

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

- Self-Directed 401k Millennial Investors Favor ETFs, Cash
- Innovative Retirement Solutions Are Required for Gig Workers
- Could Multiple-Employer Plans Be a Game Changer for Retirement Security?
- Most 401ks Embrace New Hardship Rules, But Participant Response Muted

FIDUCIARY AND PLAN GOVERNANCE MATERIAL

- Should a Plan Sponsor Adopt a 401k Investment Policy Statement?
- IRS Relieves Uncertainty About Timing of Plan Amendments
- Ways to Find Missing Participants
- Retirement Plan Cyber Crimes and How to Mitigate Them

INSIGHTS: STUDIES, RESEARCH AND WHITE PAPERS

- Defined Contribution Plan Participants' Activities, First Half 2019
- How the Shift to 401ks Has Increased Gaps in Retirement Preparedness
- Understanding the Mindset of Participants Who Take Loans
- E-Delivery of Retirement Plan Communications Could Improve Retirement Readiness

COMPLIANCE AND REGULATORY RELATED

- The Year in ERISA Litigation
- What Plan Sponsors Need to Know About the SECURE Act
- Supreme Court Hears Polarized Arguments in Intel ERISA Case
- Bill Would Allow Tax- and Penalty-Free Retirement Savings Withdrawals for Student Loan Payments

GENERAL ITEMS

SELF-DIRECTED 401K MILLENNIAL INVESTORS FAVOR ETFS, CASH

Compared to their older counterparts, Millennials who invest through self-directed brokerage accounts may be investing more conservatively than they should be at that age, based on the results of an industry-leading benchmarking report. Source: Napa-net.org

Full Article Available Here --->> <https://www.napa-net.org/news-info/daily-news/self-directed-401k-millennial-investors-favor-etfs-cash>

INNOVATIVE RETIREMENT SOLUTIONS ARE REQUIRED FOR GIG WORKERS

Most efforts to improve retirement security focus on improving access to workplace plans. It makes sense since Americans are 15 times more likely to save for retirement in payroll deduction savings plans through work. However, these improvements don't move the needs of independent workers. The retirement industry needs innovative solutions that can help meet the needs of a rapidly growing segment of our economy. It's unclear what these solutions will be, but they might include those covered here. Source: 401kspecialistmag.com

Full Article Available Here --->> <https://401kspecialistmag.com/innovative-retirement-solutions-are-required-for-gig-workers/>

COULD MULTIPLE-EMPLOYER PLANS BE A GAME CHANGER FOR RETIREMENT SECURITY?

Open MEPs are an exciting policy change, but it is far from clear how they will work in practice. Their effectiveness in improving retirement-plan quality and their overall appeal depends on how this niche industry reacts. There is also the matter of how regulators nudge MEPs along, as they will have to balance concerns regarding the soundness and proper regulation of these plans with maintaining their appeal to the industry for use and promotion. This article discusses a few questions employers and plan sponsors may have around open MEPs. Source: Morningstar.com

Full Article Available Here --->> <https://www.morningstar.com/blog/2019/12/19/mep-retirement.html>

MOST 401KS EMBRACE NEW HARDSHIP RULES, BUT PARTICIPANT RESPONSE MUTED

Employers that sponsor 401k plans have moved quickly to incorporate new, more liberal, hardship withdrawal provisions, but most have not yet seen an uptick in participants taking advantage of the new rules, according to a new snapshot survey by the Plan Sponsor Council of America. Source: Psca.org

Full Article Available Here --->> https://www.pasca.org/survey_2019_hardships

FIDUCIARY AND PLAN GOVERNANCE MATERIAL

SHOULD A PLAN SPONSOR ADOPT A 401K INVESTMENT POLICY STATEMENT?

While it is by no means a universal truth, it is now commonly believed most 401k plan sponsors are better served by adopting an IPS. The law does not require it, but it is a best practice not only for the plan but for the investment adviser as well because it lays out in writing a guideline for investment objectives and limitations for both. Source: Fiduciarynews.com

Full Article Available Here --->> <http://fiduciarynews.com/2019/12/should-a-plan-sponsor-adopt-a-401k-investment-policy-statement/>

IRS RELIEVES UNCERTAINTY ABOUT TIMING OF PLAN AMENDMENTS

After the Internal Revenue Service finalized significant changes on hardship distribution regulations in September, the deadline for adopting certain retirement plan amendments has been extended to December 31, 2021. Groom Law Principals Louis Mazaway and Elizabeth Dold discuss their thoughts on the extension in this article. Source: Groom.com

Full Article Available Here --->> <https://www.groom.com/resources/irs-relieves-uncertainty-about-timing-of-plan-amendments/>

WAYS TO FIND MISSING PARTICIPANTS

Since 2015, the Department of Labor has focused on plan sponsors' duty under ERISA to find missing participants. The signs of a missing participant include returned mail, returned emails, no recent activity on the Internet or phone, or an outstanding distribution check that has not been cashed. Neither the DOL or the IRS have offered much guidance on how to find missing participants, but this article looks at a few. Source: Planadviser.com

