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Retirement Times

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Department of Labor Issues Relief Guidance for Victims of California Wildfires

Bill Tugaw, Senior Vice President, Governmental Plan Practice Leader

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.

About the Author, Bill Tugaw
Bill specializes in public sector 457(b) deferred compensation, 403(b) and 401(a) defined contribution plan consulting. He is a faculty instructor for the International Foundation of Employee Benefit Plans (IFEBP) on Public Sector 457(b), 401(a) and 403(b) plans. Bill earned a Bachelor of Science degree from the W.P. Carey School of Business at Arizona State University and is co-author of two books: Deferred Compensation / Defined Contribution: New Rules / New Game for Public and Private Plans and Defined Contribution Decisions: The Education Challenge.

Visualize 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]

Visualize Retirement addresses the one planning need that many preretirees don't even know they have: preparing for the nonfinancial side of retirement.

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

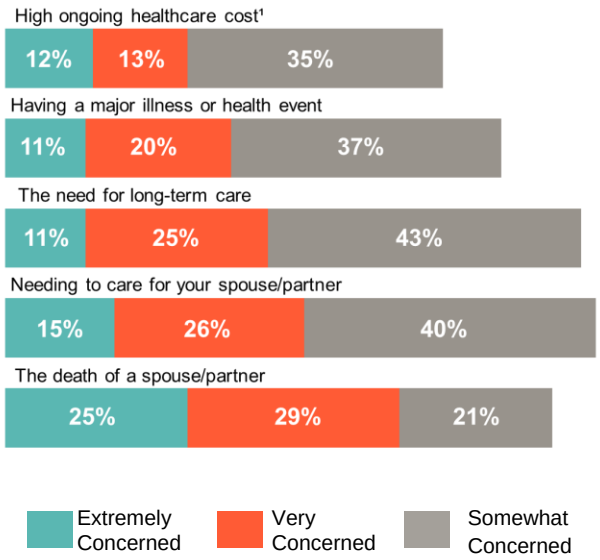
   57% want to spend time with family and friends

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:



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.

To learn more about the Visualize Retirement program and plan sponsor and participant resources associated with it, please contact your plan advisor.

The monthly participant memo companion piece to this newsletter is the Visualize Retirement workbook that helps participants visualize their retirement and define their purpose in retirement.

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

T.RowePrice

This article and this month's participant memo are provided by our valued partner, T. Rowe Price.

Hey Joel! – *Answers from a recovering former practicing ERISA attorney*

Welcome to *Hey Joel*! This forum answers plan sponsor questions from all over the country by our in-house former practicing ERISA attorney.

Hey Joel,

My client wants to conduct an RFP for an ERISA attorney, what are important questions they should include?

- *Questioning the Expert*

Dear Questioning,

While it is a somewhat unusual step to formally RFP for an ERISA counsel search, it can be a good exercise to ensure your client finds the best fit for their organization. Note, ERISA counsel typically does act in a fiduciary capacity in providing legal advice, so selection of ERISA counsel would likely not engender the same fiduciary scope as selection of an advisor, recordkeeper or TPA. Fees, if paid out of plan assets, have to be reasonable, but that can be difficult to determine as legal fees can have an incredible variance.

All that said, here are a few excellent questions to assist the client in identifying ERISA counsel who will be a good fit:

- Do you require a retainer? If so, what is the required amount? Does it need to be replenished on a regular basis, or is it just an initial engagement requirement?
- What is your hourly fee?
- Do you provide project-based fees? If so . . .
  - What falls into the scope of a project?
  - How are scopes determined?
  - How are scopes tracked to ensure the original quote is met?
- What services do you anticipate will be included on an ongoing basis on an annual basis? What do you project the cost to be?
- What services do you anticipate will be necessary on a longer-term basis? What do you project the cost to be?
- What ad hoc services do you believe may become necessary in the future? What do you project the cost to be?
- What issues do you commonly see arise with plans of similar size and design that require legal assistance? Please provide an estimate of cost for legal work for each.
- Who in your firm will provide the work on our engagement? Please lists all attorneys, paralegals and anyone else whose time might be billed to us with their bio and their potential/anticipated role on our engagement.
- Please provide three referrals for three clients who sponsor plans of a similar size and complexity.

The Expert,

Joel Shapiro

About the Author, Joel Shapiro, JD, LLM
As a former practicing ERISA attorney Joel works to ensure that plan sponsors stay fully informed on all legislative and regulatory matters. Joel earned his Bachelor of Arts from Tufts University and his Juris Doctor from Washington College of Law at the American University.

If you have a question for Joel, please send it to your plan advisor. It may be featured in a future issue!

Participant Corner: Visualize Retirement Workbook

This month's employee memo gives participants a questionnaire so they can determine their priorities for retirement. Download the memo from your Fiduciary Briefcase at fiduciarybriefcase.com and distribute to your participants. Please see an excerpt below.

Retirement planning is both a financial and nonfinancial process. You may have received financial resources from your employer or financial advisor. But putting money aside now for a future date may be more meaningful to you if you have a good idea of what you're saving for. This workbook is intended to help you visualize your retirement.

Retirees defined a personal retirement vision as follows[1]: 50% said, "working with my spouse/partner to define what we want in retirement"; 46 percent said, "creating a picture of what my retirement lifestyle could be"; 42 percent said, "defining how I would like to receive required health care in retirement"; and 32 percent said, "defining my purpose in retirement."

1. Rank this list in the order of who you spend the most time with today. (1 = most)
   ___ Family/Household
   ___ Friends
   ___ Work/Former Work Colleagues
   ___ Social Groups (Clubs, Sports, Worship)
   ___ Neighbors/Community/Volunteerism
   ___ Other: _____
2. Now, reorder this list based on who you think you will spend the most time with in retirement.
   ___ Family/Household
   ___ Friends
   ___ Work/Former Work Colleagues
   ___ Social Groups (Clubs, Sports, Worship)
   ___ Neighbors/Community/Volunteerism
   ___ Other: _____
3. Who will be on your wellness support team in retirement, meaning who will provide you with care if needed?
   ___ Spouse/Partner
   ___ Siblings
   ___ Children
   ___ Other family members
   ___ Friends
   ___ Other: _____
4. Whose wellness support team do you anticipate being on, meaning, to whom will you provide care if needed?
   ___ Spouse/Partner
   ___ Siblings
   ___ Children
   ___ Other family members
   ___ Friends
   ___ Other: _____

This material was created to provide accurate and reliable information on the subjects covered but should not be regarded as a complete analysis of these subjects. It is not intended to provide specific legal, tax or other professional advice. The services of an appropriate professional should be sought regarding your individual situation. This material was created to provide accurate and reliable information on the subjects covered but should not be regarded as a complete analysis of these subjects. It is not intended to provide specific legal, tax or other professional advice. The services of an appropriate professional should be sought regarding your individual situation.

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