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Investment Management and Retirement Plans

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Uncertain Outcomes

ADVISORS CAN INFLUENCE THE FUTURE….

As we head to press, concerns about the coronavirus remain rampant, the markets are still in turmoil, the field of candidates for the Democratic party for 2020, though winnowing, is still up for grabs, and the longer-term implications of the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019—well, let's just say that, after the initial burst of excitement, we're (all) now sorting our way through the practical aspects of implementation.

Those looming technicalities notwithstanding, earlier this year the Employee Benefit Research Institute (EBRI) projected the potential impact of the key provisions[1] of the SECURE Act. EBRI projected that those projections could reduce the U.S. retirement deficit for workers currently age 35-39 by as much as 5.3%—double that if they work for small employers (those less than 100 employees), mostly because those who are in the latter category are so much less likely to have access to a retirement savings plan at work—and, as readers of our publications know, those without access to a plan at work are significantly less likely to save for retirement—12 times less likely, in fact.

However, those specific projections merely quantify the reduction in shortfalls for those who otherwise wouldn't have enough retirement income. Among those who were already deemed to have had "enough" retirement income (EBRI employs a projection model), SECURE almost certainly adds some cushion to those projections. Indeed, the EBRI report differentiates between reductions in deficit and increases in surplus.

Those are encouraging numbers. But it's worth acknowledging that there's a healthy dose of assumptions underlying those projections, as surely there must be in anticipating future human behaviors. EBRI's Research Director (and data modeler extraordinaire) Dr. Jack VanDerhei takes pains to outline those in the paper, but it's worth noting that the ranges in assumptions employed are—well, they're all over the place. On the other hand, they're arguably no different than if you were to ask a random group of advisors how many more employers will now offer plans because of changes like the greatly expanded start-up tax credit, or as a result of the efficiencies resulting from an open MEP.

Now, unlike many of the uncertainties in our lives, advisors could make a difference—and potentially a huge difference—in the SECURE Act realities, whether it's by informing and encouraging employers to take action, or nudging them toward positive and proactive plan designs, or simply working with individual workers to help them maximize the expanded opportunities.

We live in uncertain times, after all—but the importance of the role you play in expanding retirement opportunity is anything but…

Nevin E. Adams, JD
Editor-in-Chief

FOOTNOTES

[1] Specifically the projections contemplate greater access by allowing providers to offer MEPs, and also factor in the impact of raising the cap under which plan sponsors can automatically enroll workers in "safe harbor" 401(k) plans from 10% to 15% of wages, and required coverage of long-term part-time employees.

What's New?

With this issue, we introduce a new, fresh look for *NAPA-Net the Magazine*, with more readable fonts, more spacing, and visuals that we hope will all combine to create a more engaging read.

Let us know what you think!

– NEA

TIDBITS

New Firm Partners

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For a complete list of Firm Partners turn to page 92 or visit **napa-net.org/about-us/firm-partners**

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The ‘Better’ Side of Wall Street

THE COUNTLESS HOURS YOU SPEND HELPING WORKING AMERICANS DO NOT GO UNNOTICED BY THE WORLD.

By Jania Stout

Jania Stout is the co-founder and managing director of Fiduciary Plan Advisors at HighTower in Owings Mills, MD. She serves as NAPA's 2019-2020 President.

My term as NAPA President has come to an end. I am thankful that I have had this opportunity. It was quite a year, with the fantastic conferences and events put on by NAPA. Whether you are a new plan advisor trying to learn the basics or a senior plan advisor looking to share ideas with your peers, NAPA has it covered.

The 401(k) Summit in Orlando is going to be great—I am already starting to pack my bags! We have so much great content and I am particularly excited about our two keynotes, Jill Ellis and Marcus Luttrell.

> “We really can bring about change, and NAPA could not do that without your involvement and your voices.”

As I reflect over the past 12 months, there are certain things that I know are true, and I would like to share three of them with you.

Mentorship Matters

As many of us would agree, you don’t go to college to be a retirement plan advisor. It is an industry that most of us fell into by accident in some way. However, our industry is maturing, and mentoring others is important. I have recently started to hire younger advisors and love helping them understand the retirement plan industry. My mentor 24 years ago was a man, and he is still who I call when I need advice. A great mentor will be your sounding board because if you are like me, there will be times you need someone to give you independent advice.

My advice is: Don’t wait for someone to come knocking on your door to either ask you to mentor them or ask if you want a mentor. Be proactive. For example, I wanted to grow our team and bring in more women, so I went to the Maryland Women’s Lacrosse team (which happened to just win a national championship) and asked for any candidates who would be interested in joining our team. We hired a girl who was a pre-med major, and she is already drinking the 401(k) Kool-Aid.

There are lots of capable and amazing people out there; you might just have to go find them and then mentor them. When we help others, we help ourselves—and the entire industry is lifted by it.

Our Scope is Expanding

It used to be that everyone would say, “We go beyond the 3 F’s: Funds, Fees and Fiduciary,” and when they said that, they meant we also talk about helping with participant outcomes and financial wellness. Boy, oh boy, is it expanding even further today! Student loan payoff programs and HSA discussions are filling up the time at committee meetings for many of us.

Our roles are also expanding into deeper knowledge around compliance. Plan advisors are becoming better technicians on the compliance side of this industry, and it is becoming the norm to have team members get their QKA designation to become better equipped to help their clients.

We Can Make a Difference

If you haven’t had the chance to go to the NAPA D.C. Fly-In Forum and see firsthand the work that is involved in educating our representatives in Congress, I highly recommend putting this on your list.

The SECURE Act was finally enacted in December, and a big part of that success was the hard work that all of our advisors and our NAPA Government Affairs members put in. I got to see firsthand how it all works and am grateful for the behind-the-scenes look into it.

Don’t think for a second that what we do falls on deaf ears. The lawmakers really do listen to ARA and NAPA when crafting legislation. It is refreshing to see that we can really bring about change, and NAPA could not do that without your involvement and your voices.

It has been a privilege to serve all of you as NAPA President. I always tell my friends and family that our industry is the “better side of Wall Street.” Not that the other side is so bad, but because of what we do and the lives we are changing because of it, I think we deserve that description.

What you do every day and the countless hours you spend helping working Americans do not go unnoticed by the world. Let’s keep pushing upward and help working America truly be happy! NNTM

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Advocacy Never Rests

WE NEED YOUR CONTINUED INVOLVEMENT, ENGAGEMENT AND SUPPORT.

Brian H. Graff

As we head to press, Massachusetts has just announced a new state fiduciary regulation that acknowledges the sufficiency of ERISA in governing fiduciary behavior—a position long and consistently advocated by the National Association of Plan Advisors on behalf of you, its members.

It's a position that we successfully championed with the Massachusetts regulators, as we have previously in New Jersey, and as we have (and hope to eventually be successful) in Nevada, the first state to pursue this breed of additional state oversight. And as we have, and continue to do so, in other jurisdictions such as Maryland, where the issue has arisen.

Most of you have been gearing up to understand and leverage the new opportunities for expanding plan adoption and narrowing the coverage gap afforded by passage of the SECURE Act. As you've seen and read over the years, we've been actively engaged in the framing and development of this legislation for more than half a decade, working with leadership in both the U.S. House and the Senate through multiple sessions of Congress and across two very different administrations.

We were there working—with your support and assistance—as it passed the House by a remarkable, bipartisan 417-3 margin, and then, at a time when many advocates had declared things "over and done" for another session, continued to look for an opportunity to get it passed and to the President's desk for signature before the end of the year—and found it.

Of course, it's one thing to get legislation passed, and another to help make sure that the "details" of implementation make sense in the real world. And so, in late February, your Government Affairs team, aided by input from you and several informational webcasts we conducted following the SECURE Act's passage, met with the regulatory agencies and outlined for them in writing a list of priority items where clarification was needed and guidance requested.

Brian H. Graff, Esq. APM, is the CEO of the American Retirement Association, and has served as Executive Director of NAPA since its founding in 2012.

> "Because of your support, we are able to advocate for approaches that make sense, are workable, and maximize the positive impact and/or minimize the negative."

It's a process—and make no mistake, effective advocacy is a process—that has only just started. A process that will, in all likelihood, require continued focus through the rest of 2020 and into 2021—when we will be dealing with a new Congress, and might be dealing with a new administration as well.

Between now and then we could also be dealing with a new fiduciary rule from the Labor Department and the ramifications of the Securities and Exchange Commission's Reg BI, as well as activities by state legislatures regarding not only fiduciary standards, but also state-run retirement plans for private sector workers—legislatures that often aren't aware of ERISA, much less its standards or implications for the nation's retirement policy.

Because of NAPA you have a voice in our nation's capital and, increasingly, in state capitals as well. More importantly, you have the benefit of our ears—attuned with a sensitivity to not only your needs and perspective, but also to the real-world implications of changes in policy and procedures, as well as a deep concern about the implications for the retirement security of millions of working Americans.

Just as importantly, we help you stay current with what's going on before it happens via webinars and events like the NAPA 401(k) Summit and the NAPA D.C. Fly-In Forum, and via the information we share in both this publication and the *NAPA-Net Daily* e-newsletter, the industry's most widely read and circulated news source.

Because of your support we are able to not only listen for change and communicate the implications, but also to proactively advocate for approaches that make sense, that are workable, and that maximize the positive impact and/or minimize the negative.

When we say we couldn't do it without you, we mean it. We need your continued involvement, engagement and support.

Indeed, we (all) depend on it. NNTM

SPONSORED CONTENT

EXECUTIVE THOUGHT LEADERSHIP

Interview with
TOM SCHRANDT

YOUR COVERAGE 'GAPS'

In an ever more complex and litigious field, plan advisors face a multitude of risks, including cyber exposure—and ERISA law opens you up to a host of additional exposures and requirements. Despite those increased risks and vulnerabilities, countless E&O (errors & omissions) products on the market today do not address these exposures.

A new program, developed by Lockton Affinity in partnership with the American Retirement Association (parent association of the National Association of Plan Advisors), fills the gaps in many of today's E&O policies, covering certain legal fees, judgments or settlements resulting from claims and litigation brought against you for the services you provided.

We recently sat down with Tom Schrandt, Vice President at Lockton Affinity, to learn more about the program.

NNTM: What is Lockton Affinity?
SCHRANDT: Lockton Affinity is one of the nation's leading program administrators, managing insurance solutions for groups of 100 to more than four million members. As part of Lockton Companies, the largest privately held insurance broker in the world, Lockton Affinity specializes in insuring small businesses, non-profits, associations, groups and franchises. A large portion of the groups and businesses to which we provide comprehensive insurance solutions and risk management strategies include attorneys, certified public accountants (CPAs) and financial professionals (RIAs, broker/dealers, TPAs, record keepers, fiduciaries, trustees, life agents).

NNTM: What's different about the policy developed for NAPA members?
SCHRANDT: When you work with Lockton Affinity, you receive an insurance policy designed specifically with NAPA members in mind. Unlike most insurance offerings available in the current marketplace, our program is comprehensive and includes Professional Liability, industry-leading cyber-liability and includes fiduciary coverage to meet ERISA standards and ensure any fiduciary duties you perform are also covered.

As the largest privately held broker in the world, we can help place your other business insurance needs like Workers' Compensation, Business Owner's Policy, Commercial Auto and more. We also have a dedicated team of professionals who specialize in working with RIAs, registered reps and life insurance agents to answer your questions, guide you through the insurance buying process and ensure you have the coverage you need to protect your business and your livelihood.

NNTM: Why is this kind of coverage needed?
SCHRANDT: Unfortunately we live in a very litigious society, and quite frankly, plan advisors get sued. Making matters worse, plan advisors are held to the stringent requirements of ERISA law, opening up plan fiduciaries to be sued for their personal assets. Plan advisors provide a highly specialized professional service to their clients, the generic 'investment advisor' E&O policy available on the market has significant gaps in coverage that don't account for increasing growth of the independent RIA model. Regulatory bodies like the SEC and DOL continue to increase staff auditors, making regulatory audits a more frequent occurrence.

NNTM: Don't retirement plan professionals/advisors already have this kind of coverage?
SCHRANDT: Short answer: maybe. It all depends on how the advisor is performing their respective services and on whose behalf the advisor is providing those services. For example, many advisors rely on group E&O offered through their broker dealer, wire house, or the large corporate RIA they represent. Some plan advisors form their own RIA outside of their BD relationship, which may or may not be covered by the group policy they are required to maintain. Some online programs or group programs include specific ERISA fiduciary exclusions which means it is critical for a retirement advisor to review their coverage to be sure all of their provided services are indeed covered *and* the structure of the coverage is designed to trigger for all of your provided services.

NNTM: What are the advantage(s) of this program compared with alternatives currently in the marketplace?
SCHRANDT: Many of the commonly used online insurance programs either exclude ERISA professional services or lack clear definitions or policy terms to incorporate all exposures ERISA law brings. This policy was specifically developed to provide coverage for the retirement plan advisor. We sought feedback from Groom Law Group to ensure the necessary ERISA terms were included so that it addresses all the unique ERISA law exposures. Significantly, our program is the only one in the market that provides a panel of ERISA law firms to defend the retirement advisor in the event of a claim. We included Groom, the Wagner Law Group and Trucker Huss as the approved defense panel for our program. Additionally, we incorporated regulatory coverage due to the increased presence and scrutiny of the SEC/DOL and other regulatory bodies.

NNTM: Why is this program being introduced now?
SCHRANDT: Lockton Affinity worked with a specialty insurance market to develop a policy specific to NAPA members and the risks their businesses face every day. The DOL fiduciary rule debate has made the term 'fiduciary' a household term. The public now understands what a fiduciary is and, more importantly, the responsibilities of a fiduciary. Furthermore, the advisor landscape is trending towards independence, and many plan advisors provide services within a dual representative capacity. Lastly, many of the generic online E&O solutions available to advisors are not designed to cover the specialized services of plan advisors. ERISA law opens plan advisors to unique exposures, and the current open market options do not define relevant ERISA terms and therefore do not provide adequate coverage for a plan advisor.

For additional information on the Lockton Affinity Plan Advisors Insurance Program, visit https://locktonaffinityadvisor.com/plan-advisor/, or stop by and talk to the Lockton team at their booth at the 2020 NAPA 401(k) Summit.

Trends 'Setting'

IN THIS MONTH'S ISSUE, WE TRACK HIGHER SAVINGS AND ROTH RATES, GET A GLIMPSE AT PLAN SPONSOR PRIORITIES, AND EXAMINE REPORTS THAT PURPORT TO SHOW THE INFLUENCE OF FEES ON TDF TAKE-UP AND HOW EXPANDED FUND MENUS MIGHT ACTUALLY ENCOURAGE ENGAGEMENT.

Higher 'Grounds'

PSCA: savings rate, Roth participation hit new highs

American workers are saving more than ever in their company-sponsored retirement plans, and a growing number are taking advantage of the opportunity to save in a Roth 401(k) option, according to new data from the Plan Sponsor Council of America (PSCA), part of the American Retirement Association (ARA).

PSCA's 62nd Annual Survey of Profit Sharing and 401(k) Plans, the longest running survey of its kind, finds participant deferrals rose last year to an average of 7.7% of pay, up from 7.1% in 2017 and 6.8% in 2016. With company contributions coming in at an average of 5.2% in 2018, the average combined savings rate is now at 12.9%, up from last year's record finding of a combined savings rate of 12.2%.

The survey, reporting 2018 plan activity, finds that nearly a quarter of participants (23%) elected to contribute to a Roth when given the opportunity, up from 19.5% in 2017 and 18.1% in 2016—an increase of nearly 30% in just three years. Nearly 70% of plans now provide a Roth 401(k) option.

Even as an increasing number of employers make it easier for workers to join these programs via automatic enrollment, the survey finds the percentage of those plans using a default deferral rate of 6% of pay (rather than the traditional 3%) increased from 23.8% in 2017 to 29.7% in 2018. At the same time, nearly a third of automatic enrollment plans now automatically increase deferral rates over time.

The survey also found that:

- While the majority of plans have long allowed rollovers of assets into the plan, nearly half (46.3%) are now actively encouraging employees to do so.
- A third of plan sponsors are communicating specific savings targets to participants—and for nearly half of those, it's a number 10% or higher.

The 62nd Annual Survey of Profit Sharing and 401(k) Plans, the longest running survey of its kind, also covers topics such as monitoring investment policy statements, alternative investment options, company stock, distribution and withdrawals, participant education and communication, recordkeeping and other plan administration practices. The report includes a comprehensive executive summary that examines the 10-year trends of key plan benchmarking data points.

You can find out more about the survey—and order a copy for your own benchmarking purposes—at https://www.psca.org/62nd_ASReport.

— NAPA Net Staff

2020 Foresight

What are plan sponsors' 2020 priorities?

Employers overwhelmingly are most focused on expanding their financial wellbeing benefits and are taking a more holistic approach "to help workers create a healthy wallet, body, mind and life," according to an annual study by Alight Solutions.

Now in its 16th year, the firm's "2020 Hot Topics in Retirement and Financial Wellbeing" report reveals that nearly all employers (92%) say they are likely to expand their financial wellbeing programs in ways that extend beyond their retirement plans, with two-thirds indicating they are very likely to take action in 2020.

The study is based on an annual survey that Alight administers to employers to capture the changes they intend to make to their retirement and financial wellbeing plans in the year ahead. The 2020 version was

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administered in the fall of 2019 and contains responses from over 130 organizations that employ 5.5 million workers.

While lifetime income is important to many employers, Alight reports that it is not necessarily a top priority, as most employers believe, instead, that addressing broad financial wellbeing and encouraging higher contribution rates are the most important behaviors to address.

As such, employers are increasingly likely to incorporate reminders about savings programs during annual enrollment. According to the study, nearly half of all employers say they are planning to fold education about their DC plans into annual enrollment communications, and most employers are likely to take some action to help curb loans from the plan. Additionally, one-third of employers are sharing information about the link between financial stress and overall health and wellbeing.

Improving Plan Statistics

While participation remains the topic with the highest degree of satisfaction among plan sponsors, Alight notes that fewer than half (47%) of the employer respondents are content with their participation rate. In addition, among companies that are not satisfied with this, two-thirds indicated they are "very likely to address" this issue.

To that end, when asked which aspect of employee behavior within their DC plans they think is the most important to address, employer responses included:

- focusing on why individuals do not participate or save more in the plan (26%);
- encouraging higher contribution rates (23%);
- having plans in place to help participants reach their retirement savings goals (16%);
- minimizing plan leakage that occurs through loans and withdrawals (13%); and
- increasing participation by having more eligible employees actively saving in the plan (13%).

Bridging the Gap

Two-thirds of employers think they will experience an increase in retirement-eligible workers over the next three years and many are taking steps to help these individuals not only prepare for the transition to retirement, but to remain connected to the employer after leaving the company, the study further notes. Nearly half of employers indicate that they are going to "ramp up" their retirement planning education to near-retirees and increase communication about the retirement process.

Moreover, Alight notes that an increasing percentage of employers prefer that terminated workers keep their balances in the DC plan. According to the findings, 40% of employers want former employees to remain in the plan, an increase of seven percentage points from 2019, while only 7% prefer that these individuals leave the plan.

Alight further observes that there is increased scrutiny being paid to IRA rollovers, perhaps because of this desire for wanting employees to remain in the plan. The study notes that from 2019 to 2020, the percentage of employers that do some sort of benchmarking on the money leaving their plans and going to IRAs increased from 26% to 37%.

Additionally, a majority of employers say they are interested in an automatic rollover program that can help people who are subject to mandatory distributions (<$5,000) consolidate retirement savings into their current employer's plan.

Missing Participants

Employers apparently are also searching for missing participants more frequently than in the past. Alight reports that 15% of DC plans now search on a monthly basis (up from 6% in 2019) and 16% of DB plans search on a monthly basis (up from 7% in 2019). Employers are also using multiple tools in

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their arsenal to try to find missing participants, from searching addresses to conducting outreach via first class mail, certified letters, phone calls and email.

— Ted Godbout

Fees Able?

Lower fees seen as key driver of default TDF acceptance

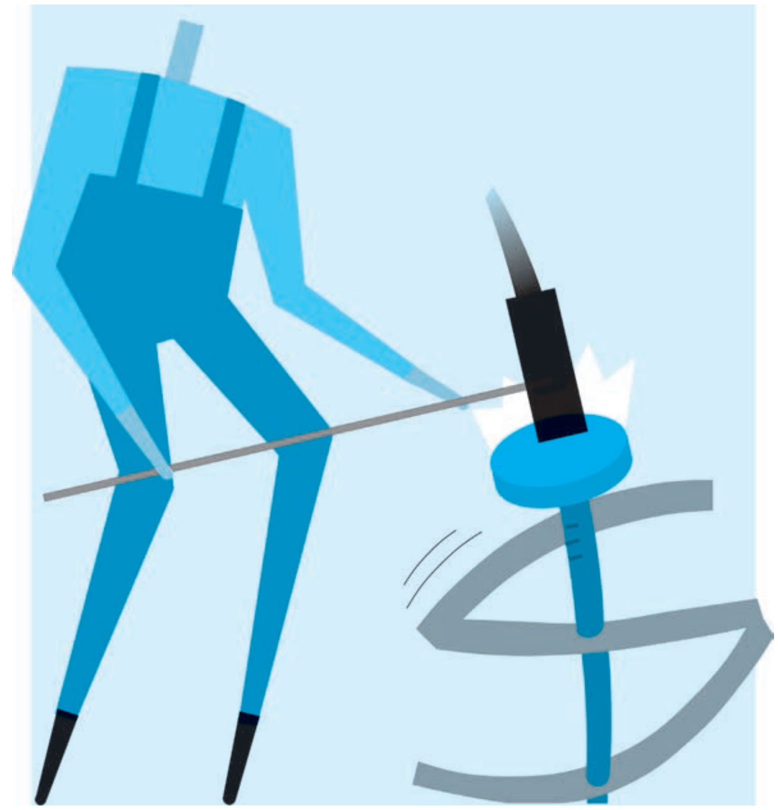
While demographics can significantly influence a DC plan participant's choice to accept the default investment, new research finds that expense ratios can also play a leading role.

In "Made to Stick: The Drivers of Default Investment Acceptance in Defined Contribution Plans," Morningstar researchers found that default investment acceptance increases for TDFs with lower expense ratios, lower levels of equity risk and higher relative performance, with expense ratios having the largest effect among the three.

"The expense ratio relation is notable because it suggests funds with higher expense ratios not only have a higher level of expenses to overcome to generate alpha, but they also may result in lower levels of default investment usage," note Morningstar Investment Management authors David Blanchett, Head of Retirement Research, and Dan Bruns, Vice President of Product Strategy.

They explain that this occurrence creates an additional implicit cost for participants, since those who opt out of the default and self-direct are more likely to build suboptimal portfolios and experience lower returns than those who invest in professionally managed investment options. "While the possibility of lower default investment acceptance is unlikely to create the same type of liability for a plan sponsor as fund expense, it is something that should be considered during the default investment selection process," Blanchett and Bruns note.

Their analysis is based on the default investment decisions of 46,439 participants across 175 plans using 18 different target-date series, with all plans using a TDF as the plan's default



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investment. The authors reason that by understanding the drivers associated with acceptance of a default investment, DC plan sponsors and advisors might have additional success getting more participants into professionally managed investment options with the ability to predict which default investment will be most accepted. In particular, the analysis explored four key attributes:

- expense ratio;
- size of the sponsoring TDF company (which is assumed to be a proxy for general brand awareness);
- relative risk of the respective target-date vintage (equity allocation versus all other funds in the same Morningstar Category); and
- relative performance of the TDF.

While expense ratio appears to be a bigger driver of acceptance compared with historical relative returns, participants, not surprisingly, also seem to prefer TDFs with higher returns. "While target-date funds are complex multi-asset products that should be evaluated across multiple dimensions, using a series with higher than average performance appears to increase default investment acceptance," the paper notes.

A positive relation was also seen between the number of plan funds and default investment acceptance, potentially due to "choice-overload considerations," the report notes. Blanchett and Bruns note that this is consistent with the findings from their study on DC menu choices with plan defaults, which suggested larger core menus nudge participants toward accepting the default investment.

Nevertheless, while certain target-date attributes do have a relation to default investment acceptance, they tend to be less important than certain demographic variables, such as income and balance, Blanchett and Bruns note. For example, in their earlier research they found that default investment acceptance is higher for younger participants with lower deferral rates, salaries and balances. Moreover, they found that managed accounts have a higher default investment acceptance rate compared to TDFs and balanced funds.

— Ted Godbout

Auto 'Pilots?'

Is auto-enrollment helping or hurting long-term retirement saving?

There is little doubt that the use of auto-enrollment has helped increase participation rates. But could it also lead to lower savings rates?

"Auto-Enrollment's Long-Term Effect on Retirement Saving," a new white paper from T. Rowe Price, explores that possibility, examining whether automatic enrollment in a 401(k) plan increases lifetime wealth accumulation and benefits all participants equally.

Authors Joshua Dietch, T. Rowe's VP for Retirement Thought Leadership, and Taha Choukhmane, Ph.D., a retirement researcher at the National Bureau of Economic Research and MIT Sloan School of Management, found that auto-enrollment nearly doubles plan participation and successfully gets participants who might not have otherwise saved saving. They also find, however, that it can result in participants saving less than those who voluntarily opt in and set their own deferral rate.

The paper is based on research conducted by Choukhmane analyzing data from 600 firms recordkept by T. Rowe covering 4 million employees over the years 2006–2017, as well as a secondary set of data from the UK's "NEST" defined contribution plan.

Learned Behavior

The paper explains that when NEST was being implemented, some employers were required to automatically enroll their employees, while others were not. In tracking individuals' enrollment behaviors as they changed jobs, Choukhmane determined that auto-enrollment and opt-in enrollment are learned behaviors.

According to the research, employees who have experienced auto-enrollment in the past are less likely to join a new plan where the employer does not offer auto-enrollment, while employees who were required to opt-in enrollment were more likely to participate and contribute a higher percentage of pay.

The research also suggests that the employees who are auto-enrolled "run the risk of becoming conditioned to it, and its absence at future employment can result in missed or delayed savings," the paper states.

Package Deal

For employees to fully benefit from auto-enrollment, Dietch and Choukhmane contend that it needs to be combined with auto-escalation. "That way, employees can enjoy the benefits of compounding rates of return by saving early in their careers and may be able to avoid the need to save more later in order to compensate for missed opportunity," they write.

The paper further suggests that participants will not opt out if the auto-enrollment default rate is raised. T. Rowe's analysis looked at the effect of employers raising their defaults above 3% and found that there is minimal impact, with a near consistent 1% drop in the participate rate for every 1% increase in the default rate.

"While some may be concerned about a slight decrease in participation, the broader context shows that a clear majority of participants benefit from greater savings compared with the relative few that opt out," the authors observe. Moreover, they note that it's plausible that many of those who opt out may still participate in the plan, but at a lower default rate.

Who Benefits?

When looking at who ultimately benefits from auto-enrollment, Choukhmane segmented the research by the amount of employee savings in relationship to their wages. Not surprisingly, he found that if not for auto-enrollment, low-wage earners might not otherwise save, and younger employees could potentially enjoy greater benefit from compounding returns over longer periods of time.

Both younger and lower-paid workers were found to benefit from defaults in general and investing in a target date portfolio in particular. According to the research, this cohort of workers who invested in a target date portfolio could accumulate as much as 41% more in lifetime wealth compared with those who had to proactively opt in to participate in their employer's plan.

> **"It is the combination of design approaches, such as auto-enrollment, auto-escalation, reenrollment, etc., that can lead to optimal results."**

Dietch and Choukhmane further observe, however, that the benefit of auto-enrollment is less significant for higher-wage earners. Further, they emphasize that "behavioral finance research has shown that high-wage earners may undersave as a negative, yet unintended, consequence of the framing or endorsement resulting from the default rate."

Overall, they conclude that plan sponsors must consider their "purpose and intention" for offering a plan when evaluating plan design features. "What this research ultimately demonstrates is that there is no single solution to increase both participation and savings," they write. "Rather, it is the combination of design approaches, such as auto-enrollment, auto-escalation, reenrollment, etc., that can lead to optimal results."

— Ted Godbout

Expansion 'Teem?'

Study: Expanded 401(k) menu may nudge participants toward better outcomes

While past studies of DC plan designs suggest that smaller core menus improve participation rates and outcomes by reducing choice overload, a new study questions that wisdom.

