

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

- Roughly Half of Americans Lack Access to Workplace Retirement Plans
- Fund Fees Dropped Nearly \$6.9 Billion in 2021
- Here's Why It's Vital to be a Consistent 401k Saver
- Plan Participants Have Modest Retirement Expectations

FIDUCIARY AND PLAN GOVERNANCE MATERIAL

- Retirement Plan Sponsors Should Prepare for the New IRS Pre-Examination Pilot Program
- ERISA Plan Arbitration Clauses Likely Headed to U.S. Supreme Court
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- How Planning for Retirement Has Evolved
- How the Great Resignation Is Impacting Plan Sponsors
- Congressional Research Service Report: Cryptocurrency in 401k Retirement Plans
- 2022 Advisory Council Report on Cybersecurity Insurance and Employee Benefit Plans

COMPLIANCE AND REGULATORY RELATED

- Plan Documents: The Lifeblood of Compliance
- Why Missing 401k Participants Are So Misunderstood
- It's Form 5500 Season: Five Common Mistakes That Plan Sponsors Should Avoid
- How Retirement Plans Can Correct Required Minimum Distribution Errors

GENERAL ITEMS

ROUGHLY HALF OF AMERICANS LACK ACCESS TO WORKPLACE RETIREMENT PLANS

Roughly half of the workers in the U.S. do not have access to a retirement plan at work, according to a new AARP study released this week. Nearly 57 million people -- 48% of American private sector employees ages 18 to 64 -- work for an employer that does not offer either a defined contribution plan or a pension plan. Source: 401kspecialistmag.com

Full Article Available Here --->> <https://401kspecialistmag.com/roughly-half-of-americans-lack-access-to-workplace-retirement-plans/>

FUND FEES DROPPED NEARLY \$6.9 BILLION IN 2021

Continuing their two-decade decline, the average expense ratio paid by fund investors fell again last year, Morningstar's annual U.S. Fund Fee Study reports. The study, which evaluates trends in the cost of U.S. open-end mutual funds and exchange-traded funds, found that the asset-weighted average expense ratio of U.S. funds fell from 0.42% in 2020 to 0.40% in 2021, saving investors an estimated \$6.9 billion as a result. Source: Napa-net.org

Full Article Available Here --->> <https://www.napa-net.org/news-info/daily-news/fund-fees-dropped-nearly-69-billion-2021>

HERE'S WHY IT'S VITAL TO BE A CONSISTENT 401K SAVER

A recent study of the EBRI/ICI 401k database analyzing trends in the average plan account balance of consistent participants underscores the powerful compounding effect of ongoing participation. The study found that at the end of 2019, 33% of the active group had more than \$200,000 in their 401k plans at their current employers, while another 20% had between \$100,000 and \$200,000. Source: Napa-net.org

Full Article Available Here --->> <https://www.napa-net.org/news-info/daily-news/heres-why-its-vital-be-consistent-401k-saver>

PLAN PARTICIPANTS HAVE MODEST RETIREMENT EXPECTATIONS

It might be time to put to bed the cliched, sunny depictions of retirees traveling overseas or enjoying their golden years carefree on the beach, a survey from Principal shows. A key retirement goal for 71% of workers is now merely to maintain their standard of living, according to the latest update of the Principal Retirement Security Survey. Meanwhile, 44% of individuals cited splurging periodically in retirement as a priority. Between these bookends, 47% of respondents said that not outliving their savings in retirement is a top goal. Source: Plansponsor.com

Full Article Available Here --->> <https://www.plansponsor.com/plan-participants-modest-retirement-expectations/>

FIDUCIARY AND PLAN GOVERNANCE MATERIAL

RETIREMENT PLAN SPONSORS SHOULD PREPARE FOR THE NEW IRS PRE-EXAMINATION PILOT PROGRAM

In June 2022, the IRS launched a pre-examination pilot program for retirement plans that could help employers avoid costly penalties. The program aims to reduce the burden of, and time spent on, retirement plan audits, which are typically a time-consuming endeavor for plan sponsors. The program ultimately should be good news for plan sponsors in terms of both financial penalties and, presumably, a more efficient audit process. Source: Spencerfane.com

Full Article Available Here --->><https://www.spencerfane.com/publication/retirement-plan-sponsors-should-prepare-for-the-new-irs-pre-examination-pilot-program/>

ERISA PLAN ARBITRATION CLAUSES LIKELY HEADED TO U.S. SUPREME COURT

Various federal appellate courts have considered cases in which employers attempt to prevent ERISA class action lawsuits by including mandatory arbitration requirements in their plan documents. Due to the varying outcomes of these cases, this issue is likely headed to the U.S. Supreme Court for resolution. Source: Hallbenefitslaw.com

Full Article Available Here --->> <https://hallbenefitslaw.com/erisa-plan-arbitration-clauses-likely-headed-to-u-s-supreme-court/>

HAS VESTING GOTTEN CONTROVERSIAL?

