Public Sector Retirement News & Views | Q2 2022

FINANCIAL WELLNESS – AN HOLISTIC APPROACH

Financial Wellness has been in the news in the last several years, as Behavioral Finance Theory has been deeply explored. In basic terms, achieving financial wellness means that a person has a strong financial foundation including adequate emergency savings, a debt management plan, sufficient insurance, an estate plan to protect their assets, and a long-term plan for future financial goals, primarily a financially secure retirement. Employers who have offered a financial wellness program have seen improvements in employee productivity, increased employee satisfaction, and even reduction of absenteeism. Comprehensive financial wellness programs reduce the disruptions of the employee's time from concerns over debt, collection calls, missed payments and poor credit scores. Surveys regularly show that finances are the leading cause of stress for Americans, above family obligations, health, and even work. An employee who is financially prepared for expected and unexpected eventualities will exhibit greater engagement at work with less to worry about in their financial house – in other words, they will have a higher degree of financial wellness and will be able to be a more productive employee.

Financial wellness programs, at some level, have long been part of public sector defined contribution plans. Typically, organizations have partnered with their recordkeepers and/or investment providers to provide education about saving for retirement. In some cases, recordkeepers have offered education on related topics, such as paying for Long Term Care or Education funding. A bona fide financial wellness program encompasses much more than education and strategies for funding long term needs – it also includes other life events and needs much broader than retirement, as well as an action plan to achieve financial wellness goals. Most recordkeepers, however, are not in a position to offer comprehensive financial planning – including a plan of action – that encompasses all the elements: insurance, estate planning, personal financial management, AND retirement.

To be considered a true benefit, a financial wellness program should include education, planning, AND action. Education should be unbiased, delivered by a financial education expert and not someone in the position of selling financial products or services. Financial wellness should be treated as an ongoing process, providing support and accountability to employees to see their action items through and build more positive financial behaviors. Programs that are personalized, holistic, and cover all elements of financial planning, from debt management to estate planning, provide employees with the greatest value. Offering a program that integrates other employee benefits, and helps employees manage their benefits as part of their overall financial plans, takes a financial wellness program to the next level!

NFP has offered a financial wellness program, "WellCents" for several years now. WellCents is a holistic financial wellness program that integrates the elements described thus far. With a focus on employee engagement, the WellCents platform offers financial well-being resources that provide a foundation for goal setting, as well as educational material to enhance understanding of personal finance and retirement planning strategies. When working with employees, WellCents helps them coordinate all available benefits together, to achieve the most effective benefit selections for the individual and their personal circumstances. With this tool, all employees – regardless of compensation or savings level – also have access to comprehensive financial planning support to assist them in achieving their personal finance and retirement goals.

Organizations that have adopted WellCents overwhelmingly report that it has provided stability to their employees, and employees feel appreciated and motivated – which translates into higher productivity and a happier workforce. Their employees report improvements in personal financial security and increased focus on their work. A happy employee is a productive and engaged employee!

If you would like to learn more about WellCents or about comprehensive financial wellness in general, please click here[1], or ask your NFP advisor for more information. WellCents is a proven, leading-edge program that can help your organization become a sought-after employer and help your workforce move towards peak performance.

WASHINGTON REPORT

Secure 2.0 Passes House in Late March

On March 29, 2022, the House of Representatives overwhelmingly passed the Securing a Strong Retirement Act of 2022, with a vote of 414-5. This is really welcome news for retirement savings for all Americans in their efforts to build a secure financial future! The bill heads next to the Senate, where a bipartisan committee is already working on similar proposals.

Significant proposed improvements to retirement savings plans include changing the age for Required Minimum Distributions to age 75, up from age 72; adding an additional level of catch up for savers over age 60; elimination of the first of the month rule for 457(b) plans; allowing 403(b) plans to offer investments in Collective Investment Trusts; and creation of an online searchable database – "Retirement Savings Lost & Found" – which will help participants locate lost retirement accounts. Other interesting provisions of the House bill include requiring 401(k) and 403(b) plans to automatically enroll participants, and treating student loan payments as elective deferrals for matching contributions. It is unclear at this point if the auto-enrollment and student loan provisions will apply to other types of retirement plans, such as 457(b), but it is expected that the Senate will address these in their considerations.

