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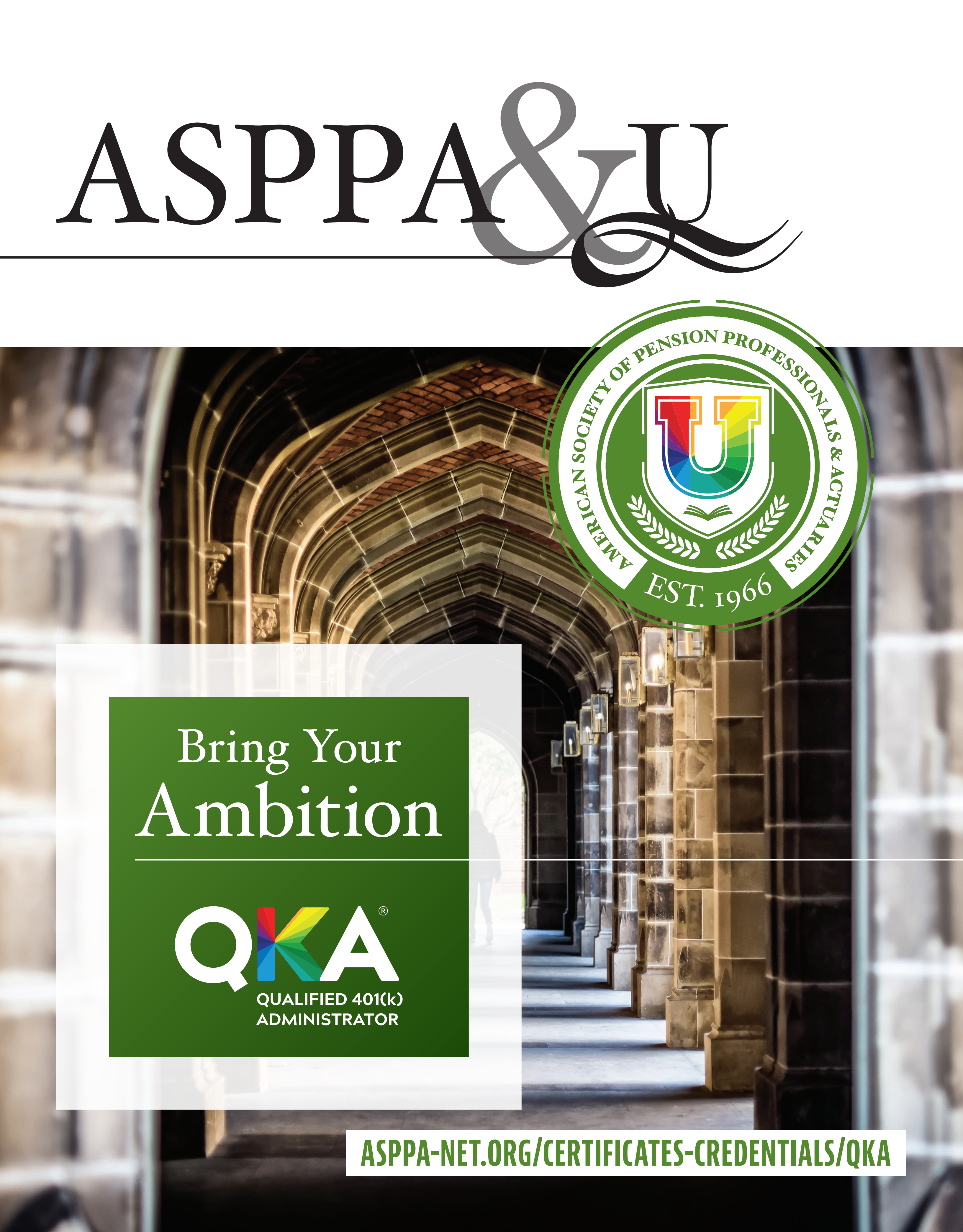
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'SECURING' LTPTES

Many of you are undoubtedly already aware of this, but we'd be remiss if we didn't mention recently released guidance for long-term, part-time employees (LTPTE). **By Joey Santos-Jones**

The Treasury Department and Internal Revenue Service (IRS) issued the guidance early in October, specifically addressing LTPTEs in 403(b) retirement plans under SECURE 2.0 for plans beginning in 2025.

The guidance, Notice 2024-73, included a question-and-answer section about applying the nondiscrimination rules for 403(b) plans with respect to LTPTEs, including rules to exclude part-time employee and student employee participation.

They also mentioned 401(k)s and said the final LTPTE regulations they plan to issue there will apply "no earlier than to plan years beginning on or after Jan. 1, 2026."

"This guidance is only saying those final rules won't be effective until 2026; it does not delay the effective date of the whole provision," Kelsey Mayo, outside Director of Regulatory Affairs for the American Retirement Association (ARA), emphasized. "Employers still need to enroll LTPTEs in accordance with the statute. This only makes it clear that they can use a reasonable interpretation of the statute until the IRS's rules are finalized—and those final rules won't be effective until 2026."

ASPPA and the ARA previously urged the IRS to revise its proposed LTPTE guidance.

Chief among the ARA's recommendations was a revision to the proposed rule regarding vesting service to conform with congressional intent and to provide relief to mitigate the material cost impact to plan sponsors.

One question also asked if a 403(b)-plan subject to ERISA could continue to exclude a part-time employee for those employees who do not qualify as ERISA LTPT employees.

"A 403(b) plan subject to ERISA may continue to retain a part-time employee exclusion for part-time employees who do not qualify as ERISA LTPT employees," the IRS wrote. "Excluding part-time employees who do not qualify as ERISA LTPT employees will not cause the plan to violate the section 403(b) consistency requirement under § 1.403(b)-5(b)(4)(i), which prevents a plan from selectively applying the part-time employee exclusion to some, but not all, part-time employees.

"Because the eligibility rules for ERISA LTPT employees under section 202(c) of ERISA are new statutory requirements," it added, "plans would not be selectively applying the part-time employee exclusion by continuing to exclude from making elective deferrals part-time employees who do not qualify as ERISA LTPT employees."

According to Robert Richter, ARA's Chief Education Counsel, the guidance is consistent with what the organization requested.

"ERISA-covered 403(b) plans, such as those maintained by many colleges and universities, may continue to exclude student employees, even if those employees would be considered long-term part-time employees," he explained. "While not as significant an issue, the guidance also permits ERISA-covered 403(b) plans to exclude employees who are expected to work less than 20 hours per week, as long as those employees do not meet the definition of a long-term part-time employee."

A similar proposed regulation related to the rules for LTPTEs in 401(k) plans was issued on Nov. 27, 2023.

The IRS said it welcomed public comments on the notice, which provided details on how to submit comments.

One of the more significant and interesting items in SECURE 2.0 is how to include LTPTEs—if at all. We'll continue to keep you posted about this provision and SECURE 2.0 overall as the legislation continues to move forward.

Joey Santos-Jones
Editor

A WALK WITH PRESIDENTS

As I sit down to write my final PCM letter as ASPPA President, it is hard to believe how quickly time has flown. **By Amanda Iverson**

The past several years since I was voted into the Leadership Council have passed in the blink of an eye. At the start of my leadership journey, I barely knew anyone else within ASPPA leadership. Now, I consider many of those with whom I have served some of my dearest friends. When I first joined leadership, my kids were in elementary school; now they are 15 and 17, in their junior and freshman years of high school. As my kids have grown, I often tell them that time seems to move faster each year. This sentiment has certainly rung true during my tenure in ASPPA leadership.

Throughout my time as ASPPA president, I have received numerous questions from ASPPA members and colleagues alike: What is it like being president? How much time does it take? What are your responsibilities? Would you do it again? Given the curiosity, I thought it would be interesting to share not only my experience but also that of several recent past presidents. I reached out to them to ask for their thoughts. Here are some of the questions we covered and our responses—some expected, others surprising.

HOW DID YOU INITIALLY BECOME INVOLVED WITH ASPPA?

One past president became involved through ASPPA Government Affairs. Another was asked to join a subcommittee focused on Gen X membership, which led them to join the ASPPA ASAP committee. Two others started in their local ABC chapters. I initially became involved through conferences. A connecting thread is that we were all eager to volunteer, and several of us actively sought out ways to become involved.

WHAT SURPRISED YOU THE MOST ABOUT YOUR TIME AS ASPPA PRESIDENT?

2021 ASPPA president Frank Porter noted how quickly the time went: "With a snap of your fingers, you go from nominee to past president!" I wholeheartedly agree with his sentiments. As I mentioned earlier, the speed at which these past years have passed is astonishing.

Justin Bonestroo, 2023 ASPPA president, was most surprised by how specialized the operations of ASPPA and ARA are—from conferences to education to lobbying—and how important it is that we have incredible talent in these areas. He explained, "There is so much under the surface that membership may not be aware of."

WHAT WAS YOUR FAVORITE PART OF SERVING AS ASPPA PRESIDENT?

Bonestroo's favorite part was "getting to learn more about the organization and the broad strategic thinking that goes into fulfilling our mission of protecting, expanding, and improving the private retirement system."

For others, connections and relationships were a common favorite theme. Missy Matrangola, 2020 ASPPA president, noted, "I loved getting to know so many different people. There are so many amazing people in ASPPA."

Adam Pozek, 2018 ASPPA president, stated, "Throughout my entire time in ASPPA leadership, I think my favorite part was the opportunity to meet and interact with so many members."

For me, contributing to a bigger cause, attempting to make a difference, building relationships, and connecting with others have been highlights of my tenure.

Amanda Rae Iverson, CPA, MBA, PHR, SHRM-CP, APM, is CEO of Pinnacle and 2024 ASPPA President

WHAT WAS THE TIME COMMITMENT LIKE FOR YOU AS ASPPA PRESIDENT?

Porter summed it up succinctly: "A lot!"

Matrangola had another take, saying, "I honestly do not know because I never tracked it. I hated for the year to end but was glad for a little break."

Bonestroo agreed, noting, "This is hard to say—anywhere from 10 to 60 hours a month (60 being months that required travel to meetings)."

For me, the time commitment has varied greatly; some weeks it is minimal, while others are substantial. However cliché it may sound, whatever effort I have put into ASPPA, I have received back twofold. That said, our team at my firm is certainly looking forward to me having a bit more time to focus on Pinnacle next year!

WHAT DID YOU FIND CHALLENGING ABOUT SERVING AS PRESIDENT?

Matrangola had a unique experience as she was ASPPA president during COVID. She said, "I served as president during the discovery of COVID and then the lockdowns and working from home. Much of what we did my year was adapt!"

"I HAVE NOTHING BUT POSITIVE COMMENTS ABOUT MY EXPERIENCE AS ASPPA PRESIDENT."

– Frank Porter

Bonestroo indicated that his most challenging part was "being brought in on a variety of topics that I wasn't initially familiar with, from conference decisions to committee challenges and many other very specific areas that I normally wouldn't be aware of."

WOULD YOU DO IT AGAIN?

Nearly everyone asked responded with a resounding "Yes!"

Matrangola had a great take: "In a heartbeat! It was a great experience. I loved meeting new people as well as learning more about ASPPA and the retirement industry. I really enjoyed the time spent with agency visits (IRS and DOL). They demonstrated how important ASPPA is to the industry." I agree with Missy and the others wholeheartedly.

HOW WOULD YOU DESCRIBE YOUR OVERALL EXPERIENCE AS ASPPA PRESIDENT?

If I had to summarize my experience in one word, it would be "rewarding." Porter again provided a poignant answer: "I have nothing but positive comments about my experience as ASPPA president. I have made many new connections and strengthened friendships during my time in the role."

DID YOU ACCOMPLISH ALL YOU SET OUT TO ACCOMPLISH DURING YOUR ASPPA PRESIDENCY?

Bonestroo remarked, "I think so, although I would expect that every president looks back and has things they wish they would have done differently or areas they wish they had addressed."

Others, including myself, wished there were more hours in the day to do even more. Some of the accomplishments in 2024 included rolling out two new certification programs—Qualified 401(k) Specialist (QKS) and Cash Balance Specialist (CBS)—revising the format and structure of the TPA Growth Summit based on member and sponsor input, reviewing the organization's volunteer process and system, implementing an innovative technology rollout that has been in the works for years, and revisiting new member engagement and outreach. While I wish there were more hours in the day to accomplish even more, I am proud of what the ARA team, ASPPA leadership, and other member volunteers have completed this year. That said, I wish we could have tackled a few more pet projects, so maybe future presidents will handle those!

WHAT IS ONE PIECE OF ADVICE YOU WOULD GIVE TO FUTURE ASPPA PRESIDENTS?

Porter noted, "Enjoy the ride, as it will go quickly!"

Matrangola advised, "Be flexible and willing to work with whatever comes your way."

Bonestroo suggested, "Listen first and learn as much as you can. Nearly every topic has a lot of historical context, and I realized how important it was for me to learn more perspectives before coming to conclusions. Ask past presidents for their help."

And Pozek recommended, "Be patient and flexible. There are many different perspectives to consider, and priorities can shift quickly."

My lengthy advice would include:

- Understand and align with ASPPA's mission, vision, and goals.
- Build strong relationships and actively listen to members' needs and suggestions. Our members often have great ideas!
- Promote collaboration and leverage the diverse expertise within ASPPA and ARA.
- Show gratitude and recognize the contributions of members, volunteers, and ARA employees.
- Stay adaptable, be flexible, and stay informed on ASPPA's and the industry's priorities and challenges.
- Enjoy the ride! It will fly by in the blink of an eye.

Reflecting on these shared experiences, it is clear that serving as ASPPA president and within ASPPA leadership, while demanding, is incredibly rewarding. The relationships built, knowledge gained, and impact made on ASPPA and our industry are invaluable.

As I conclude my presidency, I extend my heartfelt gratitude to ASPPA CEO Brian Graff, ARA's incredible internal team, the rockstar president-elect J.J. McKinney, the ASPPA LC, and all of the members—including you—for your support, input, engagement, mentorship, and dedication. I am confident that ASPPA's future is bright and that our collective efforts will continue to protect, expand, and improve the country's private retirement system. Together, we will continue to navigate challenges, celebrate successes, and drive meaningful progress.

Please come say hi at ASPPA Annual this year and in the future. I have loved meeting members and hope to continue these connections for years to come. Thank you for the honor of serving as your ASPPA president. It has been a privilege and a profound experience that I will cherish always. PC

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A CRISIS IN DATA CONFIDENCE

The call to action is clear—consistently correct the record to defend the private retirement system and its participants from dishonest and damaging attacks. **By Brian H. Graff**

Defined contribution critics are kicking it up a notch, increasingly using faulty data to feed equally faulty arguments about the extent of the country's retirement "crisis." Any effective communicator will say success is in the storytelling, and we, as an industry, must do a better job telling our story.

It requires a comprehensive deconstruction of what critics are saying and why, and how ASPPA members can better inform plan sponsors and participants.

They base their attacks on selective statistics. The most egregious is reliance on the Current Population Survey (CPS) from the Census Bureau, which incorrectly inflates the retirement savings gap by a large margin. The CPS only counts regular income, capturing roughly 60 percent of what individuals typically receive from various retirement funding sources. As former Social Security Administration senior executive Andrew Biggs recently noted, income retirees receive from 401(k) s and IRAs is irregular and can vary from year to year—so CPS data is skewed. It's also a voluntary survey. IRS data is more accurate and shows actual retirement income figures that tend to be much higher.

Rather than a voluntary survey that risks self-selection bias, tax filers have a legal obligation to be complete and accurate in their reporting. Simply put, any argument that relies on CPS, rather than IRS, data will overstate the savings gap. The attacks also stem from a misunderstanding of the private retirement plan system's primary role as a complement to Social Security, pensions, and other retirement income and savings, not the only source of retiree income.

"FEAR OVER HOPE MAY GENERATE HEADLINES AND INCREASE CLICKS TO HELP MARKET SOLUTIONS, BUT IT'S A FAUSTIAN BARGAIN DESTINED TO BITE US."

Additionally, critics blame 401(k)s for failing to effectively address income inequality and poverty in retirement. Yet, as our cover story notes, the retirement system mirrors a person's working income and was never meant to address poverty reduction, something Social Security and other federal programs have been specifically designed to do.

Moreover, critics also overlook the fact nearly 90 percent of 401(k) participants are middle and moderate-income workers, and over half of these savers report that they are saving for retirement solely because they have access to an employer sponsored retirement plan.

Research finds that Social Security benefits will replace almost 80 percent of the average career earnings for households in the lowest income strata after adjusting for inflation. It's why addressing Social Security solvency issues—rather than baselessly attacking the 401(k)—is so critical.

