THE STRATEGIC ALLIANCE GROUP OF RAYMOND JAMES®

IFS | Fiduciary Insights Update

Retirement Plan Monthly Newsletter

CONTACT INFORMATION

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February 2021

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.

GENERAL ITEMS

- DOL Announces Fiscal Year 2020 Record-Setting Enforcement Statistics
- What Raising Retirement Age Does to Retirement Rates
- Four Big Trends in 401ks, Retirement Plans
- 2021 Could See More Retirement and Health Legislation

FIDUCIARY AND PLAN GOVERNANCE MATERIAL

- Having an IPS Doesn't Necessarily Increase Plan Sponsor Liability
- What's Old Is New Again: DOL Reinterprets Five-Part Investment Advice Test
- Missing Participants: A Cruel Game of Hide-and-Seek - What to Do When a Participant Can't Be Found?
- The ABCs of RFPs

INSIGHTS: STUDIES, RESEARCH AND WHITE PAPERS

- Auto-Enrollment, TDFs Continue DC Plan Domination
- Young Adults Are Pretty Pessimistic About Retirement
- Understanding TDF Glide Paths
- Survey Finds Limited Use of Alternative and ESG Investments in DC Plans

COMPLIANCE AND REGULATORY RELATED

- IRS Releases Final QPLO Regulations
- Partial Plan Terminations: An Update
- DOL Proffers Final Regulations for Pooled Plan Providers
- The New E-Delivery Rule: The Price of Simplification

GENERAL ITEMS

DOL ANNOUNCES FISCAL YEAR 2020 RECORD-SETTING ENFORCEMENT STATISTICS

The DOL has issued its fiscal year 2020 enforcement fact sheet, highlighting the recovery of over $3.1 billion in direct payments to plans, participants, and beneficiaries. Of the $3.1 billion in recovered assets, $2.602 billion resulted from enforcement actions, and $456 million was generated by benefit recoveries from informal complaint resolution. For the year, the DOL handled 171,863 inquiries, many received through the EBSA's toll-free number and website, and opened 357 investigations based on those inquiries. Source: Thomsonreuters.com

Full Article Available Here --->> https://tax.thomsonreuters.com/blog/dol-announces-fiscal-year-2020-enforcement-statistics-reflecting-record-setting-recovery-amount/

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WHAT RAISING RETIREMENT AGE DOES TO RETIREMENT RATES

The most popular age at which to start claiming Social Security benefits is the minimum of 62, according to the Bipartisan Policy Center, even though most financial professionals will encourage their clients to hold off on claiming as long as they can, barring any exigent circumstances. A paper from the Center for Retirement Research at Boston College quantifies the impact that raising the age has on retirement behaviors. Source: 401kspecialistmag.com

Full Article Available Here --->> https://401kspecialistmag.com/what-raising-retirement-age-does-to-retirement-rates/

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FOUR BIG TRENDS IN 401KS, RETIREMENT PLANS

Key trends in the retirement plan business were the subject of a recent webinar hosted by Vestwell, a digital retirement platform. Although looking at 401ks in particular, the group of industry experts saw ways the advisory industry will keep expanding and changing, especially in the retirement plan area.
Source: Thinkadvisor.com

Full Article Available Here --->> https://www.thinkadvisor.com/2021/01/29/4-big-trends-in-401ks-retirement-plans/

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2021 COULD SEE MORE RETIREMENT AND HEALTH LEGISLATION

There is optimism that one or more savings-focused bills could be enacted in 2021. Several introduced during the past two years will likely be re-introduced in the 117th Congress. Source: Futureplan.com

Full Article Available Here --->>https://futureplan.com/resources/news-articles/2021-could-see-more-retirement-and-health-legislation/

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FIDUCIARY AND PLAN GOVERNANCE MATERIAL

HAVING AN IPS DOESN'T NECESSARILY INCREASE PLAN SPONSOR LIABILITY

Retirement plan sponsors aren't required by ERISA to have an investment policy statement, but it is considered a prudent and best practice. However, Bruce Ashton, a partner in the Faegre Drinker Biddle & Reath LLP Employee Benefits and Executive Compensation Practice Group, says he's heard some plan sponsors say they don't want an IPS because it will increase their liability. "I don't think that's true," he says. "The issue is what's in the IPS and whether plan fiduciaries are following it." Source: Plansponsor.com

Full Article Available Here --->> https://www.plansponsor.com/in-depth/ips-doesnt-necessarily-increase-plan-sponsor-liability/

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WHAT'S OLD IS NEW AGAIN: DOL REINTERPRETS FIVE-PART INVESTMENT ADVICE TEST

The DOL dramatically shifted its interpretation of when an investment advice provider is a fiduciary under ERISA in the December 18, 2020 preamble to the "Improving Investment Advice for Workers and Retirees" prohibited transaction class exemption. Specifically, the DOL disavowed its previous interpretation and took the new position that advice regarding the rollover of ERISA plan assets to an individual retirement account would be fiduciary investment advice under ERISA if the remaining requirements of the existing five-part test are satisfied. Source: Thompsonhine.com

Full Article Available Here --->> https://www.thompsonhine.com/publications/whats-old-is-new-again-dol-reinterprets-five-part-investment-advice-test

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MISSING PARTICIPANTS: A CRUEL GAME OF HIDE-AND-SEEK - WHAT TO DO WHEN A PARTICIPANT CAN'T BE FOUND?