Against all odds, vesting schedules have become the stuff of headlines. Personal-finance writers around the U.S. are offering advice and insight into how employees should regard the schedule in which they vest in their employers' contributions to their defined contribution retirement plans. For workers in businesses that have shorter employee tenures, a long-graded vesting schedule could be seen as unfair to workers. But for plan sponsors, vesting schedules can control costs and help with employee retention. Source: Plansponsor.com

Full Article Available Here --->> <https://www.plansponsor.com/in-depth/vesting-gotten-controversial/>

CYBERSECURITY IN THE COMMITTEE ROOM

Cybersecurity is not merely a technology issue. For that reason, fiduciary committees must understand they have a legal duty to protect the personally identifiable information, personal health information, and assets of their employee benefit plans from exposure and to protect electronic systems from exploitation by hackers. Read how some fiduciary committees address the challenge. Source: Rolandcriss.com

Full Article Available Here --->> <https://rolandcriss.com/wp-content/uploads/2022/07/Hagan-JCB-Cyber-Committee-Room.pdf>



INSIGHTS: STUDIES, RESEARCH AND WHITE PAPERS

HOW PLANNING FOR RETIREMENT HAS EVOLVED

J.P. Morgan Asset Management has released its annual "Guide to Retirement," providing a detailed update on the retirement landscape and new insights into the saving and spending behaviors of retirees. According to the report, the best way to mitigate such wide-ranging challenges is to develop a comprehensive retirement plan and focus on what can be controlled. This includes maximizing savings as early as possible, understanding and managing to spend, and being well-diversified from an investment and tax perspective.

Source: Plansponsor.com

Full Article Available Here ---> <https://www.plansponsor.com/planning-retirement-evolved/>

Link to Guide Available Here ---> <https://am.jpmorgan.com/us/en/asset-management/adv/insights/retirement-insights/guide-to-retirement/>

HOW THE GREAT RESIGNATION IS IMPACTING PLAN SPONSORS

Whether you call it the great resignation or the Great Reshuffle, employees from entry-level associates to C-suite executives are making career moves, motivated by pandemic-prompted introspection, rising wages, and more leverage to negotiate for perks like telecommuting or flexible scheduling. For some plan sponsors, the high quit rates of the past few years -- both internally and at the recordkeepers and advisers with whom they work -- have created some challenges. Source: Plansponsor.com

Full Article Available Here ---> <https://www.plansponsor.com/in-depth/great-resignation-impacting-plan-sponsors/>

CONGRESSIONAL RESEARCH SERVICE REPORT: CRYPTOCURRENCY IN 401K RETIREMENT PLANS

Digital assets, which include cryptocurrencies, crypto-assets, or digital tokens, among others, are digital representations of value and are issued and transferred using distributed ledger or blockchain technology. Bitcoin, Ethereum, and Dogecoin are among the most well-known cryptocurrencies. A November 2021 Pew Research Center and a March 2022 NBC News poll found that around one-fifth of Americans indicated that they had invested, traded, or otherwise used cryptocurrency. In recent months, policymakers have paid increasing attention to the prospect of defined contribution pension plan participants being able to invest in cryptocurrency. Source: Congress.gov

Full Article Available Here ---> <https://crsreports.congress.gov/product/pdf/IF/IF12153>

2022 ADVISORY COUNCIL REPORT ON CYBERSECURITY INSURANCE AND EMPLOYEE BENEFIT PLANS

The 2022 Advisory Council hopes first to gain an understanding of cybersecurity insurers and the current market for cybersecurity insurance. This will include learning about insurers that are writing cybersecurity insurance coverage, the underwriting standards that insurers use for such insurance, and controls that insurers require or recommend that insureds have in place as a condition to underwriting coverage for cybersecurity risk. The Council also intends to investigate the terms of typical cybersecurity insurance policies. Source: Dol.gov

Full Article Available Here ---> <https://www.dol.gov/sites/dolgov/files/EBSA/about-ebbsa/about-us/erisa-advisory-council/final-issue-statement-cybersecurity-insurance-and-employee-benefit-plans.pdf>

COMPLIANCE AND REGULATORY RELATED

PLAN DOCUMENTS: THE LIFEBLOOD OF COMPLIANCE

Plan documents are the lifeblood of compliance. They drive communication, they drive compliance. People get into a lot of trouble when they don't handle plan documents correctly, and that failure to comply on time is one of the biggest compliance issues for the IRS. Source: Asppa.org

Full Article Available Here --->> <https://www.asppa.org/news/plan-documents-%E2%80%98lifeblood%E2%80%99-compliance>

WHY MISSING 401K PARTICIPANTS ARE SO MISUNDERSTOOD

"Missing participants" is a label for a problem that's ill-defined and poorly understood, and where fundamental misunderstandings exist, inadequate solutions -- paired with the prospect of unwanted regulatory attention or audits -- can persist. Here's how you can better understand the problem and free yourself from the missing participant treadmill. Source: 401kspecialistmag.com

Full Article Available Here --->> <https://401kspecialistmag.com/why-missing-401k-participants-are-so-misunderstood/>

IT'S FORM 5500 SEASON: FIVE COMMON MISTAKES THAT PLAN SPONSORS SHOULD AVOID

We are just past the "official" start of summer, which means it is time for sponsors of retirement plans and many health and welfare plans to think about preparing and submitting Form 5500. This article examines the most common mistakes encountered when plan sponsors complete Form 5500. Source: Dickinson-wright.com

Full Article Available Here --->> <https://hr.dickinson-wright.com/2022/07/06/its-form-5500-season-five-common-mistakes-that-plan-sponsors-should-avoid/>

HOW RETIREMENT PLANS CAN CORRECT REQUIRED MINIMUM DISTRIBUTION ERRORS

When an error in administering required minimum distributions from a defined benefit or defined contribution plan violates Internal Revenue Code requirements, plan sponsors may be able to fix the problem by making corrective distributions under IRS procedures. This article outlines the solutions available when qualified or 403b plans miss or miscalculate RMDs. The coverage includes streamlined procedures for plans applying for IRS approval of a proposed correction and options for requesting a waiver of participants' excise taxes. Source: Mercer.com

Full Article Available Here --->> <https://www.mercer.com/our-thinking/law-and-policy-group/how-to-correct-required-minimum-distribution-errors.html>

