

NAPAnet

THE OFFICIAL MAGAZINE OF THE
NATIONAL ASSOCIATION OF PLAN ADVISORS

the magazine

FALL 2016 • NAPA-NET.ORG

Powered by the American
Retirement Association



WHOLESALE CHANGE

| NAPA's 2016 Top 100 DC
Wholesalers

| HSAs: The "Other" Retirement
Savings Account

| Cases in Point: Excess Fee
Litigation Part 2

401(k) Plan Solutions

#hellowork

Retirement benefits to meet the workplace needs of your clients.

No two clients are alike. That's why you need a retirement plan provider that has the flexibility to fit the demands of your clients. ADP has a legacy of delivering successful retirement plans that create long-term value, are easy to manage and provide a wide range of investment choices.

To learn how ADP can help you build better retirement plans for your clients, contact us at 844-ADP ELITE, or visit www.adp.com/partners/financial-advisors.aspx

ADP, LLC and its affiliates do not offer investment, financial, tax or legal advice or management services. For its retirement plan recordkeeping customers, ADP agrees to act as a nondiscretionary recordkeeper performing ministerial functions at the direction of the plan sponsor and/or plan administrator. Accordingly, ADP does not serve in a fiduciary capacity to any of the retirement plans for which it provides recordkeeping services. ADP also does not serve as an investment advisor or manager to any of the retirement plans for which it provides recordkeeping services. Nothing in these materials is intended to be, nor should be construed as, advice or a recommendation for a particular situation or plan. Please consult with your own advisors for such advice.

ADP and the ADP logo are registered trademarks of ADP, LLC. ADP A more human resource. is a service mark of ADP, LLC. All other trademarks and service marks are the property of their respective owners. 99-1893-N-0816 Copyright © 2015-2016 ADP, LLC ALL RIGHTS RESERVED



A more human resource.™

COVER

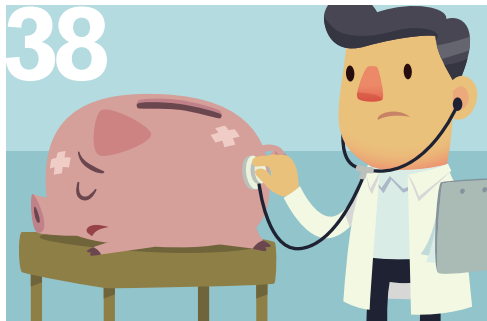


WHOLESALE CHANGE

by Judy Ward

The new fiduciary rules will shift what advisors need from DCIOs and recordkeepers. Plus: this year's top DC wholesalers.

FEATURES



« THE 'S' STANDS FOR SAVINGS
by Judy Ward

Awareness of HSAs as a long-term savings and investment vehicle remains low.

**EDITOR-IN-CHIEF**

Nevin E. Adams, JD
nevin.adams@usaretirement.org

PUBLISHER

Erik Vander Kolk
evanderkolk@usaretirement.org

EDITOR

John Ortman
jortman@usaretirement.org

SENIOR WRITER

John Ikel
jikel@usaretirement.org

ASSOCIATE EDITOR

Troy Cornett
tcornett@usaretirement.org

GRAPHIC DESIGNER

Lisa M. Marfori
lmarfori@usaretirement.org

ADVERTISING COORDINATOR

Renato Macedo
rmacedo@usaretirement.org

NAPA OFFICERS**PRESIDENT**

Samuel Brandwein, QPA, CFP, CIMA, CRPS

PRESIDENT-ELECT

Paul D'Aiutolo

VICE PRESIDENT

Jeff Acheson

EXECUTIVE DIRECTOR

Brian H. Graff, Esq., APM

NAPA Net the Magazine is published quarterly by the National Association of Plan Advisors, 4245 North Fairfax Dr., Suite 750, Arlington, VA 22203. For subscription information, advertising and customer service, please contact NAPA at the above address or call 800-308-6714, or customercare@napa-net.org. Copyright 2016, National Association of Plan Advisors. All rights reserved. This magazine may not be reproduced in whole or in part without written permission of the publisher. Opinions expressed in bylined articles are those of the authors and do not necessarily reflect the official policy of NAPA.

Postmaster: Please send change-of-address notices for *NAPA Net the Magazine* to NAPA, 4245 North Fairfax Dr., Suite 750, Arlington, VA 22203.

Stock Images: Shutterstock

Cover Design: Lisa M. Marfori

COLUMNS

04 LETTER FROM THE EDITOR

by Nevin E. Adams, JD

Litigation, regulation, and tax reform — oh, my!

06 INSIDE NAPA

by Sam Brandwein

No summer vacation for NAPA.

08 INSIDE THE BELTWAY

by Brian H. Graff

Code, read.

10 INSIDE INVESTMENTS

by Jerry Bramlett

Risk-based vs. goal-based investing in DC plans.

12 INSIDE THE PLAN PARTICIPANT'S MIND

by Warren Cormier

The language of defined contribution.

14 TRENDS SETTING

Shedding light on the latest in industry and demographic trends.

18 INSIDE THE GENERATIONS

by Lisa Greenwald

Permanent plan participants.

42 INSIDE THE STEWARDSHIP MOVEMENT

by Donald B. Trone

You need to think B.I.G.!

46 INSIDE THE MARKETPLACE

by Fred Barstein

What's ahead for plan advisors as they enter their third decade?

48 INSIDE THE PLAN SPONSOR'S MIND

by Steff C. Chalk

Successful plan strategies are not a zero-sum game.

49 INSIDE NAPA NET

A look at what's new on the NAPA Net portal.

50 INSIDE THE LAW

by David N. Levine

Litigation against plan advisors: It's here.

52 CASE(S) IN POINT

'Higher' learning.

56 INSIDE THE NUMBERS

by Nevin E. Adams, JD

5 ways industry surveys can be misleading.

58 POLLING PLACES

Reform 'schooled.'

60 REGULATORY REVIEW

The IRS had a busy summer.

ZeroOptions- ophobia:

Your clients' fear their defined contribution plan doesn't give them enough flexibility.



Nationwide Retirement Flexible Advantage[®] gives your plan sponsors more options to tailor their 401(k) plans.

- **1,200+ investment options** with no proprietary requirements
- **Field and internal partners** available at any point in the process
- **Administrative and fiduciary solutions** to help plan sponsors fulfill their obligations

LET'S FACE IT TOGETHER[®]

Request a customized 401(k) proposal at
NationwideFinancial.com/Flex



Nationwide[®]
is on your side

ANNUITIES | LIFE INSURANCE | RETIREMENT PLANS | MUTUAL FUNDS

For more information about the available underlying investment options, including all charges and expenses, please consult a fund prospectus, which can be obtained by calling 1-800-626-3112 or visiting nationwide.com. Fund prospectuses and additional information relating to your retirement plan can be obtained by contacting your plan representative. An investor should carefully consider the fund's investment objectives, risks, charges and expenses. The fund prospectus contains this and other important information. Read the prospectus carefully before investing.

Trust programs and trust services are offered by Nationwide Trust Company, FSB, a division of Nationwide Bank. Variable life and annuities are issued by Nationwide Life Insurance Company or Nationwide Life and Annuity Company, Columbus, OH. The general distributor for variable products is Nationwide Investment Services Corporation, member FINRA. Funds distributed by Nationwide Fund Distributors, LLC, member FINRA. Nationwide Life Insurance Company, Nationwide Life and Annuity Company, Nationwide Investment Services Corporation, and Nationwide Fund Distributors are separate but affiliated companies. Let's Face It Together is a service mark of Nationwide Life Insurance Company. Nationwide, the Nationwide N and Eagle, Nationwide is on your side and Nationwide Retirement Flexible Advantage are service marks of Nationwide Mutual Insurance Company. © 2016 Nationwide.

NFV-0804A0.8 (6/16)



Litigation, Regulation, and Tax Reform — Oh My!

It's been a busy year, a crazy summer — and we've still got a presidential election to go.

It has been years since things actually slowed down in the summer, but this summer has been busier than any I can remember.

Not only has everybody been making preparations for the implementation of the DOL's fiduciary regulation (and it's affecting different business models very differently), we've seen litigation regarding the legality of the regulation, and the authority of the DOL to undertake it. The challenges to that regulation share certain critical aspects, and yet each has its own unique flavor — and let's not forget that they are filed in three different federal venues. Could one prevail in convincing a federal judge to grant a preliminary injunction to stop the rule's implementation? Could such a ruling actually serve to maintain the status quo until after the presidential election? Could that presidential election result in new leadership at the DOL? If so, might a new president decide to halt implementation, and set a new course for that regulation? It seems unlikely now, but that's pretty much what happened in 2008 with the then-pending advice regulation from the DOL.

Oh, and what about the series of excess litigation lawsuits taking on some of the nation's largest university retirement plans? A decade ago, the law firm of Schlichter, Bogard & Denton galvanized the retirement

industry's attention with about a dozen such lawsuits filed against similarly mammoth 401(k) plans.

Things have changed since then, of course. Sure, revenue sharing is still an issue, as is the disclosure of such transactions to participants. But there is a greater sophistication in the current wave of allegations. Since the beginning of the year, the cases brought against 401(k) plans have challenged not only the methodology for record keeping fees (dismissing asset-based revenue-sharing in favor of per-participant approaches), but attempted to set markers as to what that reasonable per-participant charge should be. Needless to say, millions of dollars are at stake — and one suspects we're not near the end of even this litigation cycle.

And then there's the prospect of tax reform. Sure, we may have been lulled into complacency by the gridlock in Congress. But the major party candidates are already talking about changes to tax rates. The rates they plan to cut — and in some cases plan to raise — could, if enacted, have a ripple effect on the current tax structures for retirement plans. Could the current 401(k) deferral be rejected in favor of a Roth-only approach? Might the contribution limits and benefit levels be frozen in place — or even reduced? And make no mistake, those kinds of changes are being contemplated

as you read this. Could something actually happen?

In the midst of all this change and potential disruption lies opportunity for advisors. There will be plan fiduciaries looking for guidance, and plan sponsors more open to plan design changes than they may otherwise have been. It's likely that firms that had previously been committed to the retirement business will rethink that commitment, and advisors who merely dabbled in this space may well decide it has simply become too rife with potential litigation to continue their dalliance.

That said, if the field is winnowed, the firms — and advisors — who remain will doubtless be made of stronger stuff. Those who survive and who hope to prosper will likely have to step up their game to compete effectively in this new and more challenging arena.

Here at NAPA — whether it be the news and information you need to stay current, the advocacy voice in our nation's capital (and increasingly our state capitals) or the networking you'll find at the events we sponsor — we'll be doing everything we can to help you succeed. **N**

NEVIN E. ADAMS, JD » Editor-in-Chief
nevin.adams@usaretirement.org



What if?

There was a retirement plan provider who offered a 401(k) product already designed to help you address conflicts of interest?

Well, there is. Mutual of Omaha Retirement Services provides a 401(k) solution that's best designed with fiduciary best practices in mind. It's simple, yet sophisticated; and helps address conflicts of interest for all parties.

- Revenue-neutral levelized pricing
- Level plan costs for participants
- Level advisor compensation
- No proprietary funds
- Extensive fiduciary protection.

Mutual of Omaha Retirement Services focuses on doing what's right for advisors, plan sponsors, and participants. Now it's time to get ahead of the curve. Visit sellretirementright.com/fs to learn more about our product.



Mutual of Omaha



BY SAM BRANDWEIN

No Summer Vacation For NAPA

Staying busy working for America's retirement.

A

s individuals, most advisers involved with NAPA, as well as the staff from the American Retirement Association, are going to enjoy some vacation time this

summer. However, as an organization, NAPA is not taking any time off. We created our own fireworks in mid-July with the announcement that NAPA's parent organization, the American Retirement Association, is partnering with Morningstar on a state-of-the-art program that will set a new standard in adviser fiduciary education and best practices. While others are focused exclusively on the DOL's (still) new fiduciary regulations, both the SEC and FINRA are contemplating additional fiduciary regulations. The IRA Fiduciary Adviser education program is designed to prepare advisers for a continuously shifting regulatory environment. The program's educational modules and related tools will be delivered through the Morningstar® Advisor Workstation.

Just ahead of that announcement, NAPA and ARA leadership converged on Capitol Hill in June to meet with regulators and key policy decision makers. We reminded them of the important role workplace retirement plans have for Americans looking to save for a secure retirement. We also had discussions on how to improve the system even further, for example making electronic disclosure requirements more flexible and easier to implement.

NAPA has also been very busy on

“The IRA Fiduciary Adviser education program is designed to prepare advisers for a continuously shifting regulatory environment.”

the conference front this summer. This June, we rolled out the inaugural NAPA Connect event in Boston with nearly 100 attendees. NAPA Connect was designed as a one-of-a-kind gathering for women advisers who share a commitment to the retirement plan market.

As you read this, the fourth annual NAPA DC Fly-in-Forum will just be getting underway, the culmination of months of work by the NAPA DC Fly-In Forum Committee and ARA staff in developing a forum that brings together the elite of the 401(k) adviser community. In addition to organized visits with lawmakers and staff on Capitol Hill, we're looking forward to some expert commentary on important issues like tax reform, implementation of the fiduciary regulation, and the impact of the 2016 presidential election — not to mention the opportunity for insights from John Dickerson, CBS News Political Direc-

tor and anchor of CBS News' "Face the Nation."

While all of this is going on, and building on the success of last year's record breaking 15th anniversary SUMMIT event — the question is, how can you top that? The answer is only a few months away, as work has already begun on the 2017 NAPA 401(k) SUMMIT. You won't want to miss our new platform for the nation's retirement plan adviser convention — and SUMMIT "After Dark."

Let's keep the momentum going! 

» Sam Brandwein is NAPA's President for 2016-2017 and is an original member of NAPA's leadership council. Sam is a First Vice President/401(k) Consulting Director with Morgan Stanley.

WHEN YOUR EMPLOYEES RETIRE, THEY MIGHT NOT NOTICE.

Discover how we can work together to help your employees
replace over 90% of their income in retirement at TIAA.org/ready >



INVESTING | ADVICE | BANKING | RETIREMENT



BUILT TO PERFORM.

CREATED TO SERVE.

An individual's income replacement ratio will vary from the study's estimated rate based on a number of unique individual factors. Study results are for educational purposes only and are not intended to project an individual's actual ratio. TIAA-CREF Retirement Income Index data as of 12/31/2015, based on 639,567 actively contributing participants from 446 TIAA-CREF record-kept plans. Projections, and other information generated through the Retirement Income Index and the Ibbotson tool regarding the likelihood of various investment outcomes, are hypothetical, do not reflect actual investment results, and are not a guarantee of future results. Results may vary with each use and over time. Past performance does not guarantee future results. TIAA-CREF Individual & Institutional Services, LLC, Teachers Personal Investors Services, Inc., and Nuveen Securities, LLC, members FINRA and SIPC, distribute securities products. For institutional investor use only. ©2016 Teachers Insurance and Annuity Association of America—College Retirement Equities Fund (TIAA-CREF), 730 Third Avenue, New York, NY 10017. C29666



BY BRIAN H. GRAFF

Code, Read

At the presidential level, the retirement plan industry seems to face a choice between two unpleasant options — a choice that is probably familiar to most American voters.

The 2016 general election is upon us, a knock-down, drag-out fight between two intensely polarizing figures — Hillary Rodham Clinton and Donald J. Trump — vying for votes among an increasingly polarized electorate.

In this intensely partisan political atmosphere, it is easy for the topic of saving for retirement to get shunted aside. After all, both parties claim to share the desire for Americans to have a financially secure retirement, even if they have differing views on how to achieve that goal. Not that you'd get a sense of that since arguing about how to get there does not conveniently fit into the network news' 30-second soundbites, as do so many of the other more controversial political issues currently at the fore.

As a consequence, we have precious little to go on to deduce how the candidates feel — or even what they are saying — about the savings habits of Americans and what, if anything, they believe needs to be done to the private employer-based retirement system. You won't find retirement listed on either candidate's website as a main policy topic, even though in Gallup polling for the past 15 years Americans have consistently flagged having enough money in retirement as a top financial concern.

On the other hand, both candidates have released comprehensive proposals to reform the tax code. The results here are not encouraging for retirement savings. Candidate Clinton wants to collect more than \$1 trillion in new revenue over the next decade, primarily through new taxes on high-income earners (which might encourage the formation of tax-deferred

“In this intensely partisan political atmosphere, it is easy for the topic of saving for retirement to get shunted aside.”

retirement programs, particularly among small businesses), but also through various curbs in the retirement savings incentives that we have seen in the past budget proposals of President Obama. Things like limiting the value of the retirement savings tax deferral to a deduction rate of 28% and putting a dollar cap on the amount of money an individual can save in tax-preferred retirement accounts.

In short, Clinton's tax proposals are a decidedly mixed bag. The incentives her proposals would provide for increased retirement savings are largely indirect (presuming high income earners would be more inclined to create and use retirement savings vehicles, like 401(k) plans), while her stated proposals that directly affect retirement savings, if enacted, would almost certainly be a negative impact on those programs.

Candidate Trump's tax proposal — which in many ways mirrors the tax reform blueprint released by the House Republicans — predictably takes the opposite approach, though one that could

be equally as damaging to retirement savings. Trump's plan calls for significant cuts in the statutory tax rates on both the wage and investment income, cuts that could well reduce the incentive for business owners and other workers to save for their retirement through vehicles like the 401(k). Additionally, Trump claims to pay for these cuts by “reducing or eliminating most deductions and loopholes available to the very rich,” and specifically targets the tax exemption on life insurance for high-income earners.

At the presidential level, anyway, the retirement plan industry seems to face a choice between two unpleasant options (a decision that is probably familiar to most American voters right now). That is why it is more important than ever that each and every one of us continue to emphasize on Capitol Hill the importance of the private sector retirement system, the efficiencies of the 401(k) in helping to provide financial security, and how critical the current retirement savings incentives are in supporting the retirement security of tens of millions of Americans — no matter the election outcome. **N**

» Brian H. Graff, Esq., APM, is the Executive Director of NAPA and the CEO of the American Retirement Association.

RETIREMENT INCOME SOLUTIONS

IS YOUR DC PLAN MISSING SOMETHING?

For participants, the accumulation stage is only part of the journey. A transitional income strategy can help bridge the gap between saving and spending in retirement, and we offer a range of flexible solutions specifically designed for that purpose.

To learn more, call us at
(800) 530-2432



FRANKLIN TEMPLETON
INVESTMENTS

Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a Franklin Templeton fund summary prospectus and/or prospectus that contains this and other information, call 1-800-342-5236. Investors should read the prospectus carefully before investing.

All investments involve risks, including possible loss of principal. Investing in a Franklin Templeton fund does not guarantee one's retirement needs will be met.

© 2016 Franklin Templeton Distributors, Inc. All rights reserved.



BY JERRY BRAMLETT

Risk-Based Versus Goal-Based Investing in DC Plans

Not providing a risk-based default would be a disservice to the average DC investor — but not providing an advisor would be a disservice to those who want to engage.

In the spring of 2009, at least one 2010 target-date fund bottomed out with a 50% loss, while other 2010 funds lost between 30% and 40% of their value. If the market had remained down for a couple of decades (à la Japan) rather than recovering, many of the DC investors in the later date target-date constructs could have had their savings decimated with no opportunity to recover.

It has become almost an accepted wisdom that DC investors should have significant exposure to equities up to and (often) through retirement. But is it really necessary to place retirement savings at significant market risk, especially late in the retirement savings cycle? If DC allocations are based on how much risk an investor can bear (*i.e.*, risk tolerance), then one can often expect a significant amount of equity exposure. However, equity exposure

can often be dialed back when one considers a DC investor's actual capacity to bear risk given their personal balance sheet and the probability of reaching their financial goals. These two approaches to asset allocation are best represented by the traditional risk-based approach to investing and the emerging view that financial goals should be the primary driver behind investment allocations.

Risk-Based Investing

Risk-based investing is centered around the “efficient frontier,” a concept of modern portfolio theory (MPT) first introduced by Harry Markowitz in 1952. Markowitz's efficient frontier is essentially a set of all portfolios that will give the highest expected return for each given level of risk.

What often leads to portfolios being heavily weighted toward equities in the final decade or two before retirement is the tra-

ditional risk-based approach to investing. This particular method of asset allocation, which focuses exclusively on an individual's risk tolerance, seeks to generate maximum investment returns regardless of the actual financial goal.

Most of the prepackaged asset allocation solutions offered through DC investment lineups are built not on the basis of a specific level of income in retirement, but on maximizing the amount of income that one can receive in retirement. One might argue that it would seem that this would be a good thing — to maximize the size of one's nest egg. However, is it worth the risk to try and overshoot a retirement goal even if it significantly increases the possibility of missing the retirement goal altogether? Many would argue that it is simply imprudent to continue to take risks beyond what is necessary to achieve a financial goal.

Goal-Based Investing

Rather than leaving modern portfolio theory behind, goal-based investing seeks to build on what MPT has taught us about the interplay between risk tolerance and constructing optimal portfolios. Instead of focusing exclusively on what an investor can tolerate in terms of risk, goal-based investing starts with the end in mind: a specific pot of money, which is often converted into an income number at retirement. It asks the investor to focus on a “future self” and what that person’s financial demands will be at the time the money is needed. In other words, goal-based investing puts a name and a face on what is essentially a soulless financial number and, thus, has the potential to engage the investor, increasing the commitment (*e.g.*, saving) to the goal itself.

One’s progress toward his or her investment goal is how performance is measured, as opposed to beating certain investment benchmarks. To be able to say that one has beaten the S&P 500 index is not nearly as important as having reached the goal of a comfortable retirement.

