Public Sector Retirement News & Views | Q4 2021

NEW SURVEY HIGHLIGHTS ADVANTAGES OF WORKING WITH SOLE RECORDKEEPER

A recent survey by the Principal Financial Group found that plan sponsors experienced significant advantages in working with a single recordkeeper, rather than using multiple providers. Principal surveyed over 300 plan sponsors in June/July 2021 and found that those working with a sole provider indicated time savings, greater consistency, and access to a high level of expertise and increased plan features. When it comes to participant concerns, plan sponsors indicated that plans under a sole provider arrangement generally had higher participant engagement and satisfaction, as well as a deeper understanding of their retirement savings benefits and how to take advantage of them.

The survey noted seven key findings:

1. *Plan Administration is more efficient with a single recordkeeper.* Plan sponsors noted that management and administrative experience across plans was more consistent when they worked with a sole provider. Additionally, they reported they were more likely to have access to integrated reporting about their plan.

2. *Single recordkeepers provide access to expertise and plan provisions.* Plan sponsors reported they were more likely to have access to deep subject matter expertise as well as access to specialized services for their plans.

3. *Plan sponsors say they want a single point of contact.* One point of contact can be an advantage in helping plan sponsors evaluate their overall retirement plan strategy, its effectiveness, and suggesting improvements.

4. *Working with a single recordkeeper may save time.* Sponsors with multiple recordkeepers reduced their time by 17 – 50% when they switched to a single provider. This translates to as many as 14 business days in a year.

5. *Multiple recordkeepers present other potential challenges.* Common challenges for the plan sponsor include needing additional resources to keep plan data in sync and acting as the middle person in coordinating recordkeepers – which includes coordinating participant communication, plan reporting, and testing, such as for payroll data transmission.

6. *Participants can benefit from a holistic view with a single recordkeeper.* Using a single recordkeeper can help the plan sponsor provide a more integrated and comprehensive experience to their employees, helping them understand all benefits available in retirement and how they work together. This can result in participants feeling more confident in their decision making, and lead to better outcomes for the individuals and the plan overall.

7. *Integration can benefit participant satisfaction and engagement.* Quite simply, plans with a single recordkeeper who are able to realize the benefits in the key takeaways described above, are more likely to have greater employee satisfaction in their retirement plans and benefits. Of plan sponsors offering a single provider plan, 73% rated higher employee satisfaction as one of their top three outcomes, where only 60% of plan sponsors with multiple recordkeepers included higher employee satisfaction in their top three. Better employee engagement had a similar reporting breakdown.

Plan sponsors with one recordkeeper may be able to spend much less time administering their retirement plans than those with multiple recordkeepers. This may allow them to work more strategically and offer products and services to their employees that could result in higher participant engagement, satisfaction, and overall retirement preparedness.

Your NFP Advisor is available to discuss the pros and cons of using sole or multiple providers in your plan, and how to determine the best arrangement for your organization and employees. For the full study report, click here.[1]

WASHINGTON UPDATE

House & Senate Pension Proposals Still Alive

In our last newsletter, we reported that the House Ways & Means Committee's bill, *Securing a Strong Retirement* (HR 2954), and the Senate's companion bill *Retirement Security & Savings Act* (S. 1770) contained several similar proposals for improving retirement savings plans. Both proposals received widespread praise from many factions of the industry, including NAGDCA, the U.S. Chamber of Commerce, AARP, labor organizations, and many investment providers. Both bills are still being discussed but have yet to be referred to Congress. Because of the strong support the proposals enjoyed, NFP remains optimistic that we will see material improvements, and will keep all clients apprised of developments and how your plans will be impacted.

GAO Issues Call for Improvements to Increase Participant Fee Understanding

The US Department of Labor (DOL) fee disclosure regulations have been in place for nearly a decade. The regulations require 401(k) plan sponsors to provide participants with comprehensive fee disclosures. While the DOL regulations are directed at 401(k) plans, most other types of plans have adopted the requirements as a best practice.

At the direction of the Senate Committee on Health, Education, Labor and Pensions (HELP), the Government Accountability Office (GAO) asked the DOL to assess the effectiveness of DOL's fee disclosure regulations. The GAO report, issued in July 2021, finds that many participants still do not understand the fees they are paying for their retirement savings accounts. In fact, an alarming 41% of those surveyed thought they paid no fees at all.

The GAO report offers several recommendations the DOL could implement to improve participant understanding of fees. Interestingly, many of the recommendations were derived by the GAO looking at best practices and successes around the world. The goal of the recommendations is to improve participant understanding of fees and improve overall retirement readiness. The recommendations include using consistent terminology for investment fees, giving participants tools to calculate fees associated with different investment options and providing educational information about the cumulative effect of fees over time.

Because this report was requested by the Senate HELP committee, it is likely that lawmakers are looking for future improvements to retirement plans. In the meantime, plan sponsors can work with their providers to develop educational information that would address certain findings – namely education to help participants understand the different types of fees they are paying and how they impact their savings over time, and to teach participants how to calculate fees and charges.