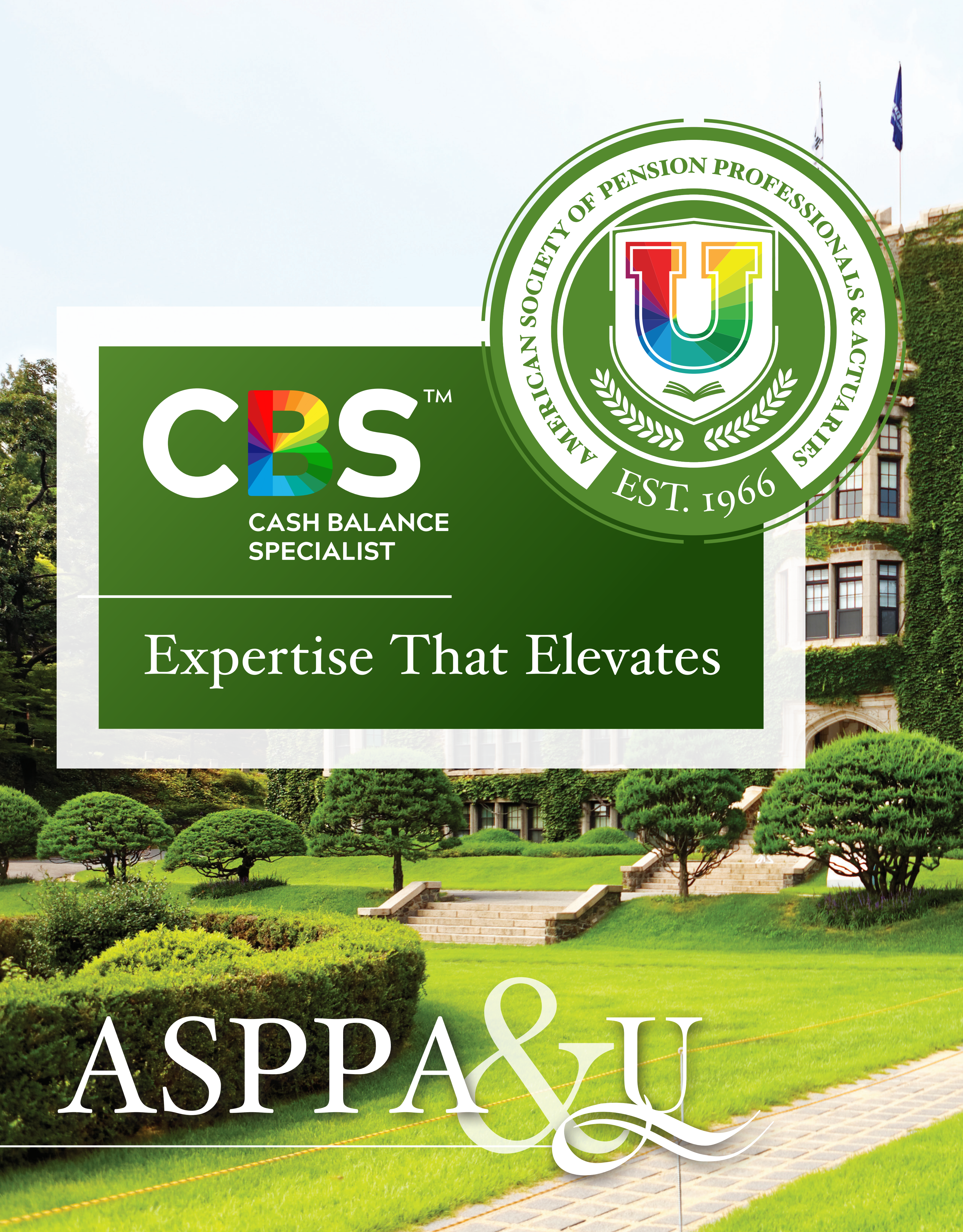
Unfortunately, we're compounding the problem with faulty data of our own. It's usually in the form of oversimplified corporate surveys that call for ridiculously high-income multiples and asset levels that discourage workers from thinking a successful retirement is possible. Fear over hope may generate headlines and increase clicks to help market solutions, but it's a Faustian bargain destined to bite us.

Complicating matters further, lawmakers are also relying on this incomplete—and sometimes wildly inaccurate—data when making policy decisions. These decisions have the potential to upend the retirement system and devastatingly impact tens of millions of retirement savers across the country.

This is particularly concerning because the Tax Cuts and Jobs Act is set to expire at the end of the year, meaning that Congress will be negotiating a comprehensive tax package based on flawed data when they return.

So, the message going forward is clear—there is no retirement crisis, as research routinely demonstrates, but rather a "retirement data crisis." Our call to action is equally clear—consistently correct the record to defend the private retirement system and its participants from dishonest and damaging attacks. PC

Brian H. Graff, Esq., APM, is the Executive Director of ASPPA and the CEO of the American Retirement Association.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3 KEY TIPS TO PREP FOR YEAR-END

Working in a cyclical industry certainly has its pros and cons, but when it comes to expectation management, both internally and externally, we have a pretty good grasp on what is expected of us. **By Katie Boyer-Maloy**

We know the deadlines, we know the timeline it takes to do work leisurely, and exactly what that timeline is when being pushed to the limit. We also know who is notoriously late getting us information, who will send it in but incomplete, and those star clients who always come through for us with everything we need to do the work. However, even though we know all those things, yearend always comes with a few surprises, high stress levels and things that got missed in the hustle and bustle of holidays and life. So, below you'll find three key points to consider for a successful yearend administration process.

1. COMMUNICATE, COMMUNICATE, COMMUNICATE!

Be CRYSTAL CLEAR about your expectations from your clients and partners, including what, when and how much it'll cost them if they don't comply. Not only do you need to be clear, but you also need to be consistent in that communication and stick to it. Valuing your time is important, so making sure you have dollars linked to that time, especially when put in a situation that requires rushing to get it completed by deadline, is crucial. If you end up deciding to comp them for that time (which you hopefully only do as a courtesy one time), it should still be a line item on the invoice marked with a one-time credit. If they don't know, they'll expect it moving forward. How often should you communicate? My go-to has always been sending out a message 60 days ahead letting them know what's coming, then another 30 days out. That will lead to the actual request email, then a follow-up 20-30 days later if not completed, then every two weeks after until completed. Once email follow-ups have not received any sort of response for 45 days, making a phone call would be next, adding those into the follow-up rotation as well. I have found that already having the email templates created makes life so much easier, and it also keeps us from getting too emotional in our outreach. Creating templates when we are in a levelheaded state of mind makes it easy to make sure we are communicating the deadlines and staying consistent in our tone and messaging. It's also a good idea to have a scheduled plan for when you will send the follow-up. Put it in your calendar like any other important commitment and stick to it. This is another area where having a workflow tracking system makes a tremendous difference as well. The workflow makes it simple to see who hasn't completed their data collection and allows you to use tools like blast email to send your message off with a few clicks. If you are communicating often and consistently, there can be no surprise about the expectations or the additional fees that show up on their next invoice.

2. DATABASE CLEANUP

This process is very rarely a fun one, but it is one of, if not the most important parts.

- Do we have current contact information for all of our clients?
- Have we deactivated those who left us since the last plan year?
- Have we added all the new clients we've brought on this year?
- Have our employees been updated in our systems?
- Do they have access/linkage to the appropriate plans and systems?
- Has our data collection questionnaire been updated with any new potential payroll questions or other items that may needed added or changed?
- Have plans been reassigned to other members of the team and is that reflected properly in our systems?
- Are there notes available to new staff working on plans with things they should know or look out for from prior years?

My suggestion is simple, run the reports ahead of time and look for holes. Find any contacts missing emails. Have someone go through it with a fine-tooth comb and make sure the information is complete. Make sure you have the systems in place to help highlight missing pieces as well. For example, if an email is missing, your workflow system should indicate that it cannot move forward because you're unable to send the collection email. The more prepared you are ahead of time takes the chaos and panic out of the process and sets you up for success.

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"THE MORE PREPARED YOU ARE AHEAD OF TIME TAKES THE CHAOS AND PANIC OUT OF THE PROCESS AND SETS YOU UP FOR SUCCESS."

3. FOLLOW THE PROCESS

This one seems to be the easiest, but for many firms, it is the opposite. Processes and procedures are built into our businesses for many reasons, but one of the most important is tracking. In order for any reporting to be effective, it requires that your team is consistently using the same mechanism to track their work, and that they are doing it timely. You cannot rely on passive workflow tracking for status updates. The golden rule here is that anyone should be able to pick up exactly where you left off with little to no struggle. If your workflow process is solid and well documented, that should be attainable. This doesn't work though if Johnny avoids the workflow system and goes in every Friday and checks the boxes, N/As every question or overrides the steps because he "doesn't need them." Processes and procedures are for everyone, they are built in for a reason. We all have bad days, rough moments, things can be missed regardless of how good we are at our jobs. That's why the steps are there, to be followed, every time. Make sure your workflow process has the details you need, make sure it's in the order you expect the work to be done, that the work is assigned to the right people and that you can get the reporting you need to confidently know where all of the plans are in the process, at any given time. There should never come a point during the administration process that you are blindsided by anything. You should be able to stay well ahead of major backups by seeing things slowly fall behind and have the opportunity to jump in before it gets to be too far behind. The tools are out there my friends.

I have had the opportunity to work with TPA firms of all shapes and sizes in my career to help them build out procedures and best practices to make their year-end process more efficient. There is no "perfect" way, and each firm has their own unique ways of doing different things, but for the most part, the architecture of the process is the same. Reach out to your network if you have an area you are struggling with. I can almost guarantee that not only do they have a helpful hint, but they've also likely experienced the same thing at some point in time. Find what works best for you, and hopefully, you'll find that this year-end is your best one yet. PC

FUNDING YOUR FUTURE: DON'T LET CONTRIBUTIONS GET OUT OF BALANCE!

Communicating minimum & maximum Contributions for defined benefit & cash balance plans.

By Jon Murello

"I have to make a contribution every year?"

"There is a limit on how much I can distribute from my plan when I retire?"

Hearing these statements years after a plan has been established can be infuriating for a plan sponsor. Before implementing a Single Employer Traditional Defined Benefit or Cash Balance Plan, plan sponsors must understand the contribution requirements and plan asset guidelines necessary for maintaining such a plan throughout its lifespan.

To grasp their funding obligations, plan sponsors should be familiar with the following terms and concepts:

ACCRUED BENEFIT

The Accrued Benefit is the amount a participant has earned under the plan's terms. When an employer sponsors a plan, a participant's Years of Service (i.e., years in which they work at least 1,000 hours) and compensation history determine their Accrued Benefit. In a traditional Defined Benefit Plan, the Accrued Benefit is typically expressed using a formula (e.g., percentage × years of service × average compensation over a consecutive three-year period). For a Cash Balance Plan, the Accrued Benefit is determined by annual Pay Credits (usually a percentage of annual compensation or a flat allocation) and an annual interest credit. At plan implementation, the plan sponsor establishes the Accrued Benefit formula to meet their goals.

FUNDING TARGET AND NORMAL COST

A participant's Accrued Benefit carries a liability known as the Funding Target, which equals the sum of the present values of participant Accrued Benefits. This present value is calculated using IRS-prescribed interest rates and mortality tables.

Each year, as a participant accrues a year of service, their Accrued Benefit grows. This growth is referred to as the Normal Cost, which equals the difference between the present value of the Accrued Benefit at the end of the year and at the beginning of the year, again determined using IRS-prescribed interest rates and mortality.

MINIMUM REQUIRED CONTRIBUTION AND MAXIMUM DEDUCTIBLE CONTRIBUTION

Each year, an annual plan valuation is performed. Based on the plan's Funding Target, Normal Cost, and assets, a Minimum Required Contribution and a Maximum Tax-Deductible Contribution are established.

The Minimum Required Contribution generally equals the Normal Cost (minus any excess assets) plus the Shortfall Amortization Charge. When plan assets fall short of the Funding Target, the plan incurs a Shortfall Amortization Charge, similar to a mortgage payment on the plan's underfunded liability.

Regardless of the plan sponsor's financial performance, the Minimum Required Contribution must be satisfied annually. This necessity underscores the importance of ongoing communication between the plan sponsor and the actuary to ensure that necessary adjustments, such as amendments to lower the plan's Accrued Benefit formula, are made. Failure to satisfy the Minimum Required Contribution can result in a 10% excise tax on the shortfall.

The plan also has an annual Maximum Tax-Deductible Contribution, calculated as the total of the Funding Target, Normal Cost, and a Cushion Amount (typically 50% of the Funding Target), minus the value of plan assets. This calculation provides room for significant overfunding. While overfunding in a financially strong year can be beneficial, consistently overfunding has its drawbacks.

INTERNAL REVENUE CODE (IRC) SECTION 417(E)(3) TERMINATION LIABILITY AND SECTION 415 LIABILITY

Financial circumstances can change for plan sponsors, making it difficult to maintain a plan. Eventually, plans may be terminated, and assets must be distributed.

The plan's termination liability, known as the IRC Section 417(e)(3) Termination Liability, is calculated by multiplying the Accrued Benefit by an annuity factor based on average corporate bond segment rates and IRS-prescribed mortality. For a Cash Balance Plan, this liability equals a participant's Cash Balance account value.

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The IRC Section 417(e)(3) Termination Liability is capped by IRC Section 415, which imposes limits on a participant's Accrued Benefit and the lump sum they can ultimately receive from the plan. A participant's Accrued Benefit is limited by the lesser of a Compensation Limit and a Dollar Limit. The Compensation Limit equals 100% of a participant's highest consecutive three-year average compensation, reduced for all years of service with the employer of less than 10 years. The Dollar Limit is an IRS-indexed value, also reduced for years of plan service under 10 years.

Typically, a participant's IRC Section 415-limited lump sum is determined by taking the lesser of the Compensation Limit or Dollar Limit and multiplying it by an annuity factor based on 5.50% interest and IRS-prescribed mortality. For example, the 2024 IRC Section 415-limited lump sum for a 62-year-old participant who consistently earned the compensation limit could be approximately $3.5 million.

Reflecting on the Maximum Tax-Deductible Contribution, if frequent large annual contributions or significant investment gains occur, the plan may become overfunded at the time of termination. Excess assets above the IRC Section 415 limit incur a 50% excise tax upon termination, reverting to the employer and subjecting them to corporate and shareholder taxes. This scenario is one that plan sponsors should strive to avoid.

SUMMARY

When implementing a Traditional Defined Benefit or Cash Balance Plan, plan sponsors must understand the contribution and funding requirements they must meet. Underfunding can lead to unmanageable Minimum Required Contributions, while overfunding may result in unusable assets at termination, subject to excise tax. By maintaining constant communication with actuaries, plan sponsors can navigate these challenges and achieve their retirement goals. PC

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DATA Dilemma: Is There Really a 'Retirement Crisis?'

Critics of the term say no, and that the actual crisis lies in the country's faulty retirement income and savings data—which vastly overstates the issue—and a misunderstanding about the private retirement system's role. We take a comprehensive look.

BY PAUL MULHOLLAND

Few would say the American retirement system is perfect.

Whether the previous sentence is a laughable understatement or a polite prod for modest reforms is where much of the debate over a "retirement crisis" resides.

The debate largely centers on the extent of the retirement savings gap, the quality of the data used to measure it, and whether there should be wholesale changes or tweaks to the current system.

In fact, some members of Congress are proposing what would essentially be a government takeover of the retirement system. Others, including the American Retirement Association (ARA), argue we should allow for changes under SECURE 1.0 and 2.0, as well as state-based auto-IRA plans, to take effect.

But one misconception about whether there truly is a "retirement crisis" is based on the data used to make those arguments.

Some, such as Andrew Biggs, a senior fellow at the American Enterprise Institute, argue that the word "crisis" grossly overstates the alleged problem, and is irresponsibly hyped by the consumer press.

Others, such as Teresa Ghilarducci, director of the Schwartz Center for Economic Policy Analysis (SCEPA) and The New School's Retirement Equity Lab, claim America's retirement situation is indeed in a crisis.

American workers and retirees are suffering from a profound shortage of retirement income and financial security, and "more than 10 percent of Americans aged 65 and up are in poverty," she recently wrote.

Ghilarducci's critics respond that retirement income is higher when one looks at IRS-provided tax data instead of census data, and Social Security replaces income almost entirely for the poorest Americans.

Notably, Biggs explained that those who believe there is a retirement crisis cite data from the Current Population Survey (CPS) from the Census Bureau to arrive at their poverty figures, which only counts regular income. Much of the income retirees receive from 401(k)s and IRAs is irregular and can vary from year to year—so the Census data, therefore, is skewed.

Additionally, data reported to the IRS is based on a legal obligation to be complete and accurate, whereas CPS data is based on a voluntary survey.

Biggs recently wrote in a responsive paper that "the CPS captured only around 60 percent of all income seniors received from private retirement plans, including traditional defined benefit (DB) plans."

According to Biggs, a "massive gap" exists between the IRS and CPS data regarding retiree income. The CPS tracks what respondents report as regular income, whereas the IRS data shows the true income figures and tends to be much higher.

Since the tax data shows higher income levels than CPS data, arguments that rely on CPS data are liable to overstate the savings gap.

> **"ACCORDING TO BIGGS, A "MASSIVE GAP" EXISTS BETWEEN THE IRS AND CPS DATA REGARDING RETIREE INCOME. THE CPS TRACKS WHAT RESPONDENTS REPORT AS REGULAR INCOME, WHEREAS THE IRS DATA SHOWS THE TRUE INCOME FIGURES AND TENDS TO BE MUCH HIGHER."**

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Biggs also argued that "Households in the bottom fifth of the lifetime earnings distribution will receive Social Security benefits sufficient to replace 78 percent of their career-average preretirement earnings, adjusted for inflation," and that they're likely to benefit from means-tested programs.