It often feels like a game of hide-and-seek for plan sponsors that are unable to find a participant or beneficiary to pay retirement benefits that are due. The administrative procedure seems cut and dry; however, an issue arises when there is old contact information, or the participant or beneficiary doesn't cash the check. There has been some guidance about the proper procedures a plan sponsor should take to try to locate missing participants and beneficiaries, but not much. Thankfully, that has changed recently with the DOL providing best practices to help plan sponsors in this hide-and-seek game. This article discusses strategies that are provided by the DOL and ways to implement those strategies in hopes that it will help you win this game. Source: Belfint.com

Full Article Available Here --->> https://employeebenefitplanaudit.belfint.com/managing-missing-participants/

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THE ABCS OF RFPS

One of the most important responsibilities of plan fiduciaries is hiring the right service providers. These providers must do competent-hopefully, superior- work for a fee that is reasonable to the services provided. The best way to fulfill this responsibility is by doing an RFP. Engaging in RFPs can help fiduciaries demonstrate that they haven't hired inappropriate or overly expensive plan providers if their choices are challenged. Source: Cohenbuckmann.com
Full Article Available Here --->> https://cohenbuckmann.com/insights/2021/1/28/the-abcs-of-rfps

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INSIGHTS: STUDIES, RESEARCH AND WHITE PAPERS

AUTO-ENROLLMENT, TDFS CONTINUE DC PLAN DOMINATION

It's "business as usual" for defined contribution plans, according to NEPC's DC plan survey. The 15th annual Defined Contribution Plan & Fee Survey includes responses from 142 DC plans covering 1.8 million participants with $191 billion in aggregate assets. Average participation is at 82%, NEPC found, thanks to the steady adoption of automatic enrollment. Plans that utilize auto-enrollment have increased from 21% in 2005 to 64% in 2020. Meanwhile, 49% of plans have implemented automatic escalation. Participants are deferring an average 4%, with auto-escalation capping deferrals at 15%. Source: 401kspecialistmag

Full Article Available Here --->> https://401kspecialistmag.com/auto-enrollment-tdfs-continue-dc-plan-domination/

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YOUNG ADULTS ARE PRETTY PESSIMISTIC ABOUT RETIREMENT

Eighty percent. That's the percentage of 20-somethings worldwide who said they are not on course to achieve their full retirement income needs, and that was even before the pandemic rocked the global economy, a newly released poll said. Source: Thebalance.com

Full Article Available Here --->> https://www.thebalance.com/young-adults-pessimistic-about-retirement-income-5101027

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UNDERSTANDING TDF GLIDE PATHS

Glide paths aren't just a change in equity and fixed income allocations, there are changes to investment types, too. Understanding how a TDF's glide path works -- how equities and fixed-income-type investments shift as investors age -- is necessary for DC plan sponsors to fulfill their fiduciary duties in fund selection and monitoring plan investments. Source: Plansponsor.com

Full Article Available Here --->> https://www.plansponsor.com/in-depth/understanding-tdf-glide-paths/

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SURVEY FINDS LIMITED USE OF ALTERNATIVE AND ESG INVESTMENTS IN DC PLANS

New research from PGIM, conducted by Greenwich Associates, found that despite having the ability to bring more sophisticated investment options to plan participants at institutional pricing, most DC plan sponsors have chosen not to do so. Source: Plansponsor.com

Full Article Available Here --->> https://www.plansponsor.com/survey-finds-limited-use-alternative-esg-investments-dc-plans/

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COMPLIANCE AND REGULATORY RELATED

IRS RELEASES FINAL QPLO REGULATIONS

Plan participants have more time to roll over certain plan loan offsets under the Tax Cuts & Jobs Act of 2017. These are known as qualified plan loan offsets. In response to this legislative change, the IRS released proposed regulations in August 2020. The IRS finalized the regulations in December 2020, with only one modification: the applicability date. Source: Futureplan.com

Full Article Available Here --->> https://futureplan.com/resources/news-articles/irs-releases-final-qplo-regulations/

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PARTIAL PLAN TERMINATIONS: AN UPDATE

As 2020 drew to a close, Congress enacted a special rule on partial terminations as part of the Consolidated Appropriations Act. The special rule is protective of employers, partly because it makes it more difficult to trigger a partial termination during certain years, but primarily because it gives employers certainty that no partial termination has occurred if a special test is met. Source: Verrill-law.com

Full Article Available Here --->> https://www.verrill-law.com/benefits-law-update/partial-plan-terminations-an-update/

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DOL PROFFERS FINAL REGULATIONS FOR POOLED PLAN PROVIDERS

The DOL has issued final regulations on registration requirements for pooled plan providers administering pooled employer plans. The final regulations retain much of the same structure as the proposed rule issued last August, with some added clarification on registration requirements. Source: Hallbenefitslaw.com

Full Article Available Here --->> https://hallbenefitslaw.com/dol-proffers-final-regulations-for-pooled-plan-providers/

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THE NEW E-DELIVERY RULE: THE PRICE OF SIMPLIFICATION

The DOL has simplified the delivery of retirement plan information to participants through its new electronic disclosure rule. Although the E-Delivery Rule promises to expand the use of electronic delivery, retirement plans still retain a fiduciary duty to protect participants' personal information from cybertheft. Thus, retirement plans taking advantage of the new rule may face increased exposure to ERISA fiduciary breach claims alleging inadequate cybersecurity measures. This article discusses the DOL's E-Delivery Rule and the fiduciary considerations applicable to plans that rely on the new rule. Source: Asppa.org

Full Article Available Here --->> https://www.asppa.org/news/new-e-delivery-rule%C2%A0-price-simplification

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M21-3448789 Exp 2/11/2022