

NAPAnet

THE OFFICIAL MAGAZINE OF THE
NATIONAL ASSOCIATION OF PLAN ADVISORS

the magazine

Winter 2017 • NAPA-NET.ORG

*Powered by American
Retirement Association*



| The New Traditionalists:
Connecting with Gen Z

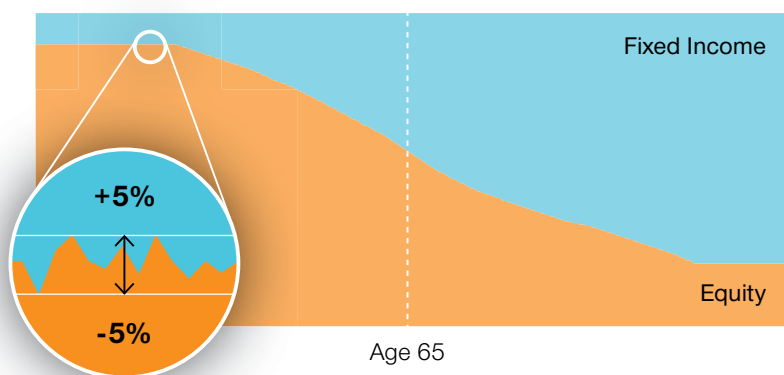
| Partnering with the
Right TPA

| Reform, Regulations, and
Retirement Realities



THE SMALLEST ADJUSTMENT

CAN BRING THE WHOLE WORLD INTO BALANCE



Our dynamic, active approach allows us to make modest adjustments that vary from our neutral allocation by +/-5% to support our goal of enhancing long-term outcomes.

Our Target Date Solutions are anything but static

It looks elegant. Effortless even. But the key to a strong performance is a series of small, dynamic adjustments that keep things artfully aligned.

At T. Rowe Price, the strength of our Target Date Solutions relies on these adjustments. Our Asset Allocation Committee meets monthly to discuss making tactical tilts to our glide path, allowing us to stay responsive to market conditions. Whether measured against benchmarks or peers, we think you'll see the strength in our results.

Call a representative at 1-800-371-4613 or visit us at troweprice.com/adjustments to learn how to put the power of adjustments to work for your clients.

COVER



26

TEAM 'BUILDERS'

by **Nevin E. Adams, JD**

NAPA is pleased to unveil our first-ever annual list of top DC Advisor Teams.

FEATURES



« THE NEW TRADITIONALISTS

by *Judy Ward*

As Generation Z enters the workforce, how can advisors 'connect'?



« TEAMING UP

by *Judy Ward*

Keys to consider in looking for the right TPA partner.



COLUMNS

04 LETTER FROM THE EDITOR*by Nevin E. Adams, JD*

Awesome 'sauce' — the advisor experience.

06 INSIDE NAPA*by Paul D'Aiutolo*

When 'life' gets in the way...

08 INSIDE THE BELTWAY*by Brian H. Graff*

In Washington, bad ideas never die...

10 INSIDE INVESTMENTS*by Jerry Bramlett*

What's driving the rise in ESG investing?

12 TRENDS SETTING

Shedding light on the latest in industry and demographic trends.

16 INSIDE THE THE STEWARDSHIP MOVEMENT*by Donald B. Trone*

We no longer have a shared understanding of fiduciary.

18 INSIDE MARKETING*by Rebecca Hourihan*

Why you need surround-sound networking.

20 INSIDE SOCIAL MEDIA*by Spencer X Smith*

NASA doesn't need a social media policy ...and neither do you.

46 INSIDE THE PLAN SPONSOR'S MIND*by Steff C. Chalk*

Taking retirement plans to the next level.

48 INSIDE THE LAW*by David N. Levine*

Ever get the feeling you've seen this all before?

50 INSIDE THE NUMBERS*by Nevin E. Adams, JD*

Fake news — it's worse than you thought.

52 CASE(S) IN POINT

Small plan participant files excessive fee suit with big impact.

56 POLLING PLACES*by Nevin E. Adams, JD*

Do you have an Education Policy Statement policy?

58 REGULATORY REVIEW

Reform, regulations and retirement realities.

**EDITOR-IN-CHIEF**

Nevin E. Adams, JD

EDITOR

John Ortman

jortman@usaretirement.org

ASSOCIATE EDITOR

Troy Cornett

tcornett@usaretirement.org

GRAPHIC DESIGNER

Lisa M. Marfori

lmarfori@usaretirement.org

PRODUCTION MANAGER

Steve Fox

sfox@usaretirement.org

NAPA OFFICERS**PRESIDENT**

Paul D'Aiutolo

PRESIDENT-ELECT

Jeff Acheson

VICE PRESIDENT

Janina Stout

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 2017, 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

For your clients' one 401(k) plan doesn't fit all side.



Nationwide Retirement Flexible Advantage® gives 401(k) plan sponsors the options to help ensure employees are prepared for retirement.

