



THE  
Contractors  
PLAN®  
Provided by Fringe Benefit Group



## Retirement Plans in Construction

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# Agenda

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- About The Contractors Plan & ABC
- Creating a positive context for your plan
- Participation by industry and Union status
- Ways to increase participation
- Retirement plans in construction

# The Contractors Plan & ABC

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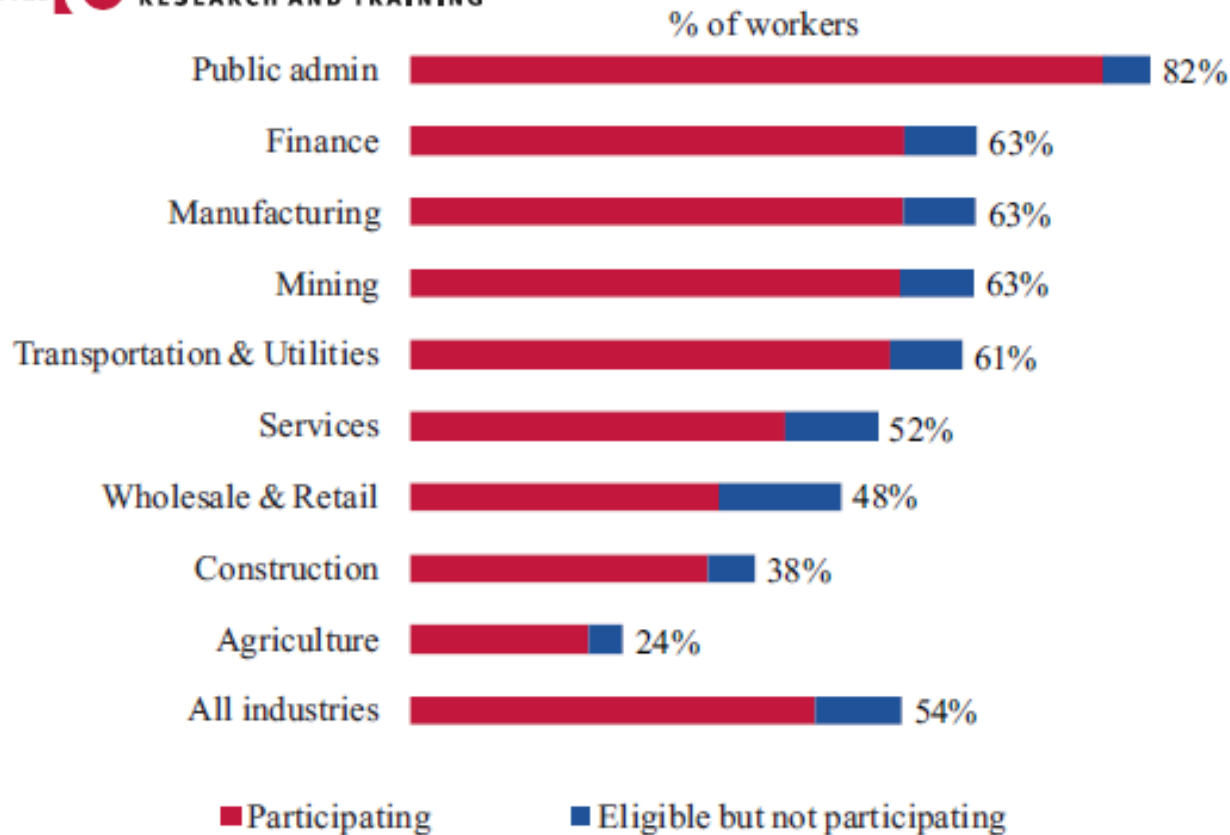


- Founded in 1983
- Retirement plans and health benefits
- Prevailing wage fringe compliance expertise
- Emphasis on helping contractors offer benefits
- ABC Strategic Partner & national Business Partner
- Preferred Pricing for ABC Members
  - No set-up fees
  - Waive 1st year annual fee on retirement plans
  - Other included services at no additional cost