In fact, Morningstar Investment Management's new white paper—"Bigger Is Better: Defined-

Contribution Menu Choices with Plan Defaults"—concludes that plan sponsors should be doing the opposite, asserting that a bigger lineup is actually better.

The 28-page paper by David Blanchett, Morningstar's head of retirement research, and Michael Finke of The American College of Financial Services, finds that increasing core menu size not only results in increased adoption of a plan's default investment, but it also can result in more efficient portfolios.

Based on an examination of more than 500 DC plans comprised of approximately half a million participants, and core menus varying between 10 to 30 investment options, Blanchett and Finke explore the relation between core investment menu size and two key participant investment decisions:

- the acceptance of the plan's default-investment option; and
- the efficiency of portfolios among participants who were self-directing their accounts.

Default Acceptance

According to their findings, increasing core menu size resulted in increased adoption of the plan default investment, from approximately 74% for plans with 10 funds in the core menu to about 87% for plans with 30 funds. The study notes that for each additional fund a plan adds to its core investment menu (moving from 10 to 30 funds), default-investment acceptance increases by approximately 0.7%.

As background, Blanchett and Finke observe that many early DC plan studies found that increasing the number of funds reduces participation rates as a result of "choice overload," but many of those studies were conducted prior to the Pension Protection Act (PPA) and did not consider the benefits of automatic enrollment in default investment options.

"Increased default acceptance within plans that offer larger core menus is consistent with choice overload: participants in plans with smaller menus may feel more capable of building portfolios themselves, while participants in plans with more funds may feel overwhelmed and therefore remain in the default investment," the study suggests.

Blanchett and Finke further explain that prior to the PPA, plan menus often provided a limited selection of funds where workers either invested in a suboptimal cash fund or choose not to participate. They note that post-PPA default investments are found, however, to outperform self-directed portfolios and provide more efficient portfolios than what average workers could build themselves. At the same time, sophisticated investors could still reject the default option in favor of a customized portfolio drawn from a larger menu.

Increased Diversification

In fact, the study notes that participants in plans with larger core menus who built their own portfolios had more efficient portfolios, primarily because they used more funds. It found that the average number of funds for participants self-directing their accounts was 4.4 in plans with 10 funds in the core menu, but 8.6 funds for plans with 30 funds.

Additionally, their analysis further shows that the number of holdings among self-directed investors would be expected to increase by at least three funds, resulting in an increase in expected alpha of 10.8 basis points.

Citing Shlomo Benartzi and Richard Thaler, Blanchett and Finke note that it's "unclear whether improved efficiency is the result of access to a broader range of high-quality investment options or naïve diversification in which self-directed participants simply spread their portfolio among a larger number of funds."

Nevertheless, they contend that while the basis point increase may not seem material, it represents an easy way for plan sponsors to improve likely retirement outcomes.

"It's important for plan sponsors and their advisors to consider revisiting their core menu design and rethink how it can be used to nudge participants toward better investment outcomes. While bigger menus might not work for all plans, the role of the core menu is changing and perspectives on how to optimize it need to evolve as well," Blanchett and Finke write.

The paper does not dive into the specific ERISA fiduciary-related concerns about having a larger core menu of investment options. It does acknowledge, however, that there are additional "administrative and monitoring costs that need to be considered," but suggests that those costs are likely "significantly lower than the expected benefits." NNTM

— Ted Godbout

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Living in an On-Demand Society

IF UBER DIDN'T KILL THE TAXI INDUSTRY, WHAT DID? AND ARE WE NEXT?

By Rebecca Hourihan

Remember the days when you would hail a taxi? Hoping desperately that their yellow light would be on and you would be their chosen passenger? Then once in the cab, you shared your address. With a nod, the driver would say, "Okay." And off you'd go.

A captive in the back seat, you'd watch turn by turn as the driver navigated various streets, wondering if you were on the fastest route or an incoherent joyride by a road-rage-fueled maniac. You'd try to give directions, but they fell on deaf ears. With each new street and passing minute, tick-tick-tick, the meter would run. Stressed by the limited amount of dollars in your wallet, you calculated whether you had enough money to pay the mounting fare.

As the cabbie pulled up to your location and shouted the cost, the last calculation was the tip. How much extra would you pay for this miserable experience?

Now let's take a look at some unsettling parallels between that taxi experience and some of our industry's practices – from the idling on-boarding process to the clunky payroll uploading procedures that we currently ask our plan sponsor clients to endure.

Because if we don't adapt, we might become the cab drivers of the Uber world.

Curbside for Enrollment: The Onboarding Process

The moment an employer decides they want to offer their employees

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a 401(k) plan is a moment to celebrate. It means the business has hit a stability milestone and they want to thank the talented team that got them there.

In today's tech-enabled world, it should be as simple as pushing a few buttons.

Now, to be fair, we understand that there are a lot of moving pieces and information needed to set up a new plan, and we appreciate the effort and knowledge necessary to make it happen. But is that same level of knowledge and effort required from your new client? I think not!

Going back to our cab analogy, remember standing out in the cold with your hand in the air hoping to flag a ride? Doesn't that seem silly to you now?

Now look at your current onboarding process and evaluate the process. How many steps are involved? When was the last time you actually looked at the paperwork? Where do your plan sponsors sign? Is it DocuSign, wet signatures or other options? Are the documents organized and easy to navigate and sign? Are they online? Paper? Both?

This is the first barrier. The more frustrating it is for employers to set up a plan, the less apt they will be to move forward. This goes for transfer plans too: The more cumbersome the transition process, the less likely the employer will want to change providers.

If an employer is in a state that has a state-sponsored, mandated plan, then it needs to make a choice. What is the path of least resistance? Is it the state-sponsored option or private enterprise? If the destination is the same (i.e., a retirement plan), which route is the easier one?

Taking this a step further, how would it reflect on our industry if a government program's website were more functional, appealing, and easier to use than yours? If our industry can't demonstrate that we're better than a mandated government program, what does that bode for our industry's future? That's a low bar.

Once the employer goes through one to three months of waiting to set up or transfer its retirement plan (with their hand in the air, if you will), what's next?

Memory or GPS Directions

For this, let's focus on a hot topic: payroll. One response: API integration.

It is beyond baffling that this is not table stakes. Rather, some recordkeepers openly recommend copying and pasting payroll data – line item by line item, independently per employee, for each payroll cycle. *What?!* That's the equivalent of paying the cab driver in pennies – technically legal tender, but highly inefficient.

The fact that recordkeepers are endorsing a manual upload process is simply unacceptable. It's borderline offensive and needs to be fixed. Now.

Take a magnifying glass to your payroll process, and make it easy. One click. Integrate with major payroll providers. Make friends. Look at payroll interfaces.

And if your process is beyond help, hire a consulting firm. Have them come in with fresh eyes. Let them evaluate your process. Break it, if necessary. Then put it back together in a way that makes sense.

'Is the Meter Running' or Straightforward Pricing?

When an employer wants to offer a retirement plan, they see value in it. Let them pay for the services and technology received. Employers are used to paying for services. Charge them. Charge per head, per employee, and/or per participant. It's okay. They will pay it. Employers realize that things cost money. It's the cost of doing business. State your costs. Describe your value.

When you get into an Uber, you know the cost. Section 408(b)(2) has helped dramatically with disclosing plan costs. However, how many plan sponsors understand what they are paying for? We talk about benchmarking costs, but what about receiving value?

In our cab analogy, at the end of your ride, you're expected to tip your driver for the terrible experience. When the recordkeeper experience is terrible, it cheapens the value of other services received (TPA, advisory, consulting, education, and more).

> "We talk about benchmarking costs, but what about receiving value?"

While technically the passenger arrived at the right destination safely, the journey to get there was horrible. Considering how much to "tip," no wonder plan sponsors are challenging plan costs. They had a miserable experience. They want a refund. They don't want to tip the cabbie; it's only expected, so therefore they do it.

Living in an On-Demand Society

Quick question: What group is about to become the largest employee demographic in history, starting this year? I'll give you a hint: They don't take taxis.

Millennials are about to become the largest (and still growing) employee demographic ever in American history. If you think they are going to be okay with a manual, tedious, copy-and-paste, error prone and painstaking process, you are mistaken.

This is an opportunity. Evolve now. Invest in technology. Update your systems. Otherwise the future looks bleak for the one standing out in the cold, hailing a cab that will never come as Ubers zip past.

Thanks for reading and Happy Marketing! NNTM

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The Not-Doing List

HAVE YOU DEVISED A LIST OF ITEMS UPON WHICH YOU'RE CURRENTLY NOT TAKING ACTION?

By Spencer X Smith

A medical director friend of mine from Yale recently shared an important story with me about his involvement with the AIDS epidemic in 1988-1989.

"When the epidemic was at its height, two groups, one from Yale and the other from the World Health Organization (WHO), got together to just talk through ideas because clearly we were losing. It's hard to even relate to what was happening back then – the world was incredibly afraid. AIDS popped up in the U.S. via a 'patient zero' who was a flight attendant. Things went crazy in the U.S., but they were far worse in Africa.

"We needed a new way of looking at the problem. A new solution – or set of solutions – was desperately needed. There was no agenda, just smart people in a room.

"When it came his turn, one physician who had actually spent time in Africa on the front lines of the AIDS epidemic (as opposed to the academics and politicians, and even the No. 2 guy at the CDC) was asked, 'What's the single thing you need the most?'

"**His answer:** 'A truck with a full tank of gas.'

"It turned out that it wasn't a shortage of medicine at all. In underdeveloped countries, people were dying simply because the majority of the population – who lived in villages well outside the major urban centers – had no means of transportation to the hospitals

> “A desire for a perfect solution oftentimes impedes our ability to participate in efforts that are good enough.”

in the cities. Often, a few miles outside the cities there is no running water, no electricity, and often no reliable roads. People were dying because they couldn’t travel as little as 15 miles.

“From a public health standpoint, Zimbabwe was considered a basket case. They had one of the top medical infrastructures in all of Africa – the hospitals in its capital, Harare, were considered just as good as those in Chicago. Yet it was the epicenter of the AIDS epidemic in Africa, due to the transportation problem. It was impossible to get people with no electricity, water or mechanized transportation to the medicines that would help them. Hence, they died needlessly.

“There was talk of quarantining the entire country. People were afraid – even some in the medical community. It was before we knew the precise mechanism of transmission, so the first medical professionals going into Zimbabwe were making a statement just going there.

“The brilliant idea that was born that day was the simple but incredibly effective idea of using mobile aid clinics to bring the medicine to the villages throughout the country. This was a focused, AIDS-only effort in which thousands of units of medicine were loaded into dozens, and then hundreds, of mobile aid clinics complete with a doctor, a nurse and all the medicine the truck could hold.

“I had a chance to be part of that first-hand in Zimbabwe. It was revolutionary, and many years later, when WHO did an analysis of what helped turn the tide in the battle against AIDS, it was cited as nearly as important as the ‘triple cocktail’ of anti-viral drugs. One man saw the same problems as everyone else. But he envisioned a completely different solution.”

Here’s the lesson from my friend Dave: Sometimes we overengineer solutions. And most often, we don’t need to.

How does this apply to financial services practitioners and their companies? In the parlance of baseball, it’s all about getting your at-bats. A desire for a perfect solution oftentimes impedes our ability to participate in efforts that are good enough. What’s “good enough”? Showing up. And showing up often.

Like the mobile aid clinics, we can’t forget that our success hinges on reaching people who need you and what you offer. And we don’t just need to reach them once. Our work is a process requiring multiple touchpoints.

What are the vehicles we can use in our business development and marketing plans, then? Here’s one: I propose that you create a “Not-Doing List” to add to your strategic plan. A Not-Doing List will help you reconcile the tactics you’re knowingly avoiding.

This is an important distinction. Knowing what you’re not doing is far superior to avoiding the topic entirely. Should either you or your company be on Instagram? Maybe. But probably not. Ensure that you give yourself credit for thinking about it by adding it to your Not-Doing List.

Imagine the following two scenarios. In an executive meeting, someone says, “I heard Instagram is a platform where a lot of people are spending their time, and many businesses are succeeding in using it. Should we be doing that?”

- **Scenario 1:** You haven’t given Instagram a lot of thought, so your answer might just be, “I’m not sure.” That doesn’t exactly instill confidence in yourself or the person posing the question, right?

- **Scenario 2:** Instagram is on your Not-Doing List. You answer, “I’ve heard that about Instagram too. In fact, I use it myself. From a strategic plan standpoint, it’s on our ‘Not-Doing List’ because our efforts are concentrated on other platforms.”

With most clients, we have a Not-Doing List that far exceeds their To Do List. And that’s a great place to be. Options are unlimited in modern-day marketing, but time and money are not.

Your strategy can emulate the simple, mobile aid clinic initiative described by my friend Dave: Deliver the right solution where the people are located. The roads we can use to get there vary substantially, but thanks to a Not-Doing List, you have a map of the roads you’re choosing not to take. NNTM

COACHING THE COACHES

HOW MENTORING HAS HELPED SHAPE SIX OF NAPA'S TOP WOMEN ADVISORS

BY JUDY WARD

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FROM HER FIRST MENTOR MARY CABALLERO LEARNED TO SEE HER DIFFERENCES AS STRENGTHS IN BUILDING A CAREER AS A PLAN ADVISOR. "I DON'T GO GOLFING, I'M NOT IN THAT CROWD. BUT I FEEL LIKE BEING A WOMAN IN THIS BUSINESS HAS BEEN MORE BENEFICIAL FOR ME THAN IT'S BEEN A HINDRANCE," SAYS CABALLERO, MANAGING PARTNER OF IMPACT BENEFITS & RETIREMENT IN PORTLAND, OREGON. "WOMEN ARE LONG-TERM THINKERS, AND WE HAVE EMPATHY. WE BRING A DIFFERENT FEEL TO THE CLIENT RELATIONSHIP, ONE THAT PEOPLE ARE LOOKING FOR. WE BRING SOMETHING TO THE TABLE THAT PEOPLE WANT."

Six women interviewed for this story, all previous "Captains" honorees among NAPA's Top Women Advisors, talked about the key lessons they learned from mentors, how they now approach mentoring others, and why mentoring matters.

4 LESSONS LEARNED

The six advisors got some key lessons about building their careers from mentors:

01. UNDERSTAND HOW YOU ADD VALUE

Caballero got a clearer sense of her strengths as an advisor when she started working with a female client nearly two decades ago. The client told her after a few meetings that she wanted Caballero to start doing the meetings on her own, without her colleagues. "This was her pushing me, and she meant to do it," she says, adding that she still works with this client. "She helped me to see, 'This is who you are as an advisor, this is why you're amazing.' For me, that's bringing empathy and care into advising clients, and not only focusing on the 'three Fs': fiduciary, fees, and funds. She taught me to be confident in that, and to own that—because I am that. She was really good for building my confidence in my career, and until you can do that, you can't do anything."

Asked how that empathetic approach plays out in her client work, Caballero says there's been a long-time narrative that's led sponsors to believe that working on their retirement plan is very complicated, and the know-how needed isn't accessible to them. "We make it accessible for sponsors, so people feel comfortable around us. Our presentations to committees aren't about the newest investments: We're really talking about participants and their everyday lives. We're strategizing with clients around, 'How are we going to reach your employees, and how are we going to move the needle on their outcomes?'"

02. FIND CLIENTS WHO APPRECIATE YOUR APPROACH

Early in her career, Stacy League worked with a female wholesaler who helped shape her career path. "She taught me that you have to go in and prove your value to clients, but you don't have to give up yourself to do that," says League, partner, retirement plan strategies at PlanWise Financial Group in Austin, Texas. "I'm a caretaker at heart: I like to take care of my family, and I like to take care of my clients. It's an issue of finding the clients that approach resonates with, who really appreciate it."

For League, being a woman hasn't hampered her ability to build a client base and career as a plan advisor. "In a very male-dominated industry, I think that women actually have an innate ability to work in this business," she says. "Women tend to be very good at being an advisor, because we have the propensity to be good caretakers, and this career allows you to use those skills. To that extent, we almost have it easier, because of how we look at things differently. Being a good fiduciary to a retirement plan really is no different than being a good caretaker to your family."

That caretaker approach is at the core of her business model, League says. PlanWise spends a lot of time giving participant-level advice, for example. "That is hugely important to me," she says. "Being able to provide participant advice is at the heart of what we do, making sure that our clients' employees always have a resource to go to with their questions."

03. BE PERSISTENT IN BUILDING YOUR BUSINESS

Shannon Maloney learned a lot from her first mentor, a female commander she had during her time in the Army, stationed in Germany and participating in Operation Desert Storm. "She taught me to believe in myself, and that persistence can be more important than talent in solving challenging problems," says Maloney, managing director, Michigan and national practice leader for ESOPs and defined benefit plans at Strategic Retirement Partners (SRP) in Detroit.

Today, Maloney remembers that lesson as she works on signing new sponsor clients, sometimes for years. "Never give up: A 'No' from a sponsor is just a 'Not now,'" she says. "There are days and weeks and months when I'm talking to people, and I think they'll say 'Yes,' and they don't. But I've gotten clients four or five years after I started talking to them. So don't take rejection personally, and still be there for them as a resource."

A lot of Kaci Skidgel's work ethic developed under the mentorship of her father, Summit Financial Group, Inc. Chairman and CEO Dale Young. "I just really believe that I can do anything, if I'm willing to work hard," says Skidgel, president, retirement plans at Dallas-based Summit. "I live my life believing that the successful people are the ones who work hard. Failure is not an option—that's not how I was raised."

FROM LEFT: MARY CABALLERO, *IMPACT BENEFITS & RETIREMENT*; STACY LEAGUE, *PLANWISE FINANCIAL GROUP*

04. GET COMFORTABLE WITH JUGGLING

The same mentor who taught League to bring her personal strengths to her professional career also taught her a lot about juggling her professional and personal lives. "Honestly, I think my biggest challenge has been finding the balance between my personal life and my work life. But she really taught me that women can do anything they set their minds to, and she showed me that we can juggle our personal and professional lives," she says.

The two women had a natural kinship on the work/life balance issue, since both had small children at the time. From her mentor, League learned about aiming for balance, and about not being too hard on herself if she doesn't always achieve it perfectly. "It takes a lot of time to build a career in this business, and to do it the right way. But for me, I also never want my family to feel like I'm not there for them," she says now. "What I learned from her is that you will never make everybody happy all the time: There are always going to be sacrifices involved. But it's OK to juggle, and it's OK if a ball drops sometimes."

5 TYPES OF MENTORS

Today, SRP's Maloney loves to mentor other women (and men, too). "There is still a 'glass ceiling' in this business," she says. "Although it's changing, it is important to support rather than thwart all of my colleagues. I believe in teaching, and I think it's our responsibility as women to keep opening doors for other women. It's not a competition. You can't be irreplaceable, so you have to teach other people to do what you do."

Maloney currently has one formal mentoring relationship, with a 30-year-old female advisor based in SRP's New York office. They talk regularly about the mentee's goals, the progress she's making on them, and how Maloney can help her with the challenges she's encountering. "We have a standing Friday call, and a standing agenda," Maloney says.

Asked what she gets out of mentoring, Maloney says, "It energizes me. She has a different perspective and unique point of view, and new ideas. She's a Millennial, so I learn about a different style of working and doing things like presenting to clients. I also get her honest feedback about how SRP is doing as a team, and I'm a big believer in 360-degree feedback."

Lisa Buffington has had a 30-year career in the retirement industry, and moved from a provider to plan advisor role in the past couple of years. "When I look at mentors who've influenced me, there are different types of mentors, and I put them in a few 'buckets,'" says Buffington, managing consultant-retirement services at Marsh & McLennan Agency-Northeast in Ellington, Connecticut. She breaks out five types of mentoring relationships she's had:

01. THE MASTERS

"These are mentors who serve as the master of their craft," says Buffington, adding that she thinks of advisors like UBS' Paul D'Aiutolo and Kevin Broderick, formerly of Centurion Group, now part of Marsh & McLennan Agency, as being in this group for her, along with many others. "You admire them because they're the best of the best, and they're a source of inspiration to you."

02. THE CHAMPIONS

"These are mentors who serve as the champion of your cause," Buffington says. "They are really in tune with what you bring to the table, and they will tell you what your strengths are, and the areas where you serve as an inspiration to others." She thinks of her industry colleagues in the Women in Pensions Network as a good example. "These are all people I consider part of my tribe," she adds. "We help support each other's success by sharing our experiences and sharing our challenges."

03. THE CO-PILOTS

"This is a mentor you work very closely with, and you are learning through what this mentor brings to the table," Buffington says. She gets that experience from serving on boards outside the retirement industry, such as one for a charter school management organization. "The other members of that board are diverse in terms of their background and talents, and every time I interact with them, they force me to raise my game," she says.

FROM LEFT: SHANNON MALONEY, *ESOPS AND STRATEGIC RETIREMENT PARTNERS*; KACI SKIDGEL, *SUMMIT*

04. THE ANCHORS

"The true anchor mentor is the person who is your confidante, the person who you may have that more-formalized mentor relationship with, and you may have worked together for years," Buffington says. She says executive leadership consultant Julia Tang Peters falls into that category for her. "She has helped me manage a lot of the career-navigation decisions I've made," she adds.

05. THE "REVERSE" MENTORS:

"You're learning from the people that you're mentoring, too," Buffington says. For example, she co-chairs a local mentoring group with a younger advisor, Ariel Stein of Argentum Financial Partners. They're working together to brainstorm the types of professional development events and community events they want to organize for the local chapter. She says that Stein has a lot of innovative ideas and initiative, such as utilizing social media to engage members, and surveying members on what topics they want to see discussed. "She's very creative, and that has caused me to step back and think differently about putting a strategy together for growing our membership," Buffington adds.

Caballero currently has an informal mentoring relationship with her Impact colleague Haley Wienecke. "Haley is learning the business alongside me," Caballero says. "To be an effective mentor, you have to take the time to do it. So I set aside time to make sure she learns, and that she has all her questions answered." She learned to do that from one of her mentors, advisor Bill Heestand, who she worked alongside and from whom she bought her business. "That's what Bill used to do: Talk me through how to do things from the beginning," she remembers.

Impact now has eight women in the Portland office, and no men. "That happened by accident. And we keep thinking, we need one around, for balance," Caballero says jokingly. But having an all-female office has helped the group bond through fun activities. They have "Self-Care Tuesday," when an aesthetician comes to the office all day to do beauty treatments. They also have "Work-Out Wednesday," when the team goes to exercise together.

IMPACT's all female team (from left): Pak Yu, Haley Wienecke, Shelby Evans, Christa Carey, Mary Caballero, Elizabeth Stowell, Candy Dietz

MENTOR CONNECTIONS

Would you like to find—or serve as—a mentor?

Mentoring is a partnership between two people based on commitment to the mentoring process, common goals/expectations of the partnership, mutual trust and respect. Mentoring is both a "Get and Give" experience with the goal of providing a rich and rewarding experience for both partners.

In 2019, the NAPA Thrive Women's Mentoring Program was launched, designed to facilitate mentoring relationships for female advisors by pairing current or aspiring advisors with tenured, successful advisors or advisor home office staff. The program encourages discussion of issues relevant to female advisors both when they begin their careers and as they are established.

Whether you're looking for a mentor—willing to be one—or both—this is your opportunity to get (more) connected.

You can find out more at **https://www.napa-net.org/member/womens-mentoring-program**.

FROM LEFT: LISA BUFFINGTON, *MARSH & MCLENNAN AGENCY-NORTHEAST*; NICHOLE LABOTT, *SAGEVIEW ADVISORY GROUP*

The camaraderie built having fun has helped Impact's staff to also learn from each other. For example, her firm sometimes does mock presentations, to help less-experienced colleagues get comfortable with doing upcoming actual presentations. "Empowering younger women to be assertive and confident is important," Caballero says. "I don't think we're naturally that way, because of social conditioning. But everything we do, we should be doing confidently, because that's what clients 'buy.'"

3 KEYS TO GOOD MENTORING

In the interviews with the six Top Women Advisors, three keys to a good mentoring relationship kept coming up:

01. THE RELATIONSHIP CAN START NATURALLY, AND EVOLVE

"I don't think it's something you can set up: It has to happen naturally," Caballero says. "It can't be like, 'Hey, will you be my mentor?' It's kind of like finding a friend: It has to be a natural fit, and the timing has to be right. I have never had a mentoring relationship that has a ton of structure to it, and I don't know how that would work."

"One thing that we as humans crave is connection," says Nichole Labott, a Richmond, Virginia-based managing director at SageView Advisory Group. "We all want to talk about things that are important to us."

A good mentoring relationship also evolves over time, Buffington says. "This is a fluid process, and you are in control of defining what you need," she says. "Mentoring relationships can take all shapes and sizes, and you can define what you need and when you need it."

And mentoring should be a two-way street between mentor and mentee, Buffington says. "Once it starts to feel like it's a one-way relationship, it's time to reset your expectations, or 'abort mission,'" she says. "Is the mentoring relationship an effective use of both people's time?" If not, she suggests talking openly about what each person wants from the mentoring relationship. If that doesn't help, she adds, "that's fine, but it's time to move on."

"I BELIEVE IN TEACHING, AND I THINK IT'S OUR RESPONSIBILITY AS WOMEN TO KEEP OPENING DOORS FOR OTHER WOMEN. IT'S NOT A COMPETITION."

— *SHANNON MALONEY*

02. SHOW THEM HOW, AND WHY

When Skidgel joined Summit Financial Group, she learned a lot from her more experienced colleague Dick Evans. "I was brand new to this business, and green, green, green," she remembers. "Dick told me, 'Kaci, if you want to learn about this business, schedule appointments with me.' So I would regularly schedule an hour or an hour-and-a-half timeblock, and just sit and listen to him, and learn. We'd talk, and I'd ask stupid questions about what he was doing."

Evans helped Skidgel create her first-ever business plan for the corporate retirement plan division, and she still uses that framework for the business plan. He spent many hours walking her through how to do it, such as defining the mission of the division. Then they met regularly to talk about the status of the goals she'd identified in the business plan, the challenges she was encountering, and actionable items she needed to do as a follow-up. "He held me accountable," she recalls fondly.

Skidgel uses a similar approach today as a mentor. "I love to help people, and to teach. I'm an educator by nature," says Skidgel, who started her career as a high school Spanish teacher. "I believe it's all about that hands-on training. I feel like, because someone took the time to spend with me, I should now take the time to spend with other people, to teach them."

For example, she's currently working with a newly hired, 23-year-old advisor on an RFP (request for proposal) for a Summit client seeking a new recordkeeper. She's walked him through the steps of how to put together an RFP. The new advisor also has been on every call for the search, listening and learning, Skidgel says.

And League makes it a point to explain to team members she's mentoring why she does something a particular way. "I really show them the things that are important in this business, as far as taking care of your clients and being a responsible, 'the buck stops here' advisor," she says. "Showing them those values is a big part of mentoring. It's providing those 'guardrails' for them, and then giving them the room to stretch their legs and to grow as well. I'm always clear with them that I want them to have the freedom to have their own ideas. Because if we ever get to the point where we think we know everything, then we start going backward."

3. COMMIT TO TAKING THE TIME

Labott learned a lot about how to be a good mentor from being mentored early in her career by a now-retired ERISA attorney. "I feel like the biggest gift she gave me was the gift of her time and accessibility," Labott says. ""She was always available as a resource for me, and that's what I liked."

The two women met periodically for years, to chat about both their professional and personal lives. "We talked about things like the way the retirement landscape was changing, and her perspective gave me a lot of insight," she says, adding that it helped her to answer clients' questions knowledgeably. "And even when we started a conversation talking about the retirement plan business, we often ended up talking about how to juggle being a working mom." Today, when she mentors, she shares her own challenges in her professional and personal lives, and how she's dealt with them.

Labott compares thinking about the topics to discuss with a mentee to shopping for a holiday gift for a child or spouse: Both should include personalizing the gift-giving by focusing on what the other person really wants. "You want to be strategic in the way you advise them, and that takes foresight—thinking about what's relevant to them," she says. "I could talk about my favorite subjects for hours, but that's not necessarily helpful to the other person."

