

IFS | Fiduciary Insights Update

Retirement Plan Monthly Newsletter

CONTACT INFORMATION

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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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- Pensionizing the 401k With Annuities
- Expert Q&A on Cryptocurrency and Retirement Plans
- Buyer Beware: All Fiduciary Services Are Not Equal

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- Attorney-Client Privilege in ERISA Matters
- DC Plan Investment Menu Evolution Continues
- Here's How Much 401k Plan Fees Have Dropped
- IRS Updates Safe Harbor Methods for "Substantially Equal Periodic Payment" Exception

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- Council Recommends More Research About "Brokerage Window Only" Plans
- Evidence on Multiple Ways to Boost Your Retirement Savings
- Documentary: Navigating a 401k World

COMPLIANCE AND REGULATORY RELATED

- Individual and Pre-Approved 403b Plan Documents: Evaluating What to Do in 2022
- Avoid Trouble By Depositing Employee Contributions on Time
- New Mortality Table May Lead to Lower RMDs Under 401k Plans
- Oops, Was That Plan Compensation?

GENERAL ITEMS

HERE'S WHAT'S NEW WITH 401K PLANS THIS YEAR

If you save for retirement through a 401k plan, you may have noticed changes to it over the years. For example, automatic increases in your contributions and "catch-up" amount for the over-50 crowd. A couple more tweaks, which were included in a 2019 retirement bill called the Secure Act, could also become more apparent shortly. Both address workers' interest in having guaranteed income in retirement. More changes to 401k plans could be on their way, as well. Source: Cnbc.com

Full Article Available Here --->><https://www.cnbc.com/2022/02/05/heres-whats-new-with-401k-plans-this-year.html>

PENSIONIZING THE 401K WITH ANNUITIES

Historically, workers couldn't set up guaranteed retirement income streams directly through their 401k accounts. But that's changing, and the annuity industry sees it as a big opportunity, according to this report by an AM Best writer. Source: Retirementincomejournal.com

Full Article Available Here --->> <https://retirementincomejournal.com/article/pensionizing-the-401k-with-annuities/>

EXPERT Q&A ON CRYPTOCURRENCY AND RETIREMENT PLANS

In this Thomson Reuters Practical Law article, Groom principals and co-chairs of the firm's Plan Sponsor Practice Allison Itami and David Levine addressed trending questions regarding legal and practical issues surrounding cryptocurrency that retirement plan sponsors should be familiar with when considering cryptocurrency as a potential investment option. Source: Groom.com

Full Article Available Here --->> <https://www.groom.com/wp-content/uploads/2022/02/Expert-QA-on-Cryptocurrency-and-Retirement-Plans.pdf>

BUYER BEWARE: ALL FIDUCIARY SERVICES ARE NOT EQUAL

Many financial organizations tout the benefits of their 401k fiduciary services and many of these messages can sound irresistibly compelling. But buyer beware; not all fiduciary services are created equal. In today's increasingly litigious environment, plan sponsors must be educated consumers of ERISA fiduciary services. What does it take to be a wise consumer of fiduciary services? Source: Retirementlc.com

Full Article Available Here --->> <https://retirementlc.com/4686-2/>



FIDUCIARY AND PLAN GOVERNANCE MATERIAL

ATTORNEY-CLIENT PRIVILEGE IN ERISA MATTERS

Although the concept of the attorney-client privilege is recognized in ERISA matters, it is modified by the fiduciary exception. Most communications between fund counsel and a fund are directed to a plan administrator with rarely any communication directed to participants and/or beneficiaries. However, it is those participants and the beneficiaries who are the clients. The fiduciaries and administrators are not the "client" personally but only in their representative roles. Source: Erisalitigationadvisor.com

Full Article Available Here --->><https://www.erisalitigationadvisor.com/2022/02/articles/attorney-client-privilege-in-erisa-matters/>

DC PLAN INVESTMENT MENU EVOLUTION CONTINUES

One telling stat identified in new NEPC research is that managed account adoption has remained stagnant for several years now, while index-based target-date funds have grown in popularity. Source: Planadviser.com

Full Article Available Here --->> <https://www.planadviser.com/dc-plan-investment-menu-evolution-continues/>

HERE'S HOW MUCH 401K PLAN FEES HAVE DROPPED

For both small and large retirement plans, average total plan costs for 401ks continued to decline in 2021, with plan investment fees leading the way, according to the latest edition of the 401k Averages Book. The 22nd edition of the book shows that all scenarios saw a year-over-year decrease in total investment costs ranging between 0.01%-0.06% from the previous year, with the average representing a decrease of 0.03%. Source: Napa-net.org

Full Article Available Here --->><https://www.napa-net.org/news-info/daily-news/heres-how-much-401k-plan-fees-have-dropped>

