PENTEGRA Your AdvantEDGE

Second Quarter 2022

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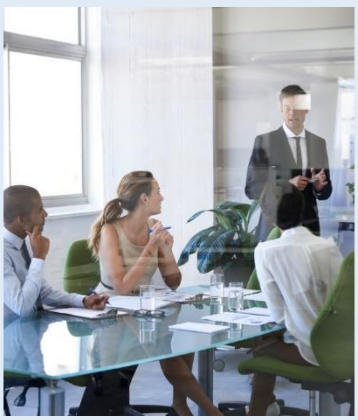

Using Your Plan to Help Attract and Retain Employees

More employers are enhancing their retirement plan to compete for new employees — and keep the ones they have

Increasingly, plan sponsors are refreshing their workplace retirement plans to give employees both the opportunity to save more for retirement and the flexibility to use both their personal and employer contributions in innovative ways to manage their financial needs. This trend comes as employers increasingly look to boost their employees' retirement security and financial well-being, according to findings in the 2022 Next Evolution of DC Plans Survey from Willis Towers Watson.

The survey results show that more than one in four respondents (28%) expect to make changes to their plans' automatic deferral features, whereas four in 10 plan sponsors (38%) expect to adopt an innovative contribution strategy. These strategies include allowing participants to use their contributions to reduce student loan debt or directing contributions to an emergency savings fund or a health savings account.

Using the Retirement Plan As a Key Attraction and Retention Tool

More than half of the survey respondents (55%) expect to have attraction and retention issues over the next two years, with one-third (36%) of those considering their retirement plan as an important tool to attract and retain employees. Significant gaps in priorities are expected over the next two years between sponsors that connect their plan with attraction and retention and those who do not. Those that do are focusing on using their defined contribution (DC) plan to enhance employee engagement for retention, raise the importance of attracting new talent and align diversity, equity and inclusion goals.

According to the survey, 75% of employers plan to enhance their defined contribution retirement plan offerings to better support the financial needs of their current employees, and remain competitive to potential recruits. Eighty-two percent of employers plan to focus on changing and enhancing the employee experience when engaging with their retirement plans. Almost all employers plan to offer personalized one-on-one support, and 91% plan to boost their digital tools to help employees with budgeting and spending.

The 2022 Next Evolution of DC Plans Survey was conducted during January and February 2022. A total of 363 U.S. employers that sponsor a DC plan participated in the survey. Respondents employ 8.4 million employees and represent a broad range of industries. Results can be viewed at: https://tinyurl.com/ye597yp9.

The "Great Job Switch?"

According to the Bureau of Labor statistics, while 4.4 million workers decided to leave their jobs in February 2022, about 6.7 million people were hired during that same time. Many industry analysts believe it's more appropriate to call this trend "The Great Job Switch" instead of "The Great Resignation."

Stay the Course in Uncertain and Volatile Times

With the market's volatile start to the year, it's understandable why retirement plan participants may be concerned. It's often the fear of the unknown that causes individuals to act on emotion and make investment decisions they may later regret. Right now, we are facing continued market volatility primarily due to increased inflationary pressures, higher interest rate expectations, and uncertainty stemming from the Russia and Ukraine conflict.

Although the current geopolitical conflict will likely contribute to increased short-term market volatility and higher energy prices, historically, geopolitical crises do not generally have sustained, long-term market consequences. To demonstrate this point, consider a review of twelve historical events that included, the 2003 Iraq War, 1979 Iranian hostage crisis and the 1962 Cuban missile crisis, among others. In nine of the twelve events, the market as defined by the S&P 500 Index, was higher a year after the conflict ended, with an average gain of 8.6%.[1]

Below are **three strategies** to consider that may help protect retirement plan accounts during unavoidable market volatility:

The Importance of a Diversified Portfolio

Times of increased market volatility come as an important reminder to maintain a diversified portfolio that is not concentrated in any specific geographic region or asset class. This may decrease risk while simultaneously increasing the potential for investment returns. Diversification may reduce the severity of market fluctuations since different assets classes have varying degrees of correlation with each other and, therefore, experience different returns. Holding a variety of asset classes may reduce the likelihood that any one asset class may have a disproportionate adverse effect upon your retirement portfolio.

Staying in the Market Can Be More Important Than Timing the Market

Often an appropriate strategy is to stay invested during periods of volatility and not try to time the market. Take a look at the chart below. Over the past 20 years, $10,000 invested in the S&P 500 Index has grown to over $60,000. However, if an investor missed the 10 best days of market performance over that time frame, their investment would be less than half that amount. And if they missed the 20 best days, their investment return would have been 72% lower.

