Plan Sponsor
OUTLOOK

1ST QUARTER 2018

A RESOURCE ON CURRENT ISSUES FOR PLAN SPONSORS AND ADMINISTRATORS

Overcoming the Lag In Women's Retirement Saving

In general, women need more and save less money for retirement than do men. Overall, women accumulate less money for retirement than men, yet because they have a longer lifespan, the need for savings is greater. And because men die earlier, women may live out the end of life in a single income household.

The reasons women save less may be that they go in and out of the workforce to care for a family, work part time, and work in jobs that are more flexible and often, therefore, pay less. A study (*Planning and Financial Literacy: How Do Women Fare?*, Annamaria Lusardi and Olivia S. Mitchell, National Bureau Of Economic Research, January 2008) found there is also a difference in financial knowledge between the sexes, which can result in a too-conservative approach to investing.

Motivate with Information and Interaction

Targeted education could be a partial answer. A recent study found that workplace financial education, along with peer-to-peer motivation, may motivate increased retirement savings for women. The study (*Can Knowledge Empower Women to Save More for Retirement?*, Center for Retirement Research at Boston College, September 2017) looked at a program targeting women who work in public agencies in Wisconsin. It included information, motivation and challenges through multiple media. The study estimates that the program resulted in increased participation in retirement savings of 2.6%, which closed the gender gap by more than half.

One tool used in the program was a monthly email, some of which specifically mentioned women, along with links to financial planning and retirement saving online resources. The email messages made statements like, “Women are twice as likely as men to live in poverty during retirement.” The study’s authors believe repetition is key to engagement, by repeating key facts through a variety of media, along with peer interaction.

Peer interaction was achieved in the program through webinars and live, women-only events offered during the lunch hour. Although organizers worried that no one would attend, the rooms were often filled to capacity — or more, even though attendees were there on their own time and with no incentives. The response was overwhelmingly positive; there were many requests for available one-on-one financial counseling sessions, and for changes in retirement plan elections.

Men, High Earners Also Benefit

The study identified two additional benefits of the program. Because the program was delivered to all workers, men also experienced some increase in savings rates. And as the lower income workers began contributing or contributing more, the higher income workers also benefited because they could contribute more without violating the ADP/ACP testing rules as quickly.

The study’s authors admit that education alone does not solve the problem. Even so, an educational campaign targeted at women does appear to increase retirement savings for them. The campaign’s components are readily available online, say the authors, resulting in a low entry cost. Even with small gains in savings rates, they say, the cost to get the program up and running was minimal. ■

When Employees Retire Matters to Them... and to Employers

Americans pride themselves on making their own decisions, and when to retire is an important one. But it takes money to retire, and the shift away from traditional pension plans leaves many Americans ill-prepared to retire when they want to. Employees who struggle with their finances find it challenging to save enough to retire on their own terms.

But saving for retirement through 401(k) or other defined contributions plans has become an individual responsibility. Some would like to retire at 55 or 60, but must delay retirement until age 65 when they become eligible for Medicare. Others may want to retire at 65 — the traditional age of retirement — but because of financial concerns have to wait to take the plunge until they reach full Social Security retirement age.

Without adequate resources, employees have less choice about when to retire.

Timing of Retirement is Important for Employers, Too

Employers have a stake in the timing of employee retirements. They, too, may suffer financially when employees are unprepared to leave the workforce on time. Of course, there are positive aspects to keeping older employees — experience, institutional knowledge, and a broader perspective, to name a few — employing older people who wish they were retired can have serious financial consequences. They may be distracted by financial concerns, less engaged in the company and their job, and less motivated than those who are happy to be working. They also reduce the company's ability to hire new talent, because of a lack of open jobs.

The Cost of Delay: Significant

A recent study found that a one-year delay in retirement for an individual can cost an employer $50,000. At that figure, it wouldn't take long for a 100-person company with 2 or 3 expected but delayed retirements per year to reach a significant level of expense.

To address the issue of delayed retirements, the study suggests adopting retirement programs with features that encourage appropriate financial behaviors. For example:

- **Saving:** Include an employer match to encourage more saving, and automatic enrollment and auto escalation to remove barriers to entry and increases in contributions.
- **Investing:** Offer quality investment alternatives for participants who prefer professional management of their account, and for those who fail to make an investment choice.
- **Withdrawing:** Including guaranteed lifetime income products among distribution options in a DC plan can reduce the level of assets needed for an individual to retire at age 65 by 36%, according to the study.

Education is critical to helping employees retire on time. Participants who are informed and confident often make better financial decisions, which can lead toward long-term security. How much do employees know about saving for college while at the same time staying on track for retirement? Do participants know how much of their retiree medical expenses will be paid by Medicare? And do they understand how to maximize their Social Security benefits? Offering education on these and other important topics can get employees — and their employers — closer to the goal of on-time retirements.

Read more at http://tinyurl.com/Delayed-Retire-Cost.