IRS UPDATES SAFE HARBOR METHODS FOR "SUBSTANTIALLY EQUAL PERIODIC PAYMENT" EXCEPTION

Recent IRS Notice 2022-6 updates longstanding guidance on when a series of payments from an individual account under a tax-favored retirement plan is considered a series of "substantially equal periodic payments." This article summarizes the new guidance, which also applies to nonqualified annuities under section 72(q). Source: Groom.com

Full Article Available Here --->> <https://www.groom.com/resources/irs-updates-safe-harbor-methods-for-substantially-equal-periodic-payment-exception/>



INSIGHTS: STUDIES, RESEARCH AND WHITE PAPERS

COUNCIL RECOMMENDS MORE RESEARCH ABOUT "BROKERAGE WINDOW ONLY" PLANS

The ERISA Advisory Council has revisited the topic of brokerage windows in self-directed retirement plans in a recent report to Department of Labor Secretary Marty Walsh. But the Council also declined to recommend additional regulations for brokerage windows in general, saying the costs outweigh the benefits. Source: Planadviser.com

Full Article Available Here --->> <https://www.planadviser.com/council-recommends-research-brokerage-window-plans/>

EVIDENCE ON MULTIPLE WAYS TO BOOST YOUR RETIREMENT SAVINGS

While foregoing costly DB plans, employers have turned to several strategies to promote their employees' retirement savings, including providing more and better information, simplifying employee choices, leveraging social norms, establishing active-choice frameworks, and automatically enrolling employees in plans. Research has demonstrated positive impacts of all these strategies on retirement savings participation and savings rates, with increasing effects based on the intensity of the program intervention. Source: Wharton.upenn.edu

Full Article Available Here --->> <https://pensionresearchcouncil.wharton.upenn.edu/blog/whats-your-strategy-a-small-nudge-or-big-shove-evidence-on-multiple-ways-to-boost-your-retirement-savings/>

DOCUMENTARY: NAVIGATING A 401K WORLD

Early in this new documentary, the director's message seems to be that retirement finances are messy, elusive, and too complicated for mere mortals to understand. Filmmaker Doug Orchard reminds us in "The Baby Boomer Dilemma: An Exposé on America's Retirement Experiment" that there are no easy solutions for Social Security, which economists predict will deplete its trust fund reserves around 2034. Closing the shortfall will probably require some combination of benefit cuts and revenue increases. Finally, the filmmaker presents a real-world example of the difficult decisions workers grapple with in a U.S. retirement system that has largely transitioned from defined benefit pensions, which provide regular monthly income, to 401k and other DC plans, which accumulate a pot of savings that retirees have to figure out how to manage.

Source: Bc.edu

Full Article Available Here --->> <https://squaredawayblog.bc.edu/squared-away/documentary-navigating-a-401k-world/>



COMPLIANCE AND REGULATORY RELATED

INDIVIDUAL AND PRE-APPROVED 403B PLAN DOCUMENTS: EVALUATING WHAT TO DO IN 2022

The IRS has announced in recent Rev. Proc. 2021-37 that it will start accepting filings in the second cycle for pre-approved 403b plans on May 2, 2022. In connection with that, the IRS has also indicated that it is considering opening a determination letter process for individually designed 403b plans after all, and has been soliciting comments on doing so. These developments raise several considerations for 403b plan providers and employers regarding their plan documents that are worth considering. This article reviews some key considerations. Source: Groom.com

Full Article Available Here --->> <https://www.groom.com/resources/individual-and-pre-approved-403b-plan-documents-evaluating-what-to-do-in-2022/>

AVOID TROUBLE BY DEPOSITING EMPLOYEE CONTRIBUTIONS ON TIME

This article looks at another critical issue for employers, the need to deposit participant 401k contributions in the plan's trust or custodial account in a timely manner, and what to do when they aren't. Source: Foley.com

Full Article Available Here --->> <https://www.foley.com/en/insights/publications/2022/02/401k-compliance-depositing-employee-contributions>

NEW MORTALITY TABLE MAY LEAD TO LOWER RMDs UNDER 401K PLANS

A new IRS mortality table effective on and after January 1, 2022, may lower the amount of required minimum distributions under 401k retirement plans for many participants required to receive such distributions in 2022 and beyond. This comes about due to a directive from the Trump Administration requiring the IRS to update the outdated 2012 mortality table. The new table is based on more recent data reflecting the general trend toward longer life expectancies. Source: Compliedashboard.net

Full Article Available Here --->> <https://www.compliedashboard.net/401k-new-mortality-table-may-lead-to-lower-rmds-under-401k-plans/>

OOPS, WAS THAT PLAN COMPENSATION?

Using an inaccurate definition of compensation can be a small mistake that ends up being a big mistake. Such a failure directly affects contributions and can affect a few participants, all participants, or something in between. And even though the amounts involved may be small from payroll-to-payroll, they can go undetected (and therefore uncorrected) for many years, adding up to significant amounts required for correction. Source: Erisadc.com

Full Article Available Here --->> <https://www.erisadc.com/correction-war-stories-part-i-oops-was-that-plan-compensation/>