Congress had been considering these provisions as part of their Consolidated Appropriations Bill in early March, but with the urgency to fund the federal government and include a foreign aid package to address the crisis in Ukraine, the retirement provisions were omitted from the final bill. NFP will continue to closely monitor these issues and will report their progress and anticipated impact to your plans as they evolve.

DOL Issues Compliance Assistance Release Regarding CRYPTOCURRENCIES

The Department of Labor (the "DOL") recently published Compliance Assistance Release 2022-01 titled, 401(k) Plan Investments in "Cryptocurrencies" (the "Release"). This is in response to the DOL becoming aware of firms marketing investments in cryptocurrencies to defined contribution plans as potential investment options for plan participants. The Department cautions plan fiduciaries to exercise extreme care before they consider adding a cryptocurrency option to a plan's investment menu for plan participants.

While the Release title specifies 401(k) plans, fiduciaries for all plans should take note that the body of the Release refers to "defined contribution plans, such as 401(k)." Fiduciaries must act solely in the financial interests of plan participants and adhere to an exacting standard of professional care. Courts have commonly referred to these **prudence and loyalty obligations** as the "highest known to the law." Fiduciaries who breach those duties can be personally liable for any losses to the plan resulting from that breach. A fiduciary's consideration of whether to include an option for participants to invest in cryptocurrencies is subject to these exacting responsibilities. The DOL has serious concerns about the prudence of a fiduciary's decision to expose a plan's participants to direct investments in cryptocurrencies, or other products whose value is tied to cryptocurrencies.

When fiduciaries are deciding which investments to offer in their plan(s), they must act with prudence in selecting the investments and loyalty to the participants, always acting in their best interests. Participants, when deciding where to invest their retirement savings, rightly assume that knowledgeable investment experts have selected the investment lineup using prudent means to make these important decisions. Cryptocurrency is simply too new for investment experts to have the ability to perform the level of analysis required to render a prudent decision.

The DOL noted several other concerns about cryptocurrency, including:

- Losing or forgetting a password could result in loss of the asset forever
- Vulnerability to hackers and theft
- A lack of sound and academically defensible valuation methods or models
- Operating outside of regulatory frameworks, including uses of cryptocurrency for illegal activity

The Release indicated that the DOL will conduct investigations of plans that offer investments in cryptocurrency and will take action to protect the interests of plan participants. If fiduciaries have allowed cryptocurrency investments in their plans, even through self-directed brokerage accounts, they should expect to be questioned about the prudence and loyalty they exercised in making the decision to allow these investments to be offered.

Until this release, NFP had only heard unofficial comments about cryptocurrency from DOL representatives. This Release provides somewhat more clarity, although we do not yet know what a DOL investigation would include, what actions might be taken, or what the potential impact would be to plans and fiduciaries. NFP will continue to closely monitor this topic as it evolves and will inform clients of any developments. Please contact your plan adviser if you have questions or need more info.

To read the full DOL Release, click here[2], and to read their blog, click here[3].

About NFP

NFP has more than 6,000 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.

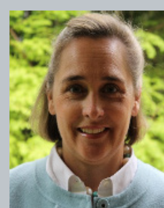
For more information, visit nfp.com.

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.*

bill.tugaw@nfp.com | P: 650.888.8983

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.

1. https://mywellcents.com/WellCents/wellcents101
2. https://www.dol.gov/agencies/ebsa/employers-and-advisers/plan-administration-and-compliance/compliance-assistance-releases/2022-01
3. https://blog.dol.gov/2022/03/10/cryptocurrency-concerns-why-were-working-to-protect-retirement-savings-from-volatile-digital-investments