

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

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- Narrowing Retirement Savings Gaps
- Myths and Information Gap Seen Inhibiting ESG Investing in 401k Plans
- Plan Participant Data Ownership Creates Concerns

FIDUCIARY AND PLAN GOVERNANCE MATERIAL

- Business as Unusual: Fiduciary Do's and Don'ts
- The Benefits of Simplifying DC Plan Investment Menus
- Is Cybersecurity an ERISA Fiduciary Responsibility?
- 401k Plan Sponsors Can Minimize Their Liability in Eight Easy Steps

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- Student Loan Benefit Program
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GENERAL ITEMS

SUPPORT GROWS FOR KEEPING ASSETS IN 401K PLANS AFTER RETIREMENT

Major 401k consultants and advisors believe plan sponsors want to retain and continue to serve individual savers once they retire. That's up 14% from the previous year, as aging Baby Boomers confront the challenge of managing their savings once they enter retirement. Reviews of target-date funds, evaluation of investment and administration fees, and simplification of investment menus also rank high. Source: 401kspecialistmag.com

Full Article Available Here --->> <https://401kspecialistmag.com/support-grows-for-keeping-assets-in-401k-plans-after-retirement/>

NARROWING RETIREMENT SAVINGS GAPS

Some would assert that too much employer financial support is already diverted to workers who will not remain with the employer and ultimately retire from the firm. Because plan sponsors have voluntarily adopted eligibility and vesting limits, any new mandates that would increase the portion of rewards allocated to younger, short service workers would be inconsistent with a plan sponsor's existing rewards strategies and preferences. Source: Psca.org

Full Article Available Here --->> https://www.psca.org/blog_jack_2019_31

MYTHS AND INFORMATION GAP SEEN INHIBITING ESG INVESTING IN 401K PLANS

Demand for environmental, social and governance strategies is strong among investors and research supports the case for integrating ESG factors into the defined contribution investment decision-making process, yet the industry still appears hesitant, according to two new reports. Source: Napa-net.org

Full Article Available Here --->> <https://www.napa-net.org/news-info/daily-news/myths-and-information-gap-seen-inhibiting-esg-investing-401k-plans>

PLAN PARTICIPANT DATA OWNERSHIP CREATES CONCERNS

Plan participant data ownership is a confusing topic for retirement plan fiduciaries. Plan participant data ownership is unquestionably a sensitive issue as an agenda item at many retirement plan committee meetings. At issue is the use of retirement plan participant data by financial advisors, recordkeepers and other service providers. Source: 401ktv.com

Full Article Available Here --->> <https://401ktv.com/plan-participant-data-ownership/>

FIDUCIARY AND PLAN GOVERNANCE MATERIAL

BUSINESS AS UNUSUAL: FIDUCIARY DO'S AND DON'TS

In the marketplace, it's normal -- even expected -- that firms extend more favorable terms and/or discounts to those who do business with them across various offerings. But those "normal" practices can cause you trouble when it comes to doing business with ERISA-governed plans. Source: Ntsa-net.org

Full Article Available Here --->> <https://www.nts-net.org/industry-intel/marketbeat/business-unusual-fiduciary-dos-and-donts>

THE BENEFITS OF SIMPLIFYING DC PLAN INVESTMENT MENUS

Simplifying DC plan investment menus could encourage more employees to participate in the plan, sources say. When simplifying a fund menu, the sophistication of participants and the investment committee is a key driver. It will inform whether the plan should offer sophisticated asset classes or managers that will make the asset class decisions. Source: Planadviser.com

Full Article Available Here --->> <https://www.planadviser.com/benefits-simplifying-dc-plan-investment-menus/>

IS CYBERSECURITY AN ERISA FIDUCIARY RESPONSIBILITY?

Plan sponsors and service providers already take seriously their responsibilities to protect participant data, but where are the lines of responsibilities and accountability in the event of a breach? Source: Napa-net.org

Full Article Available Here --->> <https://www.napa-net.org/news-info/daily-news/cybersecurity-erisa-fiduciary-responsibility>

401K PLAN SPONSORS CAN MINIMIZE THEIR LIABILITY IN EIGHT EASY STEPS

When 401k plan sponsors are told about their duties in operating the plan, they zone out. So here is a breakdown of what plan sponsors need to know in order to curb their potential liability as a plan sponsor. They can minimize their liability by just following these eight easy steps. Source: Jdsupra.com

Full Article Available Here --->> <https://www.jdsupra.com/legalnews/401k-plan-sponsors-can-minimize-their-25982/>

INSIGHTS: STUDIES, RESEARCH AND WHITE PAPERS

HOW STICKY IS YOUR PLAN'S DEFAULT INVESTMENT?