Goal-Based Portfolios at Work

Consider two DC investors, Participant A and Participant B:

- Participant A has been contributing to his DC plan for most of his working career and, though he is less than 10 years from retirement, his current portfolio will produce 90% of his post-retirement income goal. By continuing to save at the same rate and by investing in a relatively safe asset class such as short-term bonds, he can easily accumulate the additional 10% needed to retire comfortably. Why take any additional risk if the goal can be reached without doing so?
- Participant B is also 10 years away from retirement, but her current portfolio will only produce 75% of her retirement income goal. Ideally, this investor would increase her savings. However, if this is not possible, one option is to maximize her return by taking on a reasonable level of risk. This investor also has the option of changing her goal to a lower number if she believes that taking on additional risk is unacceptable.

Let’s assume these two DC investors are offered a 2025 TDF with a typical 65% allocation to equities. In a goal-based approach

Goal-based investing puts a name and a face on what is essentially a soulless financial number and, thus, has the potential to engage the investor.”

to investing, Participant A probably would not want to place his retirement income at risk by investing in this level of equities. He may want to choose a more conservative allocation utilizing less risky options from the fund lineup. Participant B, on the other hand, may want to expose herself to the market risk of a 65% equity weighted TDF, as it may be the only means for her to reach or come close to her retirement goal. Since the TDF is most likely constructed based on some variation of Markowitz’s efficient frontier, the portfolio will have been optimized based on the individual’s retirement date.

The upshot: Both investors are basing their investment decisions on their investment goals and not solely on what they can theoretically tolerate from a risk standpoint.

Goal-Based Investing in the Real World of DC

There are few arguments against utilizing goal-based investing, especially given that the essential elements of risk-based investing (*e.g.*, investment time horizon) are factored into the asset allocation decision process. The challenge is that goal-based investing does require significant employee engagement. Investors need to think through all of their financial goals, provide additional information (namely, their personal balance sheet structure) and be prepared to periodically review their progress toward their


retirement goal. Most DC participants are not willing to expend the energy that this level of engagement requires.

This is not the forum to argue why participants do not engage and what can be done to get them to engage. In fact, such discussions have been going on for more than three decades, and the same conclusion is reached over and over again: Most DC investors are passive in nature, and efforts to change this reality have not been significantly successful. In constructing any fund lineup, it is essential that this hard reality be given full consideration.

Conclusion

Plan sponsors and their advisors have little choice except to offer a qualified default investment alternative (QDIA) that utilizes a traditional risk-based investment model (*e.g.*, a target-date model or fund). The lack of engagement in DC plans simply makes the implementation of goal-based investing a near impossibility. It also bears pointing out that QDIAs will be benchmarked against other risk-based asset allocation funds. Goal-based investing is difficult to benchmark given the varying demographics of different employee groups.

Those DC investors who do wish to become more engaged, are willing to articulate a goal and provide additional personal information (such as a personal balance sheet and outside investments) should be provided access to either a human advisor or a comprehensive digital advice solution in order to better implement a goal-based solution.

To not include risk-based defaults would be a disservice to the average DC investor, who would simply prefer that someone else take on this responsibility for them. On the other hand, to not include an advisor (human or digital) to assist in the implementation of a goal-based retirement solution is a disservice to those participants who do want to engage, and thus play a significant role in determining their own retirement goal and the best means to get there. 

» Jerry Bramlett is the Managing Partner of Redstar Advisors, a boutique consulting firm focused on digital advice solutions. He has also served as the CEO of three full service DC providers: The 401(k) Company, BenefitStreet and NextStepDC.



WARREN CORMIER

The Language of Defined Contribution

Fighting math anxiety with a supportive environment that builds up participants' confidence in their ability to make decisions and take action can make a real difference.

Take a look at any education material targeted at DC participants and it is completely obvious: The language of defined contribution is math. And it's the most hated kind of math — the word problem we dreaded in high school. The kind that asks you to determine when train A and train B will meet if they leave their stations at certain times and travel at different speeds.

In fact, it's even worse than that — DC word problems throw in some extra unpleasant elements such as likely cognitive decline and death. To many participants, it all sounds like a train wreck. The participant hears this:

Participant A starts saving at age 23 (i.e., the smart you) and participant B starts saving at age 45 (i.e., the foolish you). One of these participants is saving at a rate of 6% and one is saving at a rate of 3%. By how much will each fall short of their required savings total, and will either of them have enough mental acuity throughout the time they receive a large portion of their DC payout to enjoy the fruits of their deferred gratification? Oh, and just for fun, when do you expect to die in a cognitively depleted state?

Math anxiety is a very real phenomenon. Psychologists tell us it is prevalent in vast proportions of the population. The cruel effect of math anxiety is avoidance behavior. Why would anyone want to engage in this optional activity we call “retirement planning”?

Given that we expect participants to educate themselves outside of work, it's no wonder that financial literacy is not improving. Granted, we offer participants a

“The cruel effect of math anxiety is avoidance behavior.”

once-a-year employee meeting to “educate” them on the plan's rules and investment options, mixed in with a crash (i.e., train wreck) course on investing prudently. And otherwise, at the end of the meeting we tell participants to go back to work and if you want to know more, there are great materials on the website, or talk to a benefits counselor or call a telephone rep on your lunch hour. Or even worse, we tell participants to spend their nights and weekends studying to get up to speed. It reminds me of the teaching approach of for-profit colleges. How many of us have embraced that method of learning for our children? Yet this is what we offer up to our participants.

The Robo Solution

Interestingly, many providers feel the robo approach is the answer, or at least part of the answer. Take a look at the Betterment website. Pure math. And pure jargon. It's obviously written by a highly financially literate person who has a bad case of the curse of knowledge (i.e., we don't know what it's like to not know what we know). This is the kind of person who is least qualified to communicate with participants. Here is the first page — which, by the way, sounds like a lot of DC communications material:

The Betterment portfolio is designed to achieve optimal returns at every level of risk. Through diversification, automated rebal-

ancing, better behavior, and lower fees, Betterment customers can expect 4.30% higher returns than a typical DIY investor. Our Tax Loss Harvesting+ systematically finds embedded capital losses to lower investment taxes and increase after-tax returns.

Granted, Betterment is designed for investors and not specifically DC participants. But, as I said, it sounds like a lot of DC communications material.

Who's Irrational?

Here's a quick thought experiment: Which would the typical participant rather do with his or her free time, watch a baseball game on TV or work through a math-laden online tool or calculator? The answer for most participants (even if they don't like baseball) is to watch the game. Math anxiety combined with a feeling that they don't understand the language are in play. And yet, we wonder why participants aren't engaged with their retirement or their retirement plan.

I often hear the complaints that participants are too lazy, don't really care, and/or are too stupid to fully engage with their DC plan. In our research, plan sponsors and providers say almost unanimously that participants are irrational. I would argue they are often perfectly rational, and that it is the provider side that is irrational.

Take a look at the underlying behavioral assumptions of Modern Portfolio Theory (which earned a Nobel Prize) that we “rationally” adhere to:

- All investors aim to maximize economic utility (in other words, to make as much money as possible, regardless of any other considerations).
- All investors are rational and risk adverse.

- All investors have access to the same information at the same time.
- Investors have an accurate conception of possible returns, *i.e.*, the probability beliefs of investors match the true distribution of returns.
- All investors are price takers, *i.e.*, their actions do not influence prices.
- Risk/volatility of an asset is known in advance/is constant.

How many of these assumptions would you say are rational? Of course, it depends on how we define rationality. Dr. Daniel Kahneman, the father of behavioral finance, defined rationality this way:

- The only test of rationality is not whether a person's beliefs and preferences are reasonable, but whether they are internally consistent.
- A rational person can believe in ghosts so long as all her other beliefs are consistent with the existence of ghosts.
- A rational person can prefer being hated over being loved, so long as his preferences are consistent.
- Rationality is logical coherence — reasonable or not.

In this sense the supply side of the DC industry is rational because it holds constantly to the belief that using math as the language of defined contribution and replacing the human element with online delivery channels will work, despite enormous evidence to the contrary. Ineffective thinking, but nonetheless, at least it's consistent (*i.e.*, rational) thinking.

So What Does Work?

Recently, I did a study in collaboration with EMI Strategic Marketing on robo-advisors. We spoke to 700 fairly sophisticated investors (the vast majority of whom are DC participants) about desirable design features of robo-advisory services. The sample was carefully stratified across a variety of age and wealth cohorts.

The biggest findings:

- All age and wealth cohorts exhibited the same preferences for human assistance regardless of whether it is for tech or investing help.
- The biggest potential improvement to robo-advisors is having someone to talk to. There was a strong preference for

The underlying (and often blatant) message to participants is they don't know enough and need to increase their financial literacy."

a licensed professional who can help with personal finance and/or retirement planning.

So if self-directed planning tools and calculators that are couched in math-ese and eliminate the human element are not effective in engaging participants, you are probably asking, "What *is* effective?" In a recent research collaboration by NARPP and Boston Research Technologies, we addressed exactly that question.

First we established a measurement of engagement. That is, we created a statistically validated engagement index combining behavioral factors (*i.e.*, participants' self-reported frequencies of interacting with recordkeeper plan services and channels) with their cognitive involvement (*i.e.*, frequency of reconsidering their investment selections, their investment options and the suitability of their deferral rate). Then we built econometric models designed to explain the variance in engagement levels between participants.

The results were intriguing. First, we found that increasing engagement is within the control of the recordkeeper and, by extension, the plan sponsor. The driving factors can be distilled into four main elements:

- Positive motivation to prepare for retirement
- Creating a belief that retirement readiness can be achieved
- Empowering the participant with a sense that it is possible to be in control of outcomes and the process
- Providing a vision of what success looks like

Interestingly, when we audit DC educational materials we find that they often

(inadvertently) do the opposite. Messages about the dire consequences of not preparing for retirement are not motivating. In fact, they do the opposite by creating a sense of futility. Scare tactics do not motivate, they only create despair.

Participants need to be assured that they must plan for the future and that it is within their power/control to achieve retirement success. A critical part of that assurance of control is building their confidence that they do have either the knowledge to make decisions or helpful resources to help them make decisions.

The underlying (and often blatant) message to participants is they don't know enough and need to increase their financial literacy. Or, "Forget that and just let us do it for you" (which opens a huge issue of trust). Again, that is only demotivating. Our studies and others have shown that the more you believe you know, or have confidence in what you think you know, the more engaged you become.

All this leads to what we at BRT/NARPP call "financial courage." People who have greater financial courage are more likely to engage. A key part in creating "financial courage" is having a supportive environment that builds up what confidence participants have in their ability to make decisions and to take action. There is often little confidence — but we have to start somewhere.

You're welcome to contact me at wcormier@bostonrt.com for information about the studies mentioned in this column. **N**

» Warren Cormier is the president and CEO of Boston Research Technologies and author of the DCP suite of satisfaction and loyalty studies. He also is cofounder of the Rand Behavioral Finance Forum, along with Dr. Shlomo Bernartzi.

Trends Setting

Tracking the trends that will shape tomorrow's retirement plan landscape.

BY NEVIN E. ADAMS, JD

01



'Auto' Motives

Automatic enrollment: what's in it for plan sponsors?

For participants, the benefits are relatively obvious: By helping enroll employees into the DC plan, they start saving earlier, by enrolling them in a diversified managed asset allocation account/strategy they get the benefits of diversification, and by increasing those initial default rates over time (contribution acceleration), they will have even more savings accumulated. All of those add up to increased retirement readiness, according to a recent report by the Defined Contribution

Institutional Investment Association (DCIIA).

However, the report acknowledges that defining and measuring the benefits to the employer have been less clear-cut.

To provide context for employers (and those who are working to help employers make that decision), the DCIIA report outlines a four-point framework that it says could help employers take a more "holistic" approach when making decisions about the implementation of automatic features.

DCIIA says that employers should consider these four elements:

1. Workforce Planning

With regard to the first point, the DCIIA report notes that an October 2010 survey

conducted by AARP found that one-third of older adults decided to delay retirement due to the economic effects of the recession, and that while multiple factors contribute to that decision, helping employees achieve their retirement goals in a timely fashion can facilitate what has been referred to as "workforce management." Delayed retirements may also reduce the employer's ability to hire new employees, reducing the flow of new ideas and talent into the organization. Phrased another way, the planned/anticipated retirement of employees can allow an employer to create advancement and career diversification opportunities for others, which can help a company retain and attract a talented workforce.

2. Employee Satisfaction and Engagement

The report cites research that shows that employers who promote an outcome-oriented view of their DC plan, instead of positioning the plan as a savings vehicle, can help employees begin to perceive the plan as the primary means by which the employer is facilitating the employee's income in retirement. In essence, doing so implies a long-term relationship between the employer and employee, potentially leading to better outcomes for both parties, according to the report.

3. Financial Performance

The report cites three specific contributors to financial performance with automatic enrollment programs:

- The DC plan is likely to attain greater assets, resulting in stronger negotiating power for plan-related fees.
- Increased DC plan participation and/or contribution rates among non-highly compensated employees potentially reduce the need for a non-discrimination testing safe harbor.
- Higher plan participation and/or contribution rates among non-highly compensated employees reduce the probability of the employer having to make unexpected qualified non-elective contributions (QNECs).

4. Associated Expense

The report acknowledges that automatic enrollment does have its costs, including potentially higher matching contributions (though the report offers the stretch match alternative as a counterbalance). There may also be additional payroll or recordkeeping costs associated with implementing automatic features, though some of these costs may be allocated to the plan itself, rather than to the employer.

02



The Long 'Run'

Will long-term care ruin retirement plans?

A new research paper estimates that roughly 85% of couples will utilize long-term care (LTC) prior to death — but the impact will vary considerably based on a number of factors.

Long-term care expenses represent a known unknown in retirement planning. A large majority of households will need some sort of LTC support as they age, and costs for certain types of long-term care, like nursing homes, can run over \$100,000 per year, according to the paper.

However, most families will not incur hundreds of thousands of dollars of expenses. Who's at risk? A group from UBS Wealth Management uses a simulation-based framework to analyze how often LTC expenses are

likely to cause ruin in an otherwise prudently constructed financial plan.

Using nationwide cost averages and specific inflation rates, their analysis indicates that the median couple will incur \$184,000 in LTC expenses between age 65 and death. Roughly 25% of couples will incur expenses of more than \$500,000, and 10% of couples will incur expenses greater than \$1 million.

Or you could be one of the 15% of families who will have no LTC expenses at all.

The researchers conclude that:

- Most couples will utilize some type of long-term care service during their later years.
- The median lifetime LTC expense for

a couple that is healthy and 65 years old in 2016 will be \$184,000.

- Some households will experience much higher lifetime expenses — up to \$3 million.
- Not including LTC in a retirement plan will result in overestimating the sustainability of the plan.
- Women, in particular, need to incorporate clear plans for handling LTC expenses.

In summary, financial plans that don't incorporate long-term care expenses can significantly overestimate the long-term sustainability of the plan.

03



Photo 'Finish'?

Do first visual impressions affect financial advisor selection?

There are many factors that go into choosing an advisor, some objective and some not-so-objective. Indeed, it's at the introduction, several scientific studies contend, at which people make crucial intuitive judgments that can be hard to shake.

According to "Snap Judgments: Do First Visual Impressions Impact Financial Advisor Selection?", a whitepaper by the Spectrem Group, while individuals primarily find their advisors through referral from a friend or family member, once the introductions are made, there are four factors they are most likely to consider before

choosing to work with him or her:

- Honesty and trustworthiness (30%)
- Investment track record (17%)
- Fees or commissions charged (11%)
- Association with a well-known brand or company (10%)

The whitepaper looked at how affluent investors make snap judgments on choosing a financial advisor based solely on a group photograph of eight financial advisors (see below).

When shown the group photo of a diverse lineup of advisors, a plurality (though by no means a majority) of Mass Affluent investors

selected the older white male (33%). The next largest percentage (23%) picked the middle-aged white male.

These non-millionaire investors were next most likely to gravitate toward the depicted female advisors: the young white female (13%) and the older and middle-aged white female (12%).

Advisor Choice

According to Spectrem, the preference for older advisors suggests that individuals are seeking advisors perceived to have experience: Only 4% of surveyed Mass Affluent individuals selected the young white male, and just 2% selected the photos of a younger minority female and the middle-aged minority male.

There were generational differences. Mass Affluent Millennials ages 35 and under were the least likely across all age groups to select the photo of the older white male (24%), while the largest percentage (31%) opted for the photo of the middle-aged white male. These young investors were also more likely to select the photo of the young white female (21%).

Among seniors ages 65 and up:

- 39% — the largest percentage — selected the photo of the older white male; and



- 20% selected the photo of the middle-aged white male.

Baby Boomers (ages 55-64) were significantly more likely to select the photo of the older white male (34%), while 24% chose the middle-aged white male. This group was slightly more likely than all other Mass Affluent age segments to select the photo of the older white female (13%).

A near-equal percentage of Gen Xers ages 36-44 selected photos of the older white male (26%) and the middle-aged white male (24%). This group was slightly more likely than other Mass Affluent investors to select the photo of the middle-aged white female (14%).

Nearly one in five (19%) of so-called Self-Directed investors, who make their own financial and investment decisions, opted for the young white female.

According to the report, across all wealth levels, the likelihood of choosing the older white male as a financial advisor based solely on their appearance in the group photograph tends to increase with net worth. One-third of Mass Affluent Millennials and Gen Xers would choose the older white male, compared with 41% of Ultra High Net Worth investors. To a lesser extent, the likelihood of selecting the young white female or the older white female based on their appearance in the photo decreases with net worth.

Women, as well as men, would be most likely to select the older white male in the group photograph as their financial advisor based solely on the photo, but a larger percentage of men would do so (39% versus 30% of women). One-fourth of surveyed Af-

fluent men and women would be next most likely to select the middle-aged white male.

If men are more likely to choose the older white male, would women be more likely to choose an older white female as their financial advisor based only on their appearance in the group photograph? Yes, but the percentage is significantly lower (14% of women compared with just 5% of men).

All in all, Spectrem notes that prospective clients would be more likely to choose an older white man, and to a lesser extent, a young or middle-aged white woman, as their financial advisor simply by looking at a photograph. They are perceived to have the most experience and to be the most trustworthy.

04



'Short' Comings

Retirement readiness has a gender gap

New research finds gender parity in 401(k) plan participation, but not in retirement readiness.

Aon Hewitt found that 83% of American women aren't saving enough to meet their needs in retirement, compared with 74% of men. Additionally, Aon Hewitt projects women will need 11.5 times their final pay to meet their needs in retirement, compared with 10.6 times pay for men. Moreover, the research found that there is a gap of 3.3 times pay between what women need and what they're actually on track to have

saved in order to retire at age 65, while for men, the difference between needs and resources is just 2.0 times pay.

This shortfall means women, on average, will need to work until age 69 — one year longer than men — in order to meet 100% of their needs in retirement.

While women and men are participating in employer 401(k) plans at the same rate (79%), Aon Hewitt, which looked at the retirement saving and investing behaviors of approximately 3.5 million DC plan partici-

pants from more than 125 employers, found that women are saving less.

However, on average, women are contributing 7.5% of salary to their 401(k), more than a full percentage point behind their male counterparts (8.7%). Those lower savings rates combined with disparities in salaries are contributing to low 401(k) plan balances for women. In 2015, women had an average plan balance of \$71,060 compared with \$119,150 for men, Aon Hewitt found.

05



Well 'Tell'

All's well with wellness programs.

A growing number of employers are offering programs that help workers manage their financial well-being as well as their health — and most are looking at expanding those programs in the future, according to a new survey.

To help employees manage their financial well-being, nearly three-quarters (73%) of companies surveyed offer onsite financial seminars, and 59% make a financial coach available to employees. Student loan repayment assistance — a program likely to be of interest

to the large number of those who leave college with a hefty debt obligation — will be offered by 13% of responding employers in 2016, with another 21% considering adding it in the future, according to the 7th annual survey on corporate Health & Well-being by Fidelity Investments and the National Business Group on Health.

While the survey sampling was small and arguably somewhat selective, in 2016, 87% of surveyed employers offer emotional or mental well-being programs and 76% provide

financial health programs. When employers were asked about well-being programs in the future, 67% plan to expand their efforts, while 17% expect to maintain their program at the current level.

Emotional 'Fescue'

More than half (54%) of surveyed employers currently offer stress management programs, by far the most popular emotional well-being program offered — and another 12% are planning to add those programs

in 2017. Also popular is resiliency training, which helps employees manage setbacks in the workplace or in life outside work — 27% of employers offer this program, with another 20% looking to do so in 2017.

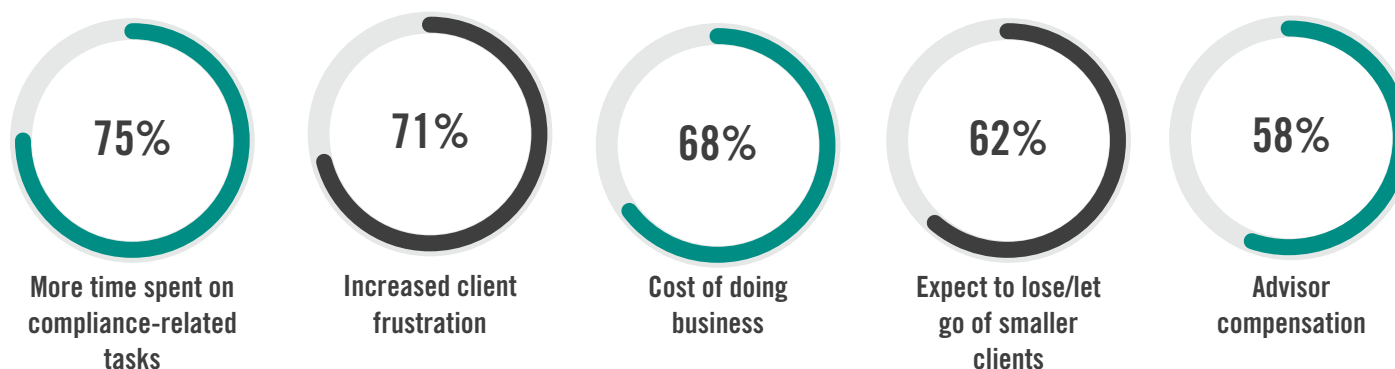
In 2015, 81% of employees received at least some amount of incentives, up from

73% in 2014. The survey’s authors note that employers are moving away from outcomes-based incentives as one way to encourage employees to participate. The number of employers utilizing outcomes-based incentives is expected to drop from 44% in 2015 to 24% this year.

