SPECTRUM

RETIREMENT PLAN SOLUTIONS

Insight from Alliance Benefit Group, One of the Largest National Independent Retirement Plan Providers

Founded in 1992 • Administration of Over 20,000 Plans and 1.7 Million Plan Participants • $86 Billion in Assets Under Management • Plans in All 50 States

SUMMER 2019

Inside This Issue

CONFIDENCE IN RETIREMENT SECURITY REBOUNDS

Helping employees prepare for a comfortable retirement continues to be a driving commitment for plan sponsors across America. At ABG, we recently reviewed the results from the Employee Benefit Research Institute's 2019 Retirement Confidence Survey to take the current pulse of employees' attitudes to retirement. Here are the highlights:

2 In 3 Employees Were Confident

The percentage of employees who feel confident about their ability to live comfortably in retirement has rebounded back to pre-financial crises levels — 67% compared with 64% in 2005 and the low of 54% in 2009.

In addition, it is interesting to note that:

- 59% are confident that they will have enough money to take care of medical expenses during retirement versus 54% in 2018.
- 52% are confident they will have enough for long-term care expenses versus 42% in 2018.

But What Does The Math Say?

While many employees believe they are doing a good job saving for retirement, just 4 out of 10 surveyed have calculated how much money they will need to live comfortably throughout retirement. Of those, 1 in 3 estimate that they will need at least $1 million.

Encouragingly though, more employees have calculated how much they believe they will need to cover medical expenses in retirement — 29% have estimated medical expenses in retirement compared with 19% in 2018 as awareness around increasing medical costs coupled with increasing longevity grows.

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ERISA TURNS 45

This year marks the 45th anniversary of the Employee Retirement Income Security Act of 1974 (“ERISA”). The act established standards for private sector pension, health and other employee benefit plans that increased protections for plan participants and their families. While the retirement landscape continues to evolve, ERISA’s mandate has remained unchanged: continue to protect America’s employees’ retirement savings.

ERISA Throughout the Years

When the Studebaker Corporation closed its manufacturing plant in South Bend, Indiana in 1963 it was at a time when companies promised not only lifetime employment, but lifetime income in the form of pensions. However, Studebaker’s poor financial health forced thousands of workers to receive either reduced lump sum pension benefit payments or nothing at all for a lifetime of employment. In fact, 4,500 workers lost 85% of their vested benefits. This landmark default served as a precursor to pension protection and ultimately a solution was born — the Employee Retirement Income Security Act.

A Favorable Result Over Time

While the central intent of ERISA was to increase the number of workers who would have private pension income for the future, the Act has evolved and expanded throughout the years by not only protecting retirement savings but guarding health benefits and welfare benefit plans as well. In fact, ERISA has been strengthened in a number of ways such as expanded health care provisions, improved retirement portability, and increased fiduciary investment advice.

Overall, retirement industry experts frequently point out that the structure of ERISA has served employers and workers well. U.S. workers have benefited from the following as a result:

- **Flexibility of investments -** the American worker has access to more efficient and cost-effective investments, enabling them to reach retirement faster and with potentially higher accumulated balances.
- **Enhanced vesting rules -** shorter vesting time frames have proven beneficial for most workers since their introduction with ERISA.
- **Establishment of the Pension Benefit Guaranty Corporation (PBGC) -** protecting defined benefit pensions by providing timely and uninterrupted payment of pension benefits if an employer plan fails. Currently PBGC protects the retirement benefits of nearly 37 million workers and retirees.

Looking Ahead at the Next 45 Years

As we move forward, ERISA will need to continue to evolve to keep pace with the changing workplace and employee demographics. Possible future enhancements that are currently under discussion and proposed in the Setting Every Community Up for Retirement Enhancement Act of 2019, the SECURE Act, that was recently passed by the House include:

- Allowing employers without a 401(k)-type plan to join together in what is termed a multiple-employer plan (MEP). Companies can transfer some of the administrative burden and fiduciary responsibility for a retirement plan from the employer to a third-party plan administrator.
- Encouraging 401(k)-style plans to offer annuities that can help workers convert their accumulated balances into a steady lifetime income. To encourage employer participation, this may include some protection measures from future lawsuits when choosing an annuity provider.
- Increasing the age for taking required minimum distributions (RMD) from tax-deferred retirements from 70½ to 72.

For the past 45 years ERISA has sought to protect the financial well-being of retirees and future retirees, resulting in favorable retirement outcomes for millions of Americans. As the retirement plan industry continues to evolve, it’s important that the regulations adapt to changing workplace needs as they evolve as well. As you move forward with your employer-sponsored plan, your local ABG representative is available to help you with any questions you may have.

FINANCIAL WELLNESS OVER 50

One of the biggest challenges plan sponsors face nowadays is the complexity of a workforce that includes three generations planning for retirement (Baby Boomers, Generation X, and Millennials). While financial wellness continues to be a top priority for plan sponsors, there are many different issues and approaches to consider for this diverse employee demographic. In this article, we'll take a look at the considerations for employees over 50 years of age.

