March 2019

Retirement Times

NEWS AND UPDATES FOR RETIREMENT PLAN SPONSORS AND FIDUCIARIES

DEPARTMENT OF LABOR ISSUES RELIEF GUIDANCE FOR VICTIMS OF CALIFORNIA WILDFIRES

The U.S. Department of Labor (DOL) recently issued benefit plan guidance and relief for plans and participants affected by the 2018 California Wildfires. The DOL recognizes that plan sponsors and participants may be affected in their ability to achieve compliance with various regulatory requirements. The guidance generally applies to all parties involved in employee benefit plans located in areas identified by FEMA as disaster areas, listed here: www.fema.gov/disasters.

The guidance provides relief from procedures related to plan loans and loan repayment, distributions, contributions and blackout notices. In general, the DOL will not take enforcement actions if plans follow the guiding principle to act reasonably, prudently and in the best interests of workers and families who rely on the plans for their economic well-being.

Specific guidance is offered in certain areas:

+ Loans and Distributions: Plan sponsors must make a good faith effort to follow procedural requirements under the plan, but the DOL will not assist with requirements and if unable, make a reasonable attempt to assemble any missing documentation as soon as practicable.

+ Participant Contributions and Loan Repayments: The DOL recognizes that some employers in these disaster areas may not be able to forward amounts withheld from employee wages within prescribed timeframes. Employers are required to act reasonably, prudently and in the interest of employees and comply with the regulations as soon as practicable. The DOL will not take enforcement action if timelines were not met solely due to the 2018 California Wildfires, in the FEMA-identified areas.

+ Blackout Notices: Generally, 30 days' advance notice is required when a participant's rights under a plan will be temporarily suspended, limited or restricted due to a blackout period. The DOL regulations provide an exception to this requirement when the inability to provide notice within the required timeframe is due to events beyond the plan sponsor's or fiduciary's control.

The full DOL fact sheet can be found here. Your advisor is available to answer any questions you may have or help you determine practical approaches to meeting fiduciary duties and requirements

RETIREMENT

WHAT ARE YOUR PARTICIPANTS SAVING FOR?

All too often, retirement planning success is measured purely by financial metrics: savings amounts (15 percent per year), income replacement ratios (75 percent of preretirement income), or withdrawal strategies (4 percent per year). And the most critical part of planning for retirement is forgotten: the plan itself.

Put another way: how can an employee know how much money they're going to need in retirement if they don't know what they're saving for?

74% of 50-59-year-olds have made a serious effort to plan for financial aspects of retirement.[1]

Only 35% of 50-59-year-olds have made a serious effort to prepare for the emotional aspects of retirement.[1]

Three key areas that studies and actual retiree responses, indicate are key drivers of happiness in retirement are:

1. **Lifestyle:** How participants will spend their time in retirement (family, leisure, travel, work, etc.)

   Workers' Visions for Retirement:[1]

   70% want to travel

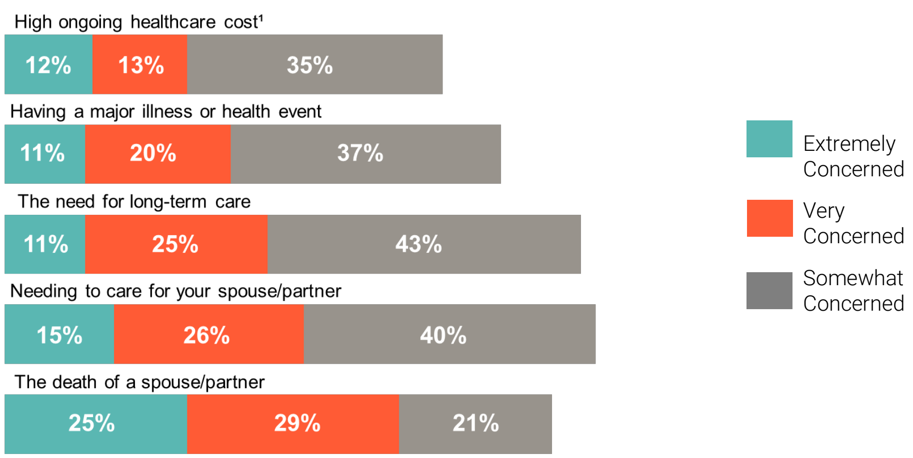
   57% want to spend time with family and friends

   50% want to pursue hobbies

   30% say they want to work

2. **Health Care:** How participants want to give and receive needed care

   Concern About Personal Events:



For informational purposes only. MCF is neither a law firm or certified public accounting firm and no portion of the information provided should be construed as legal or accounting advice.

3. **Meaning:** How participants will create a sense of purpose fulfillment

   Following almost 1,000 people, a study found that people with "high purpose" were:[1]

2.4x Less Likely
to be afflicted with Alzheimer's

Less Likely
to develop mild cognitive impairment

Less Likely
to develop disabilities or die young

Benefits for Plan Sponsors

Workforce Management Flexibility:

+ Large amounts of time, money and resources go to offer and maintain benefits programs that help prepare employees for the next phase of their lives (retirement plans, company matching money, physical/financial wellness programs, healthy incentive programs).

+ What happens when the employee – due to a lack of emotional and psychological preparedness- doesn't end up retiring?

+ That backlog can create recruitment and retention issues – as younger talent may seek opportunities elsewhere if A) there is no "foot in the door" position open, or B) they see minimal opportunities to advance internally.

Food for thought: Even if widespread workforce management issues are not prevalent, consider the type of employee that may have a difficult time moving on: the "career-minded executive" whose identity is wrapped up in their achievements and stature within the organization.

Long-term Cost Mitigation:

+ As a workforce's age and tenure increase, so do the costs related to keeping that employee

+ An aging demographic – many of whom may not be emotionally prepared to retire – could impact organizational costs such as increased health care, payroll, or worker's compensation.

[1] *Retiree Insights 2018 Survey of Consumers Ages 50-59. Greenwald & Associates/The Diversified Services Group.*