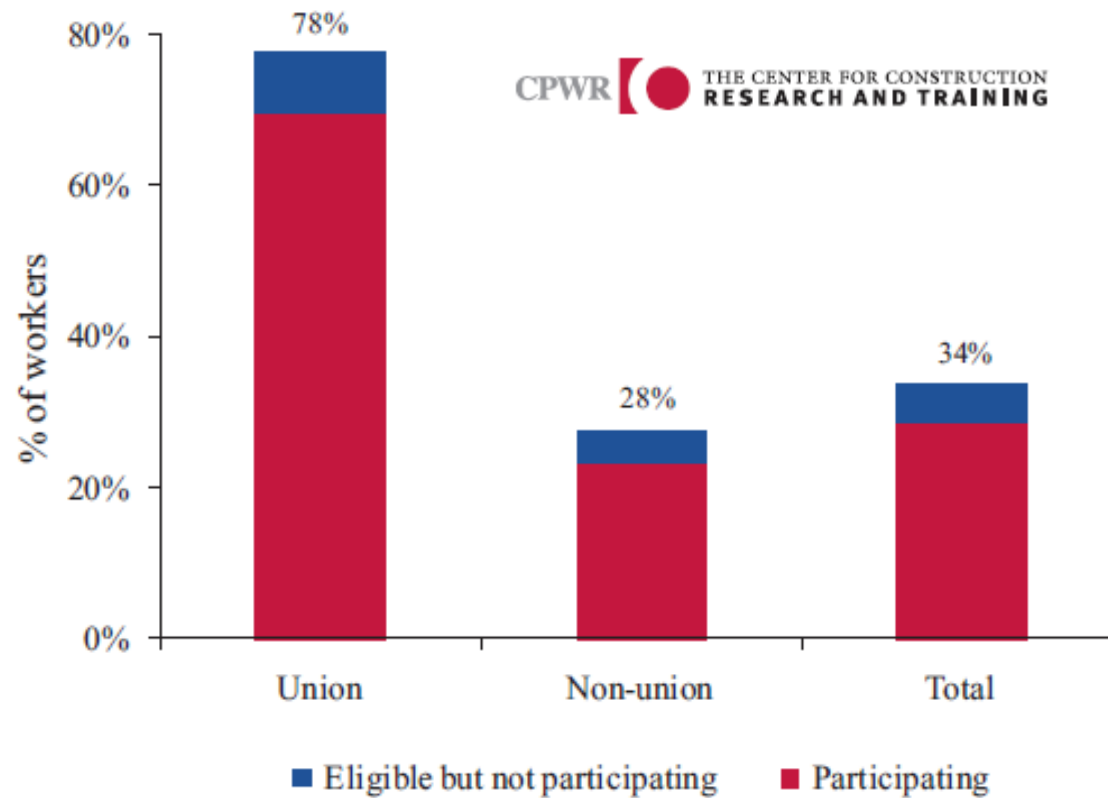
# Participation level in employment-based pension plans



CPWR  THE CENTER FOR CONSTRUCTION  
RESEARCH AND TRAINING



# Union status in construction pension plans



# Current State of 401(k)s:

TRANSAMERICA CENTER  
FOR RETIREMENT STUDIES®



- Plan Sponsorship Rates Increase With Company Size.
  - 500+ employees: 92%
  - 10 to 99 employees: 72%
- Workers and Employers Agree on the Importance of Benefits
  - Workers: (89%) and Employers (84%)
  - Slightly **more workers** (60%) than employers (53%) see a 401k as being “**very important.**”

