

# IFS | Fiduciary Insights Update

## Retirement Plan Monthly Newsletter

### CONTACT INFORMATION

Institutional Fiduciary Solutions

880 Carillon Parkway  
St. Petersburg, FL 33716

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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

- Four Tech Trends Shaping the 401k Industry
- ESG Would Get Massive Boost From DOL Proposed 401k Rule
- SECURE Act Revisited -- Plan Participants
- Congress Considers Mandatory Auto-Enrollment IRAs

### FIDUCIARY AND PLAN GOVERNANCE MATERIAL

- DOL Proposes Rule to Remove Barriers to ESG Funds in Retirement Plans
- Scary Surprise for Some New 401k Sponsors: Plan Audit Costs
- EBSA Nominee Addresses Fiduciary Rulemaking, Women's Protection

### INSIGHTS: STUDIES, RESEARCH AND WHITE PAPERS

- Changes in 401k Plan Asset Allocation Among Consistent Participants, 2010-2018
- DCIO Service Providers Report Significant Momentum
- Can 401k Plans Better Serve Their Retired Workers?
- Managed Accounts and TDFs Better Together Than Apart, Research

### COMPLIANCE AND REGULATORY RELATED

- New 401k Adoption Agreements on the Horizon: Pitfalls for the Unwary
- A Primer on DOL Probes for ERISA Plan Service Providers
- 2021 Plan Amendment Deadlines and Other Looming Fourth Quarter Considerations

## GENERAL ITEMS

### FOUR TECH TRENDS SHAPING THE 401K INDUSTRY

While the 401k industry may be somewhat slow to adapt to new technology, the results of a new survey suggest that ongoing developments are quickly transforming the retirement space. According to the resulting of a recent, outdated recordkeeping technology has led to high costs, administrative difficulties, and rigid plan designs. But that appears to be changing as large banks and private equity firms, for example, have invested nearly \$1 billion into the industry over the past year alone. Source: Napa-net.org

Full Article Available Here --->> <https://www.napa-net.org/news-info/daily-news/4-tech-trends-shaping-401k-industry>

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### ESG WOULD GET MASSIVE BOOST FROM DOL PROPOSED 401K RULE

A proposed rule issued Wednesday by the DOL bodes extremely well for ESG investment managers, especially because the regulator clarified that target-date funds and other default products that use the investment criteria are permissible in 401ks. But the DOL went a step further, noting that it is retaining the so-called "tie-breaker" test for investments, meaning that all else being equal, financially immaterial factors can give one product an edge over another. The proposal also clarifies that ESG can be material when it comes to proxy votes that plan sponsors make on behalf of participants. Source: Investmentnews.com

Full Article Available Here --->> <https://www.investmentnews.com/esg-dol-proposed-rule-boost-212788>

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### SECURE ACT REVISITED -- PLAN PARTICIPANTS

The SECURE Act provides more access to retirement plans for more people, allows participants more options in retirement, and provides small businesses with incentives to offer and additional options to establish new 401k plans. With all the provisions now effective, here's what plan participants need to know. Source: Benefit-Resources.com

Full Article Available Here --->> <https://www.benefit-resources.com/blog/secure-act-revisited-pt.-2-plan-participants>

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### CONGRESS CONSIDERS MANDATORY AUTO-ENROLLMENT IRAS

All eyes are on Congress as it wrestles with a \$1 trillion infrastructure bill and a \$3.5 trillion budget reconciliation bill. The House Ways and Means Committee markup of the reconciliation bill would require certain employers with five or more employees to automatically enroll employees in a payroll deduction IRA. This requirement would take effect on January 1, 2023. Source: Wagnerlawgroup.com

Full Article Available Here --->> <https://www.wagnerlawgroup.com/resources/erisa/congress-considers-mandatory-auto-enrollment-iras>

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## FIDUCIARY AND PLAN GOVERNANCE MATERIAL

### DOL PROPOSES RULE TO REMOVE BARRIERS TO ESG FUNDS IN RETIREMENT PLANS

The DOL has proposed removing barriers put in place by the prior administration that would have limited plan fiduciaries' ability to consider climate change and other environmental, social, and governance issues as risk factors affecting workers' financial security when fiduciaries select retirement plan investments and exercise shareholder proxy voting rights. Source: Shrm.org

Full Article Available Here --->><https://www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/DOL-proposes-rule-to-remove-barriers-to-ESG-funds-in-retirement-plans.aspx>

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### SCARY SURPRISE FOR SOME NEW 401K SPONSORS: PLAN AUDIT COSTS

You are a business owner and have just found out that as part of your Form 5500 filing obligations you need to engage the services of an independent qualified public accountant to audit plan operations and finances. The cost of these services run about \$10,000. This is a scary surprise for you. Did things have to end up this way? Source: Eforerisa.com

Full Article Available Here --->> <https://eforerisa.com/2021/10/13/scary-surprise-for-some-new-401k-sponsors-plan-audit-costs/>

