

Raymond James 401(k) Monthly Newsletter

August 2011

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.

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General Items

[Nowhere to Hide on Hidden 401k Fees](#)

Summary: Under ERISA, CFOs and other retirement-plan fiduciaries are required to understand the fees and expenses charged and the services provided to the plan. With plan participants increasingly litigious, plan sponsors must take care that investment and administration expenses are "reasonable."

Source: CFO Magazine.

[The 401k Auditor's Wish List](#)

Summary: As we approach the audit deadline for employee benefit audit plans, hopefully things are already in motion with your plan auditors. You have received the list of items they need to complete the audit, documents have been exchanged and meetings are planned. But what else can you do to make this year's audit more efficient, less painful and - dare we say - more enjoyable than last year?

Source: Employee Benefit News.

[Prepping Participants Ahead of New Fee Disclosure Regulations](#)

Summary: That their plan is free to them is a very common misconception that plan participants have. With new participant fee disclosure regulations coming into effect next year, some employees may be in for a shock. Here's what you can do to start prepping them now.

Source: Employee Benefit News.

[Investors Clueless on Suitability vs. Fiduciary Standards](#)

Summary: By a vast majority, investors don't know the difference between the standards that are now in effect. At issue is the question of a suitability standard (under which an advisor is required to make investments he judges to be suitable for his clients) vs. a fiduciary standard (under which an advisor is required to act in his clients' best interests, and disclose to them all conflicts of interest).

Source: Advisorone.com.

[Picking the Best Provider](#)

Summary: A bad provider selection can ruin even the best-designed plan. Plan sponsors who want to build a better 401k plan can, however, build on the success and ideas fostered by a great provider relationship-and that is why your choice of a recordkeeping provider may well be the most critical you will make as a plan fiduciary.

Source: Plansponsor.com.

[A Look Inside Fee Benchmarking Services](#)

Summary: A number of fee benchmarking services have come to the fore in recent years, employing different assumptions, built on different databases, and deployed in different ways and through varying media. This article touches on four of these services as well as the controversies around them that have emerged.

Source: Plansponsor.com.

[How to Effectively Educate Baby Boomers to Prepare for Retirement](#)

Summary: More and more employers are grappling with how to help the Baby Boomer generation address the gap between what they have saved and what they will need to save to comfortably retire. It is a challenging problem. Here's some thoughts.

Source: 401khelpcenter.com.

[Fiduciary Items](#)

[Why Retirement Plan Sponsors Shouldn't Only Focus on Low Fees](#)

Summary: While paying unreasonable plan expenses is a breach of fiduciary duty, picking providers solely or mainly because they are low in fees can also breach the fiduciary duty. The duty of prudence requires the selection of competent plan providers and selecting an incompetent provider is a certain breach of that duty. So a plan provider needs to select competent plan providers, not just the lowest cost vendor.

Source: The Rosenbaum Law Firm.

[Four Misconceptions About Fiduciary Liability Insurance](#)

Summary: With the increasing spotlight on fiduciaries and their responsibilities for ERISA plans, many employers are asking themselves whether it's time to buy fiduciary liability insurance. But, if you are a fiduciary considering fiduciary liability insurance, here are four misconceptions that can get in the way of proper decision making.

Source: Retirementplanblog.com.

Studies and Research

[Vanguard Finds More 401k Participants Getting Professional Investment Help](#)

Summary: The portfolios of nearly 30% of participants in 401k retirement plans at Vanguard are in automatic professionally managed investment programs, which particularly benefit individuals who lack the skills to invest properly on their own, according to Vanguard's How America Saves 2011.

Source: 401khelpcenter.com.

[Study Shows Gen-Xers Fear Bleak Retirement](#)

Summary: Only about one in ten so-called Generation-Xers is very confident of being able to maintain their current standard of living when they retire, and 82 percent cannot say they are well along their path to planning a successful retirement, the study revealed.

Source: 401khelpcenter.com.

[Study Finds Benefit Plans Key to Employer Talent Retention Strategies](#)

Summary: Bank of America Merrill Lynch released these findings from its Workplace Benefits Report, a new study focused on the role financial benefit plans play in employers' talent management strategies and the overall financial well-being of their employees. The study includes responses from 650 C-level executives, HR and benefit plan leaders and examines ways in which employers are helping to address the financial needs of perhaps the most demographically diverse workforce in history.

Source: 401khelpcenter.com.

[Lack of Retirement Funds Is Americans' Biggest Financial Worry](#)

Summary: More Americans are worried about not having enough money for retirement (66%) than are worried about seven other financial matters Gallup asked about.

Majorities of Americans, however, are also very or moderately worried about not being able to pay medical costs for a serious illness or accident and about not being able to maintain their standard of living. Source: Gallup.

Court and Legislative Items

[Seventh Circuit Requires 401k Plan Fiduciaries to Stand Trial](#)

Summary: The litigation was brought by participants of a 401k plan against the plan's sponsor and various individuals affiliated with the plan sponsor, as well as the relevant corporate committee that was responsible for overseeing the plan. After earlier having certified the case as a class action, the district court thereafter ended the case in its entirety by granting summary judgment to all defendants. An appeal followed. A panel of the Seventh Circuit reversed the decision, in part, thereby setting the case on track for trial, unless further appeals are allowed or the case is resolved by the parties.

Source: Goodwin Procter LLP.

[Do Your Plan Communications Mislead Participants?](#)

Summary: Plan fiduciaries and ERISA litigators got a few surprises in a recent United States Supreme Court decision on whether participants can be awarded benefits promised to them in plan communications, but not in the plan document. The decision, CIGNA v. Amara, has been described as a victory for plan sponsors by defense counsel.

Source: Pensionsbenefitslaw.com.

Commentary and Opinion

[ASPPA Study Says Bad Math Targets 401k Plans](#)

Summary: Proposals to scale back or eliminate retirement savings incentives in 401k plans not only endanger the ability of low- and moderate-income workers to enjoy secure retirements but are based on faulty math, according to new research from ASPPA. Their analysis shows the real cost of retirement savings incentives to be 55 to 75 percent lower than claimed by budget hawks.

Source: 401khelpcenter.com.

[All Americans Need 401k Loan Insurance](#)

Summary: Former Secretary of Labor Elaine Chao writes, "American families are losing a shocking \$5 billion to \$7 billion in retirement savings annually due to [401k loan] defaults. To equip 401k participants with a means of guarding against such defaults, a proposal is being advanced to allow auto-enrollment into loan life and disability insurance or a similar safeguard. This proposal would...provide guaranteed protection to the 20 million Americans with outstanding retirement loans totaling about \$241 billion." Source: Rollcall.com.

Regulatory Items

[Retirement Plan Disqualification — Not Just a Threat](#)

Summary: Although the IRS can disqualify ongoing qualified retirement plans, the agency generally tries to avoid such draconian measures. But in two recent cases - Michael C. Hollen v. Commissioner and Christy & Swan Profit Sharing Plan v. Commissioner - the U.S. Tax Court upheld the IRS's disqualification of a retirement plan because of plan document and operational failures. Source: Towers Watson.

[Borzi Provides an Update of Proposed Regulations](#)

Summary: Secretary Borzi of the Employee Benefits Security Administration (EBSA) addressed the Department's work with fee disclosures, lifetime income, electronic disclosure, and the definition of fiduciary at a meeting of the International Foundation. There are still changes to be made to 408(b)(2), she said. Source: Planadviser.com.

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