

# News Release

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## **EMPLOYERS USE AUTOMATIC TOOLS TO JUMPSTART PARTICIPATION AND SAVING IN 401(K) PLANS**

Schwab Sees Increased Adoption and More Creative Use of Auto Features Among 401(k) Clients

**SAN FRANCISCO, Sept. 5, 2007** — With employers across the country paying more attention to the retirement planning needs of their employees, Charles Schwab is reporting both a dramatic increase in the use of automatic retirement plan features and more creative application of the tools by its 401(k) plan clients.

“The number of our clients choosing to offer different automatic plan features continues to grow very rapidly,” said Clare Bergquist, Charles Schwab director of 401(k) strategies. “Automatic enrollment alone used to be considered innovative and almost ‘Big Brotherish,’ but today, it is viewed as more conservative and almost protective. Today’s employers are going the extra mile to help ensure their employees are doing all they can to save enough for retirement.”

Insights into the current use of automatic retirement tools include:

- More than 20 percent of Schwab’s Retirement Plan Services clients now automatically enroll employees into a 401(k) plan, a four-fold increase from two years ago
- Forty-five percent of plans administered by Schwab Retirement Plan Services are automatically selecting investments by age using target-date funds for employees
- Nearly 95 percent of Schwab’s Retirement Plan Services clients offer employees the chance to set up annual automatic savings increases, enabling them to automatically increase the amount they contribute to a plan up to a pre-determined amount
- Nearly 25 percent of plans that moved to Schwab in 2007 have automatically mapped all plan participants into target-date funds
- In 2007, 93 percent of automatically enrolled participants have remained in retirement plans administered by Schwab Retirement Plan Services

### **Employers Get Creative with Automatic Tools**

Plan sponsors working with Schwab choose from an “à la carte” menu of automatic features, called Schwab Retirement Smart Steps™. More recently, Schwab has helped employers to create a more customized automatic features solution that addresses the specific needs and unique characteristics of their organization and workforce.

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Bergquist added, “Many companies are catching on to the benefits of automatic features, but a number of them are asking us to help them be more creative as they design plans that uniquely suit their workforce. There really is no cookie cutter approach to using automatic features in retirement plans.”

### **McKee Foods**

McKee Foods, the Collegedale, Tennessee, producer of Little Debbie brand snack cakes, recently worked with Schwab to implement two progressive automatic retirement plan features. First, McKee Foods incorporated a component into their plan through which participants saving between zero and four percent of their salary received an automatic “boost” to a five percent savings rate. Second, the company set up automatic savings increases of two percentage points each year for existing participants saving five to 14 percent of their salary. These automatic increases will continue on an annual basis until the participant reaches a 15 percent savings rate.

“It’s one thing to get our employees into our retirement plan, but deferring only a small percentage of their salary isn’t going to get them where they need to be,” said Brian Mitchell, compensation and benefits manager at McKee Foods. “By using automatic savings boosts and annual savings increases, we are using inertia as a positive force to drive higher levels of savings.”

### **Evraz Oregon Steel Mills**

Evraz Oregon Steel Mills (“EOSM”), located in Portland, Oregon, is using a combination of the Schwab Retirement Smart Steps tools to progressively increase employee participation and savings. Prior to incorporating automatic features into its plans, the company found it difficult to get its staff engaged in saving for retirement. EOSM’s two separate plans – one for non-union workers and one for union workers – had participation rates of 50 percent and 47 percent respectively. Since adding automatic enrollment to its non-union plan, participation has jumped to 97 percent. Participation in its union plan as a result of automatic enrollment has increased to 71 percent.

EOSM also implemented an automatic deferral boost for its non-union employees of up to five percent for employees deferring between zero and four percent of their salary. EOSM provides a company match up to five percent and it wanted to do all it could to ensure that as many staff members as possible could receive that benefit. Eighty-four percent of employees have agreed to the increase and 97 percent are now deferring five percent or more.

Both union and non-union employees are automatically enrolled into Schwab’s target-date funds, and about 75% of the employees keep their accounts in these funds.

“While it is nice to see such a significant increase in plan participation, it is even more gratifying to know that we are helping our employees plan for a more secure future by using all the resources at our disposal,” said John Worcester, compensation and benefits manager at Evraz Oregon Steel Mills. Worcester added that employees appreciate the convenience of automatic enrollment and the target-date funds.

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