

# IFS | Fiduciary Insights Update

## Retirement Plan Monthly Newsletter

### CONTACT INFORMATION

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July 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

- Average 401(k) Continued Climbing in Q2
- The Obvious, if Overlooked, Retirement Crisis Solution
- Is There Demand for Cryptocurrency in Retirement Portfolios?
- 401k Plan Investors Tilt Further Towards Equities

### FIDUCIARY AND PLAN GOVERNANCE MATERIAL

- Cybersecurity for Plan Fiduciaries: Focus on Account Theft
- Best Practices to Reduce Excessive Fee Risk
- Incorporating ESG in DC Plans: A Resource for Plan Sponsors

### INSIGHTS: STUDIES, RESEARCH AND WHITE PAPERS

- The Common Denominator: Understanding the Importance of Commonality When It Comes to Retirement Advice
- New Study Reveals the Impact Lay Fiduciaries Have on the Country's Fiscal Health
- How Different Generations Define Retirement
- Top 10 Payroll Issues in 401k Plans

### COMPLIANCE AND REGULATORY RELATED

- IRS Now Requires an Employer Discretionary Match to Be "Definitely Determinable"
- IRS Updates Internal Summary of Hardship Distribution Rules
- 401k Lawsuit Alleges Excessive Adviser Compensation
- Supreme Court Set to Tackle Pleading Standard in Northwestern Retirement Plan Lawsuit

## GENERAL ITEMS

### AVERAGE 401(K) CONTINUED CLIMBING IN Q2

U.S. stock markets finished at, or near, record highs in the second quarter. Guess what that meant for the average 401k balance? The 401k's of older (age 55-64) workers with more than 20 years of tenure is now 10.4% higher year-to-date, while that of younger (25-34), less tenured (1-4 years) workers has increased 16.3%, according to estimates from the nonpartisan Employee Benefit Research Institute. Source: Asspa.com

Full Article Available Here --->> <https://www.asppa.org/news/average-401k-continued-climbing-q2>

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### THE OBVIOUS, IF OVERLOOKED, RETIREMENT CRISIS SOLUTION

The retirement crisis is real. Most baby boomers have not saved enough. Fully 70% of baby boomers, which is 55 million people, have saved less than \$300,000. But a recent SEC report on "Perspectives on Retirement Readiness" says the solution is not to increase investment risk, as has been the justification for target-date fund risk at the target retirement date. Rather, the solution is modifying behavior by encouraging beneficiaries to save more. Source: 401kspecialistmag.com

Full Article Available Here --->> <https://401kspecialistmag.com/the-obvious-if-overlooked-solution-retirement-crisis-solution/>

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### IS THERE DEMAND FOR CRYPTOCURRENCY IN RETIREMENT PORTFOLIOS?

Most people remain hesitant to invest in cryptocurrency in their DC plans, but a recent survey finds that there's a small "crypto-curious" contingent. With the increased attention of cryptocurrency, Stan Treger, a behavioral scientist at Morningstar, notes that analysts at the firm began to wonder if investors would welcome this asset into their retirement portfolios. As such, they posed this question as part of a larger, nationally representative survey of about 1,400 people conducted in May 2021. Source: Napa-net.org

Full Article Available Here --->> <https://www.napa-net.org/news-info/daily-news/there-demand-cryptocurrency-retirement-portfolios>

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### 401K PLAN INVESTORS TILT FURTHER TOWARDS EQUITIES

Average asset allocation in equities rose to 70.2% during June, the highest level in 20 years, though the proportion of new contributions going to equities remained at 69.2%. Source: Plansponsor.com

Full Article Available Here --->> <https://www.plansponsor.com/401k-plan-investors-tilt-towards-equities/>

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## FIDUCIARY AND PLAN GOVERNANCE MATERIAL

### CYBERSECURITY FOR PLAN FIDUCIARIES: FOCUS ON ACCOUNT THEFT

Retirement account theft is one of the risks cropping up in the employee benefits community. If you are a plan sponsor or a plan fiduciary, it's important to make sure you've thought about how to address this risk that is now well above the horizon. As an ERISA fiduciary, you play a key role in helping your participants guard against the theft of their accounts at the hand of cybercriminals. Take the steps noted above and stay abreast of developments in this rapidly evolving area. Source: Plansponsor.com

Full Article Available Here --->> <https://www.plansponsor.com/cybersecurity-plan-fiduciaries-focus-account-theft/>

### BEST PRACTICES TO REDUCE EXCESSIVE FEE RISK

The role of retirement plan governance has become increasingly important as employers face increased scrutiny of how they operate their 401k plans in the current legal and regulatory environment. CFOs and human resource managers administering 401k plans and serving on 401k plan committees have increasingly been held responsible for fiduciary breaches. Plan fiduciaries should conduct due diligence to reprice services and replace underperforming funds given asset-based fees and significant growth in plan size, due to rising markets and recurring contributions. Source: Cpajournal.com

Full Article Available Here --->> <https://www.cpajournal.com/2021/06/29/best-practices-to-reduce-excessive-fee-risk/>

### INCORPORATING ESG IN DC PLANS: A RESOURCE FOR PLAN SPONSORS

Increasingly, retirement plan sponsors are considering whether sustainable investments and investment options could enhance their DC plan retirement offerings. Heightened public awareness, evolving regulatory guidance, strides in data reporting, and investment product innovation have led plan sponsors to ask for more tactical guidance on applying strategies that integrate environmental, social and governance criteria into plan design. This 11-page paper provides tips for plan fiduciaries considering how to incorporate sustainable investing into a plan. Source: Dciia.org