Ghilarducci acknowledged the point, noting that "accumulated assets are being undercounted" and that "the current generation has more money on average than previously reported" in Census surveys. However, she insisted that this misses income inequality among retired people and ignores future generations.

Ghilarducci added that although Social Security may provide near income replacement for the lowest earners, "the fact that there are people who are desperate, that live with a need for food, housing, and transportation and that Social Security replaces 90% of that is not an endorsement of our retirement system."

PERCEPTION VERSUS REALITY

Yet, defined contribution (DC) proponents counter that economic issues that exist outside the retirement system are clouding the perception of that system.

"The problem is far bigger than the retirement system," said Mark Iwry, a non-resident senior fellow at the Brookings Institution and former senior adviser to the Secretary of the Treasury during the Obama Administration. "There are substantial racial and gender gaps in wealth and income as well as in savings and plan participation, in addition to age discrimination and other inequities. The retirement system by itself can't fix all these problems, including that too many workers are not earning the decent living wage they deserve."

"It's hard to expect that those who are poor before retirement can be made better off after retirement," he added.

Biggs captured the issue more bluntly: "Their problem was not that they failed to save enough for retirement; it was that they were poor throughout their lives." He added that "most people poor in retirement were poor before retirement."

It's an important point echoed by American Retirement Association (ARA) CEO Brian Graff, in that the retirement system mirrors a person's working income and was never meant to address poverty reduction, something Social Security and other federal programs were designed to do.

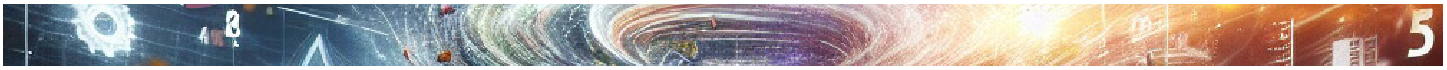
Graff added that the country's private defined contribution system was also never designed to be the only source of retirement income or even the majority; rather, it was meant to complement Social Security, pensions, and other sources of retirement income and savings.

AUTOMATIC ENROLLMENT AND AUTO-IRAS

The DC plan system has also benefitted from several recent reforms that have greatly expanded access and are expected to continue to do so. Supporters argue that these reforms should be given time to take effect and expanded further.

Of particular interest here are the automatic enrollment and escalation mandates in the SECURE 2.0 Act of 2022, as well as voluntary adoption of automatic features, and the state-level auto-IRA programs. It should be little wonder that mandates for private saving are key, since Social Security itself also has automatic enrollment and lacks an opt-out provision.

Indeed, recent research from the Morningstar Center for Retirement & Policy Studies published in September found that transitioning from voluntary to automatic enrollment in



DC plans, coupled with auto-escalation of up to 15% of salary, could increase average wealth ratios by over 28%.

Additionally, eight state-level auto-IRA programs are up and running, and nine more are in varying stages of development. Though average account balances are small, mainly because the programs are relatively new, there is reason for optimism that they will help narrow the access and savings gap.

According to Georgetown University's Center for Retirement Initiatives data, existing programs have high participation rates, and most savers do not opt out. As of July 2024, the highest opt-out rate is 38.7% in Illinois, and the lowest is 18.69% in Connecticut. Average contribution rates vary from 3.38% in Connecticut to 6.8% in Oregon.

Further, a working paper published in August by the National Bureau of Economic Research estimated that "at least 30,000 firms have been induced to offer an [employer-sponsored retirement plan] by these policies."

The paper argued that this is primarily due to a forced choice for employers and increased plan provider marketing: "In the presence of inertia, for instance, removing the default option of offering no plan may induce employers to revisit their ESRP decision and choose to offer a plan. Furthermore, employers may be responding to marketing that ESRP administrators have undertaken in response to the auto-IRA policies."

David Certner, AARP's legislative director, said that AARP endorsed the concept of auto-IRAs "when it was first released."

"Expanding coverage is a top priority for AARP," he explained, and auto-IRAs "take advantage of the payroll deduction mechanism."

"It would be great to take the best of what we have learned at the state level and take it to the federal level to be sure everyone has a retirement savings plan," Certner said.

The Employee Benefit Research Institute (EBRI) estimated that automatic enrollment and escalation, along with the Saver's Match, will be the most impactful provisions in SECURE 2.0 and particularly helpful to younger savers whose benefits from these policies will compound over time. The average retirement savings shortfall will decrease by an estimated 14.4% for those ages 35 to 44 from these two policies, according to EBRI's July Changes in Retirement Security from SECURE 1.0 and 2.0: Evidence from EBRI's Retirement Security Projection Model.

Sen. Bernie Sanders (I-Vt.), who also believes that America's retirement situation is in crisis, released a staff report in February 2024 that said, "Employees that were automatically enrolled in retirement plans saved roughly 40 percent more than those workers who had to opt into a retirement plan," and encouraged auto-enrollment's implementation.

Sanders noted that "state action on access to retirement plans has had quantifiable positive outcomes. As of December 2023, there are six state-facilitated automatic individual retirement accounts (IRA) programs up and running with more than $1.1 billion in assets under management."

The conclusion is that automatic programs, which are no longer hypothetical, present a road map for greater DC plan coverage and savings.

RETIREMENT ANXIETY AND THE IMPORTANCE OF SOCIAL SECURITY

Compounding the issue is the anxiety many Americans feel about their ability to retire comfortably, as Ghilarducci and others noted. However, the essential role that Social Security plays in preventing senior poverty and its impending insolvency, absent any reforms, is critical to understanding this anxiety.

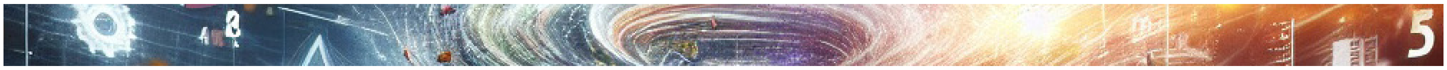
According to EBRI's 2024 Retirement Confidence Survey, 68% of workers and 74% of retirees are confident they will have enough income to last through their retirement.

Craig Copeland, the director of Wealth Benefits Research with EBRI, said these figures are "on a historical basis, pretty good" and are not much lower than the highest levels recorded by EBRI.

Yet, Copeland explains that "confidence in Social Security does seem to play a role in retirement confidence."

About 70% of retirees are confident Social Security will pay them benefits equal to or greater value than it does now, whereas only 50% of workers say the same.

This anxiety over Social Security appears to be among the key drivers of general retirement anxiety: "Those confident in retirement are more likely to be confident in Social Security. Those



not confident in retirement are more likely to be not confident in Social Security," Copeland says.

In addition, 62% of retirees report Social Security as a major source of income, whereas only 35% of workers expect it to be.

On the other hand, 84% of workers say they expect a workplace retirement plan to be a major source of income.

The risk of Social Security's insolvency is especially acute in this hyper-partisan era, in which rival politicians could simply blame each other for Social Security's failure to pay full benefits.

On a recent episode of his DC Pension Geeks podcast, Graff said as much, arguing, "Social Security has probably brought more people out of poverty than any other federal program in existence. Bar none."

But when fully half of American workers believe America's most effective anti-poverty program will more likely than not offer less generous benefits in the future, it's easy to see where the leading cause of retirement anxiety and the intuition of a broader crisis might be coming from.

IMPROVEMENTS

Aside from the proposals for a government takeover of the retirement system, some proposed solutions to improve retirement security are strikingly similar, despite the gap in rhetorical urgency. They include expanding automatic enrollment in personal savings accounts and improving the generosity of Social Security to low-income Americans.

Iwry said it's crucial to "make Social Security more generous at the bottom" and to expand plan coverage through the use of state auto-IRAs nationwide, whether through state or federal legislation.

Biggs said that Social Security should be expanded to provide more security to those with low incomes and that "there should be a better safety net."

In his report, Sen. Sanders also endorsed improving Social Security benefits to the poorest Americans (and caretakers), as well as expanding automatic enrollment and mandatory plan creation for employers as his preferred solutions, which also included increasing access to defined benefit plans.

DC PLANS BENEFIT ALL PARTICIPANTS

One major problem, however, is that some proposals seek to curtail tax deferrals for employer-sponsored 401(k) plans and IRAs under the current system to help "pay" for their reforms, arguing that such incentives only benefit upper-income taxpayers.

That argument ignores a lot of nuance, however.

"The facts are that most workers accumulate resources from retirement plans at some point in their careers and eventually receive retirement income from these plans. And the benefits of tax deferral are not restricted to high earners," Peter Brady, Senior Economic Adviser at the Investment Company Institute (ICI), noted.

Brady made that comment in response to a recent paper published by Biggs and Alicia Munnell of the Center for Retirement Research that proposed to sharply curtail the tax incentives for employer-sponsored retirement plans and use the revenue raised to shore up the funding of the Social Security system.

One point made by Biggs in citing the Tax Policy Center is that 59% of the total tax expenditure is received by households in the highest two income quintiles.

Brady says that while it may be true that most tax measures, expressed in dollars, will be skewed to high earners, this is because both income and taxes paid are highly skewed.

What's more, ICI research illustrated that higher-income workers benefit more from retirement plans because a higher share of their wages are deferred for retirement—not because they benefit more on each dollar deferred. The facts are that most workers benefit from employer plans and IRAs.

In fact, an analysis of tax data by ICI economists found that 75% of 72-year-olds receive income from retirement plans. For those who had middle- or upper-middle-income before retirement, income from retirement plans typically makes up one-third to one-half of their total income at age 72.

Another point that is almost completely forgotten is that tax deferrals are counted as "tax expenditures" according to the federal government's budgeting, which looks only at a 10-year budget window and that these pre-tax deferrals will eventually come back as tax revenues.

Consider also that when adjusted for inflation, average retirement assets per U.S. household are nearly 10 times what they were 50 years ago.

That surge in wealth has been propelled largely by IRAs, 401(k)s, and similar plans, which provide retirement security for families of all backgrounds and income levels, according to the ICI.

PARTING THOUGHTS

Iwry concluded that "the term 'crisis' tends to generate a lot of heat, maybe more than is helpful."

He recommended less of a focus on "admiring the problem" and more on pursuing consensus on exactly what steps are needed to solve the retirement gap.

In his view, it is better and more productive to work with and reform the current system than to tear it down and start from scratch.

Defined contribution plans have plenty of room for growth through automatic policies, and a consensus seems to be emerging that Social Security should do more for the poorest Americans, especially in light of the decline of defined benefit plans and unionization. PC

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As actuaries, we often create cash balance (or other defined benefit) proposals for clients with existing defined contribution (DC) plans, usually a 401(k)-profit sharing plan. Sometimes, the DC plan is a Multiple Employer Plan (MEP) sponsored by a PEO, with the client as an adopting employer.

BY KEVIN DONOVAN

Getting PEO'd

AS ACTUARIES, we regularly run cash balance (or other defined benefit) proposals for potential clients who have a defined contribution (DC) plan in place. In most cases, the DC plan is a 401(k)-profit sharing plan directly sponsored by the client.

Occasionally, this plan takes the form of a Multiple Employer Plan (MEP) sponsored by a PEO, with the client as an adopting employer.

A PEO is an organization that assumes certain human resource (HR) responsibilities for its clients. These responsibilities typically include payroll processing and may also encompass employee benefits such as a 401(k) plan, usually structured as a MEP. In most instances, the common law employer of the employees is the client; the PEO primarily provides HR services and does not manage the employees on a daily basis. Employees on a PEO's payroll who perform services for the client are often referred to as "worksite employees," while the client is termed the "client organization" (CO) as noted in Rev Proc. 2002-21.

This article will focus on client prospects that utilize a PEO to employ their workers.

The first critical step is determining whether the worksite employees are indeed common law employees of the client. According to the opening sentence of IRC Section 401(a), a plan must be created for the exclusive benefit of the employer's employees to qualify. The key factor in establishing the employer of an individual is identifying which entity has the right to direct and control the individual performing the services. If the CO, not the PEO, is deemed the employer, a non-MEP maintained by a PEO that benefits the worksite employees would fail to satisfy the exclusive benefit rule.

Rev Proc. 2002-21 states, "The employment relationship between workers and the employer maintaining a plan is fundamental to whether a plan is qualified under Sec. 401(a) of the Internal Revenue Code. The determination of whether an employment relationship

exists depends on the facts and circumstances of each particular case. If a retirement plan provides benefits for individuals who are not employees of the employer maintaining the plan, the plan does not satisfy the exclusive benefit rule contained in Sec. 401(a)(2) and could therefore be disqualified."

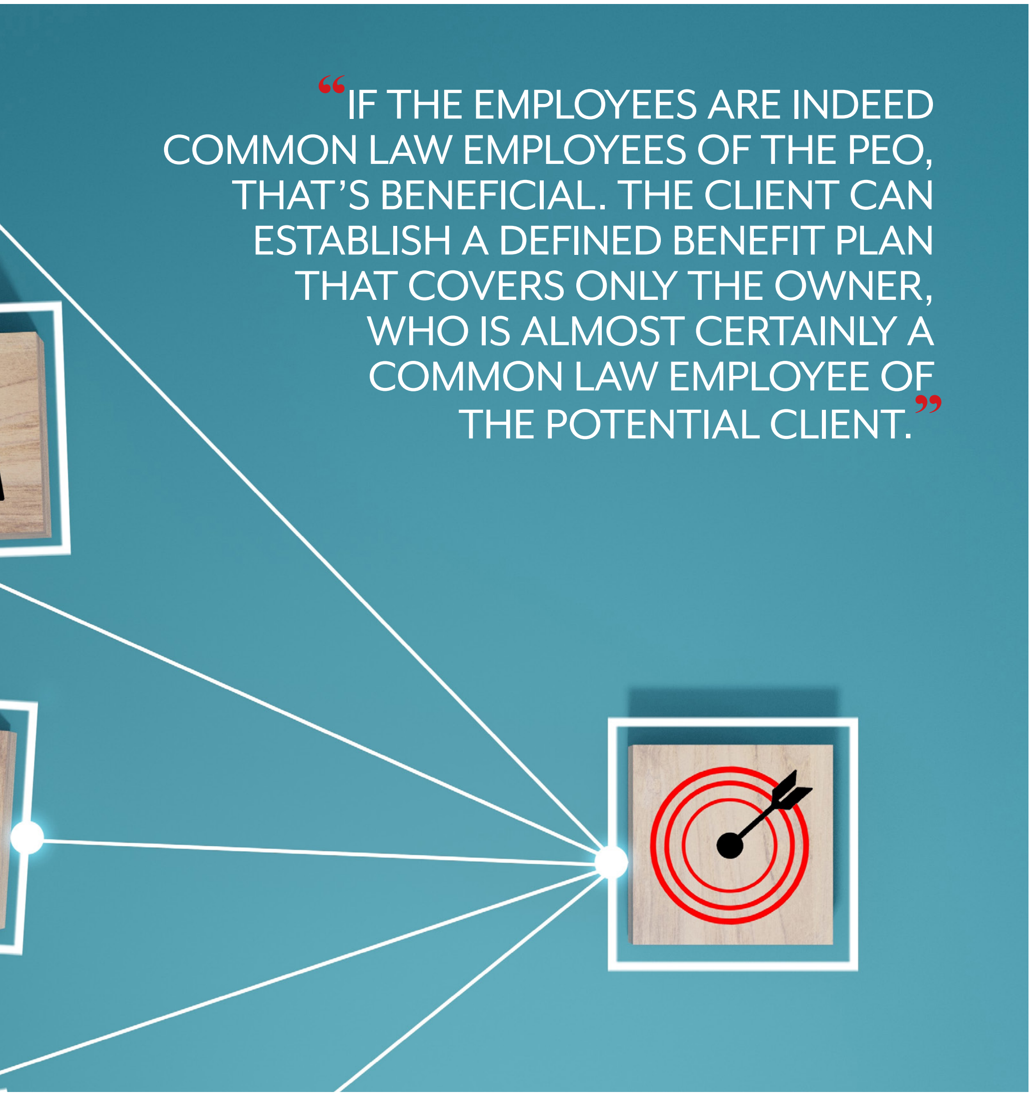
In small plan settings, worksite employees are usually common law employees of the client. The client determines who performs the work and when and where it occurs. The client also makes decisions about hiring and terminating employees. When either the PEO or client claims otherwise, it is advisable to defer to the client's tax or ERISA counsel, as such determinations are outside the expertise of most actuaries and TPAs.

If the employees are indeed common law employees of the PEO, that's beneficial. The client can establish a defined benefit plan that covers only the owner, who is almost certainly a common law employee of the potential client. However, the IRS does not view this favorably. For example, consider ABC Company, which has 10 worksite employees on a PEO's payroll. DEF Company, wholly owned by individual X, employs only X. If the ABC worksite employees are common law employees of the PEO, then DEF could adopt a generous defined benefit plan covering only X—an unusual and questionable scenario.

If, as is likely, the worksite employees are common law employees of the client, several options exist. They can maintain the MEP as their DC plan and adopt a cash balance plan as a single employer plan. Alternatively, the client could withdraw from the PEO's MEP and establish the DC plan as a single employer plan.

We once had a large medical practice with about 700 employees, including approximately 80 doctors, that utilized a PEO for payroll. The practice directly adopted a 401(k) plan covering all of its non-excludable employees, along with a cash balance plan for the doctors. The plans passed testing as a single plan (a "DB/DC" plan). The same result could occur if the practice participated in a MEP offered by the PEO, while directly adopting the cash balance plan.

