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"Excuse me, did you say EPS?"

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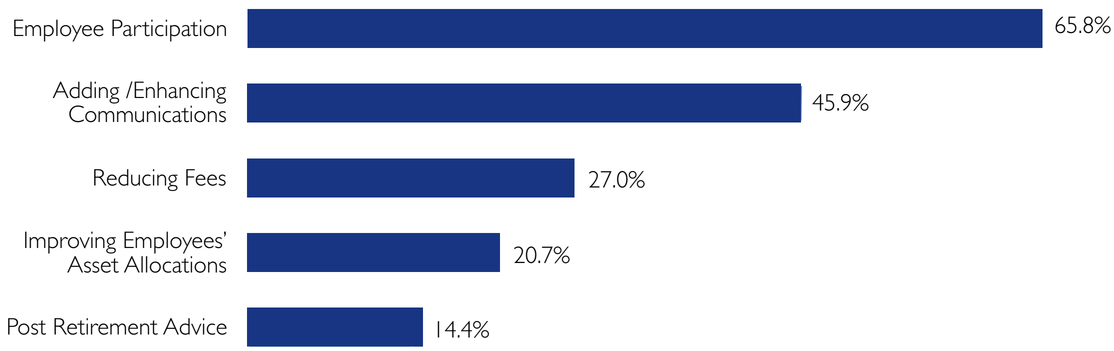
How many times have you asked a plan sponsor the question, "Does your plan have an Investment Policy Statement"? The answers can range from, "Yes, we have an IPS that we review religiously" to "We do, but haven't really been following it", to my favorite – the blank stare. It is hard to imagine that any plan sponsor in their right fiduciary mind would not have an IPS. After all, the benefits to having an Investment Policy are well documented –from surviving the dreaded DOL audit to proving your fiduciary prowess by demonstrating, in writing, a qualitative and quantitative process for making important investment decisions.

While most retirement plans do have an Investment Policy Statement, the use of Education Policy Statements is very uncommon. An area that has grown in importance with plan sponsors since the global market meltdown of 2008 is the need for meaningful continuing education for their plan participants. Studies show that Americans are woefully unprepared for retirement. As a result, plan sponsors have become increasingly concerned that their employees will not be able to afford retirement and whether or not this could become a potential area of fiduciary exposure and litigation down the road. Throughout this decade the boardroom conversation has been focused around plan level fiduciary responsibilities and processes. I would, however, argue that 2008 was a game changer that will affect how we view 401(k) plans for the next decade and beyond.

The top retirement plan priorities listed by plan sponsors in IOMA's 2010-2011 Annual Defined Contribution Survey were pretty much in line with plan objectives for the last decade. Increasing plan participation and improving plan communications remain at the top of the list. Regulatory changes resulting from the Pension Protection Act should have helped plan sponsors boost participation through auto-enrollment and improve asset allocation via qualified defined investment alternative QDIA.

As you can see from the chart, plan sponsors are telling us what is important. They are also getting better at choosing the firms or advisors where they can get the best advice and guidance. To win the hearts and minds of plan sponsors, advisors and service pro-

Top Five Plan Goals for Next 12 Months



Source: IOMA "Plans in Transition: 2010-2011 Annual Defined Contribution Report" viders will need to demonstrate how they will add incremental value for them and their employees. The primary objective of the PPA was to make it easier for employees to enroll in a plan, contribute and adequately make investment allocations according to age and risk factors. This had worked to a large extent, but 2008 – 2009 raised new concerns for both plan sponsors and plan participants. Instead of just communicating to employees, these new concerns will require advisors and plan sponsors to work together to teach employees how to financially prepare for retirement.

Connecting the EPS to ROI

Retaining your best employees is a universal goal shared by all companies. And we know from "Retirement Plans 101" that the goal of a 401(k) plan is to "attract and retain" employees. Corporate officers like to measure performance in terms of Return on Investments (ROI) when assessing the profitability of a corporate investment or expenditure. Wouldn't it make sense to apply the same profitability measurement to the company's 401(k) plan? After all, a company can spend a great amount of time and energy on selecting a provider, not to mention the administrative costs of maintaining the plan. For example, is the plan delivering a fair return on their investment? Is the participation rate acceptable? Are employees contributing enough and receiving the full company match? Are employee education meetings being held? Are the tools and services available online or by telephone being utilized? Put another way, is the company getting a positive Return on Investment from their 401(k) plan?

Advisors can increase the value they provide to their clients by helping plan sponsors commit to an ongoing and continuous employee education plan with the goal of producing successful retirement outcomes for their employees. Introducing the idea of an Education Policy Statement (EPS) is one way to accomplish this.

What is an EPS

Like an IPS, an EPS helps clients develop an education process, while providing several benefits to all parties involved with ongoing education to plan participants. These benefits include:

- Supporting strategic initiatives – employee retention, ROI, etc.
- Providing a basis for standards, prudent practices, and procedures which can help to drive successful outcomes.
- Facilitating communication among stakeholders.
- Offering a meaningful basis for benchmarking, documenting and measuring results.
- Enhancing participant awareness of the plan.

The result will be a tangible process for implementing a comprehensive employee education program and a means to evaluate its effectiveness in achieving the desired results.

Key Components of an EPS

There are five key sections to an EPS document:

1. Purpose and Background - To support the company's overall strategic goal of retaining employees by providing an ongoing and coordinated employee education program. This will ensure that employees are made fully aware of their retirement plan benefits to achieve financial independence during their retirement years.

2. Plan Objectives – States the primary goals and objectives of the education plan. It is designed to provide the foundation for the overall purpose of the plan, which is to raise the level of retirement readiness for all employees participating in the plan.

3. Roles and Responsibilities – In this section you identify who will be responsible for carrying out the plan objectives. The three main participants are: the plan sponsor (typically HR), the advisor and the recordkeeper.

4. Performance Standards – This section describes the specific performance objectives to be evaluated in achieving the plan results.

5. Monitor Results – As with investment performance, this is probably the most important task for evaluating how well the plan's objectives are being met and if not, this will help to identify the shortcomings.

Role of the Advisor

Advisors have an opportunity to meaningfully increase plan participation and savings rates for the 72 million Americans participating in 401(k) plans today. Recommending an Education Policy Statement and implementing a comprehensive retirement education plan can highlight your value to a plan and differentiate you from other advisors. ■

5 Steps to Building a Successful Retirement Education Program

1. Have a budget.
2. Start with education tools and services from recordkeeper.
3. Poll employees to assess their educational needs.
4. Target message by generation – baby-boomers, Gen X and Y.
5. Be creative to attract attention.

For more information you can call 877-215-1330 ext. 7214 or go to www.thornburg.com/eps to download the Education Policy Statement template.

Before investing, carefully consider the investment goals, risks, charges, and expenses. For a prospectus containing this and other information, contact your financial advisor. Read it carefully before investing.

These views are subject to change.

In no way does Thornburg Investment Management assure, that by using this template, your plan is in compliance with ERISA regulations.

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