RETIREMENT INSIGHTS

A RESOURCE FOR PLAN SPONSORS AND ADMINISTRATORS

Raising the Bar

Doing More For Employees Through Financial Wellness

According to a new survey, employers' sense of duty regarding employees' financial wellness continues to grow. The JP Morgan Asset Management 2023 Defined Contribution Plan Sponsor Survey reports that nearly 90% of surveyed sponsors feel a "very high" or "somewhat high" level of responsibility, up from 74% in 2019 and 59% in 2013, the first year of the survey.

The increasing interest by plan sponsors in providing financial wellness programs is directly in line with how employees feel about financial wellness. According to a JP Morgan's 2021 Defined Contribution Plan Participant Study, more than 9 of 10 participants feel that financial wellness programs are an important benefit. In addition, nearly 7 of 10 surveyed participants believe that their employers have a responsibility to help with employees' financial wellness. Employers who add this benefit will likely bolster recruitment and retention efforts as well as overall employee engagement and productivity.

Goals and Program Features

Four out of 10 surveyed sponsors report offering a financial wellness program beyond their retirement and health benefits, and an additional three out of 10 are considering offering one. The most frequently cited goals

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Raising the Bar

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of these programs are to help employees' financial stability, retirement planning and financial education. Additionally, sponsors with a financial wellness program more often see their retirement plans as effective in meeting key goals, compared with those without such a program. And almost all (95%) believe they are helping make sure employees have a financially secure retirement.

Surveyed sponsors offering a financial wellness program are significantly more likely to provide income protection benefits, such as life and disability insurance. One-quarter offer student loan debt assistance, and around four out of 10 offer emergency savings benefits, one-on-one financial coaching and/or debt management assistance.

Growth of Other Wellness Benefits

There has been a clear expansion into other wellness-related benefits as employers have recognized the interconnection of overall employee financial and personal wellness, productivity and turnover. More than seven out of 10 surveyed sponsors report offering employees life insurance, and six out of 10 offer disability insurance and mental health benefits. In addition, half make health savings accounts (HSAs) available, and just under half provide paid parental or caregiving leave.

How HUB Can Help

Interested in learning more? Your HUB financial professional is always available to discuss the features and benefits of HUB FinPath, our proprietary financial wellness program that includes a comprehensive online learning platform, an extensive library of financial planning tools and resources, as well as financial coaches who can work directly with your employees.

In addition to employee financial wellness, the JP Morgan Asset Management 2023 Defined Contribution Plan Sponsor Survey also covers other components of retirement plans, including plan design, investments and retirement income.

Online Resources

Internal Revenue Service (IRS), Employee Plans
www.irs.gov/ep

U.S. Department of Labor,
Employee Benefits Security Administration
www.dol.gov/ebsa

401(k) Help Center
www.401khelpcenter.com

PLANSPONSOR Magazine
www.plansponsor.com

BenefitsLink
www.benefitslink.com

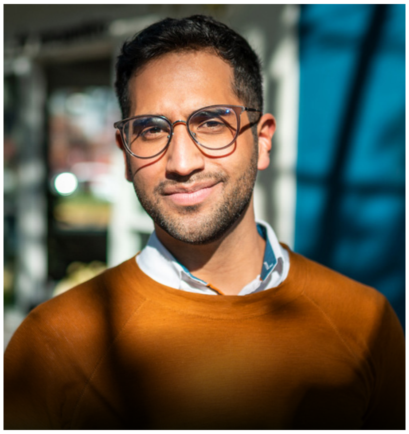
Plan Sponsor Council of America
www.psca.org

Employee Benefit Research Institute
www.ebri.org

The American Way

Keeping Your Investment Menu Competitive and Relevant

As a plan sponsor, it's prudent to compare how your investment menu looks compared to peers. If you're using your retirement plan as a recruitment and retention tool, you want to make sure you are competitive with what you are offering to employees. And from a fiduciary standpoint, it's important to be in line with industry standards. It's also important to remember that there is not a one-size-fits-all investment lineup. As a fiduciary, you are responsible for offering a lineup that is appropriate for your participants.



Vanguard's How America Saves 2023 report provides a comprehensive snapshot of plan investment menu offerings, participant usage and emerging trends across the country. Consider using this report as part of your ongoing investment review meetings with your advisor to help ensure that your offering remains competitive and meets the needs of your employees. Next are some key findings from the 2023 study.

Investment Menu Size

According to Vanguard's report, if you count target date and target risk funds as a single offering, the median investment menu contains 16 options (the number jumps to 27.2 if you count each target fund offered separately). Only 8% of plans offered more than 25 distinct investment options, whereas 9% of plans offered 10 or fewer.

The number of funds used by participants in retirement plans has declined over the past decade, likely due to the creation of target date and target risk funds. The average number of funds used by participants is currently 2.4. The survey advises the importance of finding the right balance of fund options — enough so that your employees can be adequately diversified, but not so many as to cause choice overload and confusion as they go through the selection process.

Types of Options Offered

Nearly all Vanguard defined contribution plans offered an array of investment options covering four major investment categories: equities, bonds, balanced funds (including target-date and target-risk strategies) and money market or stable value options. Diversified equity funds continued to be the most popular type of fund offered. Ninety-six percent of plans now offer target-date or target-risk funds.

Types of Options Used

A balanced fund (including target-date and other balanced funds) is the most common participant holding (87% of all participants), followed by a diversified domestic equity fund (30% of all participants). Only 1 in 5 plans offer a self-directed brokerage option. Of those plans, only 1% of participants use it, representing 2% of plan assets.

