RETIREMENT PLAN PERSPECTIVES

Insights for Your Plan and Employees

Q3 2017

Retirement Plan Governance Basics

Sponsors of workplace retirement plans, such as 401(k) and 403(b) plans, have a lot on their plate. To make room for more immediate day-to-day responsibilities, they often need to push aside their benefit plan administration duties. But retirement plans, with their copious Department of Labor (DOL) and Internal Revenue Service (IRS) requirements, need comprehensive fiduciary and administrative oversight. By exercising proper plan governance—the framework for administering and making decisions for your retirement plan—you can ensure that you stay organized and compliant even when you have so many things to do.

Bolstering your plan governance process benefits you and your firm far beyond being compliant with DOL and IRS regulations. How? A solid plan governance structure can streamline your decision-making workflows, mitigate fiduciary risk, improve participant and plan outcomes, and help to control plan costs.

Below are some plan governance tips that you can integrate today to more effectively administer your company's retirement plan:

Bringing order to plan documents.

At the heart of every ERISA retirement plan is a plan document. It prescribes the written terms of the plan—things like eligibility, contribution limits, vesting schedules, and distribution options—that need to be strictly adhered to when administering the plan. Other critical plan-related documents may include service provider agreements and contracts, summary plan descriptions, custodial agreements, plan amendments, and copies of communications pertaining to all plan decisions and transactions.

Plan governance tip: Maintain a plan governance file (either in hard copy or digital) that contains all important plan documentation. On an annual basis, use a checklist to review the contents of the file to ensure that all documents have been retained and reflect any changes that were implemented over the course of the prior year.

Managing plan investments.

Although it is not required by ERISA, the Investment Policy Statement (IPS) is nonetheless strongly recommended—it may be the single most important retirement plan document for a fiduciary. Essentially, the IPS is the blueprint that defines all investment-related decisions of the plan (e.g., removing or adding a fund). Like the plan document, its terms must be rigorously followed. Remember, having an IPS whose terms are too complicated or confusing can lead to just as many problems as not having one at all. Keep your IPS simple and easy to follow—use plain language and avoid stringent stipulations that would be difficult to implement.

Retirement Plan Governance Basics *(continued)*

Plan governance tip: If plan sponsors—as fiduciaries—do not possess expertise in a particular area, they are required by ERISA to hire a "prudent expert" to assist them with duties that fall under it. Many plan sponsors hire a retirement plan advisor or consultant to help them manage plan investments and maintain the IPS while sharing their fiduciary duty as the steward of their employees' retirement plan assets.

Staying on top of employee communications.

Offering a 401(k) savings plan to employees is hardly a "set it and forget it" proposition for employers! In addition to administrative and fiduciary duties, plans sponsors are tasked with ensuring that their employees understand their plan benefits and are given access to investment and retirement savings educational content. This includes required communications (e.g., qualified default investment alternative [QDIA] notices, the Summary Annual Report, and participant fee disclosures), as well as financial education or advice and enrollment materials (usually delivered by a financial advisor).

Plan governance tip: Create and maintain an annual employee communications calendar. Planning ahead for the delivery of required notices and periodic enrollment or educational sessions will help to keep you and your staff on point and keep your employees well informed.

Keeping up with annual compliance reporting and tax filings.

Retirement plans, as tax-favored savings vehicles, are chock-full of IRS rules and regulations. And plan sponsors bear the responsibility of fulfilling (often with the assistance of service providers) annual compliance requirements such as nondiscrimination testing, Form 5500 filing, and transactional processing. Further, many compliance-related tasks need to be completed within certain time parameters, so internal organization of workflows is paramount to fulfilling your administrative obligations.

Plan governance tip: Keep a comprehensive list of annual compliance and reporting tasks, and assign an owner of each function. Some tasks may be handled internally by your firm, and others may be handled by a service provider, such as your third-party administrator (TPA) or recordkeeper. Being organized can keep your plan ticking like clockwork and keep it compliant.

TRENDS IN PLAN GOVERNANCE

A recent survey conducted by Willis Towers Watson identified three major areas of plan governance focus for retirement plan sponsors. Do you and your firm share similar concerns and interests?

1) **Retirement readiness:** Plan sponsors increasingly worry whether their employees can retire as initially planned; an increasing number may not be financially ready to leave the workforce. This can have an adverse impact on the organization.

2) **Outsourcing:** In larger number, employers are leaning on third parties for help with investment-related activities around their retirement plans.

3) **Regulations:** Regulatory risk continues to be a top concern, with 31 percent of plan sponsors having dealt with a government audit of their plan.

Retirement Plan Governance Basics *(continued)*

Retirement plans have a lot of moving parts. By introducing the tips above to your plan governance routine, you'll be laying the foundation for compliance and administrative success. For more plan governance best practices that will benefit you and your firm, consult your retirement plan advisor.

401(k) Cybersecurity: Important Questions for Plan Sponsors to Ask

A critical, yet often overlooked, aspect of a plan sponsor's fiduciary oversight is how a recordkeeper or TPA protects their employees' sensitive personal data. With corporate giants such as Target, Neiman Marcus, Anthem, HBO, and Equifax suffering major—and well-publicized—data breaches in recent years, cybersecurity must be at the top of any retirement plan fiduciary's priority list. Here are some basic questions you can ask your service providers about their data security methods:

- What are your processes and procedures for dealing with cybersecurity threats and protecting our employees' personal information?
- Do you conduct periodic risk assessments to identify your company's susceptibility to cybersecurity threats and the impact of potential business disruptions?
- Do you conduct an annual independent assessment of your cybersecurity systems and policies?
- Does your company employ a chief information security officer (or equivalent position)?

We Can Help

Contact us if you would like to discuss how you can improve your plan governance framework, assess your service providers cybersecurity policies, or any aspect of your plan—we're ready and willing to help.

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