Public Sector Retirement News & Views | Q4 2022

WASHINGTON REPORT

Contribution Limits are Going Up – WAY Up

Defined contributions are subject to annual maximums, and these amounts are reviewed each year after the CPI-U figures for September are released in October. If the formula used by the IRS results in at least a $500 increase, the annual limits for the coming year will be increased in increments of $500. With inflation being at a 40-year high, these contribution limits are the largest increase ever and will be effective January 1, 2023.

Plan Type	Defined Contribution Annual Limit 2022	Defined Contribution Annual Limit 2023
401(k)	$20,500	$22,500
403(b)	$20,500	$22,500
457(b)	$20,500	$22,500
Over 50 Catch-up	$6,500	$7,500
Traditional Catch-up	$20,500	$22,500

Retirement Legislation Remains at the Forefront in Congress

In previous newsletters, we have reported that proposed retirement legislation is under active consideration in Congress. The House bill, Securing a Strong Retirement Act of 2022 (aka Secure 2.0) passed the House in June by a whopping 414-5 and was referred to the Senate. In the Senate, two bills are being actively debated: the Committee on Health, Education, Labor and Pensions bill has introduced its Retirement Improvement and Savings Enhancement to Supplement Healthy Investments for the Nest Egg (RISE & SHINE, S. 4353), while the Senate Finance Committee has introduced the Enhancing American Retirement Now (EARN Act). Given that there are three proposals with similar provisions and wide bipartisan support, it is encouraging that retirement legislation may pass before year end, although not likely before the mid-term elections. Generally, retirement watch dogs remain cautiously optimistic for positive improvements to retirement savings plans to move through Congress and to the President for signature by year end. As reported in prior newsletters, key proposals pertaining to governmental plans include increases in the age for Required Minimum Distributions to 75, increasing catch up options, matching for student loan payments, and eliminating the first of the month rule.

Two notable new provisions contained in the EARN Act are:

1. To allow employee self-certification of hardship withdrawal applications, no longer requiring plan sponsor review and documentation of circumstances and their compliance with IRC 457 to authorize such withdrawals; and

2. To require employees who are taking advantage of catch-up contributions and earning over $100,000 annually, to make such contributions as Roth (after tax) deferrals. Employees earning less than $100,000 annually would continue to have the option to contribute catch-up as pre-tax deferrals.

NFP will continue to monitor legislative progress and their impacts to your plans, and will keep you abreast of developments. Please contact your NFP advisor for questions or general information.

National Save for Retirement Month in October

Each year the National Association for Government Defined Contribution Administrators (NAGDCA) works with members of Congress to sponsor National Retirement Security Month (NRSM), and October is it! Plan Sponsors face their own challenges in educating and enrolling their participants, and NRSM provides a platform around which innovations and creative campaigns can be deployed to help raise awareness of this important benefit. Whether a plan sponsor is looking to increase participation, attract certain demographic groups to the plan, or educate against common investing pitfalls, NRSM is a dedicated time to focus on improving employee retirement outcomes.

Your NFP advisor and your plan provider can be valuable resources in helping you with a campaign and reaching out to your employees and participants to help them understand the importance of saving for retirement! Please let your NFP advisor know how we can help.

RE-ENROLLMENT: CAN IT IMPROVE YOUR PLAN PARTICIPATION?

Re-enrollment can be a very effective tool to increase awareness and participation in defined contribution plans. In short, re-enrollment is an exercise where employees – both participants and non-participants – are required to complete an enrollment process in their retirement savings plan.

In a re-enrollment process, active participants are given information about their deferral rate, available investments, and other pertinent plan information. Pertinent information can include various models or projections about the potential effects of increasing their contributions or changing their investment allocations. This causes them to think about their retirement savings future and re-assess whether they are saving amounts necessary to achieve their retirement goals. Re-enrollment can be very effective for active participants who are enrolled but have not revisited their retirement savings goals or otherwise ignored their accounts. They will be reminded that they may benefit from increasing their savings or re-examining their investments to determine whether they still have the right mix.

For inactive or non-participants, a re-enrollment process will inform them of their options for saving for retirement and encourage them to restart or get started. Again, this will prompt them to evaluate their retirement future, think about how much money they will need, and what they need to save to achieve their retirement goals.

A re-enrollment campaign is often included as part of an annual benefits enrollment process. Along with other benefits information, employees are given information about the plan and are required to select from available options, which may include:

1. I am participating and I confirm my current savings rate and investment allocation

2. I am participating, but would like my agent to contact me for an account review

3. I am not participating, but would like to get started

4. I choose not to save for my retirement in my employer's plan

Regardless of an employee's status with the plan, a re-enrollment process can help engage workers who have chosen not to participate, stopped participating, or who could benefit from re-evaluating their savings rates or investment allocations. Please contact your NFP advisor if you would like assistance with a re-enrollment campaign.

CYBERCRIME CONTINUES TO RAPIDLY EVOLVE

Cybercrimes are among the most persistent and dangerous threats today. The most common types of cyber attacks are malware, password, and phishing attacks, all of which commonly target financial information. Continuous preventive measures are increasingly necessary to protect personal and sensitive information.

In 2021, the town of Petersborough, NH was the victim of an extensive cyberattack. Overseas hackers gained access to email credentials for an employee in their finance department. They purchased passwords from a dark web password store and tried those passwords on various websites in the employee's email until they found matches. Once they gained access to the employee's email, they watched and waited for an opportunity to strike – and strike they did.

The cybercriminals found emails containing ACH documents and other information needed to transfer monies to vendors and other recipients of taxpayer dollars. It wasn't until the vendors and other payees contacted the town's finance department to question payments they should have received, that the town learned they'd become victims of a cyber-attack. By this time, they had lost $2.3 million of public funds.

The town has since implemented preventive measures to forestall future cyber-attacks. They now use multi-factor authentication (MFA) for all staff email accounts. MFA is widely seen as a simple and highly effective method to prevent cybercrime from occurring in an online account. MFA comes in different forms – a code sent to another device, fingerprint, and facial recognition software are the most common.

So what does this mean for retirement savings plans? It means a few key things. First, plan sponsors should be certain that preventive measures are present in conducting the day-to-day business of a plan. Each payroll period, participant contributions are deducted from paychecks and remitted – likely in one large sum – to the investment provider. Imagine how attractive these single large sums would be to a cybercriminal? What preventive measures are in place in your organization to prevent hackers gaining access to employee emails or other proprietary systems, and to prevent participant funds from being diverted from their intended destination, participant retirement accounts with your provider(s)?

Second, plan sponsors should discuss with their investment provider what measures the providers have in place to protect participant accounts from attack. Plan providers can help protect participant accounts by requiring MFA as well as requiring other verifications of identity. Such verifications may include voice recognition, various behavioral screenings to determine if certain actions do not match typical participant actions, or human intervention to confirm the validity of financial transactions.

Quick Response (QR) codes are another potential opportunity for cyber-crime. We've all been in restaurants where we were directed to a QR code to access the menu, or a grocery store where we could scan a QR code to download coupons. QR codes are intended to take us quickly and easily to a website where we can find needed information. It is becoming increasingly common for hackers to produce QR codes that instead, will take us to a malicious site that could infiltrate a mobile phone and pass malware along to all contacts within the phone. They are known to create stickers with malicious QR codes and put the stickers over the legitimate QR codes, all going unnoticed. If a participant has their retirement account login information stored on their phone and they scan a malicious QR code, their account could be at risk. Any QR codes in public spaces should be treated with suspicion or avoided if possible.

About NFP

NFP has more than 6,900 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.

NFP®