Ultimately, it comes down to the question posed by Derrin Watson: "Who's the employer?" If, as is likely, the worksite employees are common law employees of the client organization, they can adopt a plan directly or participate in the PEO's MEP. If there is a dispute over whether the worksite employees are common law employees of the PEO, I recommend seeking confirmation from legal counsel before establishing a generous defined benefit plan for the owners of the client organization. PC



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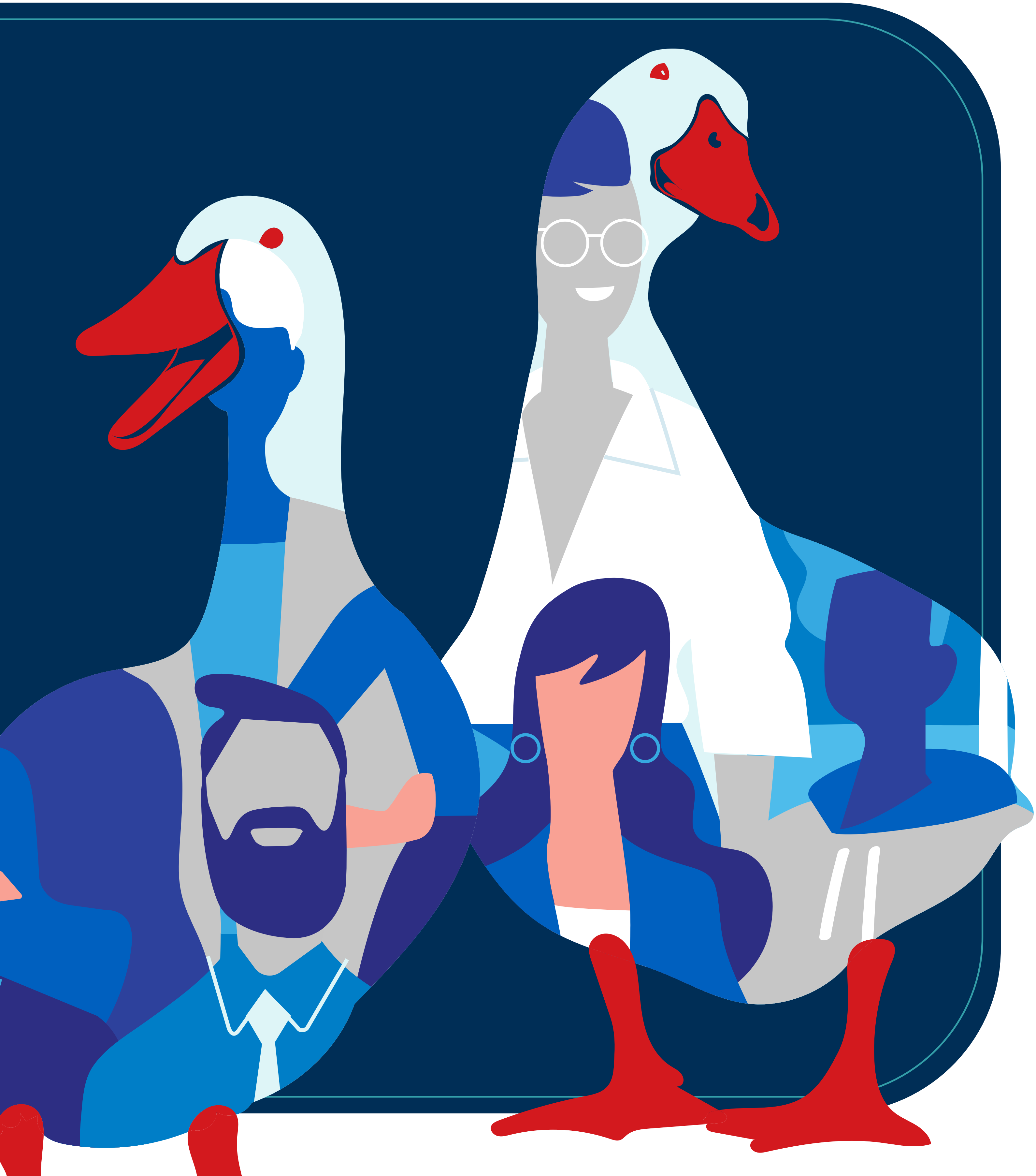
WHAT'S GOOD FOR THE GOOSE IS NOT NECESSARILY GOOD FOR THE GANDER

Business owners could use a little help with the selection process of 401(k) service providers.

BY SHANNON EDWARDS AND DAVID WITZ



How do you choose a doctor for a major medical procedure or a builder for a custom home? Do you ask a friend, issue a request for information, conduct your own investigation, or maybe ask for references?

It should come as no surprise but there is no one size fits all circumstances yet many decisions to hire a retirement plan service provider are made without any vetting process that considers the individualized needs of the plan sponsor. In the intricate world of retirement planning, selecting the right 401(k) provider is a critical decision that can have long-lasting implications for both plan sponsors, participants, and the financial advisors that serve them.

Ironically, many plan sponsor's hire a service provider based solely on the suggestion of their financial advisor without confirming their advisor has knowledge and expertise to make an informed recommendation based on plan needs, service capabilities, and pricing. This article is going to delve into the nuances between the different approaches of an elite and occasionalist advisor and the benefits an experienced TPA can offer both.

The rules governing retirement plans are complex which creates a very diverse world of service providers that work with plan sponsors and participants. Just as no two businesses are alike, no two 401(k) plans are identical either.

Financial advisors play an extremely important role in the selection process for most plan sponsors. However, as a fiduciary to the plan, plan sponsors cannot not rely blindly on the recommendations of their advisors. They have a duty to the plan's participants to make an educated informed decision when hiring service providers especially if the service providers they chose are being paid from plan assets.

The majority of financial advisors manage ten 401(k) plans or fewer. The number of true retirement plan specialist advisors is very low in most markets. Non-specialist advisors have a limited perspective on the broader market of available service providers and options for their clients. So, when an advisor only has one solution to offer a client and a plan sponsor relies solely on an advisor's recommendation without any independent evaluation, it can lead to choices that are not optimal and can potentially expose the plan sponsor to fiduciary liability.

Advisors can generally be categorized into two groups: elite and occasionalists. Elite advisors dedicate over 80% of their time to retirement plans and tend to have 40 or more plan clients. They have comprehensive expertise in both bundled and unbundled approaches and can navigate complex plan issues with ease. Because of their experience and client volume, elite advisors are equipped to secure favorable pricing and service agreements.

In contrast, occasionalists are not retirement plan specialists and often have five or fewer retirement plan clients. They tend to rely on a single bundled provider referred to them by their Broker-Dealer or RIA. Without a TPA relationship, these advisors may lack the necessary support structure to resolve compliance issues, customize plans, or manage unexpected complications. This gap can expose both the advisor and the client to risks, especially when problems arise.

Advisors in the retirement plan industry often face the challenge of balancing a client's need for compliance and the cost for services rendered. A crucial yet sometimes overlooked partner in this process is the compliance administrator also known as the Third-Party Administrator (TPA). Understanding the role of TPAs and their benefits can distinguish successful advisors from the rest, helping them better serve their clients and enabling them to focus on their area of expertise while being secure in the knowledge that their clients' compliance needs are being met.

Many TPAs have experience with multiple service providers that provide a wide range of knowledge regarding plan sponsor options whereas most occasionalists only have experience with a single bundled provider that typically was referred by a member of the B/D's or RIA's retirement desk. An advisor that partners with an independent TPA immediate expands their market knowledge of the services and options available to their clients that will assist their client in making informed decisions regarding the best

“THE RULES GOVERNING RETIREMENT PLANS ARE COMPLEX WHICH CREATES A VERY DIVERSE WORLD OF SERVICE PROVIDERS THAT WORK WITH PLAN SPONSORS AND PARTICIPANTS. JUST AS NO TWO BUSINESSES ARE ALIKE, NO TWO 401(K) PLANS ARE IDENTICAL EITHER .”

solution that best fits their individual needs. This is one of the reasons that an independent TPA firm is hugely relevant in today's market and always will be.

The partnership between advisors and TPAs has a long history and remains essential in the retirement industry. Long before ERISA and daily valuation recordkeepers, TPAs supported advisors by providing plan design, compliance assistance, and sales support. They have been instrumental in offering specialized services that are often not covered by bundled solutions. This relationship is likely to persist because TPAs address key aspects of plan management that other providers may overlook or cannot provide cost effectively.

Depite similar services offered by TPAs and bundled providers, elite advisors typically leverage TPAs more effectively. These professionals have in-depth knowledge of when a TPA is preferable over a bundled approach, allowing them to optimize solutions based on client needs. Understanding this nuance separates elite advisors, who spend the majority of their time in the retirement plan space, from occasionalists, who handle only a handful of retirement clients and primarily focus on wealth management.

Elite advisors, despite their proficiency, turn to TPAs for several reasons. First, even the most meticulous planning cannot prevent all issues. Problems can stem from plan sponsors, recordkeepers, or a combination of other factors. When these issues arise, an experienced TPA can step in to provide prompt corrective action. In contrast, bundled providers, may be slowed by corporate compliance processes or because many of the client representatives are siloed into specific areas of service. For instance, the client relationship manager may not be the same person performing administrative tasks, compliance testing, or preparing corrections. Independent TPAs typically assign can address problems with agility and a personal touch.

The very reasons elite advisors use TPAs can also apply to occasionalists, but perhaps even more so. Occasionalists often lack the specialized knowledge and staff resources to address the complexities of retirement plans. A TPA relationship can fill this gap by providing:

1. **Local Expertise:** TPAs are often based in the same region as their clients, allowing for more personalized service and face-to-face meetings.

2. **Industry Knowledge:** TPAs are well-versed in regulatory changes and can offer tailored guidance that a bundled provider might not.

3. **Customized Plan Design:** Each client has unique needs, and a TPA can create a bespoke plan to match those requirements.

4. **Proposal Development:** TPAs can assist in developing materials that enhance the advisor's proposal, making it easier to win new business.

5. **Sales Support:** They can strategize with advisors to close deals and even attend in-person presentations to lend credibility.

6. **Low Turnover:** Many TPAs have long-tenured staff, providing consistent support, which is critical in an industry that values relationships and continuity.

7. **Direct Access to Shareholders:** TPAs tend to be smaller firms where key decision-makers are accessible, ensuring quick resolutions.

8. **Problem Resolution:** TPAs bring a personal touch to resolving issues that larger, more distant firms may struggle to match.

9. **Enhanced Clout with Recordkeepers:** Because TPAs manage many plans with multiple recordkeepers, they have leverage occasionalist do not have to get things done, which can be invaluable when dealing with recalcitrant providers.

10. **Independence:** Unlike bundled providers, TPAs are not tied to proprietary investment products, allowing them to focus solely on what is best for the plan sponsor.

For the occasionalist, a strong TPA relationship is more than just a support mechanism—it is a strategic extension of their service offering. This partnership enables them to deliver a higher standard of service to clients without the need to build in-house expertise.

When advisors lack a TPA relationship, they often miss the warning signs of trouble until it's too late. Excessive fee claims, compliance failures, and plan design flaws can quickly escalate, leading to costly litigation or client dissatisfaction. A TPA, acting as an independent advocate, helps preempt these issues by maintaining rigorous oversight and advocating on behalf of the client. This in turn creates a stronger relationship between the advisor and the client as well.

Moreover, TPAs bring objectivity and independence to the table because they do not sell proprietary investments that conflict with their objective to optimize plan operations. This independence is crucial in an industry that has become burdened with plaintiff litigation. Unfortunately, ignorance is not an acceptable defense, something elite advisors are aware of, and it is the reason elite advisors have a vetting process for many bundled and unbundled solutions.

For the occasionalist that does not have a vetting process in place, a the TPA becomes the occasionalist's independent advocate that can mitigate risks the unfamiliar to the occasionalist by leverage the TPAs vast experience with many plans service by different recordkeepers. In addition, the occasionalist can leverage the TPA's book of business the occasionalist does not have to secure better pricing and a higher quality of service with those recordkeepers. For instance, an advisor may have five plans with one recordkeeper while a single TPA may have more than one hundred clients with that same firm.

Besides a TPA's leverage with recordkeepers for better pricing and services, they have already established industry best practices with robust processes, procedures, and documentation that mitigate litigation risk for both the advisor and the plan sponsor. This is a significant differentiation for occasionalists who are rarely capable of evaluating the quality of service associated with the cost of services rendered the best service provider for a plan sponsor is not necessarily the cheapest but rather the one that offers the most value given the specific operational objectives of the plan. First time plan sponsors and some financial advisors often make the mistake prioritizing cost in place of service because they have no experience operating, administering, and servicing a qualified retirement plan. This lack of knowledge, experience and expertise emphasizes the importance of a TPA that provides important education regarding fiduciary duties including acceptable methods to document the evaluation of the value they are receiving for the price they are paying.

Of course, relying on a single service provider for all situations is a process that no elite advisor has adopted no differently than recommending only one large value fund for all plans.   A core principle in ERISA is the fiduciary obligation to make an informed decision. Most plan sponsors rely on their advisor to assist with this objective and when the advisor does not have the knowledge to make an informed decision it is expected they know where to obtain the information necessary to document an informed decision. When financial advisors have a quality independent TPA partner that partner can provide them with valuable insight into the marketplace so that they can present the best choices available to their clients.

Independent compliance administrators or TPAs play a crucial role in today's market. They offer specialized services and expertise that can greatly benefit plan sponsors. They

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can develop individualized services for plan sponsors and their financial advisors. The need to tailor plan design and the ability to provide objective advice further proves their relevance. However, the decision to engage an independent compliance administrator should be made after careful consideration not only of the needs of the client but also a comparison of the services provided by the available service providers and what would best fit the needs of the client.

To ensure that financial advisors can make well-informed recommendations, TPAs should provide training and coaching on how they work with clients and the value they bring. This enhances the advisor's ability to sound informed and advocate effectively for the plan sponsor. One of the most important services a compliance administrator can provide to a financial advisor, especially a non-specialist advisor, is training and coaching. Effective communication between the financial advisor, plan sponsor, and TPA is essential. TPAs should position themselves as advocates for the advisor, ensuring that the value they bring is clearly understood. This can be achieved through well-designed presentation meetings and ongoing support.

One of the most significant risks of choosing a 401(k) provider without proper vetting is the potential for fiduciary liability. Lawsuits against plan sponsors often target excessive pricing and inadequate services. Several lawsuits over the past few years have highlighted the importance of due diligence in selecting 401(k) providers. Plan sponsors must have a process by which they select their service providers and most importantly must document their process to mitigate litigation related to excessive fees for services rendered. By conducting a comprehensive evaluation of multiple providers, a plan sponsor can make a prudent decision and an advisor plays a pivotal role in that process.

Ultimately, the responsibility for selecting a 401(k) provider lies with the plan sponsor. However, financial advisors play a crucial role in guiding this decision that should be customized to the unique needs of the plan. A one size fits all approach may be efficient, but it is not in the best interests of the plan participants. It behooves every advisor to make an informed recommendation. If the advisor does not have personal knowledge of what may serve the best interests of the plan participants, they should seek the assistance of an experienced expert like a TPA that can identify a customized approach that considers the unique needs of each plan.

Selecting a 401(k) provider is a complex process that requires careful consideration of pricing, service differences, and legal implications. Plan sponsors and financial advisors must work together to ensure that each decision is well-informed and tailored to the specific needs of the plan. By doing so, they can provide the best possible outcomes for plan participants and minimize the risk of fiduciary liability.

In summary, while most retirement plans are established with the help of an advisor, an advisor must recognize their limitations and seek expertise when they lack that expertise in a highly regulated world of retirement plans. Clearly, the best way for an advisor to obtain the expertise they need is by developing a relationship with a TPA to properly vet the many vendor options available to their client. For advisors, whether elite or occasionalists, partnering with a TPA is not just about compliance—it's about enhancing client service, mitigating risks, and maintaining a competitive edge. A well-chosen TPA becomes an invaluable ally, offering specialized support and industry expertise that goes beyond the capabilities of most bundled solutions.

In the end, advisors who recognize the value of a strong TPA relationship will not only serve their clients better but will also protect themselves from the pitfalls that can arise in the complex world of retirement plans. With a TPA by their side, advisors can navigate these challenges confidently and successfully. PC

KEYS TO WINNING (AND EFFECTIVELY SERVICING) NEW RETIREMENT PLAN BUSINESS

Three plan professionals on overcoming obstacles to superior client service.

By Amy Garman, Mary Patch and Megan Crawford

What are some of the biggest challenges for retirement plan professionals when engaging plan sponsors, especially in the smaller and startup plan markets? How are plans appropriately priced, and plan and participant education, marketing, and communication effectively performed?

Three top retirement plan professionals—Megan Crawford of Crawford Retirement Group, Amy Garman of Capital Group, and Mary Patch of Atlatl Advisers—reveal best practices for exceptional service (and results) in these areas and more.

Q: Educating the client is one of the most important things when setting up a new plan. How do you each handle that, and what parts of the plan are you focusing your education on (i.e., investment education, how to use the recordkeeping website, understanding their plan, etc.)? And what does education for the sponsor versus the participant look like?