- 650+ investments, highly rated by Morningstar®*
- Educational programs and ERISA specialists to help with regulatory changes and complex cases
- Field and internal partners who provide ongoing enrollment, re-enrollment and education support

See investment choices at [Nationwide.com/FlexibleAdvantage](https://www.nationwide.com/FlexibleAdvantage)

For your clients' many sides, there's Nationwide.
mutual funds | annuities | life insurance | retirement plans



Nationwide®
is on your side

*As of 12/31/2016. Past performance is no guarantee of future results.

This material is not a recommendation to buy, sell, hold or roll over any asset, adopt an investment strategy, retain a specific investment manager or use a particular account type. It does not take into account the specific investment objectives, tax and financial condition, or particular needs of any specific person. Investors should work with their financial professional to discuss their specific situation.

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](https://www.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.

© 2017 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

The Nationwide Group Retirement Series includes unregistered group fixed and variable annuities and trust programs. The unregistered group fixed and variable annuities are issued by Nationwide Life Insurance Company. Trust programs and trust services are offered by Nationwide Trust Company, a division of Nationwide Bank. Nationwide Investment Services Corporation, member FINRA. Nationwide Funds distributed by Nationwide Fund Distributions, LLC, member FINRA, Columbus, OH. Nationwide Life Insurance Company, Nationwide Investment Services Corporation, and Nationwide Fund Distributors are separate but affiliated companies.

Nationwide, the Nationwide N and Eagle, Nationwide is on your side, Nationwide Funds Group and Nationwide Retirement Flexible Advantage are service marks of Nationwide Mutual Insurance Company. © 2017 Nationwide.

NFV-1170A0.1 (08/17)



Awesome 'Sauce'

The advisor experience

Earlier this year I went to an event in our nation's capital called "Awesome Con." As event names go, it's a bit corny, but if it evokes a reference to Comic-Con, well that's probably the point. Awesome Con is a mixture of cosplay (dressing up like your favorite comic book, gaming or anime characters), celebrity meet-and-greets, and forums where like-minded individuals can not only learn, but debate plot lines, scientific trends that affirm (or refute) science fiction, and sit in on panels by some of the industry's leading minds (and artists). No, I didn't dress up — but I very much enjoyed getting to meet Stan Lee (see picture) and Doctor #10 David Tennant.

I didn't attend my first — the first — 401(k) SUMMIT with that kind of anticipation. I had accepted an invitation to speak at an event — not that unusual — but at what was then a pretty unusual event — a conference for advisors who worked with retirement plans. What was even more unusual is that it was sponsored by ASPPA, a group I hadn't associated with advisors. But what a remarkable event it turned out to be, both in terms of content, and the opportunity to meet and network with individuals like Fred Reish (our industry's own Stan Lee?), and so many great advisors, many of whom would go on to be part of the leadership group that would form the National Association of Plan Advisors a decade later.

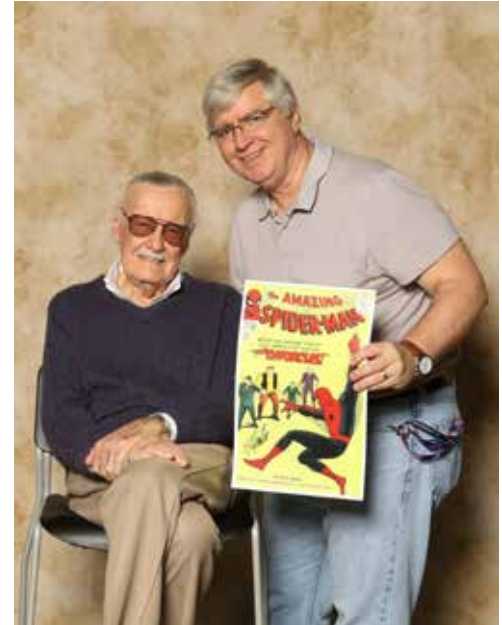
A lot has happened since that first 401(k) SUMMIT, most significantly the formation of NAPA itself. And a lot has happened to the NAPA 401(k) SUMMIT since then — so much so that we now refer to it proudly, and with cause, as the nation's retirement plan advisor con-

vention. In an era where many advisors have chosen to cut back on such things, the NAPA 401(k) SUMMIT continues to grow and expand.

This growth is both a function of the quality of the content and presenters — not to mention that of the attendees. Everybody is at the top of their game at the NAPA 401(k) SUMMIT, and it shows. From those relatively humble, but promising beginnings, it has emerged as the must-attend event for advisors who are committed to the business of retirement plans.

As we reminded attendees last year, as important and impact-filled (and fun) as the NAPA 401(k) SUMMIT is, it is much more than "just" a conference. This year more than most we've had the opportunity to see the impact that NAPA has on critical issues like the fiduciary regulation — creating and pushing for innovative solutions like the level-to-level fee exemption — and tax reform — pushing back against Rothification as a means of paying for corporate tax cuts, and outlining a set of retirement policy principles for tax reform ahead of the first reform proposals. And yes, in state capitals like Nevada, which is contemplating its own fiduciary standard, or in Oregon, Connecticut and California, where state-run alternatives for private sector workers could be problematic.