To view the full GAO report, click here.[2]

KEEP TRACK OF YOUR ADMINISTRATIVE EXPENSES & REIMBURSEMENTS

Many of NFP's clients have arrangements where their administrative fees are reimbursed by their recordkeepers. The recordkeepers typically collect a small administrative fee from participant accounts and pass these amounts through to the plan sponsor to complete the reimbursement. Because the origin of the fee reimbursements is with participant accounts, NFP has learned that the IRS is taking steps to review the accounting for administrative fee reimbursements.

NFP recommends that all plans using an administrative cost reimbursement arrangement to cover their costs of administering the plan, describe the arrangement in plan governing documents. The Investment Policy Statement, investment guidelines or committee bylaws would be logical places to document and define the arrangement. It is advisable to include how the amount of the reimbursement is determined, how it is collected from the recordkeeper, and how it is transferred to the plan sponsor. ERISA requires that subject plans spend these reimbursements within one year of collection so that participant monies do not become commingled with corporate earnings. Governmental entities, of course, are not subject to ERISA, but like other aspects of plan administration, ERISA can be a valuable resource for best practices. That being said, there is no requirement for governmental entities to spend these monies annually. Many plan sponsors use these reimbursements to help establish reserves to cover the cost of infrequent expenditures, such as the cost of conducting an RFP for a recordkeeper, legal advice to the plan, or additional plan benefits, and NFP supports this practice. Finally, NFP recommends regularly – perhaps annually – reviewing the amount of the administrative charge and how it is spent, keeping good records of revenues and expenses, and ensuring that your committee is fully informed about the collection and use of fees.

HELPING YOUR EMPLOYEES WITH STUDENT LOAN DEBT

Student loan debt is having a tremendous impact on millennials' lives. It is influencing where employees choose to work, and how they live and spend their money. College graduates with student loans want help from employers in tackling this issue, and recent studies show that 86% of employees who get help stay an average of 5 years longer.[3] Employers are getting the message and rapidly adopting student loan assistance programs – their challenge, however, is to find programs that do not create budget problems.

Thrive Flexible Matching Program is an innovative new budget-neutral employee benefit program, offered through a partnership with NFP. Thrive works best with employer-sponsored retirement plans that offer matching contributions. Thrive enables employees to contribute a portion of their salary to their student loan debt and allocate their employer's retirement plan match to their loans. The program is budget-neutral, as it utilizes employer matching funds which are already budgeted.

As employers evaluate and consider strategies to improve their ability to attract and retain employees, *Thrive* is breaking new and much needed ground. Research shows that 76% of prospective employees would consider student loan payment assistance as a deciding factor in accepting a job.[4] The program is likely to become an important new benefit that will help leading-edge employers in appealing to current and prospective employees.

To learn more about how Thrive would work for your organization and employees, visit www.thrivematching.com or ask your NFP advisor.

About NFP

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NFP has more than 5,800 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**.

NFP GOVERNMENTAL RETIREMENT PLAN EXPERTISE

Bill Tugaw is the governmental plan practice leader for NFP. He has assisted public sector employers in meeting the fiduciary obligations associated with operating their plans for more than 30 years. Bill is a faculty instructor for the International Foundation of Employee Benefit Plans (IFEBP) on public sector 457(b), 401(a) and 403(b) plans. Bill is frequently invited to lecture on employee benefits, post-employment health plan options, requests for disclosure and requests for proposals. Bill is co-author of two books: *Deferred Compensation / Defined Contribution: New Rules / New Game for Public and Private Plans,* and *Defined Contribution Decisions: The Education Challenge.*

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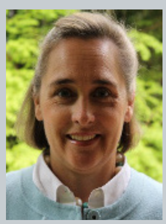
Barbara A. Healy is a governmental practice leader affiliated with NFP Retirement/SST Benefits Consulting and works with public sector and non-profit educational institutions. She has over 35 years experience exclusively assisting public sector plans, school districts, credit unions and other non-profits with their retirement and pension plans. Barbara has earned an MBA degree in finance from DePaul University. She passed the CFP® designation from the College of Financial Planning, the Certified Funds Specialist designation, the Chartered Mutual Fund Specialist designation, the Certified Retirement Administrator designation, and the ASPPA TGPC designation and the AIF designations.



Margaret Pierce is a governmental practice leader responsible for new business and client retention for NFP's Governmental and non-profit practices. Margaret provides over 20 years of experience in the retirement industry working at Smith Barney, TIAA and American Century Investments before joining NFP. Margaret earned her Bachelor of Science from Boston University and her MBA from the University of Massachusetts-Amherst. She passed the Accredited Investment Fiduciary Auditor (AIFA) and Certified Financial Planner (CFP®) designations.

Mindy Harris is a governmental practice leader that advises on best practices and industry trends for plan administration and development, and provides legislative and best practices education to clients. Mindy works with record keepers in her clients' plans to establish and manage performance standards for plan services, providing reports and advice to clients about their record keepers' work towards meeting the performance standards. Mindy graduated from Portland State University with a Bachelor of Science degree in business administration, concentrating in financial management and accounting. Mindy also passed her CRC and CRA designations from InFRE.

Sources:
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