August, 2020

ADVICE AT A HIGHER LEVEL

NEWS AND UPDATES FOR RETIREMENT

"It's That Time of Year Again!"

Summer is drawing to an end and Fall is approaching. Kids are gearing up for school and the leaves on the trees are starting to change color. It is the start of a new era where everyone is creating a new way of living and going about their lives, work, and interactions with others differently. It is the start of navigating what the "new normal" is.

With the new IRS regulations and market volatility, it has raised a lot of questions for retirement plans. What better time than now to complete a "retirement plan check-up" and learn ways on how you can improve the plan from a fiduciary standpoint. This includes fulfilling your fiduciary responsibility and reviewing plan expenses to accurately filing your Form 5500.

In times of uncertainty, let's make sure there is none when it comes to your retirement plan.

1155 SW Morrison Street, Suite 400, Portland OR 97205

Ph: (888) 313-0417

INSIDE THIS ISSUE

Please Join us for our quarterly Webinar

"State of the Pandemic"

Presented by Cable Hill Partners and BlackRock

September 15th
At 10:00 AM

Don't miss it!

It’s That Time Again! Back-to-School for Fiduciaries [1]

Morgan Davis, Plan Advisor

Can you hear the bells ringing? It’s that time of year to review your to-do list of fiduciary responsibilities. Ask yourself the following questions to make sure you are on top of your responsibilities and liabilities.

1. Are you practicing procedural prudence when making plan management decisions?
2. Do you clearly understand the Department of Labor’s (DOL) TIPS on selecting and monitoring your QDIA in order to obtain fiduciary protection?
3. Are you documenting each plan management decision and its support?
4. Are you familiar with current trends in fiduciary litigation?
5. Are you certain that your plan is being administered in accordance with your plan document provisions?
6. What fiduciary liability mitigation strategies are you following? (Fiduciaries are personally financially responsible for any fiduciary breaches that disadvantage participants.)
7. Are you kept abreast of regulatory changes?
8. Are you appropriately determining reasonableness of plan fees, services and investment opportunities?
9. How do you define “success” for your plan and what metrics do you use to track progress?
10. Is your current plan design communicating the appropriate messaging to encourage success for your participants and plan fiduciaries?
11. Is your menu efficiently designed for benefit of participants and plan fiduciaries?
12. Are you certain you are providing all required communications and distributions to plan participants (including former participants with account balances)?
13. Are you handling missing participants appropriately?
14. Are you appropriately monitoring and documenting your fiduciary activities and those of your service providers?
15. Are you maintaining plan records appropriately?

Many fiduciaries are unaware of their fiduciary responsibilities or do not understand them. If you need help uncovering the answers to any of these important questions, do not hesitate to reach out to your financial professional.

Beware of the IRS and DOL: Four Red Flags They Seek on Form 5500 [2]

The Form 5500 is an ERISA requirement for retirement plans to report and disclose operating procedures. Advisors use this to confirm that plans are managed according to ERISA standards. The form also allows individuals access to information, protecting the rights and benefits of the plan participants and beneficiaries covered under the plan.

Make sure you are compliant. Be aware of red flags that the IRS and DOL look for on Form 5500 filings:

1. **Not making participant deferral remittances "as soon as administratively possible" is considered a fiduciary breach** and can make the plan subject to penalties and potentially disqualification. Delinquent remittances are considered to be loans of plan assets to the sponsoring company.
2. **An ERISA fidelity bond (not to be confused with fiduciary insurance) is a requirement.** This bond protects participant assets from being mishandled, and every person who may handle plan assets or deferrals must be covered.
3. **Loans in default** for participants not continuing loan repayments, or loans that are 90 days in arrears, **are a fiduciary breach** that can make the plan subject to penalties and disqualification.
4. **Corrective distributions,** return of excess deferrals and excess contributions, along with any gains attributed **must be distributed in a timely manner** (typically two and a half months after the plan year ends). In some cases these fiduciary breaches can be self-corrected if done within the same plan year in which they occurred, and may be considered additional breaches if they extend beyond the current plan year.

This is a partial, not exhaustive list of common Form 5500 red flags. If you're concerned about ERISA compliance, contact your advisor sooner, rather than later.

