

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

- Roth vs. Traditional IRAs, 401ks: Which Is Better for You?
- 401k Mistakes to Avoid
- Tackling Student Debt With 401k Savings
- Americans Have Been Saving Much More Than Thought, New Data Show

FIDUCIARY AND PLAN GOVERNANCE MATERIAL

- What are the "Reasonable" Expenses That Can Be Paid Out From Plan Assets?
- Top Fiduciary Questions 401k Plan Sponsors Must Ask
- What CFOs Should Know About Retirement Plan Audits
- Collective Investment Trusts Show Gains Over Mutual Funds in DC Plans

INSIGHTS: STUDIES, RESEARCH AND WHITE PAPERS

- Millennials Benefiting From Retirement Plan Modernization
- Average 401k Deferral Rates Skyrocket
- Automatic Enrollment in Small-business Plans Is Working

COMPLIANCE AND REGULATORY RELATED

- ERISA Litigation Surging -- Focus on Fees
- Bill Would Eviscerate ERISA Protections for Small Plan Participants
- Legislation Boosting SIMPLE Plans for Small Businesses Introduced
- IRS Blesses Use of Forfeitures for QNEC/QMAC/Safe Harbor Contributions

GENERAL ITEMS

ROTH VS. TRADITIONAL IRAS, 401KS: WHICH IS BETTER FOR YOU?

What's the difference between a Roth IRA and traditional IRA? Ditto for Roth 401k accounts and traditional 401k accounts. And, more importantly, which one is best for you? Answer: the one that leaves you more money after you've paid taxes. And that depends on your individual circumstances, everything from your age to your prospects for future pay raises and your tax bracket. Source: Investors.com

Full Article Available Here --->> <https://www.investors.com/etfs-and-funds/retirement/how-to-choose-between-roth-traditional-ira-401k/>

401K MISTAKES TO AVOID

Fees and penalties for your 401k can often be avoided if you understand how your 401k plan works. You can also take advantage of employer contributions and tax breaks once you figure out how to qualify. Here's how to fix several common 401k problems. Source: Usnews.com

Full Article Available Here --->> <https://money.usnews.com/money/retirement/401ks/articles/401k-mistakes-to-avoid>

TACKLING STUDENT DEBT WITH 401K SAVINGS

Younger employees struggling to repay heavy student debt often delay saving for retirement. As a result, these employees lose the advantage of starting to save at an early age. Recently, Abbott, the pharmaceutical and medical products company, announced a new program to help employees build retirement savings in their 401k accounts at the same time they are repaying their student loans. Source: Steptoe.com

Full Article Available Here --->> <https://www.steptoel.com/en/news-publications/tackling-student-debt-with-401k-savings.html>

AMERICANS HAVE BEEN SAVING MUCH MORE THAN THOUGHT, NEW DATA SHOW

U.S. households have been socking away a lot more money in recent years than had been earlier thought, revised government statistics released on Friday showed. The saving rate over 2016 and 2017 is now pegged at an average 6.7 percent, up from a previously reported 4.2 percent. Source: Bloomberg.com

Full Article Available Here --->> <https://www.bloomberg.com/news/articles/2018-07-27/americans-have-been-saving-much-more-than-thought-new-data-show>

FIDUCIARY AND PLAN GOVERNANCE MATERIAL

WHAT ARE THE "REASONABLE" EXPENSES THAT CAN BE PAID OUT FROM PLAN ASSETS?

Under ERISA, retirement plan sponsors have a fiduciary duty that requires them to act solely in the interest of plan participants and beneficiaries. Plan sponsors are also limited to using plan assets for the reasonable expenses of administering the plan. Using plan assets for other plan expenses could be a breach of the sponsor's fiduciary duty and lead to potential fines and costly litigation. Source: Bslp.com

Full Article Available Here --->> <https://www.bsllp.com/reasonable-expenses-from-plan-assets>

TOP FIDUCIARY QUESTIONS 401K PLAN SPONSORS MUST ASK

For many plan sponsors, their real job has nothing to do with running the company retirement plan. Yet, being named a plan sponsor may carry greater personal risk than their real job. This article identifies fiduciary questions every 401k plan sponsor must ask, what the best answers to those questions are, and why they are important. Source: Fiduciarynews.com

Full Article Available Here --->> <http://fiduciarynews.com/2018/07/must-read-for-the-summer-top-fiduciary-questions-401k-plan-sponsors-must-ask-but-sometimes-dont/>

WHAT CFOS SHOULD KNOW ABOUT RETIREMENT PLAN AUDITS

A common reason for an audit is to minimize the financial risk associated with annual tax-filing obligations. However, as certain issues, like financial wellness and cybersecurity, have grown more prominent, the scope of an audit has widened to provide a more complete view of a plan's overall health and value. Source: Cfo.com

