

The Retirement Times

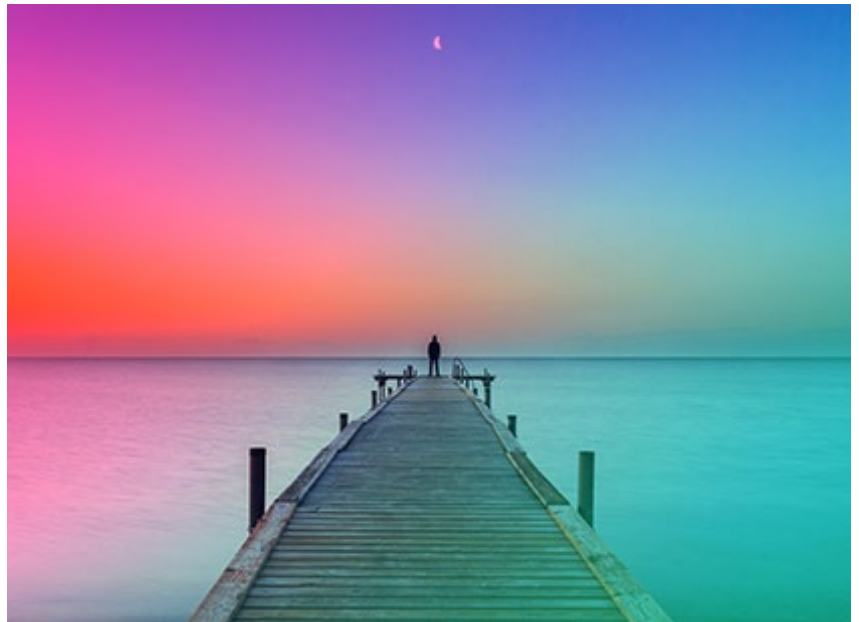
ERISA DEFINITIONS AND FINANCIAL DESIGNATIONS AND WHAT THEY MEAN FOR PLAN SPONSORS

Plan sponsors and retirement plan committees are likely to encounter a myriad of industry-related naming devices and designations. It is important that they understand what each means in terms of definition, background, and practical impact/importance to the plan, the plan's fiduciaries, and the plan's participants.

ERISA Definitions

For instance, a number of ERISA sections are commonly used by plan service providers. ERISA stands for the Employee Retirement Income Security Act of 1974 and provides not only the rules that govern, in part, retirement plans, but definitions as well. The following definitions are commonly used by service providers within the industry:

Note: MCF proudly serves as either an ERISA 3(21) or 3(38) Plan Fiduciary depending on the unique needs of each client.



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ERISA Section 3(21) Fiduciary Advisor

A 3(21) investment fiduciary is a paid professional who provides investment recommendations to the plan sponsor/trustee or plan participant, alternate payee or beneficiary. The plan recipient of the recommendation retains ultimate decision-making authority for the investments and may accept or reject the recommendations. Both share the fiduciary responsibility and are held to the same standard of care under ERISA.

ERISA Section 3(38) Fiduciary Advisor (Investment Manager)

A 3(38) investment manager takes on the full responsibility of managing the investment lineup and has discretion to make necessary changes. In doing so, the 3(38) Investment Manager takes on the primary fiduciary responsibility for investment decisions. The plan's named fiduciary (or its delegate(s)) retains responsibility for the selection and ongoing monitoring of the 3(38) investment manager. ERISA identifies the 3(38) advisor as an investment manager.

ERISA Section 3 (16) Fiduciary

A 3(16) fiduciary, as used by service providers, is typically an organization that takes fiduciary responsibility for the administration of a retirement plan. A 3(16) fiduciary partner acts as a plan administrator for some, or all depending on the engagement, of the plan's administration and expressly accepts certain fiduciary responsibilities for doing so. It is important to review the 3(16) contract to ensure they accept the fiduciary responsibilities you are interested in delegating. And the plan sponsor still retains the fiduciary responsibilities of prudently selecting and monitoring the 3(16) fiduciary.