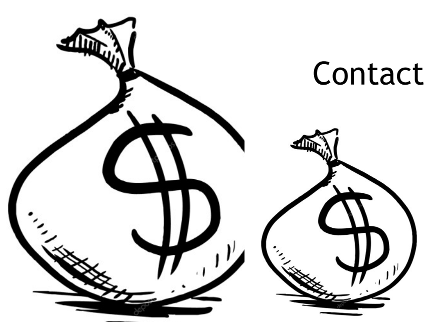
For more background on Form 5500, visit the Society for Human Resource Management online. See "Regulatory 5500: What is Form 5500, and where are instructions for completing it?"

Allowable Plan Expenses: Can the Plan Pay? [3]

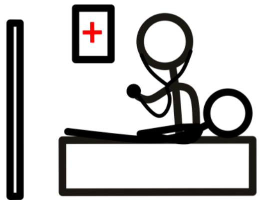
The payment of expenses by an ERISA plan (401(k), defined benefit plan, money purchase plan, etc.) out of plan assets is subject to ERISA's fiduciary rules. The "exclusive benefit rule" requires a plan's assets be used exclusively for providing benefits. ERISA also imposes upon fiduciaries the duty to defray reasonable expenses of plan administration. General principles of allowable expenses include the following:

- The expenses must be necessary for the administration of the plan.
- The plan's document and trust agreement must permit use of plan assets for payment of expenses.
- The expenses must be reasonable and incurred primarily for the benefit of participants/beneficiaries.
- The expense cannot be the result of a transaction that is a prohibited transaction under ERISA, or it must qualify under an exemption from the prohibited transaction rules.

In light of today's plan fee environment, it is incumbent upon fiduciaries to request full disclosure of fees and expenses, how they breakdown with services provided, as well as a request for full explanation of who will be the recipient of fees. Ultimately, the ability to pay expenses from a plan trust is a facts and circumstances determination that needs to be made by plan fiduciaries. Because it is possible that the DOL may challenge such determinations it is important that fiduciaries consult ERISA counsel prior to paying questionable expenses from a plan trust and document the decision and reasoning.



Contact us for more information.



Participant Corner: Retirement Plan Check-Up [4]

It is important to conduct regular check-ups on your retirement plan to make sure you are on track to reach your retirement goals. Below are a few questions to ask yourself, at least annually, to see if (and how) they affect your retirement planning.

1. Review the Past Year

Did you receive a raise or inheritance? *If yes, you may want to increase your contributions.*

Did you get married or divorced? *If yes, you may need to change your beneficiary form.*

Are you contributing the maximum amount allowed by the IRS? *In 2020, you can contribute up to $19,500 ($26,000 for employees age 50 or older).*

Did you change jobs and still have retirement money with your previous employer? *You may be able to consolidate your assets with your current plan. (Ask your human resources department for more details.)*

2. Set a Goal

What do you want your retirement to look like? Do you want to travel? Will retirement be an opportunity to turn a hobby into a part-time business? Will you enjoy simple or extravagant entertainment?

Take time to map out your specific goals for retirement. Participants that set a retirement goal today, feel more confident about having a financially independent retirement down the road.

3. Gauge Your Risk Tolerance

Understanding how comfortable you are with investment risk can help you determine what kind of allocation strategy makes the most sense for you. Remember, over time, and as your life changes, so will your risk tolerance.

4. Ask for Help

If you have questions about your retirement plan or are unsure of how to go about saving for retirement, ask for help. Your financial professional can help you evaluate your progress with your retirement goals, determine how much you should be saving and decide which investment choices are suitable for you.

"State of the Pandemic"

A webinar on how plan sponsors and participants are responding in crisis

Presented By:

Ryan Christensen, Retirement Plan Advisor
Cable Hill Partners

Sharad Vasanth, Defined Contribution Consultant
BlackRock

Brandon Wight, Vice President
Montgomery & Graham

September 15th,2020 at 10:00am

Don't Miss It

For more information about this newsletter or our advisory services, contact: retirementteam@cablehill.com

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1 It's That Time Again! Back-to-School for Fiduciaries. August 2020. Retrieved July 27, 2020, from https://rpag.com/pmprichui/resourcecenter.
2 Beware of the IRS and DOL: Four Red Flags They Seek on Form 5500. June 2020. Retrieved July, 21, 2020, from https://rpag.com/pmprichui/resourcecenter.
3 Allowable Plan Expenses: Can the Plan Pay?. August 2020. Retrieved July 27, 2020, from https://rpag.com/pmprichui/resourcecenter.
4 Participant Corner: Retirement Plan Check-up. August 2020. Retrieved July 27, 2020, from https://rpag.com/pmprichui/resourcecenter.