RETIREMENT Report

FEBRUARY 2015 *News and updates for plan sponsors and fiduciaries of defined contribution plans*

QUALIFIED PLAN GOVERNANCE: IS YOUR FIDUCIARY HOUSE IN ORDER?

As we enter the New Year, many qualified retirement plan sponsors use this time as an opportunity to examine current fiduciary structure and processes to ensure all is in order.

Whether or not your organization's retirement plans have been recently audited by the Department of Labor and/or Internal Revenue Service, it is advisable to be sure your plans will hold up under such audit and/or plan participant scrutiny, and that the proper protections for the Company and its designated fiduciaries are in place.

When reviewing your current fiduciary structure, policies and procedures, we suggest the following considerations:

1. If none exists, establish a formal internal Committee to include appropriate representative leadership members.

2. Conduct fiduciary training to educate Committee members on their responsibilities under ERISA and attendant, personal fiduciary liability.

3. Examine, assess and modify current processes - and be in a position to address and answer the following questions:

- Does a written Committee Charter exist? If so, does it need to be updated to reflect the current structure, governance, membership, etc.?
- Has each Committee member signed a written acceptance of his/her responsibilities?
- Are regular Committee meetings held to review plan investments and administration?
- How are decisions made and documented?
- Are minutes kept to document and memorialize committee meetings, attendance, votes, actions, etc.?
- Have previous authorized actions been executed (e.g., investment changes)?
- Does the plan have a written investment policy? This is not required by ERISA, but having and following one is considered the best practice.
- Is fiduciary liability insurance, and/or a company indemnification provision, in place to protect the individual fiduciaries in the event of individual or class action civil litigation?

4. Confirm all required, and related, plan documentation exists and can be easily accessed

- Plan document and amendments (fully-executed)

Summary Plan Description (SPD)/Summary of Material Modifications (SMM)

- ERISA 404(c) disclosures and general compliance
- ERISA 404a-5 participant fee disclosures

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QUALIFIED PLAN GOVERNANCE *CONT.*

- Favorable IRS Determination Letter
- Service provider agreements/ERISA 408(b)(2) fee disclosures
- Service provider selection/monitoring process and outcomes
- Parties-in-Interest
- Compliance testing results, and corrective action, if applicable
- Government audit results, and corrective action, if applicable
- Self-audit results, and corrective action, if applicable

With this review made and necessary corrective steps taken, plan fiduciaries will take comfort in knowing their collective fiduciary house is in order and will pass muster under government review, and plan participants will be assured that the Committee's decisions and commensurate actions are being made with their sole and best interests in mind.

If you have questions about, or need assistance with, achieving this result, please contact your Plan Consultant.

SOLUTIONS FOR A STRESSED-OUT NATION

Financial stress is a reality faced by the American worker every day—its ripple effects impacting individual health, productivity, and quality of life. In May, 2014 New York Life Retirement Plan Services sponsored a research study, in which they surveyed more than 1,500 workers to uncover individual stress levels, its causes, and how to best combat it.

How stressed are we?

Quite simply—we are very stressed. Nearly three-quarters of survey respondents admit to experiencing stress in their daily lives—and more than 25% report feeling extremely stressed. And when asked to identify the causes of stress, financial worries bubbled to the top:

Only half of all survey respondents considered their financial situation to be good.

The impact of stress:

Stress is not something to be taken lightly. It impacts the individual and their employer.

On organizations:

The World Health Organization estimates the cost of stress to U.S. businesses to be $300 billion annually.[1]

Productivity losses related to personal and family health problems cost U.S. employers $1,685 per employee per year, or $225.8 billion annually.[2]

One in four workers reports that financial stress distracts them at work.[3]

The different faces of stress

Individuals identifying as highly stressed people are aware that they are not taking action to rectify their financial situation. 58% of highly stressed respondents admitted showing poor effort in saving for retirement, and half report that they fail in the basics of budgeting.

Financial stress is not limited to low earners. More than one quarter of respondents earning more than $100,000 reported feeling highly stressed.

Women feel financial stress more acutely—34% of women responding to the study reported experiencing extreme stress, compared to 22% of men—and are significantly more likely to bring that stress with them to work.

Lower income workers—those earning less than $50,000—are more concerned with establishing an emergency savings than higher paid colleagues, establishing that safety net trumps retirement savings, day-to-day bills, and medical bill concerns.

As it stands now, 70% of respondents see their stress levels staying the same or increasing in the next year. But can we change that?

By and large, respondents recognize the value of taking action, considering the act of establishing a financial plan the most helpful in reducing stress. A holistic financial plan—one encompassing basic financial skill sets like budgeting, savings, debt management, and retirement and investments—may effectively combat financial stress.

This means we must re-examine the best way to engage plan participants. Simply focusing on retirement planning in participant education and engagement strategies ignores the complexities of an individual's financial life—and rings hollow and incomplete.

To successfully empower individuals to save for retirement, it is imperative that we utilize tools and advice to support the broad spectrum of their financial lives. In order to increase productivity and lower the healthcare costs associated with financial stress, we need to help reduce financial stress.

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[1]Forbes, 2012
[2]Center for Disease Control, October 2013
[3]PwC Employee Wellness Survey, 2013

60% worry about possible financial difficulties

47% are concerned with facing potentially unaffordable medical expenses

46% fear possible job loss

TOP 5 NEW YEAR'S RESOLUTIONS

We always hear the same resolutions when the new year rolls in: lose weight, get organized, travel more, etc. Resolutions for fiduciaries are not something you read about every day, which is why we are bringing you the top five resolutions to become a better plan fiduciary in 2015.

