

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

- Retirement Security for Women Amid COVID-19
- Employers Cutting 401(k) Matching Contributions
- The Next Evolution in 403(b) Plans: Investments
- New DOL Guidance on Private Equity Adds Flexibility for DC Plans

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- First Hints of Potential New DOL Fiduciary Rule Emerge
- Six Considerations for Plan Fiduciaries During the COVID-19 Pandemic
- DC Plan Sponsor Fiduciary Torch Is Brighter and Can Help Light Dark Days
- Peeling Back the Fiduciary Layers and Unscrambling the Fiduciary Confusion

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- Analysis Finds Nearly Three Decades of Retirement Savings Growth
- DC Plan Participants Continue to Save During COVID-19 Pandemic
- Analysis Shows Prior Estimate Vastly Overstates Retirement Plan "Leakage"
- Retirement Preparedness is Top Concern Among Employers, According to New Fidelity Study

COMPLIANCE AND REGULATORY RELATED

- Court Decision Highlights the Dangers of Cybersecurity Breaches for Both Plan Sponsors and Plan Service Providers
- IRS Allow Remote Notarization of Participant Elections for 2020
- DOL Issues Final Rule on E-Delivery
- Is DOL Making an ESG "Investment"?

GENERAL ITEMS

RETIREMENT SECURITY FOR WOMEN AMID COVID-19

A woman's path to a secure retirement is filled with obstacles. Amid the COVID-19 pandemic, the challenges faced by women have further intensified with layoffs, furloughs, or extended periods working from home and balancing job responsibilities with homeschooling children and, possibly, caregiving for an aging parent or loved one. The goal of this research is two-fold: 1) to raise awareness of the retirement risks that women face, and 2) to highlight opportunities for women to take greater control of their finances and their futures. Source: Transamericacenter.org

Full Article Available Here --->> https://transamericacenter.org/docs/default-source/retirement-survey-of-workers/tcrs2020_sr_women-retirement-security-amid-covid.pdf

EMPLOYERS CUTTING 401(k) MATCHING CONTRIBUTIONS

The pandemic, which has changed the way millions of people work, is also starting to change the way they save, and not in a good way. Some 12% of employers have suspended matching contributions to their 401k plans, and an additional 23% were planning to cut their match or were considering it, according to a survey conducted in late April by Willis Towers Watson. Source: Nasdaq.com

Full Article Available Here --->> <https://www.nasdaq.com/articles/employers-cutting-401k-matching-contributions-2020-06-05>

THE NEXT EVOLUTION IN 403(b) PLANS: INVESTMENTS

While 403b plans have made great strides, lifting restrictions on the types of investments the plans can offer and considering more diverse investment types could further improve participant retirement outcomes. Source: Plansponsor.com

Full Article Available Here --->> <https://www.plansponsor.com/in-depth/next-evolution-403b-plans-investments/>

NEW DOL GUIDANCE ON PRIVATE EQUITY ADDS FLEXIBILITY FOR DC PLANS

The DOL issued important new guidance for 401k plan investment committees on June 3 that want to include private equity as a component of a target-date fund or other diversified investment fund offered within a 401k plan. The Information Letter marks the first time DOL has addressed the use of private equity in defined contribution retirement plans. Source: 401kspecialistmag.com

Full Article Available Here --->> <https://401kspecialistmag.com/new-dol-guidance-on-private-equity-adds-flexibility-for-dc-plans/>

FIDUCIARY AND PLAN GOVERNANCE MATERIAL

FIRST HINTS OF POTENTIAL NEW DOL FIDUCIARY RULE EMERGE

The DOL has filed for review a draft regulation with the Office of Management and Budget. The actual language of the proposed rule is not yet available, as it must first be analyzed by OMB, but sources are speculating that this proposal likely represents the DOL's new fiduciary rule and that the "exemption" referenced in the title of the rule will be related to the Regulation Best Interest package currently being implemented by the SEC. Source: Planadviser.com

Full Article Available Here --->> <https://www.planadviser.com/first-hints-potential-new-dol-fiduciary-rule-emerge/>

SIX CONSIDERATIONS FOR PLAN FIDUCIARIES DURING THE COVID-19 PANDEMIC

ERISA fiduciaries may want to identify steps they should be taking and decisions they should be considering to adjust their process in the face of the coronavirus pandemic. This article identifies six such points that could be appropriate for consideration by retirement plan fiduciaries, such as fiduciary committees, as the pandemic and related economic fallout continue to evolve. Source: Morganlewis.com

Full Article Available Here --->> <https://www.morganlewis.com/pubs/six-considerations-for-plan-fiduciaries-during-the-covid-19-pandemic-cv19-lf>

DC PLAN SPONSOR FIDUCIARY TORCH IS BRIGHTER AND CAN HELP LIGHT DARK DAYS

Defined contribution plan sponsors are putting more importance on their fiduciary duties, based on results from a recent survey. It also saw more plan sponsors turning to third parties for guidance as well as a growing appreciation for professional training and fee transparency. This is especially welcome news as sponsors face the disruption of their plans and their participants are grappling with market unsettledness caused by the coronavirus crisis. Source: Alliancebernstein.com

Full Article Available Here --->> <https://blog.alliancebernstein.com/library/dc-plan-sponsor-fiduciary-torch-is-brighter-and-can-help-light-dark-days>

PEELING BACK THE FIDUCIARY LAYERS AND UNSCRAMBLING THE FIDUCIARY CONFUSION

In seeking clarity about the "type" of 401k professional it has retained, plan sponsors often find the answers they are given to be incoherent with a slant in favor of the 401k industry instead of plan participants. The residual fuzziness plan sponsors are left feeling about this topic is a source of significant irritation to them. This comprehensive article attempts to peel back the fiduciary layers and unscramble the fiduciary fuzziness.