Full Article Available Here --->> <http://ww2.cfo.com/retirement-plans/2018/07/what-cfos-should-know-about-retirement-plan-audits/>

COLLECTIVE INVESTMENT TRUSTS SHOW GAINS OVER MUTUAL FUNDS IN DC PLANS

The Callan Institute's 2018 Defined Contribution Trends report is showing that sponsors of plans, including 401k and 457 plans, are looking at options besides mutual funds. Callan found that in 2017 fewer plans offered mutual funds (79.5%) than in previous years. Source: Mfdf.org

Full Article Available Here --->> <http://mfdf.org/forum-news/article/collective-investment-trusts-show-gains-over-mutual-funds-in-dc-plans>

INSIGHTS: STUDIES, RESEARCH AND WHITE PAPERS

MILLENNIALS BENEFITING FROM RETIREMENT PLAN MODERNIZATION

Millennials are the first generation to fully benefit from improvements made to retirement plans over the last decade, according to a survey from the Empower Institute. They are on track to replace 75% of their income in retirement, compared to 64% for Americans overall, 61% for Gen Xers and 58% for Baby Boomers. Source: Planadviser.com

Full Article Available Here --->> <https://www.planadviser.com/millennials-benefiting-retirement-plan-modernization/>

AVERAGE 401K DEFERRAL RATES SKYROCKET

Market appreciation and an increase in default deferral rates sent participant account balances soaring in 2017 when compared with the previous year. T. Rowe Price said the average employee pre-tax deferral rate reached 8.3 percent, the highest in 10 years, the company noted, citing its participant data. Source: 401kspecialistmag.com

Full Article Available Here --->> <https://401kspecialistmag.com/average-401k-deferral-rates-skyrocket/>

AUTOMATIC ENROLLMENT IN SMALL-BUSINESS PLANS IS WORKING

Corroborating behavioral finance insights on saving habits, a survey by Vanguard of 8,900 small-business retirement plans found that those having automatic enrollment enjoyed an 83% participation rate, versus 58% for plans with voluntary enrollment. According to the survey, some 63% of employees at businesses that use Vanguard's small-business retirement plan service participated in their 401k plan, versus 61% in 2016. Source: Investmentnews.com

Full Article Available Here --->> <http://www.investmentnews.com/article/20180712/FREE/180719972/automatic-enrollment-in-small-business-plans-is-working>

COMPLIANCE AND REGULATORY RELATED

ERISA LITIGATION SURGING -- FOCUS ON FEES

After a few years of decline, litigation involving 401k plans "has surged again recently," according to a study published by the Center for Retirement Research at Boston College. This is likely not news to 401k sponsors and service providers, who are confronted with this reality on a near daily basis. The authors of the study point to some consequences -- good, bad, and mixed -- of the 401k litigation trends they've identified. Source: Insidecompensation.com

Full Article Available Here --->> <https://www.insidecompensation.com/2018/07/16/erisa-litigation-surging-focus-on-fees/>

BILL WOULD EVISCERATE ERISA PROTECTIONS FOR SMALL PLAN PARTICIPANTS

The Small Business Employees Retirement Enhancement Act, introduced July 17 by Sen. Tom Cotton, includes provisions regarding multiple employer plans. However, under the bill, employers with 100 or fewer employees who earned at least \$5,000 during the preceding year that participate in a pooled employer plan registered with the Labor Department would not be considered a fiduciary to that plan, including with respect to the selection and monitoring of any plan service provider or any investment under the plan. Source: Asppa.org

Full Article Available Here --->> <http://www.asppa.org/News/Browse-Topics/Details/ArticleID/10132/Bill-Would-Eviscerate-ERISA-Protections-for-Small-Plan-Participants>

LEGISLATION BOOSTING SIMPLE PLANS FOR SMALL BUSINESSES INTRODUCED

A bipartisan bill that its sponsors say will provide greater flexibility and access to small business employees and their employers seeking to utilize SIMPLE plans as an option for saving for retirement has been introduced in the U.S. Senate. Source: Napa-net.org

Full Article Available Here --->> <https://www.napa-net.org/news/technical-competence/legislation/legislation-boosting-simple-plans-for-small-businesses-introduced/>

IRS BLESSES USE OF FORFEITURES FOR QNEC/QMAC/SAFE HARBOR CONTRIBUTIONS

The IRS has finalized regulations that allow employers to use forfeitures as qualified nonelective and qualified matching contributions to help pass nondiscrimination tests and as safe harbor contributions. The change is effective for plan years beginning on or after July 20, but, as previously offered in IRS' proposed regulation, can be relied on for earlier periods. Source: Conduent.com

Full Article Available Here --->> <https://analysis.hrservices.conduent.com/2018/07/20/irs-blesses-use-of-forfeitures-for-qnec-qmac-safe-harbor-contributions/>