

Case Study

Financial Well-being for Employees—One Company Makes a Difference

In 2007, NCCI Holdings, Inc. (NCCI) began a three-year effort to enhance its workplace retirement plan by helping participants consider retirement planning in the context of their broader financial needs. NCCI had several goals, including:

- Ensuring NCCI's retirement program was competitive in the marketplace and that it was aligned with the company's business strategies. At the same time, the program needed to remain affordable.
- Meeting its fiduciary responsibilities more effectively by providing significant support to help employees prepare for retirement.
- Creating a more productive work environment by increasing employees' financial health—and ultimately their engagement and satisfaction.

The Company

NCCI manages the nation's largest database of workers compensation insurance information. The company analyzes industry trends, prepares workers compensation rate recommendations, assists in pricing proposed legislation and provides a variety of data products to insurance companies and state governments.

NCCI employs about 1,000 people in 30 states, including its corporate headquarters in Boca Raton, Florida, where 90% of the employees are located.

The Challenge

About 89 percent of NCCI employees participate in the 401(k) and contribute an average of 7.14 percent of base salary to the company retirement plan.

Although employee participation was already high, NCCI wanted a plan that ensured its employees were well prepared for retirement. By creating a long-term education strategy, the company could better prepare its participants to stay the course.

At the start of 2007, 85 percent of NCCI employees invested in the plan's core funds. The company recognized that once employees made their initial investment selections from the plan's core funds, most did not rebalance the funds on a regular basis. Rebalancing funds based on retirement goals was especially critical for the 14 percent of the employees who were within ten years of normal retirement age.

Of those nearing retirement who held core funds, 52 percent of their holdings were in equities. While that proportion may be appropriate for people at that stage of life, the company was concerned that employees might not review their investor profile and asset allocation on a regular basis and make updates as necessary.

In addition to helping employees improve their asset allocation within the plan, the company also wanted more education for employees. NCCI wanted to address the broader financial needs of employees—both in and out of the company plan—in areas such as debt management, budgeting and smart borrowing.

The Solution

NCCI developed a comprehensive program—combining retirement planning with a wider view of employees’ financial health—to address employees’ life goals and empower them to take charge of their financial lives. The company sought help from external vendors and partnered with its retirement provider, Charles Schwab. Schwab’s broad approach to financial education, onsite workshops, and personal financial consultations played an important part in the effort.

NCCI introduced plan changes in late 2007, including the launch of automatic enrollment, auto savings increases, and a Roth 401(k) option. The three-year education effort was rolled out in phases in preparation for the plan changes on January 1, 2008.

Phase One: The Basics

In late 2007, NCCI focused on communicating the plan changes, presenting the investment opportunities, and educating employees about appropriate asset allocation.

Phase Two: Beyond the Basics

In 2008, the company stressed the importance of diversification and asset allocation. The education effort focused on retirement investing within the plan and also provided insights on investing and planning outside the plan. Employees were introduced to basic financial concepts in preparation for the next phase of the education effort.

Phase Three: Life Planning

By 2009, the company began focusing broadly on overall financial wellness, life goals, and legal and financial planning. To also address the challenge of saving in a down market, employee education is centering on the importance of diversification and asset allocation.

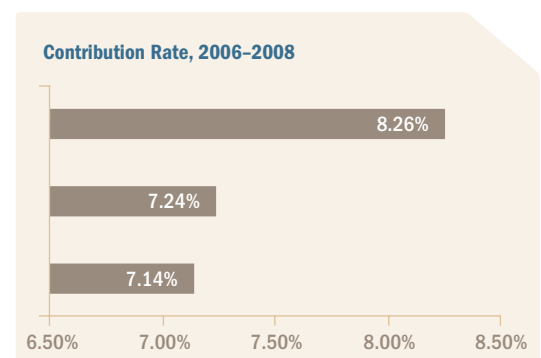
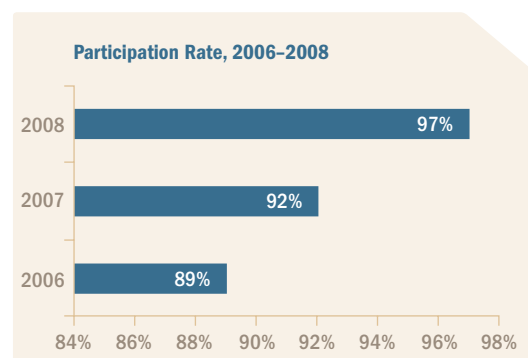
NCCI communicated with plan participants through several channels including onsite workshops and seminars, personal financial consultations by Schwab, the company benefits intranet site, and Schwab’s *Employee Investor* newsletter.

The Results

Plan Participation and Deferral Rates

While the effort is still under way, preliminary results through the end of 2008 indicate that the three-year strategy is effective.