5. Providing Information in Participant-Directed Plans.[1] When plans allow participants to direct their investments, fiduciaries need to take steps to regularly make participants aware of their rights and responsibilities under the plan related to directing their investments. This includes providing plan and investment-related information, including information about fees and expenses, that participants need to make informed decisions about the management of their individual accounts. Participants must receive the information before they can first direct their investment in the plan and annually thereafter. The investment-related information needs to be presented in a format, such as a chart, that allows for a comparison among the plan's investment options.

4. Be Educated on Prohibited Transactions.[1]
Who is prohibited from doing business with the plan? Prohibited parties (called parties in Other prohibitions relate solely to fiduciaries who use the plan's assets in their own interest or who act on both sides of a transaction involving a plan. Fiduciaries cannot receive money or any other consideration for their personal account from any party doing business with the plan related to that business.

3. Monitoring Your Service Providers.[1] An employer should establish and follow a formal review process at reasonable intervals to decide if it wants to continue using the current service providers or look for replacements. When monitoring service providers, actions to ensure they are performing the agreed-upon services include:

- Evaluating any notices received from the service provider about possible changes to their compensation and the other information they provided when hired (or when the contract or arrangement was renewed);
- Reviewing the service providers' performance;
- Reading any reports they provide;
- Checking actual fees charged;
- Asking about policies and practices (such as trading, investment turnover, and proxy voting); and
- Following up on participant complaints.

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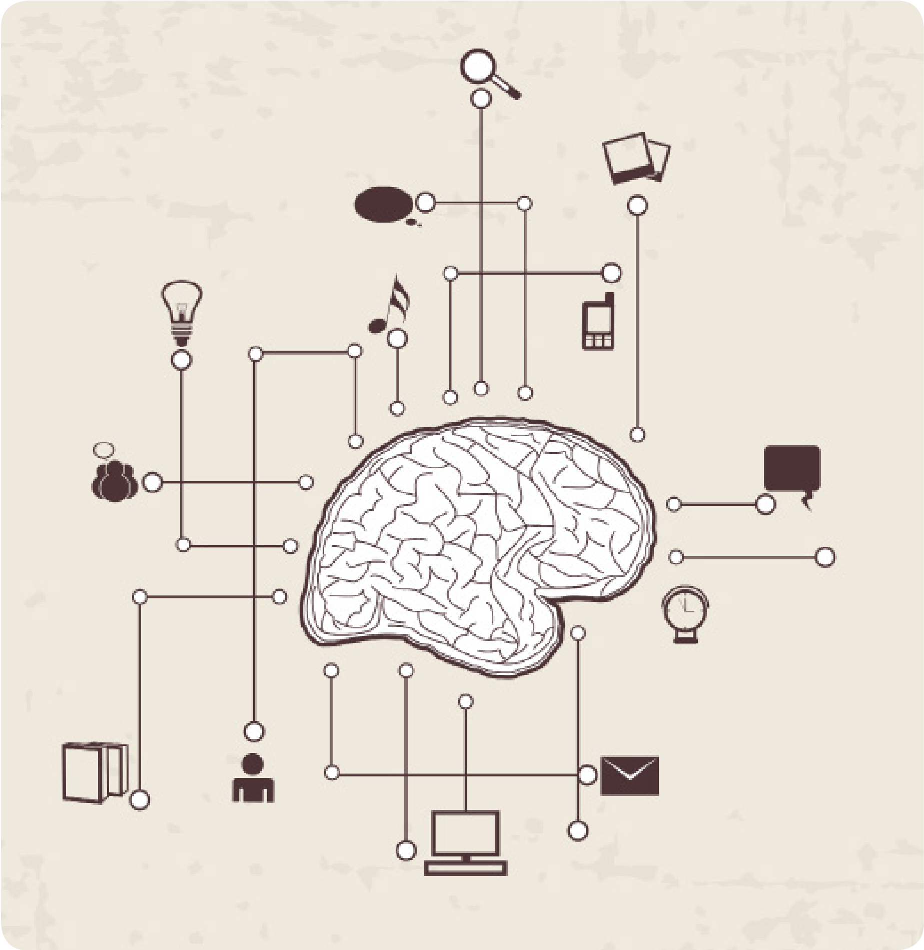
TOP 5 NEW YEAR'S RESOLUTIONS *CONT.*



2. Review and Monitor Plan Expenses and Fees.[1] Fiduciaries should ensure that all required fee disclosures are made timely and monitor fees on a regular basis. Fiduciaries should establish a policy for ongoing plan expense and fee monitoring and benchmarking. Also, as necessary, disclose plan fees to participants.
1. Adopt a Financial Wellness Program. These programs optimize employee participation and action through engaging group and individual guidance. Financial Wellness looks beyond a participant's retirement plan and provides an individualized blueprint that summarizes goals, objectives and identifies action items to create a well-rounded financial picture.

Here's to a successful year!

COMMUNICATION CORNER: Leaving the Company

This month's employee memo is titled: Leaving the Company. This memo instructs participants on their four options to handling the money in their retirement plan when they leave their company.

Call or email Brad or Matt if you have questions or need assistance at 405-608-8660. brad@heritagetrust.com | matt@heritagetrust.com

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