Financial Industry Designations

In addition to the above ERISA-defined fiduciary roles it is common for individual representatives of retirement industry service providers to carry certain financial designations. These designations represent a broad spectrum of time commitment and education in addition to having different focuses in terms of industry-related expertise. The following are some of the more broadly utilized designations in the retirement industry (in no particular order):





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CFA® – Chartered Financial Analyst®

The Chartered Financial Analyst® or CFA® designation is an internationally recognized certification issued by the CFA Institute. It is earned by completing an arduous self-study program and three separate 6-hour exams increasing in difficulty over several years. These studies typically take about 700-950 hours to complete, and then a CFA® charterholder must complete four years of relevant work experience.

A CFA® charterholder is educated and tested on a wide array of topics including investments, statistics, and statistical analysis, along with economics, financial modeling, and corporate finance. A CFA® charterholder must also follow all prescribed ethical guidelines.

Someone with this designation often works in the corporate investing field and provides a high level of investment counsel, working with clients on investment and financial analysis.

CFP – Certified Financial Planner

A Certified Financial Planner certification (CFP) indicates that the financial planner has significant expertise in personal financial planning, portfolio management, budgeting, estate planning, and taxes. Financial planners are typically work with individuals to build a financial plan.

There is also an ethical component to the certification process, in that each CFP professional must meet ethical fitness standards and agree to always put the client's needs first.

CRPS® – Chartered Retirement Plans Specialist

The Chartered Retirement Plans Specialist or CRPS certification indicates an advisor with skills in creating, implementing and maintaining retirement plans for businesses. A CRPS professional can consult with clients in navigating the complexities of running a company-sponsored retirement plan.

A CRPS designation indicates knowledge and interest in the various types and characteristics of retirement plans, including IRAs, small business retirement plans, defined contribution plans, nonprofit plans, 401(k) and 403(b) plans, and government plans. A CRPS professional typically advises companies on plan design, implementation, operation, and fiduciary issues.

QKA – Qualified 401(k) Administrator

The Qualified 401(k) Administrator (QKA) credential focuses on all aspects retirement plan management, testing and compliance.

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A QKA professional typically works with employers and retirement plan sponsors to provide consultation with plan design, testing, and administrative support for defined contribution plans.

WFH (WELLNESS FROM HOME) CHALLENGES BOTH PARTICIPANTS AND PLAN SPONSORS

COVID-19 has posed a dual set of related challenges for plan sponsors and participants. For employees, the pandemic has pitted more immediate financial needs against prioritizing planned savings — and shifted the traditional focus of employee-sponsored financial wellness from the future to the present. And sponsors face the difficulty of effectively engaging remote workers showing increased demand for financial wellness. Prudential's 2020 Plan Sponsor Pulse Survey data shows 72% of sponsors reporting greater utilization, with 28% indicating a significant increase.

With that in mind, MCF is proud to offer a targeted participant communications program plan sponsors can make available to participants to help weary workers engage with the organization's financial wellness & retirement savings programs— no matter where they are.

The following are additional strategies plan sponsors can implement to boost engagement:

Bite-size is better. Gear your educational content toward shorter, more focused personal finance topics. Modular programming will help accommodate the many interruptions and divided attention that's increasingly common among remote workers.

Make it fun. Presentations don't have to be "Dancing With The Stars" production numbers, but take steps to keep the subject matter fresh and engaging to compete with 9 to 5+ computer time. Use gamification to





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counteract screen fatigue. If employees can earn points, digital badges, certificates or rewards, they may be more apt to tune in and participate.

Gentle reminders. You used to post notices about educational events on the company bulletin board that remote workers no longer see. Email reminders and text notifications can help keep those working from home in the loop — be sure, however, to ask employees about their contact preferences, and don't blow up their inbox or cell phone.

Diversify. Diversify. Diversify. Useful for more than just investing, format diversification helps accommodate the different ways people like to learn. Some may digest written content better. For others, an infographic or video is more effective.

Track down the tech averse. You may have a segment of your employee population who showed up reliably for one-on-one meetings and live events to receive information, but haven't logged in for a single webinar. You don't want these folks to fall through the cracks now. Consider phone calls and even snail mail reminders to make sure they don't disconnect.

Remote work has challenged traditional financial wellness delivery methods, but it's also an opportunity to reach an audience with a newfound interest in new ways. Take advantage of their attention while you have it.