Web Resources for Plan Sponsors

Internal Revenue Service, Employee Plans
www.irs.gov/ep

Department of Labor,
Employee Benefits Security Administration
www.dol.gov/ebsa

401(k) Help Center
www.401khelpcenter.com

PLANSPONSOR Magazine
www.plansponsor.com

BenefitsLink
www.benefitslink.com

Plan Sponsor Council of America
www.psca.org

Employee Benefits Institute of America, Inc.
www.ebia.com

Employee Benefit Research Institute
www.ebri.org

Plan Sponsors Ask...

Q: When the fee disclosure rules were announced a few years ago, part of the discussion was an increase in spending by the IRS to make sure plans were complying. Is the IRS still focusing on employer sponsored retirement plans?

A: The IRS Employee Plans division (EP) recently announced where they will be concentrating their resources in the employer plans area for fiscal year 2018. The goal is to make sure plan sponsors achieve compliance for their plans, and of course, the participants. Among their compliance efforts they will look closely at plans of companies that are merging or being acquired; plans that have failed to comply with ADP and ACP tests or that didn't supply required notices to participants; plans that don't meet age and/or service requirements; forfeiture allocations; and plans that fail to withhold correct elective deferral amounts. The IRS FY 2018 Work Plan also specifies some situations in which EP will use compliance checks to determine if a plan is adhering to certain requirements. Those situations are: plans with partial terminations, plans with non-participant loans, 403(b) plans, 457(b) plans that have excess deferrals, SEP plans with RMD failures, and SIMPLE IRA plans sponsored by more than 100 employees. You can read more here: http://tinyurl.com/2018-IRS.

Q: From time to time an employee tells us they didn't know there were fees involved with the 401(k) plan. We are complying with the requirements to disclose the fees being paid, so it is surprising to us that some participants still don't know. Are we the only ones whose participants are not getting the message?

A: Unfortunately, your experience is not unusual. The National Association of Retirement Plan Participants, or NARPP, says that 58% of working Americans don't know they are paying fees on their workplace retirement savings accounts. That amounts to a staggering $35 billion dollars in fees every year, or $835 per investor. Even those participants who know they are paying fees are often unclear about how fees are calculated, with just 26% able to accurately explain. It's important to make sure the information provided to participants is clear, accurate and complete, because there is a strong link between fee transparency and trust from participants. NARPP found that 81% of participants would appreciate a standardized fee label on all retirement funds, similar to a food nutrition label. Visit www.narpp.org for more information on this and related research from NARPP.

Q: We'd like to bolster our 401(k) plan participation and contribution numbers. What are some of the reasons people don't participate or don't contribute enough?

A: That has been the subject of recent research by the Pew Charitable Trusts. They looked at employer and employee perspectives on saving, and made some interesting findings. For example, 2/3 of employees at small to midsized companies have access to a retirement plan at work, and 68% participate. That translates to 45% of workers at small to midsized businesses participating in a 401(k) or similar plan — and 55% not participating. The research found it much more likely for employees with a household income over $100,000 to participate than for lower income workers. They may find it easier to save, and are more likely to need the tax breaks associated with saving in a qualified plan. Even though auto features tend to increase participation and contribution levels, a significant percentage of plans at small to midsized companies don't use them. The concern is often that employees won't like it — a perception that has been refuted by other research. Take a look at the Pew website for more information: www.pewtrusts.org. ■

Pension Plan Limitations for 2018

401(k) Maximum Elective Deferral (*$24,500 for those age 50 or older, if plan permits)	$18,500*
Defined Contribution Maximum Annual Addition	$55,000
Highly Compensated Employee Threshold	$120,000
Annual Compensation Limit	$275,000

Tackle Financial Stress with Education

How serious is the problem of financial stress? Seventy-seven percent of Americans live paycheck to paycheck,[1] 41% give themselves a C, D or F in personal finance,[2] and 28% don't pay their bills on time,[2] according to citations in a recent white paper from Financial Fitness Group. The situation has a serious impact today, and perhaps a worse one tomorrow, considering estimates that about 1/3 of working Americans have no retirement savings. The cost to employers of employee financial stress, according to one source cited in the paper, may be $15,000 per employee per year.[3]

But there is good news: employers are in the best position to make an impact on the numbers. Combining financial literacy education as a regular part of 401(k) plan communication can lead to changes in behavior. In turn, these changes may lead to better financial stability for employees during, and after, their working years.

If you plan to offer employees a program of financial education, be sure the one you choose is engaging and interactive. The information should be easily accessible and flexible, too. Both can be achieved through web-based tools the employee can use whenever and wherever individual circumstances allow.

Get more information about tackling employee financial stress here: http://tinyurl.com/FFGroup-financial-stress. ■

[1] *77 Percent of All Americans Live Paycheck to Paycheck at Least Part of the Time*, Michael Snyder, August 17, 2012. http://thetruthwins.com/archives/77-percent-of-all-americans-live-paycheck-to-paycheck-at-least-part-of-the-time

[2] The 2011 Consumer Financial Literacy Survey," prepared for the National Foundation for Credit Counseling and prepared by Harris Interactive Inc., Public Relations Research, March 2011.