But here's the thing that many don't appreciate. The NAPA 401(k) SUMMIT is responsible for a significant amount of funding for our advocacy efforts on behalf of retirement plan advisors. That's right — your registration fee doesn't go to some private equity firm's bottom line, nor does it simply act to keep a conference company in the business of organizing conferences — it supports advocacy efforts on your



behalf, on Capitol Hill, with regulatory agencies, and — these days — in state capitals as well.

I know that April seems a long ways off — but this year more than most the NAPA 401(k) SUMMIT is that advisor experience you won't want to miss. Even if you have been attending for years, you'll get more from it than you can imagine — and your support will mean more to the benefit of the nation's retirement system and retirement security than you may expect.

Join us. Your voice, more than ever, is needed. It's going to be... awesome.

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

THE NEW NAPA-NET.ORG

COMING EARLY 2018





BY PAUL D'AIUTOLO

When 'Life' Gets in the Way

Plan advisors have a responsibility to do all that we can so that when life's challenges occur, there is light at the end of the tunnel.

Greetings, NAPA members and Firm Partners — I hope everyone had an incredible summer! With the summer of 2017 now behind us, it is that time of year to begin thinking about the holidays, and for many of us, start to set our 2018 business plans in motion. It is uncanny that we are already *thinking* about 2018. It seems like yesterday, we were at the SUMMIT in Las Vegas!

First and foremost, I want to acknowledge all those affected by the hurricanes this summer. Between Houston and Florida, we Americans have endured our fair share of struggles, and my thoughts and prayers go out to all those affected.

What happened to those affected by the hurricanes is symbolic of millions of plan participants, and the range of results from those who plan versus those who don't. Americans go to work, raise families, buy homes, and one day hope to retire. Along the way though, life happens.

Being a plan advisor is a special opportunity because we have a responsibility to those participating in the plans we manage to do all that we can so that when "life" does get in the way, there is light at the end of the tunnel. No human being can predict when life's challenges will occur, but we advisors can certainly play our part in helping people prepare accordingly.

As we think about 2018, I hope everyone has marked April 15-18 on their calendars for the 2018 NAPA 401(k) SUMMIT in Nashville. We have special nighttime activities planned and an agenda that will blow you away. Planning for the SUMMIT

"Americans go to work, raise families, buy homes, and one day hope to retire."

is in full swing, led by co-chairs Melissa Cowan and Chad Larsen, surrounded by an all-star group of volunteers on the Steering Committee. This year's SUMMIT is surely not to be missed.

As all of you are thinking about your 2018 plans, I encourage you to consider what more you can be doing for your clients. Think about the tools that you have: auto-enrollment, QDIAs, etc. How many more participants can you help get into position to retire comfortably? How many more plan sponsors can you get to embrace doing more for their employees?


As you are thinking about the growth of your business, I encourage you to embrace NAPA as a key partner in helping you achieve your goals, whether it be advancing your knowledge set through attaining our designations, acquiring skills by attending our conferences or using NAPA Net and the *Daily* to stay up to speed. Every day, we at NAPA are doing all that we can to make our deliverables better for our members, so take advantage of all that we have to offer.

Last but not least, there is still significant work to be done from an advocacy standpoint. Tax reform is upon us. The

fiduciary rule will continue to play out. Coverage is still lacking for millions of working Americans. Every day, what we do is at risk because too many working Americans cannot afford to retire, and everybody — and I mean *everybody* — has a plan on how they can do it better than the current system.

NAPA has a strong voice with our regulators and legislators, but that voice is only as strong as our membership. I encourage all of you to keep NAPA strong by supporting our membership through the use of our tools, contributing to our PAC, attending our conferences and volunteering when possible. NAPA is an advisor-led association whose agendas and policies are set by practitioners, those whose very livelihood is contingent on the private retirement system staying in place. I want to continue to thank all those who make our association better.

As we start to wind down the year, I hope all of you had a healthy and successful 2017. It has been a true pleasure of mine to be your President and to serve all of you. I have met so many new people and have formed so many great relationships. I look forward to all that we can do together in 2018!

All the best! 

» Paul D'Aiutolo is the founding principal and lead consultant of the D'Aiutolo Institutional Consulting Team in Rochester, NY. He serves as NAPA's President for 2017-2018.

Women In Retirement Conference
Get to WIRC!!!
June 10-12, 2018
Burlington,
VT

WIRC



Find out more! www.womeninretirement.org



ASPPA
Acting Retirement Plans Act



NAPA
National Association of Plan Administrators



BY BRIAN H. GRAFF

(Not So) Hidden Figures

In Washington, bad ideas never die...

For decades, tax reformers have viewed the nation's private retirement system as something of a piggy bank to fund other initiatives that were deemed to be either more politically important or expedient.