The Power of Rebalancing

Rebalancing can be a powerful tool for your retirement account. It provides a way to stay aligned with your risk profile and alter your asset allocation, as appropriate, to help stay on track with your long-term goals.

Market volatility is a normal occurrence when investing in the financial markets. It is important to remember that having a disciplined approach and staying the course are often the best tactics for long-term success.

Understanding the Scope of Responsibilities as a Retirement Plan Committee Member

A retirement plan committee member may be a plan fiduciary and, consequently, held personally liable to the plan if he or she is granted or exercises discretion in the operation or administration of a retirement plan that is subject to the Employee Retirement Income Security Act of 1974 (ERISA).

According to the Department of Labor (DOL) Interpretive Bulletin 75-5[1], if the governing plan documents state that the plan committee controls and manages the operation and administration of the plan and specifies who shall constitute the plan committee (either by position or by naming individuals to the committee), then such individuals are named fiduciaries of the plan pursuant to ERISA §402(a)[2].

A number of court cases have found that a plan committee member may be a functional fiduciary of the plan because of his or her actions and subject to personal liability if he or she exercises discretion in the administration of the plan Gaunt v. CSX Transp., Inc., 759 F. Supp. 1313 (N.D. Ind. 1991) [3]. A plan committee member may consequently be held personally liable to the plan for losses resulting from fiduciary breaches.

Having a plan committee charter may help mitigate fiduciary liability for the committee members by carefully outlining the members' roles and responsibilities. Further, having an ERISA 3(16) Fiduciary Administrator may also help to reduce fiduciary liability risk for a retirement plan committee. A 3(16) fiduciary assumes responsibility and liability for making sure that plan administrative tasks are done correctly and on time.

Plan sponsors and retirement committee members may not have—or want—the knowledge of how retirement plans work, yet in their role as fiduciaries, they are legally responsible for administering their plans. By engaging a 3(16) fiduciary, the plan sponsor can shift fiduciary responsibility for these duties and mitigate the risk that comes with running a retirement plan.

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URL to article: https://retirementlc.com/are-plan-committee-members-fiduciaries/URLs in this post:
[1] Department of Labor (DOL) Interpretive Bulletin 75-5:
https://www.govinfo.gov/content/pkg/CFR-2007-title29-vol9/pdf/CFR-2007-title29-vol9-sec2509-75-5.pdf
[2] ERISA §402(a): https://www.govinfo.gov/content/pkg/COMPS-896/pdf/COMPS-896.pdf
[3] Gaunt v. CSX Transp., Inc., 759 F. Supp. 1313 (N.D. Ind. 1991): https://law.justia.com/cases/federal/district-courts/FSupp/759/1313/1472919/

Pentegra's Continuing Education (CE) Program

Pentegra's Continuing Education (CE) program is designed to deliver continuing education credit on various retirement plan topics.

Types of credit we offer (valid for one hour of credit) include:

- CPE
- CIMA®, CPWA®, CIMC®, and RMA®
- CFP®
- SHRM-CP and SHRM-SCP recertification

Continuing Education Courses Schedule for 2022:
Washington Pulse: Practical and Tactical Actions for Plan Sponsors (also version for Business Owners)

When: July 20th, 2022 at 2:00 pm ET
Presenter: Rich Rausser
Registration Link: https://attendee.gotowebinar.com/register/3602274294768334094

Practical and Tactical Actions for Small Business Owners
When: August 24, 2022 at 2:00 pm ET
Presenter: Mary Read
Registration Link: https://attendee.gotowebinar.com/register/4307722054925728270

Demand Stays Strong for Cash Balance Plans
When: September 21, 2022 at 2:30 pm ET
Presenter: David Barrer
Registration Link: https://attendee.gotowebinar.com/register/8161079301722794508

Pentegra's Quarterly Webinars

Join us on Tuesday, July 12th at 2:00 p.m. for the second installment of our 2022 quarterly webinar series. Designed to keep you in the loop into Pentegra and industry happenings, we are joined each quarter by members of our Pentegra staff to provide commentary and industry highlights and news. This quarter, we will provide a Board meeting and technology update, along with a discussion of the current capital markets & investment landscape.

Agenda

- Board meeting highlights & commentary from the quarter - Robert Alin
- Technology Update - Pete Sprague
- Capital Markets & Investment Discussion – Chris LaMarca & Chuck Coldwell

July 12, 2022

2:00pm - 2:40pm EDT

Register Now

The presentation should last approximately 40 minutes and will be hosted by Chuck Coldwell, Kate Blake, Robert Alin, Peter Sprague., and Chris LaMarca. Please feel free to forward this invitation to other members of your staff as appropriate. We hope that you will join us for these informative sessions and look forward to your feedback.

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