The results were gleaned from online survey responses from 129 organizations. The survey was fielded from November through December 2015 among National Business Group on Health members and clients of Fidelity Investments.

IMPACT FULL?

As a result of the fiduciary rule, advisors anticipate negative impact on:



Source: Survey of 485 advisors by Fidelity Institutional

06



'Want' Adds?

What plan sponsors want from their advisors

A new survey finds that the vast majority of plan sponsors would recommend their advisor — but the reasons why they wouldn't are telling.

The aptly named MassMutual Retirement Plan Referrals Study finds that 88% of plan sponsors would recommend their advisor, with 37% “very likely” to do so. Only 10% said they were unlikely to make a recommendation, according to the survey of 565 employers that sponsor retirement plans, including 449 that worked with an advisor and 116 that did not, with retirement plan recordkeeping assets ranging from less than \$1 million to as much as \$75 million.

Short 'Falls'

That said, more than a third (35%) of sponsors surveyed have switched advisors in the past. Among sponsors who changed advisors, 41% did so because they judged their advisor as failing to provide adequate support. Other complaints about advisors included:

- A lack of involvement or interest in the plan

- Not being knowledgeable
 - Being difficult
 - Being unresponsive
- Other reasons cited for switching advisors were:

- 17% – Costs and fees
- 15% – A change in the company’s management or ownership
- 11% – Wanting better service
- 7% – A better plan and/or investments
- 6% – Poor performance and returns

What Sponsors Want

Nearly 6 in 10 (58%) sponsors find advisors through referrals, either by asking for a referral or receiving one unsolicited, the study finds. Just 10% of sponsors search for advisors online, according to the survey, but the top criteria for online advisor searches were:

- 72% wanted an advisor who works with companies similar to theirs;
- 47% looked for customer testimonials;
- 43% gravitated to an effective website;
- 41% focused on a good value proposition;

- 40% appreciated fees being clearly stated on the advisor’s website. Only 29% wanted someone who is local in their area.

Nine in 10 (93%) sponsors assess the cost and benefits of working with an advisor as valuable, and just as many (94%) are satisfied overall with their advisor. Interestingly, the bigger the retirement plan in terms of assets, the more likely the sponsor is to give the advisor high marks.

Room for Growth?

Not all of the sponsors who responded to the study currently use an advisor. However, 43% of such sponsors would be open to working with an advisor during their scheduled plan review, and 35% said they would be open to doing so at any time, according to the survey.

The research was conducted in 2015 by Greenwald & Associates.



BY LISA GREENWALD

Permanent Plan Participants

(And other implications of the new fiduciary standards)

The fiduciary standards regulations recently put in place by the Department of Labor will have a major impact, and the outlook of retirement executives is hardly rosy.

A survey of nearly 40 financial services executives in the retirement income market revealed that two-thirds believe the impact of these new regulations will be significant, though only 13% call it a “game changer.” Emerging from this research and roundtable discussion with retirement executives, conducted in partnership with the Diversified Services Group, are two critical themes — reduced access to high-quality advice and assets remaining in defined contribution plans in retirement — each with implications for plan advisors’ business models and the advice they provide their clients.

The forecast for accessible, high-quality advice is discouraging. About two-thirds of the executives we surveyed believe that the mass market (defined as people with assets of \$100,000 to \$250,000) will receive less extensive and/or lower quality service. They foresee the rise of robo-advice, with 85% calling robo a “winner” in a post-fiduciary standards world. Self-directed accounts are also seen as a winner by about two-thirds. Most executives expect that the cost for education, especially for small plans, will increase.

This movement toward online advice is especially concerning, as research has shown that consumers remain largely uncomfortable with this method of receiving financial advice (even among the presumably more tech-savvy Gen Xers and Millennials). Consumers still want to talk to a real person before finalizing decisions. Yet, the executives we interviewed predict that much-dependent-on call centers will be further constrained under the new regulations.

Regardless of whether they share my concerns about online advice, the big

More than 9 out of 10 executives believe that the number of retirees who are financially secure five years from now will decrease as a result of the new fiduciary standards.”

picture prediction is grim: More than 9 out of 10 executives believe that the number of retirees who are financially secure five years from now will decrease as a result of the new fiduciary standards.

Here’s another finding with significant implications: Nearly 9 out of 10 executives surveyed think that the regulations will lead more people to keep their money in DC plans. If more money does stay in DC plans, it provides more reasons for the development of a new set of investment options designed for retirees. Most plans have investment options designed for accumulation, which is appropriate because the main purpose of the plan is indeed accumulation. However, after retirement, the money in the plan will be withdrawn; it has to be starting at age 70½. A portfolio subject to withdrawal should be managed differently than an investment designed for accumulation. Some target date funds have glide paths “through” retirement, but many experts believe these glide paths are not optimal for withdrawals.

A basket of investment options, some with guaranteed lifetime income and others designed for income without guarantees, should be considered to allow the retirement plan of the future an opportunity to more comprehensively serve these permanent, retired plan participants. New tools should be considered to help retirees manage money in the plan and to estimate how much they should prudently withdraw each year.

More assets remaining in the plan may also affect advisors’ approach to rollovers. If you believe that suggesting rolling money out of a retirement plan will be harder, how should you get compensated for helping retired clients manage money in the retirement plan as well as the money they may have outside of the plan? If mass market retirees will have a harder time getting advice outside the retirement plan, does that open up new opportunities for you, because of your access to participants, and how can you capitalize on these opportunities?

Clearly, the fiduciary standards regulations will have a significant impact on plan participants and plan advisors. I believe it is incumbent on plan advisors to inform sponsors that these regulations may well lead to more “permanent participants” and could affect (probably negatively) access to education and advice for both working and retired participants. Clearly, plan sponsors have varied views on participants keeping their accumulations in the plan after retirement. But if middle income workers have more trouble getting the advice they need after retirement, it seems to me that plan sponsors should help these workers use the retirement plan more effectively after they have retired. **T**

» Lisa Greenwald is an AVP at Greenwald & Associates, an independent research firm specializing in research for the retirement and financial services industries.



WELLNESS WORKS

See how it can
strengthen
your practice.

Next
Generation
Thinking

Financial wellness has gone from buzzword to essential business element for DC plan sponsors and the advisors who work with them. The reasons are clear: financially healthy employees are less stressed, more productive and better able to save for retirement. And advisors who can strategically deliver wellness today will be in a strong position to continue guiding their clients tomorrow. We can help—with actionable insights and practical tactics. troweprice.com/wellnessworks | [#TRPFinWell](https://twitter.com/TRPFinWell)

WHOLESALE CHANGE

The new fiduciary rules will shift what advisors need from DCIOs and recordkeepers.

BY JUDY WARD





less golf, more thought leadership and R6 shares.

The U.S. Department of Labor's new fiduciary rules, set to take effect in April 2017, will alter the way that wholesalers work with retirement-specialist advisors. "In light of the new regs, it is significantly going to change wholesaling, from the old 'Take people to dinner or sponsor a golf outing' to giving advisors critical information to help them grow their business," says Gary Kleinschmidt, director of retirement sales at Legg Mason. "We believe that there still will be a need for information to be delivered on our funds and strategies: There is still going to be room for due-diligence trips. But now, advisors want things like thought leadership and getting access to portfolio managers. It is really going to be more sharing intellectual thought than spending money on people."

The new fiduciary rules come during a time when several dynamics — including heightened fee scrutiny, more sponsor focus on participants' retirement readiness, and recordkeeper consolidation — have affected what plan advisors need from wholesalers. To get a feel for the evolution of that working relationship, we talked with firms and individuals honored in last year's "DC Top Industry Wholesalers" awards, as well as four industry-watchers.

"Plan advisors are hungry for information they can use, that they can apply to their own practice, and information they can share with their clients and prospects," says Loren Fox, director of research at Ignites Retirement Research in New York. "What advisors want is a substantive relationship with asset managers. They are not looking for free golf or pizzas. There is nothing wrong with that, but it is not enough."

And plan advisors will need more than ever to ensure that they help their plan clients get the right investment options at the right fees. "It is not just better practice management tools that specialist advisors need," says Matthew Fronczke, New York-based senior executive consultant at financial services researcher and analyst DST kasina. "A lot of it is around offering lower-cost options for plans' investment menus. And it means look-

“Advisors need tools and resources to help them as plans move toward open architecture for target-date funds.”
— Bryan Burke,
Federated Investors

ing for asset managers to demonstrate that they are delivering value for the investment fees they are charging.”

Right People, Right Content

Amid all this change, a disconnect sometimes emerges between what wholesalers think plan advisors want and what these advisors actually want. Top specialist advisors, asked what they seek in DCIO value-add programs, ranked retirement industry insights and fund reporting/benchmarking tools in a tie for first, according to an Ignites Retirement Research study released in October 2015, "Optimizing DCIO Value-Add Programs." DCIO leaders questioned for the same survey believed that product and competitive insights would rank first for these advisors.

Wholesalers "just have to make sure that they take the time to ask a lot of questions, and understand what the advisors are looking for," Fox says. "Advisors tell us that sometimes they are bombarded with irrelevant content and messaging."

But the roughly 400 plan advisors surveyed, who typically have \$200 million or more in DC assets under management, also welcome substantive relationships with wholesalers. "We found that on average, they have six or seven asset managers that they consider part of their trusted inner circle and work with closely," Fox says. "If wholesalers do prove that they are a valuable resource, specialist advisors are happy to forge a relationship with them."

And as specialist advisory firms grow, wholesalers need to make sure they reach out to the right person. "These firms are being very deliberate in adding additional investment infrastructure," says Yaqub Ahmed, senior vice president and head of defined contribution-U.S. at Franklin Templeton Investments. "Investment decisions are being pushed out to a centralized group within some larger advisory firms."

"Advisory firms are asking us to have proper alignment to ensure we call on the right folks in their organizations," Ahmed continues. "We have to ensure we get to the right influencers, and we understand what they are looking for and provide them with the right people and content. Advisors are easily frustrated with asset managers blindly shoving their best ideas down their throat."

Crossing the 3(21) Line

Many of the advisors that Empower Retirement works with today already act as a 3(21) fiduciary, president Ed Murphy says. "Others are increasingly looking at either becoming a 3(38) or outsourcing this responsibility to a third party," he says. "While many of our advisor partners operate in a commission-based model today, we believe the new DOL rule will be the catalyst in getting more of them to consider shifting their practices to a fee-based, fiduciary-type structure."

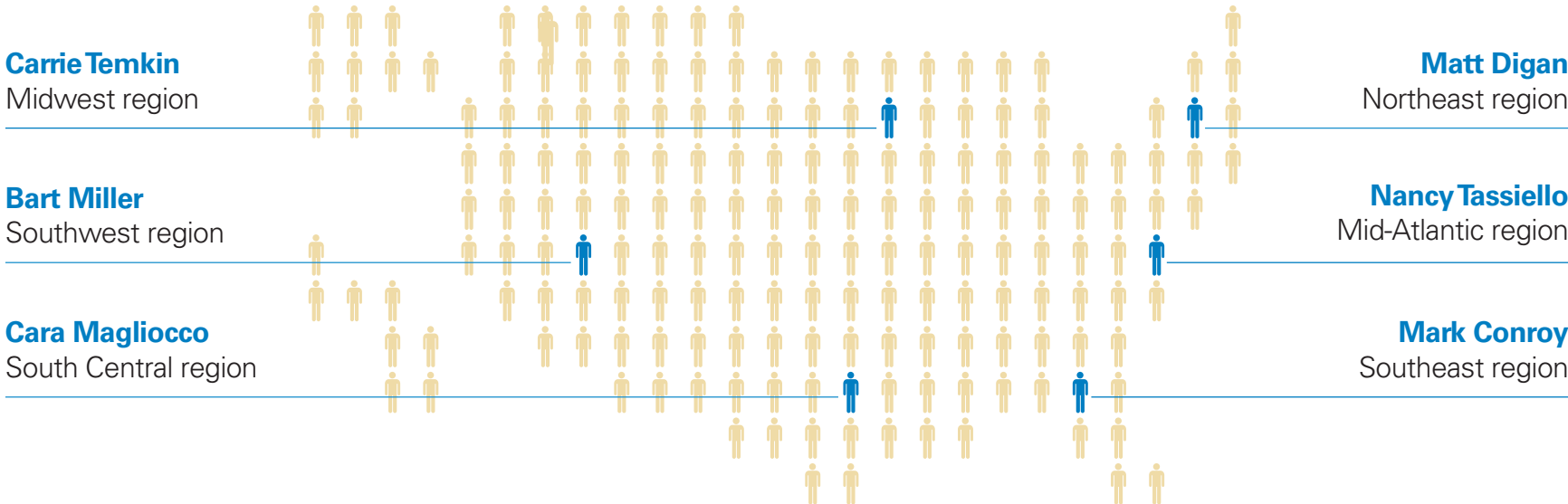
As many advisors decide to cross the line to fiduciary status, wholesalers "will be able to give them not just tools, but education and support to meet the regs' requirements," says veteran fiduciary advisor Dorann Cafaro, CEO of Dorann Cafaro Consulting in Charleston, S.C. "I already am hearing from the DCIOs that advisors are saying, 'Hey, take me back to basic scrutiny of investments.'"

Unified Trust Co. holds an annual, 2½ day advisor symposium with internal experts and industry speakers that covers topics such as sound fiduciary practices and the changing regulatory landscape, says Jason Grantz, the firm's managing sales director-eastern U.S. "We also do three or four one-day due-diligence meetings every year," he says. "Those are intensive, boot-camp style meetings. They can cover everything from the basics — what is a 3(21) fiduciary, what is a 3(38) fiduciary, and what

OVER 5,000 RETIREMENT ADVISORS CAN'T BE WRONG*

2016 | **Top 100
Wingmen**
Award Recipients

Congratulations to our sales directors recognized by NAPA for their contributions to the success of retirement advisors. We would also like to thank the advisors who placed their confidence in our retirement team.



Brandywine Global | Clarion Partners | ClearBridge Investments | EnTrustPermal | Martin Currie | OS Investors | RARE Infrastructure | Royce & Associates | Western Asset

Learn more about what Legg Mason can do to help your practice. Call 1-866-807-0886.

* Over 5,000 financial advisors were surveyed by NAPA Net and asked to select the industry's top wholesalers. Through the survey, six Leg in order to qualify for this year's top 100 Wingmen list.
© 2016 Legg Mason Investor Services, LLC, member FINRA, SIPC. Legg Mason Investor Services, LLC and all entities mentioned above a



Top 10 DCIO Wingmen

Katelyn Boone	Fidelity Institutional Asset Management
Mark Conroy	Legg Mason Global Asset Management
Ryan Fay	John Hancock Investments
Lisa Hultquist	Invesco
Greg Koleno	American Century Investments
Cara Magliocco	Legg Mason Global Asset Management
Eric Milano	T. Rowe Price
Keith Neal	MFS Investment Management Company
Greg Poplarski	Allianz Global Investors
Kevin Tavares	Fidelity Institutional Asset Management

is a 3(16) fiduciary — to how to use plan design to impact participant outcomes.”

And wholesalers can provide advisors with ongoing resources to help ensure they run their practice consistently with the fiduciary rules. “Retirement plan specialists are asking, ‘What can you do for me in a ‘post-DOL’ world?’” Fronczek says of the new rules. “They are looking for any help they can get to ensure that they operate in compliance with the rules, and act in the best interests of plan participants.”

To help advisors understand how they and their sponsor clients should follow fiduciary principles as they work together, Federated Investors, Inc. developed a program that uses as a framework a survey it had done of top fiduciary plan advisors about how they operate. The “Beyond Gravity” toolkit is a “soup to nuts” resource that walks advisors through every step of how to plan and hold fiduciary-focused meetings with sponsors, says Bryan Burke, Pittsburgh-based senior vice president and national sales manager-retirement/insurance at Federated. It covers everything from a five-step process for reviewing fiduciary roles and goals with sponsors to a sample timeline of fiduciary topics to discuss at committee meetings during the year. “It is fully scripted,” he says. “It is a piece we have had for five years, and it has been immensely popular with advisors.”

Many of the tools advisors need focus on following a prudent fiduciary process in their routine work. For example, The Standard can consult with an advisor setting up

a 3(21) offering and share expertise to help the advisor develop an understanding of the fundamentals, such as how to put together a quarterly investment review that reflects each plan client’s investment policy statement requirements. “Over time, people understand that serving as a 3(21) or 3(38) fiduciary really is all about having a prudent process, and documenting that process,” says Mark Bransford, Cincinnati-based retirement plan consultant at The Standard.

Advisors “agree that with the new fiduciary rules, they are going to spend much more time documenting decisions on why a plan chose its providers, and why it chose particular funds,” says Chris Brown, founder and principal at Sway Research in Newton, N.H. Wholesalers “have a huge opportunity to help advisors manage this transition, and give them documentation or software that helps them document decisions,” he adds.

Many advisors transitioning to a fee-based model also need help benchmarking their own fees and services. For those advisors, “The number-one question we get is around an advisor’s peer group: What services are peer advisors offering, and what fees are they charging?” says Mike Narkoff, executive vice president-sales at Ascensus, Inc. in Dresher, Penn.

For instance, MFS Investment Management’s “Monarch Fee Benchmarker” database includes fee schedules from more than 250 advisory practices representing more than \$450 billion in retirement assets under management. It can generate reports for an advisor “that highlight what the advisor is charging a plan, and benchmark that to other advisory

“We see significant conversion to cleaner classes and vehicles for advisors shifting to level fees, and sponsors looking to reduce overall expenses.”

— *Yaqub Ahmed,*
Franklin Templeton
Investments

fees in the marketplace,” says Keith Neal, a Boston-based MFS director. The reports compare fees for a comparably sized plan by advisor business model (such as wirehouse versus RIA), geographic region, and assets under management. “It also lists the advisor’s scope of services delivered for that plan, and compares it to what comparable advisors do in their services lineup,” he says. “It is about making sure that plan sponsors really understand everything that is being delivered for the advisor’s fee.”

Big Advisors Get Bigger

Meanwhile, the major specialist practices that have operated as fiduciaries for years likely will get even bigger in this new era. “Just as we have seen consolidation accelerate among recordkeepers, we will see that accelerate to a greater degree in the advisory space,” Murphy says. “Right now the consolidation is lagging what we see in the service-provider space, but not for long. Scale in many ways is just as important in the advisory space.”

Some advisors will get out of the retirement plan market. “A lot of the ‘one-hit wonders’ or ‘two-time Tonys’ — the advisors who only work with one or two small plans — do not have the infrastructure to become fiduciaries, and are going to exit the business,” Kleinschmidt says. “We will see generalist advisors exiting

Winners:

Matt Abraham, Indiana

Travis Gavinski, Wisconsin

Drew Gehring, North Georgia – South Carolina

Donny Sheinwald, Northern New Jersey



Congratulations to our winners

Thank you, and the rest of our wholesaling team, for helping advisors build, grow, and manage their business.

Lincoln Financial congratulates our four Wingman winners, each recognized as a Top Industry Wholesaler by *NAPA Net the Magazine*. We applaud your hard work and dedication—you deliver the retirement solutions that help advisors serve their clients today and tomorrow.

To learn more, visit LincolnFinancial.com or call 877-533-9710.

Life | Income | Retirement | Employee Benefits | Advice



You're In Charge®

Lincoln Financial Group is the marketing name for Lincoln National Corporation and insurance company affiliates, including The Lincoln National Life Insurance Company, Fort Wayne, IN, and Lincoln Life & Annuity Company of New York, Syracuse, NY. Variable products distributed by broker-dealer/affiliate Lincoln Financial Distributors, Inc., Radnor, PA. Securities and investment advisory services offered through other affiliates.

©2016 Lincoln National Corporation LCN-1581376-082916

For advisor use only. Not for use with the public.



Top 10 Record Keeper Wingmen

Doug Allen	Nationwide Retirement Plans
Tom Briggs	Transamerica
Travis Gavinski	Lincoln Financial Group
Jerry Giovinazzo	John Hancock Retirement Plan Services
Danny Kling	Transamerica
Kyle Lenard	Empower Retirement
Donny Sheinwald	Lincoln Financial Group
Luke Szafranski	Transamerica
Edward Thurmond	John Hancock Retirement Plan Services
Scott Ward	John Hancock Retirement Plan Services

“Wholesalers, instead of trying to meet with advisors who may have one or two plans, will go after the big RIA aggregators.”

— Gary Kleinschmidt, Legg Mason

the DC market, and specialist advisory firms getting bigger. And wholesalers, instead of trying to meet with advisors who may have one or two plans, will go after the big RIA aggregators.”

The reality that some advisors do not have the resources to serve as plan fiduciaries could be a growth opportunity for established practices that do fiduciary work. “I can see models where skilled specialist advisors will partner with non-specialist advisors who might have one or two or three plans,” Grantz says. “That partnering could happen either internally, at the same broker/dealer, or externally, where a non-specialist advisor might partner with an RIA firm. Some of the non-specialist advisors would not mind if a specialist

advisor took that burden from them, for a small fee.”

As big specialist firms grow bigger at the same time that recordkeeper consolidation continues, Murphy is asked, what do established specialists need from recordkeepers? “A lot of it is reporting,” he says, referring to both investment analytics and participant data. “It is really driven by the advisors, as they look to provide value to their clients.”