It was certainly true in 1986, the last time tax reform took hold, when Congress "whacked" retirement with a new wave of limits and constraints that undermined new plan formation, clipped the savings rates of many, and led many to rethink their support of current programs. It's been true in a number of smaller revenue-seeking situations between then and now, including ways as insidious as using a pension "smoothing" technique (which made pension funding more expensive) as a way of "paying for" highway funding.

And it was true in 2014, when then-Chairman of the House Ways & Means Committee Dave Camp presented a proposal that would have "paid for" tax reform by imposing what would have amounted to double taxation of contributions for higher-income individuals, frozen contribution limits for a decade and imposed a cap on the amount of pre-tax contributions allowed.

Of course, in Washington bad ideas never die, they just lie in wait for the next Congress. And sure enough, Chairman Camp's pre-tax cap found new life — along with a new name (Rothification) — in the most recent round of tax reform discussions. Rumors quickly swirled around a variety of possible ways in which limiting American workers' ability to defer taxes on their retirement contri-

The job of protecting America's private retirement system just got harder."

butions could help fund big tax cuts for corporations.


But something different was afoot this time, and it wasn't just President Trump and his Twitter account (though that, and his assertion that 401(k)s would not be touched by tax reform, certainly were different). While lawmakers have long known that retirement plan preferences were a source of revenue, the modeling done around Rothification provided a sense of just how big that "piggy bank" has become. And even though they are deferrals and not deductions (and yes, even though everybody knows that), they count within the 10-year window upon which such things are scored by congressional beancounters. Only the preemptive advocacy work by organizations such as the American Retirement Association and the Save Our Savings coalition (of which we are a co-founder) helped stave off — for the moment, anyway — proposals that would have sacrificed retirement security on the altar of tax reform.

Therein lies the danger for retirement savings going forward — the very success of the nation's retirement plan system has worked to produce a sizable pool of money set aside for American workers' retire-

ment upon which Uncle Sam has not yet taken his cut. It seems increasingly likely that we'll be viewed as more than a mere piggy bank in the years ahead as Congress struggles to contain a \$20 trillion (and counting) debt.

It helps that so many Americans are (literally) invested in their 401(k), and that the critical issue of retirement security is not only widely acknowledged, but has bipartisan support. But as recent discussions on Capitol Hill remind us, an issue can be important, and yet not be the *most* important issue.

As we head to press, we don't yet know how — or if — tax reform might impact retirement plans. But we do know that retirement plans are no longer just a way to come up with a little extra money to fill in some revenue shortfalls, or to fund a key infrastructure initiative. The success of those vital incentives that support and sustain the formation of workplace retirement plans and worker contributions to them are now on everyone's legislative radar screen.

The job of protecting America's private retirement system just got harder. But then, that's why NAPA and the American Retirement Association are here. And it's why your support of our advocacy efforts through the ARA PAC — and even your attendance at the NAPA 401(k) SUMMIT — are so important. 

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

NAPA's Industry Lists

NAPA's unique lists highlight four 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, our Top DC Advisor Teams 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 four lists on the NAPA Net portal and in the *NAPA Net Daily*.



Where is the next generation of plan advisors coming from?

To answer that question, NAPA set out to find the top young advisors — the profession’s “Young Guns.” The result of was our list of the “Top 50 Plan Advisors Under 40,” first published in 2014.

You can find our lists from 2014 through 2018 online at www.napa-net.org, under the “Industry Lists” tab.

In what has long been a male-dominated profession, a growing number of women are today making significant contributions to this field. In 2015, the editorial team here committed to an acknowledgment of those contributions with the launch of the newest NAPA Net list, NAPA’s Top Women Advisors.

You can find our lists of Top Women Advisor All-Stars, Captains, and Rising Stars online at www.napa-net.org, under the “Industry Lists” tab.

Sure, we know it’s not just about the numbers – but the reality is that advisors are having a huge impact every single day, not only on the quality of retirement plan advice, but in building a more financially secure retirement for millions of Americans.

NAPA’s Top DC Advisor Teams acknowledges the advisor teams that are responsible for at least \$100 million in defined contribution plan assets.

You can find our list of Top DC Advisor Teams online at www.napa-net.org, under the “Industry Lists” tab.

Only plan advisors know how important their DC wholesaler can be in building, managing and growing their practice. We call them “DC Wingmen” because if they are doing their job, they have your back.

And only advisors know which Wingmen are really good and truly add value.

That’s why NAPA set out to identify the top wholesalers who serve the DC market — the truly elite Wingmen. Our first annual Top DC Wholesalers list, published in March 2014, quickly became an industry staple.

You can find our lists of Top DC Wholesalers online at www.napa-net.org, under the “Industry Lists” tab.



BY JERRY BRAMLETT

Implementing ESG Portfolio Overlays in DC Plans: Clearing the Fog

What's driving the rise in ESG investing?