# Creating a positive context



Secure | <https://www.merriam-webster.com/dictionary/retirement>

Merriam-Webster SINCE 1828

retirement

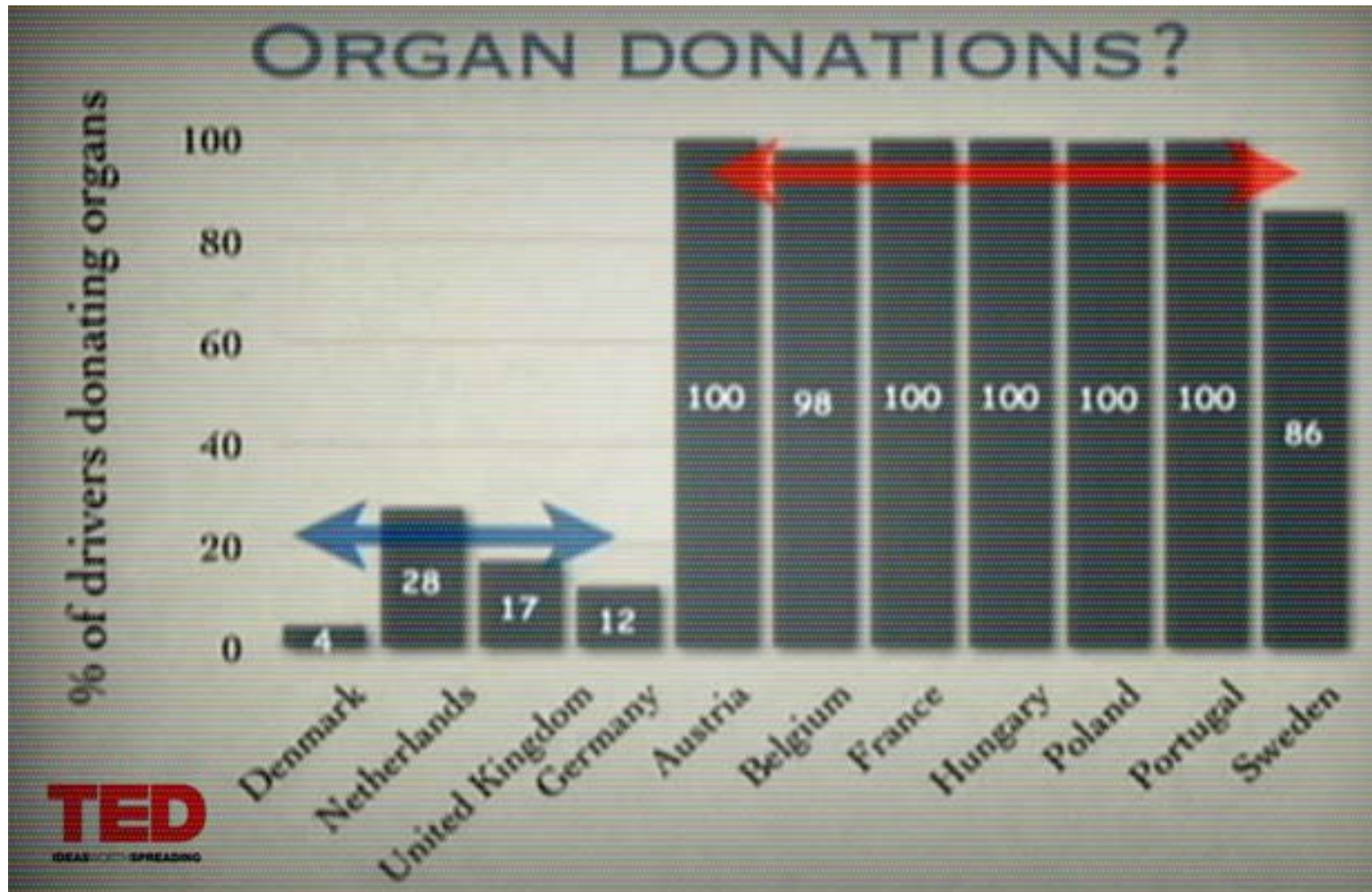
JOIN MWU | GAMES | BROWSE THESAURUS | WORD OF THE DAY | VIDEO

DICTIONARY THESAURUS

## Definition of RETIREMENT

- 1 a : an act of **retiring** : the state of being **retired**  
b : withdrawal from one's position or occupation or from active working life  
c : the age at which one normally **retires** • reaches *retirement* in May
- 2 : a place of seclusion or privacy