The major specialist advisory firms also have evolved to the point that they run their investment area with the sophistication and rigor seen at large pension plans. “There has been an ongoing institutionalization of investment decisions,” Ahmed says. Some larger advisory firms have a centralized

investment committee and a team of CFAs doing analysis, for instance. “Advisors who compete for larger plans need this institutionalization. They are competing against national investment-consulting firms, and that has forced them to adopt institutional principles,” he says. “And in the DC market, what starts at the large end of the market tends to move further down the market. We will see more institutionally-oriented buying decisions and processes adopted into this evolving space.”

Target-date funds continue to get a larger share of DC assets, and much of specialist advisors’ attention will focus on those funds. That gives wholesalers an opportunity to add value with target-date analytics, Brown

Wingmen Still Flying High

In this issue, NAPA unveils its third annual list of top DC wholesalers, a.k.a. “Wingmen,” who serve the nation’s retirement plan advisors. We call them “Wingmen” because if they are doing their job, they have your back.

This year we received a record number of nominations from NAPA Firm Partners — and received a record number of votes from advisors (on top of last year’s amazing

response, which included votes from retirement industry professionals in addition to advisors).

Finalists for this recognition were selected based on votes cast by several thousand advisors from a list of nearly 500 wholesalers nominated by their NAPA Firm Partner record keepers and DCIOs.

We left the list at 1,000 as we did last year, and this year’s list also identifies the top 10 DCIO and top 10 record keeper

wholesalers — that is, the 10 Wingmen in each category who received the most votes from advisors.

Our congratulations to these Wingmen (and women!), and the firms that support them — and our thanks to all of you who supported this recognition with your votes!

— Nevin E. Adams, JD

Congratulations Shane Hanson for earning a spot among the top wholesalers in the industry. Your dedication to truly partner with advisors to enhance and grow their business continues to make you a leader in the industry and at our organization!



“Thank you for the dedicated/tireless support you provide to help retirement plan advisors build, manage and grow their practice.”

CUNA Mutual Retirement Solutions is focused on you, the advisor. Through the Retirement Advisor Institute, the CUNA Mutual Retirement Solutions wholesalers have over 130 tools at their fingertips helps you reach your goals. For more information on CUNA Mutual Retirement Solutions or the Retirement Advisor Institute, contact us at 800.491.7859 or visit cunamutualrs.com.

CUNA Mutual Retirement Solutions is a division of CUNA Mutual Group and the marketing name for CPI Qualified Plan Consultants, Inc., a CUNA Mutual Group member company. CUNA Mutual Group is the marketing name for CUNA Mutual Holding Company, a mutual insurance holding company, its subsidiaries and affiliates. Annuity insurance products are issued by CMFG Life Insurance Company, located in Madison, Wisconsin. Each insurer is solely responsible for the financial obligations under the policies and contracts it issues.

Securities distributed by CUNA Brokerage Services, Inc. (CBSI), member FINRA/SIPC, a registered broker/dealer, 2000 Heritage Way, Waverly, Iowa 50677, toll-free 866.512.6109. Non-deposit investment and insurance products are not federally insured, involve investment risk, may lose value, and are not obligations of or guaranteed by the financial institution. Representatives offer retirement and investment education but do not provide investment, legal or tax advice. Participants are encouraged to consult their own advisors.

CMRS-1580141.2-0816-0918 © CUNA Mutual Retirement Solutions, 2016 All rights reserved.



CUNA MUTUAL
RETIREMENT SOLUTIONS

People driven. Outcome focused.®

says. “That is one of the things that has really worked well for DCIOs. J.P. Morgan, for example, has had a huge response to its Target Date Compass selection and monitoring tool,” he says. “These are tools that advisors can bring to plan sponsors and say, ‘We used this tool to select the best target date funds for your plan.’”

The new fiduciary regs will lead specialist advisors to increasingly seek open architecture within target date funds, Cafaro believes. “A lot of recordkeepers are already there, but there are a few holdouts,” she says. “I think they will move quickly to open architecture, including offering custom portfolios for target-date funds.”

In the DC market, Burke says, many sponsors initially chose to use proprietary target-date funds — a choice that fiduciary

“Advisors have much more need for a discussion around the cost of investments and the all-in expenses, versus just the recordkeeping fees.”

— Mike Narkoff,
Ascensus

advisors likely will feel compelled to question. “The trend now is definitely leaning toward more open architecture in target-date funds, so that advisors can screen and select each fund individually, versus blanket saying to an investment manager, ‘You are good at everything.’ Advisors need tools and resources to help them as plans move toward open architecture for target date funds.”

For advisors who want to take the next step and work on custom TDFs, Federated Investors has developed a program with start-to-finish resources to use as they offer custom

model portfolios to plans, Burke says. Federated worked with third-party experts to set up the program, such as Wilshire Associates’ glide-path design. Advisors can utilize the program as a 3(38) and pick the underlying funds, or as a 3(21), with the sponsor responsible for selecting the funds. “It allows advisors to do what they do best,” he says, “which is to help on investment selection with the sponsor, and then communicate to participants.”

The Fate of Revenue Sharing

The new fiduciary era will, of course, bring even more focus on investment fees and revenue sharing. “When helping advisors transitioning from the commission-based model to a fee-based model, we have seen that it is a much different sales cycle,” Ascensus’ Narkoff says. “Advisors need a real understanding of not just the investment products, but the revenue they may or may not generate — and where those dollars have gone, historically. They have much more need for a discussion around the cost of investments and the all-in expenses, versus just the recordkeeping fees.”

Sway Research surveyed plan advisors in June and July on the potential impact of the new fiduciary rules. Sway found 86% of what it defines as mid-tier consultants — specialist advisors serving an average of 82 DC plans, and with more than \$1.1 billion in average assets under management — agreed that the new fiduciary rule will lead to greater use of investments with zero revenue sharing in the plans they service. And 62% of the group Sway classifies as retirement advisors — who do both wealth management and DC plan business, and have an average of 35 DC plans and \$75 million of DC assets under management — expect more use of zero-revenue-share investments in the plans they serve. Sway will publish the findings from this survey, and a survey of DCIO managers, in its “The State of DCIO Distribution: 2017” study in October.

The R6 share class, which does not use revenue sharing, already is getting a lot more attention from fiduciary advisors. “Easily the biggest trend we have seen within our fee-based book of business is the rapid movement toward the lowest-cost share class that is devoid of all revenue —

“We believe the new DOL rule will be the catalyst in getting more of our advisor partners to consider shifting their practices to a fee-based, fiduciary-type structure.”

— Ed Murphy,
Empower Retirement

and rapid may not be a strong-enough word,” Narkoff says. “Our suggestion would be, always start out with a zero-revenue menu. It is very clean. It feels as if the new DOL reg is going to finally do what the industry thought that the fee-disclosure regs could have done.”

Asset managers say that a shift to widespread R6 usage has begun in the DC market. “We see significant conversion to cleaner classes and vehicles for advisors shifting to level fees, and sponsors looking to reduce overall expenses,” Franklin Templeton’s Ahmed says. “We launched our R6 share class three years ago, and it is by far our fastest-growing share class.”

MFS also sees more advisors suggesting plans utilize the revenue-free share class. “Now, 32% of our DC business is coming in the R6 class,” says Ryan Mullen, senior managing director and head of the defined contribution investment practice at MFS. “That is a dramatic change, because we have only had that share class for four years. We see that pace accelerating.” In late August, the asset manager planned to launch the R6 version of the MFS Lifetime Funds, its target-date family.

Use of a revenue-free share class will become much more prolific within the DC marketplace over the next several years, Fronczke believes. “The R6 share class

is going to spread across every single asset class available in plans, whether that is the target-date fund family or good old-fashioned large-cap equity funds,” he says. “And absolutely, it is not going to be just a large-plan share class: We will see it start to seep into mid- and small-sized plans.”

But Cafaro thinks some revenue sharing will continue, using the new fiduciary rules’ Best Interest Contract (BIC) Exemption. The practice “may change in name. But I could see the money still coming from the plan, if it is spread evenly across all participants,” she says. “That is critical. Today, some participants are subsidizing recordkeeping costs for other participants.”

Mullen also expects some revenue sharing to remain in the DC market. “It is about having flexibility of pricing,” he says. “We see two camps emerging. One is to bifurcate the costs and bring in a-la-carte pricing for the three components: investments, recordkeeping and administration, and advisory services. But some other advisors will move forward with funds that utilize revenue sharing, using

“Advisors need tools and resources to help them as plans move toward open architecture for target-date funds.”
— *Bryan Burke, Federated Investors*

the BIC Exemption. So recordkeepers will need to have the ability to offer fee levelization.”

The Standard already does fee levelization, for example. “We provide levelized fees across all funds, and we think that will have to become the norm with the new regs,” Bransford says. “We and the advisor both have an asset-based fee. If there is any

revenue sharing paid on the investments, we do not keep it, and the advisor does not keep it. At the end of the quarter, any revenue sharing received from the funds in the plan is returned as an offset to billable fees.”

“What that is driving toward is now when you look at share classes, because you are not keeping any revenue sharing, there is no incentive to encourage plans to use higher-cost funds,” Bransford continues. “Of course, that can make our billable fee look a little higher than some other recordkeepers, because we are not taking any revenue sharing. But we do not have any conflicts of interest. That makes it nice when I go to sleep at night.”

» Judy Ward is a freelance writer who specializes in writing about retirement plans.



DC TOP INDUSTRY WHOLESALERS

	Jeff Abelli	Pioneer Investments
	Matt Abraham	Lincoln Financial Group
	Doug Allen	Nationwide
	Chris Augelli	T. Rowe Price
	Staci Baker	JP Morgan Asset Management
	Pete Barron	MFS Investment Management Company
	Matt Bartch	BlackRock
	Ray Beattie	Transamerica
	Matt Beaulieu	Franklin Templeton
	Rhea Berglund	OppenheimerFunds
	Bradford Boney	John Hancock Retirement Plan Services
	Katelyn Boone	Fidelity Institutional Asset Management
	Bryan Bracchi	Franklin Templeton
	John Briere	VOYA Financial
	Tom Briggs	Transamerica
	Rachael Brumund	Transamerica
	David Castina	Nationwide
	Murray Cleaner	MFS Investment Management Company
	Bruce Cobey	John Hancock Retirement Plan Services
	Steve Cohen	Federated Investors
	Clayton Collins	American Century Investments
	Mark Conroy	Legg Mason Global Asset Management
	Rick Cortellessa	Goldman Sachs
	Robert Cruz	Allianz Global Investors
	Mike Deferro	Allianz Global Investors

 TOP 10 DCIO WINGMEN

 TOP 10 RK WINGMEN

WHEN YOU DO RIGHT BY DC PLAN ADVISORS, WELL, YOU KNOW THE REST

John Hancock Retirement Plan Services congratulates our seven designees to NAPA's Top 100 DC Wholesaler list for 2016.

Thanks to the votes of America's advisors,
more John Hancock recordkeeping wholesalers were named
to NAPA's DC Wingmen than any other recordkeeper.*

LET US HELP YOU AND YOUR CLIENTS BUILD BETTER RETIREMENT PROGRAMS

From start-ups to larger, more complex plans, we have
a solution for your clients' goals and unique challenges.

Visit buildyour401kbusiness.com to connect
with a John Hancock representative in your territory.



*Based on the recordkeeper affiliations cited on the list of Top 100 wholesalers,
American Retirement Association, August 2016.

John Hancock Life Insurance Company (U.S.A.), John Hancock Life Insurance Company of New York, and John Hancock Retirement Plan Services, LLC are collectively referred to as "John Hancock".

John Hancock Retirement Plan Services, LLC, Boston, MA 02210

NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED

© 2016 All rights reserved. MGTS-I 31217-GE 09/16-31217



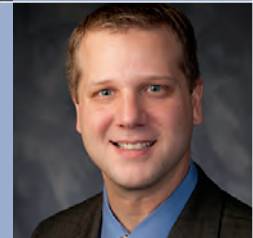
Bradford Boney
Regional Vice President
Southeast Division
877-346-8378
ext. 877854

Bruce Cobey
Regional Vice President
Southeast Division
877-346-8378
ext. 801922



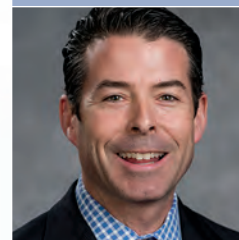
Jerry Giovinazzo
Regional Vice President
Northeast Division
877-346-8378
ext. 828470

Adam Johnson
Regional Vice President
Central Division
877-346-8378
ext. 737889



Mark Needham
Regional Vice President
Mid-Atlantic Division
877-346-8378
ext. 822174

Edward Thurmond
Regional Vice President
Southeast Division
877-346-8378
ext. 876652



Scott Ward
Regional Vice President
Northeast Division
877-346-8378
ext. 855126



DC TOP INDUSTRY WHOLESALERS

Matthew Digan	Legg Mason Global Asset Management
Jim Dowling	Fidelity Institutional Asset Management
Michael Dullaghan	Putnam Investments
Laura Durkin	Nationwide
Allen Ehling	T. Rowe Price
Wendell Epps	Principal Financial Group
Ryan Fay	John Hancock Investments
Brian Forneris	The Standard
Travis Gavinski	Lincoln Financial Group
Drew Gehring	Lincoln Financial Group
Jerry Giovinazzo	John Hancock Investments
Mark Glatley	JP Morgan Asset Management
Michael Hake	PIMCO
Greg Handrahan	AB (AllianceBernstein)
Shane Hanson	CUNA Mutual Retirement Solutions
Aaron Hassinger	Fidelity Institutional Asset Management
Ami Hindia	Fidelity Institutional Asset Management
Monika Hubbard	Unified Trust Company
Lisa Hultquist	Invesco
Jennie Hunsberger	Fidelity Institutional Asset Management
Ken Jackson	Pentegra Retirement Services
Adam Johnson	John Hancock Retirement Plan Services
Charles Johnson	Natixis Global Asset Management
Matt Kasa	American Century Investments
Jae Kim	Neuberger Berman



TOP 10 DCIO WINGMEN



TOP 10 RK WINGMEN



Congratulations to T. Rowe Price's
**TOP 100 DC
WHOLESALE WINNERS**

Defined Contribution Investment-Only Regional Sales Consultants



Chris Augelli

Mid-Atlantic Region

Cell: 410.458.7137
Chris_Augelli@troweprice.com

20 years in the financial services industry



Eric Milano, QPFC

Midwest Region

Cell: 401.741.9221
Eric_Milano@troweprice.com

17 years in the financial services industry



Alan Valenca, CFP®, CIMA®

Northeast Region

Cell: 978.404.2114
Alan_Valenca@troweprice.com

25 years in the financial services industry



Jonathan Wilkinson

NY/NJ Metro Region







Cell: 908.200.9960
Jonathan_Wilkinson@troweprice.com

17 years in the financial services industry

Visit troweprice.com/intermediaries and let us help you stay ahead of trends, build your book, and strengthen your existing relationships. Clients first, always.



DC TOP INDUSTRY WHOLESALERS

	Danny Kling	Transamerica
	Greg Koleno	American Century Investments
	Kris Krikorian	Pentegra Retirement Services
	Eric Kristenson	OppenheimerFunds
	Ben Leger	Fidelity Institutional Asset Management
	Kyle Lenard	Empower Retirement
	Cara Magliocco	Legg Mason Global Asset Management
	Eric Magyar	Janus
	Sean Maher	Allianz Global Investors
	Chris Mango	BlackRock
	Todd Mann	AB (AllianceBernstein)
	Todd Matlack	Invesco
	Kelli McNamara	Columbia Threadneedle Investments
	Eric Milano	T. Rowe Price
	Bart Miller	Legg Mason Global Asset Management
	Kevin Morgan	JP Morgan Asset Management
	Brian Munn	American Century Investments
	Kevin Murphy	Franklin Templeton
	Keith Neal	MFS Investment Management Company
	Mark Needham	John Hancock Retirement Plan Services
	Tyler Neenan	BlackRock
	Elliott Pedrick	Pioneer Investments
	Jeff Petersen	Franklin Templeton
	Paul Pilcher	MFS Investment Management Company
	Jimmy Polito	BNY Mellon Retirement

 TOP 10 DCIO WINGMEN

 TOP 10 RK WINGMEN



DC TOP INDUSTRY WHOLESALERS

	Greg Poplarski	Allianz Global Investors
	Ryan Racine	Aspire Financial Services
	Ben Rich	Fidelity Institutional Asset Management
	Scott Riethman	Nationwide
	Gregg Schifko	Fidelity Institutional Asset Management
	Eric Schneeman	Securian Retirement
	Jenna Sellman	Pioneer Investments
	Donny Sheinwald	Lincoln Financial Group
	Lloyd Silk	Invesco
	Jay Slusher	PIMCO
	Ted Smith	Ascensus
	Mike Staples	OppenheimerFunds
	Christopher Stout	Prudential
	Mike Sullivan	OneAmerica
	Luke Szafranski	Transamerica
	Nancy Tassiello	Legg Mason Global Asset Management
	Kevin Tavares	Fidelity Institutional Asset Management
	Carrie Temkin	Legg Mason Global Asset Management
	Edward Thurmond	John Hancock Retirement Plan Services
	Andy Tyndall	MFS Investment Management Company
	Alan Valenca	T. Rowe Price
	Scott Ward	John Hancock Retirement Plan Services
	Jonathan Wilkinson	T. Rowe Price
	Paul Yossem	Nationwide
	MJ Zayac	AB (AllianceBernstein)

 TOP 10 DCIO WINGMEN

 TOP 10 RK WINGMEN



DC TOP INDUSTRY WHOLESALERS

CONGRATULATIONS

to each one of this year's Wingmen, and thanks to everyone who nominated a wholesaler, voted for them and reviewed the **Top 100 list!**

Look for more information about the 2017 Wingmen on NAPA Net and in the *NAPA Net Daily* starting in the second quarter of 2017.





**FIVE OF OUR WHOLESALERS
BROUGHT HOME THE PRIZE, BUT
ALL 40 MADE THE DIFFERENCE.**

Congratulations to the Nationwide® RVPs who made **NAPA's 2016 Top DC Wholesalers** list. And congratulations to our entire wholesaler network, who gave everything to help their clients find success.

WINNERS

DOUG ALLEN, Louisiana

DAVID CASTINA, Southeast Pennsylvania

LAURA DURKIN, Michigan

SCOTT RIETHMAN, Indiana

PAUL YOSSEM, Southern California
and Nevada

To experience award-winning service and support, visit
NationwideFinancial.com/RetirementPlans or call 1-800-626-3112.



Nationwide®

ANNUITIES | LIFE INSURANCE | RETIREMENT PLANS | MUTUAL FUNDS

Source: NAPA, August 2016.

Nationwide Investment Services Corporation, member FINRA.

Nationwide, the Nationwide N and Eagle and Nationwide is on your side are service marks of Nationwide Mutual Insurance Company. © 2016 Nationwide.

NFV-0902A0.1 (8/16)

The 'S' Stands for Savings

Awareness of HSAs as a long-term savings and investment vehicle remains low.



BY JUDY WARD

A

dvisor Barbara Delaney has started getting questions from executives at some of the larger retirement plan clients she serves. Why, the executives wonder, can't they invest the money in their Health Savings Accounts?

"These are people who have accumulated balances of \$60,000 or \$70,000 in

their HSA. Typically they are on plan investment committees, and they are mostly in the financial services industry," says Delaney, founder and principal at StoneStreet Advisor Group, LLC in Pearl River, N.Y. "And they do not know that they actually can invest the money."

Employers may feel motivated to look more closely when they realize that the new DOL fiduciary rules apply to HSA investments."

More than a decade after HSAs' creation, their usage continues to expand rapidly: HSAs grew to an estimated \$30.2 billion in assets and 16.7 million accounts by year-end 2015, according to HSA investment advisor Devenir Group, LLC. Assets increased by 25% and accounts by 22% compared with year-end 2014, Devenir says.

But many Americans do not know how to use these accounts in an optimal way, including the opportunity to invest money. Most account holders do not yet see their HSA as an important part of their long-term retirement savings. "People have yet to think of it that way," says Eric Remjeske, president and co-founder of Minneapolis-based Devenir. "It is almost promoted as a health spending account and not as a health savings account."

A Lack of Understanding

Estimates of HSA money invested vary, but agree on relatively low current usage. Just 6.4% of HSA owners utilized the investment-option portion of the account in 2014, according to an Employee Benefit Research Institute (EBRI) analysis of its HSA database published in August 2015. (The database at that point encompassed 2.9 million accounts and \$5 billion in assets.)

EBRI's analysis found that current HSA investors have considerably higher average end-of-year account balances than non-investors: \$10,261, versus \$1,709 for non-investors. Their age averages 48.5, versus 43 for non-investors. The investors tend to be early adopters: 47% opened their account between 2005 and 2008, versus 8% of non-investors. The investors also contribute more annually on average to their accounts: \$2,636, compared with \$1,224 for non-investors.

Devenir pegs HSA investment assets at approximately \$4.2 billion at year-end 2015, up 33% from a year earlier. "We estimate that at year-end 2015, about 14% of HSA assets were in investments," Remjeske says. The percentage of HSA assets invested is growing at about one-half a percentage point annually, he adds.

The low utilization of HSA investments has roots at both the employer and employee levels. HSA investment options generally do not get discussed when employers select high-deductible health plans, Delaney thinks. "Employers are talking about HSAs with health and welfare benefit consultants, who cannot talk about investments because they are not licensed to do it," she says.

