Public Sector Retirement News & Views | Q4 2018

DEVELOPING AN EFFECTIVE EMPLOYEE EDUCATION

One of the principles of fiduciary duty is to provide your employees and participants with a variety of educational opportunities so they can position themselves to make informed investment decisions. It's not always easy to know what your participants need, want or will take advantage of. Using a simple framework for your educational program may help increase the effectiveness of your program and help plan sponsors meet this important fiduciary responsibility.

1. Provide a consistent, ongoing program using a variety of communication mediums. This can include group meetings, podcasts, online tools, one-on-one meetings or other mediums attractive to your participants.
2. Vary the content of your program to provide broad education. Content should include plan basics, such as Basic Investing/Getting Started, but may also include topics related to a participant's entire financial picture – e.g., Saving for College, Estimating Retirement Income Sources and Needs, Health Care Options – and other topics of consideration to a retiree's financial well-being.
3. Offer online and professional advice tools to help retirees determine how much they need to save and how they will invest their contributions.
4. Fully disclose to participants, in easily understandable terms, information about the fees associated with their different investment options.
5. Offer participants opportunities to discuss their risk tolerance level, and help them understand how much risk they are willing to take when investing for their retirement.
6. Consider allowing employees to take advantage of educational opportunities and/or one-on-one meetings during working hours. This helps send a message to employees that their employer values this important benefit and is interested in helping employees prepare for their future.
7. Survey employees to determine if they find the educational program valuable, are taking advantage of it, what would make it more attractive and other feedback they may have to help continuously improve the program.

Your plan's recordkeeper / investment provider can help you structure your program in a way that provides the greatest access and educational value to your employees. Every plan and its participant base is different, and there is no one right structure for an educational program. By starting with the above and being willing to modify your program's offerings according to participant feedback, your educational program will get stronger, you will meet this responsibility and you may even see employee engagement increase!

WASHINGTON UPDATE

Student Loan Repayment Programs

The IRS recently issued a private letter ruling (PLR) addressing a plan sponsor's desire to amend their retirement plan to include a program for employees making student loan repayments (SLR). The ruling would allow plan sponsors to provide employees with matching contributions to their retirement plan, essentially offsetting SLRs. The PLR states that the program would allow a participant to both defer into the retirement plan and make SLRs, and receive either a matching retirement plan contribution or additional compensation to offset their SLR.

Employers are increasingly aware of the heavy student debt carried by current and future employees and may wish to assist them in alleviating this burden. From a practical perspective, this particular design is meant to allow employees who cannot afford to both repay their student loans and contribute to the retirement plan, the ability to avoid missing out on the "free money" – employer match – being offered by their employer in the retirement plan.

All that said, it is important to note that a PLR is directed to a specific entity requesting the ruling, and applicable only to the specific set of facts and circumstances included in the request. That means other entities cannot rely on the PLR as precedent. However, it does provide insight into how the IRS views certain arrangements. Thus other plan sponsors that wish to replicate the design of the facts and circumstances contained in the PLR can do so with some confidence that they similarly will not run afoul of the contingent benefit prohibition.

It is important to note that this PLR is for a private sector 401(k) plan sponsor and not a governmental 457(b) plan. More on this topic later if we see a trend developing.

News is Slowly Emerging From Capitol Hill

The Tax Cuts & Jobs Act, passed in December 2017, and while some changes to defined contribution plans were discussed, none were included upon passage. In mid-September, the House Ways and Means Committee voted to forward the first major overhaul of the Tax Cuts Act - HR 6757, "The Family Savings Act of 2018" – to the full House for consideration by the end of September. The Act contains certain provisions of interest to defined contribution plans:

- How will the "Regulation Best Interest" language apply to DC plans and participants?
- Who is a retail customer and who is a legal representative?
- What is a recommendation in the context of DC plans and participants?