Last year I was quoted in a *USA Today* article as saying that, “having implemented hundreds of 401(k) plans over three decades, I cannot remember once being asked for a SRI fund.” (“Socially Responsible Funds Can Give Your 401(k) a Conscience,” *USA Today*, June 8, 2016) The historically low uptake of SRI funds in DC plans is due to the fundamental differences in the way traditional Socially Responsible Investing (SRI) funds select individual securities versus the Environmental, Social, Governance (ESG) “overlay” method. In the future, the ESG method is expected to have a much greater influence on DC investing than SRI funds have had in the past.

SRI Funds Versus ESG Overlays

Asset class focused SRI funds will continue to fill a market niche for investors seeking to exclude certain “sin stocks” (e.g., liquor, weapon manufacturers, pornography, tobacco and gambling), to include certain “green” stocks, or to take a faith-based approach to investing. These SRI-focused funds will continue to appeal to many individual fund buyers, but they will not be as prominent in DC plans, which typically have limited fund slots in their investment lineups.

Unlike traditional SRI funds, the ESG overlay approach to investing is focused not so much on what type of company is included in a portfolio as on how an individual firm scores on environmental, social and governance issues relative to its peers. In effect, ESG investing expresses both the values of investors and a commitment to the belief that sustainable factors will have a long-term positive impact on investment

“If it can be shown that the ESG factors have a direct relationship on the performance of the company, then ESG becomes more than a tiebreaker.”

outcomes. Consider the findings of a meta-analysis of more than 2,000 empirical studies of ESG and its impact on financial performance:

“The business case for ESG investing is empirically very well-founded. Roughly 90% of studies find a non-negative ESG-CFP [corporate financial performance] relation. More importantly, the large majority of studies reports positive findings. We highlight that the positive ESG impact on CFP appears stable over time.” (“ESG and Financial Performance: Aggregated Evidence from More than 2000 Empirical Studies,” *Journal of Sustainable Finance & Investment*, Volume 5, Issue 4, p. 210-233, 2015)

Take a firm like Anheuser-Busch, for example. For many, if not most, SRI funds, due to a negative selection process, the beer maker would be excluded from the fund’s

portfolio as a sin stock. An ESG-oriented investor would first utilize traditional investment research and evaluate Anheuser-Busch just like any other company in its peer group based on a bottom-up or fundamental analysis, which includes such factors as financial performance, management and products and/or services. If the company is shown to be essentially holding its own among its peer group, then the ESG scores are considered as an additional metric before making a final decision to purchase the stock.

In the case of Anheuser-Bush, their ESG scores (as reported by the Sustainalytics 2017 ESG Report) are quite high:

- The overall ESG score of 69 qualifies it as an outperformer among all companies.
- Within its peer group of companies in similar industries of similar size, it’s in the 84th percentile, meaning it is a true leader among its peers.
- It scores well on Environmental (72) and Governance (70) factors.
- It scores 100 out of 100 on Responsible Marketing.
- It has low negatives in three criteria: Environmental Impact of Products, Strong Green Procurement and Excellent Water Use.

Therefore, the goal of the ESG investor is to buy companies with strong fundamentals that also have high ESG scores. The rationale is that, all things being equal, the company that has the best long-term corporate health practices will have an edge in terms of long-term investment outcomes.

It should also be noted that there are many fixed income vehicles with a near-exact credit rating, duration and coupon rate, but are offered by companies with

significantly different ESG scores. If one believes that sustainable practices lead to better long-term returns, then what holds true for equity also holds true for fixed income: a good ESG rating will have an impact on long-term outcomes.

Generally, traditional SRI funds represent stand-alone asset classes and, therefore, do not have a broad impact on a DC investor's entire portfolio. An ESG overlay seeks to apply selection criteria across all the major asset classes, including fixed income. Consequently, the ESG approach to investing can be applied across a broad range of asset classes, making it possible to focus one's entire portfolio on investing in solid companies, most of which have adopted environmental, social and governance best practices.

Many DC sponsors (e.g., mission-driven non-profits) will require funds that are focused on expressing the ethos of the sponsoring organization and will require specific SRI funds to suit their investment needs. It is not an either/or situation as it applies to SRI funds and ESG overlays; rather, they should be viewed as serving different roles based on the demographics and the mission of the plan sponsor. Therefore, there will be investment lineups that include both ESG-scored funds and traditional SRI funds, which are tailored to unique corporate cultures and values.

Under DOL guidance (Interpretive Bulletin 2015-01), fiduciaries can use an ESG score as a "tiebreaker" when considering equally attractive investments; however, according to the DOL, if it can be shown that the ESG factors have a direct effect on the performance of the company, then ESG becomes more than a tiebreaker. Presumably, the same rules would apply to stand-alone SRI funds.

Building an ESG Portfolio

There has been a growing awareness over the past few decades of the need for most DC investors to choose an asset allocation program versus building and maintaining their own individual portfolios. There are three primary vehicles for delivering DC portfolio solutions to the individual plan participants: target-date funds, robo-advice and target-date models.