Often, employers likely do not learn during the sales process that HSA holders can invest, says Chad Metzger, regional vice president at Nationwide Financial in Columbus, Ohio. "Benefit brokers typically recommend an HSA provider as part of their recommendation to an employer on selecting a high-deductible health plan, which is what they are in business to sell and be knowledgeable about," he says. "So nobody is really educating the plan sponsor and employees on these accounts' full capabilities, and how they can utilize the investment option as part of their long-term retirement savings."

Employers who do realize HSA holders can invest often mistakenly think that all HSA providers offer the same investment

Most account holders do not yet see their HSA as an important part of their long-term retirement savings."

setup, because no one has talked with them about the differences, says Matt Clarkin, senior HSA consultant at consulting firm Access Point HAS in Smithfield, R.I. "When they picked an HSA provider, the investment opportunities often were not even considered," he says.

But HSA providers' investment choices actually vary widely, Clarkin says. "Some offer investment options, some do not. Some have open architecture, some do not," he says. "Some HSA providers will speak to advisors about mirroring the options an employer has in its 401(k), and some will not. Some offer self-directed brokerage accounts, some do not. It runs the gamut."

Also, employees often get little or no education on the ability to invest their HSA, says Paul Fronstin, director of the health research and education program at EBRI. "One reason for the low usage is that because most accounts are relatively new, people are not necessarily aware that the investment option exists," he says. "Another reason is that many people do not have large-enough account balances to invest. HSA providers typically have a minimum-balance requirement to invest."

That is a behavioral impediment, observes Jake Spiegel, senior research analyst at HelloWallet and author of its recent study, "Health Savers: The Consumer Finances of Health Savings Accounts." People usually have to build up a sufficient balance — often \$1,000 — before they have the option to invest, he says. "Not everybody is going to go back and change their investment election once they cross that threshold," he says.

Many HSA holders also think they

must spend the money during the current year, Remjeske says. “Unfortunately, a lot of people do not understand the carry-forward component of it. They think of it as being like an FSA, which is a ‘use it or lose it’ account,” he says. “Education has to occur for people to understand that they can carry the balance forward.”

And, in reality, most people who put money into an HSA do need to use it for

subsequent medical expenses rather than long-term investing. “The majority of people just use them as spending accounts. That speaks to how not too many people have enough emergency savings to pay for a significant medical event,” Spiegel says. “To invest the money and get the maximum benefit over the long term, you really need to have sufficient emergency savings, so if something comes up with health-care ex-

penses, you do not need to withdraw money from your HSA to pay for it.”

A Complete Retirement Advisor

After getting questions from employer clients, StoneStreet Advisor Group has started taking a closer look at the investment options offered by their HSA providers — and found lots of room for improvement. “They often are using share classes that we

RETIREMENT HEALTH COST ESTIMATES HIT NEW HIGH

A recent report estimates that health care for a 65-year-old couple retiring this year will cost 6% more than a year ago — the highest estimate since 2002.

According to Fidelity’s Retiree Health Care Cost Estimate, a 65-year-old couple retiring in 2016 will need an estimated \$260,000 to cover health care costs in retirement, a 6% increase over last year’s estimate of \$245,000 — and the highest estimate since calculations began in 2002.

The 6% increase in this year’s estimate was attributed to several factors, including an uptick in the utilization of medical services and rapidly rising drug costs.

The estimate applies to retirees with traditional Medicare insurance coverage and provides a general idea of the monthly expenses associated with Medicare premiums, Medicare co-payments and deductibles, and prescription drug out-of-pocket expenses.

What Are the Odds?

The nonpartisan Employee Benefit Research Institute (EBRI) has previously estimated that a 65-year-old man needs \$68,000 in savings and a 65-year-old woman needs \$89,000 if each has a goal of having a 50% chance of

having enough money saved to cover health care expenses in retirement. If either instead wants a 90% chance of having enough savings, \$124,000 is needed for a man and \$140,000 is needed for a woman, though that analysis did not factor in the savings needed to cover long-term care expenses.

For a married couple both with drug expenses at the 90th percentile throughout retirement who want a 90% chance of having enough money saved for health care expenses in retirement by age 65, EBRI noted that targeted savings increased from \$326,000 in 2014 to \$392,000 in 2015.

For Fidelity’s analysis, the estimate based on a hypothetical couple retiring in 2016, 65 years old, with average life expectancies of 85 for a male and 87 for a female. They are calculated for “average” retirees, but, as Fidelity notes, may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes. The Fidelity Retiree Health Care Costs Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government’s insurance program, Original Medicare.

That calculation takes into account

cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Original Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services and long-term care.

Long-Term Cares?

While Medicare covers many health-related expenses in retirement, long-term care costs are only covered by Medicare in limited circumstances. Fidelity estimates that a 65-year-old couple would need \$130,000, in addition to savings for retiree medical expenses, to insure against long-term care expenses. This assumes the couple is in a good health and purchases a policy with \$8,000 monthly maximum benefit, with three years of benefits, and an inflation adjuster of 3% per year.

The report notes that long-term care expenses are based on many factors, and the need for long-term care insurance (and level of coverage) is highly dependent on individual circumstances.

— Nevin E. Adams, JD

would never use, very high share-class pricing,” Delaney says. “The investments offered are all over the board, and by and large, they are not the funds we would use in our institutional world.”

Employers may feel motivated to look more closely when they realize that the new DOL fiduciary rules apply to HSA investments, at least on the individual account holder level, and perhaps on the employer level. “On the individual-advice side it will fall under the new fiduciary rules,” Clarkin says. “There are a lot of questions on the employer side about what it means. Everyone is still trying to understand the impact. But we are saying to employers selecting an HSA provider, ‘You need a process-driven approach.’”

The heightened fiduciary issue “is a game-changer,” Delaney says. “I think we will start to see better due diligence on HSA investments.” For employers today, that due diligence “is not even a thought,” she says. “Their health and welfare consultants do not even talk with them about the investments, because they cannot.”

Between the typically modest account sizes and limited investment choices in many cases, specialist plan advisors may hesitate to get involved for now. “The average balances are still pretty low, so I do not think you will find broker/dealers or a lot of plan advisors who have gotten really engaged about the ability to consult on HSA investments,” Metzger says. “That probably will not happen until the market matures and balances grow, and there are better investment offerings.”

Still, Metzger sees emerging advisor interest. “What we are seeing now is that the leading edge of the best plan advisors, with the big shops, have started looking at this issue,” he says. “A few are exploring doing their own HSA investment offering, or partnering with an HSA provider to white-label their investment platform.”

Clarkin thinks plan advisor interest in working on HSA investments has been a slow build, but he sees that pace accelerating. “In many cases, because of the (relatively low) balances, advisors might decide to charge a flat consulting fee and say to employers, ‘Hey, I will help you have a more-robust investment menu for your

Devenir pegs HSA investment assets at approximately \$4.2 billion at year-end 2015, up 33% from a year earlier.”

HSA,” he says. “There is an opportunity for advisors to increase their revenue through current clients. But there is also an opportunity to be more than just the advisor on the DC plan side: You are able to come in and be the complete retirement specialist. Health care is such a big part of expenditures in retirement, and if you want to be a complete retirement advisor, you need to address that.”

Among HSA holders, much of the interest in investing likely will come from affluent employees who want to max out on their retirement-savings opportunities. “It is going to be the highly compensated,” Delaney says. “But as we get better education materials, there are going to be other people, like couples who say, ‘Let’s save my HSA money and use yours to pay medical expenses.’”

For HSA investment usage to grow, account holders need to see their HSA as important to their long-term retirement savings. “If you take a big step back, people need to look at the true cost of health care in their retirement years,” Metzger says. “There is a widely used number in the industry from Fidelity, that the average married couple will spend \$245,000 in retirement for health-care costs out of their own pockets (see sidebar on page 40). Nationwide has developed a tool that, based on an individual client’s situation, can generate a personalized health care cost estimate for their retirement plan. We have seen that many of those estimates exceed \$245,000.”

Because of the unique triple-tax-free nature of an HSA — the money goes in tax-free, accumulates tax free, and gets withdrawn tax-free if used for qualifying medical expenses — it works well as a way to pay retiree health care expenses. “When people reach retirement and need to take that \$245,000 out of their accounts to

pay for health care expenses, \$245,000 out of an HSA is \$245,000, because the money comes out tax-free,” he says. “But if you need \$245,000 out of your 401(k) account, that is something like \$325,000, after you pay the marginal tax rate on that money.”

Many people do not realize how large health care expenses loom during their retirement, Metzger says. “In retirement, either the largest or second-largest monthly expense for most people is going to be health care. If it is number two, it is behind only housing costs, and most people do not understand that,” he says. “Many do not realize that the \$245,000 cost estimate is made up of Medicare premiums, optional supplemental Medicare insurance, and co-pays and deductibles when they use Medicare. So when you save for retirement, whether you know it or not, you are saving for health-care expenses.”

» Judy Ward is a freelance writer who specializes in covering retirement plans.





BY DONALD B. TRONE

To Prepare for the DOL Fiduciary Rules, You Need to Think BIG

The best way to prepare for the new rules is to consider a behavioral governance framework.

The new DOL conflict-of-interest rules are complex, and the liability associated with serving retirement investors is going to increase dramatically. To illustrate, I enlisted the help of Erin Cho, a partner at the Groom Law Group, to help produce a flowchart (see below) of the different decisions you'll have to navigate.

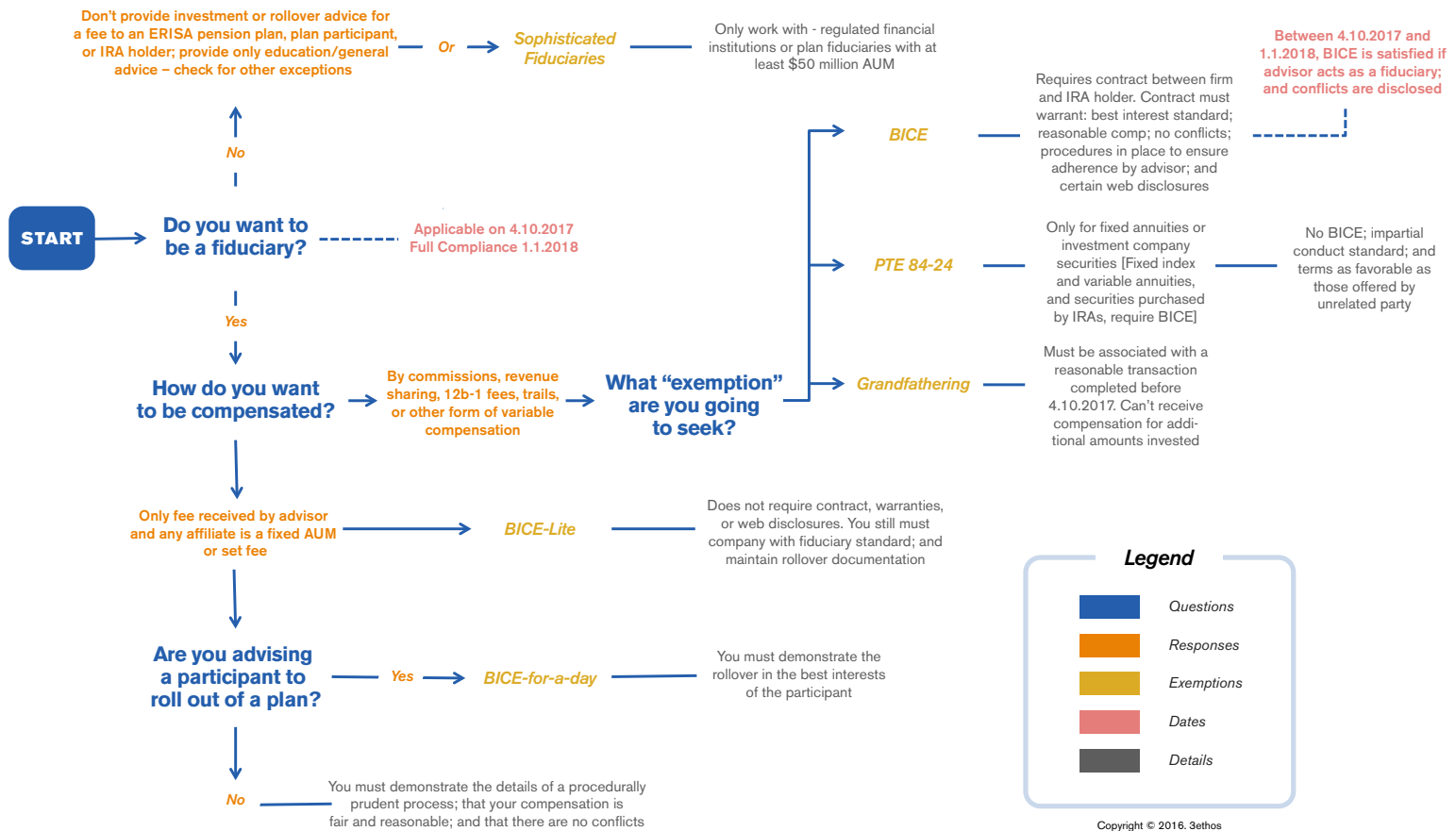
The purpose of providing this flowchart is to demonstrate that the primary

focus of the new DOL rules is on client engagement — literally what you need to demonstrate before you can begin providing retirement planning services to a client. We can be certain that attorneys will soon settle in on appropriate client forms, agreements and contracts to comply with the new engagement rules. As such, I don't believe the rules themselves are the biggest source of liability.

Instead, liability is going to arise from whether you can demonstrate that you have

properly employed generally accepted fiduciary best practices. These 80 words from the DOL's new rules are what you need to worry about:

You must act... with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person would exercise acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, based on the



Legend

- Questions
- Responses
- Exemptions
- Dates
- Details

Copyright © 2016, 3ethos

investment objectives, risk tolerance, financial circumstances, and needs of the Retirement Investor, without regard to the financial or other interests of the Advisor, Financial Institution or any Affiliate, Related Entity, or other party.

The fact that you can produce a properly executed “Best Interest Contract” that complies with the new client engagement rules won’t be good enough.

When you find yourself sitting in the witness chair, the plaintiff attorney will likely ask you the following questions:

- What process did you follow to determine the availability of other retirement assets?
- Did you use a holistic household planning process? If so, what are the details of that process?
- Did you ask the client about serious health issues that may require a draw-

down of retirement assets?

- Did you ask the client about trusts tied to the retirement assets, or legacy objectives?
- How did you determine the client’s risk tolerance?
- What investment time horizons were taken into consideration?
- Did you use an asset allocation model? If so, what is the expertise of the firm that developed the model and the capital markets inputs?
- What modeled rate of return was used to determine the adequacy and appropriateness of the client’s asset allocation?
- Was the client involved with the development of their retirement strategy? What steps did you take to ensure the client was making informed decisions?
- Did you prepare a written retirement

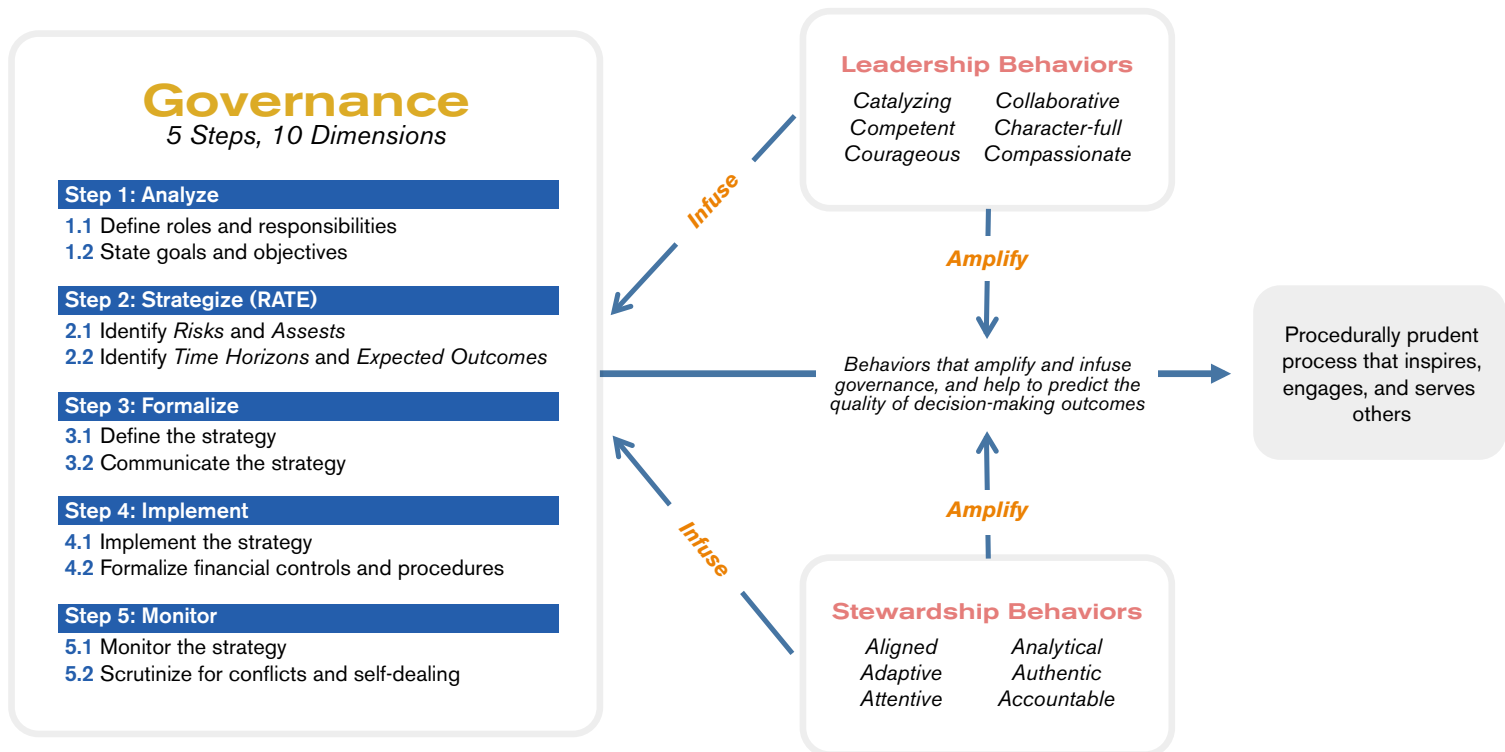
strategy statement (RSS)? Did the RSS outline the inputs to the strategy; the steps that would be taken to implement the strategy; and the process that would be followed to monitor the strategy?

- What kind of due diligence process did you follow to select the investment or insurance options to implement the RSS? Was the due diligence process consistently applied?
- What steps did you take to control and account for the client’s fees and expenses? Did you inform the client of every party that was compensated from the client’s portfolio, and did you demonstrate that the compensation was fair and reasonable for the services rendered?
- How often do you benchmark industry fees and expenses?
- How often did you monitor the

Think B.I.G.

Behavioral & Inspirational Governance

For advisors who have (1) legal, (2) financial, (3) professional and moral liability for their decision-making process



client's retirement strategy? What process did you follow to determine whether an investment or insurance option needed to be replaced or placed on a watch list?

- What is your process for rebalancing the client's retirement strategy?
- Do you have a code of ethics or code of conduct? What steps do you take to scrutinize for conflicts and self-dealing?
- What kind of formal training have you undergone to serve as a fiduciary?
- How often do you assess the effectiveness of your practice?

Get the picture? And keep in mind, you'll be expected to demonstrate this level of procedural prudence even for the retirement investor who has an account balance of \$25,000 — the median balance for IRA accounts.

Depressing, isn't it?

Well, it doesn't have to be that way.

Just because the DOL doesn't know what they're doing doesn't mean we have to respond in kind. I suggest that the best way to prepare for the DOL's new conflict-of-interest rules is to consider a behavioral governance framework.

Behavioral governance is the newest branch of the behavioral finance tree. It was Warren Cormier, one of the co-founders of RAND's Behavioral Finance Forum, who pointed out that our research on leadership and stewardship behaviors seemed to parallel elements of behavioral finance. The major difference: Behavioral finance is focused on the decision-making process of individual savers, while behavioral governance is focused on individuals who have legal, financial, professional or moral liability for their decision-making process.

Specific to your practice, behavioral governance is focused on the behaviors that infuse, amplify and help predict the quality of outcomes associated with your fiduciary decision-making process.

'BIG' Framework

A behavioral governance framework is portrayed in the second chart. When giving a speech or conducting training, we use the catchier term, "Behavioral & Inspirational Governance," or BIG — as in, think BIG!

Liability is going to arise from whether you can demonstrate that you have properly employed generally accepted fiduciary best practices."

The left-hand section of the framework is governance, consisting of five steps and two dimensions per step. The dimensions define the details of each step. All of the plaintiff attorney's questions listed above can be mapped back to these five steps.

The five-step governance section is slimmed down from the 27 fiduciary practices first published by the Foundation for Fiduciary Studies in 2003. The Foundation's practices were designed primarily for trustees and investment committees and would be very difficult to apply to individual retirement savers with account balances of less than \$360,000. In contrast, the five-step framework makes it possible to apply a fiduciary standard to much smaller accounts.

The six leadership and six stewardship behaviors to the right of the governance section represent the specific behaviors that infuse and amplify the five-step process. In other words, for you to improve the quality of outcomes associated with the five-step process, there are certain behaviors that you need to exhibit. We could also say that to help reduce liability associated with your decision-making process, there are certain leadership and stewardship behaviors that you need to exhibit to a retirement investor.

There are other collateral benefits associated with thinking BIG:

- The framework is universal and can be applied to any industry sector and domain — corporate, not-for-profit,

government and military. Imagine sharing with your clients a framework for managing their assets, and then explaining that the same framework could be used by the client to manage a division, a department, a company, a board of directors or an investment committee.

- The framework is simple and intuitive. It does not include any legal or regulatory terms. One mistake we have all made is to try to teach clients the arcane vocabulary associated with a fiduciary standard and portfolio management.
- Most importantly, the BIG framework will help you to inspire, engage and more effectively serve your clients. Behavioral governance provides a point of inspiration, which is in stark contrast to the negativity associated with the new DOL rules.