Garman: To lay a strong foundation for a successful plan, it's important to educate sponsors and employees. The key is to make it easy for both parties to learn about 401(k) retirement savings and to execute a strategy. For first-time sponsors, a hands-on welcome call is critical to talk through the points at which they'll touch the plan, for example, how they'll use the recordkeeping website to add new employees, make contributions, and send notices. For employees, the goal is to make them plan participants with timely and engaging materials on the benefits of retirement savings. A targeted, interactive digital campaign that acknowledges employee perspectives and leverages eligibility tracking and online enrollment can reach employees at the right time with the right message and can motivate them to make meaningful deferrals toward future retirement spending.

Crawford: As the TPA, one of the most crucial parts of starting a new plan is educating the sponsor from the beginning. If the plan sponsor truly understands their plan and best practices for running it, it sets the tone for a successful plan from the start. And a successful long-term relationship with the client. As TPA's, we must educate the sponsors on what options they can put into their plan and advise on which ones fit their goals. We also advise on how to work with their recordkeeper to use all of the resources they provide and what is required of them each year as a sponsor and fiduciary so they stay in compliance from the beginning! We work with our advisor partners to provide plan education for plan participants.

Q: How are you continuing to keep your plans and participants informed?

Patch: The employees need basic investment knowledge, retirement planning guidance, and clear communication regarding the plan features, including understanding payroll deduction options and how to budget to afford the deduction.

Crawford: Keeping our plan sponsors informed is crucial, especially with all the changes that have been implemented over the last few years under SECURE and SECURE 2.0. We regularly communicate these updates and new plan options to our sponsors through email campaigns. We also review our plans each year to think about if we should have a more hands-on approach when we feel like a certain plan change should be made and call with those recommendations.

Q: What challenges do you face when pricing for startup plans, and how do you market to these types of plans?

Patch: Many of these businesses have never had or managed a plan before. They need handholding and guidance in creating a plan that works for them. Offering a comprehensive solution for them is key. They rely on their advisor to assist them in understanding complicated topics, guiding them on what most employers opt for plan features, quarterbacking their chosen providers, and helping them to build a plan to become the cornerstone of their employee benefit and recruiting package. The more you can simplify the plan processes for the sponsor, the easier the plan will be to service once it's established. Your provider of choice needs to be a partner and someone who knows this space and can assist you with the needs of the employees.

Crawford: We do a lot locally through different business organizations, such as our local Chamber of Commerce, to

help educate employers about retirement plans and why they should offer them. In today's hiring market, it's crucial not only to offer a plan but to offer one that is extremely competitive. You are competing not only for talent locally but also with firms all over who can work remotely with your local talent. We also lean on our recordkeeping partners, who provide plan benchmarking so our employers can see how what they offer for benefits stacks up against others in their industry. With the new tax credits under SECURE 2.0, plan pricing has become less of an issue with startups. When talking to small businesses (especially startup businesses where every penny counts), it is important to show them that the cost of setting up the plan is basically offset as credit takes the cost out of the decision-making process.

Garman: The environment for selling startup plans has rarely been more employer-friendly than now. Between the carrot of the expanded SECURE 2.0 tax credits and the stick of state-mandated employer plans, it's easy to illustrate the value a tailored 401(k) solution can provide to small businesses. As a cornerstone of an employee benefit package, it's both a recruitment/retention tool and a powerful vehicle for retirement savings to help today's employees become tomorrow's financially secure retirees.

Q: What other challenges do you face in the startup plan market (i.e., control group issues or prior plans you are unaware of)?

Patch: The biggest challenge is finding the right providers to help you in establishing the plan correctly. Many providers will assist you with the technical components of the plan. With the increase in state mandates, several providers now offer small-plan products. The key is, which one best fits the needs of your client? Also, how do those providers match up to your own business model? Do they allow you flexibility in your investment selection, or are you limited in what you can choose from? Do they offer employee education assistance, or will you provide this? Are the providers competitively priced in this space? These key questions should be discussed with your providers of choice before you introduce them to your clients. PC

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TO OFFICE OR NOT TO OFFICE: IN-PERSON CULTURE AND COLLABORATION – PART TWO

Are you still confused about whether we are better off returning to the office either full time or part time vs working fully remotely? Even after our discussion in part one of our series where we talked about productivity and trust? Well, in part two we are going to look at collaboration, training and company culture. **By Theresa Conti & Shannon Edwards**

Collaboration or lack thereof affects our businesses far more than you may think and in different ways that may not be immediately obvious. Our industry is extremely technical regardless of your role in the industry. You could be in sales, record keeping or compliance. Collaboration is essential to any team in such a technical industry. Lack of collaboration can lead to misunderstandings, miscommunication, and unhappy clients. Before so many people were remote, collaboration could happen without you even knowing it was taking place. It was much more effortless than it is now. For example, in my own firm, my office manager would overhear me talking to clients about plan design and regulations. Within a year or so, she had learned enough from overhearing my conversations with clients, and from her ASPPA training, that she could field some of the easier questions for me.

Great collaboration can also improve productivity. In-person collaboration allows us to resolve problems quickly when we have them. This keeps our teams from dwelling on them and involving everyone. This is harder when everyone is remote, and it requires more intentional effort. Having great collaboration can also improve productivity by eliminating wasted time. We used to be able to walk across the hall to someone's desk when we had a question or a problem and talk to them immediately. We could solve the problem or get an answer more quickly. This saved time and increased productivity. Now we must schedule a time to talk via zoom or teams. Some studies say employees spend up to 2.5 hours per day to gather the information they need to move forward on an issue because they cannot access people they need immediately. However, we would also be remiss if we didn't mention that there are studies that show productivity can be reduced when people can just pop into your office at any time and interrupt you when you are in the middle of a project.

Collaboration can also help our team members form more long-term relationships. You're more likely to share personal facts and stories with colleagues during lunch or during impromptu small talk. These personal stories give us empathy towards our coworkers and create friendships and trust which results in greater collaboration and a better company culture. When everyone is remote these types of interactions that create bonding and build a sense of belonging may not happen as often. They take more effort.

There are many studies that say that working together makes employees over 50% more effective at completing tasks which also relates to making them more engaged. Ineffective collaboration can result in misunderstandings that can undermine the entire operation of the team and your firm. In addition, other studies show that ineffective collaboration is a major factor in business failures.

Coming back to the office would allow for greater collaboration which can make your team more unified. They may feel more like they are contributing to the team. However, we also realize that in today's environment, it may not be possible for the entire team to be in the office five days a week. The most crucial point is that collaboration is important to your team's success. When everyone is not in the office, collaboration must be more intentional. It may take more effort and use up more time.

Next, we would like to discuss training and how it affects our team. It's understood that online training is usually more cost effective and allows some flexibility in scheduling. Online training in most cases is just as effective overall when it comes to technical subjects. The real difference between online training and in-person training is related to the ability to have live exchanges of information along with making human connections.

The impersonal nature of online training can lead to boredom for a participant. The lack of interaction with others and the instructor can make it difficult for the participant to focus on the presentation without getting distracted. The lack of feedback both verbal and nonverbal can make it difficult for the presenter to know if the participants are understanding the material. There are many other "distractions" that can and do occur during online training

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> "SOME STUDIES SAY EMPLOYEES SPEND UP TO 2.5 HOURS PER DAY TO GATHER THE INFORMATION THEY NEED TO MOVE FORWARD ON AN ISSUE BECAUSE THEY CANNOT ACCESS PEOPLE THEY NEED IMMEDIATELY."

like surfing the web or checking email. These make it far less likely that participants remain engaged.

The other point to be made about online training vs. in-person training is the same or similar to the point we made above about collaboration. Sometimes in-person training happens when no one is aware that it is happening. The example we used above about my office manager learning from overhearing conversations I had with clients applies to training as well. In fact, my office manager and I had this very discussion the other day. Our newer employees who we are trying to train up and promote are missing overhearing conversations that could teach them so many of the technical aspects of our job and theirs when they are remote. You can have your employees work through the education offered online. They can study and take tests and pass them for their professional designations. However, that doesn't mean that they can do the work and apply what they learned or are able to consult with a client about plan design and give them accurate information that the client can understand. That takes time and often it takes the ability to listen to conversations other more senior team members have with clients. In the largely remote environment we are in now, if we can't create the opportunity for employees to come into the office sometimes and hear those conversations, we are going to need to be more intentional about including the newer team members in those conversations the more senior team members have with clients either on the phone or via Zoom or Teams.

Company culture is the final piece of the puzzle we want to discuss in this article. All our company cultures have changed with the shift to more remote work. There was no way they could remain the same. The challenge is keeping the culture we want and cultivating it when so many team members are not in the office. A strong company culture is key to a company's success. When we have a strong culture, it helps our employees connect with our values, our mission, and our goals.

"A STRONG COMPANY CULTURE IS KEY TO A COMPANY'S SUCCESS. WHEN WE HAVE A STRONG CULTURE, IT HELPS OUR EMPLOYEES CONNECT WITH OUR VALUES, OUR MISSION, AND OUR GOALS."

Several years ago, part of the research done by McKinsey & Company even pre-pandemic talked about the four reasons why culture matters. Those are:

1. Culture correlates with performance.
2. Culture is inherently difficult to copy.
3. Healthy cultures enable organizations to adapt.
4. Unhealthy cultures lead to underperformance…or worse.

Your company culture could be your most powerful advantage both as an employer and as a service provider.

In today's extremely competitive employee market, employees expect a lot from the companies they work for. As employers we need to "deliver" on our employee's expectations as those employees will be more loyal and productive. It is much easier to meet employee's expectations if we can interact with them regularly. When so many are remote, keeping the company culture takes a lot more effort. In fact, you must be careful with your culture. If you have a team member who is a negative influence on your culture, it may be harder to spot them when everyone is remote. They can change your company culture behind your back without you knowing until it is too late. It's extremely easy to have private conversations in Teams where no one can see what is being said vs. the ability to have those conversations in the office where people can overhear. The remote environment makes it easier for your culture to change without your knowledge or approval.

Since the pandemic, due to the increase in remote working, many of us have felt a decrease in our business' forward momentum. During the pandemic we were operating on survival mode. Since the end of the pandemic, we have all begun building back and moving forward. Everything in the industry is aligning to support strong and steady growth for years to come. When we were all in the office together our excitement over the growth potential in our firms would have naturally been seen by our other team members. Now that we are not all in the same office it is harder to share the contagious energy that is present during healthy growth. We must find other ways to convey that message. We must find a way to communicate our excitement as well as our strategies for growth to our team members now that they are not present in person to witness it firsthand.

Much of our company culture is shaped by communication. Because we are not together, our team may not have that same connection with us and with each other that used to exist in the company before so many of us worked remotely. That can have a negative effect on our company culture if we are not careful. Company culture is often passed down from team member to new team member. If it is a healthy culture that everyone has adopted, more long-term team members will help to communicate and pass down that culture. As we have become a more remote workforce, that has become more difficult. If we are not going to return to the office, we are going to have to find ways to communicate our cultures in different ways so that they are adopted globally.

As we come full circle in this article, our culture can be made stronger by improvement in employee engagement, productivity, and performance, and all of these can by tied back to collaboration. In the end, it was easier to collaborate and communicate when we were in person. If it were possible we would argue that it would be helpful to everyone to return to the office at least part time. However, we also understand the reality of the new work environment in our industry. It is largely remote and due to the shortage of employees will not change. Therefore, we believe that we are going to have to be more intentional when it comes to collaboration, training, communication and protecting our company culture. PC

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TECHNOLOGY: WHERE WE ARE GOING– PART TWO

More and more tools continue making their way into our world and ignoring them may only put us further behind. By Katie Boyer-Maloy

In the summer issue of Plan Consultant, I covered the now of where we are when it comes to technology in the TPA industry. I focused on five key components: compliance software, CRM, workflow management, It and API capabilities. Unfortunately, I have yet to find the crystal ball with all the answers for what the future holds, but there are some trends pointing to changes that are happening, or trending in that direction. If you haven't checked out the first article, I'd suggest going back and taking a look before I build on what the future may look like for our industry when it comes to the tides of technology.

1. Compliance/RK/Payroll Software and Data Feeds

For the "where we are going" portion, I'm grouping these together because their importance is similar, and in turn, so is the way we will hopefully see them used and tied together in the future. Data is king, but like all things, it's only as good as it's validity, which requires a tremendous amount of upkeep and constant review and attention. Fun fact: no one enjoys typing in the same information into multiple systems. Well, no sane person anyway. Not only that, but we also risk the element of human error every time the data has to be reentered. Plus, each time we reach out to ask someone for data, how likely is it that we receive everything we need in that initial ask? Not very, right? That is why we are seeing such an uptick in interest in data aggregators in our industry. They are trying to solve the problem of multiple systems trying to collect the same information by tying them together and feeding the data to each entity from a single, or potentially a few, sources of truth. While the technology is still in an infancy stage or hasn't been vetted to the point of widespread usage, it is most certainly on the roadmap. Think of how much time your team spends on the collection of data, the follow-ups, the data scrubbing and the back and forth when required items are missing. It would likely startle you to see how much time is wrapped up in just the babysitting of follow-up time spent, not even considering the time spent actually doing the work your staff is paid to do. Time is finite, and the ties that could help us pull information in from sources of truth could and will likely revolutionize our industry.

2. Process Management/Business Manager

If you know me, you know that I was brought up in this business working for a workflow management software company. I share that because my passion for the absolute importance of having that technology in any TPA shop is steadfast. I have truly seen businesses of all shapes and sizes flourish with the implementation of workflow management and tracking in their firms. No firm is too small, too niche, too specialized or too (insert word here) for workflow software. Years ago, I can remember when selling the software, that so many folks viewed it as a nice thing to have, but more as a luxury item that they didn't necessarily need. That is not the case any longer. I would highly suggest going out to the marketplace and reviewing what is out there if you do not currently have a solution. At any moment, you should be able to hand off a workload to any other member of your team where they can pick right up where the last person left off, with little to no need for debriefing. If your key consultant won the lottery tomorrow and decided a beach in Tahiti was their new home and work was a thing of the past, how would you cope? Could you even? If you received the offer of a lifetime to buy your firm with the perfect situation, is your systemization in place to be able to make that transition? Could you feasibly run a report today to know where all current projects are in status? If you hesitate to answer any of those confidently, I highly suggest reaching out to some providers to find the right option for you. They're out there.

3. Solid Cyber Security and Disaster Recovery Policies

In today's business landscape, having E&O insurance isn't enough to give you the necessary protection for your firm. Here are some statistics that may or may not surprise you. According to Norton.com , over 75% of targeted cyberattacks start with an email and more than half of all consumers have experienced a cybercrime. This is where having cyber security insurance and a true disaster recovery policy are crucial. With statistics like that, the question is no longer what if, we have to prepared for when, as it is likely that we will all experience a cyber security incident in our lifetime. What is most important though is what we do when it happens, and why having a solid cyber security plan is so critical. Having a disaster recovery plan is important, but it's equally important that the process is tested on at least an annual basis so that you are confident in the procedures in place. The practice is not only peace of mind, but it also makes a world of difference to practice it in a non-threatening situation so that if it does need to be put into action in a true situation, your team is ready to jump in confidently.

4. Artificial Intelligence

At this point, most everyone has at least heard of AI platforms like ChatGPT. Regardless of the side of the fence you are on about it's place in the business world, it is here, and likely here to stay. One of the most important things to keep in mind with AI is that it is based on machine learning, which pulls data from many sources and attempts to analyze and choose responses based on what it finds that aligns the most with your questions. This of course doesn't necessarily mean what you get back is factual, and in an industry like ours that is based on constantly changing legislation, incredibly intricate regulatory guidance and specific provisions, accuracy is everything, so depending on the information without fact checking and thorough verification is asking for trouble. I think back to high school and college papers and being hounded to provide reference material for any of the information used in our work. I feel like this is that reincarnated. Knowing the source of the data is hugely important, much like the bulk of the political content you see on social media. If it's not reputable, you certainly wouldn't want your name and reputation associated with it. The technology is still relatively new, so I would fully expect it to become better and better as time goes on, but relying on it for turnkey work just isn't in the cards, not in our world at least. Now, having said that, having it as a resource, a tool for idea generation and a starting point or help with the planning, I'm all for it. I think of AI as a power tool and not a magic wand. It'll certainly help, but you still have to put in the work to make it happen. I'm excited to see where the technology goes, and what our industry is able to do with it as it continues to evolve.

Clear as mud, right? I don't think we are anywhere near the end of this era of this technological revolution my friends. More and more tools continue making their way into our world and ignoring them may only put us further behind. Think about it, it wasn't all that long ago that we sat in brick-and-mortar offices with landline phones and fax machines. Times are changing, and it's important that we stay keenly aware of what is out there and make educated decisions on what is right for us as business and thought leaders. I've said it before and I'll say it again, the pace of change isn't slowing down, if anything it's moving faster than ever, and the more you can embrace and find potential areas of efficiency building for you and your team, the better for your business, and the better for our industry. PC

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SOLO 401K PLANS: NAVIGATING NEW REGULATIONS AND COMPLIANCE

Solo 401k plan sponsors must stay informed about regulations and proactively adapt their plans to ensure compliance. By Linda Chadbourne

The landscape of retirement planning in the United States has changed with the advent of the SECURE Act 2.0. One impacted area is the Solo 401(k) plan, a popular retirement savings option for self-employed individuals and small business owners. This article explores the complexities of Solo 401(k) plans, the importance of compliance with new regulations introduced by SECURE Act 2.0, and the implications of potentially transitioning to a traditional 401(k) plan due to long-term part-time employees. Additionally, we will discuss the rise in compliance work and tax reporting costs associated with these changes.

