

# 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

- Clearing Up Confusion About Retirement Timing
- 401k Plans: The Push for Lifetime Income Options is About to Begin
- Considerations for Plan Sponsors Looking to Keep Participants After Retirement
- Retirement Assets Total \$28.7 Trillion in First Quarter 2020

### FIDUCIARY AND PLAN GOVERNANCE MATERIAL

- Investments in ESG Funds: The DOL Tightens the Fiduciary Standards
- Avoiding Pitfalls in Retirement Plan Forfeitures
- DOL Offers Guidance to Fiduciaries Considering Private Equity Investments in DC Plans
- Retirement Tier Widely Recommended for DC Plans

### INSIGHTS: STUDIES, RESEARCH AND WHITE PAPERS

- How Exposed Are Retirement Savings to Market Risk?
- Another Risk for Retirement Savings: Divorce
- Bridging the Gap Between Accumulation and Decumulation for Participants
- Are 401k Menus Out of Balance?

### COMPLIANCE AND REGULATORY RELATED

- Participant Communications Specific to the Pandemic
- Lessons Learned From a Litigation Settlement
- IRS Issues More CARES Act Eligibility and Plan Loan Guidance
- 401k Plan Sued for COVID-19-Related Missteps

## GENERAL ITEMS

### CLEARING UP CONFUSION ABOUT RETIREMENT TIMING

The pandemic may put a wrench in some participants' plans to retire, but others may be more prepared than they think. How can plan sponsors help them decide? Source: Plansponsor.com

Full Article Available Here --->> <https://www.plansponsor.com/in-depth/clearing-confusion-retirement-timing/>

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### 401K PLANS: THE PUSH FOR LIFETIME INCOME OPTIONS IS ABOUT TO BEGIN

Very few 401k plans provide true lifetime income options, such as the monthly lifetime retirement benefit in a pension plan or a plan design feature in which the accumulated account is used to purchase an annuity contract providing a guaranteed monthly retirement income benefit. And, there currently is no legal requirement that a 401k plan includes annuity or similar lifetime income options. However, the federal government has expressed an interest in this subject, as evidenced in the recently enacted SECURE Act. Source: Jdsupra.com

Full Article Available Here --->> <https://www.jdsupra.com/legalnews/401-k-plans-the-push-for-lifetime-95113/>

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### CONSIDERATIONS FOR PLAN SPONSORS LOOKING TO KEEP PARTICIPANTS AFTER RETIREMENT

DC plan participants are increasingly keeping their retirement balances in the plan after they retire, but plan sponsors interested in retaining those balances must overcome some misperceptions, according to a recent paper by T. Rowe Price. Source: Asppa.org

Full Article Available Here --->> <https://www.asppa.org/news/considerations-plan-sponsors-looking-keep-participants-after-retirement>

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### RETIREMENT ASSETS TOTAL \$28.7 TRILLION IN FIRST QUARTER 2020

Total US retirement assets were \$28.7 trillion as of March 31, 2020, down 11.9 percent from December 31, 2019. Retirement assets accounted for 33 percent of all household financial assets in the United States at the end of March 2020. Source: Ici.org

Full Article Available Here --->> [https://www.ici.org/research/stats/retirement/ret\\_20\\_q1](https://www.ici.org/research/stats/retirement/ret_20_q1)

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## **FIDUCIARY AND PLAN GOVERNANCE MATERIAL**

### **INVESTMENTS IN ESG FUNDS: THE DOL TIGHTENS THE FIDUCIARY STANDARDS**

The DOL stated that ERISA's duty of loyalty prohibits a plan fiduciary from investing in ESG vehicles if that investment subordinates return or increases the risk for non-pecuniary objectives. The significant growth of plan investments in these vehicles raises concerns that fiduciaries may be violating this duty of loyalty. The DOL is expanding its audit guidelines to focus on ESG investments. Source: Sgrlaw.com

Full Article Available Here --->> <https://www.sgrlaw.com/client-alerts/investments-in-environmental-social-and-governance-esg-funds-the-dol-tightens-the-fiduciary-standards/>

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### **AVOIDING PITFALLS IN RETIREMENT PLAN FORFEITURES**

This 7-page paper will help defined contribution plan sponsors consider the administration of forfeitures within their plans. It also outlines the timing and approved uses of forfeitures and provides additional considerations for forfeiture-related events. Source: Vanguard.com

Full Article Available Here --->> <https://institutional.vanguard.com/iam/pdf/FRFTP.pdf?cbdForceDomain=false>

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### **DOL OFFERS GUIDANCE TO FIDUCIARIES CONSIDERING PRIVATE EQUITY INVESTMENTS IN DC PLANS**

While the guidance does not establish any new fiduciary rules or exemptions, it is nonetheless quite helpful in providing factors to be considered by fiduciaries in determining whether investment vehicles with private equity components belong in their plan investment menu. The Information Letter considers facts relevant to private equity investments, but the guidance can be applied more broadly to consideration of any alternative investment vehicle with similar characteristics. Source: Wagnerlawgroup.com

Full Article Available Here --->> <https://www.wagnerlawgroup.com/resources/erisa/dol-offers-guidance-to-fiduciaries-considering-private-equity-investments-in-defined-contribution-plans>