It will probably be years until there is sufficient evidence to prove that the new DOL rules have caused more harm than good. In the meantime, you can do better by adopting a behavioral governance framework that satisfies the DOL's *de minimis* standards while at the same time providing you a framework for building a more inspiring and successful practice. **N**

Opinions expressed are those of the author, and do not necessarily reflect the views of NAPA or its members.

» Don Trone, GFS® is one of three co-founders of 3ethos. 3ethos provides training and conducts original research on the interrelationships between leadership, stewardship and governance.

WANTED

SAVE THE DATE



403(b) MASTERS SUMMIT

THERE'S A NEW SHERIFF IN
TOWN – NAVIGATING THE NEW FRONTIER

JANUARY 25-27, 2017
CAREFREE RESORT & CONFERENCE CENTER | CAREFREE, AZ



BY FRED BARSTEIN

What's Ahead for Plan Advisors Entering their Third Decade?

How can retirement plan advisors leverage their advantage over pure benefit advisors and financial planners?

This year marks both the unofficial 20th anniversary of advisors specializing in DC plans and the 10th anniversary of the Pension Protection Act. So what's in store for plan advisors in their third decade?

First, let's review. In the early 1990s, the DC market was dominated by banks and insurance companies servicing larger companies offering primarily GICs as investments — basically a mirror image of DB plans, with fees paid directly by plan sponsors to TPAs and record keepers who had a pension background. Fidelity, changed all that by introducing retail mutual funds where administrative fees were paid through revenue sharing. The timing was fortunate — the market was booming in the 1990s, especially later in the decade; and since it was before the Internet, being able to look up retail funds in the newspaper was important.

The major themes of the first decade of the era of plan advisors included:

1. Emergence of DC Specialists — It took most BDs about 10 years to even realize that there were such advisors. Third-party vendors like 401kAdvisors, NRP and 401kExchange emerged to service them, and ASPPA created the first conference for them in 2002, originally called the 401(k) Sales Summit.

2. Investment and Prospecting Focus — Most advisors, relying on their core competency, focused on investment selection and monitoring. The other focus was on prospecting and sales.

3. Fiduciary Movement — Heralded by Don Trone, founder of fi360 and the AIF designation, some advisors sought to

differentiate themselves by acting as ERISA fiduciaries using the fi360 scorecard.

The next decade began with the 2006 PPA heralding the introduction of behavioral finance into plan design. It included:

- **Ideal Plan** — Use of auto features made famous by UCLA Professor Shlomo Benartzi, as well as QDIAs employing TDFs.
- **Fee Transparency** — Culminating with the 2012 DOL fee disclosure regs brought about by Rep. George Miller's investigation into DC plan fees but started by savvy plan advisors uncovering unsustainable pricing inherent in opaque revenue sharing and wrap fees by insurance providers.
- **Lawsuits** — 2006 was the year of the first Schlichter lawsuits against large DC plans, which woke the industry up. Litigation continues to change the landscape today.

So what's in store for plan advisors in the next decade?

1. Focus on Outcomes — But only if we can get senior management fully engaged in their DC plan — no small feat.

2. Business Management — Advisors need to learn how to become business managers, not just good sale people focused on investments, which means managing people, technology and capital as well as cross selling other benefits and wealth management services. Look for consolidation to speed up, with more advisors joining specialty groups.

3. Beyond Fiduciary — Under the new DOL conflict of interest rule, practically every advisor will either become a fiduciary or have to partner with one. So in order to distinguish themselves, advisors will need to

position themselves as leaders and stewards for their clients.

Other themes that might influence the industry overall in the next decade include:

- Financial wellness
- Retirement income
- MEPs or some form of omnibus plan and investment menu for groups of small plans

In the seminal *Harvard Business Review* article, "The Consolidation Curve," there are four stages of consolidation within most industries:

1. Opening — with one firm dominating joined by a few others
2. Scale — Larger firms look to build through acquisition
3. Focus — Mega deals and shoring up core competencies
4. Balance and Alliance — Major players cooperate as deals are hard to find

The plan advisor market is now at the beginning of Stage 2, while record keepers are about to exit Stage 3 and entering the final stage, where airlines now dwell. Advisors that just want to focus on their clients and practice should either stay very small and nimble, sacrificing any hope of succession planning, or align with the right specialty group based on culture and fit. Not adjusting means repeating history. **N**

» Fred Barstein is the founder of The Retirement Advisor University (TRAU) and The Plan Sponsor University (TPSU). He serves as NAPA's Industry Ambassador and contributes to NAPA Net and *NAPA Net the Magazine*.



BLACK BOOK

THE SERIOUS RETIREMENT PLAN
ADVISOR'S "GO-TO" GUIDE.



If you're an advisor, *you need it*. If you work with advisors, *you need to be in it*.

An Advisor's Insider's Guide to the
Industry's Top Broker-Dealers, Record Keepers,
DCIO Firms, and Aggregators.

NEW FOR 2016: TPA's

Coming December 2016.

For more information, contact Erik VanderKolk:
203.550.0385
evanderkolk@usaretirement.org



BY STEFF C. CHALK

Successful Plan Strategies Are Not a Zero-Sum Game

Advisors and plan sponsors should be taking advantage of the 'low-hanging' opportunities that still exist.

Conversations involving the success of 401(k) plans involve participants, the plan sponsor and the plan services industry. Each has their own interest — but those interests remain in lockstep with the overall success of the plan.

An oft-used phrase deserves repeating: “Just because a company has a bad retirement plan doesn’t necessarily mean that particular plan’s participants need to have a bad retirement.”

After attending many of the 150-plus fiduciary training programs throughout the country with The Plan Sponsor University (TPSU), my perception is that there is a shared sentiment among all parties — as the plan participant wins, so does the plan sponsor; as the plan sponsor wins, so do all of the plan service providers. And even though the retirement industry is anything but a zero-sum game, there are still many “low-hanging” opportunities that advisors and plan sponsors should be taking advantage of.

The Benefit of Perspective

During TPSU programs, plan sponsor fiduciaries openly share strategies they feel are successful for sponsoring organizations. Plan sponsor organizations which comprehend the importance of offering a 401(k) plan have better plans than organizations that fail to “get it.”

Plan sponsors have been vocal in promoting the importance of working with a strong team. A knowledgeable retirement team consists of internal and external resources that work in the best interest of all plan participants. The message from plan sponsors is that one or two knowledgeable retirement committee members cannot possibly achieve the results that a fully engaged committee can. Increasing the level of engagement of a retirement plan committee

“Retirement plan advisors with a command of fiduciary risk management are in high demand and short supply.”

directly benefits the participants and makes the advisor’s job more rewarding and easier.

There are exceptions, however; few plan fiduciaries comprehend the distinctions among fiduciary insurance, a fidelity bond, and directors’ and officers’ errors and omission coverage. There are disconnects around the concepts, requirements, coverage and the risks. If TPSU programs can serve as a sample, more than 50% of plan sponsor fiduciaries are ignorant of the unmanaged risks associated with their own organization’s retirement plan. Retirement plan advisors with a command of fiduciary risk management are in high demand and short supply.

Employers feel that producing a Total Benefit Statement and distributing that statement annually is an asset too powerful to ignore. Communications around these statements is as important as the benefits themselves. Communication of an employer 401(k) match within the statement should include verbiage, graphics representation and clearly convey the concept of “leaving company money on the table.”

The Voice of the Plan Participant

Plan participants are requesting assistance and advice of HR professionals and finance officers. These requests have nothing

to do with the new definition of fiduciary or registered representative suitability — plan participants just desire access to an investment advisor or a financial representative. Similarly, more and more plan participants are asking for help with financial wellness.

Overall, plan participants want (and need) better education on the topic of managing their own finances. Better education comes in the form of technology and targeted education by age and income analysis.

Surprises in the Status Quo

Occurrences and events within retirement plan offerings can cause one to question the system. For example, many organizations continue to send the wrong message to their workforce based on their 401(k) plan match. Any plan with a match of less than 6% of compensation should be referred to as a “savings program,” not a retirement plan. A 3% match is generous, but it isn’t sufficient to prepare and sustain a workforce that is living longer than any prior generation. While extensive analysis indicates the need to have participants saving between 10% and 15% a year for retirement, as an industry we should promote a higher savings rate and corresponding match.

Finally, with so much research pointing to the benefits of auto-enrollment, it is astounding that some plan sponsors still require a 12-month “waiting period” before permitting employee deferrals into the plan.

Retirement plans are not a zero-sum game. Plan sponsors, advisors and service providers should address the low-hanging opportunities as quickly as possible for the benefit of all. **N**

» Steff C. Chalk is the executive director of The Retirement Advisor University (TRAU) and The Plan Sponsor University (TPSU).

Engage!

NAPA Net readers engage with our news and commentary — and with each other. Here are a few recent comments:

Irrespective of DOL regulation, advisors who conform to a fiduciary standard of care treat the preparation of an IPS, or the giving of advice concerning an IPS, to be a fiduciary act. Since the IPS forms the roadmap or business plan for fiduciary decisions on investment matters such as investment selection and monitoring, it is hard to see how the preparation of an IPS, sample, specific or otherwise, could escape from the fiduciary standard of care.

— Roger Levy

My spellcheck on my Mac Word does not recognize the word “blockchain,” although some major thought leaders predict that this technology (which Bitcoins uses) “will in five to 10 years make the financial services industry unrecognizable.” Seems like it is becoming less important to determine what people “say they want” and more important to figure out what they “will want” in the future.

— Jerry Bramlett

I would argue, with evidence, that behavioral econ is bad faith, deeply wrong and often dishonest. For example, the so-called data on auto-enrollment is a mess and not supportive — but it sells. The whole idea of “nudges” is simplistic and silly — but it sells.

— Elmer Rich

Let’s talk about how the employee experience can be enhanced by simplifying all of the data we throw at them. We’ve overcomplicated things, trying to develop the next great mouse trap, trying to be first to market with the new thing that gives one a competitive edge. How about we simplify the whole thing? Go back to basics. I know the folks we’re trying to help the most would appreciate that.

— Jim Sampson

Every plan fiduciary has to be able to answer this question: “Can you show how it was in the best interest of the participant to have costs that were above the lowest possible floor?” If you cannot answer that question by showing improved outcomes, you have a problem.

— Greg Kasten

Industry Voices

Our columnists include some of the best-known thought leaders in the industry. Here’s some recent commentary:



John Carl

“The DOL and IRS plan to zero in on key plan compliance requirements for plans through the addition of revealing questions on Form 5500 filings. Plan sponsors and service providers get a “pass” for 2015, but should anticipate that the questions will apply to 2016 filings.”



Fred Barstein

“If you’re interested in the DC market and are ready to be totally transparent about your fees, services, value and ability to act as a fiduciary, these are good times, courtesy of the DOL. But if you are not ready to commit, taking half measures and hoping no one will notice, you may find yourself targeted by lawyers emboldened by recent successes and ready to use the DOL rule as a powerful weapon.”



Nevin E. Adams, JD

“It’s not all about the fees, of course (or shouldn’t be), but the point that fees compound just like returns was well worth understanding. In my experience the issue isn’t that individuals think their fees are small, but that they are either unaware of them or, even worse, think that because they are unaware of them (despite those reams of disclosures), they must be \$0.00.”

Andrew Remo

“While the current retirement savings vehicles will not be removed from the tax code under the House Republican’s tax plan, those vehicles could be combined into one ‘cookie cutter’ approach. That might, or might not, mean significant changes for the 401(k)... expect the Ways and Means Committee staff to be hard at work for the rest of 2016 putting this blueprint into legislative language to be ready to go at a moment’s notice in 2017.”



What Advisors Are Reading

Here’s a rundown of the most-read posts on NAPA Net in July:

1. Participants Sue Another Financial Services Provider
2. Excessive Fee Suit Targets ‘One of the Most Expensive Plans in America’
3. Provider Sued for Using own Fund as Default in 401(k) Plan
4. Plan Fiduciaries Sued for Failing to Remove Fund
5. DOL Makes Some BIC Fixes
6. Democrats’ Platform Stakes Out Retirement Priorities
7. GOP Policy Pokes at Retirement Provisions
8. DOL Fires Back at Litigation Claims
9. Is Providing an IPS a Fiduciary Act?
10. Turmoil Ahead for Advisory Firms, Survey Says



What’s New?

As part of our efforts to expand our resources for plan advisors, we added two “home base” pages, on the DOL’s final fiduciary rule and state-run auto-IRA programs. You’ll find them in NAPA Net’s “Industry Intel” tab.



BY DAVID N. LEVINE

Litigation Against Plan Advisors: It's Here

Congratulations — you're now on the litigation radar screen of plaintiffs' lawyers.

The past 12 to 18 months have seen a burst of retirement plan litigation — from church plans, to financial institution plans, to stable value funds and more. Advisors themselves — whether as an ERISA section 3(21) fiduciary or in an ERISA section 3(38) investment manager role — have not usually been part of these cases. This exclusion now seems to be coming to an end.

Recently, as plaintiffs' lawyers have diversified their litigation efforts beyond “classic” fee lawsuits, they have struck out in many directions. As more plaintiffs' lawyers have entered the benefits litigation field, they are competing with each other more and more. For example, take Schlichter Bogard & Denton's August flash wave of 403(b) lawsuits against major educational institutions filed virtually all at once — thus cutting off competitors at the pass. With this competition comes creativity. Whether or not you agree with plaintiffs' lawyers (and I don't often agree with their positions), many are smart, creative people who, just like good advisors, are looking to expand their business and opportunities.

So why are advisors being brought to this party now? There are many reasons. The “traditional” role of an advisor has changed. Fifteen years ago, an advisor may not have even been a fiduciary to the plans they advised. With the final fiduciary rule, the boundary has shifted so that many more advisors are now fiduciaries than in the past. Furthermore, more advisors than ever now directly manage investments for retirement plans. In fact, with the rise of outsourcing and ERISA section 3(38) services, not only plaintiffs' lawyers but also the Department of Labor are looking at advisors more closely than

“As more plaintiffs' lawyers have entered the benefits litigation field, they are competing with each other more.”

ever. And lastly, it can also be chalked up to the simple fact that advisors now play a larger role in retirement plans and are simply more visible.

So what should advisors do? Just as many advisors have said to their clients facing litigation, there is no perfect solution. But there are some good initial steps that advisors might consider.


First, as we work with our service provider clients who get brought into litigation or Department of Labor enforcement, our first question is often, “What does your insurance policy look like?” I know that spending money on lawyers is rarely any person's first choice. However, proactively evaluating insurance is essential. What does it cover? When does it kick in? Can you pick your counsel (and at what rates)? What is the maximum cover level?

While it is easy to go for the cheapest option or to forego insurance completely, given the complexity and demands of many of the plaintiffs' lawyers' current lawsuits, having some depth of resources and support is essential. Quality insurance is definitely the proverbial ounce of prevention that is worth a pound of cure.

Second, watch your agreements and review them regularly. The final fiduciary rule makes it harder to avoid fiduciary status. However, the rule does not mean that an advisor has to be a fiduciary for all activities a plan sponsor might engage in. It is important to review your agreements to ensure that you address exactly how you are a fiduciary, where these limits lie, how you handle required disclosures (such as the new Best Interest Contract Exemption disclosures that some advisors will rely on), and how you document compliance with applicable legal requirements.

It is easy to decide to limit your expenditures on compliance but, again, I can say from experience that this is yet another ounce of prevention worth a pound of cure.

Third, evaluate your processes and business relationships regularly. Agreements are a core activity, but if your actual practices — both your own and how you work with other service providers in the industry — are inconsistent with your agreements and/or fail to follow ERISA's evolving requirements, then you are still at risk. Advisors put significant efforts into securities compliance; similar efforts with respect to ERISA compliance is more important than ever.

There is much more that an advisor can do, but the simple fact is that advisors are now clearly on the litigation radar. Given that it may just be a matter of when, not if, more are sued, now is the time to get ready. Not only will doing so now help advisors, it may also result in better support for clients who are already facing these issues. 

» David N. Levine is a principal with the Groom Law Group, Chartered, in Washington, DC.

NAPA's Upcoming Industry Lists



NAPA's unique lists highlight three critical elements of the retirement industry:

“Wingmen,” listing the DC industry’s top wholesalers, “Young Guns,” our list of the top plan advisors under 40, and NAPA’s Top Women Advisors.

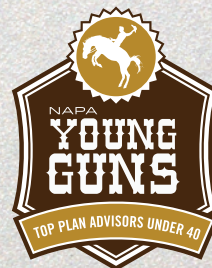
One of the things that sets these lists apart from other published lists is that they are based on a nominating/voting/selection process that taps the knowledge of NAPA’s 10,000+ members. Look for more information about the upcoming editions of all three lists on the NAPA Net portal and in the *NAPA Net Daily*.



WINTER 2016

In what has long been a male-dominated profession, a growing number of women are today making significant contributions to this field. NAPA’s “Top Women Advisors” list, launched in 2015, honors the best and brightest women in the industry. The 2016 list will be published in our Winter issue and posted on the NAPA Net web portal.

For information on how to participate in the voting and selection process, go to NAPA Net (napa-net.org). Click on the “Industry Intel” tab in the nav bar, then on “Industry Lists.” And for firms that would like to congratulate Top Women Advisors who make the list via an ad in the Winter 2016 issue, please email Erik Vander Kolk at evanderkolk@usaretirement.org.



SPRING 2017

NAPA’s 2017 annual list of the top plan advisors under 40 — the profession’s “Young Guns” — will be published in our Spring 2017 issue and posted on the NAPA Net web portal.

For information on how to participate in the voting and selection process for the 2016 list, go to NAPA Net (napa-net.org). Click on the “Industry Intel” tab in the nav bar, then on “Industry Lists.” And for firms that would like to congratulate Young Guns who make the list via an ad in the Spring 2017 issue, please email Erik Vander Kolk at evanderkolk@usaretirement.org.



DC TOP INDUSTRY WHOLESALERS

FALL 2017

A plan advisor usually decides to work with a provider — especially a DCIO — based primarily on the quality of their local wholesaler. So we created the first “Wingmen” list of top DC wholesalers. The 2017 list will be published in our Fall issue and posted on the NAPA Net web portal.

For information on how to participate in the voting and selection process, go to NAPA Net (napa-net.org). Click on the “Industry Intel” tab in the nav bar, then on “Industry Lists.”

‘Higher’ Learning

Summer is still widely considered to be a “quiet” time, where lawmakers, regulators, and courts take something of a “recess,” literally (in some cases) or figuratively. But those “dog days” of summer have been anything but that for retirement plan litigation, specifically a wave of lawsuits targeting the fiduciary practices of a number of multibillion-dollar university retirement plans.

BY NEVIN E. ADAMS, JD



HIGHER ‘EDUCATION’

University retirement plans draw fiduciary lawsuits

August turned out to be a case of another day, another “jumbo” university plan accused of not fulfilling its fiduciary duties.

As we head to press, most of these have been brought by the St. Louis-based law firm of Schlichter, Bogard & Denton, the firm that launched the excessive fee lawsuit trend against a dozen multibillion-dollar corporate 401(k) plans a decade ago. Most of the recent wave of litigation involves university 403(b) plans (though a couple deal with the 401(k) offerings at those institutions), including those at MIT, Yale, Duke, Emory and Columbia, among others. Though there are differences in these suits in their allegations, they all basically come down to the charges that plan fiduciaries allowed “unreasonable expenses to be charged to participants for administration of the Plans, and retained high cost and poor-performing investments compared to available alternatives.”

The wave of 403(b) litigation threatened — for a time anyway — to obscure a renewed series of 401(k) excessive fee litigation that involved stable value fund

fees, the lack of a stable value offering, proprietary fund offerings, the use of revenue-sharing/asset based fees to cover recordkeeping, rather than a per-head charge, and — of course — the use of retail mutual funds, or mutual funds generally, rather than collective investment trusts or separate accounts.

But as for the 403(b) suits, they too have a number of elements in common with each other (and, in some cases, with the 401(k) charges), specifically that all are multibillion-dollar plans that:

- have duplicative investments “in every major asset class and investment style”;
- use multiple recordkeepers (as few as two, as many as five);
- pay recordkeeping fees that were asset-based, rather than a per participant charge (since, the plaintiffs argue, “the cost of recordkeeping services depends on the number of participants, not on the amount of assets in the participant’s account”);
- “force” the use of specific TIAA-CREF funds (notably the CREF stock

account, CREF money market, and CREF real estate funds, while imposing restrictions on those options;

- use mutual funds — and retail mutual funds at that (“identical in every respect to institutional share class funds, except for much higher fees”) — rather than collective investment funds or separately managed accounts;
- have (too?) many investment choices in the plan — generally more than 100 per recordkeeper. This “dizzying” array as is alleged in most of the suits allegedly leads to “decision paralysis,” while at the same time resulting in what plaintiffs saw as higher than reasonable fees; and
- offer active management solutions rather than passive ones.

When will this cycle end? How many multibillion-dollar university retirement plans are there? The better question may be, where will the plaintiffs’ bar focus next?



'ACTIVE' MACHINATIONS

Small plan sues based on “astronomical” active management fees

A participant in a \$25 million plan has sued his employer for what he called “excessive and imprudent” investment fees and options.

The suit, filed in the U.S. District Court for the Southern District of Ohio against payday lender CheckSmart Financial LLC’s 401(k) plan by one Enrique Bernaola, claims that the plan fees were “four times or more the cost of passively managed mutual funds, with absolutely no justification for this concentration in the Plan on actively managed and extremely expensive mutual funds, which rarely add value or can be justified as investment options, especially in the absence of a broad array of passively managed index funds being also made available.”

