

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.

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- Is It Ever a Good Idea to Hold Company Stock in a 401k?
- The Technologically Savvy 401k Plan in Your Future

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- A Cascading Behavioral Roadmap for Fulfilling Fiduciary Duties
- Boosting the Effectiveness of Retirement Plan Communications
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- Not Quite Gone, Far From Forgotten: The Current Status of the DOL Fiduciary Rule
- 401k Investor Tax Bill DOA Now, Could Resurface?

GENERAL ITEMS

FOUR MOST COMMON BIASES SEEN IN 401K PARTICIPANTS

With regard to retirement planning specifically, too many individual savers and retirement plan participants engage in investing and saving biases of which they're largely unaware. In a recent podcast, Schwab executives discussed the cognitive and emotional biases that influence people's 401k financial decisions and offered strategies to help people improve their financial outcomes. Source: 401kspecialistmag.com

Full Article Available Here --->> <https://401kspecialistmag.com/4-most-common-biases-seen-in-401k-participants/>

ADVICE TO PLAN SPONSORS ABOUT 401K PLAN OPTIONS

Life is full of choices and sometimes, there are just way too many choices. That's a problem for 401k plan sponsors when setting up their plan. There are so many plan provisions to consider and so many choices for each provision. This article is sifting through many of the important optional provisions with ideas on what might be the right fit for you. Source: Jdsupra.com

Full Article Available Here --->> <https://www.jdsupra.com/legalnews/advice-to-plan-sponsors-about-401k-pla-33485/>

IS IT EVER A GOOD IDEA TO HOLD COMPANY STOCK IN A 401K?

As automatic and Roth features have grown more popular, another trend is clearly on the wane: company stock on the 401k-plan menu. Whereas nearly half of employers offered company stock in their 401k plans a decade ago, either as part of the plan menu or as part of an employee stock-ownership plan, that figure had dropped to less than 40% as of 2016, according to Callan. Why the demise? Source: Morningstar.com

Full Article Available Here --->> <https://www.morningstar.com/articles/919235/is-it-ever-a-good-idea-to-hold-company-stock-in-a.html>

THE TECHNOLOGICALLY SAVVY 401K PLAN IN YOUR FUTURE

401k participants are increasingly using mobile technology and social media. That is particularly true for Millennials, and we expect, future generations. If so, those are your 401k participants of the future. You may want to consider getting out in front of the "technological" parade. Source: Psca.org

Full Article Available Here --->> https://www.pasca.org/blog_jack_2019_18

FIDUCIARY AND PLAN GOVERNANCE MATERIAL

HOW QDIAS HAVE CHANGED THE FIDUCIARY ROLE OF 401K PLAN SPONSORS

Target-date funds are the fastest growing segment on the 401k investment menu. In the more than ten years since they've become a QDIA staple in 401k plans, target-date funds have certainly changed the retirement prospects for employees. How have these investment vehicles changed the roles, responsibilities, and even the fiduciary liability of the plan sponsor? Source: Fiduciarynews.com

Full Article Available Here --->> <http://fiduciarynews.com/2019/03/how-qdios-have-changed-the-fiduciary-role-of-401k-plan-sponsors/>

A CASCADING BEHAVIORAL ROADMAP FOR FULFILLING FIDUCIARY DUTIES

Fulfilling fiduciary duties is an outcome of successfully integrating processes and methodologies that require different skillsets. All major decisions should be made with only the economic interests of the plan participants in mind. Failure to do so increases the likelihood of a breach of fiduciary duty. Here is a Plan's Sponsor's road-map to successfully fulfill fiduciary duties. Source: 401khelpcenter.com

Full Article Available Here --->> http://www.401khelpcenter.com/401k/shikes_cascading_fiduciary_duties_2019.html

401K INVESTMENT DEFAULT OPTIONS FOR EMPLOYEES

Words have the potential to inform, encourage and empower. But the wrong words can be powerful in negative ways, leaving people uncomfortable, overwhelmed or confused. Using the right words is especially critical in financial matters. Employees need to understand their retirement plan options so they can make the best decisions for their future, but the general public often misunderstands words that are commonly used by financial providers, employers and others in the retirement planning industry. Source: Plansponsor.com

Full Article Available Here --->> <https://www.plansponsor.com/thought-leadership/emp-boosting-effectiveness-retirement-plan-communications/>

REDUCE THE RISK OF FIDUCIARY ERRORS

Running and maintaining a plan can be complicated and fiduciary rules are part of the reason. A recent blog entry offers some suggestions regarding how to reduce the risk of making fiduciary errors in operating a plan. "Operational errors can arouse the same severe consequences as an investment program that's infested with excessive investment-related fees," warns the Roland Criss law firm adding for good measure that the Department of Labor "consistently reminds the HR community that violations of an ERISA plan's operational rules can expose enterprise leaders to personal economic damages." To reduce the risk of running afoul of such errors, Roland Criss suggests a number of actions. Source: Asppa.org

Full Article Available Here --->> <https://www.asppa.org/news/reduce-risk-fiduciary-errors>