Today, a series of target-date funds is

Hot on the heels of target-date funds are robo-advice platforms, which are now venturing into ESG investing."

the most common means of offering "do-it-for-me" portfolios. According to *Barron's*, "in an industry first, Natixis [Natixis Global Asset Management] is creating a series of 10 sustainably focused target-date mutual funds with maturity dates ranging from 2015 to 2060." ("Here Come the First Sustainable Target-Date Funds," *Barron's Next*, Dec. 27, 2016) Expect other firms to follow Natixis' lead as the demand for ESG target-date funds grows.

Hot on the heels of target-date funds are robo-advice platforms, which are now venturing into ESG investing. Most notably is TIAA, the leading retirement provider for people who work in the academic, research and medical fields. TIAA offers a robo offering in which an DC investor can choose one of three themes: "Basic" (passive funds), "Insight" (actively managed funds) and "Impact" (actively managed). The latter option places "a priority on funds that meet socially responsible investing criteria while seeking to track the market." (TIAA.com)

There are other robo-advisors who are developing their own ESG solutions. Betterment, which provides DC managed accounts, has announced their own ESG offering, "using ESG factors to define an SRI approach" based largely on the MSCI ESG Controversies scoring system. (Betterment.com)

Plan advisors who create their own DC fund lineups and target-date overlays have the option of utilizing the Morningstar Sustainability Rating, a scoring system that combines company-level ESG scores created by Sustainalytics and MSCI ESG Controversies. This Morningstar ESG rating system is expressed using a five-globe system — just like the star system, the more globes, the higher the ESG


rating. Morningstar says:

"The Morningstar Sustainability Rating for Funds provides a reliable, objective way to evaluate how investments are meeting environmental, social, and governance challenges. In short, it helps investors put their money where their values are ... the rating is now available for more than 20,000 funds [including ETFs] worldwide. (Morningstar.com)

So whether a plan advisor prefers a packaged suite of target-date funds, a robo-advice platform or building their own asset allocation from an ESG scored lineup of funds, these options are expected to grow as more ESG capabilities are brought online.

Conclusion

The above discussion has focused on the difference between adding a SRI fund to a fund lineup versus the construction of ESG portfolios and the different means of delivery of these solutions to DC investors. In addition to the question about how ESG is delivered, another question remains: Why does ESG investing continue to attract such interest among investors?

There is little doubt that the growing population of Millennials and the rising financial power of women are having a big impact on the rise in ESG investing. However, as the research tends to support, it may also have to do largely with how ESG is a means to generate greater investment alpha over the longer term. As noted in a recent *Forbes* article, "Regardless if a country's embedded values are socialist or free-market economy, saving money and capitalizing on investment returns should always be top priority and ESG does just that." ("In ESG We Trust — The Risk and Rewards of ESG Investing," *Forbes*, Aug. 8, 2017) 

» Jerry Bramlett is the Managing Partner of Redstar Advisors and Managing Director of Sage Advisory Services.

Trends Setting

Consistent participation pays, engagement is the new metric for financial wellness, happy customers aren't necessarily loyal — and, when it comes to plan committees, size definitely matters!

01



It Takes a Committee

But the bigger the plan committee, the bigger the challenges.

A new survey of large plan sponsors highlights the challenges of — and possible solutions for — structuring and running plan committees. Investment committees reporting that timeliness of making decisions was a challenge also reported a higher-than-average member tenure (9.1 years, compared to 5.9 years for the average investment committee) and poor participation correlated to a shorter tenure (2.8 years). And for each committee type, poor participation and clarity around roles corresponded with a higher-than-average number of committee members.

In “It Takes a Committee,” a new report from the Callan Institute, “strained internal resources” was a top challenge for all committee types, while so-called administrative committees struggled equally with strained internal resources and timeliness of making decisions. In contrast, clarity around roles and responsibilities was a bigger challenge for single committees than other committee types. Callan fielded the

“DC Plan Governance Survey” in May 2017 among 106 large plan sponsors, 57% of which were corporations, 22% public agencies and 22% tax-exempt organizations.

When examining these challenges in the context of the number of in-person meetings, the survey’s authors noted that investment committees which cited timeliness of decision making or strained internal resources as one of their top challenges had a large number of meetings. Conversely, administrative committees which reported that short tenure was one of their top challenges also reported a significantly higher number of meetings, which the authors note may signify that new members require more meetings.

Frequent ‘See’?

The most common number of committee meetings was four per year. Three meetings came in second for investment committees, and one or two meetings for administrative committees. Five or six meetings — or more than 10 meetings a year —

were most common for single committees. The report’s authors note that staff members are often overwhelmed by the volume of information they must collect, compile and disseminate for committee meetings, and that if more than four meetings are the norm for a committee, the committee may wish to review the composition, agenda and priorities of the committee to identify efficiencies.

Plans with more participants were likelier to have separate committees (66% of plans with more than 10,000 participants compared to 29% of plans with 10,000 or fewer). Likewise, 57% of corporate plan sponsors had separate committees, compared to just 35% of tax-exempt organizations and 36% of public entities.

What are the ‘Odds’?

