

Automating the Process with Oregon Steel Mills

Case Study

Employees are the heart and soul of Oregon Steel and are vital to its success. For that reason, the company wanted its employees to succeed at building secure financial futures. But the executive management team was struggling with how to help employees make the most of their retirement benefit. By changing their plan design with automated features through Schwab Retirement Smart Steps,TM the company increased participation and put employees on the road to better retirements.

The Challenge

Oregon Steel and Schwab had invested extensively in delivering enrollment meetings and other campaigns to motivate employees to take action and participate in the plans. We worked to make enrollment meetings more exciting and to drive the “need to save” message. Meetings even included raffle prize drawings, door prizes and food to encourage attendance. But despite these efforts, most people didn’t show up at the meetings.

Too many employees weren’t taking the time to act and were missing out on the benefits of participation, future savings and the company match. The inertia of “inaction” was proving to be almost impossible to overcome, and participation rates were at 50% for the non-union plan and 47% for the union plan.

“ We concluded that we had exhausted all reasonable methods of ‘general education’ to encourage employees to enroll and save for retirement. We knew it was time to take a progressive step forward and change our plan design to include automatic enrollment,” said John Worcester, compensation and benefits manager.

Oregon Steel Mills, a Schwab client since 1999, is one of the most diversified minimills in the United States, producing a broad line of specialty and commodity steel products for domestic and global markets. The company is headquartered in Portland, Oregon, with approximately 1,600 employees working in manufacturing, administration, and sales.

The company has two 401(k) plans, one for non-bargaining employees and one for union employees, which together total \$79 million in assets and more than 1,300 participants.¹ The company match for the non-union plan is 100% of the first 4% deferred, while the union plan match is 50% of the first 4% deferred.

The Solution

Oregon Steel needed help to take their participants to and through retirement and to reach their plan goals. Schwab provided a consultative approach to help:

- Increase participation in both plans
- Move participants toward better asset allocation:
 - Added Schwab Personal Retirement Planning™²
 - Default enrollment into Schwab Managed Retirement Trust Funds™, target-date retirement funds that provided participants with ready-made asset allocation and non-proprietary sub-advisors

“ Since January 2004 when we implemented automatic enrollment for our non-union plan, we increased participation from 50% to 97% and growing. We added it to our union plan in 2005 and have seen participation jump 34%,” Worcester said.

Strategic Introduction of Automatic and Semi-automatic Features

June 2003	Added Schwab Managed Retirement Trust Funds (SMRT Funds)
January 2004	Adopted automatic enrollment in the non-union plan—3% default deferral
April 2004	Added Schwab Personal Retirement Planning, an advice and managed accounts service at no additional charge ⁴
September 2004	Changed the default investment option used for automatic enrollment to an age-appropriate SMRT Fund
March 2005	Adopted automatic enrollment in the union plan—2% default into an age-appropriate SMRT Fund
January 2006	Increased the non-union plan default deferral to 4% for newly eligibles Increased the match to 4%
September 2006	Increased the deferral percentage to 4% for existing participants. Those deferring at 0-3%, including \$0 balance, were also increased, unless they opted out. 84% agreed to the increase.

“ The Schwab Retirement Smart Steps program was just what we needed to jump-start our plan goals. It’s gratifying to see the numbers go up, but it’s even better to know that we’ve helped our employees, who are so integral to our success, plan for more secure futures,” said Worcester.

The Results

As of 09/30/06:

- Non-union plan participation increased from 50% to 97% since January 2004
- Union plan participation increased from 47% to 71% since March 2005
- 97% are participating at 4% or more
- 53% of employees use a semi-automatic investment option—SMRT Funds
- 81% of participants who were initially defaulted into the SMRT Funds are still invested in them
- 6% in the non-union plan and 4% in the union plan enrolled in Schwab Personal Retirement Planning, an advice and managed accounts service

“We are thrilled with the results and are excited to try new and different things to help our participants save for retirement. The Schwab team has been right by our side and I really feel that the outstanding results are due in large part to the strong partnership we’ve built,” said Worcester.

Next Steps

Your Schwab representative can help you evaluate the Schwab Retirement Smart Steps program and determine whether automated components are right for you, your participants and your plan. Contact your Schwab representative, call 1-877-456-0777 or visit scrs.schwab.com today.

Recent statistics and behavioral science studies show that automatic retirement plans—any combination of automatic enrollment, savings increases, or investment selection—help employees enroll, stay in plans longer and save more over time. And now that the Pension Protection Act of 2006 (PPA) has become law, plan sponsors have several incentives for adopting automatic enrollment, including:

- Relief from fiduciary liability regarding default investments
- No conflicts with state laws on wage withholding without employee consent

According to Deloitte, 73% of participants had no issues or a favorable reaction regarding automatic enrollment.⁵ Oregon Steel Mills, a Schwab client since 1999, has seen compelling results as they have partnered with Schwab to strategically introduce automatic features to their two 401(k) plans.

¹ As of 09/30/06.

² Schwab Personal Retirement Planning™ investment advice is formulated and provided by GuidedChoice Asset Management, Inc. (GuidedChoice). GuidedChoice is not affiliated with, nor is it an employee or agent of Charles Schwab & Co., Inc. Member SIPC. (CS&Co.) or Schwab Retirement Plan Services, Inc. (SRPS). Participant access to the GuidedChoice service is facilitated through SRPS's affiliate, CS&Co. Neither CS&Co. nor SRPS supervises, makes recommendations with respect to, or takes responsibility for monitoring the advice provided to participants by GuidedChoice.

³ The Schwab Managed Retirement Trust Funds™, the Schwab Institutional Trust Funds®, and the Charles Schwab Stable Value Fund™ are collective trust funds distributed by Charles Schwab Trust Company (CSTC), a division of Charles Schwab Bank. CSTC acts as trustee and manager of the Funds. The Funds are not mutual funds, and their units are not registered under the 1933 Act, as amended or applicable securities laws of any state or other jurisdiction. The Funds are not registered under Investment Company Act of 1940, as amended, or other applicable law and unit holders are not entitled to the protections of the 1940 Act. The Funds are not insured by CSTC, any of its affiliates, the FDIC or any other person. As defined in the Funds' Declaration of Trust and Participation Agreement documents, the Funds are available for investment by eligible, qualified retirement plan trusts only. The unit value of the Funds will fluctuate, and investors may lose money. Various asset classes of the underlying funds, such as small-cap and international, may carry additional risks.

⁴ At no extra charge or additional charge means that there is no cost for this service outside of the standard fees paid to Schwab Retirement Plan Services and Charles Schwab & Co., Inc. for recordkeeping and related services, including trustee and custodial fees paid to Charles Schwab Trust Company.

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