Years later, she remembers that her mentor spent much of their time together focusing on Labott's work as a young advisor, and not just her own, widely respected legal career. "She was equally interested in what I was doing, which was comical to me, because I felt like being mentored by her was a gift to me. But she was very interested in the things going on in my work, and where I saw myself in my career," she says. "I try to keep that in mind when I'm meeting with young people in our industry: It's fascinating to me how they are putting their own stamp and defining their own path to success, in what was once a traditional approach." NNTM

Established in 2015, nominations from the list were provided by NAPA Broker-Dealer/RIA Firm Partners. Nominees had to be women, and had to be retirement plan advisors with their own book of business. Nominees were asked to respond to a series of questions, both quantitative and qualitative, about their experience and practice. Those anonymized questionnaires were then reviewed by a blue-ribbon panel of judges who, over the course of several weeks, selected the women honored in three categories:

- **Captains:** All-stars who happen to be principals, owners or team captains of their organizations.
- **All-Stars:** Top producers who have their own practice.
- **Rising Stars:** Top producers who have less than five years of experience with retirement plans as a Financial Advisor (some have been working with plans longer, but not as a plan advisor).

We are pleased and proud to be able to share these results with you here — but most importantly, we commend the fine and important work that these individuals have done to help provide a better retirement for those they work with and for, both now and in the years to come.

NAPA TOP WOMEN ADVISORS 2019

RISING STARS

ERICA **BLOMGREN**
CAPTRUST
TWA: 2018, 2017

LISA **BUFFINGTON**
Marsh McLennan Agency
TWA: 2018

AVA **CARNEVALE**
PGR Solutions, LLC

SARA **CARVALHO**
Marsh & McLennan Agency
TWA: 2018

TAMI **CHAVEZ**
Mariner Wealth Advisors

MORGAN **DAVIS**
NFP

MARESSA **ETZIG-MARIN**
SageView Advisory Group

JENNIFER **GAGE**
Gallagher Benefit Services, Inc.

JENNIFER **HOCKING**
UBS
TWA: 2018, 2017

AMY **KINSMAN**
Cafaro Greenleaf

MOLLY **KNAPP**
Sequoia Consulting

LAUREN K. **LOEHNING**
Baystate Fiduciary Advisors
TWA: 2018, 2017

COLLEEN **MCNULTY**
NFP

ALLIE **RIVERA**
Strategic Retirement Group

ANGIE **ROSSON**
Mariner Wealth Advisors
TWA: 2018

ABIGAIL **RUSSELL**
CAPTRUST Financial Advisors
TWA: 2018

JULIE **STAEHR**
Merrill Lynch

ANNIE **STROUT**
Morgan Stanley
TWA: 2018

VERONICA **TAYLOR**
Pensionmark Financial Group

ALL-STARS

PAMELA **APPELL**
Plexus Financial Services
TWA: 2018, 2017

BERYL **BALL**
CAPTRUST Financial Advisors
TWA: 2018, 2017, 2016, 2015

DEANNA **BAMFORD**
CAPTRUST Financial Advisors
TWA: 2018, 2017

MOLLY **BEER**
Gallagher Benefit Services, Inc.

PATRICIA **BILLS**
CAPTRUST Financial Advisors
TWA: 2018, 2017, 2016, 2015

KYLA **BOLGER**
SageView Advisory Group, LLC

NATASHA **BONELLI**
Merrill Lynch
TWA: 2018, 2017, 2016, 2015

JULIE **BRAUN**
Morgan Stanley
TWA: 2018, 2017, 2016, 2015

PAMELA **BROOKS**
Oswald Financial, Inc.
TWA: 2018, 2017, 2015

GINA **BUCHHOLZ**
401(k) Plan Professionals
TWA: 2018

KAREN **CASILLAS**
CAPTRUST Financial Advisors
TWA: 2018, 2017, 2016

TINA **CHAMBERS**
SageView Advisory Group

ANN **CHEU**
SageView Advisory Group

HEATHER **DARCY**
CAPTRUST Financial Advisors
TWA: 2018, 2017, 2016

KRISTEN **DEEVY**
Pensionmark
TWA: 2018, 2017, 2016, 2015

JEAN **DUFFY**
CAPTRUST Financial Advisors
TWA: 2018, 2017, 2016, 2015

JESSICA **FITZGERALD**
Morgan Stanley
TWA: 2018, 2017, 2016

RENEE **FOURCADE**
UBS Financial Services

SUSANN **HAAS**
NFP

MOIRA M. **HAGY**
Assurance Financial Services

ERIN M. **HALL**
Strategic Retirement Partners

PAULA **HENDRICKSON**
NFP

SARAH **HODIAN**
NFP

EMILY **HOPKINS**
NFP
TWA: 2018, 2017, 2016

DELPHINE **HUNT**
Teros Advisors
TWA: 2018

JENNY YUN **HUNTER**
Merrill Lynch
TWA: 2018

ELIZABETH **JOHNIDES**
Retire Cents

KRYSTLE **KAUFMAN**
Bukaty Financial

JAMIE **KERTIS**
Grinkmeyer Leonard Financial

MICHELE **LANTZ**
Pensionmark
TWA: 2018

KELLY **MAJDAN**
Pensionmark

ALICIA **MALCOLM**
UBS Financial Services
TWA: 2018, 2017, 2015

LILY **MATIAS**
NFP

REBECCA **MCCORMICK**
Graystone Consulting

KARIE **O'CONNOR**
LPL Financial dba
HPL&S Financial Services
TWA: 2018, 2017, 2016, 2015

KIM **PRUITT**
NFP
TWA: 2018, 2017, 2016, 2015

JENNIFER **SAN FILLIPPO**
Lakeside Wealth Management
TWA: 2018, 2017, 2016, 2015

SHELLY **SCHAEFER**
SageView Advisory Group
TWA: 2018, 2017, 2016, 2015

KARLYNN **SCHRAMM**
Gallagher Benefit Services, Inc.

COURTENAY **SHIPLEY**
Retirement Planology
TWA: 2018, 2017, 2015

COURTNEY **SINDELAR**
Fiduciary Plan Advisors
TWA: 2018

BRITTANY **SMITH**
NEXT Retirement Solutions

SOPHOIS **SOKHOM**
Retirement Benefits Group

LENEEN **STRICKFADEN**
Bukaty Companies Financial Services

VIRGINIA **TAYLOR**
Taylor Financial Solutions

PAMELA **WATSON**
NFP
TWA: 2018

SUZANNE **WEEDEN**
Spectrum Investment Advisors
TWA: 2018

LARISSA **WHITTLE**
SageView Advisory Group
TWA: 2018, 2017

JENNA **WITHERBEE**
401(k) Plan Professionals
TWA: 2018, 2017, 2016

KAREN **YASUKAWA**
Raymond James

FINDING WAYS TO SHINE THROUGH

LPL Retirement Partners is proud to support the following advisors and associates named as one of NAPA's 2019 Top Women Advisors. In a world of tough competitors, each one has found their own distinct and exceptional way to stand out and deliver substantial value to their retirement plan clients.

Captains

Kristi K. Baker
CSI Advisory Services, LLC

Jessica Ballin
401(k) Plan Professionals

Barbara Delaney
StoneStreet Advisor Group

Mary Addie George
Plan Sponsor Consultants

Eva Kalivas[*]
EPIC Retirement Services Consulting, LLC

Kristina Keck
Woodruff-Sawyer & Company

Kathleen Kelly
Compass Financial Partners

Ellen Lander[*]
Renaissance Benefit Advisors Group LLC

Shannon Maloney[*]
Strategic Retirement Partners

Janine Moore
Peak Financial Group LLC

Lisa Petronio[*]
Strategic Retirement Partners

Stephanie Stano
Western Wealth Advisors

All-Stars

Pamela Brooks
Oswald Financial, Inc.

Gina Buchholz
401(k) Plan Professionals

Erin M. Hall
Strategic Retirement Partners

Virginia Taylor
Taylor Financial Solutions

Rising Stars

Lauren K. Loehning[*]
Baystate Fiduciary Advisors

Captains: All-stars who are principals, owners, or team captains of their organizations

All-Stars: Top producers who have their own practice

Rising Stars: Top producers who have less than five years of experience with retirement plans as a financial advisor (some have been working with plans longer, but not as a financial advisor)

[*] Not affiliated with LPL Financial

Nominees were asked to respond to a series of questions, both quantitative and qualitative, about their experience and practice. Those questionnaires were then reviewed on an anonymous basis by a panel of judges who, over the several weeks, selected the women honored in three categories:

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LPL Financial

NAPA TOP WOMEN ADVISORS 2019

CAPTAINS

KRISTI K. **BAKER**
CSi Advisory Services LLC
TWA: 2018, 2017

JESSICA **BALLIN**
401k Plan Professionals
TWA: 2018, 2017, 2016, 2015

PAM **BASSE**
NFP
TWA: 2018, 2017, 2016, 2015

CHERYL **BESAW**
Spectrum Investment Advisors
TWA: 2018

KATHLEEN **BRANCONIER**
Pensionmark
TWA: 2018, 2017, 2016, 2015

LINDA K. **BRIGHT**
Precept Advisory Group

MARY **CABALLERO**
Impact Benefits & Retirement
TWA: 2018, 2017, 2016, 2015

KELLY **CARLSON**
Advizrs

SHAWNA **CHRISTIANSEN**
Retirement Benefits Group
TWA: 2018, 2017, 2016

NICOLE **CORNING**
Wells Fargo Advisors
TWA: 2018

BARBARA **DELANEY**
StoneStreet Advisor Group, LLC
TWA: 2018, 2017, 2016, 2015

DORI **DRAYTON**
Plante & Moran, PLLC
TWA: 2018, 2017

DEVYN **DUEX**
CAPTRUST
TWA: 2018, 2017, 2016

WENDY **ELDRIDGE**
Aurum Wealth Management Group

JESSICA **ESPINOZA**
NFP
TWA: 2018, 2017

KELLY **FAMIGLIETTA**
Charles Stephen and Company, Inc.

ADDIE **GEORGE**
Plan Sponsor Consultants
TWA: 2018, 2017, 2016

JAMIE **GREENLEAF**
Cafaro Greenleaf
TWA: 2018, 2017, 2015

SUSAN **HAJEK**
SageView Advisory Group
TWA: 2018

JAMIE **HAYES**
NFP
TWA: 2018, 2017, 2016, 2015

SHELLY **HORWITZ**
Pensionmark
TWA: 2018

JANE ARAMBEL **KADILLAK**
Aspen Group Benefit Advisors

EVA **KALIVAS**
HUB International Northeast Limited
TWA: 2018

ALLISON **KAYLOR-FLINK**
NFP
TWA: 2018, 2017, 2015

KRISTINA **KECK**
Woodruff Sawyer
TWA: 2018, 2017, 2016, 2015

KATHLEEN **KELLY**
Compass Financial Partners
TWA: 2018, 2017, 2016, 2015

NICHOLE **LABOTT**
SageView Advisory Group
TWA: 2018, 2017, 2016, 2015

ELLEN **LANDER**
Renaissance Benefit Advisors Group, LLC
TWA: 2018, 2017, 2016, 2015

STACY **LEAGUE**
PlanWise Retirement Strategies, Inc.

RAMONA Z. **LOCKE**
Merrill Lynch

SHANNON **MAIN**
Pensionmark / Fiduciary Retirement Advisory Group
TWA: 2018, 2017, 2016, 2015

SHANNON **MALONEY**
Strategic Retirement Partners

DEBBIE **MATUSTIK**
Pensionmark Austin
TWA: 2018, 2017, 2016

DAWN **MCPHERSON**
Mariner Wealth Advisors

JANINE **MOORE**
Peak Financial Group, a division of HUB International
TWA: 2018, 2017, 2016

CINDY **ORR**
CBIZ Retirement Plan Servcies
TWA: 2018, 2017

JENNIFER **PEARSON**
Clearview Advisory
TWA: 2018, 2017, 2015

LISA **PETRONIO**
Strategic Retirement Partners/ Walsh Duffield Retirement Plan Solutions
TWA: 2018

RUTH **RIVERA**
Bukaty Financial Companies Group
TWA: 2018

TINA **SCHACKMAN**
Benefit Financial Services Group

SUSAN **SHOEMAKER**
Plante Moran Financial Advisors
TWA: 2018, 2017, 2015

HEIDI **SIDLEY**
StoneStreet Equity, LLC
TWA: 2018, 2017, 2016

KACI **SKIDGEL**
Summit Financial Group, Inc.
TWA: 2018, 2017, 2016

PEGGY **SLAUGHTER**
Saling Simms Associates

STEPHANIE **STANO**
Western Wealth Benefits
TWA: 2018

JANIA **STOUT**
Fiduciary Plan Advisors at HighTower
TWA: 2018, 2017, 2015

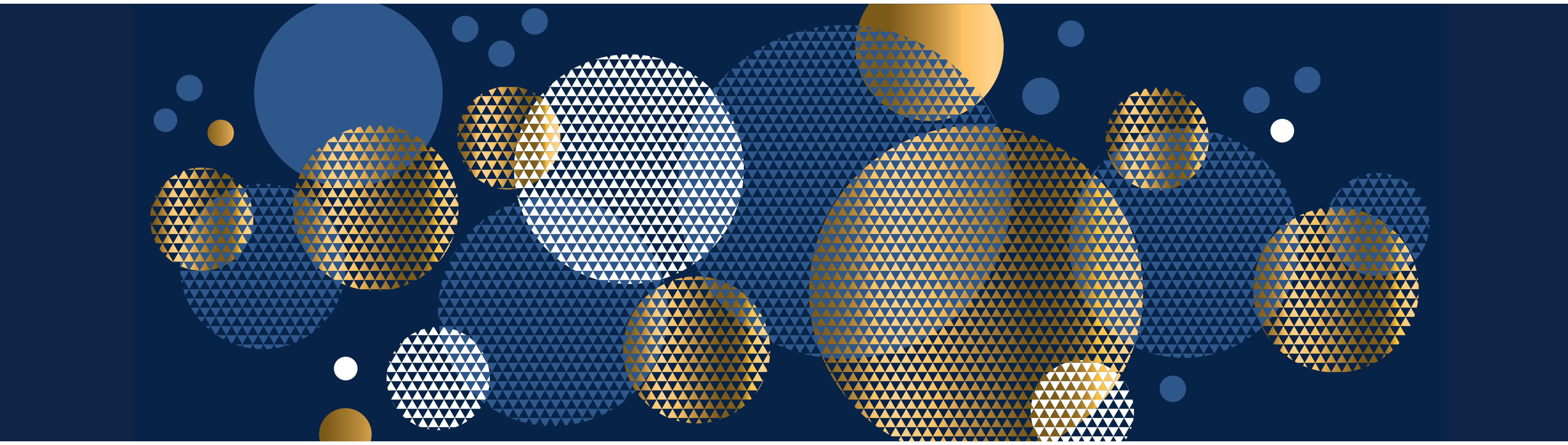
MARCY L. **SUPOVITZ**
Boulay Donnelly & Supovitz
TWA: 2018, 2017, 2016, 2015

VIRGINIA **SUTTON**
VKS Consulting/Johnson & Dugan/GRP
TWA: 2018, 2017, 2015

PATRICIA **WENZEL**
Merrill Lynch
TWA: 2018, 2017, 2015

TINA **WISIALOWSKI**
Graystone Consulting
TWA: 2018, 2017, 2016, 2015

COMING... SUMMER 2020



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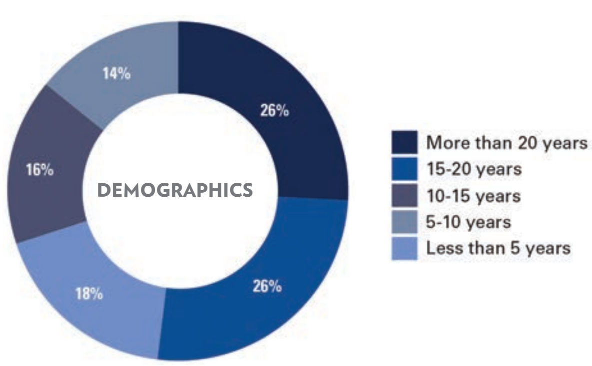
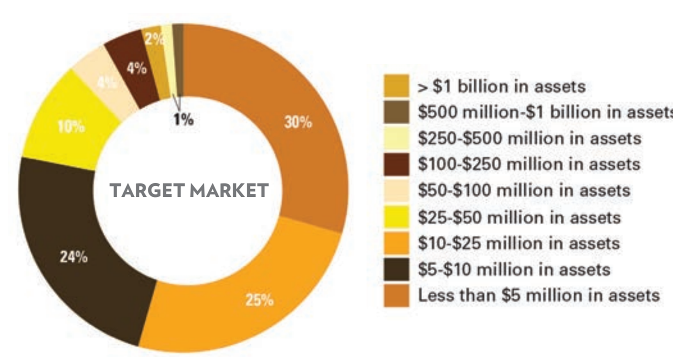
DIRECT FROM THE NATION'S RETIREMENT PLAN ADVISOR CONVENTION...

THE SUMMIT INSIDER 2020

WHAT'S HOT. WHAT'S NOT. WHAT'S AHEAD. AND WHAT MATTERS.





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A MORE **SECURE** RETIRE-MENT?

THE SECURE ACT IS ALREADY HAVING A MAJOR IMPACT ON THE RETIREMENT INDUSTRY. ARE YOU PREPARED?

BY TED GODBOUT

Byron Key / Shutterstock.com

PRESIDENT TRUMP SIGNED THE SETTING EVERY COMMUNITY UP FOR RETIREMENT ENHANCEMENT (SECURE) ACT INTO LAW

on Dec. 20, 2019. It is arguably the most significant retirement policy legislation since the Pension Protection Act (PPA) in 2006—and was a top priority of the American Retirement Association, which, over the course of the past two years, was actively involved in shaping and refining the legislation.

The retirement bill was tucked into the 1,700-page, $1.4 trillion Further Consolidated Appropriations Act, 2020 (H.R. 1865, as amended) designed to fund half the government for the remainder of fiscal year 2020. The House of Representatives approved H.R. 1865 on Dec. 17, followed by the Senate on Dec. 19.

While the retirement industry had high hopes for the SECURE Act following its overwhelming 417-3 passage by the U.S. House of Representatives last May, it languished in the Senate, thrust aside by one distraction and then another in the nation's capital before finally being attached to the "must-pass" spending legislation to fund the government and prevent a shutdown.

Despite all that time to see SECURE "coming," many had assumed that the window for SECURE had passed, and thus, its unexpected resurrection has left many scrambling. Of particular concern are the law's effective dates, unaltered despite the late passage, with a number of provisions effective on the date of enactment, and numerous others effective on Jan. 1, 2020. While the legislation includes a provision providing for a remedial plan amendment period until the 2022 plan year (2024 plan year for certain governmental plans), or a later date if the Treasury Department provides one, for any plan amendment required under the SECURE Act and its accompanying regulations, in many cases plans will be expected to comply operationally with the provisions regardless.

SNAPSHOT

One of the major premises underlying the legislation is that, while workplace retirement plans provide an effective way for employees to save for retirement, not all employees have access to a plan, and, of those who do, some do not participate. To address those gaps, Congress believed it was necessary to provide:

- new incentives for employers to adopt retirement plans (including ways to reduce the costs associated with having a plan);
- new incentives for workers to contribute to workplace plans; and
- other measures to boost retirement income security.

Among the key changes, the SECURE Act allows two or more unrelated employers to join a pooled employer plan, creating an economy of scale that lowers both employer and plan participant cost. It also significantly bumps up the tax credit for new plans from the current cap of $500 to $5,000, and small employers (those with 100 employees or fewer) that implement an automatic enrollment feature in their retirement plan design are eligible for an additional $500 credit (see "Start 'Spark'" on page 36).

Other key provisions of the SECURE Act:

- increase the auto enrollment safe harbor cap from 10% to 15% of pay;
- simplify safe harbor 401(k) rules;
- allow plans adopting by the filing due date to be treated as in effect as of close of year (see sidebar on page 37);
- allow long-term part-time workers to participate in 401(k) plans;
- expand the fiduciary safe harbor for selection of lifetime income provider;
- provide portability of lifetime income options;
- require disclosures regarding lifetime income; and
- ease the multiple employer plan rules—basically creating the much-anticipated framework for so-called "open" MEPs.

Those provisions are discussed in greater depth below. Two other provisions, which modify the treatment of custodial accounts upon termination of 403(b) plans and modify the nondiscrimination rules to protect longer service participants in frozen defined benefit pension plans, are not discussed in this article.

The legislation also includes a few provisions that are designed to raise revenue. These "pay fors" are included to offset the tax revenue "lost" to the federal government by virtue of the provisions listed above. Among those are significant increases in the penalties for late filing of retirement plan returns and notices (see page 40) and reducing the so-called "stretch IRA" requiring beneficiaries of both IRAs and DC plans to draw down assets within 10 years of the death of the owner/participant (see page 41).

In total, the legislation includes 30 provisions, many of which are designed to make it easier for small and mid-sized businesses to provide a retirement plan.

MEPs, PEPs AND PPPs

Billed as one of the centerpiece provisions of the SECURE Act, the legislation eases the previous rules that had restricted multiple employer plans (MEPs) to employers with a common interest or relationship. Under the legislation, two or more unrelated employers will now be able to join a pooled employer plan (PEP). Easing the MEP rules had been debated for the past several years

> "THE SECURE ACT WAS A TOP PRIORITY OF THE AMERICAN RETIREMENT ASSOCIATION, WHICH, OVER THE COURSE OF THE PAST TWO YEARS, WAS ACTIVELY INVOLVED IN SHAPING AND REFINING THE LEGISLATION."

Focus 'Group'

Certain key provisions in SECURE are designed to:

Expand Access

- Open MEPs (PEPs)
- Simplify safe harbor 401(k) rules
- Increase tax credit for small plan start-up costs
- Extend plan adoption date
- Modify the DB nondiscrimination rules to protect longer service participants in frozen plans

Help Workers Save More

- Increase the auto-enroll safe harbor cap
- Allow long-term part-time workers to participate in 401(k) plans

Help Workers Keep More Savings

- Portability of lifetime income options
- Fiduciary safe harbor for selection of lifetime income provider
- Modify the treatment of custodial accounts on termination of 403(b) plans
- Require disclosures regarding lifetime income

Start 'Spark'?

SECURE's small plan start-up tax credit

By Brian Graff

Surveys of small business owners have consistently shown cost to be a significant impediment to the adoption of a retirement plan for employees. The SECURE Act includes a provision that could really make a difference.

Congress has previously tried to address this concern by providing a tax credit to offset the start-up costs of establishing/administering the plan for the first three years to small businesses with no more than 100 employees and at least one non-highly compensated employee (NHCE), and previously without a plan. However, this credit was capped at $500, or 50% of the year's start-up costs, whichever was lower. While there has been some utilization of this credit, small business retirement plan coverage continues to lag behind larger businesses, and surveys continue to suggest cost as a significant reason. Some have pointed out that the current credit does not begin to offset those early start-up costs.

Enter the SECURE Act, which dramatically expands this tax credit to cover potentially more than half of the cost of a new small business retirement plan. Under SECURE, the amount of the tax credit is now capped at $250 times the number of NHCEs eligible to participate in the plan up to a $5,000 annual maximum (but never less than $500), though, as we saw with prior law, the credit is still limited to 50% of the start-up costs. Additionally, if the new plan automatically enrolls employees into the plan on a uniform basis (but at no minimum rate), the employer will get an additional annual credit for start-up costs of $500 per year.

For example, consider the case of a small business employer with 15 NHCEs who wants to establish a safe harbor 401(k) plan for her employees and is willing to do automatic enrollment. The provider quotes an out-of-pocket cost to the employer of $1,500 per year. In that case, the tax credit available to this employer will be $750 plus $500 or $1,250, which is almost the entire cost.

And all of this was effective Jan. 1, 2020.

These new credits could have a meaningful impact on small plan adoption and coverage. Obviously time will tell, but this is definitely a good message for small business owners previously reluctant to offer a retirement plan to their employees.

Brian Graff is the Executive Director of NAPA and CEO of the American Retirement Association.

"IN TOTAL, THE LEGISLATION INCLUDES 30 PROVISIONS, MANY OF WHICH ARE DESIGNED TO MAKE IT EASIER FOR SMALL AND MID-SIZED BUSINESSES TO PROVIDE A RETIREMENT PLAN."

by policymakers who believe the changes will help expand access to retirement plans, particularly for smaller employers, by producing economies of scale for plans (and providers who support smaller programs), and in the process, lower both employer and plan-participant costs, both by the aggregation of assets and by the reduction in audit and Form 5500 filing requirements.

Before the SECURE Act, a single MEP could (and still can) provide economies of scale that result in lower administrative costs and expense ratios than apply to a group of separate plans covering the employees of different employers. But the concern that a violation by one or more employers—the proverbial "one bad apple"—participating in the MEP might jeopardize the tax-favored status of the plan or create liability for other employers was strongly believed to discourage the use of MEPs.

By eliminating the commonality requirement and the "one bad apple" rule, as well as requiring only a single plan document and streamlining the audit and Form 5500 reporting requirements, a pooled plan provider (PPP)—which could include, for example, a recordkeeper, third-party administrator, insurance company, bank, broker-dealer or RIA—can now market a PEP to employers, paving the way for an expansion of these plans.

In general, the legislation specifies that the designated PPP must be a named fiduciary, must be responsible as the ERISA Section 3(16) plan administrator and must register with the DOL and IRS. It also increases the ERISA bond limits to $1 million. In addition, each adopting employer will maintain responsibility for selection and monitoring of the PPP or any other named fiduciary.

This provision is effective for plan years beginning after Dec. 31, 2020. It is anticipated that the Labor and Treasury Departments will issue guidance fleshing out the details on the employer and PPP responsibilities, as well as the one bad apple rule and the new reporting requirements.

INCREASING THE AUTO-ENROLLMENT SAFE HARBOR CAP

To address concerns that the existing 10% cap set in place by the PPA ultimately may be imposing a ceiling on participant contributions, the SECURE Act modifies the automatic enrollment safe harbor to raise the automatic escalation cap.

That well-intentioned but potentially restrictive cap initially reflected a concern that too high a default rate may be in excess of what employees prefer, which may cause employees to opt out and not contribute at all, thus undercutting the purpose of the safe harbor. This concern is likely eased, however, for automatic increases for years after default contributions have begun. Under the new provision, the 10% limitation on the default rates under an automatic enrollment safe harbor plan is increased to 15% after the first year that an employee's deemed election applies. The provision applies to plan years beginning after Dec. 31, 2019.

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Retroactive Deduction for Adopting a 401(k) Plan

By Brian Graff

Let's say you are a plan advisor with experience advising on cash balance, age-weighted profit-sharing, or similarly designed retirement plans—and your client's accountant calls in April with a problem.

Your shared client (with just a 401(k) plan) had a banner year and they are getting clobbered with a giant tax bill. She asks you: "Is there anything you can do to help?"

Prior to the SECURE Act's passage, your response would have been "not much."

That situation is about to change, thanks to a provision in the SECURE Act that was developed by the American Retirement Association Government Affairs Committee. Section 201 of the Act provides that if an employer adopts a qualified retirement plan, such as a cash balance or profit-sharing plan, after the close of the taxable year but before the filing date (including extensions) for the employer's tax return, the employer can elect to treat the plan as being adopted in the prior tax year.

In other words, if the employer adopts the plan prior to the extended filing date for the employer's tax return, it can retroactively count the employer's contribution to such plan as a deduction on that return. In the case of a partnership or LLC, that would be Sept. 15.

However—and importantly for C corporations—even though they technically have until Oct. 15 to file their extended return, they will actually need to adopt the plan by Sept. 15 in order for the plan contribution (due by Sept. 15) to count as a deduction for the prior year. This new provision is effective for plans adopted with respect to taxable years beginning after Dec. 31, 2019.

It should be noted that the retroactive deduction for the adoption of a new plan only applies to the employer contributions to the plan. As such, a standalone 401(k) plan and the accompanying employee deferrals would not qualify. They continue to be deductible only in the year in which they are made.

Now let's flash forward to April 2021. The accountant with a different shared client calls with the same problem—a giant unexpected tax bill. But this time your response is entirely different—you can help immediately, with the adoption of a new plan, like a cash balance or age-weighted profit-sharing plan, funded with employer contributions, that will retroactively reduce that tax bill. That is instant tax relief for your client.

Some consultants are suggesting that this could reduce the sales cycle for these plans from 18 months to as little as 18 days. And there are estimates that interest in these plans will rise by 20% because of the instant tax relief they can now provide. That's good news for both the employer client and its employees, who will now benefit from a plan providing much higher contributions than a typical 401(k) plan. We call that a pension win-win!

Brian Graff is the Executive Director of NAPA and CEO of the American Retirement Association.

SIMPLIFYING SAFE HARBOR 401(k) RULES

Congress made two key changes to the rules for nonelective contribution 401(k) safe harbor plans, believing that more flexible rules, combined with employee protections, will better facilitate the adoption of such plans. First, the SECURE Act eliminates the safe harbor notice requirement for nonelective contributions but maintains the requirement to allow employees to make or change an election at least once per year.