Callan’s Governance Survey found that single and administrative committees were more likely to have an odd number of members than investment committees, while investment and administrative committees with an even number of committee members were more likely to report challenges

with strained internal resources. Investment committees with an even number of members were also more likely to report poor participation, while administrative committees with an even number reported issues with the timeliness of making decisions. Single committees with an even number of members were more likely to experience challenges with clarity around roles and responsibilities.

Who's 'In'

The Governance Survey found that although the benefits team was generally represented on corporate investment committees, it was somewhat less common for investment and finance staff to participate on corporate administrative committees. Single committees were the most likely to include members of the executive team and legal counsel. The report's authors note that it may be desirable to include HRIS staff, not necessarily as voting members, when decisions made by a committee may affect payroll and HR technology programming or other benefits within the organization. Employee representatives may be included on the committee to provide insight into the participant population (*e.g.*, people representing certain demographics), or union groups may be required as part of bargaining agreements.

Term 'Limits'

The survey found that while the majority of committees did not have pre-set membership terms, single committees were the most likely to have a pre-set term

(25%). At the same time, a number of single committees with pre-set terms indicated that their average tenure was 10 years or more. Overall, single committees had the highest average tenure (6.6 years, compared with 5.9 years for investment committees and 5.4 years for administrative committees), as well as the greatest percentage of committee members who had served for at least 5 years (45% versus 26% or 28%, respectively). The authors note that this may indicate that committee members may have their terms extended or may be reselected as committee members after their terms expire.

Not surprisingly, investment advisers were the most common non-committee advisers to regularly attend meetings for both investment committees and single committees, though for administrative committees, outside counsel was the most common non-committee adviser regularly attending. Fewer than one in five respondents said that vendor relationship managers attended administrative committee meetings.

According to the survey, annual fiduciary training was most common for single committees (44%); "periodically" was most common for investment and administrative committees (43% and 32%, respectively). At the same time, the authors acknowledge that single committees were the most likely to report no fiduciary training had been conducted (15%). In general, respondents noted that their committee members were most likely to learn about best practices in governance or stay abreast of trends in plan management from their consultant, followed

by staff and legal counsel. When asked what could improve plan governance, respondents most commonly noted better education, followed by fixing structural issues of the committee.

In sum, the survey found that:

- Plans with higher participant counts were more likely to have separate committees — administrative and investment — than smaller plans, which were more likely to have a single committee.
- Across committee types, poor participation and clarity around roles corresponded with a higher-than-average number of committee members.
- Investment and administrative committees with an even number of committee members were more likely to report challenges with strained internal resources.
- While most committees reported annual or at least periodic fiduciary training, nearly one in seven respondents from single committees noted no fiduciary training had been done.
- The party responsible for setting the agenda influenced the committee's priorities (*i.e.*, staff vs. committee head).
- In general, respondents viewed their committees as highly effective.

— Nevin E. Adams, JD

02



'Staying' Powered

How important is it to consistently participate in a 401(k) plan?

According to recent research from the EBRI/ICI 401(k) database, the average account balance among consistent participants at year-end 2015 was almost double the average account balance among all participants in the database.

The brief shows that at year-end 2015, 22% of the consistent group had more than \$200,000 in their 401(k) accounts at their current employers, while more than 17% had between \$100,000 and \$200,000. In contrast, only 10% in the broader EBRI/

ICI 401(k) database had accounts with more than \$200,000 and 9% had between \$100,000 and \$200,000.

Reflecting their higher average age and tenure, the consistent group also had much higher median and average account balances compared to the broader EBRI/ICI 401(k) database, according to the brief. At year-end 2015, the average 401(k) plan account balance of the consistent group was \$143,436, increasing at a compound annual average growth rate of nearly 14%

from 2010 to 2015, almost double the \$73,357 average account balance among participants in the entire EBRI/ICI 401(k) database.

Meanwhile, the median 401(k) plan account balance for consistent participants increased at a compound annual average growth rate of nearly 18% over the period, to \$66,412 at year-end 2015 — almost four times the median account balance of \$16,732 for participants in the entire EBRI/ICI 401(k) database.

Among the consistent group, the brief notes that individual 401(k) participants experienced a wide range of outcomes, often influenced by contributions, investment returns and withdrawal or loan activity. For example, younger participants and those with fewer years of tenure experienced the largest percent increases in average account balance between 2010 and 2015. Since their

account balances tended to be smaller, their contributions produced higher percentage growth in their balances. In contrast, older participants and those with longer tenures who tended to have larger balances at the start of the study period showed more modest percent growth in account size, the brief explains.

EBRI's issue brief, "What Does Consis-

tent Participation in 401(k) Plans Generate? Changes in 401(k) Plan Account Balances, 2010-2015," provides a longitudinal analysis that tracks the account balances of 7.3 million 401(k) plan participants who had accounts in the year-end 2010 EBRI/ICI 401(k) database and each subsequent year through year-end 2015.

— Ted Godbout

03



Keep the Customer Satisfied, But...

Plan sponsor satisfaction does not ensure advisor loyalty.

