THE STRATEGIC ALLIANCE GROUP OF RAYMOND JAMES®

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# FIDUCIARY INSIGHTS UPDATE



Welcome to Fiduciary Insights, the monthly newsletter that keeps you in touch with issues, trends, events, and insights of significance to individuals connected with the retirement plan industry. The articles have been carefully selected from a variety of high-quality sources.

CONTENTS:

## GENERAL ITEMS

### Retirement Now a "Transition" for Many Americans, According to Smart

Because of factors like inflation and the volatility of economic markets, Smart's "Future of Global Retirement" report revealed that around one in five Americans plan to work into their retirement, with 18% saying that income from continued employment will help fund their retirement. Smart concluded that retirement is "increasingly becoming a transition rather than a one-off event."
**Read the full article at *Planadviser.com*.**

### Improving Financial Wellness Starts With Understanding Participants

Plan sponsors are exploring the mix of benefits offered to workers like ingredients in a recipe -- tasting the mixture, adding spices here and there -- hoping to bake the best benefits package possible. Recently, the most popular new ingredients -- one can hardly call them a secret -- are financial wellness programs to affect the day-to-day financial behavior of employees and drive greater long-term participant retirement readiness. Key to bolstering participants' engagement with employee benefits programs intended to bolster worker wellness is understanding what their needs are and remaining flexible.
**Read the full article at *PlanSponsor.***

### A (Really) Surprising Reason for High Retirement Plan Leakage

The United States has the most liquid retirement savings system among developed countries, and participants take full advantage, a problem for long-term saving and accumulation, which is the system's intended effect. Surprisingly, researchers found that behavioral rather than economic factors account for high withdrawal rates at job separation, and the employer match might be to blame.
**Read the full article at *NAPA.***

### Most U.S. Workers Expect to Fall Short of $1.1 Million Retirement Savings Goal

Most working Americans worry a workplace retirement plan will not grow to the level they hoped to achieve, as expressed by 64% of Millennials and 62% of workers 45 and older. The Schroders 2023 U.S. Retirement Survey surveyed 2,000 U.S. investors nationwide. Participants were ages 27 to 79 with a median household income of $75,000.
**Read the full article at *Planadviser.***

## FIDUCIARY AND PLAN GOVERNANCE MATERIAL

### CITs to Overtake Mutual Funds as Most Popular Target-Date Vehicle Within Two Years

Target-date strategies had $153 billion of net inflows in 2022, of which $121 billion (79%) went into collective investment trusts, furthering the transition from mutual funds as the preferred vehicle for target-date funds. That's a key finding from Morningstar's recently released annual Target-Date Strategy Landscape Report, which examines the latest trends across the target-date industry.
**Read the full article at *401kspecialistmag.***

### Has the Litigation Pendulum Swung Back to Plan Sponsors?

While a flood of lawsuits from the plaintiff's bar continues at an unprecedented rate, top ERISA attorneys at an April 3 workshop session at the NAPA 401k Summit debated whether recent successes from plan sponsors may help finally stem the tide.
**Read the full article at *NAPA.***

### Study Shows State-Built Retirement Programs Complement Private Plans

States that have implemented retirement savings programs for private-sector employees have not crowded out employer-provided plans so far, new research from the Pew Charitable Trusts shows. In fact, state-facilitated retirement savings plans for private-sector workers that do not have workplace plans may have a positive effect on the creation and retention of private plans.
**Read the full article at *PlanSponsor*.**

### DC Plan Sponsors Increased Focus on Cutting Fees, Protecting Against Litigation in 2022

A survey conducted by Callan LLC found that defined contribution plan sponsors were particularly concerned about their governance, DEI efforts, cutting plan fees, and upgrading their plan design over the past year. The survey, conducted at the end of 2022, did not show any dramatic changes to the DC plan landscape, according to Jana Steele, a Callan senior vice president, but here are some of the most notable trends to come out of the survey.
**Read the full article at *Plan Sponsor.***

## INSIGHTS; STUDIES, RESEARCH AND WHITE PAPERS

### Secure 2.0 Creates an Important Opportunity to Improve Retirement Savings Portability

Recent policy reforms, including the passage of the SECURE 2.0 Act, provide an opportunity to significantly improve retirement savings portability to the benefit of participants, employers, and retirement plan providers. As policymakers and industry work to implement these reforms, it is worthwhile to look at the experience of other countries, including Australia, that shows it can be done.
**Read the full article at *Georgetown.edu*.**

### Implementing SECURE 2.0's Roth Provisions May Tax DC Plan Sponsors

The SECURE 2.0 Act sets the stage to greatly expand Roth savings in defined contribution plans. Agency guidance is needed to implement these provisions, but employers that don't offer Roth features may want to start talking with their ERISA counsel and recordkeeper about doing so.
**Read the full article at *Mercer.***

### Principled Performance Drives Fiduciary Excellence

Principled Performance is an approach to the fiduciary role by which managers reliably achieve objectives, address uncertainty, and act with integrity on behalf of the employees and their beneficiaries who participate in employee benefit plans.
**Read the full article at *Journal of Compensation & Benefits.***

### As Private Equity Firms Work to Access 401k Market, Plaintiff Lawyers Gear Up to Sue

The ability for Private Equity funds to receive money from 401k plans would be a transformational shift in the US retirement industry, massively expanding the reach of 401k plans to private markets and introducing unprecedented risk to the retirement savings of everyday workers. But it won't happen without a fight. Top ERISA lawyers say they are ready and waiting for the first sign of private equity intermingling with 401ks.
**Read the full article at *The Capitol Forum.***

## COMPLIANCE AND REGULATORY RELATED

### Guidance Issued on the End of the COVID-19 Emergency Periods and Impact on Benefits Plans

The Biden Administration recently announced that it intends to end the COVID-19 emergency declarations that have been in effect since 2020, effective at the end of the day on May 11, 2023. The termination of emergency declarations has several implications for health and retirement plans. In light of this new guidance and the anticipated termination of the emergency declarations, plan sponsors should review their plan documents and prior employee communications to determine what changes and notifications may be required in connection with the end of the emergency declarations next month.
**Read the full article at *Ice Miller.***

### Another 401k Excessive Fee Suit Falls Short

Another Midwestern federal court has found that the plaintiffs in a 401k excessive fee suit have failed to make their case. The plaintiffs here claim that the investment committee breached its fiduciary duty of prudence and that Centene and its board failed to adequately monitor the investment committee.
**Read the full article at *NAPA.***

### IRS Proposes One-Year Limit on Use of Forfeitures in Defined Contribution Plans

The IRS recently issued proposed regulations that would require forfeitures in defined contribution plans to be used to offset employer contributions or pay reasonable plan administrative expenses, or otherwise be allocated to participants, by the end of the year following the year of forfeiture.
**Read the full article at *Morgan Lewis.***

### SECURE 2.0 Provides New Tools to Assist Plan Participants in Crisis

In addition to making the hardship distribution rules more flexible, SECURE 2.0 expands on the ability of defined contribution plan sponsors to make penalty-free distributions to participants who have personal emergencies. In some cases, the permanent SECURE 2.0 provisions are modeled on temporary relief granted for specific federal disasters or under the CARES Act.
**Read the full article at *Penchecks.***