TOPICS POINTERS SOLUTIONS

IMPORTANT UPDATES FROM YOUR 401(K), ACTUARIAL, HUMAN RESOURCES, PAYROLL AND GROUP MEDICAL EXPERTS.

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TOP FEARS OF EMPLOYEES APPROACHING RETIREMENT

The decision to retire often brings a mix of emotions: relief, excitement, and anticipation of more time to relax, travel, and pursue other interests. However, retirement is a significant life change with emotional, psychological, and financial implications. Even people who feel they've planned well and are ready to retire may experience some trepidation once they actually make the move.

A 2019 survey by the Transamerica Center for Retirement Studies found that top retirement fears include the following:

- **Not Having Enough Money to Last through Retirement**. Almost half of workers expressed fears of outliving their savings. This is not an unreasonable concern, given that Americans in general aren't saving enough for retirement, and often underestimate what their expenses will be when they stop working. With the disappearance of pensions, many employees need to shoulder the responsibility themselves of saving enough for retirement.

- **Changes to Social Security**. The majority of would-be retirees worry that Social Security payments will be reduced or even eliminated by the time they retire. While trust fund reserves are projected to become exhausted by 2037, with continuing taxes expected to pay just 76 percent of scheduled benefits, Congress is likely to make necessary adjustments to keep the program running. Social security payments are currently made to 50 million people. While Social Security was never intended to be the sole source of support for people in retirement, it is a major source of income for the elderly.

- **Health Concerns.** In addition to fears about Alzheimer's disease or other forms of dementia, employees worry about access to affordable healthcare and the costs of nursing home care. According to Fidelity, a 65-year-old couple retiring in 2019 can expect to spend approximately $285,000 on health care and medical expenses during their retirement years.[1] This does not include the costs of long-term care. The average annual cost for nursing home care varies across the country but can range from $80,000 to over $100,000. People who retire before they can go on Medicare at age 65 need to factor in the expense of health insurance coverage in their retirement plans.

There are many things we can't control in life. However, it's important to develop the best plan possible for retirement and carefully consider your options.

TPS GROUP

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WHAT EMPLOYERS NEED TO KNOW ABOUT CYCLE 3 RESTATEMENTS SHOULD HIRE A 3(16) FIDUCIARY

Every six years, the IRS requires employers to restate their qualified retirement plan documents to incorporate any recent legislative and regulatory changes that occurred since the documents were last rewritten. “Restating” is a complete rewrite of plan documents.

In Announcement 2020-7, the IRS confirmed that the next restatement cycle for pre-approved defined contribution plans is the two-year period that began on August 1, 2020, and closes on July 31, 2022. (The IRS has separate cycles for defined benefit plans and 403(b) plans.) It’s important to note that even if you are an employer that just established a new retirement plan, it will still need to be restated within the two-year time frame.

This “Cycle 3” restatement means that all qualified pre-approved 401(k) plan documents will need to be amended, certified by the IRS, and adopted by the plan sponsor by the deadline of July 31, 2022. This is a mandatory IRS requirement with penalties for non-compliance. Employers should look for communication from their Third Party Administrators (TPAs) regarding the upcoming restatement and their process for completing it. Many TPAs will start preparing the required documents in 2021.

During this Cycle 3 Restatement period, a number of new laws affecting retirement plans have been voted into law, including the SECURE Act and the CARES Act that have impacted the operation of qualified plans. However, IRS approval letters for Cycle 3 plan documents only consider the legislative and statutory changes made prior to February 1, 2017. This means that regulations concerning hardship distributions effective in January 2019, the SECURE Act, and CARES Act regulations still need to be addressed in separate, good-faith amendments and not in the plan documents.

Restatement provides employers with the opportunity to update their plans with mandatory statutory changes, voluntary discretionary changes, and even possible enhancements. Your TPA can advise you of changes that can make the plan operate more efficiently and/or make it more valuable to you and to employees.

FINANCIAL WELLNESS AND EMERGENCY SAVINGS

Money is a leading cause of stress for most Americans, even those considered wealthy. Surveys show that people worry about retirement savings, unexpected medical costs, college tuition expenses, and credit card debt, among other financial concerns. Even before the economic impact of the coronavirus pandemic, many people were living paycheck to paycheck. Some surveys show that a significant percentage of Americans would find it difficult to cover an unexpected expense of $500 from money they've saved.