UNDERSTANDING SOLO 401(K) PLANS

A Solo 401(k), also referred to as an individual 401(k), is a retirement savings plan designed for self-employed individuals and small business owners, including limited liability partnerships (LLPs) and limited liability companies (LLCs), provided they have no employees other than the partners and their spouses. These plans offer significant tax advantages and higher contribution limits compared to traditional IRA plans. Key benefits include:

- **High Contribution Limits:** For 2024, the total contribution limit for Solo 401(k) plans is $69,000, with an additional $7,500 catch-up contribution for those aged 50 and older. For many business owners, a Solo 401(k) allows for much higher contributions than are possible under a SEP or SIMPLE IRA.
- **Investment Flexibility:** Solo 401(k) plans allow various investment options, including stocks, bonds, mutual funds, and real estate.
- **Loan Provision:** Participants can borrow from their Solo 401(k) accounts, providing a source of liquidity if needed.
- **Tax-Deductible Contributions:** Contributions made to a Solo 401(k) plan are tax-deductible, reducing taxable income for the year. You can choose to make contributions on a pre-tax or Roth (after-tax) basis, depending on the plan options. Pre-tax contributions lower your taxable income for the year in which they are made, while Roth contributions, made with after-tax dollars, offer tax-free qualified distributions.

For individuals with higher income limits and those nearing retirement, consider combining your Solo 401(k) plan with a cash balance plan.

SECURE ACT 2.0: NEW REGULATIONS AND COMPLIANCE REQUIREMENTS

The Setting Every Community Up for Retirement Enhancement (SECURE) Act 2.0, signed into law in December 2022, introduced several changes aimed at expanding retirement savings and simplifying plan administration. However, these changes also come with new compliance requirements that Solo 401(k) plan sponsors must follow.

- **Expanded Eligibility for Part-Time Employees:** One significant change under SECURE Act 2.0 is the reduction of the eligibility threshold for part-time employees. Previously, employees had to work at least 1,000 hours in a year or 500 hours for three consecutive years to participate in the 401(k) plan. The new regulation reduces this to 500 hours for two consecutive years, starting in 2024. This means more part-time employees may qualify for participation in the plan as early as January 1, 2025. This rule does not apply to employees under a collective bargaining agreement and only applies after the employee reaches age 21.
- **Required Minimum Distributions (RMDs):** The SECURE Act 2.0 raised the age for required minimum distributions from 72 to 75 by 2033. While this provides more flexibility for account holders, it requires plan sponsors to update their compliance procedures and ensure timely distributions to avoid penalties.
- **Increased Penalties for Non-Compliance:** The Act also introduced steeper penalties for plan sponsors who fail to meet compliance requirements. For example, failing to file Form 5500, the annual report for 401(k) plans, can result in penalties of up to $250 per day, with a maximum of $150,000 per plan year.

RISE IN COMPLIANCE AND TAX REPORTING COSTS

The new regulations under SECURE Act 2.0 have led to a noticeable rise in compliance and tax reporting costs for Solo 401(k) plan sponsors. These costs can be attributed to several factors:

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- **Increased Compliance Complexity:** The expanded eligibility for part-time employees and new RMD rules necessitate more complex compliance procedures. Plan sponsors may need to invest in updated software and training to meet these requirements.
- **Higher Penalties:** The increased penalties for non-compliance mean that plan sponsors must be more vigilant in administrative duties. This often requires additional resources and, in some cases, external expertise to avoid costly mistakes.
- **Enhanced Reporting Requirements:** The SECURE Act 2.0 mandates more detailed reporting, including tracking part-time employees' hours accurately, Roth contributions, and providing timely updates on RMDs. This can lead to higher costs for data management and reporting services.
- **Professional Services:** Many Solo 401(k) plan sponsors may need to engage professional services, such as third-party administrators (TPAs), accountants, retirement plan consultants, and legal advisors, to navigate the new regulatory landscape. These services come at a premium, contributing to the overall rise in compliance costs.

SECURE ACT TAX CREDITS

Solo 401(k) plans do not qualify for the start-up credit under IRC Section 45E(a) because they do not cover at least one non-highly compensated employee (NHCE). However, by incorporating the Eligible Automatic Contribution Arrangement (EACA) feature into the plan, sponsors can claim a tax credit of up to $500 per year for three years, as the NHCE requirement does not apply to this credit.

To claim this credit, sponsors should use Form 8881, Part II, Small Employer Auto-Enrollment Credit. It's important to ensure the correct credit is claimed. Additionally, note that an EACA must be added at the beginning of the plan year.

TRANSITIONING FROM A SOLO 401(K) TO A TRADITIONAL 401(K) PLAN

One significant implication of SECURE Act 2.0 for Solo 401(k) sponsors is the potential transition to a traditional 401(k) plan due to the inclusion of long-term part-time employees. This transition can have far-reaching effects on plan administration and costs.

Traditional 401(k) plans require more extensive administrative work compared to Solo 401(k) plans. This includes maintaining records for all eligible employees, conducting annual non-discrimination testing, and ensuring compliance with the Employee Retirement Income Security Act (ERISA) regulations. Transitioning to a traditional 401(k) plan can lead to increased costs in several areas:

- **Plan Administration:** Managing a traditional 401(k) plan typically involves higher administrative fees, including recordkeeping, compliance testing, and plan audits.
- **Filing Requirements:** Annual filing requirements apply to traditional 401(k) plans even if the assets are less than $250,000.
- **Employee Contributions:** Employers may need to match employee contributions or make non-elective contributions, increasing the overall cost of the plan.
- **Consulting and Legal Fees:** Ensuring compliance with new regulations may require the assistance of retirement plan consultants and legal advisors, adding to the overall cost.

CONCLUSION

The SECURE Act 2.0 has brought significant changes to the retirement planning landscape, particularly for Solo 401(k) plans. While these changes aim to enhance retirement savings opportunities and simplify plan administration, they also introduce new compliance requirements and potential cost increases. Solo 401(k) plan sponsors must stay informed about these regulations and proactively adapt their plans to ensure compliance. This may involve transitioning to a traditional 401(k) plan if long-term part-time employees become eligible, leading to increased administrative burdens and higher costs. By staying compliant and effectively managing associated costs, plan sponsors can continue to provide valuable retirement savings opportunities for themselves and their employees. PC

ESTABLISHING A PLAN COMMITTEE 'CHARTER'

An opportunity for clients, and for YOU. **By Dick Billings**

In general, adults—and believe it or not, teenagers—like rules. These rules can be rigid, like the Internal Revenue or Criminal Codes, or they can be more general, often expressed orally, such as not touching a hot stove or following personal business etiquette. Rules provide guidance, protect us from trouble, and help us get along with others.

One informal rule in the business world is "best practices." While reputable practitioners usually operate above a certain baseline, some strive to exceed the norm by providing overt assistance to their retirement plan clients through rules and guidelines. In theory, such best practices not only enhance service quality for clients and participants but also improve the overall experience and minimize the risks of misunderstandings, errors, and unintentional actions that could lead to excise taxes or worse.

Notice I mentioned "in theory." To some degree, we all suffer from the mantra, "this rule does not apply to me." Plan sponsors, who are intelligent entrepreneurs focused on their areas of expertise, often exhibit what we call Type-A personalities. They do not

> “AS THIRD-PARTY ADMINISTRATORS (TPAS) OR RECORDKEEPERS, WE ARE PAID TO FULFILL REGULATORY REQUIREMENTS AND MEET MARKET EXPECTATIONS. HOWEVER, IF WE WANT TO CONTINUE RECEIVING PAYMENT IN THE FUTURE, WE MUST EDUCATE AND TRAIN OUR PLAN SPONSOR CLIENTS AND THEIR PARTICIPANTS.”

want to be told what to do or, more importantly, how and when to do it. They instinctively understand that retirement plan tasks must be done but may resist doing them consistently and in a timely manner.

As third-party administrators (TPAs) or recordkeepers, we are paid to fulfill regulatory requirements and meet market expectations. However, if we want to continue receiving payment in the future, we must educate and train our plan sponsor clients and their participants. Is this a hefty task? Absolutely! Yet, tackling this daunting responsibility will help differentiate your services from competitors and minimize risks for you and your clients.

What I’m discussing here is called a ‘charter.’ Much like a will for individuals or articles of incorporation for a corporation, a charter serves as a valuable tool for a qualified retirement plan. It benefits vendors, plan sponsors, investment advisors, and ultimately the participants. Here’s a more formal definition of a charter:

“A charter defines the roles and responsibilities of fiduciaries and service providers, including all ERISA requirements. It also establishes policies and procedures to ensure effective management and administration of the plan while incorporating best practice considerations.”

Every retirement plan document I review contains language regarding a “plan committee.” Therefore, the structure of the plan committee already exists. A formal group of three to five people should meet regularly (e.g., quarterly) with one or more vendors, not just the investment advisor. Notes should be taken—either on paper or recorded and saved in a shared file. Having a rank-and-file employee on the committee is ideal, but that member must actively contribute. Personally, I believe limiting members to company management will be most efficient.

Here’s a list of what a charter should cover:

- What authority does the committee have?
- What is the committee’s purpose?
- How is the committee structured?
- Who may serve on the committee?
- How are committee members replaced?
- How will the committee delegate authority?
- How will the committee assign responsibilities and duties?
- How frequently will the committee meet?
- What procedures will the committee follow?
- What are the standing agenda items, and how are new topics introduced?
- What is the process for selecting and managing plan service providers?
- What reporting will the committee do, and to whom?
- What are the procedures for protecting committee members financially?

As the plan’s daily recordkeeper or TPA, a plan committee fits well within your scope. TPAs and recordkeepers are detail-oriented, often excel at documenting processes, and typically have team members who can effectively explain and implement educational processes to help plan sponsors establish a plan committee. Once established, utilize your detail-oriented relationship managers or administrators to regularly remind and assist clients. One easy step is to set up several future meetings via Teams or Zoom. Most investment advisors I know want to lead these meetings, which is fine, but to be effective, the TPA and/or recordkeeper should attend at least one meeting annually.

Let’s say you’re reading this article and agree with what I’ve said so far. This acknowledgment doesn’t solve the problem. How can we effectively assist our clients? How do we start preparing a charter that is easily understood and implemented? How much additional time will this require? Should we charge for this service?

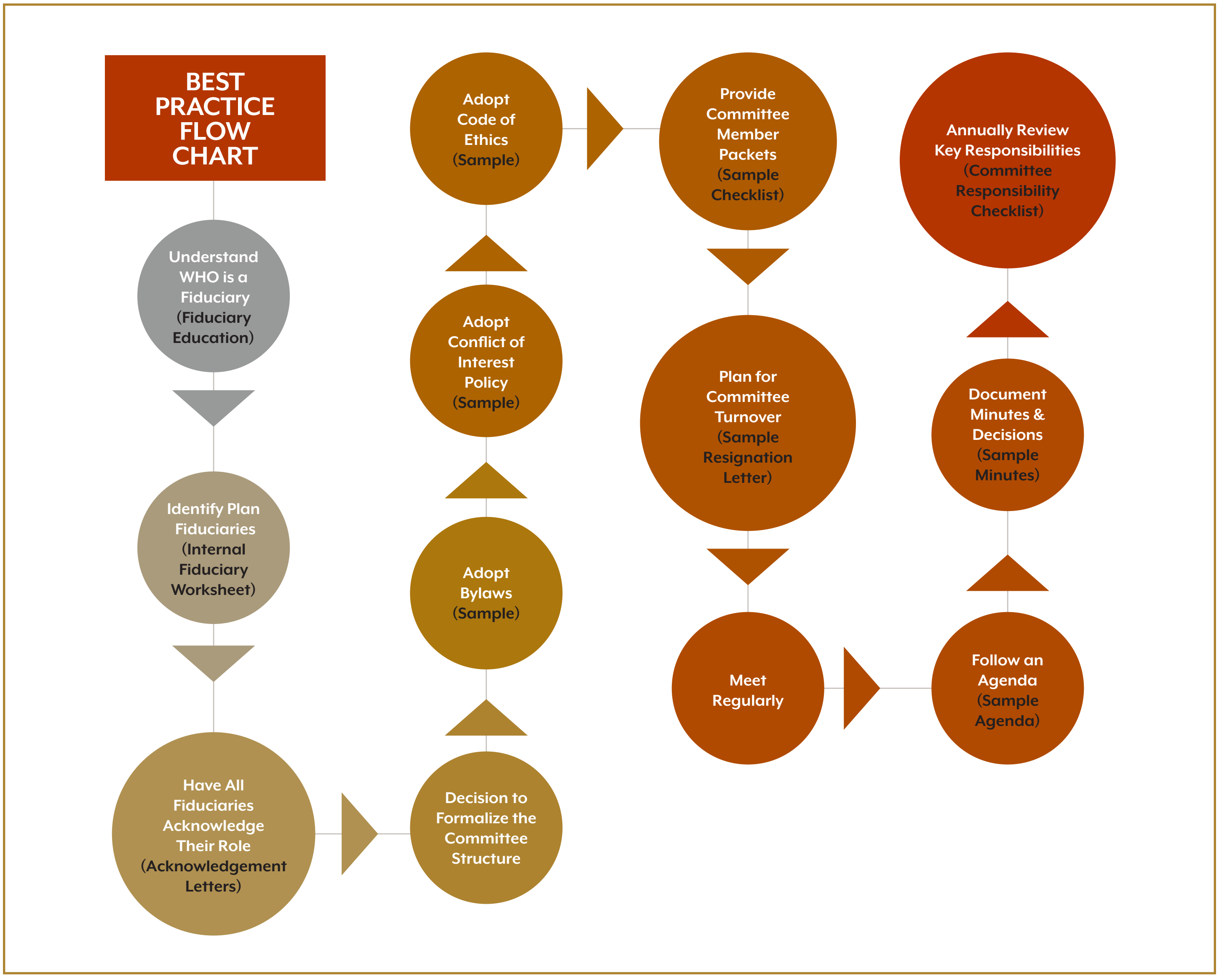
Fortunately, you don't have to reinvent the wheel. Many organizations in our industry have already discussed this in the marketplace, and others are actively implementing charters for their retirement clients.

Here's a flowchart that will help you begin your thought journey:

Today, organizations offer books on how to navigate these processes and assist sponsors on an annual subscription basis at an affordable price. Some organizations are even willing to take on the role of named fiduciary, replacing the typical plan sponsor owner. When taking on this fiduciary function, a plan charter is typically included—be sure to ask about it!

As a trusted advisor to your plan sponsor client, you have an excellent opportunity to enhance their customer experience.

As you prepare for 2025, consider adding this to your strategic plan. PC



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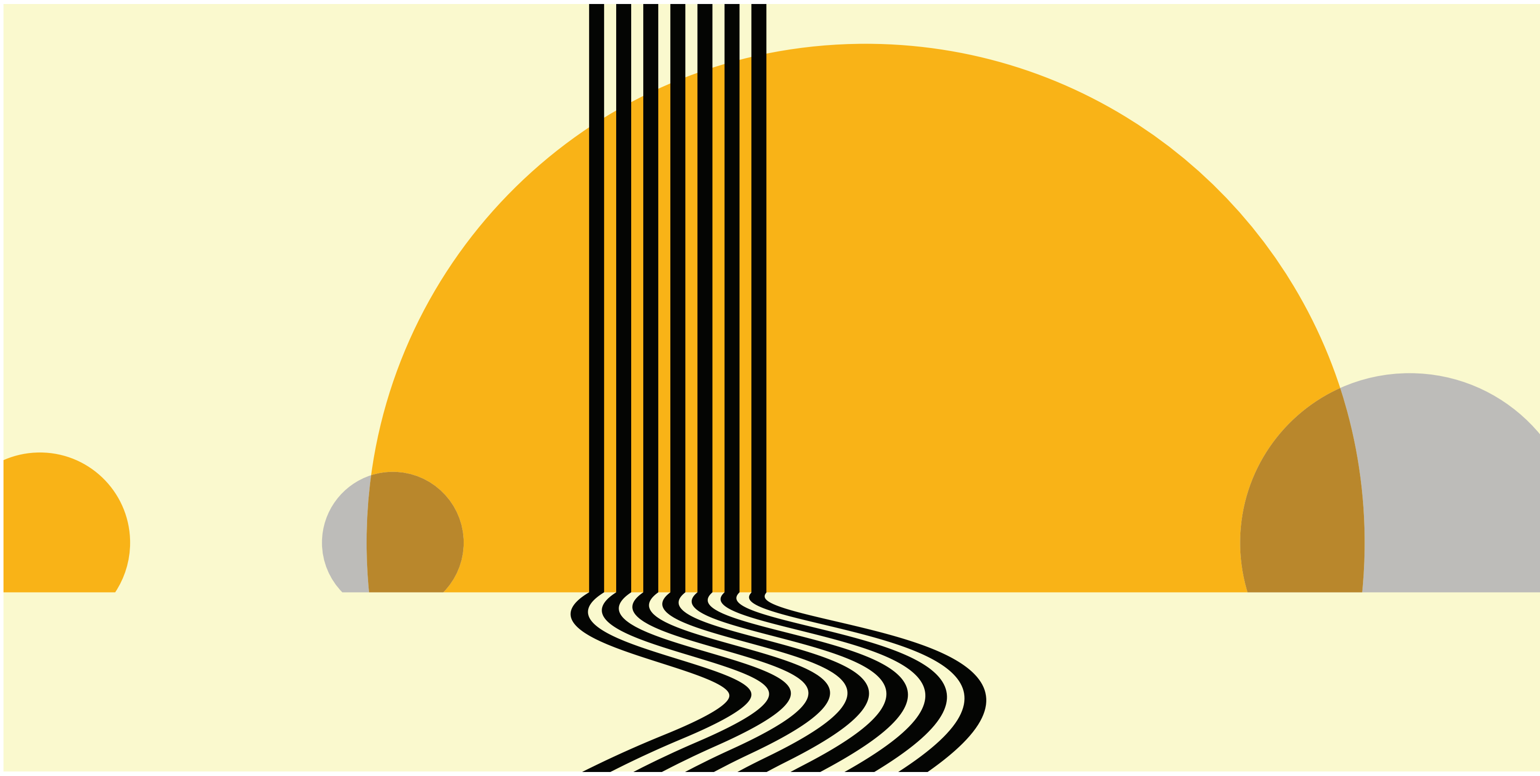

CHANGING LANES: MICKIE MURPHY'S INCREDIBLE RESILIENCE

After a life-altering car crash, the Blue Benefits Consulting president reflects on the change and resilience she's experienced over the past year. **By John Sullivan**

"You don't know how many people you meet or touch. I found out. My case was pretty severe. People look at you and think, 'Oh, she could have died.' They respond by thinking, 'Maybe I better tell her I love her.' That's exactly what happened, and it was amazing."

