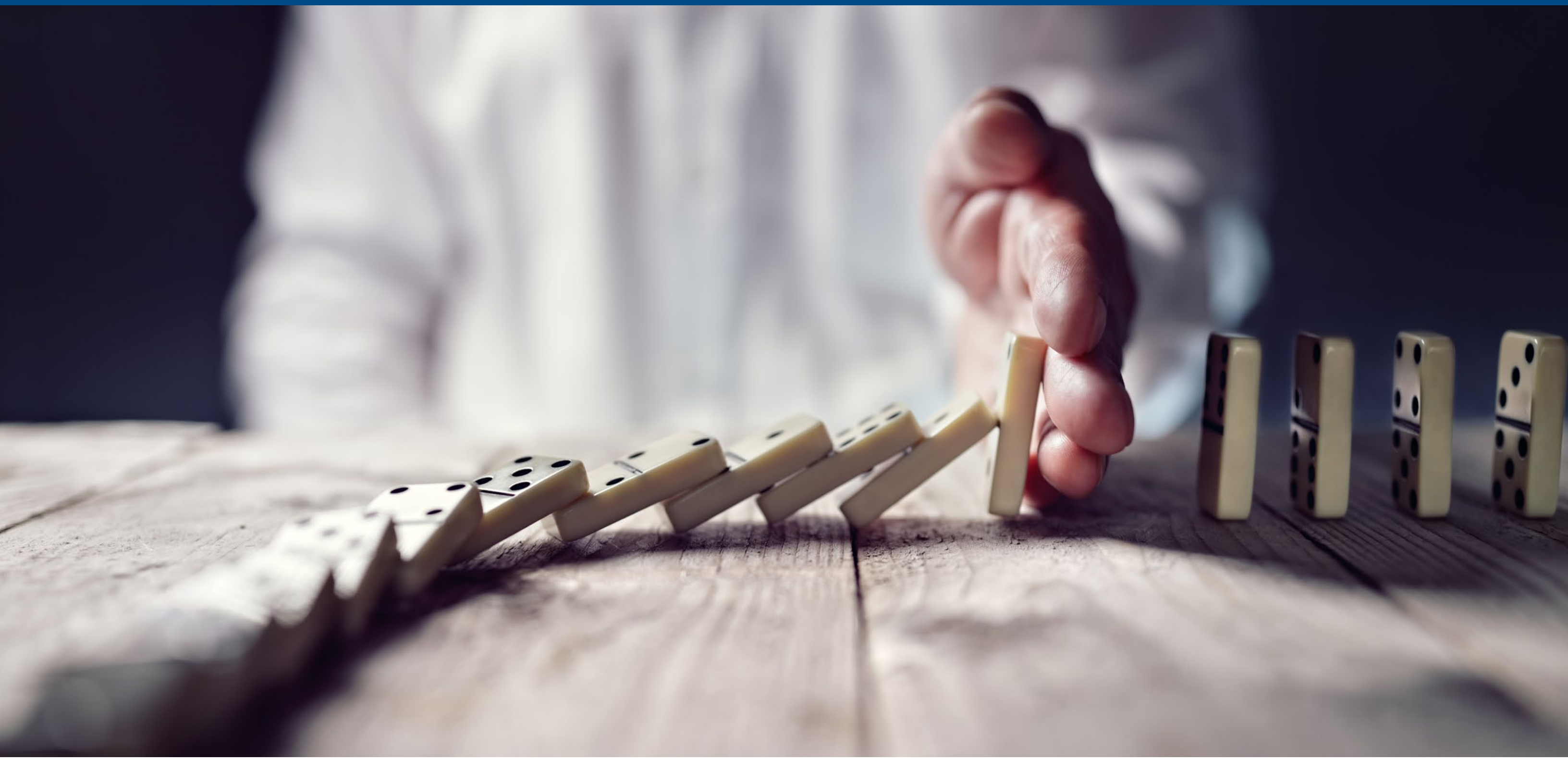
Public Sector Retirement News & Views | Q3 2018



CYBERSECURITY AND YOUR PLAN – ARE YOUR PARTICIPANTS AT RISK?

Defined contribution plans and their partners share many important pieces of personally identifiable information (PII). Therefore, plan administrators should implement measures to protect PII and their participants from cyberattacks wherever possible.

Types of PII that are shared in normal, day-to-day plan activity can include:

- Name
- Date of birth
- Social Security number (SSN)
- Address
- Email address
- Bank account information
- Account balance
- Compensation data

Plans using paper forms for enrollment, account statements or other reasons – particularly when SSNs are used – present additional risks to participant accounts because much of the above information is presented together, with few to no security controls.

Both the Securities and Exchange Commission (SEC) and the Federal Trade Commission (FTC) have adopted a series of requirements for financial institutions servicing defined contribution plans. Financial service providers are required to develop and implement various security and confidentiality procedures and tools designed to detect fraud and theft. These requirements generally apply to a plan's consultants, investment advisors and service providers.

What Can Be Done To Improve Security And Minimize Risk Of Fraud To Participant Accounts?