- Overall plan participation rose by a total of 9 percent. Starting at 89 percent in 2006, participation rose to 97% by the end of 2008. The average deferral rate rose by 16 percent, from 7.14 percent to 8.26 percent.



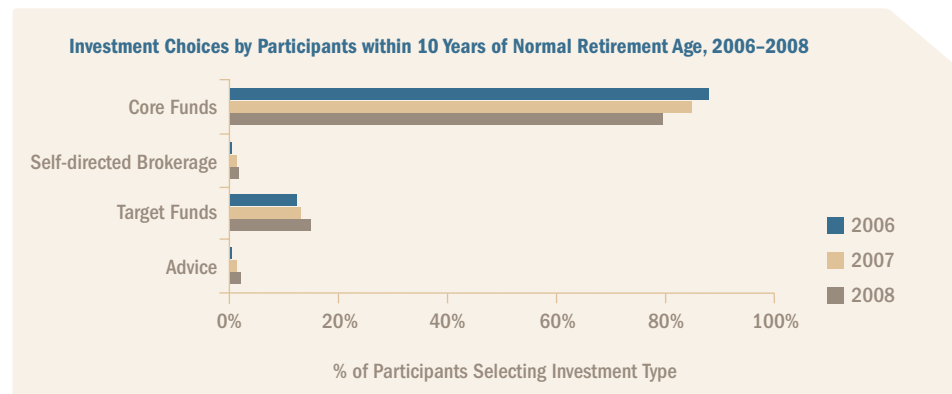
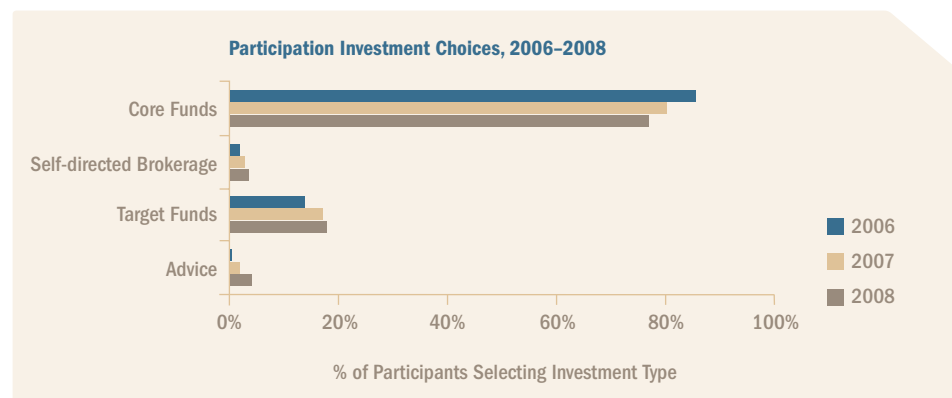
Asset Allocation

Investment education and the focus on asset allocation drove employees to diversify their holdings over the three-year period.

- Participants began to use investment advice, with advice adoption climbing (from 0 percent to 3.3 percent). Additionally, 429 employees have accessed investment advice to supplement their own investment selections in the plan.
- Participants chose target funds as an asset allocation option, with use increasing from 13.3 percent to 17.3 percent.

Employees within 10 years of normal retirement age made similar changes to achieve age-appropriate asset allocation. These changes will allow them to participate in future market increases, while helping preserve assets for retirement.

Employees reported more confidence in managing their finances and making decisions both within and beyond their workplace plan.



The Results (cont'd)

Participant Behavior in Market Downturns

NCCI's employees held to their investment strategies during the market downturn of 2008. Through the last four months of the year, 3 percent of participants changed their investment elections and shifted into more conservative holdings. This represented 2.4 percent of the total plan assets.

In response to the education efforts preceding the downturn of 2008, many participants in the near-retirement age group had already shifted to age appropriate holdings prior to the economic downturn. Thirteen percent of the participants in this group had moved their investments into target date funds by December 31, 2007. The 85 percent of participants holding core funds shifted to a more conservative allocation in alignment often associated with participants nearing retirement.

Next Steps

In 2009, NCCI plans to continue its focus on meeting the overall needs of its employees, helping them to maximize their retirement benefit and improve their financial wellness. The company's efforts to date have brought increased employee satisfaction and greater perceived value of the retirement benefit. In fact, a post-workshop behavioral change survey indicated that 94% of the respondents took an average of three actions to improve their finances. Most common actions included reducing monthly expenses, setting up an emergency cash reserve, and opening a personal IRA.

Although the effort is still in progress, NCCI feels confident about achieving its goals for its company sponsored retirement plan, the organization and its employees.

Consult with Us

Schwab can help you and your employees get the most out of your workplace retirement plan. Our approach to supporting participants is rooted in proven, objective financial principles that address the wide-ranging financial needs of today's investors. To learn more plan-sponsor best practices and find out how your company and participants can benefit, contact your Schwab representative. If you are considering Schwab or are interested in learning more, visit us at scrs.schwab.com or call us at **877-456-0777**.

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