INSIGHTS: STUDIES, RESEARCH AND WHITE PAPERS

THE FUTURE OF INNOVATION IN DC PLAN DESIGN

If strengthening retirement security is the goal, then success can only be measured based on improving long-term outcomes. Unfortunately, as DC savings plans have taken the place of traditional DB plans, the shift has been away from outcomes to inputs. Returning to a true focus on outcomes requires moving away from a myopic focus on savings to evaluating whether retirees will have sufficient income to meet their needs once they stop working. This approach to retirement security considers an individual's retirement life cycle. Source: Georgetown.edu

Full Article Available Here --->> <https://cri.georgetown.edu/from-savings-to-security-the-future-of-innovation-in-dc-plan-design/>

HOW WELL DO 401K PLAN SPONSORS SUPPORT PARTICIPANTS?

Tools like managed accounts and target-date funds continue to gain ground, and more than one-third of companies now offer investment advice to participants, more findings from PSCA's 61st Annual Survey reveal. There are several ways that companies provide investment support to participants through the availability of managed accounts, target-date funds, automatic features/QDIAs, and personalized investment advice from professionals. Source: 401kspecialistmag.com

Full Article Available Here --->> <https://401kspecialistmag.com/how-well-do-401k-plan-sponsors-support-participants/>

UNINTENDED CONSEQUENCES OF STRETCHING THE 401K MATCH

When DC plan sponsors stretch the match, they apply an existing dollar match to a higher contribution rate. For example, instead of matching 100% on the first 4% of pay, they match 50% on the first 8% of pay. The idea is that the higher match threshold will encourage participants to contribute more to the plan. A recent research paper from Vanguard says the match stretch is a "strategy proposed to increase plan contributions in plans not opting for automatic enrollment." Source: 401kspecialistmag.com

Full Article Available Here --->> <https://401kspecialistmag.com/unintended-consequences-of-stretching-the-401k-match/>

UNLOCKING PARTICIPANT BEHAVIOR, A KEY TO RETIREMENT SECURITY

There are many pieces to the puzzle that is retirement security. And one of them, suggests a benefits institute, is the behavior of plan participants. Working with, and influencing, that can help put pieces in place. In a paper recent paper, the International Foundation of Employee Benefits Plans argues that behavioral finance shows "that retirement plan design and communication are too often based on assumptions about people that are wrong." The paper offers 10 suggestions for ways to use behavioral finance to help employees and participants in preparing financially for retirement. Source: Asppa.org

Full Article Available Here --->> <https://www.asppa.org/news/unlocking-participant-behavior-key-retirement-security>

COMPLIANCE AND REGULATORY RELATED

SENATE TAX EXTENDERS BILL HAS DISASTER PROVISIONS IMPACTING RETIREMENT PLANS

Senate Finance Committee Chairman Charles Grassley has introduced the Tax Extender and Disaster Relief Act of 2019 (S. 617). The primary aim of the legislation is to extend a number of expired or expiring tax provisions, but it is also being used to provide tax-related relief provisions specific to retirement savings arrangements apply to distributions taken from IRAs and tax-qualified employer-sponsored retirement plans. Source: Ascensus.com

Full Article Available Here --->> <https://www2.ascensus.com/news/industry-regulatory-news/2019/03/06/senate-tax-extend-bill-has-disaster-provisions-impacting-retirement-plans/>

12 YEARS OF LITIGATION DELIVER FINAL SETTLEMENT IN TUSSEY VS. ABB

The 12-year case that's one of the best-known of its kind is near conclusion. The plan sponsor was previously ordered to make reforms such as using lower-cost share classes and conducting an open recordkeeping RFP; the final settlement includes \$55 million in monetary compensation, one of the largest settlements ever paid by a plan sponsor. Source: Plansponsor.com

Full Article Available Here --->> <https://www.plansponsor.com/12-years-litigation-deliver-final-settlement-tussey-vs-abb/>

NOT QUITE GONE, FAR FROM FORGOTTEN: THE CURRENT STATUS OF THE DOL FIDUCIARY RULE

In June 2018, the US Court of Appeals for the Fifth Circuit officially ordered the DOL to vacate the so-called DOL Fiduciary Rule and its related exemptions. As a result of this order and the DO's decision not to appeal, the DOL Fiduciary Rule is regarded as effectively repealed, leaving just the formality of removing it from the Code of Federal Regulations. But the rule continues to influence developments not only in the retirement area, but also beyond. Source: Morganlewis.com

Full Article Available Here --->> <https://www.morganlewis.com/blogs/mlbenebits/2019/04/not-quite-gone-far-from-forgotten-the-current-status-of-the-dol-fiduciary-rule>

401K INVESTOR TAX BILL DOA NOW, COULD RESURFACE?

Democrats' proposed Wall Street Tax Act of 2019 faces long odds with Republicans controlling White House and Senate, but idea could have better chance if Democrats take control after 2020 presidential election. Source: 401kspecialistmag.com

Full Article Available Here --->> <https://401kspecialistmag.com/401k-investor-tax-bill-doa-now-could-resurface/>