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### EBSA NOMINEE ADDRESSES FIDUCIARY RULEMAKING, WOMEN'S PROTECTION

Lisa Gomez, who was nominated to serve as Assistant Secretary of Labor for the Employee Benefits Security Administration, tackled a wide range of issues during her Oct. 7 Senate confirmation hearing. Source: Napa-net.org

Full Article Available Here --->><https://www.napa-net.org/news-info/daily-news/ebsa-nominee-addresses-fiduciary-rulemaking-womens-protection>

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## INSIGHTS: STUDIES, RESEARCH AND WHITE PAPERS

### CHANGES IN 401K PLAN ASSET ALLOCATION AMONG CONSISTENT PARTICIPANTS, 2010-2018

This paper provides an update of a longitudinal analysis of plan participants drawn from the EBRI/ICI 401k database. It examines how asset allocations change over the years within the accounts of consistent participants, that is, those who maintained accounts in each year from 2010 through 2018. Source: Ebri.org

Full Article Available Here --->>[https://www.ebri.org/publications/research-publications/issue-briefs/content/changes-in-401\(k\)-plan-asset-allocation-among-consistent-participants-2010-2018](https://www.ebri.org/publications/research-publications/issue-briefs/content/changes-in-401(k)-plan-asset-allocation-among-consistent-participants-2010-2018)

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### DCIO SERVICE PROVIDERS REPORT SIGNIFICANT MOMENTUM

The average defined contribution investment-only provider's assets under management rose 30% over the 12 months leading up to June 30, aided by market gains of around 10% in just the first half of 2021, according to a new Sway Research survey. The analysis is based on surveys and interviews with 21 DCIO sales leaders and DC plan intermediaries. It shows that not all the AUM growth is the result of increasing stock prices, as two-thirds of the managers captured positive net sales during the first half of this year. Source: Planadviser.com

Full Article Available Here --->> <https://www.planadviser.com/dcio-service-providers-report-significant-momentum/>

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### CAN 401K PLANS BETTER SERVE THEIR RETIRED WORKERS?

Improving 401k plans for retirees is a worthwhile goal. Currently, the system is messy. To start, plan sponsors view their responsibilities divergently. According to a survey from Pimco, 36% of sponsors actively encourage their company's retirees to remain in the 401k plan, 38% prefer that they do so but do not solicit such behavior, 19% are indifferent, and 7% hope that their retirees will leave. The trend, however, is toward greater involvement. Over time, attempting to retain retiree accounts will likely become the corporate standard. Source: Morningstar.com

Full Article Available Here --->><https://www.morningstar.com/articles/1061272/can-401k-plans-better-serve-their-retired-workers>

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### MANAGED ACCOUNTS AND TDFS BETTER TOGETHER THAN APART, RESEARCH

For years plan sponsors and consultants have compared the outcomes of managed accounts and target-date funds within workplace retirement plans. The thinking was that plan sponsors and consultants should choose one or the other to offer retirement plan participants. New research and analysis from Empower Institute show that managed accounts and target-date funds instead complement each other and together can improve investors' retirement savings outcomes. Source: Empower-Retirement.com

Full Article Available Here --->><https://docs.empower-retirement.com/empower-institute/Complements-Not-Substitutes-Managed-Accounts-Research-Brief.pdf>

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## COMPLIANCE AND REGULATORY RELATED

### NEW 401K ADOPTION AGREEMENTS ON THE HORIZON: PITFALLS FOR THE UNWARY

It is important for employers to carefully review the updated documents prepared for their plans. Simply "rubber stamping" the updated document package from the vendor is likely to result in compliance failures and could lead to costly corrections and penalties. Here are some of the issues to watch for. Source: Sgmlaw.com

Full Article Available Here --->> <https://www.sgmlaw.com/client-alerts/new-401k-adoption-agreements-on-the-horizon-pitfalls-for-the-unwary/>

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### A PRIMER ON DOL PROBES FOR ERISA PLAN SERVICE PROVIDERS

The DOL has proactively shifted its enforcement resources in recent years from the sponsors of plans covered by ERISA to the financial institutions that provide services to ERISA plans. This has allowed the agency to conduct investigations involving hundreds or thousands of plans at once rather than investigating individual plan sponsors. Given this shift, it is important to know both what to expect when the DOL decides to investigate and how to respond. Source: Groom.com

Full Article Available Here --->> <https://www.groom.com/wp-content/uploads/2021/10/Law360-A-Primer-On-DOL-Probes-For-ERISA-Plan-Service-Providers.pdf>

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### 2021 PLAN AMENDMENT DEADLINES AND OTHER LOOMING FOURTH QUARTER CONSIDERATIONS

As the year draws to a close, it is helpful for employers to pause to evaluate employee benefit plan amendment deadlines and other crucial fourth-quarter considerations. Ten are reviewed here. Source: Jacksonlewis.com

Full Article Available Here --->> <https://www.jacksonlewis.com/publication/2021-plan-amendment-deadlines-and-other-looming-fourth-quarter-considerations>

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