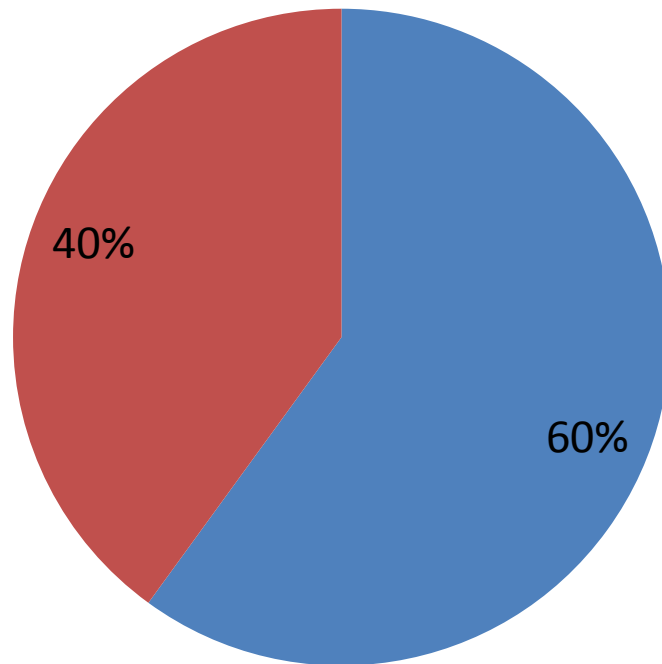
# Opt-in vs. Opt-Out







## "I did not participate because..."



■ "Money was tight"

■ "Too busy" or "too much trouble"