Notice that SECURE did not repeal the annual notice requirement for eligible automatic contribution arrangements (EACA), and thus a qualified automatic contribution arrangement with a nonelective safe harbor contribution would still need the EACA notice if the plan wanted to include a permissive withdrawal provision.

The new law also permits plan sponsors to switch to a safe harbor 401(k) plan with nonelective contributions at any time before the 30th day before the close of the plan year. An amendment after that time would be allowed if it provides a nonelective contribution of at least 4% of compensation (rather than 3%) for all eligible employees, and if the plan is amended no later than the close of following plan year. This provision applies for plan years beginning after Dec. 31, 2019.

LEEWAY ON PLAN ADOPTION TIMING

To promote the formation of new plans, the SECURE Act also provides employers some leeway in deciding whether to start a retirement plan. (Also see sidebar at left.)

This provision was aimed at smaller employers that may not be comfortable committing to a plan until it has concluded its tax filings for the year. Businesses are now permitted to treat qualified retirement plans adopted before the due date—including extensions—of the tax return for the taxable year to treat the plan as having been adopted as of the last day of the taxable year.

In this instance, Congress believed that providing the additional time to establish a plan provides flexibility for employers that are considering adopting a plan and the opportunity for employees to receive contributions for that earlier year and begin to accumulate retirement savings. This provision applies to plans adopted for taxable years beginning after Dec. 31, 2019.

PART-TIME PARTICIPANTS

From its inception, ERISA has allowed employers to exclude from participation workers based on certain age and/or service requirements, in the case of the latter, specifically those with fewer than 1,000 hours of service in any given plan year. However, that service requirement has effectively barred many part-time and/or part-year workers from being able to participate in the plans offered by their employers, even if their employment relationship extends over a period of years. To provide a means for long-term part-time employees to save for retirement, the SECURE Act creates a significant new mandate for plan sponsors.

Except in the case of collectively bargained plans, the legislation requires employers maintaining a 401(k) plan to have a dual-eligibility requirement under which an employee must complete either a one-year-of-service requirement (with the 1,000-hour rule) or three consecutive years of service where the employee completes more than 500 hours of service. In the case of employees who are eligible solely by reason of the latter new rule, the employer may elect to exclude such employees from testing under the nondiscrimination and coverage rules, as well as from the application of the top-heavy rules.

This provision applies to plan years beginning after Dec. 31, 2020, except that for determining whether the three-consecutive-year period has been met, 12-month periods beginning before Jan. 1, 2021, shall not be considered. The practical impact is that 2024 appears to be the earliest a part-time employee could actually participate under the three-year rule, but plan sponsors (and their recordkeepers) will need to retain records beginning in 2021 to comply with the three-year component. It seems nearly certain that there will be many questions about how these new rules will work.

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EXPANDED FIDUCIARY SAFE HARBOR FOR SELECTION OF LIFETIME INCOME PROVIDER

For the past several years, the subject of how to help workers better manage the decumulation of their retirement savings throughout their retirement and expanding access to annuity income solutions in DC plans has been a major focus among policymakers. While not necessarily presented as a package of reforms, the SECURE Act includes three specific provisions that attempt to expand access to lifetime income options, while removing, or at least buffering, some of the traditional concerns about these options. Not surprisingly, some industry stakeholders cheered the inclusion of these provisions, while others were less enthused.

Perhaps the most significant of the three is the expanded fiduciary safe harbor for the selection of a lifetime income provider. There are in-plan options available in the marketplace now, of course. However, industry surveys indicate that only about half of defined contribution plans currently provide an option for participants to establish a systematic series of periodic payments, much less an annuity or other in-plan retirement income option—and that's following the 2008 safe harbor regulation from the Labor Department regarding the selection of annuity providers under defined contribution plans, not to mention a further attempt to close that comfort gap in 2015 (see FAB 2015-02).

To date, those steps don't seem to have been very effective—but to the extent that what's holding back adoption is the oft-cited (but rarely, if ever, experienced) concern that 20 years down the road a retiree who finds him/herself ill-served by a provider will sue the plan sponsor fiduciary who selected them. The new safe harbor is intended to address that concern, but its impact on the take-up rate among plan sponsors and participants remains to be seen.

Under the legislation, fiduciaries are afforded an optional safe harbor (see "Safe Spaces" at right) to satisfy the prudence requirement with respect to the selection of insurers for a guaranteed retirement income contract. As part of this, they are protected from liability for any losses that may result to a participant or beneficiary due to an insurer's inability in the future to satisfy its financial obligations under the terms of the contract. The ARA's Bob Kaplan and Robert Richter note that, while there is no requirement to select the lowest cost option, the legislation does require an objective and thorough search that considers financial capability, as well as overall value, in selecting an insurer. A periodic review of the insurer must also be undertaken.

This provision became effective on Dec. 20, 2019, the date of enactment.

PORTABILITY OF LIFETIME INCOME OPTIONS

The second of the lifetime income provisions in the SECURE Act seeks to help preserve retirement income and prevent pre-retirement "leakage" by both encouraging the addition and utilization of lifetime income options (such as annuities).

Specifically, these investments frequently include a surrender charge, and if a participant held one of these as an investment in an employer-sponsored retirement plan and, for example, wanted to rebalance their account, that might trigger a charge or fee. Moreover, restrictions on in-service distributions may have prevented the employee from avoiding such a charge and from preserving the investment, through a distribution or rollover of the existing investment. And, should a plan sponsor choose to change providers, e.g., moving from one that provides a lifetime income option to one that doesn't support that feature, the operational challenges at a participant level can be significant.

To alleviate this issue, if a lifetime income investment is no longer authorized to be held as an

"THE SECURE ACT SEEKS TO HELP PRESERVE RETIREMENT INCOME AND PREVENT PRE-RETIREMENT 'LEAKAGE' BY BOTH ENCOURAGING THE ADDITION AND UTILIZATION OF LIFETIME INCOME OPTIONS (SUCH AS ANNUITIES)."

Safe 'Spaces'

The expanded lifetime income provider safe harbor requires that the plan fiduciary consider the annuity provider's financial capability and its ability to fulfill obligations under the plan. Among other requirements, for the preceding seven years the provider must have:

- been licensed by the state insurance commissioner to offer guaranteed retirement income contracts;
- filed audited financial statements in accordance with state laws; and
- maintained reserves that satisfy all the statutory requirements of all states where the annuity provider does business.

The plan fiduciary also must consider cost, i.e., fees and commissions. However, there is no requirement to select the lowest cost! While these criteria are applicable at the time of selection, the plan fiduciary must periodically review the criteria.

Penalties Box

Form 5500
Section 403 of the SECURE Act includes a tenfold increase in the penalty for a failure to file Form 5500 from $25 for each day the failure continues to a maximum penalty of $15,000 to $250 per day up to a maximum of $150,000.

Registration Statements
The legislation also includes tenfold increases in the failure to file a registration statement and notification of changes. In this case, the penalty for a failure to file a registration statement as required will increase from $1 for each participant with respect to whom the failure applies, multiplied by the number of days during which the failure continues, to $10 per participant per day. In addition, the maximum penalty for this type of failure is increased from $5,000 with respect to any plan year to $50,000.

Plan administrators of plans subject to ERISA's vesting requirements are required to file a registration statement with the IRS with respect to any plan participant who separated from service during the year and has a deferred vested benefit under the plan.

Similarly, a failure to file a required "notification of change" will result in a penalty of $10 per day (up from $1), not to exceed $10,000 for any failure (up from $1,000). Here, plan administrators are required to notify the IRS if certain information in a registration changes, such as any change in the name of the plan or the plan administrator, the termination of the plan, or the merger, consolidation or division of a plan.

Withholding Notices
Failure to provide a required withholding notice was also increased tenfold, resulting in a penalty of $100 for each failure (up from $10), not to exceed $50,000 for all failures during any calendar year (up from $5,000).

Withholding requirements apply to distributions from tax-favored employer-sponsored retirement plans and IRAs, but, except in the case of certain distributions, payees may generally elect not to have withholding apply. To that end, a plan administrator or IRA custodian is required to provide payees with notices of the right to elect no withholding.

"THE SECURE ACT SPECIFIES THAT PLAN FIDUCIARIES, PLAN SPONSORS OR OTHER RELATED PERSONS WILL HAVE NO LIABILITY UNDER ERISA SOLELY BY PROVIDING LIFETIME INCOME STREAM EQUIVALENTS THAT ARE DERIVED IN ACCORDANCE WITH THE PROVISION AND INCLUDE THE EXPLANATIONS CONTAINED IN THE MODEL DISCLOSURE."

investment option under the plan, the SECURE Act will now permit qualified DC plans, 403(b) plans or governmental 457(b) plans to make a direct trustee-to-trustee transfer to another employer-sponsored retirement plan or IRA of lifetime income investments or distributions of a lifetime income investment in the form of a qualified plan distribution annuity. Those distributions would have to be made within the 90-day period ending on the date when the lifetime income investment is no longer authorized to be held as an investment option under the plan. This provision is effective for plan years beginning after Dec. 31, 2019.

LIFETIME INCOME DISCLOSURES

The third of the lifetime income provisions requires that benefit statements provided to DC plan participants include a lifetime income disclosure at least once during any 12-month period. That disclosure must illustrate the monthly payments the participant would receive if the total account balance were used to provide lifetime income streams, including a qualified joint and survivor annuity for the participant and the participant's surviving spouse and a single life annuity.

There has been some concern expressed over the years that showing participants an estimate of a future value might be viewed as a promise of that benefit, certainly by the plaintiffs' bar. To alleviate litigation fears, the SECURE Act specifies that plan fiduciaries, plan sponsors or other related persons will have no liability under ERISA solely by providing lifetime income stream equivalents that are derived in accordance with the provision and include the explanations contained in the model disclosure. The provision—which directs the Labor Department to craft the particulars of the calculation—applies to pension benefit statements furnished more than 12 months after the DOL issues interim final rules, the model disclosures and corresponding assumptions.

BIG INCREASE IN PENALTIES FOR LATE PLAN RETURNS, NOTICES

While there was a lot of good news for retirement plans and those who work with them in the SECURE Act, there are a couple of nuggets of "coal" in there as well.

One such provision that retirement plan advisors, administrators and sponsors should be mindful of is a significant increase in the penalties for late filing of retirement plan returns and related notices. These changes

apply to returns, statements and required notices provided after Dec. 31, 2019. The provision was added to help offset the underlying "cost" (in the form of lost tax revenue) of the legislation.

The logic behind the increase is that the penalties for failing to submit these returns and notices have not increased in many years. Congressional tax writers contended that the prior-law penalties were "too low to discourage noncompliance" and that increasing these penalties "will improve overall tax administration." (See "Penalties Box" on page 40 for details.)

ELIMINATION OF STRETCH IRA

A second major revenue-raising provision contained in the SECURE Act is the elimination of the so-called "stretch IRA." Estimated by the congressional Joint Committee on Taxation to raise nearly $16 billion over the period 2020-2029, the provision modifies the required minimum distribution rules with respect to inherited DC plan and IRA balances upon the death of the account owner.

Prior law generally allowed surviving beneficiaries to withdraw inherited amounts from a tax-favored account or plan over the beneficiary's lifetime, but Congress reasoned that the tax subsidy for retirement savings should phase down after the lives of the individual and surviving spouse, except in the case of certain other beneficiaries.

Under the legislation, distributions to individuals are generally required to be distributed by the end of the 10th calendar year following the year of the employee's or IRA owner's death. Exceptions are provided to surviving spouses, disabled or chronically ill individuals, individuals who are not more than 10 years younger than the employee (or IRA owner), or a child of the employee (or IRA owner) who has not reached the age of majority. The provision applies to distributions with respect to employees who die after Dec. 31, 2019.

DISTRIBUTIONS FOR QUALIFIED DISASTERS

In addition to the SECURE Act provisions, the $1.4 trillion appropriations act includes a provision affecting disaster-related plan withdrawals.

The legislation provides temporary tax relief to areas affected by certain qualified major disasters, including relief from the 10% early withdrawal penalty for qualified disaster relief distributions up to $100,000 from a qualified retirement plan, a 403(b) plan or an IRA. In addition, income attributable to a qualified disaster distribution may be included in income ratably over three years, and the amount of a qualified disaster distribution may be recontributed to an eligible retirement plan within three years.

Additionally, individuals who took a hardship distribution from a retirement plan for a first-time home purchase in the disaster area whose transaction was terminated due to the disaster can recontribute the amount back to the retirement plan without penalty. The loan limits on retirement plans subject to this relief can be increased from $50,000 to $100,000 and retirement plan loan repayment periods can be extended accordingly.

In general, the relief applies to individuals who suffered losses in a qualified disaster area beginning after 2017 and ending 60 days after the date of enactment, but additional rules apply to specific effective dates, including those related to a "qualified disaster distribution." The California wildfires were excluded because they were covered in other legislation. NNTM

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Team Spirit

Building, reinforcing, and rewarding a team for tomorrow's advisory business

By Judy Ward

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"We comically refer to ourselves as a 45-year-old startup," says Grant Arends, co-founder and president of retirement services at intellicents inc. in Overland Park, Kansas. In 2015, Grant Arends and his brother Brad Arends, intellicents co-founder and CEO, rebranded the firm founded by their father as a national, multi-disciplinary financial services company with a special focus on giving individual advice to average Americans.

"We are growing pretty rapidly, both in the services we provide and in our team," Grant Arends says. The company now has four core offerings: retirement plan services at both the plan and participant level, personal financial management, financial wellness education and advice, and group insurance. "We've gone from three locations to 11 locations in the past 24 months, and we see that growth continuing," he says.

"Our industry is changing rapidly, and our business is changing rapidly," Arends continues. "The collaborative, multi-disciplinary model is the way to go for advisors now. The solo, 'eat what you kill' practitioner model doesn't really work anymore. Between the technological demands, fee-compression demands, and the aging of our industry, we see a need for advisory firms to expand beyond being single-discipline shops."

Building the Team

Seven years ago, Pensionmark Financial Group, LLC had 20 producing advisors. Now, it has 130. "If you rewind even five, six, seven years ago, I spent lots of time talking to advisors about the benefits of joining a bigger firm. What's changed is that when I talk to advisors today, they're not talking about *if* they'll join a larger firm, but *when*," says Troy Hammond, CEO of Santa Barbara, California-based Pensionmark. "Advisors are aware that if they want to grow in today's marketplace, they have to be part of a bigger firm. They realize that becoming part of a larger team is a lot easier, and a lot less expensive, than trying to build it yourself."

When building a team and continuing to grow, it is important that the culture is outlined clearly with the vision of where the company is going, notes Vince Morris, President of Bukaty Companies Financial Services and Resources Investment Advisors, LLC. in Leawood, Kansas. "We want to communicate about the growth and development opportunities that lie ahead. At the same time, we keep an open door policy and allow for

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"We're trying to provide a framework and an infrastructure where advisors can outsource everything except direct work with sponsors to us."

— Troy Hammond, Pensionmark

employees to get their questions answered," says Morris, whose firm was acquired by benefits broker OneDigital earlier this year.

Building the right team can mean being flexible. Julie Ward, Austin, Texas-based senior vice president, consulting & employee development at NFP, heads up NFP's provider benchmarking and RFP department. "I've been here about 19 years, and I helped build the department," she says. "We find that we are able to train people on the retirement plan industry, if we need to do that. We're looking primarily for people who have a deep understanding of data analytics. And we look for communication skills, being able to communicate well on the phone and in writing with providers." NFP also has had success lately with its summer internship program that gives college students exposure to the industry and a potential career path, she says.

Asked what they look for in a new hire or potential advisory practice acquisition, sources interviewed for this article talked about the tangible and intangible qualities they seek. Here are a handful of qualities in demand now:

The growth seeker

Insurance broker HUB International has made a splash with its recent acquisitions of numerous prominent plan advisory practices. HUB looks for advisors who are located in the geographic areas where its insurance business has a strong presence, who are thought leaders in the retirement plan business, and who feel strongly motivated to expand their business. "It really is an issue of, are they hungry to grow? That's extremely important," San Diego-based National President, Retirement Dave Reich says. "We are not looking for folks who want to cash out. And that is not an age-related issue, it's an issue of how much gas somebody has left in their tank. We've got people in their 60s who've got plenty of gas left in the tank. But I've talked to people in their 40s who don't, and that is not a good fit for us."

HUB also seeks plan advisors who feel enthusiastic about cross-selling with HUB's large insurance business as part of their growth model. "If they're not interested in cross-selling, they are not a good fit for us," Reich says. "We have about 600,000 commercial clients across the United States, and that gives us the ability to have a bunch of conversations about their business needs. And everyone knows that a warm lead is much easier than a cold lead."

The innovative thinker

Jeanne Fisher and her colleagues Bryan Peebles and Rhea England moved their team to Strategic Retirement Partners (SRP) in 2019. Fisher, a Nashville, Tennessee-based managing director at SRP, started her practice in 2009. "For my 401(k) team, I really don't look for a lot of tangible industry experience," Fisher says. "Our industry has changed so fast. Sometimes, in an industry that's fast-changing, I think that having experience can actually slow you down. In building our practice, we really want fresh eyes on old challenges, without the mindset of 'This is the way we've always done it' solutions."

Resources Investment Advisors' Morris says they use the HIC approach – Hard Working, Integrity, and Compassion. "We cannot teach people to be honest, to have compassion, and to have integrity. Those are skill sets that are not taught. We can teach them the skill to do their job. It's more important for us to find the right people with the right talent, motivation, and integrity, and have them fit into a role within the organization."

Vince Morris, Bukaty Companies Financial Services and Resources Investment Advisors

Julie Ward, NFP

Rick Shoff, CAPTRUST

The paradigm changer
Intellicents has a big focus on giving personal financial management (its name for wealth management) advice. "We are extraordinarily involved in delivering services at the participant level," Arends says, adding that intellicents seeks plan advisors interested in expanding their practice into individual advice. "Specialist 401(k) consultants see massive fee compression, and they're nervous. For them, we have a mechanism to change the paradigm of what they can talk to their clients about: We have a model for providing advice on the individual level," he says.

The intellectually curious consultant
Lockton Retirement Services, a division of insurance broker Lockton Companies, looks to provide broader value to clients than focusing only on their retirement plan, Kansas City-based President Pam Popp says. "We are always asking, 'How can we become the best business consultants we can be?' So we are not just looking for 401(k) consulting abilities," she says. "Helping clients resolve their business issues might be an issue with the 401(k), or it might be something related to the client's balance sheet, or its costs across the board. That's what we are focused on when we bring on new people: that business acumen. We're looking for people who are smart and intellectually curious. That could be someone very experienced, or it may be someone who is newer in his or her career, and not as technically proficient yet in working with retirement plans."

The collaborator
As the managing director for SageView Advisory Group's West Palm Beach-based Florida office, Jeffrey Petrone leads its expanding team. "As our client base has grown, we've developed specializations within the team," he says. At the same time, he puts a lot of emphasis on finding people who share SageView's collaborative nature. "I'm going to look for people who fit with that culture," he adds, "because if they don't fit well with the idea of the team concept, they are not going to work well with our firm and our practice."

Reinforcing the Team

CAPTRUST has long had a centralized approach to some aspects of plan advisory work, such as investment selection and monitoring. "Think of it as all the client-facing work—the time spent working with our clients—that's happening out in the field," Managing Director, Advisor Group Rick Shoff says. "Everything they need to go win new clients and service our existing clients, it happens at the central (Raleigh, North Carolina) office and other regional offices: Interestingly, we have more employees in our regional offices than in Raleigh. We get scale by centralizing tasks and roles that can be done more efficiently and consistently that way."

CAPTRUST also has learned through experience how to build out a team in a regional office as it client base grows, Shoff says. "If you're an advisor who's newer in your career and your annual revenue is under $1 million, then you can operate very effectively in your region by yourself, and fully rely on our centralized resources," he says. "As you get to $1½ million to 2½ million in annual revenue, you could benefit from adding a 'right-hand person' (a relationship manager) in the region." That relationship manager primarily helps the advisor with day-to-day client service, and doesn't usually get involved with finding new clients, he adds.

The advisor also will have a dedicated "client management consultant" (CMC) at the Raleigh headquarters or in a regional service center. If the advisor needs centralized CAPTRUST resources, the CMC will do the legwork to connect the advisor with those resources. "They are there to be the 'traffic cop' or 'quarterback,' so advisors don't have to take the time to go to four or five people to get what they need," Shoff explains.

As plan advisors' business continues to grow, they may add additional people in their regional office. These new people could be "tweener" staff members, who work on both client relationship management and new-client development, Shoff says. Ultimately, the biggest teams at CAPTRUST may have 5 to 20 people in their regional office, with the lead advisor(s) focusing on client-facing work and business development. "For our advisors, their 'highest and best' use is the time they spend with

"The collaborative, multi-disciplinary model is the way to go for advisors now. The solo, 'eat what you kill' practitioner model doesn't really work anymore."
— Grant Arends, intellicents

David Reich, HUB International Investment Services, Inc

Jeanne Fisher, Strategic Retirement Partners

their clients and their potential clients," he says.

Amid the plan advisory business' consolidation to fewer and larger practices, it's moved toward a service model that's more centralized—but with some flexibility. Whether the personal financial management legwork for individual participants gets done by a centralized team at intellicents or by the advisor serving that plan depends on the advisor's experience and interests, Arends says. "Some of our advisors are very seasoned financial planners, and they might want to run the planning work themselves. Others are not as experienced in that area, so they may prefer to rely on our centralized planning team," he says. "But it is not going to impact advisors' compensation if they choose to bring in centralized help. They have access to as much centralization as they need."

As it expands its retirement business, HUB wants a service model that blends centralization with some flexibility. "In general, we want advisors to spend more of their time with their clients and their prospects. Anything that takes away from that, we want to provide shared services," Reich says. "They can choose whether to use those shared services or not, but we want people who want to take advantage of that." He declines to discuss specifically what centralized capabilities HUB will offer, saying that the build-out is in progress. But it's likely to include areas such as support for client acquisition, client onboarding, and ongoing client management, he says.

"Advisors will tell you that they can't grow their business because they're spending so much time on *this*," Reich says, meaning particular administrative tasks. "We want to solve for that *this* for them. We want advisors who say, 'For me to grow my business, I've got to spend less time on these activities. Can you help me?'"

SageView has centralized some advisory work, such as the 18-member investment committee selecting the list of investments that teams like Petrone's can utilize with plan clients. Having the investment due-diligence work centralized lets Petrone focus on the most impactful work he can do, he says. "That allows me to spend more time being strategic with clients, and focusing on plan-design initiatives, retirement readiness, and financial wellness," he says. "I get involved directly with clients in a lot of strategy, working with committees to help their participants have better outcomes. The other area I'm heavily involved in is the business-development side."

Pensionmark has centralized resources in areas of client work including proposals, employee education, financial wellness, contracts, and investment monitoring. "In a perfect world, I think that all our advisors should be managing their client relationships and going out and bringing in new clients, and outsourcing everything else to us," Hammond says. "We're trying to provide a framework and an infrastructure where advisors can outsource everything except direct work with sponsors to us."

Pensionmark hasn't gotten there fully yet, Hammond says, because some advisors still want to provide certain services themselves. They may love

Staying Nimble

What does it mean for an advisory team to stay nimble in its day-to-day work? Here are three ways to do that:

- Give all team members client exposure: "Sometimes, advisors can be control freaks, in a good way. But the highest-performing advisors strive to get the entire team very engaged with their clients," CAPTRUST's Rick Shoff says. The team members may start by helping clients with routine problem-solving, then start to shadow the lead advisor on meatier client work, and ultimately have substantive, direct contact with clients. "Let them learn by working with your clients," he says. "The best advisors would say, 'My clients talk to my team more than they talk to me.'"

- Mix autonomous work with regular team meetings: SRP's Nashville team members all have their own "lanes of autonomy" in daily work, based on their skills and interests, Jeanne Fisher says. But the team gets together weekly in person, to have a work session focused on more-complex topics that benefit from face-to-face conversations. For example, a recent meeting centered on how to build out the team's wealth management practice.

  A lot of high-performing advisors will have pre-scheduled regular meetings with their team, on certain days and at certain times, Shoff says. "Rather than an ad-hoc, 'feathers flying' approach all the time, I think a best practice is to be a little more structured with team communications," he says. "You don't necessarily have to do it weekly, but the team needs to agree that it is going to regularly slow down, sit down, and make sure they are all on the same page."

  NFP's Julie Ward spends a lot of her time offsite doing consulting work with clients, while her team does the behind-the-scenes work. The team meets weekly, and to keep updated on what's going on, she has weekly catch-ups with the RFP team lead. "We get more 'in the weeds' on what projects are happening," she says. "It's a way for me to learn if anybody is running into any issues on their projects."

- Encourage flexible working styles: The members of SRP's Nashville team all work remotely now, from home and clients' offices. "Our (Millennial) generation cares about flexible work schedules. I believe very strongly in autonomy, and I'm the opposite of a micro-manager. We can do our work anywhere and anytime, without the added pressure of having to be in an office from 8:00 to 5:00."

“We want people who are true entrepreneurs and focus on their own business, but who also are able to focus on helping the team succeed. That’s a pendulum that swings back and forth all the time, and it tries to find its equilibrium.”

— Pam Popp, Lockton Retirement Services

working on investments, or really want to keep doing participant education. “For an advisor to go from being a sole proprietor doing everything to handing everything over to us in one day is probably not realistic,” he says. The move toward centralized services often happens gradually. “Initially, that may be the investment piece of the work, and then the participant education, and then the RFPs (requests for proposal) for clients’ recordkeeper searches,” he says. “Over time, they outsource more to us, as their trust in us grows.”

Rewarding the Team

Ultimately, Lockton defines success in terms of growth, Popp says, and that growth takes both individual and team effort. “We want people who are true entrepreneurs and focus on their own business, but who also are able to focus on helping the team succeed,” she says. “That’s a pendulum that swings back and forth all the time, and it tries to find its equilibrium.”

Jeffrey Petrone, SageView Advisory Group

Lockton has a compensation structure for its producing advisors that’s very much like owning a company, Popp says. “It’s an environment that really rewards independence, autonomy, and high performance,” she says. “For our associates, it is much more of a salary and bonus structure, and it’s designed to reward them for behavior that helps to attract new clients and retain existing clients.”

In its ongoing expansion, intellicents has set up all of the new locations as branches, but they’re separate companies. “That’s because we want the advisor in that location to be a very significant shareholder in that office,” Arends explains. “It’s almost like a franchise model. The national RIA and each branch brand as intellicents, but every team has a quasi-separate P&L (profit and loss statement).”

“We have a work hard, play hard mentality,” explains Morris. “To achieve goals as a team, you have to build and maintain the team spirit. You have to focus on being intentional with your ‘fun.’ We have created an environment within the office that integrates fun, with events like office breakfasts/lunches, celebrating holidays and birthdays, and offering family-friendly events. We do offsite team outings that are casual but also have a competitive element within the activity. We do many conferences a year, where we are able to get our team members together and collaborate.”

The Nashville SRP team defines success as a team, but also specifies individual team member goals for helping make it happen. “You win or you lose as a team, period,” Fisher says. “The course of the ship has to be set for everybody. Everybody has to agree: What is success? There’s no other way to have buy-in.” The team identifies annual goals for each team member. “Then it’s an issue of, for an individual team member, ‘Did you meet the things you need to meet, in order for the team to meet its goals?” she adds.

Advisors affiliated with Pensionmark own their own business, and they define the compensation and rewards package they want for their team. The approach often varies depending on what makes sense for each job. “A relationship manager isn’t typically selling, so that person’s compensation may be based on the team’s client-retention and client-satisfaction rates,” Hammond says. “With salespeople, what we’ve seen work is the quick financial reward: They want that instant gratification after signing a new client. And that’s when you have to have creativity around your compensation and bonus structure.”

SRP’s Nashville team ties bonuses to the individual goals it sets for team members to contribute to the team’s goals. “We get base pay, and then we identify goals that are necessary for getting additional performance-based compensation,” Fisher says. “So everybody has clearly defined individual goals, and then they ‘bonus out’ if they meet those goals. Things like profit-sharing can be vague for people, and there are certain things happening that are outside the control of that one person.”

Fisher also likes giving ad-hoc rewards for extra effort. “I am a really firm believer in the surprise ‘Attaboys’ and ‘Attagirls,’” she says. “Being a young, nimble team, we have the ability to say, ‘We’re all going out to a fun dinner tonight!’ We do that spontaneously to keep team members motivated.”