Full Article Available Here --->> <https://www.planadviser.com/ways-find-missing-participants/>

RETIREMENT PLAN CYBER CRIMES AND HOW TO MITIGATE THEM

Cybersecurity has been a growing concern across all parts of life in the digital age. Plan sponsors need to understand how vulnerable retirement plan and participant data is to cyberattacks and know what they, providers and participants can do to mitigate the risk. Source: Plansponsor.com

Full Article Available Here --->> <https://www.plansponsor.com/background-retirement-plan-cybersecurity-avoid/>

INSIGHTS: STUDIES, RESEARCH AND WHITE PAPERS

DEFINED CONTRIBUTION PLAN PARTICIPANTS' ACTIVITIES, FIRST HALF 2019

Defined contribution plan assets are a significant component of Americans' retirement assets, representing 28 percent of the total retirement market and almost one-tenth of US households' aggregate financial assets at the end of the second quarter of 2019. To measure participant-directed changes in DC plans, ICI has been tracking participant activity through recordkeeper surveys since 2008. This 16-page report updates results from ICI's survey of a cross-section of recordkeeping firms representing a broad range of DC plans and covering more than 30 million employer-based DC retirement plan participant accounts as of June 2019. Source: ICI.org

Full Article Available Here ---> https://www.ici.org/pdf/19_rpt_recsurveyq2.pdf

HOW THE SHIFT TO 401KS HAS INCREASED GAPS IN RETIREMENT PREPAREDNESS

The evidence presented in this chartbook -- that the retirement system does not work for most workers -- underscores the importance of preserving and expanding Social Security, defending defined-benefit pensions for workers who have them, and seeking new solutions for those who do not. Source: Epi.org

Full Article Available Here ---> <https://www.epi.org/publication/the-state-of-american-retirement-savings/>

UNDERSTANDING THE MINDSET OF PARTICIPANTS WHO TAKE LOANS

Most participants tend to be under financial stress when taking a loan from their 401k, so the thought of repaying it becomes an afterthought that later adds to their stress, according to a new study. Greenwald & Associates conducted a survey of 500 plan participants who have taken at least one plan loan and performed in-depth interviews with a subset of the participants to better understand the context around loan-taking, participant education, and loan defaults. Source: Asppa.org

Full Article Available Here ---> <https://www.asppa.org/news/understanding-mindset-participants-who-take-loans>

E-DELIVERY OF RETIREMENT PLAN COMMUNICATIONS COULD IMPROVE RETIREMENT READINESS

Electronic delivery for retirement plan communications could save participants up to \$450 million a year, according to the SPARK Institute. Over the course of their savings lives, this could boost participants' returns by 9%, the Institute adds. "This latest research significantly endorses the Department of Labor's electronic delivery proposal and the undeniable benefits for the nation's retirement savers," says Tim Rouse, executive director of the SPARK Institute. "It clearly demonstrates improved retirement outcomes with electronic delivery and online access that can reduce costs and increase savings for the average retiree by 9% over the accumulation period." Source: Planadviser.com

Full Article Available Here ---> <https://www.plansponsor.com/spark-finds-e-delivery-retirement-plan-communications-improve-retirement-readiness/>

COMPLIANCE AND REGULATORY RELATED

THE YEAR IN ERISA LITIGATION

As have previous years, 2019 brought major settlements and decisions in retirement-plan focused litigation, including some precedent-setting appellate and Supreme Court decisions. Source: Planadviser.com

Full Article Available Here --->> <https://www.planadviser.com/exclusives/year-erisa-litigation/>

WHAT PLAN SPONSORS NEED TO KNOW ABOUT THE SECURE ACT

The SECURE Act, which changes many retirement plan provisions, was just signed into law with many changes effective in 2020. This article is about what you need to know about the SECURE Act and its effect on your retirement plan. Source: Jdsupra.com

Full Article Available Here --->> <https://www.jdsupra.com/legalnews/what-plan-sponsors-need-to-know-about-th-61340/>

SUPREME COURT HEARS POLARIZED ARGUMENTS IN INTEL ERISA CASE

While not divided across political lines, the parties in Sulyma v. Intel Corporation Investment Policy Committee views the question of what establishes "actual knowledge" of an alleged fiduciary breach under ERISA very differently. Source: Planadviser.com

Full Article Available Here --->> <https://www.planadviser.com/supreme-court-hears-polarized-arguments-intel-erisa-case/>

BILL WOULD ALLOW TAX- AND PENALTY-FREE RETIREMENT SAVINGS WITHDRAWALS FOR STUDENT LOAN PAYMENTS

Sen. Rand Paul has introduced legislation that would permit tax-free, penalty-free withdrawals from IRAs and employer-sponsored retirement plans for qualified education expenses or student loan repayment. Source: Ascensus.com

Full Article Available Here --->> <https://www2.ascensus.com/news/industry-regulatory-news/2019/12/05/bill-would-allow-tax-and-penalty-free-retirement-savings-withdrawals-for-student-loan-and-education-payments/>

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