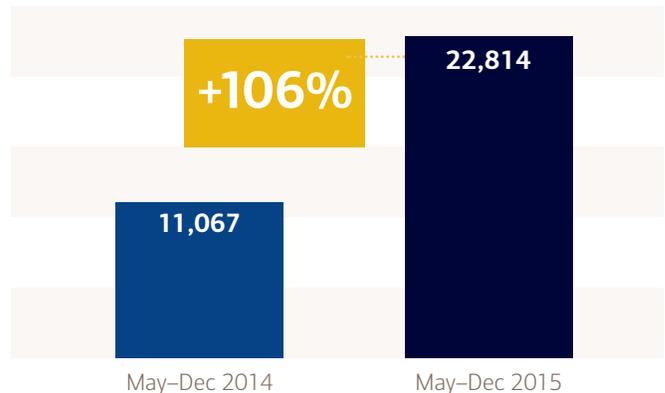
Last May, we launched the Retirement Income Projection tool, which uses a simple, clear graphic to show how an employee's current balance translates to annual income in retirement. The placement of the Retirement Income Projection on the home page has led to an increase in Advice Access usage.

### Annual growth in adoption of Advice Access, 2015



The growth of Advice Access reflects employers' support for an investment option that provides personalized advice, as opposed to one-size-fits-all investments. Nineteen percent of employees using Advice Access are taking it one step further — providing additional information about their finances that allows them to receive even more customized recommendations.

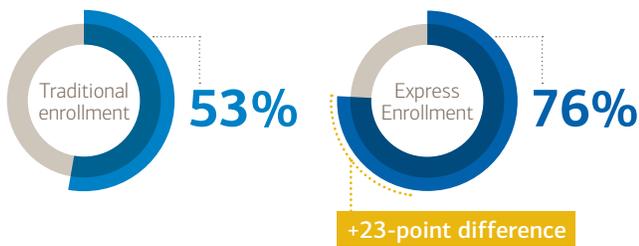
### Participants who enrolled in Advice Access



## Strategic plan design influences employee behavior

The use of well-designed plan features can boost both participation and contributions. Our simplified enrollment solution, Express Enrollment, is a great example. It reduces the number of up-front decisions employees must make to complete the enrollment process, resulting in significantly higher success rates than the traditional process. The number of plans using Express Enrollment grew 40% in 2015, marking a 203% increase since it was introduced in mid-2013.

### Enrollment success rates, 2015



With Express Enrollment, employers select three contribution rates from which employees can choose. Employers can also determine the order in which the rates are displayed. The order can have a major impact on employees' decisions, which in turn may affect their retirement outcomes. More employees (43%) choose the first rate displayed than the second or third rate, even if the first rate is highest.

### Express Enrollment best practices

- ▶ Display rates from highest to lowest
 
- ▶ Make the lowest rate 3% or higher **≥3%**
- ▶ Select a managed account or model portfolio as the default investment option
 

Like Express Enrollment, automatic features remove obstacles to helping employees save and prepare for retirement. Employers recognize their impact and are responding in kind.

**47%** of plans use automatic enrollment

**85%** of those plans combine automatic enrollment with automatic increase

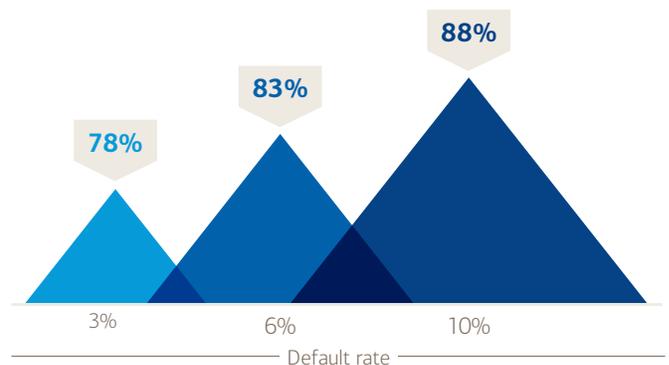
**+39%** from 2014 to 2015

### Increase from 2014 to 2015

Automatically enrolled employees	<b>+22%</b>
Contributions from automatically enrolled employees	<b>+21%</b>
Employees using automatic increase	<b>+23%</b>

Interestingly, automatic enrollment plans with higher default contribution rates are seeing higher rates of participation as well.

### Plans using higher default rates show higher participation rates



For their default investments, the vast majority (75%) of automatic enrollment plans are using Advice Access or Goal Manager, an asset allocation and portfolio rebalancing service.

An increasing number of plans also are automatically enrolling all employees, rather than new hires only.

**Percentage of plans automatically enrolling**

	2014	2015
All eligible employees	18%	42%
New hires only	72%	58%

**Automatic enrollment best practices**

- ▶ Default rate above 3%; ideally nothing less than the percentage that maximizes the employer match 
- ▶ Enroll all eligible employees, rather than new hires only 
- ▶ Select a managed account or model portfolio as the default investment 
- ▶ Combine automatic enrollment with automatic increase 

**Effective education and communication programs promote employee engagement**

Education and communication programs are essential to employee engagement and adoption, both within retirement plan offerings and beyond. By helping employees understand their workplace financial benefits and savings opportunities, we show employees how to connect, understand, and better plan for and manage their finances.

