

# IFS | Fiduciary Insights Update

## Retirement Plan Monthly Newsletter

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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

- A 401k Strategy for Small Businesses in America
- Groups Ask DOL to Make 401k Electronic Delivery the Default
- Bad Choices for 401k Plan Sponsors That Often Lead to Bad Results
- How Much Americans Contribute to Their 401k Plans and How Much Should They Be Saving

### FIDUCIARY AND PLAN GOVERNANCE MATERIAL

- What to Look for When Monitoring Retirement Plan Advisers
- Building a Better 401k Plan Investment Lineup
- The Duty to Investigate Conflicts-of-Interests with "Zero" and "Negative" Fee Funds
- Retirement Plan Committees: Consider Investment Trends

### INSIGHTS: STUDIES, RESEARCH AND WHITE PAPERS

- Retirement Assets Top \$29 Trillion, While Plan Fees Continue Downward Trend
- 2019 401k Participant Survey
- High 401k Contribution Rates Signal Strong Participant Behavior
- The Effect of Default Target-Date Funds on Retirement Savings Allocations

### COMPLIANCE AND REGULATORY RELATED

- SEC Adopts Rules and Interpretations to Enhance Protection and Preserve Choice
- Plan Committee's Prudence Prevails in Fiduciary Suit
- Which 401k Plan Errors Can Be Self-Corrected?
- How to Find, Fix and Avoid Plan Loan Mistakes

## GENERAL ITEMS

### A 401K STRATEGY FOR SMALL BUSINESSES IN AMERICA

The problem is many small business owners believe 401k plans are too expensive and too cumbersome to administer and maintain. That is no longer the case. Congress is working on regulatory changes that address the complex nature of 401k plans. Alternatively, some 401k providers are using new technology such as automation to help provide a sustainable and inexpensive option. Source: Forbes.com

Full Article Available Here --->> <https://www.forbes.com/sites/forbesfinancecouncil/2019/06/05/a-401k-strategy-for-small-businesses-in-america/#1974943d1274>

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### GROUPS ASK DOL TO MAKE 401K ELECTRONIC DELIVERY THE DEFAULT

Eight organizations associated with defined contribution plans, including the Investment Company Institute and the SPARK Institute, have submitted a letter to the Department of Labor asking it to propose regulations that would permit plan sponsors to make electronic delivery the default method of delivery for retirement plan disclosures and notices. If employees did not want electronic delivery, they would have the ability to request paper copies. Source: Planadviser.com

Full Article Available Here --->> <https://www.planadviser.com/groups-ask-dol-make-401k-electronic-delivery-default/>

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### BAD CHOICES FOR 401K PLAN SPONSORS THAT OFTEN LEAD TO BAD RESULTS

Certain choices that a 401k plan sponsor make can lead to bad and costly results. Plan sponsors can make their own bad luck by making bad choices, so this article is a warning tale on what bad choices that a plan sponsor should not make. Source: Jdsupra.com

Full Article Available Here --->> <https://www.jdsupra.com/legalnews/bad-choices-for-401k-plan-sponsors-tha-63315/>

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### HOW MUCH AMERICANS CONTRIBUTE TO THEIR 401K PLANS AND HOW MUCH SHOULD THEY BE SAVING

Many experts recommend saving at least 10% of your income for retirement. In a 2018 report, the Stanford Center on Longevity determined that if you want to retire by age 65, you should be setting aside 10-17% of your income. And that's if you start saving as early as age 25. If you wait until 35 to start, you have to save 15-20%. Are Americans on track? Source: Cnbc.com

Full Article Available Here --->> <https://www.cnbc.com/2019/06/06/how-much-americans-are-contributing-to-their-401k-plans-every-year.html>

## FIDUCIARY AND PLAN GOVERNANCE MATERIAL

### WHAT TO LOOK FOR WHEN MONITORING RETIREMENT PLAN ADVISERS

Plan sponsors have a duty to monitor retirement plan advisers but may be forgetting to request or research certain information. It might take lawsuits for plan sponsors to become aware of their need to stay on top of such information. Source: Plansponsor.com

Full Article Available Here --->> <https://www.plansponsor.com/exclusives/look-monitoring-retirement-plan-advisers/>

### BUILDING A BETTER 401K PLAN INVESTMENT LINEUP

A rash of 401k class-action lawsuits and low participation rates have revealed rifts between plan sponsor intentions, on the one hand, and participant perceptions of actual practices, on the other hand. Details about plan investment lineups often reside at the center of the controversy and confusion. This paper examines six items a plan sponsor might consider when building, maintaining, and altering the fund menu for its participants. Source: Jhinvestments.com

Full Article Available Here --->> <https://www.jhinvestments.com/viewpoints/retirement-planning/building-better-401k-plan-investment-lineup>

### THE FIDUCIARY DUTY TO INVESTIGATE CONFLICTS-OF-INTERESTS WITH "ZERO" AND "NEGATIVE" FEE FUNDS

It started as an oddity last year when Fidelity loudly proclaimed they would begin offering "Zero" fee funds. Now the SEC has approved a "Negative" fee fund. A diligent fiduciary will nonetheless seek to kick the tires most thoroughly on "Zero" and "Negative" fee funds. It starts by analyzing the very motivation behind these financial product marketing innovations. Source: Fiduciarynews.com

Full Article Available Here --->> <http://fiduciarynews.com/2019/06/the-fiduciary-duty-to-investigate-conflicts-of-interests-with-zero-and-negative-fee-funds/>