There are two initial steps a plan sponsor can take to help reduce risk of cyberattacks. First, encourage all participants to set up an online account. Without an online account, the participant's vulnerability to fraud is greatly increased, because it allows hackers to set up new online accounts and gain access to a participant's funds. Second, plan sponsors can request a copy of a provider's Report on Controls SOC-II, an audit report describing an organization's internal controls and attesting to their strength. This is a standard request in all of NFP's requests for proposals.

The National Association of Government Defined Contribution Administrators (NAGDCA) published a brief on cybersecurity, read it here:

https://www.nagdca.org/Portals/45/Publications/Issues/NAGDCA_CyberSecurity_June2017_Final.pdf

KEEPING BENEFICIARY DESIGNATIONS UP TO DATE

Many of NFP's client plan administrators have a challenge with participants not keeping their beneficiary designations up to date. Keeping beneficiary information current is important to a participant's family and their future financial well-being. Unfortunately, it's easy for participants to forget this critical designation when life changes occur.

If a participant has a life change – e.g., marriage, divorce, new children, death of a beneficiary – it is important for the beneficiary information to be revisited. The most recent beneficiary information in a participant's account records on file with the plan sponsor or provider will determine where any remaining assets will be paid upon the participant's death. If the beneficiary information is outdated, the assets may not be paid as the participant would have intended at the time of their death. It is generally recommended that participants check all estate planning documents – including all beneficiary designations – every three to four years, or whenever a life change occurs.

Your plan provider can help identify those participants that do not have beneficiaries on file. They can put notices on the participant's online account to remind them to check their beneficiary information on file. You can also ask your provider representative to integrate questions about beneficiary designations into each participant meeting, to help keep the information as current as possible.

WASHINGTON UPDATE

While Capitol Hill is customarily very active when addressing pension and retirement savings reform, they have been remarkably quiet since the passing of the Tax Cuts & Jobs Act at the end of last year. Several changes were on the table, primarily "Rothification" which could have resulted in retirement savings plans being changed to only offering post-tax deferral options. However, the final regulations made minimal impact to defined contribution plans, with a small change to plan loan repayment requirements. (See 2nd our Q2 News & Views edition for a full description of the changes.)

A quiet Capitol Hill doesn't mean these ideas have gone away. NAGDCA and other lobbying groups continue actively working to protect these plans for all participants. Among their priorities are:

- Preserve and protect current plan features, including offering both pre- and post-tax savings opportunities; the ability to withdraw funds prior to age 59½ without an early withdrawal penalty; and retaining special catch-up provisions allowing participants close to retirement to enhance their retirement savings.
- Extending qualifying charitable distributions to all plans, not only Roth IRAs.
- Build Roth responsiveness to allow participants to roll Roth IRA assets into all retirement savings plans; exempt plan-designated Roth contributions from required minimum distributions – to align with Roth IRA rules; and to allow plan-designated Roth contributions to be used for the purchase of service credits in 401(a) retirement plans.
- Improve administrative efficiency by eliminating the "first day of the month" rule, and by allowing non-spousal beneficiaries to roll assets into retirement savings plans.

Fiduciary Rule Update

Previous issues of News & Views reported on the evolution of the Department of Labor's (DOL) Fiduciary Rule, widely considered among the most important consumer protection changes in recent history. In March, the Fifth Circuit Court of Appeals ruled 2-1 that the DOL exceeded its authority when issuing the fiduciary regulations, which stopped the Rule from being implemented. The Rule was designed to help individual investors be assured that their advisors act in the investor's best interest and not their own; without these legal requirements, investors don't have this assurance.

For now, the SEC released proposed rules that will address the best interest requirements found in the DOL's proposed Rule. The SEC's proposals, if enacted, will apply to broker-dealers only and will not be as broad as the DOL Rule would have been. The Rule is more disclosure-based, does not apply the best interest requirements and will affect governmental retirement plans only to the extent that securities transactions with retail investors occur within the plans.

National Retirement Security Week

To elevate the importance of personal retirement planning, NAGDCA is working with the House and Senate to pass a congressional resolution supporting National Retirement Security Week (NRSW) in October 2018.

Plan administrators can take advantage of NRSW to promote awareness of their plans and their many benefits. Promotions can come in a variety of ways, including increased participant education, retirement / benefit fairs, enrollment campaigns and opportunities for employees to meet with investment representatives to help improve their retirement planning efforts. Some plan sponsors have experienced success emailing a "FAQ of the Day" to offer answers to common questions employees may have and increase overall awareness of the plan. Other plans have held week-long benefit fairs and invited all benefit providers – not just retirement benefits – to participate in exhibits offering information about all employer benefits, especially those of primary importance to retirees. Representatives from Social Security & Medicare, the Pension system, the VEBA or HSA provider, and health insurance providers are often included in these benefit fairs.

NRSW has traditionally been held in October, and it's not too late to start planning for your organization! Your NFP advisor can help you with ideas for a successful event and your plan providers can help with many materials and events you can offer. In addition, NAGDCA has several online resources that plan administrators can download and use as promotional materials for their events.

NFP GOVERNMENTAL RETIREMENT PLAN EXPERTISE

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