“As we grow, it’s important we keep the same culture,” notes Morris. “We want to have people that are working hard around us. We want people that are excited about the growth.” NNTM

NAPA **TOP DC** ADVISOR **TEAMS**

2019

Since their inception, NAPA's various industry lists have been a valuable Who's Who of who matters in the world of retirement plans and retirement plan advisors. This latest chapter—our third annual listing of the NAPA Top DC Advisor Teams—once again presents a compelling case for the impact on the nation's private retirement system.

While this year's list, ranked once again by self-reported DC assets under advisement, has approximately the same number of teams as last year, and even though we maintained the AUA threshold of $100 million, the total AUA of the firms on this list is nearly double last year's tally: more than $1 trillion in DC assets under advisement!

More significantly, those teams include more than 1500 advisors—and many more support personnel—all working to help Americans prepare for a financially secure retirement.

We have also included the list of top DC Advisor Multi-Office Firms. Once again, we focused on those firms that have more than $1 billion in assets under advisement. This year's list represents more than $2 trillion in AUA, more than 124,000 plans supported, and nearly 24 million participants covered by these firms.

Sure, we know it's not just about the numbers—but the reality is that advisors are having a huge impact every single day, not only on the quality of retirement plan advice, but in building a more financially secure retirement for millions of Americans.

We appreciate the commitment and hard work of the teams acknowledged—and are proud to have the opportunity to share it here.

TOP DC ADVISOR TEAMS

Advisor Team / Location	Year Est.	# of Advisors	Total Staff	Total DC Plan Assets 12/31/19	Total DC Plan Assets 12/31/18	Total DC Plans 12/31/19	Total DC Participants 12/31/19
NFP – Aliso Viejo *Aliso Viejo, CA* nfp.com/corporate-benefits/retirement	2000	48	121	$78,887,000,000	$62,430,000,000	1,357	760,723
CAPTRUST Raleigh *Raleigh, NC* captrust.com	1997	17	31	$73,365,795,066	$65,759,506,321	525	4,250,000
GCIAS - Global Corporate & Institutional Advisory Services *Atlanta, GA* fa.ml.com/georgia/atlanta/gcias/	1996	90	153	$66,911,200,396	$56,958,298,907	54	1,280,275
CAPTRUST Richmond *Richmond, VA* captrust.com	2005	3	6	$51,776,505,992	$45,920,548,444	170	550,000
CAPTRUST Charlotte *Charlotte, NC* captrust.com	2003	5	9	$44,663,531,737	$39,464,416,008	175	92,070
CBIZ Retirement Plan Services *Cleveland, OH* cbiz.com/retirement	1998	68	398	$40,129,360,566	$15,374,359,451	1406	604,289
Multnomah Group *Portland, OR* multnomahgroup.com	2003	9	19	$26,467,728,389	$20,931,723,794	194	N/A
CAPTRUST Minneapolis *Minneapolis, MN* captrust.com	1995	4	7	$22,291,372,963	$20,876,278,292	91	225,000
Innovest Portfolio Solutions *Denver, CO* innovestinc.com	1996	16	52	$21,674,629,856 (9/30/19)	$16,538,781,890	143	259,042
CAPTRUST Allentown *Allentown, PA* captrust.com	2000	3	16	$21,486,673,524	$15,097,829,949	150	300,000
SageView Irvine *Irvine, CA* sageviewadvisory.com/	1989	6	20	$20,200,000,000 (9/30/19)	$18,800,000,000	243	250,000
Advanced Capital Group *Minneapolis, MN* acgbiz.com	2002	8	21	$18,600,000,000	$14,320,000,000	107	185,000
CAPTRUST Doylestown *Doylestown, PA* captrust.com	2006	5	9	$17,234,186,527	$12,440,623,731	111	216,769
Lockton Dunning Retirement Services *Dallas, TX* lockton.com/retirement-services	2004	4	21	$17,151,902,354	$14,713,465,881	283	308,000
CAPTRUST Portland *Portland, ME* captrust.com	2006	1	2	$15,845,661,244	$15,155,907,366	59	117,198

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Sheridan Road Financial, a division of HUB International *Northbrook, IL* sheridanroad.com	2005	7	30	$13,873,422,352	$13,280,366,858	282	N/A
Newport Capital Group *Red Bank, NJ* newportcapitalgroup.com	2004	10	24	$13,246,135,540	$11,600,000,000	107	140,000
BFSG *Irvine, CA* bfsg.com	1991	6	12	$13,046,960,987	$10,355,022,714	83	200,000
SageView Boston *Boston, MA* sageviewadvisory.com	2005	8	8	$12,800,000,000	$11,300,000,000	98	113,000
NFP Mid-Atlantic *Bethesda, MD* nfp.com	2001	23	34	$12,703,160,816	$12,041,284,073	572	N/A
Institutional Investment Consulting *Bloomfield, MI* iic-usa.com	2003	3	11	$11,843,000,000	$7,850,000,000	28	1,500,000
SageView Advisory South *Knoxville, TN* sageviewadvisory.com	2003	6	15	$11,525,000,000	$9,825,000,000	90	136,000
Retirement Benefits Group *San Diego, CA* rbgadvisors.com	2009	45	60	$11,500,000,000	$10,000,000,000	695	12,000
CAPTRUST Atlanta (Alpharetta) *Alpharetta, GA* captrust.com	2005	3	5	$11,007,081,163	$11,500,000,000	39	53,850
The Detterick Group – Graystone Consulting *New York, NY* graystone.morganstanley.com/the-detterick-group	2000	13	36	$10,619,188,627	$8,620,000,000	20	150,000
CAPTRUST Lake Mary *Lake Mary, FL* captrust.com	2010	1	3	$10,450,000,000	$9,159,394,478	36	116,000
CAPTRUST Dallas *Dallas, TX* captrust.com	2010	2	4	$10,165,000,000	$8,910,542,895	46	77,260
Gallagher Houston *Houston, TX* ajg.com	2002	9	19	$9,000,000,000	$6,000,000,000	285	200,000
Strategic Retirement Group – A OneDigital Company *White Plains, NY* srg-consulting.com	2006	3	11	$9,000,000,000 (9/30/19)	$8,500,000,000	69	130,000
Stifel/PearlStreet Investment Management *Grand Rapids, MI* pearlstreetinvestmentmanagement.com	1992	5	13	$8,400,000,000	$6,400,000,000	43	111,354

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LeafHouse Financial *Austin, TX* leafhousefinancial.com	2009	7	17	$8,374,619,384	$5,010,346,668	1505	N/A
CAPTRUST Akron *Akron, OH* captrust.com	2001	4	6	$8,084,661,266	$7,726,933,300	127	128,000
Investment Research & Advisory Group *Atlanta, GA* iragroup.com	1992	5	11	$7,450,000,000	$7,264,556,409	106	124,501
Graystone Consulting – Los Angeles *Westlake Village, CA* msgraystone.com/losangeles		4	8	$7,055,532,785	$5,615,362,686	56	100,000
Westminster Consulting *Rochester, NY* westminster-consulting.com	2003	6	11	$7,025,000,000	$7,000,000,000	75	62,500
Plante Moran Financial Advisors Institutional Investment Consulting *Southfield, MI* plantemoran.com	1998	16	19	$6,983,830,057 (6/30/19)	$5,929,389,851	226	115,000
SageView Orinda *Orinda, CA* sageviewadvisory.com	2014	1	2	$6,843,209,374	$5,505,467,282	51	44,387
SageView Chicago *Chicago, IL* sageviewadvisory.com		6	6	$6,700,000,000 (9/30/19)	$5,800,000,000	97	91,000
CAPTRUST Tampa *Tampa, FL* captrust.com	1998	11	15	$6,485,000,000	$5,715,911,633	92	52,500
SageView Maryland *Fulton, MD* sageviewadvisory.com	2007	3	4	$6,379,332,806	$5,135,133,361	61	87,536
CAPTRUST Atlanta (Buckhead) *Atlanta, GA* captrust.com	2005	2	4	6,172,107,431	$5,865,457,511	41	91,000
CAPTRUST Los Angeles *Los Angeles, CA* captrust.com	2009	3	5	6,076,679,968	$6,310,552,599	60	197,800
Strategic Benefit Services *Rensselaer, NY* strategicbenefitservices.com		5	17	5,428,775,229	$4,814,510,836	178	114,038
The Parks Group at Graystone Consulting *Milwaukee, WI* msgraystone.com/theparksgroup	1981	10	19	5,410,977,926	$5,576,050,000	41	78,000
CAPTRUST Des Moines *Des Moines, IA* captrust.com	1998	5	9	5,392,840,871	$4,534,370,603	95	66,000

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Glading Group at Graystone Consulting *Florham Park, NJ* graystone.morganstanley.com/glading-group	2002	3	4	5,200,000,000	$4,400,000,000	12	36,500
Graystone Boston North Shore *Middleton, MA* graystone.morganstanley.com/graystone-consulting-boston-north-shore	1998	4	9	5,100,000,000	$4,400,000,000	53	70,000
Cafaro Greenleaf *Red Bank, NJ* cafarogreenleaf.com	1981	5	14	5,070,000,000	$4,890,000,000	212	71,150
The Mott Group at Graystone Consulting *Houston, TX* graystone.morganstanley.com/the-mott-group-graystone-consulting	2013	2	3	$4,800,000,000	$3,300,000,000	52	50,000
SageView Austin *Austin, TX* sageviewadvisory.com	2011	1	3	$4,500,000,000	$3,900,000,000	61	60,000
CAPTRUST Birmingham *Birmingham, AL* captrust.com	2008	2	3	$4,200,000,000	$2,856,460,381	38	70,500
Bukaty Companies Financial Services *Leawood, KS* bukatyfs.com	2001	10	50	$4,100,000,000	$2,400,000,000	390	101,000
Fiduciary Plan Advisors *Owings Mills, MD* htfpa.com	2014	10	13	$4,100,000,000	$3,000,000,000	135	220,000
INTRUST Retirement *Wichita, KS* intrustretirement.com	1996	11	40	$4,005,000,000	$4,008,000,000	225	47,000
Enterprise Retirement Solutions *Houston, TX* amegybank.com/business/specialty banking/retirement-plan-services	1996	8	10	$4,000,000,000	$3,530,000,000	202	57,000
Moneta Group *Clayton, MO* monetagroup.com	1869	7	13	$4,000,000,000 (6/30/19)	$3,964,000,000	293	20,000
NFP – Orlando *Maitland, FL* nfp.com		4	15	$4,000,000,000	$3,700,000,000	75	20,000
CAPTRUST Clarkston *Clarkston, MI* captrust.com	1988	3	9	$3,971,334,942	$3,622,136,348	295	29,000
Gallagher Retirement Boston *Boston, MA* ajg.com/us/services/retirement-plan-consulting	2001	6	7	$3,900,000,000	$4,625,000,000	145	57,800
ProCourse Fiduciary Advisors, LLC *Carmel, IN* procourseadv.com	2012	6	13	$3,900,000,000 (9/30/19)	$3,100,000,000	113	63,000

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The Robertson Group at Graystone Consulting *Columbus, OH* graystone.morganstanley.com/graystone-consulting-the-robertson-group	1994	5	15	$3,900,000,000	$3,420,000,000	88	54,500
HB Retirement *Pittsburgh, PA* hbretirement.com	2005	9	25	$3,800,000,000	$2,300,000,000	283	65,000
Pension Consultants, Inc. *Springfield, MO* pension-consultants.com	1994	7	20	$3,751,788,520	$3,211,028,629	67	75,581
CAPTRUST Boston *Boston, MA* captrust.com	2012	1	2	$3,700,000,000	$3,400,000,000	42	40,000
Sequoia Consulting Group *San Mateo. CA* sequoia.com	2008	4	15	$3,630,000,000	$2,400,000,000	345	96,000
401k Advisors Intermountain *Sandy, UT* 401kaim.com	1992	5	15	$3,540,000,000	$3,045,000,000	156	42,000
Soltis Investment Advisors *St. George, UT* soltisadvisors.com/	1992	14	20	$3,509,000,000	$2,848,000,000	103	89,000
Plan Resource Group at RBC *Pasadena, CA* planresourcegroup.com	2015	3	4	$3,007,309,288	$2,568,915,708	49	41,478
SageView Richmond *Richmond, VA* sageviewadvisory.com	2009	3	3	$2,900,000,000	$2,100,000,000	51	29,940
Bridgehaven Fiduciary Partners *Warren, NJ* bridgehavenfp.com	2009	5	10	$2,800,000,000	$2,500,000,000	73	55,000
Handler Investment Consulting Group of Raymond James *Beverly Hills, CA* handlerinvestmentconsultinggroup.com	2014	6	18	$2,750,000,000	$2,500,000,000	56	40,000
NFP – Madison *Madison, WI* nfp.com	1997	6	8	$2,750,000,000	$2,440,000,000	130	50,000
The Wilshinsky Group at Morgan Stanley *New York, NY* advisor.morganstanley.com/the-wilshinsky-group	1972	4	7	$2,725,000,000	$2,200,000,000	47	36,000
Plan Sponsor Consultants *Alpharetta, GA* plansponsorconsultants.com	2008	6	9	$2,700,000,000	$2,400,000,000	194	72,000
Alford-Jungers Financial *San Diego, CA* rbgadvisors.com	2004	3	3	$2,682,748,406	$2,325,658,150	114	41,486

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Cornerstone Advisors Asset Management, LLC *Bethlehem, PA* cornerstone-companies.com		11	33	$2,678,655,258	$2,450,502,948	108	34,500
Oswald Financial, Inc. *Cleveland, OH* oswaldfinancial.com	1999	6	17	$2,600,000,000	$2,400,000,000	302	48,000
GRP Financial California, LLC *San Juan Capistrano, CA* grpfinancialca.com	2014	3	6	$2,595,000,000	$2,000,000,000	82	45,000
Baystate Fiduciary Advisors, Inc *Boston, MA* bfa401k.com	2002	3	3	$2,575,066,753	$2,175,066,753	60	14,290
Spectrum Investment Advisors *Mequon, WI* spectruminvestor.com	1995	20	25	$2,563,928,808	$2,137,109,725	146	37,257
CAPTRUST Harrisonburg *Harrisonburg, VA* captrust.com	1994	2	3	$2,500,000,000	$2,100,000,000	40	20,067
Mayflower Advisors, LLC *Boston. MA* mayfloweradvisors.com	2002	7	8	$2,500,000,000	$2,100,000,000	175	25,000
SS/RBA, a division of HUB International *Pearl River, NY* ssrba.com	2008	3	6	$2,500,000,000	$2,800,000,000	60	50,000
StoneStreet Equity, LLC. *White Plains, NY* stonestreetequity.com	2008	4	5	$2,500,000,000	$2,000,000,000	35	12,000
Tower Circle Partners of Janney Montgomery Scott *Franklin, TN* towercirclepartners.com	2007	3	4	$2,448,622,962	$1,800,000,000	21	62,000
Strategic Retirement Partners – Great Lakes Indy & Columbus *Indianapolis, IN* srpretire.com	1993	2	5	$2,438,973,405	$3,222,441,282	53	65,000
NWK Group *San Francisco, CA* nwkgroup.com	2002	3	5	$2,400,000,000	$2,100,000,000	55	17,600
LAMCO Advisory Services *Lake Mary, FL* lamcoadvisory.com	1974	7	14	$2,386,013,943 (9/30/19)	$2,059,750,825	60	65,694
The Sprenkle Wealth Management Group *Cincinnati, OH* fa.ml.com/ohio/cincinnati/sprenkle_wealth_management/	1993	5	9	$2,365,192,666	$2,050,000,000	74	40,134
The Kelliher Corbett Group at Morgan Stanley *Norwell, MA* advisor.morganstanley.com/the-kelliher-corbett-group	1993	6	12	$2,321,821,659	$2,064,086,481	77	20,500

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Robinson Private Client Group of Oppenheimer & Co. Inc. *Winston-Salem, NC* opco-robinsonpcg.com/	2009	2	4	$2,316,430,718	$2,175,234,103	36	36,190
Graystone Consulting | Cincinnati *Cincinnati, OH* graystone.morganstanley.com/graystone-consulting-cincinnati-oh/who_we_are#about-us	1990	4	12	$2,300,000,000	$2,000,000,000	75	20,000
Procyon Partners *Shelton, CT* procyonpartners.net	2017	10	15	$2,300,000,000	$2,100,000,000	51	20,000
Shepherd Financial *Carmel, IN* shepherdfin.com/	2015	4	10	$2,300,000,000	$1,100,000,000	214	37,000
Pacific Portfolio *Seattle, WA* pacific-portfolio.com	1992	4	17	$2,292,517,821	$2,134,503,846	48	38,067
Montgomery Retirement Plan Advisors *Tampa, FL* m-rpa.com	2004	3	5	$2,216,000,000	$1,843,000,000	122	40,500
The J & R Group, Merrill Lynch *Chicago, IL* fa.ml.com/jrgroup	1994	6	12	$2,200,000,000	$2,200,000,000	250+	15,000
Clearview Advisory - Member Firm of GRP Advisor Alliance *Atlanta, GA* clearviewadvisory.com	2001	6	16	$2,100,000,000	$1,700,000,000	90	65,000
DH Consulting of Raymond James *Beverly Hills, CA* dhconsultinggroup.com	2014	6	18	$2,100,000,000	$1,900,000,000	54	28,000
Peak Financial Group, a division of HUB International *Houston, TX* peakfinancialgroup.net	2002	4	2	$2,090,200,000	$1,300,000,000	110	30,000
Burnahm Gibson Wealth Advisors, Inc. *Irvine, CA* burnhamgibson.com	2016	14	17	$2,085,799,247	$1,163,548,788	89	26,857
Wintrust Retirement Benefits Advisors *Chicago, IL* wintrustwealth.com/retirement-benefits-advisors	2013	3	5	$2,035,000,000	$1,875,000,000	162	56,000
Strategic Retirement Partners – Northeast *Providence, RI* srpretire.com	1996	1	8	$2,027,294,664	$1,719,968,659	29	23,710
Associated Financial Group *Minnetonka, MN* associatedfinancialgroup.com	2015	10	13	$1,913,116,310	$1,635,293,015	237	60,000

NAPA TOP DC ADVISOR TEAMS

Advisor Team / Location	Year Est.	# of Advisors	Total Staff	Total DC Plan Assets 12/31/19	Total DC Plan Assets 12/31/18	Total DC Plans 12/31/19	Total DC Participants 12/31/19
AFS 401k Retirement Services *Bethesda, MD* afs401k.com	2006	4	10	$1,875,200,000	$1,550,000,000	82	19,900
CAPTRUST Santa Barbara *Santa Barbara, CA* captrust.com	1988	5	6	$1,854,958,351	$1,494,427,346	55	22,605
Graystone Consulting – Pittsburgh/Cleveland *Cleveland, OH* graystone.morganstanley.com/graystone-consulting-pittsburgh-pa-cleveland-oh	2012	5	12	$1,800,000,000	$800,000,000	72	35,000
Washington Financial Group *McLean, VA* washfinancial.com	1983	5	21	$1,800,000,000	$1,450,000,000	198	24,250
Graystone Consulting – The Atlantic Group at Morgan Stanley *Boca Raton, FL* msgraystone.com/theatlanticgroup	2002	9	17	$1,517,708,411	$1,852,643,924	52	30,181
Plexus Financial Services, LLC *Deer Park, IL* plexusfs.com	1990	4	5	$1,500,000,000	$1,200,000,000	100	27,000
Strategic Retirement Partners – Midwest *Des Moines, IA* srpretire.com	1992	1	6	$1,494,036,863	$1,384,141,378	101	30,000
Chepenik Financial – A One Digital Company *Orlando, FL* chepenikfinancial.com	1990	5	8	$1,485,000,000	$1,245,000,000	126	132,000
Graystone Consulting – Portland *Portland, OR* graystone.morganstanley.com/graystone-consulting-portland-or	2004	1	6	$1,423,000,000	$1,300,000,000	40	17,100
Comperio Retirement Consulting *Cary, NC* comperiorc.com	2006	3	5	$1,400,000,000	$1,200,000,000	30	15,173
Teros Advisors *Lafayette, CA* terosadvisors.com	2007	6	11	$1,400,000,000	$1,000,000,000	226	27,000
RMB Capital *Chicago, IL* rmbcap.com	2005	3	35	$1,358,510,876	$1,082,131,149	49	8,516
Renaissance Benefit Advisors Group, LLC *New York, NY* rbagllc.com	2008	2	4	$1,350,000,000 (9/30/19)	$1,200,000,000	30	7,500
Paris International *Great Neck, NY* parisint.com	1970	5	15	$1,300,000,000	$1,200,000,000	200	100,000

Advisor Team / Location	Year Est.	# of Advisors	Total Staff	Total DC Plan Assets 12/31/19	Total DC Plan Assets 12/31/18	Total DC Plans 12/31/19	Total DC Participants 12/31/19
MRA Associates *Phoenix, AZ* mraassociates.com	1991	28	57	$1,237,326,226	$909,531,765	59	26,649
The Mahoney Group of Raymond James *West Nyack, NY* raymondjames.com/mahoneygroupadvisors/institutions	1994	5	12	$1,235,000,000	$1,100,000,000	48	22,500
Graystone Consulting – Charleston, WV *Charleston, WV* graystone.morganstanley.com/graystone-consulting-charleston-wv	2006	6	14	$1,200,000,000	$1,100,000,000	47	22,000
A.P. Lubrano & Company, Inc. *Paoli, PA* aplubrano.com	1989	10	16	$1,180,590,162	$970,064,460	33	62,000
Three Bell Capital *Los Altos, CA* three-bell.com	2011	6	14	$1,175,000,000	$1,050,000,000	177	15,000
HORAN *Cincinnati, OH* horanassoc.com	1948	15	24	$1,173,640,809	$923,000,000	76	17,025
OneGroup Retirement Advisors *Syracuse, NY* onegroupra.com	2015	4	6	$1,153,877,160	$856,000,000	143	14,720
Assurance Financial Services *Schaumburg, IL* assuranceagency.com/solutions/financial-services	2006	4	9	$1,140,000,000	$825,000,000	128	18,500
CAPTRUST New York (Downtown) *New York, NY* captrust.com	2012	1	2	$1,129,183,419	$1,075,403,343	32	30,000
Lakeside Wealth Management *Chesterton, IN* lakesidewealth.com	2002	17	34	$1,105,675,962	$727,804,089	176	24,196
The Ratay Group at Morgan Stanley *Lisle, IL* morganstanleyfa.com/rataygroup	2005	2	4	$1,100,000,000	$800,000,000	45	5,700
Finspire *Schaumburg, IL* FinspireMe.com	2018	5	8	$1,097,317,226	$964,051,339	49	27,013
CAPTRUST Houston *Houston, TX* captrust.com	2009	1	3	$1,040,000,000	$697,045,406	20	12,000
Strategic Retirement Partners – Great Lakes *Chicago, IL* srpretire.com	2004	4	15	$1,039,303,240	$966,870,475	119	24,156

NAPA TOP DC ADVISOR TEAMS

Advisor Team / Location	Year Est.	# of Advisors	Total Staff	Total DC Plan Assets 12/31/19	Total DC Plan Assets 12/31/18	Total DC Plans 12/31/19	Total DC Participants 12/31/19
CAPTRUST Austin *Austin, TX* captrust.com	2010	2	3	$1,029,961,046	$944,984,804	28	25,000
Lawley Retirement Advisors, LLC *Buffalo, NY* lawleyretirement.com	2011	3	7	$1,018,577,977	$902,000,000	127	23,000
Aldrich Wealth *Lake Oswego, OR* wealthadvisors.com	1998	5	10	$1,015,721,437	$817,593,102	74	10,959
HUB International Mid-Atlantic / The Insurance Exchange *Rockville, MD* tieretirement.com	2000	4	10	$1,000,000,000	$800,000,000	110	12,000
Valley Forge Investment Consultants, Inc. *Berwyn, PA* vffg.com	1991	8	14	$995,340,000 (11/30/19)	$794,570,000	135	18,740
Retirement Resources *Peabody, MA* RetireWithMore.com	1995	2	5	$993,621,848	$783,880,924	34	24,000
Fisher Investments 401(k) Solutions *Camas, WA* fisher401k.com	2014	44	109	$983,000,000	$497,400,000	423	20,500
Atlanta Retirement Partners *Atlanta, GA* atlantaretirementpartners.com	1998	4	10	$957,358,782	$893,576,132	114	20,800
Infinitas Coordinated Wealth Counsel *Overland Park, KS* infinitaskc.com	1990	20	47	$951,302,065	$566,883,000	142	13,766
401k Plan Professionals *Edina, MN* 401kplanprofessionals.com	2007	3	6	$940,000,000	$800,000,000	93	8,200
The Gehler Luedke Group *Madison, WI* gehlerluedkegroup.com	2005	2	3	$934,639,618	$855,031,062	10	6,500
TriBridge Partners Corporate Investment & Retirement Division *Baltimore, MD* Tribridgepartners.com	2013	4	8	$931,783,000	$875,300,000	92	6,324
Retirement & Benefit Partners *Barrington, RI* rbpretire.com	2017	4	5	$920,589,456	$835,000,000	56	13,876
FRS Advisors *Wayne, PA* frsadvisors.com	2002	7	11	$914,927,921	$275,613,000	160	26,935
JSL Retirement Services Group *Birmingham, AL* jslretirement.com	2007	2	9	$877,000,000	$732,000,000	103	17,000

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PPS Retirement Advisors *Williamsville, NY* ppsadvisors.net	2017	3	14	$866,000,000	$765,000,000	121	8,900
Strategic Retirement Partners – Bay Area *San Francisco, CA* srpretire.com	2003	3	5	$858,952,685	$719,780,767	76	20,000
SageView Pasadena *Pasadena, CA* sageviewadvisory.com	2014	2	3	$812,000,000	$626,000,000	25	8,000
RCM&D Retirement Services *Towson, MD* rcmd.com	2013	2	4	$780,000,000	$600,000,000	48	8,500
Silicon Valley Retirement Services *San Jose, CA* svretirementservices.com	2010	2	3	$755,000,000	$600,000,000	53	14,500
CFS Investment Advisory Services, LLC *Totowa, NJ* cfsias.com	1993	2	10	$750,000,000	$575,000,000	125	6,000
The Lehigh Valley Group at Morgan Stanley *Allentown, PA* advisor.morganstanley.com/the-lehigh-valley-group	1999	3	5	$742,000,000	$626,635,000	77	6,000
RSG Advisory *Portsmouth, NH* rsgadvisory.net	2005	1	8	$739,839,113	$621,810,207	152	9,751
The Abeyta Bueche & Sanders Group at Morgan Stanley *San Antonio, TX* advisor.morganstanley.com/the-abeyta-bueche-sanders-group	2005	4	5	$725,000,000	$650,000,000	40	13,500
SageView Hawaii *Honolulu, HI* sageviewadvisory.com	2015	2	2	$716,000,000	$522,000,000	35	4,952
Rouleau Bevans Corleto Investment Consulting Group of Wells Fargo Advisors *Eugene, OR* rbc-icg.com	1999	8	15	$707,862,000	$600,000,000	114	13,500
Ellison Kibler & Associates *Columbia, SC* fa.ml.com/ek	1983	6	28	$702,883,963	$509,536,484	72	10,987
SageView Dallas *Southlake, TX* sageviewadvisory.com	2018	1	2	$700,000,000	$226,000,000	5	13,000
Quintes *Salinas, CA* quintes.com	1986	3	15	$700,000,000	$650,000,000	210	17,000
ISC Advisors, Inc. *Dallas, TX* iscgroup.com	1997	6	15	$692,800,000	$630,000,000	113	13,000