Oh, and the suit goes on to categorize as “astronomical” the 104 basis points it said was the average expense ratio weighted by the

plan’s assets.

The suit also took issue with the fact that “there are virtually no Vanguard index funds offered in the Plan, and the S&P 500 index mutual fund charges a grossly excessive (for an index fund) expense ratio of 60 basis points.”

The suit also claims that three out of the five plan top assets are “actively-managed” investment options for participants — and that those lifestyle funds, which it acknowledges are expected to charge more than passive index funds, nonetheless “materially underperformed the S&P 500 total return under every benchmark” (setting aside the reality that the S&P 500 wouldn’t normally be considered an appropriate benchmark for those offerings).

The plan, which has more than 1,700 participants, has a menu of investment offerings from more than 50 mutual fund providers, according to the suit.

The filing comes shortly after another small-plan 401(k) fee litigation case was filed (*Damberg v. LaMettry’s Collision, Inc.*) — and held out by some as a harbinger of this type litigation moving down market, only to be dismissed shortly thereafter. That case — and ostensibly this one — stand out in an environment where for a decade the vast majority of the so-called “excessive fee” revenue-sharing lawsuits have been filed against multibillion-dollar 401(k) plans. Little wonder since, as bank robber Willy Sutton once opined, “That’s where the money is” — in this case, the assets and fees make for multimillion-dollar contingency fees for plaintiff’s lawyers.

We’ll see if this one “sticks.”

The case is *Bernaola v. CheckSmart Financial LLC*, S.D. Ohio, No. 2:16-cv-00684, 7/14/16.



SEARCH ‘ENJOINS’?

Supreme Court ruling on non-ERISA case has ERISA implications

A recent Supreme Court case that didn’t have anything to do with ERISA is already having an impact on ERISA litigation — and could have more in the years to come.

At issue is what kind of harm must be alleged in order to have standing/sue — and the Supreme Court’s decision in *Spokeo Inc. vs. Robins* seems to have moved that bar in a way that could make it harder to claim standing in ERISA litigation.

Spokeo Background

The original 6-2 Supreme Court ruling dealt with an individual who had a beef with a “people search engine,” who he claimed had gotten information about him wrong, but didn’t allege any actual specific damages as a result. The district court rejected the claim finding no injury had occurred, and thus there was no standing to sue. The 9th U.S. Circuit Court of Appeals reversed, holding that the “violation

of a statutory right is usually a sufficient injury in fact to confer standing” and that “a plaintiff can suffer a violation of the statutory right without suffering actual damages.”

In considering the case, the Supreme Court said that plaintiffs must show “an invasion of a legally protected interest” that is particularized and concrete — it “must actually exist.” The Supreme Court went on to outline what a claim needs to allege to be “concrete” enough to be heard by a federal judge, and — according to an analysis by Mark Casciari of Seyfarth Shaw LLP:

- The alleged injury must “actually exist”; it must be “real.”
- The alleged injury can be tangible or intangible.
- The alleged injury can be a “risk” of real harm that is difficult to measure. For example, the Court said, a failure to obtain information that Congress decided must be made public can (but not necessarily will) be a concrete injury.

That said, the high court concluded that the 9th Circuit addressed only “particularization,” but not “concreteness,” which requires a plaintiff to allege a “real” and not “abstract” injury — and remanded the case for the appellate court to determine if the plaintiff had adequately alleged an injury in fact.

ERISA Implications

Which brings us to the first — but likely not the last — application to an ERISA case: the recent Supreme Court decision to give a group of Verizon Communications Inc. retirees another chance to challenge a \$7.5 billion pension buyout annuity deal. The retirees had charged that transferring the pension obligations to Prudential would basically move them out from under the protections of the Pension Benefit Guaranty Corp. (PBGC) violated ERISA.

The district court dismissed their case because the class did not prove

individual harm and, therefore, lacked standing to sue, and the 5th U.S. Circuit Court of Appeals affirmed dismissal. The retirees petitioned the Supreme Court to reverse that, citing “circuit disarray” over the question of standing, with five circuits disagreeing over when plan participants can sue.

However, the U.S. Supreme Court found this decision flawed, and, with an eye toward its ruling in *Spokeo*, remanded the case to the appellate court to decide whether standing could be due a “plaintiff who suffers no concrete harm other than the violation of a private right conferred by

a federal statute.”

What it Means

The Supreme Court has basically articulated a standard that a plaintiff must suffer “concrete” harm, though just how high of a hurdle this proves to be in practice remains to be seen. An analysis by Seyfarth Shaw explains that if the Supreme Court finds that private plaintiffs cannot sue to enforce statutory obligations when they have not yet been harmed, “that would mean that an ERISA plan participant would have no access to the federal courts to enforce the myriad of ERISA reporting,

disclosure, vesting and funding rules.” The analysis cites the example of a participant who fails to receive a compliant summary plan description, but could not sue unless she could show that the failure caused her concrete injury. The Seyfarth Shaw analysis also suggests that things like ERISA funding rules also may become harder to enforce.

That said, there is a sense that even if the ruling reduces the number of private ERISA lawsuits, the Department of Labor or the PBGC might step up their efforts.

So, stay tuned.



‘SECOND’ STORY

Tibble gets (another) day in court

The only excessive fee lawsuit to make it all the way to the Supreme Court is going to get another hearing.

The case is *Tibble v. Edison International*, which had been remanded to the 9th U.S. Circuit Court of Appeals in San Francisco by the U.S. Supreme Court last year. In early August, a majority vote among the 9th Circuit’s active, nonrecused judges, determined that the case be reheard *en banc*.

The 9th Circuit’s ruling last April constituted something of a rebuff for the plaintiffs,

who had been successful at convincing the Supreme Court that ERISA’s 6-year statute of limitations extended beyond the initial decision to place certain retail class mutual funds on the plan menu in 1999.

However, when the 9th Circuit reconsidered the issue in light of the Supreme Court’s ruling earlier this year (both it and the district court had originally ruled against the plaintiffs), it found that the plaintiffs never asserted that the plan fiduciaries violated their duty by failing to monitor the retail-class mutual funds — “they assert-

ed only that we ought to read ERISA as excusing an otherwise time-barred lawsuit where the effects of a past breach continue into the future.” And since the court was not presented with an argument about the ongoing duty to monitor, it is “elementary” that beneficiaries should not be allowed “a second bite at the apple on remand.”

That said, the 9th Circuit’s new decision to reconsider the case with a full panel of judges, rather than the three-judge panel that rendered that decision, could be just that.



SCOPE ‘CREEP’?

Appellate court considers B/D’s liability for advisor fraud

What’s a broker/dealer’s liability when an advisor does something that has been specifically prohibited by the B/D, but does so away from the firm for individuals who never became customers of the broker/dealer?

According to a recent article in the *National Law Review*, the 11th U.S. Circuit Court of Appeals recently answered that question... with a resounding “maybe.” Moreover, it clarified that the employer could be liable in negligence if it knew or should have known that its employee posed a risk of defrauding others.

The case, *Owens v. Stifel Nicolaus and Co., et al*, No. 15-12911 (11th Cir. May 27, 2016), involved an advisor who had requested that he be allowed to add a particular investment to the list of approved investments. The broker/dealer rejected the advisor’s request, but the advisor went forward with soliciting potential investors for that investment, identifying himself as an employee of the broker/dealer and using the email address and telephone number associated with the broker/dealer.

Ultimately, the plaintiff purchased two convertible promissory notes and executed a securities purchase agreement with the issuer,

though the transaction documents stated that the investment was not effected by or through a broker/dealer, and the advisor informed he investor that it was not necessary to open an account with the broker/dealer in order to make the investments.

Court Case

Well, at some point the issuer failed to repay the promissory notes, and the investor sued the broker/dealer asserting claims of fraud and negligence. The district court dismissed the claims against the broker-dealer on motion for summary judgment, finding that the broker/dealer was not responsible for the

fraud of its employee as a matter of law.

On appeal, the 11th Circuit affirmed the dismissal of the fraud claim, but reversed the dismissal of the negligence claim, remanding the matter for trial on the issue of negligence.

Regarding the fraud claim, the court noted that an employer can be held liable for the fraud of its employee where the employee is acting within the scope of his actual or apparent authority. Here, the advisor did not have actual authority to sell the investment in question because the broker/dealer had disapproved the investment, and maintained policies that prohibited the advisor from selling securities away from the firm. Moreover, the broker/dealer had terminated the advisor's employment when it learned he had sold investments outside of the firm.

Additionally, the court determined that the facts were insufficient to establish that the advisor had apparent authority, at least under the governing law of Georgia, where an agent has apparent authority when the

principal's conduct leads a third party to reasonably believe that agent has the authority to act on the principal's behalf. The court concluded that the broker/dealer's employment of the advisor, and providing him with an email address, telephone number and an office, were insufficient to establish apparent authority where the broker/dealer did not receive any benefit from and did not directly participate in the alleged fraud, and the advisor's conduct was solely for his own personal benefit.

As for the negligence claim, the district court had dismissed it, holding that the broker/dealer did not owe the plaintiff any duty because it never became a customer of the broker/dealer. The 11th Circuit reversed that holding, however, reasoning that a duty of care is not always limited to clients.

Tendencies and Propensities

The court further explained that under applicable law, an employer has a duty to use ordinary care not to hire or retain an employee the employer knew or should have known

posed a risk of harm to others, where it was reasonably foreseeable from employee's "tendencies" or "propensities" that the employee could cause the type of harm sustained by the plaintiff.

Here the court found that the investor had sufficiently stated a claim that the broker-dealer breached its duty by hiring and retaining the advisor when the broker/dealer knew or should have known the he posed a risk of defrauding others, in addition to what it said were "red flags" in the advisor's employment and investment management history, which it said the jury could consider in determining whether the broker/dealer acted negligently in hiring, retaining and supervising the advisor.

All of which suggests that the concerns about, and potential impact of hiring — and retaining — so-called "rogue" brokers are of merit.

Join the NAPA Net Universe

Reach your audience with our vast digital and print advertising opportunities



NAPA-NET.ORG

The leading industry website where 20,000 unique visitors come every month to stay current, interact with colleagues and find valuable industry resources — over 500,000 monthly ad impressions.



NAPA NET DAILY

Opened by 30,000 people every week, the Daily has become the one e-newsletter that plan advisors open and read.



WEBCASTS

Monthly co-sponsored webcasts hosted by NAPA executives with leading providers and advisors covering timely and cutting edge topics.



PARTNER CORNER

Profiles of NAPA's provider partners containing profiles, value added resources, white papers, territory maps, and news about significant new products and services.



VIDEOS

Interviews with leading providers, advisors and broker dealers discussing important topics and updates about them and their firms (5–10 minutes).



MAGAZINE

NAPA Net The Magazine includes articles and columns focused on the practicing plan advisor published by their own association as well an industry resource directory. It features a mix of articles and regular columns by noted experts and advisors to help practitioners keep informed.

For more information about our advertising opportunities contact Erik Vander Kolk at: evanderkolk@usaretirement.org or 203.550.0385



www.napa-net.org/About/Advertise



BY NEVIN E. ADAMS

5 Ways Industry Surveys Can Be Misleading

A

s human beings, we're drawn to perspectives, including surveys and studies that validate our sense of the world. This "confirmation bias," as it's called, is the tendency to search for, interpret, favor and recall information in a way that confirms our preexisting beliefs or hypotheses. It also tends to make us discount findings that run afoul of our existing beliefs.

1. There can be a difference between what people say they will (or might) do and what they actually will.

No matter how well targeted they are, surveys (and studies that incorporate the outcome of surveys) must rely on what individuals tell us they will do in specific circumstances, particularly in circumstances where the decision is hypothetical. When you're dealing with something that hasn't actually occurred, there's not much help for that, but there's plenty of evidence to suggest that, once given an opportunity to act on the actual choice(s), people act differently than their response to a survey might suggest.

For example, people tend to be less prone to action in reality than they indicate they will be — inertia being one of the most powerful forces in human nature, apparently. Also, sometimes survey respondents indicate a preference for what they think is the "right" answer, or what they think the individual conducting the survey expects, rather than what they actually think. That, of course, is why the positioning and framing of the question can be so important.

The bottom line is that when what people tell you they will do, or even what kind of product they would like to buy, if you later find that they don't, just remember that there may be more powerful forces at work.

2. There can be a difference between what people think they have and reality.

Since, particularly with retirement plans, there are so few good sources of data at the

participant level, much of what gets picked up in academic research is based on information that is "self-reported," which is to say, it's what people tell the people taking the survey. The most prevalent is, perhaps, the Survey of Consumer Finance (SCF), conducted by the Federal Reserve every three years.

The source is certainly credible, but it's based on phone interviews with individuals about a variety of aspects of their financial status, including a few questions on their retirement savings, expectations about pensions, etc. In that sense, it tells you what the individuals surveyed have (or perhaps wish they had), but not necessarily what they actually have.

Perhaps more significantly, the SCF surveys completely different people every three years. Now, there's nothing wrong with that, but there are those who use that data to extrapolate trends in things like retirement savings. So, they ask Mr. Smith how much he has in retirement savings, and then three years later they ask Ms. Jones how much she has in retirement savings — and then they look at the difference in those two numbers and claim that there has been an x% increase (or decrease) in retirement savings. Yep. And people actually use that kind of apples-to-oranges comparison to pontificate on the state of retirement preparation.

So, be wary of "studies" that compare the savings levels of one group of individuals... to a completely different group of people... three years later.

3. The survey sample size and composition matter.

Especially when people position their findings as representative of a particular group, you want to make sure that that group is, in fact, adequately represented. Perhaps needless to say, the smaller the sampling size — or the larger the statistical error — the less reliable the results.

Case in point: Several months ago, I stumbled across a survey that purported to capture a big shift in advisors' response to

the Labor Department's fiduciary regulation. Except that between the two points in time when they assessed the shift in sentiment, they wound up talking to two completely different types of advisors. So, while the surveying firm — and the instrument — were ostensibly the same, the conclusions drawn as a shift in sentiment could have been nothing more than a difference in perspective between two completely different groups of people.

4. Consider the source.

Human beings have certain biases — and so do the organizations (comprised of human beings) that conduct and pay to have surveys and studies conducted. Not that sponsored research can't provide valuable insights. But approach with caution the conclusions drawn by those that tell you that everybody wants to buy the type of product offered by the firm(s) that have underwritten the survey.

5. When you ask may matter as much as what you ask.

Objective surveys can be complicated instruments to create, and identifying and garnering responses from the "right" audiences can be an even more challenging undertaking. That said, people's perspectives on certain issues are often influenced by events around them — and a question asked in January can generate an entirely different response even a month later, much less a year after the fact.

For example, a 2015 survey of plan sponsor sentiment on a topic like 401(k) fee litigation is unlikely to produce identical results to one conducted in the past 30 days, nor would an advisor survey about the fiduciary regulation prior to the publication of the final rule as to its impact. There's nothing wrong with recycling survey results, properly disclosed. But things do change, and you need to be careful about any conclusions drawn from old data.

Not to mention the conclusions you might be otherwise inclined to draw from conclusions about old data. 🌐



SAVE THE DATE

**2017 NAPA
401(k) SUMMIT
MARCH 19-21, 2017**

*Las Vegas,
Nevada*

You ain't seen nothin' yet!

Visit us at



for more info!

Reform ‘Schooled’

What could tax reform do to retirement

BY NEVIN E. ADAMS, JD

Tax reform is on Washington’s lips again — but means different things to different people. In August we asked NAPA Net readers what they thought would happen if Congress took away the pre-tax advantage of 401(k) savings.

This is no idle question. To many in Congress that deferral (not a deduction!) of taxes is nothing more than a big pot of money to spend on other things (including, for some, the reduction in the federal deficit). And there *have* been academic studies that purport to show that those preferences — the ability to defer paying taxes on 401(k) contributions until they are withdrawn from the plan — don’t matter in determining participation rates. Though other researchers have questioned whether those studies are actually representative of what American workers might do if those preferences actually disappeared — and what that might mean to retirement security.

But what do NAPA Net readers think?

The vast majority of respondents thought the elimination of the pre-tax contribution in 401(k)s would have a negative — and in many cases — a very negative impact. The most common response — 46% — was that many would quit saving (altogether), and another 5% thought that most would quit saving, while about 1 on 10 thought that some would.

But then, another 22% thought that many would save less, and another 3% thought that some would save less. As one reader explained, “Many would save less.

They would invest enough to get the match and tell themselves they would invest any incremental savings in their brokerage or savings accounts, but not actually do so. It would also send a message to the public that would be perceived as ‘the government is not concerned about my retirement preparedness and if they aren’t concerned why should I be?’” Another said, “They would start saving at an older age and many would not do it in a 401(k).”

The rest — either thought it wouldn’t matter much, or wouldn’t matter much in the long run. One reader noted, “Short term, not much change. I believe the problem would be getting new people to begin saving in plans and when they change jobs starting up again.” Another echoed the short-term message: “It would be disruptive to the business initially. But if we promoted the Roth advantage, and the need for retirement savings, those that save would still be likely to save up to the match; may see a slight reduction in savings because of the loss of the tax benefit.” Another opined, “If Roth and its tax free distributions are left alone then it won’t matter much. If just after-tax is available then logical participants will still save to max match. However, under current rules things do get a bit weird in that after-tax funds can be withdrawn w/o penalty so would there be ‘put it in, take it out’ unless those rules are also changed.”

But, as one reader noted (and several others commented), “Who is to say the tax advantages of the Roth 401(k) would remain untouched as well. Without the tax advantage

‘carrot’ offered by 401(k) and Roth 401(k), workers become less likely to save.”

Limits Less?

What if Congress were to cap — or reduce the current contribution limits? Nearly 60% said that highly compensated workers (most likely to be impacted by those limits) would save less, while another 16% thought participants generally would save less (more than one response was permitted). About 10% thought there would (mostly) be no real impact.

That said, the most striking finding was that just over half (53%) said they thought that plan sponsors would be less likely to setup and maintain these plans if the limits were capped. “Smaller plans where only the owner is reaching the limit are most likely to be impacted,” noted one reader.

“The total value flows into plans would be reduced,” said one reader, “impacting economies of scale, resulting in a combination of higher fees, greater consolidation, less choice, larger funds, and less investment differentiation.”

“Savings would continue but the ability of workers to save adequately for retirement would be diminished. The older working force (45-50+) tend to hit their savings stride and try to make up lost ground in their later working years by maxing out their deferrals. Reducing or capping is detrimental,” noted another.

Or, as one reader explained, “The level of the cap would determine the level of the reaction. Cap it at \$6k and you can guess what happens next.”

WWPSD?

Building on that outcome, we asked readers what plan sponsors would likely do if the pre-tax advantage of 401(k) savings was eliminated. Just over half (57%) said that many would be less inclined to maintain and setup these plans, while 22% said some would be less inclined. The rest didn't think there would be much impact, or that it would be limited to certain size plans.

As one reader noted, "Small plans would be less inclined and in many cases would terminate plans since the owner would have much less personal benefit/incentive relative to the hassle of maintaining it." Another echoed, "Employer reaction would be in large part determined by the actions of other employers." Still another noted, "Small employers would not set up the plans. Larger employer would still have them unless employees rated the benefit as not useful and preferred other benefits." Joining that chorus was the reader who said, "Smaller plans (which were designed to favor ownership) would likely be the most impacted."

Do Lawmakers 'Get it'?

The real question, of course — certainly the one that might matter most in the months to come — is whether or not lawmakers understand all of this. And among this week's respondents, the clear answer is — they don't. In fact, two-thirds said that plainly. Perhaps more damning is the sense of 22% that lawmakers understand, but don't care about that result (or, as one reader said, "some who are enlightened do"), or the 7% who said they understand, but don't actually believe those outcomes will occur. As one reader noted, "I am not sure people in our business understand the impact and many a Congress person has voted on bills he/she did not understand." Another explained, "They don't understand the small employer and impact it would have on qualified plans."

The remaining one-in-eight said while lawmakers understand the potential for these impacts, they have other priorities. "It is just another example of Washington double talk," noted one reader. "Out of one side of their month, legislators are trying to encourage people to save (because they fear the impact that poor, older citizens will have on entitlement programs) and out of the other side of their mouth, they are salivating over the immediate tax revenue that they can glean from taking away a pre-tax benefit or by taxing the very

people who 'do the right thing' and save for their retirement."

Or, as another put it, "I think most lack the foresight and knowledge to predict how plan sponsors would react."

Other Reader Comments

We had lots of comments to the reader poll — here's a sampling:

"Take away the employer contribution deduction also, if they want to really get rid of the tax advantages of qualified plan."

"With all the advantages of 401k we still struggle to get participation rates up. Why punish those who are actually doing a good job saving by taking away a benefit?"

"This concept of putting the retirement issue into a box and making saver's pay for non savers is about the dumbest thing this industry has ever allowed to happen. Unfunded retirement is a problem for the country — employers, consumer brands, etc... not just the savers. We need to make the conversation bigger and Washington needs to support that effort."

"They need to put together a policy on what they want the average American to have at retirement and come up with a pathway to get them there. It is not going to happen with IRAs. And they should not tweak them every time they review the budget."