There's been a significant increase in the use of "intelligent," or diversified, investment defaults in 401k plans over the past 10 years. Given the many positive effects that these default investments have had on investors, the authors wanted to study their stickiness, or rather, the likelihood that plan participants would initially accept the default and remain in it. Source: Morningstar.com

Full Article Available Here --->> <https://www.morningstar.com/blog/2019/05/17/sticky-default.html>

STUDENT LOAN BENEFIT PROGRAM

This white paper examines IRS Private Letter Ruling (PLR 201833012), issued May 22, 2018. In the PLR, the IRS ruled that a student loan repayment program included in an employer-sponsored 401k plan did not violate the "contingent benefit" prohibition. Under the program, employees received employer contributions that were conditioned on making student loan repayments in lieu of receiving regular matching contributions under the plan. Employers may want to adopt an SLR program in order to attract and retain employees with outstanding student loans, who may lack the funds to make 401k contributions and receive employer matching contributions. Source: Newportgroup.com

Full Article Available Here --->> <https://www.newportgroup.com/knowledge-center/may-2019/student-loan-benefit-program/>

EBRI STUDY REVEALS COSTS THAT COULD CREATE INCOME DEFICIT IN RETIREMENT

While a new study by the Employee Benefit Research Institute finds the majority of people spend less than 100% of their retirement income, it also shows factors and expenses that can move spending up or down. Source: Planadviser.com

Full Article Available Here --->> <https://www.planadviser.com/ebri-study-reveals-costs-create-income-deficit-retirement/>

MAJORITY OF AMERICANS UNSURE OF THEIR RETIREMENT FUTURE

A full three-quarters, 75%, of Americans are only "somewhat confident" or "not confident at all" that they will be financially prepared for retirement, according to Fidelity Investments' Retirement Mindset Study. By comparison, 62% are confident about their current financial health, and 65% say they are more confident now than they were a year ago. Source: Planadviser.com

Full Article Available Here --->> <https://www.planadviser.com/majority-americans-unsure-retirement-future/>

COMPLIANCE AND REGULATORY RELATED

AN ERISA LITIGATION CONVERSATION WITH JERRY SCHLICHTER

Jerry Schlichter's firm has remained highly active in the space, representing a variety of classes of plaintiffs suing their employers for alleged mismanagement of retirement plan assets. In this interview, Schlichter reflected on changes he has seen in the industry over the last five years. In his estimation, a lot of good has come from the significant amount of litigation that has occurred under ERISA. At the very least, he said, many participants in defined contribution (DC) retirement plans today pay lower fees for investments and recordkeeping. Source: Plansponsor.com

Full Article Available Here --->> <https://www.plansponsor.com/erisa-litigation-conversation-jerry-schlichter/> -----

HOUSE PASSES BIPARTISAN RETIREMENT REFORM LEGISLATION

On May 23, the House overwhelmingly passed the "Setting Every Community Up for Retirement Enhancement Act of 2019" on a vote of 417-3. Its passage marks significant progress for retirement legislation after years of negotiations among lawmakers and various retirement industry groups. However, the bill still faces hurdles in the Senate that could delay or prevent enactment. Source: Groom.com

Full Article Available Here --->> <https://www.groom.com/resources/house-passes-bipartisan-retirement-reform-legislation/>

SENATE FINANCE COMMITTEE TAKES AIM AT RETIREMENT SYSTEM CHALLENGES

Sen. Charles Grassley, Chairman of the Senate Finance Committee, has announced that the Committee will hold a hearing entitled "Challenges in the Retirement System" on Tuesday, May 14 at 10:15 a.m. ET. This will be the first retirement policy hearing held by the Finance Committee for the 116th Congress since Sen. Grassley reclaimed the chairmanship, after previously serving as chair during much of the last decade, including when the Pension Protection Act of 2006 was signed into law. Source: Napa-net.org

Full Article Available Here --->> <https://www.napa-net.org/news-info/daily-news/senate-finance-takes-aim-retirement-system-challenges>

TOP 10 AREAS OF FOCUS IN DOL INVESTIGATIONS OF RETIREMENT PLANS

In light of the DOL's active enforcement program and the resulting recoveries, retirement plan administrators should consider a compliance self-review, including on the issues that the DOL appears to focus the most. To that end, here are the top 10 issues of DOL focus with respect to retirement plan fiduciary compliance. This list is a reminder of the importance of a proactive self-review by plan administrators, even before the DOL initiates an investigation. Source: Morganlewis.com

Full Article Available Here --->> <https://www.morganlewis.com/pubs/top-10-areas-of-focus-in-dol-investigations-of-retirement-plans>

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