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Strategic Retirement Partners – Upstate New York *Buffalo, NY* srpretire.com	1990	2	4	$686,021,825	$770,954,091	40	9,871
SageView Denver *Louisville, CO* sageviewadvisory.com	2015	2	5	$683,873,824	$480,348,240	23	14,628
Raffa Retirement Services *Rockville, MD* raffaretirement.com	1999	6	11	$674,234,104	$522,598,125	164	14,617
Flynn Benefits Group *Troy, MI* flynnbenefits.com	2005	3	5	$670,000,000	$550,000,000	29	5,100
The Bonheur Scott Traino Group *Middleton, MA* advisor.morganstanley.com/the-bonheur-scott-traino-group	2001	3	8	$670,000,000	$473,000,000	95	10,000
LHD Retirement *Indianapolis, IN* lhdretirement.com	2004	3	8	$653,385,764	$553,240,412	90	12,000
M3 Financial *Madison, WI* m3ins.com	2010	3	8	$652,000,000	$550,000,000	85	14,388
CSI Advisory Services *Indianapolis, IN* csiadvisoryservices.com	1971	3	13	$617,778,511	$522,408,702	212	13,200
The Clift Group at RBC *Dallas, TX* us.rbcwealthmanagement.com/thecliftgroup/	1985	3	4	$605,000,000	$570,000,000	19	29,000
Saad Vannatta & Associates *Charleston, SC* fa.ml.com/svgroup		8	12	$604,000,000	$511,000,000	63	7,360
Retirement Plan Consulting Group *Hauppauge, NY* retirementplancg.com	2016	3	6	$597,905,000	$493,216,000	112	7,100
CCR Wealth Management, LLC *Westborough, MA* ccrwealth.com	1998	3	5	$587,512,200	$548,414,700	298	8,617
Kidder Advisers, Inc. *Clive, IA* kidderadvisers.com	1996	7	12	$561,000,000	$440,000,000	149	8,250
JKJ Retirement Services *Newtown, PA* jkj.com	1934	1	4	$535,000,000	$515,000,000	60	6,200
Trutina Financial *Bellevue, WA* trutinafinancial.com	2005	6	8	$528,635,000	$470,000,000	126	10,000

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Abbey Street *Eden Prairie, MN* abbeystreet.com	2018	1	8	$525,000,000	$475,000,000	50	10,000
The Schwamb / O'Day Group at Morgan Stanley *Garden City, NY* fa.morganstanley.com/theschwambodaygroup	2009	4	2	$515,105,600	$400,000,000	172	35,000
Stark Miller Financial Benefits Group *Lafayette, CA* starkmillerfbg.com	1967	3	6	$507,805,308	$488,828,851	93	17,372
Capital Benefits, LLC *Fairfield, NJ* capitalbenefitsinc.com	2006	6	2	$500,000,000	$450,000,000	76	3,500
RTD Financial *Philadelphia, PA* *rtdfinancial.com*	1983	22	38	$500,000,000	$440,000,000	70	5,294
The J.K. Meek Group at Graystone Consulting *Baltimore, MD* graystone.morganstanley.com/the-j-k-meek-group	1990	6	13	$477,684,304	$374,778,638	17	8,428
CSG Capital Partners of Janney Montgomery Scott *Washington, DC* csgretirementsolutions.com	1998	5	9	$475,000,000	$361,000,000	51	14,500
The EWS Group at Morgan Stanley *Rochester, NY* morganstanleyfa.com/theewsgroup	2014	3	4	$475,000,000	$380,000,000	41	6,600
The Bearing Group at Morgan Stanley *Chicago, IL* advisor.morganstanley.com/the-bearing-group	1992	4	8	$465,000,000	$355,000,000	35	5,077
Graystone Consulting – The Brice Group *Birmingham, MI* graystone.morganstanley.com/the-brice-group	1967	4	11	$450,000,000	$370,000,000	26	7,400
PWMG 401(k) Advisors *Worcester, MA* pwmg401k.com	2010	4	11	$450,000,000	$400,000,000	469	6,000
Financial Decisions Inc. *Stockton, CA* findec.com	1997	4	24	$442,927,211	$346,409,296	225	8,041
Excelsior Wealth Management at Morgan Stanley *New York, NY* advisor.morganstanley.com/excelsior-wealth-management	1997	3	10	$442,100,060	$261,387,520	26	4,430
Achieve Retirement *Denver, CO* achieveretirement.com	2005	2	8	$440,000,000	$350,000,000	170	14,000

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Twelve Points Retirement Advisors *Concord, MA* TwelvePointsRetirement.com	2014	5	15	$438,374,221	$229,049,405	75	7,482
The HF Retirement Group of Wells Fargo Advisors *Los Angeles, CA* fa.wellsfargoadvisors.com/the-hf-group	2006	2	6	$435,000,000	$425,000,000	70	10,000
Buckman & Corning Financial Strategies Group *Scottsdale, AZ* preparetoretire.net	2007	3	7	$427,000,000	$370,000,000	87	25,596
Retirement Fiduciary Group, LLC. *Andover, MA* retirementfiduciarygroupllc.com	2019	4	5	$426,526,402	$334,782,755	54	17,341
Latus Group, Ltd. *Las Vegas, NV* latus-group.com	2009	3	5	$426,000,000	$379,800,000	60	14,380
Geringer Laub Wealth Management Group *Wichita, KS* fa.ml.com/geringerandlaub	1983	6	9	$425,000,000	$400,000,000	44	6,600
TAO Investments Hawaii *Honolulu, HI* taohawaii.com	2004	4	4	$417,600,000	$327,000,000	96	6,000
Westgate Capital Consultants *Tacoma, WA* westgatecapital.com	1988	3	8	$410,000,000	$324,000,000	105	5,500
The TRC Group at Morgan Stanley *San Diego, CA* advisor.morganstanley.com/the-trc-group	2003	2	3	$402,000,000	$355,818,000	75	4,000
Constitution Group of Wells Fargo Advisors *Glastonbury, CT* constitutiongroup.com	2015	4	7	$400,000,000	$400,000,000	110	8,250
Stonebridge Financial Group *Grand Rapids, MI* stonebridgefinancialgroup.com	2004	6	12	$400,000,000	$340,000,000	60	7,500
Becker Suffern McLanahan, Ltd. *Mandeville, LA* beckersuffern.com/	1961	4	15	$398,282,179	$341,032,346	134	4,561
Financial Management Network *Mission Viejo, CA* fmncc.com	1995	3	6	$392,800,056	$358,654,716	137	6,263
Insight Financial Partners, LLC *Crystal Lake, IL* insightfpllc.com	2017	2	5	$392,218,113	$324,372,671	36	19,217
CAPTRUST New York (Port Washington) *Port Washington, NY* captrust.com	2007	1	2	$386,541,734	$393,477,316	9	3,000

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Aurum Wealth Management Group *Mayfield Village, OH* aurumwealth.com	2006	2	5	$367,890,465	$277,518,377	81	5,200
Hilb Group Retirement Services *Warwick, RI* hilbgroup401k.com	2009	2	5	$366,106,541	$315,405,053	148	7,302
Strategic Retirement Partners – Mid-Atlantic *Williamsburg, VA* srpretire.com	1988	1	4	$364,923,434	$314,880,484	32	7,775
DBR & CO Toledo *Toledo, OH* dbroot.com/toledo	2013	2	3	$363,555,650	$216,322,595	30	5,268
Strategic Retirement Partners – Los Angeles *Los Angeles, CA* srpretire.com	2012	2	4	$361,226,184	$386,629,595	50	8,227
Emmett G. Dupas III – Northwestern Mutual *Metairie, LA* bienvillecapitalgroup.com	2003	1	5	$358,207,508	$299,048,261	121	8,200
Gouldin & McCarthy, LLC *Basking Ridge, NJ* *gouldinmccarthy.com*	1999	4	7	$352,000,000	$290,000,000	33	4,000
The Fortis Group at Morgan Stanley *Columbus, OH* *fa.morganstanley.com/fortis*	2016	10	15	$350,000,000	$260,000,000	39	4,564
LoVasco Consulting Group *Detroit, MI* lovascogroup.com	2005	3	6	$345,000,000	$261,000,000	55	4,800
Monarch Plan Advisors *Simi Valley, CA* monarch401k.com	2013	3	6	$336,400,000	$281,552,281	96	9,461
Evergreen Consulting, Inc. (Chattanooga) *Chattanooga, TN* evergreenci.com	1990	4	7	$330,540,000	$352,160,000	27	36,770
Connor & Gallagher OneSource *Lisle, IL* gocgo.com	2016	2	1	$325,000,000	$265,000,000	71	12,000
Your Wealth Effect *Irvine, CA* yourwealtheffect.net	2009	12	18	$322,000,000	$228,000,000	44	2,700
Impact Benefits & Retirement *Portland, OR* impactbenefits.com	2016	2	8	$310,000,000	$275,000,000	47	5,000
Boston Private *Boston, MA* bostonprivate.com	2015	2	7	$305,950,816	$221,809,564	51	6,200

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Strategic Retirement Partners – Twin Cities *Minneapolis / St. Paul, MN* srpretire.com	1996	1	4	$298,326,231	$255,962,887	52	11,500
QP Consulting LLC *Takoma Park, MD* qp-consulting.com	2002	1	2	$286,684,000	$228,526,244	39	2,650
Strategic Retirement Partners – Central Florida *Orlando, FL* srpretire.com	1996	1	2	$284,614,582	$236,473,316	42	7,200
Eukles Wealth Management *Cincinnati, OH* eukleswm.com	2011	5	6	$272,050,750	$368,322,725	40	4,750
Grinkmeyer Leonard Financial *Birmingham, AL* grinkmeyerleonard.com	2005	3	8	$270,775,003	$257,869,829	24	6,500
MSMF Wealth Management *St. Louis, MO* msmf.com	1995	8	36	$263,942,811 (09/30/2019)	$224,351,390	108	2,500
Eminent Wealth Strategies *Indianapolis, IN* eminentwealth.com	2009	4	4	$255,010,632	$199,899,454	90	7,825
Douglas R. Peete & Associates *Overland Park, KS* peete.com	1980	1	6	$248,487,495	$217,954,885	196	3,930
Manhattan Ridge Advisors *New York, NY* manhattanridge.com	2006	8	1	$245,000,000	$195,000,000	68	7,100
Tritus Wealth Management *Sugar Land, TX* tritiswm.com	2009	3	5	$245,000,000	$145,000,000	133	5,200
KB Financial Partners, LLC *Point Pleasant Beach, NJ* kbfinancialcompanies.com	2012	4	35	$242,557,702	$93,137,159	24	2,751
Mid-Atlantic Planning Services *Allentown, PA* midatlanticplanning.com	1994	2	6	$234,019,981	$194,707,711	87	3,500
Paragon HM Wealth Management Group at Morgan Stanley *Birmingham, AL* advisor.morganstanley.com/ paragon-hm-wealth-management-group	2004	8	10	$232,927,000	$167,282,000	100	3,511
Odyssey Financial Group LLC *Oklahoma City, OK* odysseyfg.com	2013	2	4	$232,445,213	$ 199,987,356	78	5,579
The Burns / Marchiano Group at Morgan Stanley *Morristown, NJ* fa.morganstanley.com/burnsmarchiano	2010	4	6	$225,000,000	$160,000,000	45	3,750

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Strategic Retirement Partners – Oklahoma *Tulsa, OK* srpretire.com	1990	1	2	$222,268,872	$263,059,222	24	13,000
Strategic Retirement Partners – Maryland / West Palm Beach *Annapolis, MD* srpretire.com	1991	1	3	$219,671,731	$175,802,840	29	3,600
Blueprint Financial Team *Cleveland, OH* blueprint1.net	2007	2	4	$215,667,000	$177,000,000	27	4,500
Horizon Financial Group *Baton Rouge, LA* horizonfg.com	1999	3	4	$211,304,000	$130,169,000	66	3,384
Lifetime Benefits *Gaithersburg, MD* thelifetimecompanies.com/	1999	2	6	$210,000,000	$143,000,000	33	4,400
Fiduciary Wealth Management *Alexandria, VA* fid401k.com	2011	2	2	$209,184,088	$135,640,988	83	3,400
The Radcliff-Schatzman Group at Morgan Stanley *Mobile, AL* advisor.morganstanley.com/the-radcliff-schatzman-group	1993	6	8	$204,909,226	$187,718,622	41	1,051
Eidlin-Kilmer & Associates *Pittsford, NY* fa.ml.com/new-york/pittsford/eidlin_kilmer/	1998	5	8	$198,458,804	$ 155,774,215	43	3,135
CAPTRUST Greenwich *Greenwich, CT* captrust.com	2013	2	3	$192,131,696	$175,532,751	7	2,500
Kirby Wealth Management Group *Champaign, IL* justin-kirby.com	1995	1	6	$190,000,000	$130,000,000	57	3,176
Rose Street Advisors *Kalamazoo, MI* rosestreetadvisors.com	2010	3	2	$184,000,000	$150,000,000	56	3,100
Graystone Consulting – Farmington Hills, MI *Farmington Hills, MI* graystone.morganstanley.com/graystone-consulting-farmington-hills-mi	1985	3	9	$181,602,946	$160,000,000	22	1,400
N W Kaye Private Investment Management LLC *New Orleans, LA* nwkpim.com	2015	4	14	$170,918,849	$160,000,000	3	1,140
IVC Wealth Advisors *Silverdale, PA* ivcwealth.com	1994	4	7	$170,000,000	$158,000,000	52	3,100

Advisor Team / Location	Year Est.	# of Advisors	Total Staff	Total DC Plan Assets 12/31/19	Total DC Plan Assets 12/31/18	Total DC Plans 12/31/19	Total DC Participants 12/31/19
MidAtlantic Retirement Planning Specialists *Wilmington, DE* maretirementps.com	1998	1	3	$165,000,000	$148,000,000	92	8,000
Alpha Capital Management Group *Centennial, CO* alphacmg.com	2015	2	2	$155,624,051	$101,694,468	297	5,628
Garnett Retirement Group *St. Petersburg, FL* garnettretirement.com	2009	2	4	$155,500,000	$122,600,000	30	2,000
Strategic Retirement Partners – Houston *Houston, TX* srpretire.com	1998	1	2	$153,982,042	NA	7	2,455
Rocafort Group *San Juan, PR* rocafortgroup.com		8	12	$150,000,000	$120,000,000	200	2,000
ALTUS Consulting Group *The Woodlands, TX* altuscg.com	2014	5	15	$147,000,000	$110,000,000	95	4,750
Centura Advisors *Baton Rouge, LA* centura-advisors.com	2001	5	6	$135,000,000	$125,000,000	85	2,500
S.C. Asset Advisors of Janney Montgomery Scott LLC *Columbia, SC* scassetadvisorsjanney.com	2013	2	2	$135,000,000	$101,000,000	21	1,800
Investors Brokerage of Texas, Ltd. *Waco, TX* investorsbrokerage.com	2000	1	2	$134,386,284	$115,000,000	41	2,300
Financial Technology, Inc. *East Lansing, MI* financialtec.com	1980	5	13	$125,000,000	$110,000,000	68	1,550
Archford Capital Strategies, LLC *Swansea, IL* *archfordcapital.com*	2013	7	17	$123,147,377	$92,667,422	49	3,407
Summit Group Retirement Planners, Inc. *Exton, PA* sgretirementplanners.com	2013	2	5	$115,000,000 (09/30/2019)	$110,000,000	46	4,200
Converse Team Financial Services / Keating & Associates *Wichita, KS* theconverseteam.com	2003	2	6	$113,000,000	$100,000,000	95	5,000
Cassandra Financial Group *Boynton Beach, FL* cassandrafinancial.com	2004	4	8	$110,000,000	$93,000,000	106	6,200

TOP DC ADVISOR MULTIOFFICE

Advisor Team / Location	Year Est.	# of Offices	Total Advisors	Total DC Plan Assets 12/31/19	Total DC Plan Assets 12/31/18	Total DC Plans 12/31/19	Total DC Participants 12/31/19
RPAG *Aliso Viejo, CA* rpag.com	2004	720	1500	$611,270,597,518	$500,000,000,000	65,000	6,173,450
CAPTRUST *Raleigh, NC* captrust.com	1997	48	97	$297,170,566,651	$ 256,327,579,804	2,560	5,500,000
NFP – Alisio Viejo *Aliso Viejo, CA* nfp.com/corporate-benefits/retirement	2000	36	100	$220,000,000,000	$155,000,000,000	1,742	2,141,500
Morgan Stanley *Purchase, NY* morganstanley.com/atwork	1935	500	8,100	$149,700,000,000	$ 132,500,000,000	21,817	2,298,854
Cammack Retirement Group *New York, NY* cammackretirement.com	1965	3	25	$146,000,000,000	$110,000,000,000	375	1,250,000
UBS *Weehawken, NJ* ubs.com/rpcs	1862	297	500*	$111,889,039,769	$94,958,823,587	11,381	N/A
SageView Advisory Group *Irvine, CA* sageviewadvisory.com/	1989	25	40	$100,200,000,000	$96,900,000,000	1,214	1,200,000
HUB Retirement and Private Wealth *Chicago, IL* hubretirementplans.com	1998	40	80	$84,000,000,000	$25,000,000,000	5,200	N/A
Portfolio Evaluations, Inc. *Warren, NJ* porteval.com	1992	2	15	$57,900,000,000	$51,700,000,000	297	1,100,000
Pensionmark Financial Group, LLC *Santa Barbara, CA* pensionmark.com	1988	70	119	$41,500,000,000	$41,500,000,000	3,583	450,000
CBIZ Retirement Plan Services *Cleveland, OH* cbiz.com/retirement	1998	22	68	$40,129,360,566	$15,374,359,451	1,406	604,289
Arthur J. Gallagher & Co. Retirement Plan Consulting *Rolling Meadows, IL* ajg.com	1927	41	156	$39,314,733,909	$39,314,733,909	1,691	645,481
Resources Investment Advisors - A OneDigital Company *Leawood, KS* riaadvisor.com	1987	52	140	$36,000,000,000	$24,000,000,000	2,300	575,000
Marsh & McLennan Agency Retirement Services *New York, NY* mmaretirement.com	1998	22	50	$35,700,000,000	$13,900,000,000	1,543	645,000
Lockton Financial Advisors *Washington, DC* global.locktonco.com/	2005	6	4	$14,600,954,700	$10,446,854,801	206	N/A

** Retirement Plan Specialists. 3, 1994 UBS FAs with at least one plan.*

Advisor Team / Location	Year Est.	# of Offices	Total Advisors	Total DC Plan Assets 12/31/19	Total DC Plan Assets 12/31/18	Total DC Plans 12/31/19	Total DC Participants 12/31/19
Compass Financial Partners *Greensboro, NC* CompassFP.com	2002	4	8	$13,503,251,734	$10,242,221,715	146	178,826
Cerity Partners *New York, NY* ceritypartners.com	2009	10	13	$11,372,985,608	$9,888,000,000	164	139,800
Strategic Retirement Partners *Shorewood, IL* srpretire.com	2015	20	30	$11,300,000,000	$7,200,000,000	795	215,000
Francis Investment Counsel *Brookfield, WI* francisinvco.com	1988 (Team) 2004 (Firm)	2	17	$7,532,522,860	$5,956,186,279	85	83,000
Mesirow Financial *Chicago, IL* mesirowfinancial.com/markets/corporations/rpa	1937	22	9	$7,000,000,000	$5,800,000,000	280	125,000
Cafaro Greenleaf *Red Bank, NJ* cafarogreenleaf.com	1981	6	9	$5,200,000,000	$4,890,000,000	212	71,150
Sentinel Pension Advisors, Inc. *Wakefield, MA* sentinelgroup.com	1987	4	32	$5,100,000,000	$4,500,000,000	455	50,000
Bukaty Companies Financial Services *Leawood, KS* bukatyfs.com	2001	5	10	$4,100,000,000	$2,400,000,000	390	101,000
intellicents *Albert Lea, MN* intellicents.com	1975; 2006 (rebranded)	9	22	$4,000,000,000	$3,700,000,000	245	48,000
Plan Sponsor Consultants *Alpharetta, GA* plansponsorconsultants.com	2008	5	6	$2,700,000,000	$2,400,000,000	195	72,000
Everhart Advisors *Dublin, OH* everhartadvisors.com	1995	2	8	$1,953,968,423	$1,775,000,000	310	43,098
Associated Financial Group LLC *Minnetonka, MN* associatedfinancialgroup.com	2015	10	11	$1,913,116,310	$1,635,293,015	237	60,000
The Trust Company of Tennessee *Knoxville, TN* thetrust.com	1987	3	21	$1,750,544,381	$1,458,991,906	218	30,076
IMA Wealth, Inc. *Wichita, KS* imawealth.com	1999	3	10	$1,726,166,968	$1,346,340,237	199	N/A
The Noble Group *Sugar Land, TX* thenoblegroup.com	1996	2	7	$1,200,000,000	$900,000,000	150	30,000

NAPA TOP DC ADVISOR TEAMS MULTI-OFFICE 2019

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GUARANTEED RETIREMENT INCOME: THE IMPACT OF THE SECURE ACT

The new legislation provides solutions to several fiduciary concerns about providing guaranteed retirement income options in DC plans. Here's a closer look.

Fred Reish & Bruce Ashton

THE SECURE ACT HAS THREE SECTIONS THAT, TAKEN TOGETHER, SHOULD HAVE A POSITIVE IMPACT ON THE PROVISION OF RETIREMENT INCOME PRODUCTS IN DEFINED CONTRIBUTION PLANS. WHILE THE FOCUS OF THIS ARTICLE IS ON THE ACT'S FIDUCIARY SAFE HARBOR, IT SUMMARIZES THE THREE PROVISIONS AND THEN GOES INTO DETAIL ON THE FIDUCIARY SAFE HARBOR FOR SELECTING AN INSURANCE COMPANY. BUT FIRST, LET'S LOOK AT WHY THIS MATTERS.

RETIREMENT CHALLENGE

Over the last 40 years or so, the retirement landscape has shifted from being focused on defined benefit plans—which guarantee income for life—to mainly 401(k) plans, which generally provide a lump sum at retirement that workers need to manage for their remaining lifetime. This shift means that retirees and those preparing for retirement are facing a number of issues. They are living longer, so their money needs to last longer. The money needs to be invested, which subjects it to market fluctuations, more specifically "sequence of return risk," which means that the markets can be sharply lower at the very point in time they need to withdraw funds. And as they get older, their ability to make financial decisions diminishes, so they need to have arrangements that protect them from bad advice and poor decisions.

These are, of course, the same individuals who have struggled with the complexities of saving and investing for retirement—many of whom have, over the past decade and a half, been aided by plan designs that automatically set contribution rates and taken advantage of investment alternatives that establish and systemically rebalance diversified investment portfolios on their behalf.

Unfortunately, many—perhaps most—participants and retirees are not prepared, by education or experience, to invest for long-term retirement security, to withdraw money from their IRAs at a sustainable rate, or to know their likely life expectancies to properly balance their needs and available resources. Retirees, who are essentially creating their own paycheck from their available resources, need the certainty of knowing just how much they have available to spend.

One solution is to invest a portion of their assets in guaranteed retirement income products. This is why the SECURE Act's focus on retirement income is important.

THREE RETIREMENT INCOME PROVISIONS

The Act has three provisions relevant to retirement income:

- Section 109 dealing with the "Portability of lifetime income options." Generally, it permits special distributions of a "lifetime income investment" when the investment is no longer authorized to be held under the plan. This makes it possible for a participant to keep the investment even if the plan sponsor changes recordkeepers or decides to eliminate the investment from the plan lineup. This provision is effective now. It also addresses the concerns of plan sponsors reluctant to add these options to their plan menu for fear that a change in recordkeepers could be disruptive to participants who had invested in those options.

- Section 203 relates to "Disclosure regarding lifetime income." This section requires plans to give participants projections of their current account balance as a monthly benefit using assumptions prescribed by the Secretary of Labor. This is designed to inform participants about how their accounts translate into income when they retire and to, at least partially, shut the focus from account balance to retirement income. This section goes into effect 12 months after the DOL issues guidance. It is hoped that this will help participants better understand what their projected retirement savings will produce in terms of monthly income in retirement.
- Section 204 provides the fiduciary safe harbor for the selection of a guaranteed retirement income provider, which is effective now.

THE NEW SAFE HARBOR

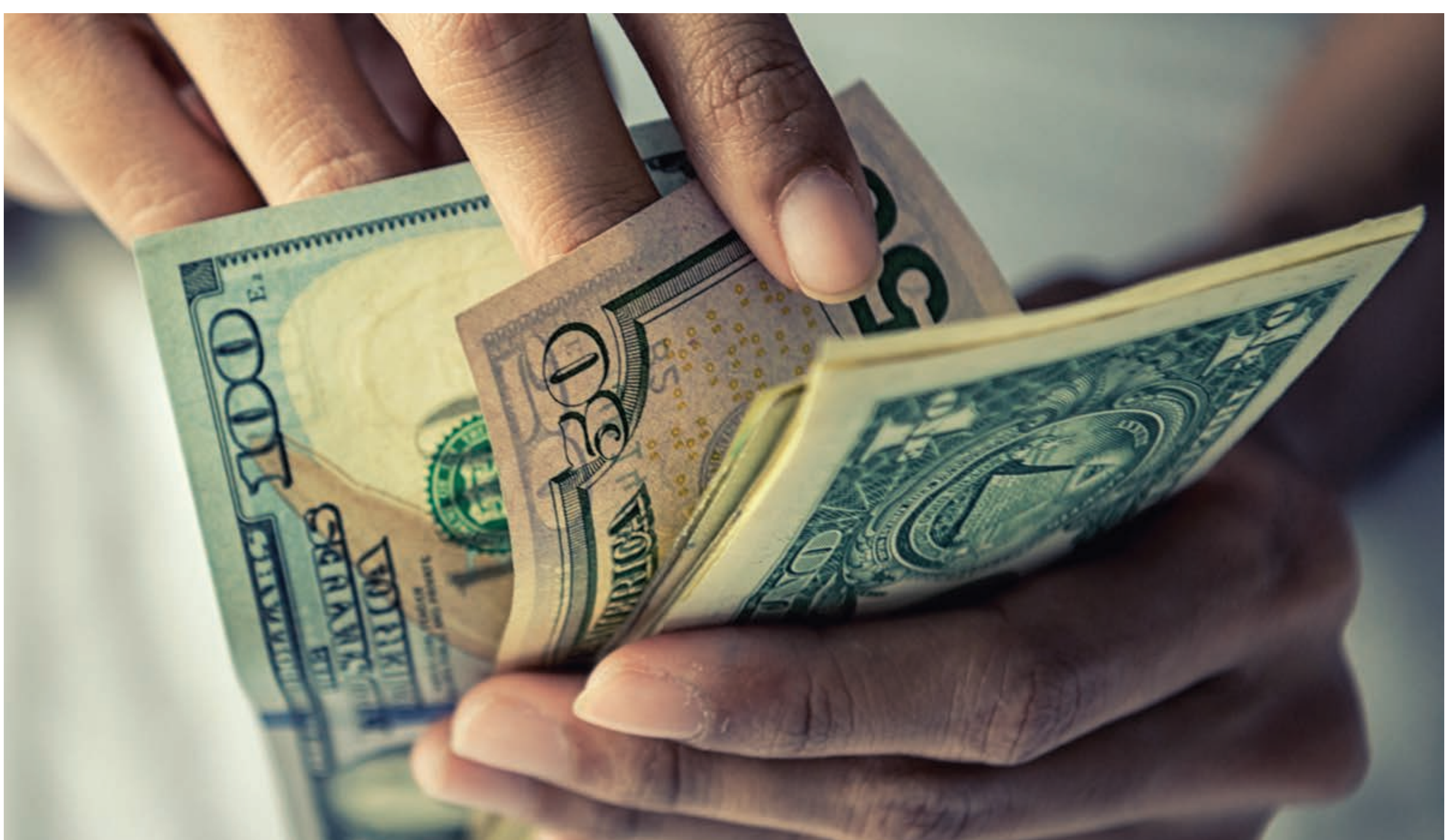
While there are a number of different retirement income "solutions" (such as managed accounts and mutual funds designed to provide sustainable withdrawals), only insurance companies can offer a guarantee. However, the fiduciaries of some plans have balked at the prospect of selecting an insurance company that needs to be around in 20, 30 or 40 years to make payments to the retirees. The SECURE Act safe harbor addresses that.

In essence, the safe harbor says that, when a plan fiduciary of a defined contribution plan selects a "guaranteed lifetime income contract" to be offered under its plan, the fiduciary will be deemed to have acted prudently if it follows the steps outlined in the law. The Act defines "guaranteed lifetime income contract" as an annuity contract or any other contract that provides guaranteed benefits for at least the remainder of the life of a participant in the plan. The new safe harbor means that the fiduciary will not be liable if the insurance company later defaults on its obligation to participants who invest in the contract. The requirement is that the fiduciary obtain specified representations from insurance companies about their financial soundness (and not have any information that contradicts those representations).