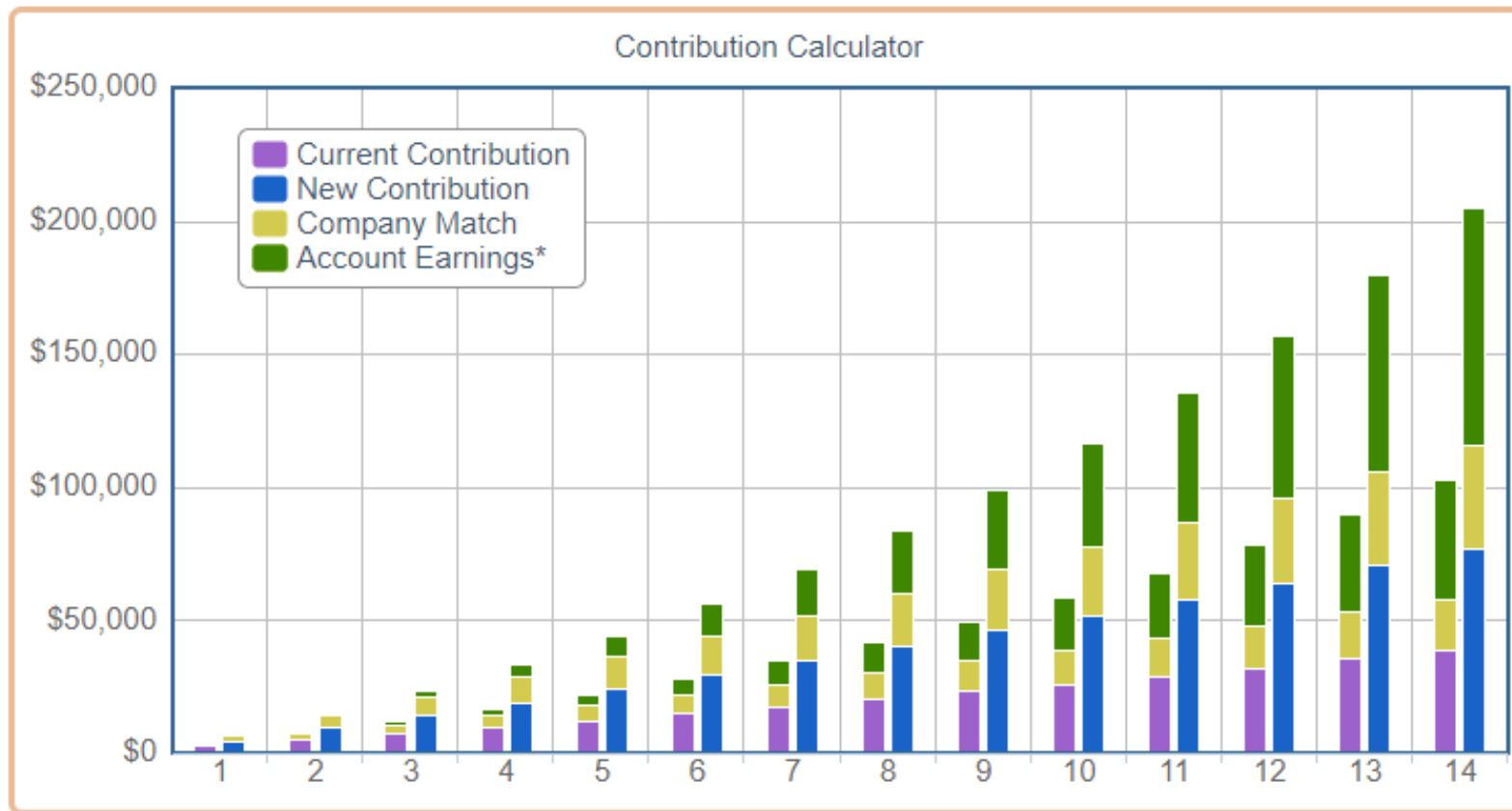
# Increasing Plan Participation

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- Automatic enrollment
- Automatic contribution escalation
- Reduce complexity
- Employer match design
- Offer a loan program

# The \$100,000 Difference



# The Problem When Performing Government Work....

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Many contractors pay some or all of the mandatory fringe benefit package as wages because they believe it is the easiest way to satisfy DOL compliance

It may be the easiest...however, it is *absolutely the most costly*.....

# Calculating Payroll Burden

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All cash wages subject to payroll burden:

- FICA 7.65%
- FUTA .80%
- SUTA (Ohio) .4-11%
- General Liability 2.00%
- Workers' Comp 10%-40%

The average payroll burden is between 20%-40%  
This Increases Your Labor Costs!!!

# Employer Decides How to Satisfy the Fringe Obligation

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- Contractors typically pay the “base” amount in cash and then choose how to pay the “fringe” portion:
  - Furnish “bona fide” fringe benefits
  - For vacation and holidays
  - Into an approved apprenticeship program
  - As cash, and have it treated as wages

# How it works...

## Plumber



### Pay Fringe in Paycheck

Base Wage	\$34.52
Fringe	<u>\$10.33</u>
Total Wage	\$44.85
Payroll Burden (30%)	<u>\$13.46</u>

Bid Cost \$58.31

### Pay Fringe to "Bona Fide" Plan

Base Wage	<u>\$34.52</u>
Total Wage	\$34.52
Payroll Burden (30%)	\$10.36
"Bona Fide" Plan	<u>\$10.33</u>

Bid Cost \$55.21

\$3.31/hr savings per person.  
Bid is 5.7% lower

# Plumbing Contractor

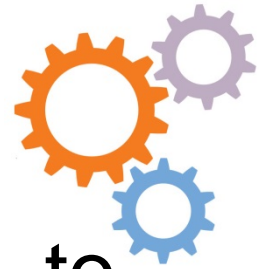


- 25 hourly employees
- About 50% PW work
- 2080 annual hours x 50% = 1040 hours
- Hourly savings \$3.31
- Annual savings:

1040 hours x 25 EEs x \$3.31 hour =  
**\$86,060**



# Prevailing Wage Contributions



- Specified and communicated in writing to covered employees
- Irrevocable, made to a third party or trust and immediately vested
- Convey a group benefit to the person actually performing the work
- Accounted for on an hourly basis
- Exempt from “annualization”
- Are employer contributions

# Prevailing Wage Retirement Plans

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- Employer may adjust contributions by:
  - job classification
  - job site
- Stand-alone plan for fringes vs. in conjunction with elective deferrals and/or Profit Sharing
- Count employer fringe contributions toward:
  - “HCE” elective deferral contributions
  - Profit-sharing contributions

# Conclusion

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- If you are not offering a retirement plan, **start**
  - Employees want to contribute
  - Simple to administer
  - Equalize against unions
- If you are offering a retirement plan, be sure to:
  - Reduce complexity
  - Automatic enrollment & escalation
- Prevailing Wage fringes put into “bona fide” plan
  - Reduce your payroll burden
  - Equalize wages between public and private work

# Thank You!

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## Questions & Answers

- **The Contractors Plan Website:**
  - <http://abc.contractorsplan.com>
  - Contact Us – to find nearby field support
- **ABC Partnership Websites:**
  - <http://www.abc.org/membership/memberdiscounts/thecontractorsplan>
  - <http://www.abc.org/en-us/membership/strategicpartners/fringebenefitgroup>
  -
- **Contact Us at:**
  - Nat Peniston, Vice President
  - Phone: 512-827-5359 Email: [npeniston@fbg.com](mailto:npeniston@fbg.com)