Mickie Murphy was reflecting on the change and resilience she's experienced over the past year. On July 12, 2023, the longtime American Society of Pension Professionals and Actuaries (ASPPA) and Women in Retirement (WiRC) member was involved in a devastating car accident three hours from home. It resulted in a five-month hospital/rehab stay and the amputation of her right leg below the knee.

"I was in a cast up to my fingertips with both hands and arms and needed somebody to feed me," she said. "My family was there, and my best friend came and stayed with me for about six weeks. My husband really felt it more than anybody because he drove back and forth to stay with me and then home to his job and to feed the cats."

A little over a year later, she's back as the president of Blue Benefits Consulting, Inc., based in Carmel, Ind., and speaking at conferences and events. She returned to work on Jan. 2 of this year and credited her faith, family, and community (including ASPPA colleagues) for her astonishing comeback.

"I started in the industry in 1982 and have been an ASPPA member since the mid-1990s," she explained. "The TPA firm has 13 people, including me. We are a sister organization to a CPA firm, which is about 400 folks. We consider ourselves a boutique TPA. Our footprint is Indiana, Ohio, and Kentucky. We throw our arms around

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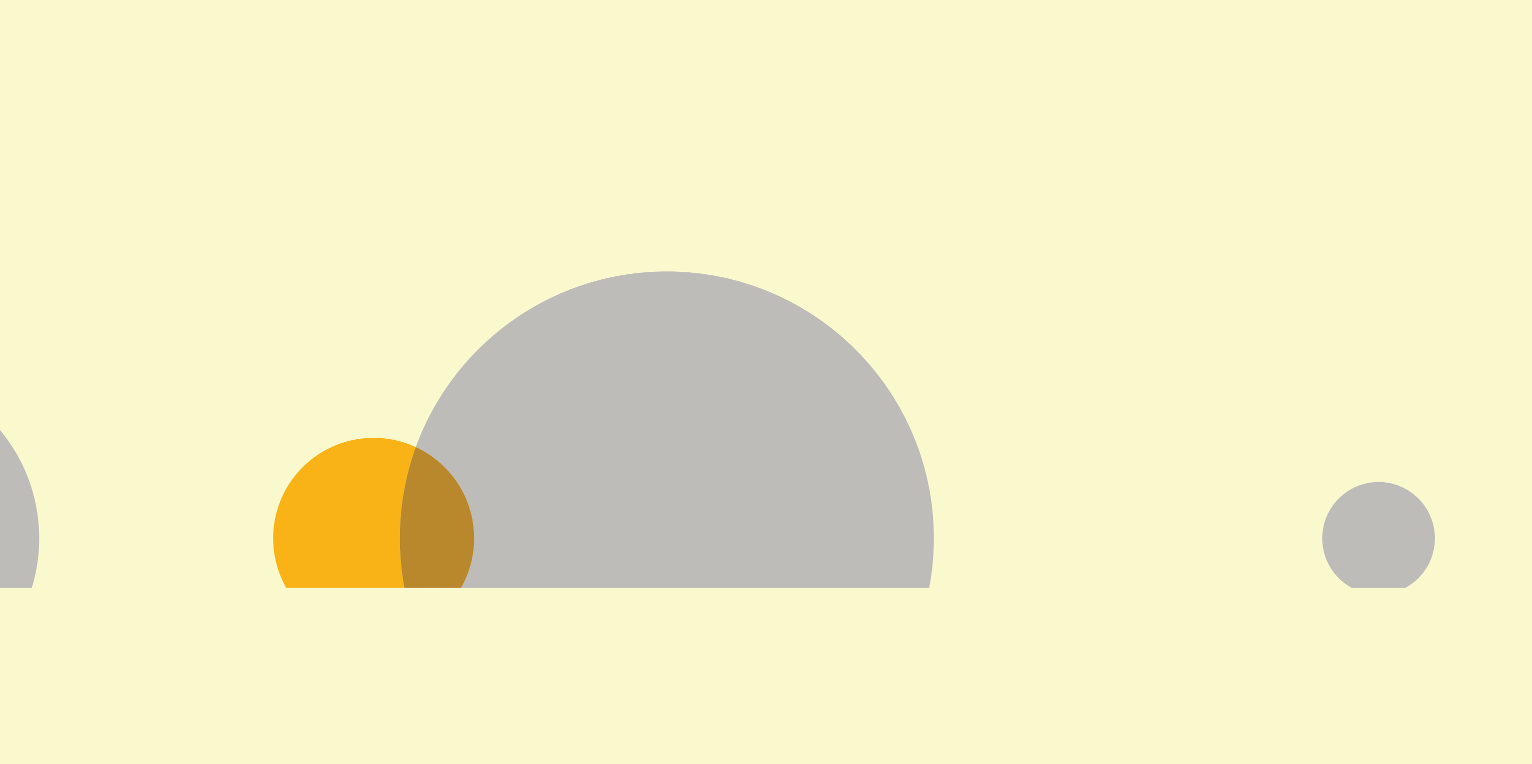

our clients and have relationships with CPAs and wealth advisors, as well, to try to make that experience whole for our clients."

Her husband is a pastor, and she's very active in her church. She believes the number of people praying for her helped her avoid many of the emotional scars usually felt in a situation like hers.

"I do not have PTSD," Murphy said. "I got in the car a few weeks ago, and we drove home on the highway. That's just a blessing from God. No nightmares, none of that stuff. I've been very fortunate. I can't tell you the reason why I haven't had any of the trauma symptoms, but my bishop and his wife specifically prayed over me in the hospital that I would not have any."

She emphasized that in addition to ASPPA members, individuals in other American Retirement Association sister organizations offered support, mentioning Shepherd Financial's Leah Sylvester specifically.

"My channel is ASPPA and TPAs, but I've gotten involved with and co-chaired the WiRC conference over the last few years," Murphy said. "Leah and I are both in the Indianapolis area. We co-chaired the conference in 2023 and became friends from that. She showed up one day in the hospital in Cincinnati with a huge gift basket from the financial advisor women. These are my ladies across the country. I'm supposed to eat a lot of protein. Somebody put out a call, and she came with a huge basket full of stuff."

True to form, Murphy showed up to a standing ovation as this year's co-chair of the WiRC conference.

"The best, easiest standing ovation I've ever had; all I had to do was show up," she joked.

She also mentioned OneDigital's Renee Scherzer, saying she "suspected" the National Association of Plan Advisors (NAPA) Immediate Past President was the driver behind a video of well-wishers.

"I don't even know how many people were on it," she marveled. "It was mind-blowing; the word just went out. It's amazing how many people you can touch or that you do touch, just by being involved. It's what I spoke about at WiRC. You find your people. You guys are my tribe. It's just a wonderful community to be part of."

She referred to her experience as a wake-up call, especially for how it impacted others.

"People say they've changed their lives somehow because of what happened to me. One approached me and said, 'My wife and I were about to buy a new car, and we ended up buying a tank because of your life-changing event.' There's nothing you can predict. There's nothing I could have done differently. There's nobody to blame. I mean, it's totally random. I've had more people have that conversation with me. They are totally candid and very open."

So, what's next for Murphy?

"I will remain President of Blue Benefits, but I have reduced my hours," she concluded. "I feel called to do public speaking around community, faith, and a positive attitude, which is a big deal. Those three have to do with resilience. Practicing those things as you go, learning how to make change and enjoy it, and getting through it when it's not fun or exciting allows you to overcome almost any tragedy." PC

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IT'S A ROAD TRIP!

Embarking on a new journey at the ASPPA Annual Conference 2024. **By Melissa Territo and Amanda Iverson**

Isn't just hearing those words, 'road trip,' exciting? Who can remember their favorite road trips? Who has a favorite music playlist that you play on all road trips? Most of us love an adventure, and that certainly includes road trip journeys! And this year, ASPPA Annual attendees are in luck because the ASPPA Annual Conference will not be just a conference; it's set up to be a journey of networking, fun, and professional growth. From October 20-23, 2024, industry professionals will gather at the Hyatt Regency Orlando to explore new horizons in retirement planning. With so many options, each attendee's experience will be unique to them. The theme "The Journey to..." captures the essence of personal and professional development, making this event a transformative experience. In addition, this year marks the 50th anniversary of ERISA! We certainly have a lot to celebrate about the ERISA journey over the last 50 years!

You might be asking yourself why on earth a third-party administrator and compliance geek like me would attend the NAPA 4PA Summit is just one more way for us to do that.

REMEMBER ROAD TRIPS BACK WHEN...

Amanda Iverson, ASPPA President, remembers during her second-grade year of elementary school, her family took a road trip from North Dakota to Arizona. For the memorable trip, she had to miss a week of school, and her mother was so worried about all she would miss at school. But her teacher assured her mother that she would learn more and have more fun on that road trip than she would being in school during that time. And her teacher was certainly correct in her assessment! Today, we can equate this story to our current professional lives. When we attend a conference, we're always worried about what we will miss in our office, but this year we know on the ASPPA Annual Conference 'road trip' we're going to learn more and have more fun than we would spending those days in the office!

> “ATTENDEES WILL HAVE THE CHANCE TO NETWORK WITH PEERS AND, THANKS TO OUR SPONSOR ONE AMERICA, ENGAGE IN A DYNAMIC Q&A SESSION WITH KAITLIN SANDENO, A FOUR-TIME OLYMPIC MEDALIST.”

A BIT MORE ABOUT WHERE WE ARE HEADED: ORLANDO, FLORIDA

For the first time in many decades, this 2024 road trip takes us on a journey to somewhere other than Washington DC for ASPPA Annual. Instead, we are traveling to Orlando, Florida. Known for its vibrant culture, world-class attractions, and sunny weather, Orlando offers the perfect backdrop for this year's event. Whether you're a fan of theme parks, fine dining, or outdoor adventures, Orlando has something to enhance your conference experience. This change of scenery symbolizes the journey to new opportunities and insights that await all attendees.

The conference will be held at the Hyatt Regency Orlando, an exceptional venue located just minutes away from major theme parks. This family-friendly resort offers an impressive range of amenities. Additionally, the hotel is conveniently situated near a wealth of shopping, dining, and entertainment options, with over 100 choices within a two-mile radius. The dynamic environment of the Hyatt Regency Orlando will surely enhance the conference experience, providing attendees with a perfect balance of professional development and relaxation. Whether you're an adventurous attendee looking to explore local attractions or someone who prefers staying close to the conference area while enjoying top-notch dining and activities, this venue offers the best of both worlds.

SATURDAY NIGHT BEFORE THE JOURNEY BEGINS

Before our conference road trip officially kicks off, join us on Saturday evening for a special pre-conference event: Women in Retirement Cocktails & Conversation. This year's event promises not just a chance to unwind but an opportunity to be inspired. The event will include an evening of meaningful connections and powerful insights. Attendees will have the chance to network with peers and, thanks to our sponsor One America, engage in a dynamic Q&A session with Kaitlin Sandeno, a four-time Olympic medalist. Kaitlin will share her journey, offering unique perspectives on resilience, leadership, and success. Her story will serve as a reminder that with the right mindset and support, women in the retirement industry can overcome challenges and thrive. This evening promises to be an empowering start to our conference road trip, equipping attendees with the inspiration and tools needed for their professional journeys ahead.

THE JOURNEY BEGINS: KICKOFF ON SUNDAY

In addition to a new location, it is also exciting that the format, timing, look, and feel of the **TPA Growth Summit** has been enhanced to provide a better experience for all attendees. The first change was a simple one: the timing of this conference no longer overlaps with the ASPPA Annual Conference. Therefore, business owners, leaders, and sales professionals will have an entire day to work on the business and can still attend the sessions for much-needed technical content later in the week.

The TPA Growth Summit, organized by a dedicated committee of your industry peers based on feedback from you, includes insights from industry leaders and provides the opportunity to connect on a deeper level during roundtable discussions. All leaders know that in order to lead, a strong team is a must, and this is where we will kick things off. We will then move into leading with vision, which we all know is easier said than done. The day will wrap up with discussing what's next. We will talk about future-proofing your business for sustainable growth. The reality is that we won't be around forever, and grooming your next-generation leadership team is just as vital as leading the team that you have worked hard to build. The opportunity to both hear from industry leaders and share peer-to-peer experiences enriches the learning process. There really is no better way to learn about business operations than talking it over with others in this industry. The TPA Growth Summit features exciting stops, each focusing on crucial aspects of business growth.

If you arrive early and TPA Growth isn't your speed, then there are plenty of bonus technical pre-conference sessions to choose from on Sunday afternoon. Also, it's very exciting that Kelsey Mayo, Director of Regulatory Affairs at the ARA, will lead the first-ever **Cash Balance Exam Cram Bootcamp!** The boot camp provides a unique opportunity to prepare to obtain the brand-new Cash Balance Specialist (CBS) credential! Be among the first to achieve this credential by joining our exclusive bootcamp. Kelsey Mayo will expertly guide you through the materials to help prepare you for the CBS exam.

For first-time attendees, there's a special lunch to help you get started on the right foot. The **First**

"ONCE TPA GROWTH, FIRST TIME ATTENDEE LUNCH, PRE-CONFERENCE SESSIONS, AND THE CASH BALANCE BOOTCAMP CONCLUDE, THE NEXT PIT STOP WILL BE THE OFFICIAL CONFERENCE KICKOFF WITH THE FIRST GENERAL SESSION, THE WASHINGTON UPDATE!"

Time Attendee Lunch is the perfect opportunity to connect with other first-time attendees and grow your network. Registering for the lunch also gets you an invite to a fun, informative Zoom call a few weeks prior to the conference – you'll review all the events the conference has to offer, get a mobile app tutorial, and hear tips and tricks for navigating the exhibit hall.

Once TPA Growth, first time attendee lunch, pre-conference sessions, and the Cash Balance Bootcamp conclude, the next pit stop will be the official conference kickoff with the first General Session, the **Washington Update!** Opening remarks will be made by ARA President Jeff Acheson and ARA President-Elect Marjorie Mann. Following the opening remarks, ASPPA President Amanda Iverson and ASPPA President-Elect JJ McKinney, IV, will provide a year-in-review of all things ASPPA. Brian Graff, CEO of the American Retirement Association, will then share his predictions and insights on the upcoming election and its implications for the retirement plan industry. He'll delve into potential policy shifts and regulatory changes, how these political dynamics could shape the retirement landscape, and how ASPPA and ARA will work to ensure that whatever changes come, every working American has the ability to save for a comfortable retirement. This is a great way to summarize some of the legislative changes that have happened or are in the pipeline.

At some point, there needs to be a pit stop for food and drinks, and this is next on the agenda! After the kickoff general session, attendees will travel to the **President's Reception** with the sponsors where there will be fun, hors d'oeuvres, drinks, and networking. The President's Reception is a great time to mingle with sponsors, meet new colleagues, and reconnect with your peers.

FULL SPEED AHEAD: MONDAY'S DRIVE

The road trip is now in full swing with a full day on Monday dedicated to technical content. Obviously, breakfast is a must before any road trip, and each day, attendees will be able to enjoy a breakfast that is hosted by some of the fabulous sponsors of ASPPA.

Coming back for the third year in a row is the Robert Richter and Bob Kaplan **Current Events** general session that we enduringly refer to as the "Bobert" hour where these two industry legends will update us on all things related to current events. In addition to being technical gurus, both Bob and Robert are members of the ARA internal team and this allows them to give some "inside scoop" about what is going on and relate how that will affect each of us in our daily work lives. Not only is this session informative, but Bob and Robert really know how to make it interesting and entertaining.