FOUR STEPS

A plan fiduciary needs to follow four steps to obtain the safe harbor protection for selection of a "guaranteed lifetime income contract." It must:

- engage in an objective, thorough and analytical search for the purpose of identifying insurers from which to purchase such contracts;
- consider the financial capability of the insurer to satisfy its obligations under the contract;
- consider the cost (including fees and commissions) of the contract in relation to the benefits and product features of the contract and administrative services to be provided under the contract (a subsection says this need not be the lowest cost, but it cannot exceed a reasonable cost); and



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THE FIDUCIARIES OF SOME PLANS HAVE BALKED AT THE PROSPECT OF SELECTING AN INSURANCE COMPANY THAT NEEDS TO BE AROUND IN 20, 30 OR 40 YEARS TO MAKE PAYMENTS TO THE RETIREES.

- conclude, on the basis of these factors, that, at the time of the selection, the insurer is financially capable of satisfying its obligations under the contract and the relative cost of the contract is reasonable.

The key to the safe harbor is the process for considering the financial capability of the insurer. The safe harbor requires that the fiduciary obtain specified information from the insurer. If a fiduciary obtains that information, the fiduciary will be deemed to have satisfied the "consider" and "conclusion" requirements relative to financial capability. Specifically the fiduciary must obtain written representation from the insurer that:

- the insurer is licensed to offer guaranteed retirement income contracts;
- the insurer, at the time of selection and for each of the immediately preceding seven plan years meets the following requirements:
  - operates under a certificate of authority from the insurance commissioner of its domiciliary state which has not been revoked or suspended;
  - has filed audited financial statements in accordance with the laws of its domiciliary state under applicable statutory accounting principles;
  - maintains (and has maintained) reserves that satisfy all the statutory requirements of all states where the insurer does business; and
  - is not operating under an order of supervision, rehabilitation, or liquidation (an "adverse order");
- the insurer undergoes, at least every five years, a financial examination (within the meaning of the law of its domiciliary state) by the insurance commissioner of that state (or by a representative, designee, or other party approved by such commissioner); and
- the insurer will notify the fiduciary of any change in circumstances occurring after the provision of the representations which would preclude the insurer from making the representations at the time of issuance of the contract.

After receiving these written representations, and before making its decision, the fiduciary must not have received notice of an adverse order affecting the insurer and must not have any other information that would cause it to question the representations.

'REASONABLE COST' REMINDER

Note that a fiduciary is not required to verify any of the information provided by the insurer or to dig deeper into the insurer's financial condition or regulatory status. It is only required to obtain the insurer's *representation* as to these facts and not have any information to the contrary.

There is a limitation in Section 204 that fiduciaries need to be aware of, however. The section (only) protects the fiduciary against liability "due to an insurer's inability to satisfy its financial obligations under the terms of such contract." The fiduciary must still determine if the costs are reasonable. This means that, in selecting a guaranteed retirement income contract, a fiduciary will need to engage in a prudent process to conclude that the costs are reasonable (e.g., obtain and review data about costs for similar products in similarly-situated plans). This requirement—the same standard that applies to the selection of any other investment or service to the plan—should be manageable with assistance from the plan advisor, assuming you have access to industry benchmarking data on costs.

WHAT THIS MEANS

The three provisions in the SECURE Act are intended to facilitate the provision and acceptance of retirement income options in defined contribution plans. (Many recordkeepers currently provide an illustration of an income stream and/or calculators for participants to determine this for themselves.)

Some fiduciaries have been reluctant to offer guaranteed retirement income products because of the difficulty in assessing the financial stability of the insurance company (and also due to a concern that participants would lose their guarantees if the plan switched providers). The SECURE Act provides solutions for both of those fiduciary concerns.

It is likely that insurance companies will now provide institutionally priced products to 401(k) plans. To be consistent with existing fiduciary practices, those products should be transparent in their pricing. The next steps will be for recordkeepers to add these products to their platforms. Then plan fiduciaries will need to decide whether to include the products in their lineups in view of the new safe harbor and their plan needs, and, ultimately, participants—perhaps with the assistance of their trusted plan advisor—will need to decide whether to use them. NNTM

Blurred Lines

HOW CANDIDATES AND EMPLOYEES VALUE A BENEFIT PACKAGE IS CHANGING.

By Steff Chalk

Today's booming U.S. economy is unprecedented, ushering in economic progress for a broad cross-section of the workforce.

The country is flush with employment opportunities, with intense competition for employees at every level. Surprisingly, for every 100 people who have the desire to work, more than 96 have found work. The U.S economy has not experienced such employment levels for almost 50 years.

After nearly 10 years of growth, the U.S. economy has made a significant contribution to qualified retirement plans, while the distinction between employee benefits and what used to be referred to as perquisites, or "perks," has become murky. How employees view and value a company benefit package is morphing.

A Tight Job Market Changes Perspective

The search by employers for human capital is as competitive today as at any time since the early 1970s. Each employer views the labor market from a different perspective, but the endgame is the same: organizations need access to quality human capital.

Every organization's money is the same color green. Thus, the battleground for employees has moved from pure compensation to a much less quantifiable area: employee benefits. The results are a blurring of traditional employee benefits (health care, retirement, paid leave) with perks.

Of course, employers still offer cash compensation, health care and qualified retirement plans to potential employees. However, it seems to be the "shiny objects" – student loan debt assistance, remote work opportunities, flexible pay dates, pet insurance, eldercare benefits and concierge services – that garner the headlines and the attention of a workforce that spans four generations of workers.

To oversimplify, the U.S. worker is now being recruited with short-term, less-expensive perks.

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Perks Over Benefits?

Traditional benefits are not trending on Twitter. Saving for retirement is not exciting. But working for an employer who values the health of my cat and my dog – now, that's *perfect*. I can't wait to share it with my friends on Facebook, my connections on LinkedIn and the rest of my social media sphere. *"Having an employer who understands me, and one who also cares about the well-being of my dog, is a deal-maker for me!"* I would like to join this firm because, with these benefits, it is telling me that it values the same things that I do.

Looking deeper, it seems that there is a time-value factor now being assigned by job candidates and employees to compensation and benefits. Potential employees highly value the benefits that will be used – or consumed – sooner than traditional employee benefits like retirement, health care, etc. Part of the value employees assign to a benefit has become the amount of time before one anticipates using the benefit.

One great irony of this new-found fondness that employees assign to non-traditional benefits pertains to qualified retirement plans. A plan participant does not anticipate using the retirement benefit for perhaps 10, 20, 30 years or more. But priorities are changing. In the minds of many potential employees, the traditional perceived value of a retirement benefit now competes with student loan payments or an onsite concierge service. All are valuable in the minds of potential employees.

Staying on point and having employees continue to self-fund their retirement plan is as important now as it ever was. While retirement accounts are a benefit that participants may not "consume" until decades in the future, retirement plan advisors need to continue to meet the challenge of emphasizing the importance of saving for retirement. NNTM

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PEPs Are Almost Here—Now What?

SIX KEY QUESTIONS PLAN ADVISORS SHOULD ANSWER NOW.

By David N. Levine

After years of waiting, the SECURE Act is law. Open multiple employer plans, generally referred to as pooled employer plans (PEPs) under the SECURE Act, can go live in 2021. So what does a plan advisor do now?

A key first consideration that will drive many other areas—especially relationships with current and future clients—is if or how an advisor might change their business to take PEPs into account. This consideration has been the focus of many of my discussions with individual advisors and consultants as well as national aggregators since the SECURE Act was signed into law.

The following questions are a common starting point of most PEP discussions.

Do You Want To Be a Pooled Plan Provider?

There are many viewpoints on whether PEPs will take over the world, be a big "nothing," or be something in the middle. If you decide you want to participate in the world of PEPs, a starting question is whether you want

to be a pooled plan provider (PPP)—in other words, a sponsor of your own PEP. If you do, you have to think about who you work with, how you handle key responsibilities like administrative fiduciary duties that have been typically reserved, even in some 3(16) models, to sponsors, and what your business and structural model will be, because there are literally dozens of way to structure a PEP business. If you are part of a larger organization like an aggregator, even more internal discussion is likely to be needed to figure out your organizational position. No matter what, there are complex legal questions that come up in many PEP structures, so stepping carefully from the start is essential.

Do You Want To Be a Provider to a PEP?

Even if you don't want to be a PPP, you can still have a role in a PEP as a service provider to the PEP. If you do want to be a provider, what role do you take—administrative duties, "collection trustee" (to make sure contributions are properly made) duties, investment management duties, or other services? One key question is how you get selected and find your way into a role.

What Is Your Role for Clients in PEPs?

Many advisors have built their practices on helping their clients design, find, review and replace providers for their plans. With many of the duties in a PEP left in the hands of the PPP or a PEP provider, will you be an evaluator of PEPs? How will you approach advising clients whether or not to join PEPs? How will you balance your responsibilities if you are a PPP or a provider to a PEP that your client is considering? ERISA's complex rules on conflicts can easily come into play as you evaluate how you move forward.

How Will You Engage with New Clients?

Once you have started to figure out if and how you will play a role in the world of PEPs, your focus may quickly turn to how you approach the PEP versus single employer recommendation process and what it will mean for your business. Will you focus on directing some or all of your potential new clients to your own PEP, to a PEP you provide services to, or to PEPs with which you have no ongoing operational role? Again, ERISA's requirements must be taken into consideration here.

How Will You Engage with Existing Clients?

How do you decide which of your current clients might be a good candidate for a PEP? What process do you use to evaluate whether a PEP is good for existing clients—especially if you are involved in a PEP you discuss with your client?

What Are the Risks to my Existing Business?

This last question is often a big focus of PEP discussions after working through the other core questions in this column. There are many roads—from both a business and legal perspective—that it can lead you down.

These basic questions are just the start. As noted already, there are significant client relationship, economic, and legal considerations to take into account as an advisor approaches the new world of PEPs. There are many opportunities, but stepping carefully and with consideration will be essential as the retirement industry evolves in response to the SECURE Act. NNTM

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THOUGHT-PROVOKING CONTENT

In this issue we introduce a new feature highlighting white papers on a variety of thought-provoking topics of interest to retirement plan professionals and those they support. This issue we're featuring some best practices on cybersecurity—and what's holding back health savings accounts? We encourage you to check these out at the links below.

John Hancock

IS YOUR PLAN CYBERSECURE?

Did you know that systems and data security fall within a retirement plan fiduciary's duties? Cybersecurity—or the protection of personally identifiable information (PII)—is integral to a 401(k) plan fiduciary's responsibility to act in the best interests of participants and beneficiaries.

Culled from the DOL's best-practices guidelines, here are six specific actions fiduciaries can consider to satisfy their cybersecurity responsibilities:

1. Prudently select and monitor third-party service providers with a process that includes investigating how PII is protected and documents the factors taken into consideration.
2. Review and, if necessary, amend agreements with service providers to ensure that contractual provisions mandate the protection of plan data and the allocation of liability.
3. Consider buying cyber-liability insurance or include cyber provisions in existing liability policies.

You can check out the remaining steps at **http://bit.ly/jhancockcyber**.

As a fundamental principle, 401(k) plan fiduciaries are obligated to address PII under ERISA. The practices outlined here are part of a complete approach to developing and maintaining an appropriate cybersecurity strategy—and for fulfilling this important aspect of your fiduciary obligations.

PSCA
Plan Sponsor Council of America

WHAT'S HOLDING BACK HSAs?

Why, more than 15 years after its introduction, despite "triple tax" advantages and growing concerns about health care expenses in retirement, aren't there more health savings accounts?

While December 2018 marked the 15th anniversary of legislation that created HSAs, many employers still regard the HSA as a new, untested innovation. As a "new" option, most plan sponsors and workers are not well versed in HSA-capable health coverage requirements. Even workers with access to an HSA option often misunderstand the opportunity, confusing it with the "use it or lose it" requirements of the better known and more prevalent health and dependent care flexible spending accounts (FSAs).

Indeed, various industry surveys estimate that the costs of retiree health care for an age-65 couple may approach $350,000, yet fewer and fewer employers offer retiree medical coverage or educate workers regarding their need to prepare for those expenses. That estimate is for costs in excess of benefits paid by Medicare—even though Medicare trustees project that Medicare trust fund reserves will be exhausted in less than seven years! Little wonder that health care expenses dominate the retirement preparation concerns of American workers.

However, 60% of respondents to the Plan Sponsor Council of America's inaugural survey on HSA design and use said that employee education was their dominant concern about this important health care account.

That said, 16 years after its introduction, only about a quarter (26%) of plan sponsors that offer health coverage offer an HSA-capable health option. Furthermore, the paper points out that many of those employers that do offer an HSA-capable health option position it as less valuable than other PPO or HMO coverage options, and suggests that the education challenge also extends to plan sponsors.

What are the opportunities and education challenges that, a decade and a half later, are still holding back HSAs? Find out the intriguing comparisons with the early days of 401(k)s—including gaps in access to tax-preferred saving, a greater focus on current versus future needs, savings inertia, and financial and investment illiteracy.

The white paper can be downloaded at **http://bit.ly/PSCAHSApaper.**

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'Tacts' Treatment?

ROTH 401(k)S ARE MORE PREVALENT—AND POPULAR—THAN EVER. BUT IS THAT GOOD—OR BAD—FOR RETIREMENT?

Nevin E. Adams, JD

A recent op-ed[i] in the *Wall Street Journal* explored the potential implications—"What 'Rothifying' 401(k)s Would Mean for Retirees," though the focus is on tax policy as well.

You'll remember that so-called "Rothification"—essentially the elimination of the pre-tax treatment currently accorded 401(k) contributions—was quite the controversial issue back in 2017 when the Republican-controlled House of Representatives was looking for ways to raise revenue to help pay for tax cuts.[ii] And while it's not been an active focus of late, it seems likely to resurface as the nation's budget deficit widens, and the field of 2020 presidential aspirants seem determined to find ways to spend more or, in the case of the incumbent, collect less in taxes.

'Out' Comes

As for the WSJ treatment, I'll spare you the short read (longer if you actually check out the 36-page paper it was based upon), and summarize it thusly: later retirements (not by choice, but of necessity), less retirement income and more wealth inequality. Though, at least in the short run, more tax revenue for Uncle Sam.[iii]

Now most of this comes from a key assumption; as the WSJ

> “The concern about mandatory Rothification was always that workers would, in fact, save less.”

piece puts it, “Over their lifetimes, workers would accumulate one-third less in their 401(k)s under a Roth system. This is because, with no tax advantage from contributing to a 401(k), workers would save less and those lower contributions would earn less over the years.”

Said another way, without the tax break, the authors conclude that workers won’t save as much, and saving less means that they’ll have less invested, and that means that they’ll have less retirement income. They also argue that, with Rothified savings, workers would tap into Social Security later—a year later, on average, they claim. They note that with their retirement savings already taxed, wealthier individuals would be inclined to defer taking Social Security (increasing their benefit), widening income inequality.[iv]

‘Less’ on Plan?

The concern about mandatory Rothification was always that workers would, in fact, save less—and this is a concern that employers have expressed, though this was in the context of the ability to save on a pre-tax basis being taken away. That, in turn, seems to be predicated on the notion that workers have a specific dollar amount in mind that they can afford to save, and that if some of that certain dollar amount goes to taxes, there is a dollar-for-dollar offset. Doubtless that’s true for some, particularly among lower-income workers. However, when I have seen savings data, what seems to be the norm is that individuals save a specific percentage of pay, one generally driven either by what’s necessary to earn the employer match, or perhaps that rate at which default contributions are set. In other words, people choose to save 3% of pay, not $50/paycheck.

Now, if *that* perception is accurate, then it seems to me that most individuals might actually save the same amount, regardless of whether it’s pre- or post-tax. And if they were to same at the same rate (and admittedly that’s a big “if”), their retirement outcome might actually be *more* secure—because withdrawals (and taxation) wouldn’t be forced on them by RMD calculations, because they wouldn’t have to worry about those contributions—and the earnings that have accumulated on those contributions—being taxed, and—significantly, because the reduction in taxable income wouldn’t undermine (through “means testing”) Social Security benefits.

But key to the analysis is how participants would respond, and the study cited in the WSJ isn’t the only academic consideration on the subject; one in 2015 found no change in savings rates with a voluntary addition of a Roth feature, and in 2017, the non-partisan Employee Benefit Research Institute (EBRI) found that it might help—or hurt—retirement security—and this is key—depending on the response of participants.

It appears that more participants are being presented with that option. Nearly 70% of plans now provide a Roth 401(k) option, according to the most recent survey by the Plan Sponsor Council of America. Perhaps more significantly, that survey, reporting 2018 plan activity, finds that nearly a quarter of participants (23%) elected to contribute to a Roth when given the opportunity, up from 19.5% in 2017 and 18.1% in 2016—an increase of nearly 30% in just three years.

Academic studies notwithstanding, it’s worth remembering that retirement security isn’t just a matter of how much you have saved at retirement; it’s how much you have available to spend throughout retirement. **NNTM**

FOOTNOTES

[i] The authors of the WSJ article, Olivia S. Mitchell and Raimond Maurer, had previously authored a research paper upon which the WSJ piece was based (albeit with a slightly different title, “How Would 401(K) ‘Rothification’ Alter Saving, Retirement Security, and Inequality?”

[ii] They weren’t, however, the first to propose such a shift. President Obama did so in 2015.

[iii] However, the authors state that the taxes collected on withdrawals of that money exceed the amount of additional income taxes that would be collected during people’s working lives under Rothification.

[iv] As a side note, the authors in the WSJ article note that not only would this be bad for Social Security funding, but they also conclude that the taxes collected on withdrawals would exceed the amount of additional income taxes that would be collected during people’s working lives under Rothification—ostensibly because of their previous assumption that it would be a larger accumulation of money to be taxed.

Cases in Point

IN OUR FALL 2019 ISSUE, WE HIGHLIGHTED THREE SEPARATE ERISA CASES THAT THE U.S. SUPREME COURT TOOK UP LAST YEAR (SEE "FULL COURT PRESS"), AND A FOURTH ON WHICH THERE WAS HOPE THAT IT WOULD TAKE UP THE ISSUE AND RESOLVE AN APPARENT SPLIT IN THE CIRCUIT COURTS. AS WE HEAD TO PRESS, WE'VE GOTTEN THE RESULTS ON TWO OF THE THREE—AND LEARNED THAT THE NATION'S HIGHEST COURT WILL NOT TAKE UP THE FOURTH. SO, LET'S GET CAUGHT UP ON THOSE… RIGHT AFTER WE CATCH UP WITH THE FOLKS AT THE LAW FIRM OF SCHLICHTER BOGARD & DENTON, AND THEIR NEWEST LITIGATION ANGLE…

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Data 'Driven?'

Schlichter finds a new angle in excessive fee suit

The firm that created the current generation of excessive fee suits, and that branched that focus into university 403(b) plans, has now grafted concepts of both into a fresh cause of action—and put recordkeepers—and their use of participant data—in their crosshairs.

In late January, the St. Louis-based law firm of Schlichter, Bogard & Denton has done so on behalf of four participant-plaintiffs in Shell Oil Co.'s $10.5 billion 401(k) plan, filing a proposed class action in the Southern District of Texas (*Harmon v. Shell Oil Co.*, S.D. Tex., No. 3:20-cv-00021, complaint 1/24/20).

Most of the suit covers familiar grounds—excessive fees are the heart of the case, and there are concerns about the heavy reliance by the plan on the proprietary funds of its recordkeeper, Fidelity—challenging the mutual fund window and the "haphazard lineup of over 300 options, most that were proprietary to Fidelity."

Ultimately, the plaintiffs claim that the "retention of underperforming funds, sector and regional funds, funds without a sufficient performance history, and failure to eliminate the over 300-option Fund Window diverged from the practices and actions of knowledgeable and diligent fiduciaries of similar defined contribution plans," and that the "failure to monitor funds in the Fund Window and to remove imprudent investments as described herein caused the Plan and its participants to lose over $222.4 million in retirement savings."

Asset 'Test'

Acknowledging that "paying for recordkeeping with asset-based revenue sharing is not per se violation of ERISA," they nonetheless caution that it can lead to excessive fees "if not monitored and capped." Moreover, alleging that the reasonable recordkeeping fee for the Plan would have been $1,155,000 to $1,333,500 per year (an average of $35 per participant with an account balance), they argue that "the Plan paid between $2.4 million and $6.3 million (or approximately $65 to $190 per participant) per year from 2014 to 2018, over 5 times higher than a reasonable fee for these services, resulting in millions of dollars in excessive recordkeeping fees each year."

If the fund window had issues, so did the managed account that the plan offered. Explaining that, "without personalized information from Plan participants, managed accounts are similar to other lower-cost asset allocation solutions," that "customized and personalized managed accounts often offer little to no advantage over lower-cost funds of funds, such as target-date funds, risk-based funds and balanced funds," and that as "managed account service providers obscure their fees, the duty of a plan sponsor—held to the standard of a prudent expert under ERISA—is to carefully analyze fees charged by multiple providers." And, according to the plaintiffs, "the only way for a Plan sponsor to accurately compare fees of managed account providers is to perform competitive bidding through a request for proposal." Which, as you might expect, the plaintiffs argued the Shell fiduciaries failed to do.

The plaintiffs went on to argue that "Financial Engines charged Plan participants over 350% more than other managed account providers that provide a similar service." In total, they allege that the plan participants paid from $7.8 million to $9.3 million per year to Financial Engines, and that "Shell Defendants never investigated Financial Engines' growing revenue or determined whether Financial Engines' fees were reasonable." And that's not considering that Financial Engines "shares over 25% of that asset-based advice fee with FIIOC, even though FIIOC provides no investment advice." The plaintiffs claims that FIIOC "actively conceals the nature of the payment it receives from Financial Engines," and that so-called "Data Connectivity" charges have not only grown exponentially, but that "once this data connectivity feed is established, there is near zero cost to the recordkeeper to allow electronic data connectivity to the managed account provider on an ongoing basis."

Data 'Minding'

Speaking of fees (and there's a lot of that), the plaintiffs caution that "the entities that provide services to defined contribution plans have an incentive to maximize their fees by putting their own higher-cost funds in plans, collecting the highest amount possible for recordkeeping and managed account services, rolling Plan participants' money out of the Plan and into proprietary IRAs, soliciting the purchase of wealth management services, credits cards and other retail financial products, and maximizing the number of non-Plan products sold to participants."

And, sure enough, starting on page 49 of the 81-page complaint, things took a decidedly different turn. "Plan participants have an expectation that their Confidential Plan Participant Data will be protected by the Plan sponsor and not disclosed outside of the Plan for nonplan purposes, such as allowing the Plan's recordkeeper to proactively solicit participants to invest in retail financial products and services," they argue.

However, they point out that "after FIIOC receives Confidential Plan Participant Data, it shares that data with salespeople at its affiliated companies, including, but not limited to, Fidelity Brokerage Services, LLC and Fidelity Personal and Workplace Advisors, LLC," that that information is uploaded to Salesforce, and that "each time a Fidelity representative has an interaction with a customer, he or she is required to enter information concerning that interaction (i.e., the substance of the discussion) in the "Comments" or "Notes" section of Salesforce, at or around the time that the interaction occurs," and that that data is "shared across all Fidelity affiliates, including all Fidelity Defendants, and is used by Fidelity Defendants to solicit the purchase of nonplan retail financial products and services."

"Fidelity forwards Confidential Plan Participant Data to its local sales representatives when those participants experience triggering events, such as 401(k) distributable events and other events that Fidelity learns of in its role as the Plan's recordkeeper (e.g., adding a new beneficiary or changing marital status)." And they specifically cite the experience of Plaintiff Brian Coble, who lives in Seattle, and who was "repeatedly called" by one Laurie Ovesen, a Fidelity salesperson based in Seattle, "using his Confidential Plan Participant Data in an attempt to solicit the purchase of non-Plan products."

Indeed, the plaintiffs argue that "a significant portion of Fidelity Defendants' business is derived from selling non-Plan retail financial products and services to Plan participants using Confidential Plan Participant Data," and that "the revenue generated by these sales is significant and often represents multiples of the recordkeeping fees received by the service provider."

> "This does appear to be the first case in which a recordkeeper is named as a party to the suit alongside the plan fiduciaries."

They go on to state that, "upon information and belief, based on the size of the Plan and the amount of rollovers of assets reported on the publicly available Form 5500, over $200 million in Plan participants' assets transfer to Fidelity Defendants' IRAs per year, so Fidelity Defendants' expected additional revenue solely from rollovers since 2014 is well over $26.4 million."

'Implicit' Understanding?

Moreover, they note that "Fidelity's role as the 401(k) plan's provider serves as an implicit endorsement of its products by Shell to Plan participants," because, as a 2011 GAO study observed, "participants may mistakenly assume that service providers are required to act in the participant's best interest." However, they note that "FIIOC's disclosure of Plan participant data to Fidelity Defendants for the purpose of soliciting the purchase of nonplan products was a fiduciary breach in that the disclosure was for the purpose of providing benefit to Fidelity Defendants and not for the exclusive purpose of providing benefits to Plan participants and beneficiaries."

The suit states that "Shell Defendants knew or should have known that by retaining FIIOC as the Plan's recordkeeper year after year and allowing FIIOC to receive unfettered access to Confidential

Plan Participant Data which its affiliates used to market Fidelity Defendants' non-plan products to Plan participants, Shell Defendants caused the Plan to engage in transactions that constituted a direct or indirect transfer to, or use by or for the benefit of a party in interest, a valuable asset of the Plan, Confidential Plan Participant Data, in violation of 29 U.S.C. §1106(a)(1)(D)."

'After' Math

The plaintiffs also expressed concern that "allowing the recordkeeper access to Confidential Plan Participant Data creates additional harm to the Plan because it allows the Plan's recordkeeper to maintain Confidential Plan Participant Data after termination of the recordkeeping contract, enabling the targeting and solicitation of plan assets on an ongoing basis with no fiduciary protections, which contributes to participants moving their assets out of the plan and into less favorable retail investment, insurance, and banking products."

The plaintiffs also took issue with the use of plan assets to "pay four employees $2,124,886 from 2014 to 2018, including paying one employee $201,032 in 2015. Shell Defendants also used Plan assets to pay United Airlines $7,404 in 2014 for airline tickets," though the "Plan's Regulations and Trust Agreement provide that the Plan Administrator shall serve without compensation from the Plan." They go on to note that "by establishing expense reimbursement accounts and revenue credit programs that delivered revenue sharing to Shell Defendants in the form of reimbursement of employee salaries and other expenses instead of delivering revenue sharing to the Plan and by paying itself from those accounts, Shell Defendants acted on behalf of a party whose interests were adverse to the interests of the Plan or the interests of its participants or beneficiaries (namely, itself)."

Among other things, the suit asks the court to temporarily or preliminarily enjoin the defendants from the "improper use of confidential, highly sensitive financial information that is solely the property of Plan participants, improper use of a plan asset, which is confidential, highly sensitive financial information that is solely the property of the Plan participants, loss of confidentiality of Plan participants' records and financial dealings, continued solicitation of Plan participants, using their Confidential Plan Participant Data, under the auspices of being the chosen Plan service provider to purchase nonplan retail financial products and services."

What This Means

While recordkeepers and recordkeeping fees have been a near-constant in these cases, and while the relationship and fees between recordkeepers and managed account providers (and specifically Financial Engines) is hardly unique, this does appear to be the first case in which a recordkeeper is named as a party to the suit alongside the plan fiduciaries.

This suit is somewhat unique in its focus on the usage of participant data to promote services outside the plan, but it's not the first time that the issue has been mentioned—though this is the first time it has arisen in the 401(k) context.

Though it seems unlikely to be the last.

— Nevin E. Adams, JD

Actual 'Eyed'

Supremes Rein In 'Actual Knowledge' Standard

In a unanimous ruling, the nation's highest court says you don't need more than a dictionary to know the meaning of "actual knowledge" when it comes to participant awareness regarding 401(k) disclosures.

'Tell' Tale

The decision came in a case involving Intel's 401(k), its decision to invest its custom target-date funds in alternative assets (including hedge funds), and exactly when a participant became aware of a decision that he claimed was a breach of fiduciary duty.

The original lawsuit, filed in November 2015 in the U.S. District Court for the Northern District of California by former Intel employee Christopher Sulyma, had charged that Intel's investment committee boosted the $6.66 billion profit-sharing plan's allocation for hedge funds in the firm's target-date portfolios from $50 million to $680 million, while at the same time the allocation for hedge funds in the diversified global fund rose from $582 million to $1.665 billion, and to private equity investments from $83 million to $810 million, between 2009 and 2014.