Full Article Available Here --->> http://www.401khelpcenter.com/401k/unscrambling_fiduciary_confusion.html

INSIGHTS: STUDIES, RESEARCH AND WHITE PAPERS

ANALYSIS FINDS NEARLY THREE DECADES OF RETIREMENT SAVINGS GROWTH

A recent analysis that draws on data from two sources offers insights on retirement savings over nearly 30 years and prospects for the future that bode well. In "Changes to Household Retirement Savings Since 1989," American Enterprise Institute Resident Scholar Andrew Biggs concludes that by more than one measure, retirement savings have been -- and will continue to be -- on a positive trajectory. Source: Napa-net.org

Full Article Available Here --->> <https://www.napa-net.org/news-info/daily-news/analysis-finds-nearly-three-decades-retirement-savings-growth>

DC PLAN PARTICIPANTS CONTINUE TO SAVE DURING COVID-19 PANDEMIC

Americans continued to save for retirement through defined contribution plans early this year despite uncertain market conditions during the COVID-19 pandemic. The study tracks contributions, withdrawals, and other activity, based on DC plan recordkeeper data covering more than 30 million participant accounts in employer-based DC plans. Source: ICI.org

Full Article Available Here --->> https://www.ici.org/pressroom/news/20_recordkeeper_1q20

ANALYSIS SHOWS PRIOR ESTIMATE VASTLY OVERSTATES RETIREMENT PLAN "LEAKAGE"

The term "leakage" refers to early withdrawals from retirement accounts used for non-retirement purposes. Previous studies substantially overestimate leakage from retirement accounts according to a new analysis of tax data. The new analysis finds that a reasonable estimate of leakage is the amount of distributions subject to penalty for early distributions under the tax code and that such penalized distributions account for only around half of taxable distributions received by taxpayers younger than age 55. Source: ICI.org

Full Article Available Here --->> https://www.ici.org/pressroom/news/20_news_leakage

RETIREMENT PREPAREDNESS IS TOP CONCERN AMONG EMPLOYERS, ACCORDING TO NEW FIDELITY STUDY

Fidelity Investments announced the results of the 11th edition of its Plan Sponsor Attitudes Study. According to the study, the top concern among 1,500 plan sponsors was whether their plan is effectively preparing employees for retirement financially, consistent with previous years. In late March, in the midst of market volatility and the COVID-19 pandemic, Fidelity also surveyed nearly 1,000 plan sponsors that recordkeep with Fidelity, and their top concern was employee financial well-being. Source: Businesswire.com

Full Article Available Here --->> <https://www.businesswire.com/news/home/20200518005071/en/Retirement-Preparedness-Top-Concern-Employers-New-Fidelity%C2%AE>

COMPLIANCE AND REGULATORY RELATED

COURT DECISION HIGHLIGHTS THE DANGERS OF CYBERSECURITY BREACHES FOR BOTH PLAN SPONSORS AND PLAN SERVICE PROVIDERS

The Leventhal decision comes against the backdrop of our current economic climate that, to be sure, raises the stakes for retirement plan cybersecurity. Plan sponsors are operating in a novel environment, where more employees are working remotely than ever before, many of their participants might be furloughed or unemployed, and the CARES Act makes it more accessible and attractive for employees to withdraw from their 401k plans. The collision of these factors makes securing participant retirement accounts all the more vital. The Leventhal case highlights the importance of protecting against cybersecurity breaches amid these unusual times. Source: Wagnerlawgroup.com

Full Article Available Here ---> <https://www.wagnerlawgroup.com/resources/erisa/court-decision-highlights-the-dangers-of-cybersecurity-breaches-for-both-plan-sponsors-and-plan-service-providers>

IRS ALLOWS REMOTE NOTARIZATION OF PARTICIPANT ELECTIONS FOR 2020

The IRS issued Notice 2020-42 to provide temporary relief for certain participant elections required to be witnessed in the "physical presence" of a plan representative or notary public, including spousal consents. The Notice is a welcomed response to the major challenges posed by the social distancing measures put in place due to the COVID-19 pandemic, and it provides plan administrators with additional flexibility to use remote notarization and similar services for all of 2020.

Full Article Available Here ---> <https://www.groom.com/resources/irs-allows-remote-notarization-of-participant-elections-for-2020/>

DOL ISSUES FINAL RULE ON E-DELIVERY

The much-anticipated final rule was rolled out early on the morning of May 21. While fundamentally similar to the rule proposed last October, it did include some modifications in response to comments received. Chances are you've not yet delved deeply into the Labor Department's final rule on default electronic disclosure. Regardless, here are some things you might have missed.

Full Article Available Here ---> <https://www.asppa.org/news/dol-issues-final-rule-e-delivery>

IS DOL MAKING AN ESG "INVESTMENT"?

The DOL dropped off a proposed rule titled "Financial Factors in Selecting Plan Investments." It's not immediately clear what the focus of the rule is (other than the obvious), though it is flagged as not "economically significant." There's a suspicion that it might have something to do with ESG investing, a topic on which the Labor Department has previously provided some perspective, albeit in the form of Field Assistance Bulletins. Source: Napa-net.org

Full Article Available Here ---> <https://www.napa-net.org/news-info/daily-news/dol-making-esg-investment>

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