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### **RETIREMENT TIER WIDELY RECOMMENDED FOR DC PLANS**

As more Americans shift from saving to spending in retirement, the majority of consultants of large 401k plans say plan sponsors should add a retirement tier and retiree-focused investment options to retain retirees and to help them manage their assets in retirement. A retirement tier is a range of products, solutions, tools, and services to support participants who are near, entering or in retirement. Source: Plansponsor.com

Full Article Available Here --->> <https://www.plansponsor.com/retirement-tier-widely-recommended-dc-plans/>

## **INSIGHTS: STUDIES, RESEARCH AND WHITE PAPERS**

### **HOW EXPOSED ARE RETIREMENT SAVINGS TO MARKET RISK?**

As the COVID-19 pandemic emerged in early 2020, the stock market declined by 35 percent between its February peak and March trough. While the market has largely recovered since then, it remains very volatile and exposes household savings to continued market risk. This 10-page paper documents where the declines occurred and the extent to which retirement accounts are exposed to equity market risk. The first section looks at overall trends in the stock market and household exposure. The second section breaks down the decline in equity values by source. And the third section focuses specifically on retirement assets. Source: Bc.edu

Full Article Available Here --->> [https://crr.bc.edu/wp-content/uploads/2020/06/IB\\_20-10.pdf](https://crr.bc.edu/wp-content/uploads/2020/06/IB_20-10.pdf)

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### **ANOTHER RISK FOR RETIREMENT SAVINGS: DIVORCE**

Americans who went through a divorce or job loss are more likely to tap into their retirement accounts early, studies find. According to a working paper by economists Frank Stafford of the University of Michigan and Thomas Bridges of the University of Delaware, divorced households are 9.5% more likely to attain "fast cash" by drawing from their retirement accounts, and they're 11.8% less likely to continue saving for retirement. Divorced women are especially vulnerable. Source: Plansponsor.com

Full Article Available Here --->> <https://www.plansponsor.com/in-depth/another-risk-retirement-savings-divorce/>

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### **BRIDGING THE GAP BETWEEN ACCUMULATION AND DECUMULATION FOR PARTICIPANTS**

Defined contribution plan participants are increasingly keeping retirement balances in the plan, and a growing number of plan sponsors are interested in retaining these balances. Information gleaned from focus groups suggests that participants have misperceptions about the value of staying in plan. Some participants do not even know that staying in a plan is an option after retirement. If plan sponsors want to maintain retirees in the plan, they should not keep it a secret. They must engage with participants early and often. Source: Troweprice.com

Full Article Available Here --->> <https://www.troweprice.com/financial-intermediary/us/en/insights/articles/2020/q2/bridging-gap-between-accumulation-and-decumulation.html>

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### **ARE 401K MENUS OUT OF BALANCE?**

Amid historic market volatility, a new survey of retirement plan sponsors and retirement plan advisors reveals gaps in focus and perception about the role of fixed-income investments in a fully diversified 401k menu. The new survey found that equity options outnumber fixed income by approximately 3:1 on plan menus, regardless of plan size. Source: Asppa.org

Full Article Available Here --->> <https://www.asppa.org/news/browse-topics/are-401k-menus-out-balance>

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## COMPLIANCE AND REGULATORY RELATED

### PARTICIPANT COMMUNICATIONS SPECIFIC TO THE PANDEMIC

A recent Buck survey showed that 62% of defined contribution plan sponsors plan to increase their financial education communications. And there is certainly an increased need. Elizabeth Woodburn, with Buck, describes what elements DC plan sponsors may consider including in participant communications during the COVID-19 pandemic. Source: Plansponsor.com

Full Article Available Here --->> <https://www.plansponsor.com/participant-communications-specific-pandemic/>

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### LESSONS LEARNED FROM A LITIGATION SETTLEMENT

The recent \$17 million settlement involving Neuberger Berman stands out because, while those case citations remain, the narrative provides a kind of checklist for fiduciaries who might want to make their plans more secure from random litigation. Consider the points this settlement agreement said might arise, and be decided against the plaintiffs' case, and pointers to take from them. Source: Napa-net.org

Full Article Available Here --->> <https://www.napa-net.org/news-info/daily-news/lessons-learned-litigation-settlement>

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### IRS ISSUES MORE CARES ACT ELIGIBILITY AND PLAN LOAN GUIDANCE

The IRS has issued Notice 2020-50, providing additional guidance on several aspects of the CARES Act. A "qualified individual" who has experienced health or financial effects from the COVID-19 pandemic is eligible for certain retirement plan distribution, penalty exemption, plan loan and loan repayment, taxation, and repayment benefits. Source: Ascensus.com

Full Article Available Here --->> <https://www2.ascensus.com/news/industry-regulatory-news/2020/06/22/irs-issues-more-cares-act-eligibility-and-plan-loan-guidance/>

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### 401K PLAN SUED FOR COVID-19-RELATED MISSTEPS

If you were wondering how long it would take someone to file suit regarding events related to the COVID-19 pandemic, wonder no more. In what seems to be the first suit filed against a 401k plan post-COVID-19 outbreak, the suit was brought by plaintiffs and former participants against the Behan Bros, Inc. Retirement Plan. Behan Brothers is a construction company located in Middletown, RI. The plan all participated in was a profit-sharing 401k plan, albeit one without participant direction. Source: Napa-net.org

Full Article Available Here --->> <https://www.napa-net.org/news-info/daily-news/401k-plan-sued-covid-19-related-missteps>

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