Achieving financial wellness means different things to different people. But besides contributing to a retirement plan and paying down credit card debt, creating an emergency savings account is an important part of financial planning. Consider your emergency fund as a cushion to help you absorb big-time and unpredictable expenses. A job loss, a major car repair, replacement of a furnace or large appliance, or costs resulting from a medical crisis or natural disaster are emergencies that can impact your ability to pay your regular monthly bills.

Some experts recommend saving three months of income in an account that is accessible, such as a basic savings or money market account. Set up an automatic transfer on a regularly scheduled basis. It's easier to save money when it's automatically deducted from your paycheck or other account.

If budgeting for emergency savings is a challenge, try apps that let you track expenses and create a monthly budget. There are a wealth of free resources online, such as financial newsletters and podcasts. You might also consider taking a class on a financial topic that interests you or talk to a financial professional.

Regardless of what your income level is, financial wellness is having a sense of financial security and the freedom to make spending choices. It's also a feeling of control over your day-to-day expenses, the ability to handle setbacks without being derailed, and confidence that you're on track with certain financial goals.

PLAN FIDUCIARY EXPLAINED

RECENTLY, THERE HAS BEEN AN INCREASED AMOUNT OF DISCUSSION ABOUT PLAN FIDUCIARIES IN A QUALIFIED RETIREMENT PLAN. SOME OF THIS TERMINOLOGY MAY BE UNFAMILIAR TO YOU. FOR AN EXPLANATION OF THE MANY TYPES OF PLAN FIDUCIARIES THAT COULD BE ASSOCIATED WITH YOUR PLAN:

ERISA SECTION 402(A) NAMED FIDUCIARY –

is designated in the plan document as having the overall authority to control and manage the operation and administration of the plan. Most commonly, the Named Fiduciary is the ERISA section 3(16) Plan Administrator.

ERISA SECTION 403(A) TRUSTEE –

is named in a 401k plan or trust document and has exclusive authority and discretion to manage and control plan assets.

ERISA SECTION 3(16) PLAN ADMINISTRATOR –

is the person or entity "so designated" in the plan document. The employer is the default Plan Administrator if none is designated. The Plan Administrator is basically responsible for any fiduciary responsibility not assumed by the ERISA section 403(a) Trustee.

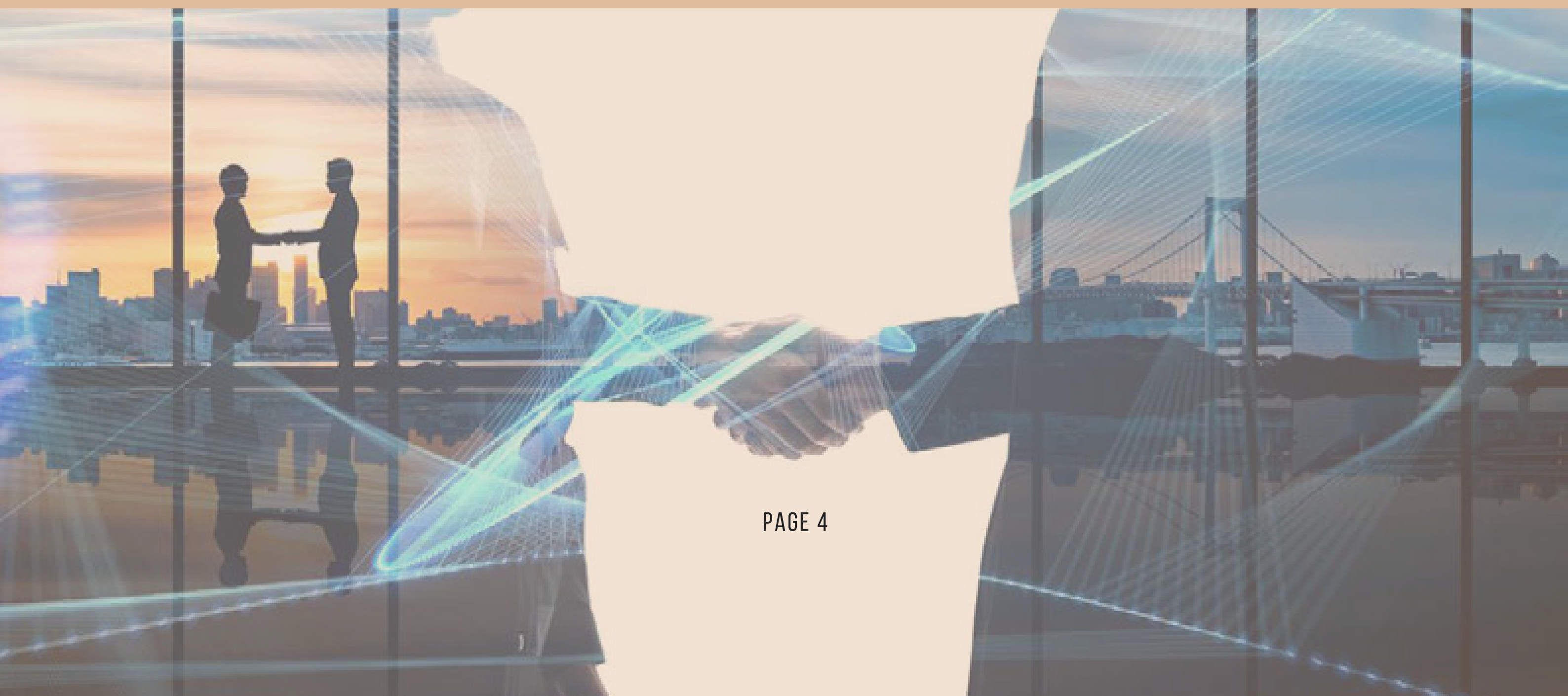
ERISA SECTION 3(38) INVESTMENT MANAGER –