Alternative Investments

Alternative investments have very low usage in Vanguard's retirement plans. Alternative investments include things such as private equity, hedge funds, real estate, commodities and energy. In general, plan sponsors have been hesitant to offer alternatives due to the lack of participation, operational challenges and associated costs (particularly potential litigation risk and cost).

Vanguard's How America Saves 2023 can be found at https://tinyurl.com/y5f3pc3b. It includes comprehensive data on all aspects of retirement plan design, features and usage.

Asked & Answered

Q: *Can you clarify the DOL's new 401(k) audit rule for Form 5500?*

A: For Form 5500 purposes, 401(k) plans with 100 or more participants at the beginning of the plan year are considered a "large plan", while plans with fewer participants are considered a "small plan." Large plans must file an audit report with their Form 5500, while most small plans do not.

Recent Department of Labor (DOL) changes to the Form 5500 now allow plans to count fewer participants when determining the need for an audit. Under the previous method, 401(k) plans had to count all eligible participants, regardless of whether they had an account balance.

With the new method (which is effective for plan years beginning on or after January 1, 2023), plans must only count participants with an account balance. The DOL expects the change to eliminate the audit requirement for 20,000 small business 401(k) plans. This is good news considering the cost, time, and effort of an audit for employers. Small businesses should understand how the method will affect their 401(k) plan's audit status this year.

Q: *We are in preliminary discussions with our recordkeeper about adding the SECURE 2.0 provision allowing employers to make matching contributions connected to student loan repayments. Is there any data available yet to help us determine the value of offering this to our employees?*

A: Following a pause for three years during the COVID-19 pandemic, federal loan repayments resumed on October 1 of last year. After surveying more than 2,100 federal student loan borrowers, Corebridge Financial found that 75% said that resuming student debt payments will impact their ability to save for retirement. In order to make payments, 22% said they plan to reduce how much they save for retirement, and 29% plan to reduce their emergency savings. And while many assume younger employees are impacted the most by student loans, a new survey by Nationwide found that more than 1 in 10 employees aged 45 and older currently have student loan debt. Most of these individuals (61%) agree that the reinstatement of student loan repayments has negatively impacted their financial stability and long-term planning.

For more in-depth discussion, including considerations for plan sponsors, check out this article: "Student Loan Repayments Expected to Derail Employees' Retirement Savings" (PLANSPONSOR, September 27, 2023."

Q: *We are working closely with our plan advisor to establish some priorities to focus on this year. Are there any recent studies that shed light on the services plan sponsors value most from their advisor?*

A: An excellent resource is Fidelity's annual Plan Sponsor Attitudes survey. The 2023 research report, released in August of last year, revealed plan sponsors value improved participant outcomes (44%) over any other service offered by their plan advisor. Other notable drivers of value were time spent on plan and administrative support (43%) and providing objectivity when making plan choices (41%). The survey covers a number of other topical areas, including evolving investment menus and plan designs, as well as additional ways advisors can have an impact with plan sponsors and their employees.

Key IRS Plan Limits for 2024

401(k) Maximum Elective Deferral *(*$30,500 for those age 50 or older, if plan permits)*	**$23,000***
Defined Contribution Maximum Annual Addition	**$69,000**
Highly Compensated Employee Threshold	**$155,000**
Annual Compensation Limit	**$345,000**

Source: irs.gov

PLAN SPONSOR

Quarterly To-Do List

APRIL

- If a plan audit is required in connection with the Form 5500, make arrangements with an independent accountant/auditor for the audit to be completed before the Form 5500 due date (calendar-year plans).
- Audit first quarter payroll and plan deposit dates to ensure compliance with the U.S. Department of Labor's rules regarding timely deposit of participant contributions and loan repayments.
- Verify that employees who became eligible for the plan between January 1 and March 31 received and returned an enrollment form. Follow up for forms that were not returned.

MAY

- Monitor the status of the completion of Form 5500, and, if required, a plan audit (calendar-year plans).
- Issue a reminder memo or e-mail to all employees to encourage them to review and update, if necessary, their beneficiary designations for all benefit plans by which they are covered.
- Perform a thorough annual review of the plan's Summary Plan Description (SPD) and other enrollment and plan materials to verify that all information is accurate and current, and identify cases in which revisions are necessary.
- Provide quarterly benefit/disclosure statement and statement of plan fees and expenses actually charged to individual plan accounts during the prior quarter, within 45 days of the end of last quarter.
- By May 15 (or 45 days after the end of the quarter) participant-directed defined contribution plans must supply participants with a quarterly benefit/disclosure statement and a statement of plan fees and expenses actually charged to individual plan accounts during the first quarter.

JUNE

- Begin planning an internal audit of participant loans granted during the first six months of the year. Check for delinquent payments and verify that repayment terms and amounts borrowed do not violate legal limits.
- Confirm that Form 5500, and a plan audit if required, will be completed prior to the filing deadline or that an extension of time to file will be necessary (calendar-year plans).
- Review plan operations to determine if any qualification failures or operational violations occurred during the first half of the calendar year. If a failure or violation is found, consider using an Internal Revenue Service or U.S. Department of Labor self-correction program to resolve it.
- Check for any ADP/ACP refunds due to highly compensated employees for EACA plans, in order to avoid an employer excise tax.

Consult your plan's financial, legal or tax advisor regarding these and other items that may apply to your plan. This is not intended to be an exhaustive Quarterly-to-do-List but meant as an illustrative guide. Please contact your Adviser for additional information.

Informational sources: irs.gov, plansponsor.com, asppa.org and Kmotion Research 2023.

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