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5 TACTICS TO INCREASE RETIREMENT PLAN PARTICIPATION

Employees fail to enroll in their retirement plan for a variety of reasons. They may be intimidated if it's their first time around or they might not fully understand and appreciate the benefits (or the downside of not participating). Some could be concerned about "locking up" their money — and others might worry so much about making the "wrong" investment decision that they procrastinate making any decision at all.

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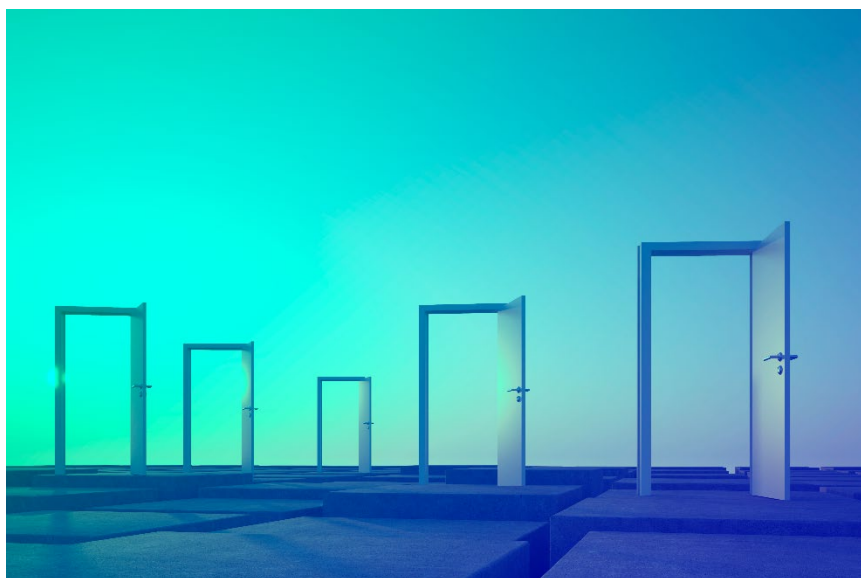
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As a plan sponsor, you know the advantages of offering a retirement plan for you, including: employee recruitment, increased retention, reduced worker stress, higher productivity and tax benefits. Higher participation and contribution rates can also reduce the chance the plan will fail discrimination testing and be subject to financial consequences if needed corrections aren't made on time.

But the key to unlocking all the retirement plan benefits for both you and your employees is not simply having a plan, but making sure that enough workers actually use it. Here are 5 things you can do to grow your participant ranks.

1. Enroll everyone. A recent Vanguard survey of 8,900 small business retirement plans found a dramatic effect of automatic enrollment on employee participation rates: 83% with automatic enrollment versus 58% without. And if you need more convincing, Vanguard's How America Saves 2019 Report found that contribution rates were also higher in automatic-enrollment plans versus voluntary plans: 7.1% to 6.7%.

2. Offer a Roth. For employees who want to enjoy tax-free income in retirement, providing a Roth option may motivate enrollment. And with no income cap, this move may also be appreciated by highly-compensated employees who earn too much to qualify for a Roth IRA. Additionally, you may tempt younger workers with a longer timeline to retirement who want to take advantage of the lower tax rate they're paying now as opposed to what they believe they might face later on.



3. Go multimedia. Offer retirement plan information to participants across a variety of modalities. Some may prefer in-person meetings, while others would rather watch a YouTube-style video at their leisure. And still others might prefer scribbling notes in the margins of a pamphlet. Provide education about retirement plan benefits in a way that's accessible for everyone, no matter their degree of financial sophistication. Answer questions in short- and long-form, at basic and more advanced levels — and in as many media formats as possible.



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4. Simplify. Simplify. Simplify. It should be easy and straightforward for participants to sign up or make changes to their retirement plan elections or contributions. Changes should only take a few clicks, whether from a laptop, mobile phone or tablet. Optimize a seamless web experience for each platform.

5. Why wait? Shorter waiting periods allow new employees to start a saving habit straight out of the gate. It can also be an attractive feature when recruiting seasoned candidates who don't want to interrupt their retirement savings. So, consider shortening — or even eliminating — waiting periods altogether.

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