[3] *Employee Financial Stress Is Costing Your Company a Bundle — And How You Can Stop It Now!* http://isles.org/sites/default/files/Employee%20Financial%20Stress%20is%20Costing%20Your%20Company%20a%20Bundle.pdf

PLAN SPONSOR'S QUARTERLY CALENDAR

APRIL

- If a plan audit is required in connection with the Form 5500, make arrangements with an independent accountant/auditor for the audit to be completed before the Form 5500 due date (calendar-year plans).
- Audit first quarter payroll and plan deposit dates to ensure compliance with the Department of Labor's rules regarding timely deposit of participant contributions and loan repayments.
- Verify that employees who became eligible for the plan between January 1 and March 31 received and returned an enrollment form. Follow up for forms that were not returned.

MAY

- Monitor the status of the completion of Form 5500, and, if required, a plan audit (calendar-year plans).
- Issue a reminder memo or e-mail to all employees to encourage them to review and update, if necessary, their beneficiary designations for all benefit plans by which they are covered.
- Perform a thorough annual review of the Plan's Summary Plan Description (SPD) and other enrollment and plan materials to verify that all information is accurate and current, and identify cases in which revisions are necessary.

JUNE

- Begin planning an internal audit of participant loans granted during the first six months of the year. Check for delinquent payments and verify that repayment terms and amounts borrowed do not violate legal limits.
- Confirm that Form 5500, and plan audit if required, will be completed prior to the filing deadline or that an extension of time to file will be necessary (calendar-year plans)
- Review plan operations to determine if any qualification failures or operational violations occurred during the first half of the calendar year. If a failure or violation is found, consider using an Internal Revenue Service or Department of Labor self-correction program to resolve it.

Consult your plan's financial, legal or tax advisor regarding these and other items that may apply to your plan.

Are you meeting the requirements and deadlines to keep your retirement plan in compliance? Would you rather be focusing your time on your business?

Let TRA light the way with our 3(16) Plan Administration Relief Services (PARS).

Find more Time to Focus on your Business…Let TRA handle the rest!

Benefits of Hiring a Delegated 3(16) Plan Administrator

Offering a retirement plan can be one of the most rewarding decisions you make as an employer; however, administering a plan and managing its assets can be challenging.

Through our delegated 3(16) Plan Administrative Relief Services (PARS), TRA is in a unique position to assist you in embracing these fiduciary responsibilities and managing your risk by relieving many of the day-to-day administrative burdens associated with sponsoring a plan. Benefits include:

- Time Savings
- Reduced Liability
- Increased HR Capacity
- Reduced Audit Risk

TRA'S 3(16) PARS Include:

- Plan Document Services
- Distribution Services
- Participant Management Services
- Participant Notice & Disclosure Services
- Government Reporting Services
- Audit Assistance

Fewer Hassles, Real Fiduciary Protections

Would You Be Ready For An Audit?

Common Plan Audit Failures	Fiduciary Responsibility to Monitor	
	Without 3(16)	With 3(16)
1. Failure to update Plan document	Plan Sponsor	TRA
2. Failure to follow the terms of the Plan document	Plan Sponsor	TRA
3. Incorrect eligibility determination	Plan Sponsor	TRA
4. Untimely submission of deposits	Plan Sponsor	TRA
5. Incorrect hardship withdrawal approvals	Plan Sponsor	TRA
6. Incorrect application of loan provisions	Plan Sponsor	TRA
7. Failure to make required contributions	Plan Sponsor	TRA
8. Failure to file Form 5500	Plan Sponsor	TRA
9. Uncorrected testing failures	Plan Sponsor	TRA
10. Untimely or failure to send required notices	Plan Sponsor	TRA

Learn how TRA can help

For more information about our 3(16) services visit **www.tra401k.com/3-16** or contact your Client Relationship Manager at **888.872.2364.**

EMPLOYEE HIGHLIGHT

Luke Radimer, 3(16) Specialist

Luke is a lifelong learner and retirement plan industry veteran with more than 14 years experience administering and delivering excellent customer service, comprehensive analysis and innovative solutions for retirement plans to clients. Luke builds and strengthens relationships by utilizing industry understanding and regulatory expertise to provide value-added services to our clients. He's a strong project manager with a passion for driving operational efficiencies through business analytics and quantitative skills. Over the past several years he has been very involved in the development and implementation of TRA's 3(16) PARS and was promoted to the 3(16) Specialist position in June of 2017. Since then he has been able to dedicate the majority of his efforts towards growing and improving the product by partnering with new Plan Providers, generating new ideas and improving processes. While Luke is currently pursuing the Certified Pension Consultant credential, his current designations include: Qualified Pension Administrator (QPA), Enrolled Retirement Plan Agent (ERPA) and Six Sigma Black Belt trained.

Kmotion, Inc., 412 Beavercreek Road, Suite 611, Oregon City, OR 97045; 877-306-5055; www.kmotion.com