### RETIREMENT PLAN COMMITTEES: CONSIDER INVESTMENT TRENDS

Plan fiduciaries and retirement plan committees would do well to consider the trends in the ways that retirement plan funds are invested and the behaviors and attitudes of plan participants, recommends a recent analysis. Source: Ntsa-net.org

Full Article Available Here --->> <https://www.nts-net.org/industry-intel/marketbeat/retirement-plan-committees-consider-investment-trends>

## INSIGHTS: STUDIES, RESEARCH AND WHITE PAPERS

### RETIREMENT ASSETS TOP \$29 TRILLION, WHILE PLAN FEES CONTINUE DOWNWARD TREND

Since the end of last year, total U.S. retirement assets were up 7.4%, reaching \$29.1 trillion at the end of the first quarter for 2019, according to new data by the Investment Company Institute. Retirement assets accounted for 33% of all household financial assets in the U.S. at the end of March 2019, with defined contribution plan assets reaching \$8.2 trillion at the end of the first quarter, up 8.2% from year-end 2018. Of these DC plan assets, \$5.7 trillion was held in 401k plans. Source: Napa-net.org

Full Article Available Here --->> <https://www.napa-net.org/news-info/daily-news/retirement-assets-top-29-trillion-while-plan-fees-continue-downward-trend>

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### 2019 401K PARTICIPANT SURVEY

New research from Schwab Retirement Plan Services finds that although 401k participants believe they need \$1.7 million, on average, to retire, many are not investing enough to reach that goal. The nationwide survey of 1,000 401k plan participants also reveals the outsized role of the 401k in Americans' financial lives, with most saying it is their only or largest source of retirement savings. Source: Schwab.com

Full Article Available Here --->> <https://www.aboutschwab.com/schwab-401k-participant-study-2019>

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### HIGH 401K CONTRIBUTION RATES SIGNAL STRONG PARTICIPANT BEHAVIOR

So, it's not all market appreciation after all. The retirement outlook for individuals covered by employer-sponsored retirement plans is increasingly bright due to employers driving enhancements to plan design and participants adopting prudent investing practices. Source: 401kspecialistmag.com

Full Article Available Here --->> <https://401kspecialistmag.com/high-401k-contribution-rates-signal-strong-participant-behavior/>

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### THE EFFECT OF DEFAULT TARGET-DATE FUNDS ON RETIREMENT SAVINGS ALLOCATIONS

Defined contribution retirement plans are the primary retirement savings vehicle for most American workers, and many of these plans now use target-date funds as their default investments. Previously, money market funds were the most common default. Retirement plans today also tend to offer more investment options than were available in the past. This study examines how these changes have affected plan participants' contribution allocations and equity exposure, based on a 2012 cross section of more than 600,000 TIAA participants. Source: Tiaainstitute.org

Full Article Available Here --->> <https://www.tiaainstitute.org/publication/effect-default-target-date-funds-retirement-savings-allocations>

## COMPLIANCE AND REGULATORY RELATED

### SEC ADOPTS RULES AND INTERPRETATIONS TO ENHANCE PROTECTION AND PRESERVE CHOICE

The SEC voted to adopt a package of rulemakings and interpretations designed to enhance the quality and transparency of retail investors' relationships with investment advisers and broker-dealers, bringing the legal requirements and mandated disclosures in line with reasonable investor expectations, while preserving access (in terms of choice and cost) to a variety of investment services and products. Source: Sec.gov

Full Article Available Here --->> <https://www.sec.gov/news/press-release/2019-89>

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### PLAN COMMITTEE'S PRUDENCE PREVAILS IN FIDUCIARY SUIT

Judge John Gerrard of the U.S. District Court for the District of Nebraska, noted that while "the duty of prudence requires fiduciaries to act solely in the interest of plan participants and beneficiaries and ERISA requires fiduciaries to carry out their duties with care, skill, prudence, and diligence under the circumstances," that duty "requires fiduciaries to act with prudence, not prescience, and thus, the relevant inquiry focuses on the information available to the fiduciary at the time of the relevant investment decision." Source: Napa-net.org

Full Article Available Here --->> <https://www.napa-net.org/news-info/daily-news/plan-committee%E2%80%99s-prudence-prevails-fiduciary-suit>

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### WHICH 401K PLAN ERRORS CAN BE SELF-CORRECTED?

Until recently, SCP was limited to the correction of operational failures, but in 2019, the IRS expanded SCP to permit the correction of certain plan document failures, i.e., plan provisions -- or missing plan provisions -- that cause the plan to be disqualified. Using SCP can simplify and speed up corrections, and lower their cost, but it is not always the best option. Source: Thomsonreuters.com

Full Article Available Here --->> <https://blogs.thomsonreuters.com/tax-blog/which-401k-plan-errors-can-be-self-corrected/>

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### HOW TO FIND, FIX AND AVOID PLAN LOAN MISTAKES

Plan sponsors who choose to include a loan feature in their retirement plan must take care to ensure their loan program is operated in compliance with the tax rules and the plan's loan policies to avoid unintended consequences for loan recipients and the plan. To help you keep your loan program in compliance, here's an overview of the basic rules for plan loans and some best practices for finding, fixing and avoiding plan loan mistakes. Source: Newportgroup.com

Full Article Available Here --->> <https://www.newportgroup.com/knowledge-center/june-2019/find-fix-avoid-plan-loan-mistakes/>

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