Provisions would be effective at the end of 2018 unless otherwise noted. The House Ways and Means Committee has also issued a statement saying that "Rothification" will not be reintroduced.

NFP will continue to closely monitor legislative developments and will notify our clients how their plan may be affected.

NAGDCA Weighs in on Securities and Exchange Commission's Proposed Fiduciary Rules

Previous NFP newsletters have 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 had exceeded its authority when issuing the fiduciary regulations, which stopped the rules protecting an investor's best interests from being implemented. In the meantime, the Securities and Exchange Commission (SEC) has released proposed rules addressing the best interest requirements found in the DOL proposed rules.

NAGDCA has written a letter to the Secretary of the SEC, identifying a number of questions and grey areas that the proposed rules create. Specifically, the letter asks the SEC to clarify:

- How will the "Regulation Best Interest" language apply to DC plans and participants?
- Who is a retail customer and who is a legal representative?
- What is a recommendation in the context of DC plans and participants?

- Will the Client Relationship Summary (Form CRS) be required for DC plans and participants?
- How will Regulation Best Interest apply to rollovers?

Your NFP advisor will keep you apprised of developments as they occur, and will work with you if any changes are needed in your plan. Click here to read the full text of NAGDCA's letter to the SEC.

SST'S MERGER WITH NFP: WHAT IT MEANS TO YOU

As you know, SST Benefits merged with NFP in 2017. We have been carefully migrating our consulting support into the NFP model, and with over 4,000 team members located in 150+ offices across the U.S., our expertise in employer benefits is unrivaled.

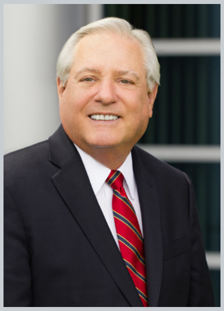
NFP assigns a team of dedicated specialists to each client – CFA charterholders, compliance attorneys, and specialists in fee benchmarking, provider searches, education, etc. This allows us to provide subject-matter expertise across all plan management responsibilities. All our plan advisors are updated weekly, or sooner when appropriate, on any investment or regulatory issues which may impact our retirement plan clients. Our compliance department provides updates on legislative, litigation and other compliance topics during weekly Plan Advisor meetings.

Our firm is fortunate to have several investment department associates with CFA charterholder designations as well as substantial investment management backgrounds. Members from our investment department meet with fund managers daily and NFP's Investment Committee meets weekly to discuss qualitative adjustments to a fund's score prior to recommending, adding or removing a fund from a plan's investment lineup.

Similarly, our compliance department - led by former practicing ERISA attorneys - is thoroughly versed in all regulatory and legislative activities that apply to fiduciaries and retirement plans. They review industry, statutory, and regulatory periodicals daily and attend industry conferences, meeting with Department of Labor, IRS, Treasury, and SEC representatives regularly. They are constantly monitoring changes that may affect governmental retirement savings plans and are ready to advise plan sponsors.

What does this mean to you? Our internal team members can provide specialized analysis and consultation to you. Our associates across the country are working with clients to develop and implement new trends in their plans. If there is a new program or feature you want to know more about, we can assist. With our increased bench strength and our holistic plan approach, we have the artillery to provide the training and consultation you need to understand and manage your fiduciary responsibilities, and maximize your retirement plan success.

NFP GOVERNMENTAL RETIREMENT PLAN EXPERTISE



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At NFP Corp., our solutions and expertise are matched only by our personal commitment to each client's goals. We're a leading insurance broker and consultant that provides employee benefits, property & casualty, retirement and individual private client solutions through our licensed subsidiaries and affiliates.

NFP has more than 3,800 employees and global capabilities. Our expansive reach gives us access to highly rated insurers, vendors and financial institutions in the industry, while our locally based employees tailor each solution to meet our clients' needs. We've become one of the largest insurance brokerage, consulting and wealth management firms by building enduring relationships with our clients and helping them realize their goals.

For more information, visit **nfp.com**.