Before and after this general session, there will be sessions encompassing a variety of topics including SECURE 2.0, Defined Benefit Plans, how to utilize technology for efficiency gains, and a multitude of other subject areas. There really is something for everyone in the concurrent workshops.

Once again, this day ends with a bang and for the first time ever, there will be a live podcast at ASPPA Annual. The dynamic podcasting duo of Nevin Adams and Fred Reish will bring their engaging, informative, and occasionally alliterative discussion LIVE to ASPPA Annual. Industry icons and hosts of the popular podcast, Nevin and Fred will offer a surefire way to pep up attendees after a long day of learning. You never know where the discussion will lead, but you know you'll walk away inspired, entertained, and enlightened. From in-depth analysis of court cases to insightful commentary on current industry trends, the **Nevin & Fred Live podcast** show is an event you definitely do not want to miss!

NAVIGATING NEW TERRAIN: TUESDAY'S EXPEDITION

Now that we are really getting into our journey, Tuesday will bring an exciting pit stop for the Edutainment session! **Nightmare on Ethics Street: A Horrifying Journey Through the Labyrinth of Qualified Plan Administration and Ethical Quandaries** might just scare the daylights out of you. Join us on this eerie journey down Ethics Street, where we'll confront the horrors of ethical challenges head-on and arm ourselves with the knowledge and tools needed to fend off these nightmares and arrive unharmed with the sunrise. This session promises to be as informative as it is thrilling, providing a unique perspective on the

ethical challenges facing retirement professionals today.

Who says that you can't have fun at a highly technical retirement plan conference? Truthfully, no one parties like retirement plan professionals and our ASPPA Nation! Tuesday night will be filled with **ASPPA @Night**. There will be a band, food, fun, and games! Join us for a fun evening where you can unwind and network with your peers. This year, we're embracing the spirit of "The Journey to" – so feel free to wear something comfortable or be adventurous and come dressed as a tacky tourist! Whether it's your favorite travel hat, a road trip or travel t-shirt, or just your usual style, come and be ready to connect and have fun! (We can see fanny packs and Hawaiian shirts in this event's future!) This year's band is truly amazing! You won't want to miss their music! So come enjoy the music, dive into the fun with our assortment of lawn games and interactive activities, enjoy connecting with other road trippers, and create unforgettable memories.

THE FINAL STRETCH: WEDNESDAY'S JOURNEY

After a night out, attendees will reconvene on Wednesday morning to dive back into the final day's technical workshops. At the always popular **Ask the Experts** general session, a panel of experts will address technical questions and offer valuable insights and knowledge. These experts always have a lot to say! This is where attendees have the opportunity to ask anything they could possibly dream of and hear from the best of the best. So, bring all of your retirement plan questions with you to be answered on this final stop!

LOOKING FORWARD TO THE JOURNEY

The ASPPA Annual 2024 Conference marks a significant milestone in our journey to excellence in the retirement industry. Each session, workshop, and networking event is a step forward in navigating the complexities and embracing the opportunities that lie ahead. The diverse topics covered provide the tools and insights necessary to tackle the evolving challenges we face. As attendees return to their professional paths, the knowledge gained and connections made during this conference serve as guiding lights. The journey to innovation, collaboration, and professional growth continues, with ASPPA Annual 2024 serving as a pivotal chapter in our collective quest for excellence.

MILESTONE MARKER: CELEBRATING ERISA'S 50TH ANNIVERSARY

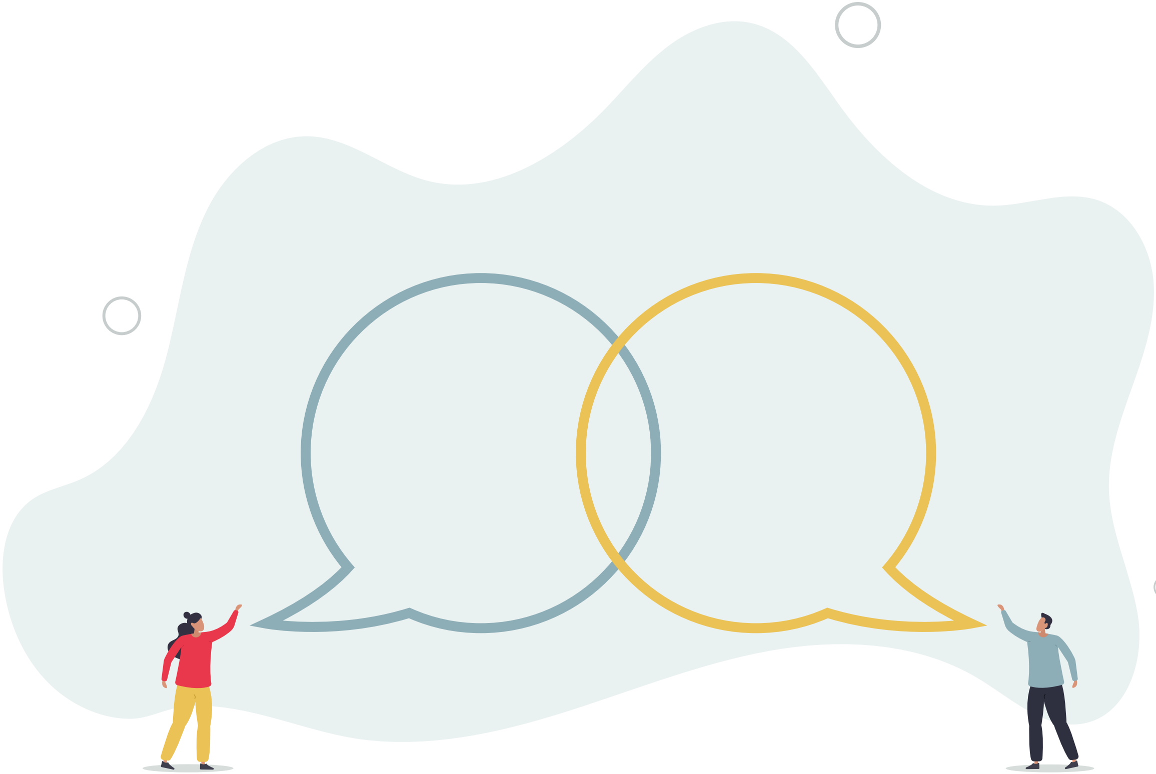
This year's ASPPA Annual Conference is not just about the future; it's also a celebration of the past. The year 2024 marks the 50th anniversary of the Employee Retirement Income Security Act (ERISA), a landmark in retirement plan legislation that has shaped the industry into what it is today. Over the past five decades, ERISA has provided a framework for protecting the interests of millions of Americans in their employee benefit plans. This milestone offers a moment to reflect on the journey so far and to look forward to the advancements yet to come.

The 50th anniversary of ERISA serves as a reminder of the significant progress made in the retirement industry. From the early days of minimal regulation and limited participant protections to today's robust and complex framework, the journey has been transformative. The ASPPA Annual Conference will feature special sessions and exhibits that highlight key moments in ERISA's history, the challenges overcome, and the future direction of retirement plan administration.

JOURNEY'S END: THE ROAD AHEAD

As we embark on this road trip to the ASPPA Annual Conference 2024, we are reminded of the valuable journeys we've taken in the past, both personally and professionally. This year's conference promises to be an exceptional experience, filled with opportunities for learning, networking, and celebrating our industry's milestones. From the vibrant setting of Orlando to the comprehensive educational sessions and invaluable connections, this event is poised to be a memorable chapter in our ongoing journey to excellence in the retirement plan industry.

Pack your bags, prepare your maps, and be ready to hit the road to the ASPPA Annual Conference 2024. The journey to professional growth and industry innovation awaits! PC



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TRUST AND TRIUMPH: CULTIVATING LOYALTY WITH KEY PARTNERS – PART ONE

Why do your clients hire your firm and then stay? Why do financial advisors refer their clients to your firm? Why do wholesalers refer financial advisors to your firm? Is it because your services are inexpensive or because you run the required testing and fill out the 5500? Probably not.

By Shannon Edwards, Emily Halbach-Sharp, and Katie Boyer-Maloy

In the retirement plan landscape, the cyclical nature of the business is one constant we have all become quite accustomed to. While the legal provisions continue to throw us curveballs, the work itself, relationships and key deadlines have remained relatively consistent over the years. And while any retirement plan professional may differ somewhat on opinion about what is the most important component in retirement planning, the relationship element of our business is most certainly high on the list.

As plan consultants, the role we play is important, we bring an expertise to the plan and act as an advocate to make sure the plan is not only compliant, but meets the needs of the sponsor and participants. However, the work we do cascades far beyond just that. We work in a space that is very much relationship driven. The work we do is complex, sometimes incredibly stressful and at the end of the day, holds the keys to funding participants' golden years. How do we not only do the work, but also continue to advocate and show value for our own business success through retention, new business and innovation? Through people and relationships.

Human beings are widely known as being creatures of habit. We like what we like, we avoid what we don't and we have a tendency to lean toward what is comfortable, it's in our nature. The same really applies to our business too. Think about your favorite plan that you work on. Is it the largest on your book? Doubtful. Is it the most profitable? Probably not. Why is it your favorite? Is it easy to work on? Are the people kind? Is it your favorite platform? A combination of all of the

"NO ONE WANTS TO PICK UP THE PHONE TO A REFERRAL THAT IS ASKING FOR SOMETHING YOU DO NOT KNOW, OR CANNOT DO, SO IN ORDER TO KEEP FROM THAT HAPPENING, YOU HAVE TO BE CRYSTAL CLEAR ABOUT YOUR OFFERINGS AND MAKE SURE YOUR PARTNERS ARE WELL AWARE."

above? There is a good chance it is the latter, and again, it's because we gravitate toward what we are familiar and comfortable with. These very same principles apply when we are talking about building partnership, loyalty and trust within our external relationships as well. Here are a few tips from three women who have built their careers around creating and cultivating next level relationships.

1. TRUST

In order to be a good partner, a mutual trust must sit at the forefront of the relationship. Without it, the partnership is rocky. Whether this be a partnership with an advisor, recordkeeper, software company, accounting firm, payroll company, etc., the key components of partnership are virtually the same. We have to trust one another to act in the best interest of all parties (including you), even when you're not in the room. This is crucial, as many conversations are had outside of your earshot, so having trust that your centers of influence are advocating for your team and the service you provide is incredibly important. However, in order to build that trust, you have to be willing to go to bat to not only advocate for yourself and the services you provide, but also that your key partners can turn around and say the same thing to their contacts. No one wants to pick up the phone to a referral that is asking for something you do not know, or cannot do, so in order to keep from that happening, you have to be crystal clear about your offerings and make sure your partners are well aware. This also applies the other way around. Take the time to get to know your partners' offerings and be able to act as a center of influence for them as well.

2. DEPENDABILITY

While this technically falls under trust, it's important enough to earn a bullet of its own. No one is perfect, mistakes will be made, and panicked moments of needing something yesterday will absolutely come up. Can your partners rely on you to pick up the phone when they call? Or answer the email? Being known as the dependable partner is an easy way to be high atop the favorites list in their contacts. Time is finite and we are all juggling many tasks at once, so when something is urgent, knowing that you have partners you can depend on is critical. This too goes both ways though in partnership success. If you think about it, your top (insert partner here) is likely a company or person who is dependable and quick to respond. No one likes getting an automated response to an email that says "Thank you for your email. We received it and will try to get back to you within three to five business days." That is not helpful to anyone and does not illustrate dependability.

If you find in any of your partnerships that the dependability pendulum swings far more to one side, make sure you are advocating for yourself and your business. No one's time is any more important that your own, so be sure to advocate for yourself and the work you do. There is a fine balance between dependability and being taken advantage of by repeat offenders who constantly have emergencies or who don't respond to you until they have an emergency and they want to make it yours.

3. BECOMING THE GO-TO

Think about this from the viewpoint of your favorite takeout restaurant. Why is it your favorite? The food is consistently delicious, the service is consistently good, the price point is fair, it's not far from home so it's convenient, and perhaps you're even lucky enough that they know you well enough to never forget your special requests? While we aren't slinging plates, our value proposition is incredibly similar. When you are providing consistently good work, showing your worth, taking the time to know your partner and being willing to go the extra mile, you too become the go-to. When a partner thinks of the first person to call when a need falls squarely in your wheelhouse, make sure you are top of mind. Remember, when it comes to compliance, you are the expert, so make sure you are known as such with your key partners. Provide feedback to them on their services, send useful information that may help them in their day-to-day jobs, keep them in the loop when something happens that is worthy of note. Becoming the go-to partner is easier than you may think, but makes all the difference in the world when business is flying in the door and sticking around because you are a trusted partner.

In part one, we've covered some of the key components to facilitating a loyalty with our key partners. In part two we will dive a little deeper with some examples of solid partnership qualities, experiences and what to avoid when situations get a little dicey. Just remember, we are in the relationship business and people work with people they like. It's up to us individually to know our partners well enough to show up for them in the capacity that fits their personality, business model and needs, and for them to do the same for us. If you are building your partnerships on those key components, you are well on your way to becoming/remaining their partner of choice. PC

WHAT'S IN STORE FOR THE REST OF 2024?

Election season is upon us, and several of ARA's top policy priorities are picking up steam. **By James Locke**

There are only a few months left before Capitol Hill grinds to a halt as lawmakers return to their home districts to wrap up their campaigns. When members of Congress reconvene in November, there will be a "lame-duck session," which is often used to address unfinished business and urgent issues. Accordingly, ARA is poised to advance several policy initiatives aimed at improving the retirement system for plan professionals and participants alike.

EXPANDING ACCESS TO COLLECTIVE INVESTMENT TRUSTS FOR 403(B) PLANS

ARA's top priority for the remainder of the 118th Congress is passing the Retirement Fairness for Charities and Educational Institutions Act. This bill addresses a securities law quirk that needlessly prohibits 403(b) plan participants from accessing Collective Investment Trusts.

In March, the House of Representatives passed a broad capital markets package that included this legislation. In July, we secured the introduction of a Senate companion bill, led by Sen. Katie Britt (R-AL) and Sen. Raphael Warnock (D-GA). We are currently meeting with Senate lawmakers to build support for the proposal and hopefully bring it to the Senate floor for a vote during the lame-duck session.

RETIREMENT PLAN TAX CREDITS FOR CHARITIES AND NONPROFIT ORGANIZATIONS

ARA has also met with members of Congress to advocate for increased availability of retirement plans for charities and nonprofit organizations. ARA drafted legislative text that would provide a payroll tax credit for nonprofits adopting retirement plans for their workers. While SECURE 2.0 included an income tax credit for businesses that adopt retirement plans, these credits do not benefit nonprofits, as they generally do not have income tax liability. A payroll tax credit is necessary to deliver the same benefit to nonprofits as for-profit organizations.

ARA worked with Sen. James Lankford (R-OK) and Sen. Catherine Cortez Masto (D-NV) to develop legislative text and introduce a bill that would create this payroll tax credit. ARA is also working with a bipartisan coalition in the House to introduce a companion bill.

ROTH IRA ROLLOVERS

ARA is collaborating with lawmakers to introduce legislation that would allow retirement savers to roll over Roth IRA savings into a Roth account within workplace-based defined contribution plans, which is prohibited under current law.

Under the current auto-portability process established by SECURE 2.0, a worker's 401(k) balance can automatically roll over to their new employer's 401(k) after a job change. However, any Roth amounts must remain in the IRA while pre-tax amounts transfer to the new plan.

In December 2023, Rep. Darin LaHood (R-IL) and Rep. Linda Sánchez (D-CA) introduced H.R. 6757, which would fix this process and allow the seamless transfer of Roth savings between IRAs and workplace-based retirement plans. ARA continues to work with Senate lawmakers to introduce a companion bill.

James Locke is the American Retirement Association's Director of Federal Government Affairs.

SECURE 3.0

Several retirement policy proposals may be incorporated into the next major retirement bill over the coming years.

In February 2023, two senior members of the Senate Health, Education, Labor, and Pensions (HELP) Committee, along with their House Education and Workforce, and Ways and Means Committee counterparts, introduced the Auto Reenroll Act of 2023 (H.R. 4924/S. 2517). This legislation would amend ERISA and the Internal Revenue Code (IRC) to permit qualified automatic contribution arrangements (QACAs) and eligible automatic contribution arrangements (EACAs) to automatically reenroll workers into the retirement plan at least once every three years.

In October 2023, Reps. Claudia Tenney (R-NY) and Dan Kildee (D-MI) introduced the Retirement Investment in Small Employers (RISE) Act (H.R. 6007). This bill would create a Micro Employer Pension Plan Startup Credit in IRC Section 45E for qualified micro employers—those with 10 or fewer employees. The credit would cover 100% of retirement plan administrative costs, up to $2,500, for the first three years after plan adoption. PC

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- Active partnerships with 1,400+ TPA firms[1]
- 97% of our in-force plans work with TPAs[2]
- TPA-serviced plans span our open-architecture and group annuity platforms[1]

1 John Hancock internal data for group annuity and open-architecture plans, as of 8/31/22. **2** John Hancock internal data for group annuity and open-architecture plans, as of 6/30/24.