The Caregivers Between Generations

Often considered the "sandwich generation" between elderly parents and children, these employees bring a unique set of challenges when it comes to saving for retirement. Plan sponsors have the opportunity to help these older plan participants accumulate wealth, and create a realistic plan for their retirement future. However, they must first understand where these employees are now in terms of their financial wellness and the various generational issues involved.

For example, the growing responsibility of caregiving expends a great deal of emotional energy, time, and financial resources for many workers entering their 50s. In fact, Forbes reported that families spend more time and money caring for elderly parents than they do raising children.*

But don't forget the children. These same employees may also be funding college, paying off student debt or providing financial support post-college as their young adults start out in the work force.

Managing Financial Priorities

Financial wellness programs that address how to manage competing financial priorities such as these by focusing on managing a budget, paying down debt and saving for retirement can be extremely helpful for these often financially-stressed plan participants. Encouraging these employees to take advantage of catch-up contributions to their 401(k)s as they can and promoting participation in health savings accounts (HSAs) can also be helpful to this cohort.

Retirement Shouldn't Just Happen

Despite their many financial distractions, it is also important for these employees to be thinking realistically about retirement by asking themselves the following three questions:

- When will I have enough to retire comfortably?
- How long will my money last?
- When do I want to I retire?

Although retirement may seem a long way off and many employees plan to work until they are 65 or older, the reality is many employees actually end up retiring earlier for a number of reasons which can unfortunately involve declining health or loss of employment. In fact, the median retirement age for retirees, as noted recently in an Employee Benefit Research Institute survey, was 62.

Sandwiched between two generations, some of these employees may think it's too early for them to consider these three retirement questions given their day-to-day responsibilities dealing with children and aging parents. However, they should not forget about their own goals and retirement planning.

ABG offers a variety of programs to help employees manage their financial wellness and plan for a comfortable retirement at whatever their stage of life. To learn more, speak with your local ABG representative.

** Gleckman, Howard, "Families Spend More to Care for Their Aging Parents Than to Raise Their Kids." Forbes, 2017.*

CONFIDENCE IN RETIREMENT SECURITY REBOUNDS

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Debt Is Derailing Savings Goals

More than half of employees surveyed reported feeling unable to save for retirement and meet other financial commitments at the same time, reporting that debt and competing financial priorities negatively impact their ability to save for retirement:

- 6 in 10 workers responded that their level of debt is a problem.
- 7 in 10 workers report that they would find workplace education or advice on how to manage competing financial priorities to be helpful.

What About Social Security & Retirement?

The share of employees who believe that Social Security will be a major source of income in retirement is significantly down from last year, dropping from 67% in 2018 to 59% in 2019. Conversely, 8 in 10 employees surveyed believe their employer-sponsored plan will be a key source of income in retirement.

Retiring When?

While many of the employees surveyed expect to retire at 65 years old, the 2019 Retirement Confidence Survey also surveys current retirees and revealed that the median retirement age is 62. In fact, many retirees actually retired earlier than they expected — most often because of a health problem or company restructure.

Lastly of note, 3 in 4 employees surveyed stated that income stability was more important to them than maintaining wealth. The idea of a retirement income distribution solution that provided reliable income, regardless of whether the product was an in-plan investment option or a separate product purchased at the time of retirement, was of interest to 3 out of 4 employees surveyed.

The Takeaways

Increased confidence in being able to fund a comfortable retirement shows that many employees are feeling more positive about retirement as a long-term goal. However, many have not actually quantified what it will take to fund that comfortable retirement based on what they project to be their expenses in retirement.

In addition, competing financial priorities seem to be taking away from a number of employees' abilities to save or perceptions surrounding their abilities to save. Clearly, greater definition and clarity is needed around retirement goals and managing competing financial priorities.

ABG Offers Educational Tools To Help Participants

ABG is committed to providing programs that can help plan sponsors offer participants access to financial wellness tools and ultimately encourage greater participation in their retirement plans. Your local ABG representative is happy to provide you with a refresher on the tools available for your plan participants and help you with any questions you may have.

ABG NEWS

LDI And ABG Partner To Offer iJoin

LDIntelligence LLC (LDI), a financial services firm specializing in delivering solutions to the retirement plan industry, and Alliance Benefit Group have partnered to offer iJoin — an innovative enrollment, engagement and managed account technology platform.

Through its iJoin Product Suite, LDI provides technology that improves the retirement plan enrollment process, helping savers better target success and stay on track, while also enabling financial advisors to better assist both plan sponsors and participants to achieve their retirement plan goals. LDI also provides technology to enable individual goal-based managed account programs.

According to ABG President, Don Mackanos, "LDI's iJoin suite is an important differentiator for our member firms. In a competitive market, it allows us the ability to deliver a superior enrollment experience for employees, while focusing on what matters most — helping them target their individual retirement goal."