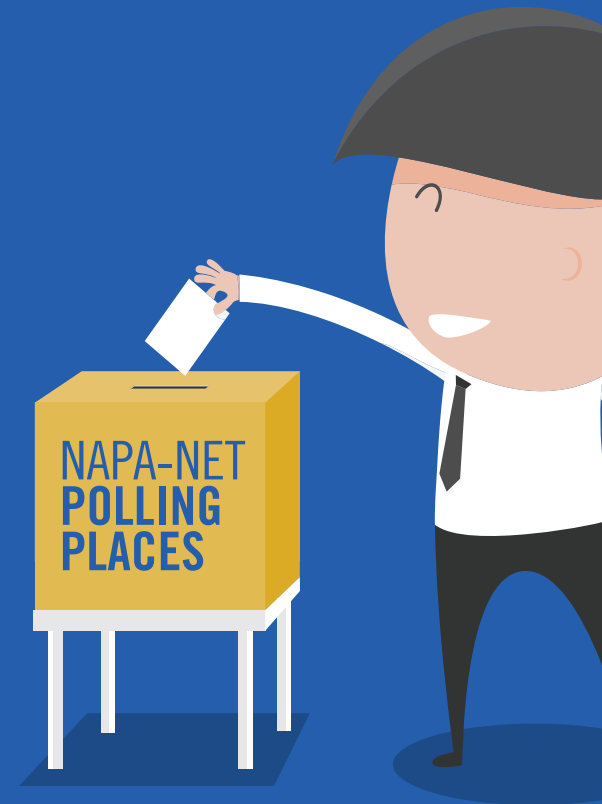
"DC is clueless about these issues. I met with a young Senate Staffer and the guy had no clue how retirement plans worked or why so few folks contributed."

"As with most items considered for reform, they are trying to reconcile the need for easy revenue vs. the need for a retirement program that works for millions... of voters!"

"Trying to get the highly paid people to pay more taxes now is just going to result in 'the little guy' not having any benefit at all. It's tax deferred, people! They're going to pay taxes eventually, so just be patient."

"Heaven help us all. The only thing I can think of is these lyrics from The Beatles: Should five percent appear too small, be thankful I don't take it all."

Thanks to everyone who participated in this NAPA Net reader poll, as well as the ones we post in the *NAPA Net Daily* every Monday morning! 🎉



Thanks to everyone who participated in our NAPA Net reader poll! Got a question you'd like to run by the NAPA Net readership? Email me at nevin.adams@usaretirement.org



Regulatory Review

The IRS has a new self-certification process for those who miss the 60-day rollover window.



'Risky' Business

IRS wants a 'heads up' on risk transfer

If your plan sponsor clients are working to get a DB determination letter, the IRS now wants to know if those plans have lump sum risk transfer language.

For plans that do, the IRS wants the appropriate plan section identified, as well as an indication as to whether the plan satisfies one of the conditions in Notice 2015-49. The IRS is looking for that information in either the cover letter to their application or an attachment.

Risk Transfer Patterns

On June 9, 2015, the IRS issued IRS Notice 2015-49, which provided that qualified DB plans generally are not permitted to replace any joint and survivor, single life or other annuity currently being paid with a lump sum payment or other accelerated form of distribution, effective immediately.

In recent years, many DB plans adopted

provisions allowing employees who were already receiving annuity payments to accelerate their remaining payments by receiving lump sums in lieu of the future annuity stream. In fact, a year ago, the Mercer/CFO Research 2015 Risk Survey found that nearly two thirds (59%) of sponsors surveyed have already offered some type of one-time lump sum payment to vested DB plan participants — and nearly half (49%) of survey participants stated their companies are likely to employ some form of lump sum payout in the next two years.

Determination Letter Process

With its most recent announcement, the IRS says that if the plan sponsor advises that the plan has risk transfer language and satisfies one of the four conditions in Notice 2015-49, the IRS will review the plan document to verify that it satisfies the qualification requirements of the Internal Revenue Code

and that the plan's determination letter will contain a favorable caveat providing reliance on the risk transfer language.

Plans with risk transfer language that don't meet one of the conditions in Notice 2015-49 won't receive a determination letter unless the risk transfer language is removed.

For all other DB plans, the IRS says that the determination letter will contain a caveat that the plan has no reliance that any risk transfer language satisfies the requirements of the Code. This approach will be used if the plan sponsor:

- doesn't include the information on a cover letter or attachment;
- doesn't respond to the request; or
- responds that the plan doesn't have risk transfer provisions.

For those DB plan applications already submitted, the IRS says it will request the plan sponsor to inform them of that information.

— Nevin E. Adams, JD



'Due' Course

IRS backs off requiring unpaid RMD disclosures on 5500

Since the 2009 plan year, the Form 5500 has posed a question regarding the failure to provide benefits when due, but new information from the IRS offers some relief for plan sponsors.

Lines 4l of Schedules H and I of the Form 5500, Annual Return/Report of Employee Benefit Plan, and line 10f of Form 5500-SF, Short Form Annual Return/Report of Small Employee Benefit Plan, ask, "Has the plan failed to provide any benefit when due under the plan?"

This question was added to Schedules H and I of the Form 5500 and Form 5500-SF

as part of the forms revisions effective for the 2009 plan year, although the instructions did not include examples of what constituted a reportable failure to provide any benefit when due under the plan.

2015 Clarification

The IRS attempted to remedy that by clarifying the instructions in connection with the 2015 Form 5500 and Form 5500-SF, explaining that a reportable failure included:

- unpaid minimum required distributions to 5% owners who have attained 70-1/2, and

- non-5% owners who have attained 70-1/2 and have retired or separated from service.

However, based on comments received in response to a Paperwork Reduction Act notice regarding the 2016 Form 5500 and Form 5500-SF, the Internal Revenue Service has announced that in the absence of other guidance, filers do not need to report on Lines 4l of the Schedule H and I to the Form 5500 and 10f of the Form 5500-SF unpaid required minimum distribution (RMD) amounts for participants who have retired or sep-

arated from service, or their beneficiaries, who cannot be located after reasonable efforts or where the plan is in the process of engaging in such reasonable efforts at the end of the plan year reporting period.

Guidance Limitations

That said, the IRS explains that the

guidance is limited to completing the identified annual return/report line items, and notes that plan administrators and employers should review their plan documents for written procedures on locating missing participants.

Also, the IRS notes that although the Department of Labor's Field Assistance Bulletin 2014-01 is specifically applicable to terminated

DC plans, employers and plan administrators of ongoing plans may want to consider periodically using one or more of the search methods described in the FAB in connection with making reasonable efforts to locate RMD-eligible missing participants.

— Nevin E. Adams, JD



'Cross' Purposes

Treasury, IRS pull back on cross-tested plan changes

In a major win for small business retirement plans and the efforts of the ARA Government Affairs Committee (GAC), the Treasury Department and IRS have decided to withdraw certain provisions of proposed regulations relating to the nondiscrimination rules for cross-tested plans.

The provisions, published in January as part of a broader set of regulations involving large defined benefit plans, targeted the discrimination testing rules affecting "cross-tested" plans in a way that would have made it much harder for small businesses to keep or form new retirement plans — changing rules that have been in place and working for more than a decade. These cross-tested plans are some of the most popular defined contribution plan designs being used today in the small plan market.

In Announcement 2016-16, IRS and Treas-

ury said that they will withdraw the proposed rules intended to address certain qualified plan designs that take advantage of flexibility in existing rules to provide a benefit formula solely for certain selected employees, without extending it to a reasonable classification of employees based on objective business criteria. Treasury noted that the withdrawal applies only to these provisions, and that most of the provisions of these proposed regulations remain intact.

In the Announcement, the Treasury Department and the IRS said that, following publication of the proposed regulations, they gave additional consideration to the potential effects of the provisions, "and have concluded that further consideration will be needed with respect to issues relating to those provisions."

The proposal would have set aside an objective nondiscrimination testing process that has been in place for more than two decades.

The potential for it to have dramatically increased costs for many small business retirement plan sponsors was something that ARA GAC, with the support of ASPPA and ACOPA members, and their plan sponsor clients, had emphasized previously in multiple meetings with Treasury, IRS and congressional staff.

"This is an important victory for both small business retirement plans, and the workers who benefit from them," noted Brian Graff, CEO of the American Retirement Association, at the time. "We appreciate the input and participation of our members and the plan sponsors they serve, and the receptivity of Treasury and the IRS to those concerns."

Announcement 2016-16 can be found at <https://www.irs.gov/pub/irs-drop/a-16-16.pdf>.

— Nevin E. Adams, JD



'Self' Help

The IRS has a new self-certification process for those who miss the 60-day rollover window.

In Revenue Procedure 2016-47, the IRS explains how eligible taxpayers "encountering a variety of mitigating circumstances" can qualify for a waiver of the 60-day time limit and avoid possible early distribution taxes. The revenue procedure includes a sample self-certification letter that a taxpayer can use to notify the administrator or trustee of the retirement plan or IRA receiving the rollover that they qualify for the waiver.

Normally, an eligible distribution from an IRA or workplace retirement plan can only qualify for tax-free rollover treatment if it is contributed to another IRA or workplace plan by the 60th day after it was received. In most

cases, taxpayers who fail to meet the time limit could only obtain a waiver by requesting a private letter ruling from the IRS.

The new waiver process will apply if one or more of 11 circumstances, listed in the revenue procedure, apply. They include:

- A distribution check was misplaced and never cashed
- The taxpayer's home was severely damaged
- A family member died
- The taxpayer or a family member was seriously ill
- The taxpayer was incarcerated
- Restrictions were imposed by a foreign country

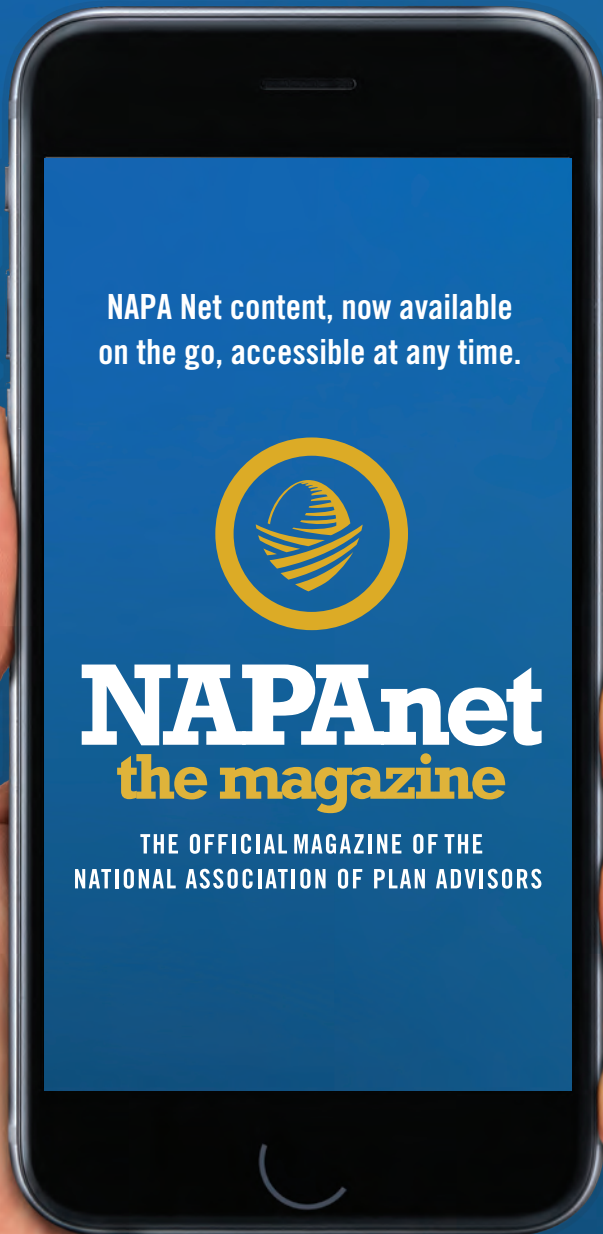
The IRS says that ordinarily the IRS and plan administrators and trustees will honor a taxpayer's truthful self-certification that they qualify for a waiver under these circumstances. Moreover, even if a taxpayer does not self-certify, the IRS now has the authority to grant a waiver during a subsequent examination.

In the notice the IRS also encourages eligible taxpayers wishing to transfer retirement plan or IRA distributions to another retirement plan or IRA to consider requesting that the administrator or trustee make a direct trustee-to-trustee transfer, rather than doing a rollover.

— Nevin E. Adams, JD



The NAPA App



One of the more popular benefits of NAPA membership is *NAPA Net the Magazine*. While there's nothing quite like the tactile feeling of opening and reading the magazine, NAPA members are a mobile group. Much as we know you appreciate the look and feel of the magazine, we know there are times when you'd like to read — and share — the information available here.

We are pleased to formally announce the availability of the NAPA App. For the most part, it's *NAPA Net the Magazine* in a new digital format, available both for iPhone users (via the Apple Store) and Android users (via Google Play). With this new “app,” you'll be able to access current and archived issues of the magazine, search by word, or use hyperlinked indexes, and share content via email, LinkedIn, Facebook, and Twitter, as well as other social media platforms.



Use the app to quickly navigate to a wide variety of resources on the NAPA Net website:



Business Intel

Access to our various lists, including Top 50 Advisors Under 40, Top Women Advisors, Top DC Wholesalers, and DC Broker-Dealers.



Professional Development

Links to information about NAPA certificates and credentials, webcasts, conferences, events, and continuing education opportunities.



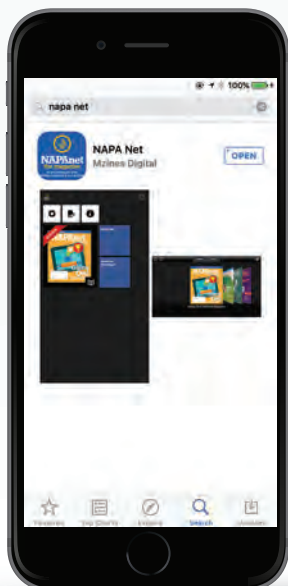
Advocacy

Information about NAPA PAC, and how you can get involved.



NAPA Partner Corner

Information about NAPA's Firm Partners, including the nation's leading recordkeepers and DC Investment Only (DCIO) providers.



01

Download the app at either the Apple store or Google Play — search for “NAPA Net” and then open the app



02

From the main menu, you can access the current issue of the magazine, as well as key areas of the NAPA Net site.



03

Once you select the magazine, you can access not only the current issue, but an archive of recent issues.



04

Once the issue has been downloaded, you can page through the issue just as you would the regular magazine; or tap to a story



05

You can select and share articles, or sections of articles, via a variety of social media platforms.



It also features quick links to the IRS benefit and contribution limits, the NAPA 401(k) SUMMIT page, NAPA DC Fly-In Forum information — and much, much more.

So download the NAPA App — give it a spin — and let us know what you think.

NAPA



CPFA

CERTIFIED PLAN FIDUCIARY ADVISER

Lots of advisers claim to be retirement plan experts...

Now you can prove it.

With NAPA's
Certified Plan Fiduciary Adviser (CPFA) Credential!

Designed for today's busy schedules with tomorrow's challenges in mind.



- » Four online, mobile-ready modules
- » State of the art education approaches
- » Content developed by the nation's leading advisers

From the nation's leading source of retirement industry education.

**Stand out from the crowd!
Register and get started TODAY!**

**Find out more at
www.napacpfa.org**

CPFA Modules

- ERISA Fiduciary Roles and Responsibilities
- ERISA Fiduciary Oversight
- ERISA Plan Investment Management
- ERISA Plan Management



NAPA

National Association of Plan Advisors
Part of the American Retirement Association

CARE ABOUT YOU AND YOUR PRACTICE

More than 200 firms have stepped up with their check books, business intelligence, and “can do” attitude to support NAPA, the only organization that educates and advocates specifically for plan advisors like you. NAPA is grateful for its Firm Partners. We hope you appreciate them too.

(k)ornerstone 401k Services	CUNA Mutual Retirement Solutions	LeafHouse Financial Advisors	Retirement Fund Management
3D Asset Management	Custodia Financial	Legacy Retirement Solutions, LLC	Retirement Learning Center
401(k) Rekon	Deane Retirement Strategies, Inc.	Legg Mason	Retirement Plan Advisors Ltd
401kAdministrators.com	Dice Financial Services Group	Lincoln Financial Group	Retirement Plan Consultants
AB	Direct Retirement Solutions	LPL Financial	Retirement Resources Investment Corp.
Acceleration Retirement	DWC ERISA Consultants, Inc.	M Financial Group	Retirement Revolution
Actuarial Ideas, Inc.	EACH Enterprise, LLC	Marietta Wealth Management	RidgeWorth Investments
ADP Retirement Services	Eagle Asset Management	Mariner Retirement Advisors	Rogers Wealth Group Inc.
AIG VALIC	EHD Advisory Services, Inc.	MassMutual Retirement Services	Roush Investment Group
Alliance Benefit Group National	Empower Retirement	Matrix Financial Solutions	RPS Retirement Plan Advisors
Alliance Benefit Group North Central States	Enterprise Iron FIS, Inc.	Mayflower Advisors, LLC	RPSS
Allianz Global Investors Distributors	Envestnet Retirement Solutions	McCoy Investment Services	SageView Advisory Group
American Century Investments	FACTS, Inc.	MCF Advisors	Saturna Trust Company
American Funds	Federated Investors	Mesirov Financial	Schlusser, Fleming, & Associates LTD
American Trust Retirement	Ferenczy Benefits Law Center LLP	MFS Investment Management Company	Securian Retirement
AQR Capital Management, LLC	FELA Life Cents	Milliman	SetAway, LLC
Ascensus	fi360	Morgan Stanley	Shea & McMurdie Financial
Aspire Financial Services	Fidelity Investments	Morley Financial Services, Inc.	ShoeFitts Marketing
AssetGrade, LLC	Fiducia Group, LLC	Multnomah Group, Inc.	Signator Investors
AXA Equitable	Fiduciary Advisors, LLC	Mutual of Omaha Retirement Services	Slavic401k
Axia Advisory	Fiduciary Benchmarks	NAPLIA	SLW Retirement Plan Advisors
Bank of America Merrill Lynch	Fiduciary Consulting Group	Natixis Global Asset Management	Soltis Investment Advisors
Beaumont Capital Management	Fiduciary Doctors	Nationwide Financial	Strategic Wealth Management
Benefit Trust Company	FIS Wealth & Retirement	National Planning Holdings, Inc.	Summit Benefit Solutions
BenefitsLink.Com, Inc. / EmployeeBenefitsJobs.com	Fluent Technologies	Neuberger Berman	Sway Research, LLC
Betafits	FRA Plan Tools	New York Life Investment Management	T. Rowe Price
Betterment for Business	Franklin Templeton	NextCapital	TAG Resources
BlackRock	Galliard Capital Management	Nicklas Financial Companies	TD Ameritrade
BlueStar Retirement Services	Global Retirement Partners	North American KTRADE Alliance	The 401k Coach Program
BMO Retirement Services	Goldman Sachs Asset Management	NovaPoint Capital, LLC	The Advisor Group
BNY Mellon Asset Management	Gordon Asset Management, LLC	OneAmerica	The Pacific Financial Group
BPAS	Gross Strategic Marketing	OppenheimerFunds	The Standard
BridgePoint Group, LLC	GROUPIRA	Pai	Thornburg Investment Management
Burrmont Compliance Labs LLC	Guardian Retirement Solutions	Paychex, inc	TIAA-Nuveen
Cafaro Greenleaf	HighTower Advisors	Penchecks, Inc.	Titan Retirement Advisors, LLC
Cambridge Investment Research, Inc.	Hutchinson Financial, Inc.	Penn Investment Advisors	Transamerica
Cannon Capital Management Inc.	iJoin Solutions, LLC	Pennial Retirement Advisors	TRAU
CAPTRUST Financial Advisors	Independent Financial Partners	Pension Assurance, LLP	Troutman & Associates
CBIZ	InspiraFS	Pension Consultants, Inc.	Trust Builders, Inc.
CBS Funding, Inc.	Institute for Fiduciary Accountability & Innovation	Pension Resource Institute, LLC	Tsukazaki & Associates, LLC
Center for Fiduciary Management / FIRM	Institutional Investment Consulting	Pensionmark	Troutman & Associates, Inc.
Cetera Fianancial Group	Integrated Retirement Initiatives	Pentegra Retirement Services	Twelve Points Retirement Advisors
CG Financial	InTrust Fiduciary Group	PIMCO	Ubiquity Retirement & Savings
Charles Schwab & Co.	Invesco	Pioneer Investments	UBS Financial Services
Clearview Group	IRON Financial	Plexus Financial Services, LLC	Unified Trust Company
Clutinger, Williams & Verhoye, Inc.	J.P. Morgan Asset Management	Precept Advisory Group	United Retirement Plan Consultants
Cohen & Steers Capital Management	Janus Capital Group	Principal Financial Group	Vanguard
Colonial Surety	John Hancock Investments	Principled Advisors	Vantage Benefits Administrators
Columbia Threadneedle Investments	John Hancock Retirement Plan Services	Prudential Retirement	VOYA Financial
Commonwealth Financial Network	July Business Services	Putnam Investments	vWise, Inc.
Compass Financial Partners	Karp Capital Management	Raymond James	Wagner Financial
CoSource Financial Group, LLC	Kelly Financial, Inc	RCM&D	Wells Fargo Advisors
	Kestra Financial	RedStar Advisors	WisdomTree Asset Management
	LAMCO Advisory Services	Resources Investment Advisors	
	Latus Group, Ltd.		

*as of August 18, 2016

Shouldn't your firm be on this list and enjoy the benefits of NAPA Firm Partnership?

To learn more contact Jake Linney at 703-516-9300 x116 · jlينney@usaretirement.org



Celebrating excellence in 401(k) plan administration

John Hancock has declared October 18th **National TPA Day**™

Are you leveraging the expertise of a TPA
to help you win plans and retain business?

A TPA adds a wealth of knowledge and value by:

- designing **customized plan solutions** to improve outcomes;
- staying on top of **legislative and regulatory changes**;
- offering **compliance expertise** and ensuring ongoing plan obligations are met;
- delivering **best-in-class service** for your plans, boosting retention and saving you time;
- providing local market insights and **referral opportunities**.

Join us in recognizing plan
consultant professionals
nationwide for all they do to
help make 401(k) plans work
the way they should.

10.18.16

John Hancock
RETIREMENT
PLAN SERVICES