Full Article Available Here --->> [https://cdn.ymaws.com/dciia.org/resource/collection/428CE385-221F-43F4-B355-C977D0883C8C/IncorporatingESGinDCPlans\\_062821.pdf](https://cdn.ymaws.com/dciia.org/resource/collection/428CE385-221F-43F4-B355-C977D0883C8C/IncorporatingESGinDCPlans_062821.pdf)

## INSIGHTS: STUDIES, RESEARCH AND WHITE PAPERS

### THE COMMON DENOMINATOR: UNDERSTANDING THE IMPORTANCE OF COMMONALITY WHEN IT COMES TO RETIREMENT ADVICE

When looking for an advisor, Black and Hispanic Americans were asked if "working with an advisor who has had a similar upbringing or life experience as you" was an important criterion: 61 percent of Black respondents and 57 percent of Hispanic respondents, vs. 41 percent for White respondents, said this criterion was important. However, one cohort that expressed less interest in having an advisor with a similar upbringing or life experience was female workers, with 45 percent saying this was important. Source: Ebrior.org.wordpress.com

Full Article Available Here --->> <https://ebrior.org.wordpress.com/2021/07/01/the-common-denominator-understanding-the-importance>

### NEW STUDY REVEALS THE IMPACT LAY FIDUCIARIES HAVE ON THE COUNTRY'S FISCAL HEALTH

There are 17.5 million men and women who have the legal responsibility for managing the assets of pension plans, foundations, endowments, health and welfare plans, and personal trusts. These "lay fiduciaries" generally come from outside the financial services industry, usually don't get paid for their fiduciary jobs, and have little, if any, training on what the law requires of them in managing more than \$26.6 trillion of our investments. Source: Businesswire.com

Full Article Available Here --->> <https://www.businesswire.com/news/home/20210616005106/en/17.5-Million-Lay-Fiduciaries-Responsible-For-More-than-26-Trillion-of-US-Investment-Assets>

### HOW DIFFERENT GENERATIONS DEFINE RETIREMENT

There's the conventional way to define retirement: an objective age at which one can exit the workforce, begin collecting Social Security benefits, and have the ability to access retirement savings without penalties. But on the other hand, research has shown the psychology behind retirement to be much more complex. In a review of the literature, you can identify three general perspectives on retirement. Source: Morningstar.com

Full Article Available Here --->> <https://www.morningstar.com/articles/1045662/how-different-generations-define-retirement>

### TOP 10 PAYROLL ISSUES IN 401K PLANS

Payroll-related mistakes can not only be time-consuming and costly for a plan sponsor to correct, but they also may jeopardize a plan's compliance with IRS and DOL regulations. Depending on the severity and magnitude of the correction, it may be necessary to involve legal counsel to make a submission into one of the IRS's corrective programs. Here is a list of the top 10 payroll-related matters most commonly identified in 401k plan audits. Source: Lindquistcpa.com

Full Article Available Here --->> <https://www.lindquistcpa.com/insights/top-10-payroll-issues-in-401-k-plans/>

## COMPLIANCE AND REGULATORY RELATED

### IRS NOW REQUIRES AN EMPLOYER DISCRETIONARY MATCH TO BE "DEFINITELY DETERMINABLE"

"Definitely Determinable" is one of those pre-ERISA concepts that are still applicable. It means that for a retirement plan to be considered "qualified," a participant's retirement benefit had to be determined following a stipulated formula that is not subject to the discretion of the employer. The purpose of which is, of course, to eliminate the possibility of benefits favoring the higher paid employees. It's long been required for defined benefit pension plans in which it's a straightforward matter. Source: Retirementplanblog.com

Full Article Available Here --->> <https://www.retirementplanblog.com/401k-plans/irs-now-requires-an-employer-discretionary-match-to-be-definitely-determinable/>

### IRS UPDATES INTERNAL SUMMARY OF HARDSHIP DISTRIBUTION RULES

The IRS has updated its "Issue Snapshot" summarizing the requirements for hardship distributions from 401k plans. These latest updates to the snapshot on hardship distributions incorporate changes made by the Bipartisan Budget Act of 2018, which expanded the sources of funds for hardship distributions, removed the requirement for participants to exhaust available plan loans, and directed the IRS to delete the safe harbor requirement that elective deferrals and employee contributions be suspended after a hardship distribution. Source: Thomsonreuters.com

Full Article Available Here --->> <https://tax.thomsonreuters.com/blog/irs-updates-internal-summary-of-hardship-distribution-rules/>

### 401K LAWSUIT ALLEGES EXCESSIVE ADVISER COMPENSATION

A comprehensive lawsuit filed this week against large AAA member groups alleges that plan participants overpaid for years for investments and services, including compensation to Wells Fargo and Captrust. The defendants did not appear to solicit competitive bids for record-keeping services and allowed funds with high revenue-sharing to compensate service providers. ~Investmentnews.com

Full Article Available Here --->> <https://www.investmentnews.com/aaa-401k-lawsuit-adviser-record-keeper-compensation-208660>

### SUPREME COURT SET TO TACKLE PLEADING STANDARD IN NORTHWESTERN RETIREMENT PLAN LAWSUIT

On July 2, 2021, the Supreme Court agreed to hear Hughes v. Northwestern, which involves a challenge to investment fees and recordkeeping fees in two 403b plans maintained by Northwestern University. The district court dismissed the complaint about failure to adequately plead a breach of the fiduciary duty of prudence, and the Seventh Circuit affirmed the dismissal. The Supreme Court will now weigh-in for the first time on the critical issue of what allegations are sufficient to state a plausible breach of fiduciary duty claim for excessive investment and recordkeeping fees. Source: Groom.com

Full Article Available Here --->> <https://www.groom.com/resources/supreme-court-set-to-tackle-pleading-standard-in-northwestern-retirement-plan-lawsuit/>

M21-3674264- Exp 7/15/2022