ABG Member Recognized As Top Advisor By 401(k) Specialist

Brad Arends, Co-founder and CEO of ABG member firm intellicents, has been named as the "Top Advisor by Participant Outcomes" by industry publication *401(k) Specialist* for May 2019.

Under Mr. Arends' leadership, intellicents creates a detailed retirement readiness report for each plan participant that tracks their progress and outlines the actions they need to take to improve their outcomes. An annual aggregated retirement readiness report is also created for each plan sponsor, detailing what percentage of their workforce is on track to retire on time and with enough money.

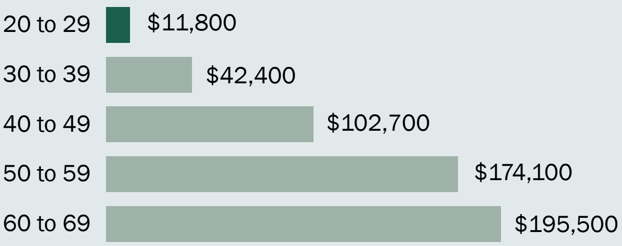
"Our entire business model is centered on outcomes. It's what intellicents is all about," said Mr. Arends. "Participant education and advice campaigns can then be designed to improve their outcome metric. Our most progressive clients have even added employer-paid holistic financial planning as part of their worksite financial wellness programs to move the dial."

With headquarters in Albert Lea, Minnesota, and branch offices in Eden Prairie, Minnesota, Des Moines, Pella, and Lake Mills, Iowa; Leawood, Kansas; Tacoma, Washington; Denver, Colorado; and now Dallas, Texas, intellicents serves over 300 employers, with 46,000 participants, and almost $4 billion in assets under management and advisement.

DID YOU KNOW?

The Average 401(k) Balance by Age

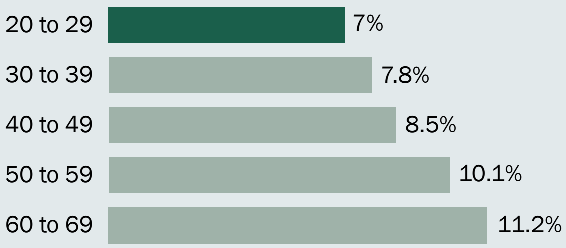
How much Americans have in their 401(k) plans as of the first quarter of 2019.



Source: Fidelity

The Average 401(k) Contribution Rate by Age

How much Americans are contributing to their 401(k) plans as of the first quarter of 2019.



LEGISLATIVE HIGHLIGHTS

This quarterly legislative column provides timely defined contribution industry insights and updates for plan sponsors.

1. **Setting Every Community Up for Retirement Enhancement Act (SECURE):** Passed by the House of Representatives, the Senate will vote on the proposal that includes:
   - » Allowing multiple employer plans that enable small businesses to band together to offer a workplace retirement plan.
   - » Including annuities in 401(k)s as an investment option by reframing the current annuity safe harbor provision.
   - » Increasing the required minimum distribution (RMD) age from 70½ to 72.
2. **SEC Best Interest Rule: Adopted in June by the SEC, the rule introduces three fiduciary-related reforms:** Regulation Best Interest that governs broker-dealers, the customer relationship summary outlining disclosure requirements, and interpretative guidance on a fiduciary standard for advisors.
3. **Automatic Retirement Plan Act of 2017 (H.R. 4523):** This bill, that was originally introduced in 2017 by Representative Richard Neal (D-MA), would require employers to have a retirement plan, either a 401(k) or 403(b) plan, and automatically enroll participants into the plan. Further, the law would require employers to defer at least 6% of employees' salaries with an automatic increase provision. It is expected that Representative Neal, now the Chairman of the House Ways and Means Committee, will reintroduce the bill for consideration.

TAX TALK

In this issue of Tax Talk, we update you on important upcoming compliance deadlines for defined contribution plans and provide a quick overview of the Summary of Material Modification.

Upcoming Compliance Deadlines

July 2019	
July 29	» Deadline for sending Summary of Material Modification (SMM).
July 31	» Deadline for filing Form 5500 (without extension). » Deadline for filing Form 5558 to request automatic extension of time to file Form 5500. » Deadline for filing Form 5330 - Return of Excise Taxes Related to Employee Benefit Plans.
September 2019	
September 30	» Deadline for distributing Summary Annual Report (SAR) to participants provided the deadline for Form 5500 was not extended.
October 2019	
October 15	» Deadline for adopting a retroactive amendment to correct an IRC Section 410(b) coverage or IRC Section 401(a)(4) nondiscrimination failure for 2018. » Extended deadline for filing Form 5500.

Summary Of Material Modification

When a retirement plan is amended or when the information in the Summary Plan Description (SPD) has changed, participants should receive a Summary of Material Modifications (SMM). This SMM should be a plain language document that describes the change and must be provided no later than 210 days after the close of the plan year for which the modification was adopted. The plan administrator is responsible for sending the SMM to participants.

ABG Is Your Resource

For any questions about any of these compliance deadlines or the Summary of Material Modification, please contact your local ABG representative.