The suit claimed that participants were not made

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fully aware of the risks, fees and expenses associated with the hedge fund and private equity investments, or to the underperformance of the company's target-date and global diversified funds compared to their peers, and that as a result participants "suffered hundreds of millions of dollars in losses during the six years preceding the filing of this Complaint as compared to what they would have earned if invested in asset allocation models consistent with prevailing standards for investment experts and prudent fiduciaries."

Judge 'Meant's

The Intel defendants moved for, and ultimately received summary judgment based on their argument that the claims were filed too late, beyond the three-year statute of limitations, measured from when the plaintiff had actual knowledge of the underlying facts constituting his claim. The defendants had presented evidence, cited in in their petition to the Supreme Court, that "during his brief tenure with Intel, respondent regularly accessed the website for those materials," clicking on more than 1,000 web pages within that site; it was undisputed that respondent "accessed some of th[e] information" that disclosed the disputed investment decisions "on the websites."

However, upon appeal, the Ninth Circuit reversed and remanded the decision of the lower court, noting that if (as claimed) "Sulyma in fact never looked at the documents Intel provided, he cannot have had 'actual knowledge of the breach.'" The Ninth Circuit acknowledged that their view of actual knowledge conflicted with the 6th Circuit's reasoning in *Brown v. Owens Corning Investment Review Committee*, where the court held that, "[w]hen a plan participant is given specific instructions on how to access plan documents, their failure to read the documents will not shield them from having actual knowledge of the documents' terms"—but "respectfully" disagreed with that analysis. "As we have previously recognized, 'plan participants who have been provided with [summary plan descriptions] are charged with constructive knowledge of the contents of the document,' not actual knowledge," and that "under our interpretation of ERISA, such knowledge is insufficient."

Reading 'Reading'

Well, as it turns out, the nation's highest court lined up solidly behind the position of the Ninth Circuit. In a unanimous decision authored by Justice Samuel Alito, *Intel Corp. Inv. Policy Comm. v. Sulyma* (U.S., No. 18-1116, 2/26/20), the court held that "a plaintiff does not necessarily have 'actual knowledge' under §1113(2) of the information contained in disclosures that he receives but does not read or cannot recall reading. To meet §1113(2)'s 'actual knowledge' requirement, the plaintiff must in fact have become aware of that information."

> "We must enforce plain and unambiguous statutory language in ERISA, as in any statute."

Now, you might be saying to yourself, "Well, doesn't that substantially diminish the protection for fiduciaries?" However, even if you aren't (yet), the Intel defendants had argued that, and Justice Alito acknowledged that concern—only to brush it aside, writing "if policy considerations suggest that the current scheme should be altered, Congress must be the one to do it." He also cautioned that by the same token, "… petitioners' interpretation would greatly reduce§1113(1)'s value for beneficiaries, given the disclosure regime that petitioners themselves emphasize. Choosing between these alternatives is a task for Congress, and we must assume that the language of §1113(2) reflects Congress's choice."

Alito also noted another argument put forward by the Intel defendants—that once a plaintiff receives a disclosure, they have the knowledge that §1113(2) requires because he effectively holds it in his hand. "In other words, he has the requisite knowledge because he could acquire it with reasonable effort"—but that, he noted, "turns §1113(2) into what it is plainly not: a constructive-knowledge requirement."

Making the Case

Lest you think fiduciaries are without hope of making a case going forward, Justice Alito not only noted that the ruling "does not foreclose any of the 'usual ways' to prove actual knowledge at any stage in the litigation," but that "Plaintiffs who recall reading particular disclosures will be bound by oath to say so in their depositions." Moreover, he not only explained that "actual knowledge can also be proved through "inference from circumstantial evidence," but also laid out a path for success for future defendants, noting that "this opinion does not preclude defendants from contending that evidence of 'willful blindness' supports a finding of 'actual knowledge.'"

But ultimately, Alito explained that (citing *Hardt v. Reliance Standard Life Ins.*), "We must enforce plain and unambiguous statutory language" in ERISA, as in any statute, "according to its terms." And, just in case that wasn't clear enough, he confirmed that, "Although ERISA does not define the phrase 'actual knowledge,' its meaning is plain. Dictionaries are hardly necessary to confirm the point, but they do. When Congress passed ERISA, the word 'actual' meant what it means today: 'existing in fact or reality.'"

What This Means

There's little question that the ruling will make it harder for plan fiduciaries to claim that effective notice has been provided by the series of disclosures, mandated and otherwise, that are purportedly designed to not only communicate plan specifics, but to establish a point of reference from which the statute of limitations may objectively be established.

It's not that the disclosures are less essential to the process—but it may well mean that employers will feel the need to obtain more specific validation that the disclosures were, in fact, seen and read. That said, keep an eye out for more assertions of "willful blindness"—and a surge in those ubiquitous pop-ups that lawyers love in various online service agreements.

You know, the ones that assert you've read something… that you almost never do.

— Nevin E. Adams, JD

'Pass' Tense

Supremes pass on ERISA burden of proof case

The nation's highest court has decided not to weigh in on a case with significant implications for establishing the burden of proof in ERISA cases.

The petitioners seeking review in this case are Putnam Investments, LLC, and they had asked for a Supreme Court review of the case to resolve two issues: (1) which party bears the burden of proof on the issue of causation once a plaintiff has established a breach of fiduciary duty under ERISA and related plan losses; and (2) whether passively managed index funds can be appropriate benchmarks for establishing losses from the improper monitoring of actively managed funds.

'Shift' Rift?

The latter issue arose when, acknowledging that the First Circuit was shifting the burden in its decision in the *Brotherston* case, Judge William J. Kayatta, Jr. shrugged off arguments that the shift in burden of proof would undermine plan formation and encourage litigation by claiming that "…any fiduciary of a plan such as the Plan in this case can easily insulate itself by selecting well-established, low-fee and diversified market index funds." This stance raised concerns of many—including the American Retirement Association, which, in a "friend of the court" filing in support of the motion to review the case, explained, "…by allowing plaintiffs to plead loss as a matter of law by comparing actively managed to passively managed funds, it will inevitably lead fiduciaries to prefer passive investment vehicles, reducing plan participants' choices and potentially generating smaller returns."

As for the burden of proof issue, Putnam had argued that the former issue seems to be split among the circuits—with four circuits (the First, Fourth, Fifth and Eighth Circuits) having ruled that an ERISA defendant bears the burden of proof on loss causation, while the Second, Sixth, Seventh, Ninth, Tenth, and Eleventh Circuits have left that burden on those bringing suit.

What This Means

This puts the case back at something of a restart. Putnam Investments, LLC, had prevailed in the district court, but had seen that "win" rebuffed by the appellate court, which directed the case to be reconsidered by the lower court through the prism of the acknowledged "shift" in the burden of proof cited above. Putnam had jumped "over" that process—requesting a stay in the proceedings while it sought that review by the Supreme Court.

That now being denied, the case would appear to be headed back to the district court for reconsideration, albeit with Putnam now carrying the burden of proof that their actions were not imprudent and did not result in the alleged losses. In 2017, the same court concluded that the plaintiffs failed to identify any specific circumstances in which the company and its 401(k) plan put their own interests ahead of the interests of plan participants, and that the plaintiffs failed to show how Putnam's allegedly imprudent actions

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resulted in losses that required compensation.

Stay tuned.

— Nevin E. Adams, JD

'Good' Riddance?

Supremes punt 'more harm than good' review

Those who had hoped for some clarity—or perhaps a shift—in the standards involving where, and how, to draw the line between the obligations of corporate officials and ERISA plan fiduciaries—will have to wait a little longer.

It's an issue that the U.S. Supreme Court had taken on when agreed to take up the case of *In Ret. Plans Comm. of IBM v. Jander*, which presented the issue "Whether *Fifth Third Bancorp v. Dudenhoeffer's* 'more harm than good' pleading standard can be satisfied by generalized allegations that the harm of an inevitable disclosure of an alleged fraud generally increases over time."

The Case

In this case, the plaintiffs alleged that the IBM defendants (IBM itself, along with the Retirement Plans Committee of IBM; Richard Carroll, IBM's Chief Accounting Officer; Martin Schroeter, IBM's CFO; and Richard Weber, IBM's general counsel) failed to prudently and loyally manage the plan's assets and adequately monitor the plan's fiduciaries. Specifically, they argued that once the defendants learned that IBM's stock price was artificially inflated, they should have either disclosed the truth about Microelectronics' value or issued new investment guidelines temporarily freezing further investments in IBM stock by the plan.

However, those who had hoped for clarity—*Fifth Third Bancorp v. Dudenhoeffer* had been the law of the land since 2014—instead found in a short, unsigned opinion (*Ret. Plans Comm. of IBM v. Jander*, U.S., No. 18-1165, unpublished 1/14/20), the justices declined to address arguments raised by the IBM defendants—and the federal government in its amicus brief—that involved federal securities laws.

Under the *Fifth Third* standard, plaintiffs were required to "plausibly allege an alternative action that the defendant could have taken that would have been consistent with the securities laws and that a prudent fiduciary in the same circumstances would not have viewed as more likely to harm the fund than to help it."

The Decision

However, the Supreme Court noted that while in their briefing on the merits the petitioners (fiduciaries of the ESOP at issue here) and the government (presenting the views of the Securities and Exchange Commission as well as the Department of Labor) focused their arguments primarily upon other matters. The justices stated that "the petitioners argued that ERISA imposes no duty on an ESOP fiduciary to act on inside information." And the government argued that an ERISA-based duty to disclose inside information that is not otherwise required to be disclosed by the securities laws would "conflict" at least with "objectives of" the "complex insider trading and corporate disclosure requirements imposed by the federal securities laws…".

But "the Second Circuit did not address the[se] argument[s], and, for that reason, neither shall we," they wrote.

That said, and recalling that in the *Dudenhoeffer* decision that the justices said that the views of the SEC might "well be relevant" to discerning the content of ERISA's duty of prudence in this context, "…we believe that the Court of Appeals should have an opportunity to decide whether to entertain these arguments in the first instance." And with that, they vacated the judgment of the appellate court, remanding the case to the Second Circuit "to determine their merits, taking such action as it deems appropriate."

Now, that might be the end of things (for now, anyway), but a third of the court chose to share some interesting—but quite different—perspectives on the issue(s) the Supreme Court chose not to revisit. Those concurring, but divergent perspectives can be read online at **https://www.napa-net.org/news-info/daily-news/supremes-punt-more-harm-good-review**.

What's Next

In 2014 the Supreme Court seemed truly concerned that the "presumption of prudence" standard basically established a standard that was effectively unassailable by plaintiffs—and in fact, until that point the vast majority of these cases (including BP and Delta Air Lines, Lehman and GM) failed to get past the summary judgment phase. Indeed, the plaintiff in the IBM case had argued that no duty-of-prudence claim against an ESOP fiduciary has passed the motion-to-dismiss stage since the 2010 decision in *Harris v. Amgen*. They had also noted that "imposing such a heavy burden at the motion-to-dismiss stage runs contrary to the Supreme Court's stated desire in *Fifth Third* to lower the barrier set by the presumption of prudence."

However, when the "more harm than good" standard emerged with *Fifth Third Bancorp v. Dudenhoeffer*, it didn't just establish a new standard, it also led to a refiling of claims of many of the so-called "stock drop" suits. Ironically, up until the IBM decision, those too had generally come up short of the new standard—though they did at least get past the summary judgment stage.

Indeed, since *Fifth Third* replaced the previous "presumption of prudence" standard, a number of these so-called "stock drop" cases have been relitigated, but most have resulted in judgments for the defendants, including BP and Delta Air Lines, Lehman and GM. In *Dennis Smith v. Delta Airlines Inc.*, et al., the 11th Circuit noted that, "while *Fifth Third* may have changed the legal analysis of our prior decision, it does not alter the outcome."

And so, for the moment, anyway, neither does this case. NNTM

— Nevin E. Adams, JD

How (Will?) a (Much) Bigger Start-Up Credit Matter?

THE SECURE ACT INCLUDES A BIG INCREASE IN THE TAX CREDIT FOR RETIREMENT PLAN START-UPS. WHAT KIND OF IMPACT SHOULD WE EXPECT?

By Nevin E. Adams, JD

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Surveys of small business owners have consistently shown cost to be a significant impediment to the adoption of a retirement plan for employees, and the SECURE Act includes a massive increase in a tax credit for start-ups. We asked NAPA-Net readers how much impact that might have.

Well, first off, a solid majority—85%—said that SECURE Act implications was the item that would top the agenda for Q1 reviews—outpacing an investment review (68%), education plan (45%) and the markets (39%).

What It (Might) Mean

Remember that under SECURE, the amount of the tax credit is now capped at $250 times the number of NHCEs eligible to participate in the plan up to a $5,000 annual maximum (but never less than $500), though, as with prior law, the credit is still limited to 50% of the start-up costs. Oh—and "start-up" costs include ongoing administrative costs!

Moreover, if the new plan automatically enrolls employees into the plan on a uniform basis (but at no minimum rate), the employer will get an additional annual credit for start-up costs of $500 per year. And all of this is effective Jan. 1, 2020. Yes, effective for new plans beginning now.

As for the impact of the SECURE Act's significantly expanded tax credit, a majority (57%) thought it would have "some" impact, though half that number opined that it "probably won't have much impact." On the other hand, 1 in 10 thought it would have a "huge" impact on new plan start-ups, while the rest (4%) though that while it might encourage more firms/advisors to sell in that market, they thought it might not ultimately impact the number of new plans.

"We work with a fair amount of start-up plans," explained one reader, who went on to note that *"the set up cost has never been brought up as an issue. It's the ongoing admin and match cost that usually prevents the client from getting started."*

"Start-up costs are minimal to begin with, and probably aren't the reason an employer is avoiding being a plan sponsor," commented another reader. *"It's the ongoing workload and direct and indirect costs and potential liability that turns them off to being a plan sponsor."*

"A tax credit won't be a driver of new plans per se," noted another, *"but will be considered a nice bonus for those that do."*

"This will be especially impactful in states like California where CalSavers legislation is almost forcing companies without a plan to start one," noted another.

Another reader commented that *"If we as an industry get this right, it could have a huge impact. We need to make the startup plan business efficient for everyone involved in order to get retirement plans in the hands of all workers."*

> "Even with a tax credit start up plans tend to be expensive for administration—you may see some movement here if tied to the MEP/PEP strategy."

Or, as another reader noted, *"If communicated well, this is a game changer!"*

Out of 'Focus'?

Perhaps not surprisingly, those who currently focus on start-ups saw things a bit differently than those outside that focus. While only about a fifth of this week's respondents said they focused on that specific segment, more than half—nearly 6 in 10 (58%) said that while they didn't focus on start-ups, but did have some in their "book." As one reader noted, *"not necessarily focused on them, but they're part of overall strategy."* The rest, of course, didn't.

As it turns out, roughly two-thirds (62%) of this week's respondents had sold between one and five start-ups in the past year, while 13% had done more than 15. Just over 1-in-10 (11%) hadn't done any, and the remaining 13% had sold between 5 and 10.

As one reader explained, *"We are fortunate to have great referral sources. Sometimes this means we need to help start-up plans. While not the biggest driver of revenue, philosophically, we do want to see a plan set up correctly from the beginning."*

"We would only focus on start-ups that are willing to pay a flat fee to have the plan managed professionally," explained one. *"Those companies that would only start one based on the tax credits are not likely to be willing to pay to have their plan managed professionally."*

"We don't turn anyone down," said another. *"Start-ups are priced below our costs. Our way of helping the industry."*

"They are not a target of ours but due to relationships in our area we have earned a name for ourselves as someone that can help get these up and running," explained another.

Or, as another reader commented, *"It is really hard to service start-up plans when there is no reasonable compensation back to the advisor."*

Change 'Parse'?

As for how (if?) the SECURE Act provisions might change things—well it didn't seem to be a game-changer right out of the block, but a healthy plurality (41%) were "keeping an open mind." As for the rest:

24% - No, not currently interested, and not enough here to change that.
20% - No, I'm already focused on start-up plans.
11% - Yes, SECURE is going to make a big difference in my focus.
4% - Yes, I was focused on start-ups, but now I'm rethinking that focus.

Other Comments

Previously, I didn't really focus on start-up as the cost was detrimental and I didn't like SIMPLE Plans. But this will definitely let me offer a new service as it arises.

We will be adding the credit to our proposals so they can see the impact. Very happy about it.

Of course, in addition to all of the comments above—well, we got a *lot* of comments this week. Here's a sampling:

"Tax credit will be received well by start-up plans especially since it goes for 3 years."

"They represent a returnless risk. We have our biggest challenges with our smallest plans."

"I think it is a step in the right direction, but as with most things in the retirement plan space it is up to advisors to do the heavy lifting and get the word out."

"Anything that can be done to move start-ups forward should be positive. if the government could figure out some way of cutting regulation and intimidation, it would be easier."

"It is harder to find recordkeepers and custodians who will take start-ups! I'm hoping this will open more of those doors."

Start-up plans usually require some employer spend to offer, so those who have zero budget, this could potentially get them to set up a plan. Unfortunately, a tax credit is delayed gratification, which still doesn't solve for the cash flow issue of offering a plan. There are many small businesses that just can't spend $500-$2,000 on this as their budgets are already stretched too thin."

"We expect the tax credit to remove hesitation about setting up a new plan. With the tax credit, employers with lean cash flow may now afford to implement an employee deferrals only 401(k) plan with little to no cost. It is a great way to start some savings."

"Great job NAPA! in pushing this through. Hopefully this gains some traction for more."

Thanks to everyone who participated in this week's NAPA-Net Reader Poll! Don't forget to keep up with all the SECURE Act updates at our special SECURE resource page: **https://www.napa-net.org/industry-intel/hot-topics/secure-act.** NNTM

Regulatory Review

IN MANY RESPECTS THE FIRST QUARTER OF THE YEAR SEEMS TO BE THE CALM BEFORE THE "STORM" OF ANTICIPATED NEW FIDUCIARY REGULATIONS, PROPOSED REGULATIONS, AND REG BI COMPLIANCE. STILL, REGULATORS WEIGHED IN ON KEY ISSUES LIKE CYBERSECURITY, RIA EXAMINATIONS, AND NOTICE REQUIREMENTS IMPACTED BY THE SECURE ACT. MORE SEEMS JUST AHEAD, SO STAY TUNED….

Cyber Insecurities

SEC outlines cybersecurity and resiliency best practices

Recognizing that there is no such thing as a "one-size fits all" approach, the SEC has published guidance to help firms in the securities market enhance their cybersecurity preparedness and operational resiliency.

Published by the Commission's Office of Compliance Inspections and Examinations (OCIE), the "examination observations" highlight specific examples of practices and controls that organizations have taken to potentially safeguard against threats and respond in the event of an incident.

Among the areas addressed in the report include governance and risk management, access rights and controls, data loss prevention, mobile security, incident response and resiliency, vendor management, and training and awareness.

"Through risk-targeted examinations in all five examination program areas, OCIE has observed a number of practices used to manage and combat cyber risk and to build operational resiliency," notes OCIE Director Peter Driscoll. "We felt it was critical to share these observations in order to allow organizations the opportunity to reflect on their own cybersecurity practices."

To that end, the report strongly encourages firms, providers and vendors participating in the securities markets to appropriately assess and manage their cybersecurity risk profiles, including their operational resiliency, as cyber-threat actors are becoming more aggressive and sophisticated—and in some cases are backed by foreign governments.

Risk Management

The SEC explains that although the effectiveness of any given cybersecurity program is fact-specific, it highlights a key element of effective programs: the incorporation of a governance and risk management program that includes, among other things:

- a risk assessment to identify, analyze and prioritize cybersecurity risks to the organization;
- written cybersecurity policies and procedures to address those risks; and
- the effective implementation and enforcement of those policies and procedures.

In the area of data loss prevention, for example, the SEC recommends that firms establish a vulnerability management program that includes routine scans of software code, web applications, servers and databases, workstations, and

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endpoints both within the organization and applicable third-party providers.

The report also advises firms to keep an eye on user access and develop procedures that:

- monitor for failed login attempts and account lockouts;
- ensure proper handling of customer requests for user name/password changes, as well as procedures for authenticating unusual customer requests;
- consistently review for system hardware and software changes to identify when a change is made; and
- ensure that any changes are approved, properly implemented and that any anomalies are investigated.

"Data systems are critical to the functioning of our markets and cybersecurity and resiliency are at the core of OCIE's inspection efforts," SEC Chairman Jay Clayton said in a statement. "I commend OCIE for compiling and sharing these observations with the industry and the public and encourage market participants to incorporate this information into their cybersecurity assessments."

Both the OCIE and FINRA recently released their respective exam priorities for 2020 and cybersecurity and other information security risks across the examination programs were top priorities.

— Ted Godbout

2020 'Hindsight?'

IRS clarifies 2020 RMD notifications

Earlier this year the IRS issued a clarification on the notifications about required minimum distributions that must be provided to IRA owners who will turn 70½ in 2020, in light of the provisions of the SECURE Act.

Under the SECURE Act, the new required beginning date for an RMD for an IRA owner is April 1 of the calendar year following that in which the individual attains age 72, not age 70½. Thus, notifications concerning RMDs for those who will turn 70½ in 2020 are no longer due on Jan. 31, 2020.

Acknowledging that financial institutions only had a short amount of time after the enactment of the SECURE Act on Dec. 20, 2019 to change their systems for furnishing the RMD statement, in Notice 2020-6, the IRS says that if an RMD statement is, or already has been, provided for 2020 to an IRA owner who will reach age 70½ in 2020, the IRS will not consider that statement to be incorrect—as long as the financial institution notifies the IRA owner no later than April 15, 2020, that no RMD is due for 2020.

Notice 2020-6 notes that the SECURE Act did not change the required beginning date for IRA owners who reached age 70½ before Jan. 1, 2020. It also encourages—but does not require—financial institutions to remind IRA owners who reached 70½ in 2019 and have not yet taken their 2019 RMDs that they still must take those distributions by April 1, 2020.

The notice is available online at **https://www.irs.gov/pub/irs-drop/n-20-06.pdf**.

— John Iekel

Sights 'Seeing'

SEC sets sights on 'never-before and not-recently examined' RIAs

RIAs that have never been examined and those that have not been examined for several years will be of particular interest to the Securities and Exchange Commission in 2020.

In the newly released 2020 exam priorities of the SEC's Office of Compliance Inspections and Examinations (OCIE), the SEC explains that these examinations will include RIAs advising retail investors as well as private funds and will focus on whether the RIAs' compliance programs have been appropriately adapted in light of any substantial growth or change in their business models.

"As markets evolve, so do risks and potential harm to investors. OCIE continually works to adjust its examination focus areas to target these risks and publishes its annual priorities to communicate where we see the potential for increased risk and related harm," notes OCIE Director Pete Driscoll. "We hope that this transparency helps firms evaluate and improve their compliance programs, which ultimately helps protect investors."

As such, the report says, the OCIE will again emphasize the protection of retail investors, especially seniors and those saving for retirement. Examinations in these areas will include reviews of disclosures relating to fees, expenses and conflicts of interest.

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Investment company examinations will focus on mutual funds and exchange-traded funds, the activities of their RIAs and the oversight practices of their boards of directors. Broker-dealer examinations will focus on issues relating to the preparation for and implementation of recent Regulation Best Interest rulemaking, along with trading practices.

Reg BI Implementation

To further assist broker-dealers before the June 30, 2020 compliance date for Reg BI and Form CRS, OCIE plans to engage with broker-dealers during examinations on their progress on implementing the new rules and questions they may have.

After the compliance dates, OCIE says that it intends to assess implementation of the requirements, including policies and procedures regarding disclosures of conflicts, and for both broker-dealers and RIAs, the content and delivery of Form CRS. Moreover, OCIE notes that it has already integrated the Interpretation Regarding Standard of Conduct for Investment Advisers into the IAIC examination program.

A continued priority of the OCIE will be examinations of RIAs that are dually registered as—or are affiliated with—broker-dealers or have supervised persons who are registered representatives of unaffiliated broker-dealers. Here, the areas of focus will include whether the firms' compliance programs address the risks associated with best execution, prohibited transactions, fiduciary advice or disclosure of conflicts regarding such arrangements.

OCIE will also prioritize examining firms that utilize the services of third-party asset managers to advise clients' investments to assess, among other things, the extent of these RIAs' due diligence practices, policies and procedures.

OCIE also notes that it is interested in the accuracy and adequacy of disclosures provided by RIAs offering clients new types or emerging investment strategies, such as ESG criteria focused on sustainable and responsible investing.

Other 2020 examination priorities include:

- *Fintech, Digital Assets and Electronic Investment Advice.* Advancements in financial technologies, methods of capital formation and market structures, as well as registered firms' use of alternative data, warrant ongoing attention and review, according to the report. Continued examinations will include firms engaged in the digital asset space, as well as RIAs that provide services to clients through robo-advisors.
- *Market Infrastructure.* Entities that provide services critical to the functioning of capital markets, including clearing agencies, national securities exchanges, alternative trading systems and transfer agents, will be a continued focus. Particular attention will be on the security and resiliency of entities' systems, the report notes.
- *Information Security.* OCIE will continue to prioritize cybersecurity and other information security risks across the entire examination program.
- *Anti-Money Laundering Programs.* Compliance with applicable anti-money laundering (AML) requirements, including whether entities are appropriately adapting their AML programs to address their regulatory obligations, will be subject to ongoing review.
- *FINRA and MSRB.* Oversight of FINRA will include examinations on FINRA's operations, regulatory programs and the quality of FINRA's examinations of broker-dealers and municipal advisors. OCIE will also continue to examine the Municipal Securities Rulemaking Board (MSRB) to evaluate the effectiveness of its operations, procedures and controls.

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FY 2019 Activity

Looking back at 2019, the OCIE notes that it completed 3,089 examinations. While this is a 2.7% decrease from FY 2018, the report observes that this may have been the result of the month-long suspension of virtually all examination activity due to the government shutdown.

Examinations of RIAs in FY 2019 registered at approximately 2,180, covering 15% of this population, while examinations of investment companies increased by nearly 12% to more than 150. OCIE also completed more than 350 examinations of broker-dealers, 110 examinations of national securities exchanges and more than 90 examinations of municipal advisors and transfer agents.

OCIE issued more than 2,000 deficiency letters during FY 2019, with many firms taking direct corrective actions in response to those letters, including by amending compliance procedures or a regulatory filing, enhancing their disclosures or returning fees back to investors.

— Ted Godbout

'Half' Measures

The Cuban Missile Crisis and RMDs

What connection could there possibly be between RMDs and the most perilous confrontation between the United States and the Soviet Union?

Seyfarth's Richard Schwartz articulates the answer in a recent post on the firm's blog.

In October 1962, the two superpowers stood eye to eye over missiles the Soviet Union had stationed in Cuba, just off the southern tip of Florida. For 13 days the two nations stood on the brink of a nuclear conflict, before the Soviets finally blinked and removed the missiles.

While the White House was occupied with the crisis, Congress continued business as (mostly) usual, including passing the Self-Employed Individuals Tax Retirement Act of 1962 (Pub. L. 87-792), which was enacted that same month. Schwartz writes that the legislative history of the measure indicates that Congress adopted the half-birthday (as in age 70½) convention "to accord with usual insurance practice which treats the maturity date of an annuity, endowment or life insurance contract as falling on the anniversary date of the policy nearest to the insured's birthday."

Nearly 60 years later, the SECURE Act was enacted. The new law removes that vestige of one of the most tense times in U.S. history—dropping the half-year convention and providing for an RMD date starting at age 72.

Schwartz notes that the reasons for the switch from age 70½ to 72 include a rise in life expectancy since 1962 and a shift in the predominant form of retirement benefit from DB pension plans to individually based accounts such as DC plans and IRAs. "Congress has become increasingly concerned about the ability of workers today to fund a sufficient retirement for themselves. The SECURE Act includes several provisions that reflect this concern, the deferral of the RMD date being just one such provision," writes Schwartz. **NNTM**

— John Iekel

SEARCH ENJOINS

The DOL's Employee Benefits Security Administration has made it easier to find information about the status of an individual retirement plan and its operations, releasing an enhanced search tool for Form 5500 filings.

In addition to searching for specific filings, users now can search for filings using new filters that include plan type, plan asset value, number of participants, employer plan types, business codes, form years and locations, according to the DOL's Jan. 23 announcement. The tool allows users to search for Form 5500 series returns/reports filed since Jan. 1, 2010. In addition, the number of search results generated has been increased to 5,000 filings, and users may export search results to a CSV file.

The new search tool is available at **https://5500search.dol.gov/**.

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1 "2018 DC Survey: Recordkeepers," *PLANSPONSOR*, 2018.
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