is the person responsible for selecting, managing, monitoring, and benchmarking the investment offerings of the plan.

THIRD-PARTY ADMINISTRATOR (TPA) –

is responsible for annual ERISA compliance (testing, Form 5500, plan document maintenance, participant notice preparation) and is not considered a fiduciary.

Did you know that you can appoint TPS Group 3(16) Service, LLC to help with the day-to-day administrative burdens associated with your 401(k) plan? Let the 3(16) Team help you get back to focusing on your daily tasks and work alongside you as a co-fiduciary on your plan. Call us to learn more! 833-829-8036



TRENDS FOR 2021...COMMENTS FROM OUR HR CONSULTANTS

THE LAST 12 MONTHS BROUGHT FORTH SIGNIFICANT CHANGES IN THE WORKFORCE, INCLUDING PANDEMIC SAFETY PROTOCOL AND AN INFLUX OF REMOTE WORKERS. WE ASKED A FEW OF OUR HR CONSULTANTS TO WEIGH IN ON THEIR TOP CONCERNS FOR 2021 AND WHAT ADVICE THEY HAVE FOR EMPLOYERS:

Kim Colegrove,
VP HR Consulting & Compensation Services

“The pandemic of 2020 and stay-at-home orders brought great pressure on many employers to abruptly transition all or a portion of their workforce to remote. Many employers did not have comprehensive tele-work policies in place and now that things have settled down a little are adding policies to deal with numerous tele-work challenges. Any employer with full time, part time, or periodic remote employees should have a comprehensive policy outlining company expectations. A lot of employers do not recognize that the employee’s home office is an extension of the employer’s worksite...and employees don’t understand that teleworking doesn’t eliminate company policies and expectations. Employers really need comprehensive telework policies along with employee/employer agreements the conditions and expectations of telework”

Teri Schatz,
Director HR Consulting & Compensation Services

“For 2021, we envision the trend to continue in employers updating their time off accrual and leave policies to comply with state mandated leave benefits. It can be time consuming and overwhelming for employers to develop time off policies and procedures to ensure compliance with federal and state leave laws, particularly for multi-state employers.We are also seeing EEO policies that need to be updated for gender identify and sexual orientation.Finally, with the passage of legalized marijuana laws over the last few years by number of states, we continue to work with employers to guide them on how these regulations impact their workplace and review their drug-testing policies to ensure compliance with evolving laws in this area.”

Michael Goodrich PHR,
Senior HR Consultant

“Reviewing and updating your employee handbook regularly greatly limits the employer’s potential liability. Keeping your policies updated is also important because it provides employees with information about the terms and conditions of their employment and this helps the employer maintain good employee relations. 2020 brought a lot of challenges for employers as they responded to pandemic challenges. For 2021 we expect to see a lot of employers fine tuning their workplace safety policies and implementing vaccination policies and vaccination incentive programs.”