Our experience shows that employees embrace information and education delivered in multiple channels, including group settings and one-on-one meetings, as well as online and via mobile devices.

**Meetings**

Workplace seminars to discuss plan features and provide broader financial education to support optimal savings behaviors continue to grow in popularity. Meeting attendance overall increased 43% from 2014 to 2015, with the number of one-on-one meetings increasing 152% alone.

**Targeted Campaigns**

Plans adopting Targeted Campaigns boost participation and

**Success rate by channel, 2015**



contribution rates. These campaigns had an overall success rate of 10% in 2015, with even higher success rates for email channels alone.

**Benefits OnLine®**

Employees are accessing educational resources and plan account information on the web using both our full and mobile Benefits OnLine® sites. Growth in the use of the mobile site was particularly robust in 2015, indicating that employees appreciate this additional way to engage with their plans.

**Growth in usage of Benefits OnLine, 2014–2015**



In particular, employees seem to welcome the opportunity to use Benefits OnLine’s mobile site to make changes and updates to their plan accounts. In 2015, 8% of all 401(k) online transactions took place on the mobile site, even though mobile transactions were introduced partway through the year. Strong growth in mobile usage since then indicates employees are increasingly relying on mobile solutions to manage their finances.

**Health savings accounts**

As changes in health care plans have made saving for medical expenses an important part of employees’ overall financial strategy, health savings accounts (HSAs) offer employees the opportunity to save for health care expenses and potentially boost financial wellness. This evolution drives a need to educate employees about their options so they can maximize both their benefit dollars and the tax benefits available with HSAs.

Our efforts to increase HSA awareness among employees are paying off.

**Health savings account growth, 2014–2015**



*“Financial wellness programs that address an employee’s holistic financial situation, including workplace benefits and personal finances, allow employers to support employees as they address the challenges they face when it comes to understanding, managing and maximizing their financial choices. We work closely with employers to deliver a financial wellness program that supports employers’ desires to provide access and education to their employees in order to help employees live better financially.”*

— Kim Kasin  
 Managing Director, Financial Guidance Services,  
 Bank of America Merrill Lynch

**Best practices in plan design and employee engagement**

Employers who follow best practices in plan design and employee engagement can have a strong impact on employees’ preparation for retirement and overall financial wellness. Consider adopting the following best practices:

- Use plan design to encourage desirable employee behaviors. Offer a variety of savings types to appeal to a wide variety of employees, including those who wish to maximize their contributions in both pre- and after-tax accounts.
- Use simplified enrollment solutions to maximize participation. When using automatic enrollment, enroll all eligible employees rather than new hires only.
- Encourage employees to contribute at higher rates. Adopt a minimum default contribution rate of no lower than 3%. Ideally, set the default rate at the percentage

required to receive the maximum employer match. If offering employees a choice among multiple contribution rates, display the highest rate first.

- Select managed solutions that offer personalized recommendations as the default investment option.
- Deliver and communicate a multichannel financial wellness program that provides access to ongoing education, including workplace events such as seminars followed by access to one-on-one consultations. Ensure that messaging is consistent across channels.
- Educate employees holistically around all savings opportunities, including how health savings accounts can help maximize their benefit dollars.

## For more information

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Contact your Bank of America Merrill Lynch representative or call **877.902.8730** for details on the action steps you can take to potentially affect positive employee participation and help improve the vibrancy of your 401(k) plan. You also can visit us online at [benefitplans.baml.com](http://benefitplans.baml.com) or email us at [benefitplans@baml.com](mailto:benefitplans@baml.com).

To read our latest insights, visit [baml.com/workplaceinsights](http://baml.com/workplaceinsights).

*Advice Access is an investment advisory service that offers personalized, unbiased savings and investment recommendations — provided by an independent financial expert, Ibbotson Associates. Individualized, comprehensive and highly flexible, Advice Access can help put plan participants on track when pursuing their retirement goals. Participants can use this service in one of three ways:*

- *PersonalManager® — A managed account solution with periodic reallocation and rebalancing, for the “Do-it-for-me investor”*
- *Portfolio Rebalancing — Asset allocation with periodic rebalancing, for the “Do-it-with-me investor”<sup>1</sup>*
- *One-Time Asset Allocation — Asset allocation based on a point-in-time analysis; will not factor in future changes in personal information or current market conditions, for the “Do-it-myself investor”*

*The Advice Access service uses a probabilistic approach to determine the likelihood that participants in the service may be able to achieve their stated goals and/or to identify a potential wealth outcome that could be realized. Additionally, the recommendations provided by Advice Access may include a higher level of investment risk than a participant may be personally comfortable with. Participants are strongly advised to consider their personal goals, overall risk tolerance, and retirement horizon before accepting any recommendations made by Advice Access. Participants should carefully review the explanation of the methodology used, including key assumptions and limitations, which is provided in the Advice Access disclosure statement. It can be obtained through Benefits OnLine® or through your representative.*

*IMPORTANT: The projections or other information shown in the Advice Access service regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Results may vary with each use and over time.*

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<sup>1</sup> Asset allocation does not ensure a profit or protect against loss in declining markets.

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