While plan sponsors express a high level of satisfaction with their retirement advisors, that satisfaction does not necessarily translate to commensurate levels of loyalty, according to a new white paper.

Chatham Partners' study, "The 2017 Advisor Cx," which looks into plan sponsors' perceptions of their plan advisors, suggests that this gap between satisfaction and loyalty provides an opportunity for advisors to evaluate and improve their product and service offerings. The findings are based on a survey of a cross-section of plan sponsors and a proprietary "loyalty algorithm" that helps identify clients at risk of leaving.

Overall, the study shows that plan sponsors are generally satisfied with their plan advisors, with 81% of respondents rating their overall satisfaction in the top two rankings on a 7-point scale. Interestingly, mid-sized plans (\$10 million-\$50 million) and plans where the advisor does not function as a fiduciary emerged as having a lower overall satisfaction rate (75%) than small plans and large plans, which both registered at more than 80%.

The study warns, however, that a large portion (60%) of plan sponsors are "neutral" toward their retirement plan advisor and nearly one in five respondents are classified as "at-risk" accounts, leaving only 22% of respondents who are considered "loyal" clients. "In our opinion, the sizeable neutral zone represents a wide swath of plan sponsors that are less than loyal to their advisors and could be ripe for renegotiating current relationships or even changing providers," the authors say.

The report suggests that advisory

firms should assess their current books of business and strive to ensure their most "profitable and strategically important customers are loyal" and recognize the value of their offerings, while taking steps to address concerns of identified "at-risk" accounts.

Plan Sponsor Success

Advisors' quality of contact, ability to help manage plan sponsor success and fiduciary support received high rankings among plan sponsors in the 80% range. Once again, however, mid-size plan advisors and non-fiduciary retirement plan advisors received lower scores than the industry as a whole.

Among the components of managing plan sponsor success, the report notes that mid-size and large plan sponsors reported considerably higher ratings than small plan sponsors for satisfaction with investment menu reviews by advisors, while mid-size sponsors offered the lowest ratings for satisfaction with plan fees and expense reviews, as well as plan design review.

Managing participant success also emerged as an opportunity for improvement, with a lower top-two box score of 73%. The study emphasizes that the quality of an advisors' communication is of "crucial importance for plan sponsors," but advisors need to expand efforts beyond customary service contact points.

Areas where advisors can likely enhance their value include adding communication and thought leadership strategies to assist with increasing participant savings rates, automating enrollments, improving diversification strategies, augmenting

financial planning strategies and customizing target date product offerings, the report suggests.

Chatham emphasizes that there is an opportunity for advisory firms that service mid-size plans and/or choose not to act as a fiduciary to differentiate themselves from their peers by making targeted efforts to address shortfalls perceived by this client base.

Brand Attributes

When looking at brand attributes, the findings show that the results are a mixed bag. Service related attributes, such as treating clients as important, ease of doing business and range of services offered, received strong marks, with top-two box scores of 79% or higher. Conversely, only two-thirds of respondents strongly agree that their advisor proactively offers new ideas and solutions or is innovative — below levels that ensure deep satisfaction or loyalty, the authors contend.

The online survey was conducted in the second quarter of 2017 and consisted of more than 100 employer plan sponsors representing a cross-section of plan sizes by assets. In addition, respondents were required to be knowledgeable about the products and services offered within their retirement plan, have decision-making authority and utilize a retirement plan advisor.

— Ted Godbout



Engagement 'Ring'

Employee engagement a better financial wellness metric, study says.

Suggesting that it's time to change the return-on-investment (ROI) conversation with respect to financial wellness programs, a recent paper contends that a more effective way to prove a program's value is by measuring employee engagement.

Ernst & Young explains that creating a suite of benefits is pointless if your workforce is not taking advantage of the resources provided to establish a path to financial wellness. Instead of focusing solely on a metrics-driven assessment, the paper submits that measuring levels of utilization will give leaders a "new perspective on the value of their investment."

While acknowledging that many organizations want metrics to validate the expense of a financial wellness program, the paper says that ROI can be difficult to measure and may not be the most reliable benchmark. It notes that sick days, productivity and other indicators fluctuate, and factors unrelated to financial stress could account for those changes.

The paper notes that the selection criteria and perceived benefits varies among those who already offer a program and those who don't, based on the results of a survey conducted with 200 HR professionals. Those who have yet to offer a program focus on cost, which shows that justifying the price remains a stumbling block for some. Among those without a program, 59% say the top selection criteria is price, followed by ease (53%) and breadth (44%) of the program. However, once a program is in place, the focus becomes more about employee engagement across the breadth of the program (47%) and less about price (35%).

In addition, the survey found that companies without a financial wellness program had a more limited vision of the potential benefits. For those respondents, 50% consider it a way to boost retirement savings, 38% see it as a means to help employees boost savings overall and 31% believe it could lead to greater retention. On the other hand, companies that offer financial wellness plans saw a direct correlation to employee well-being, retention and productivity, with 56% of respondents citing retention, 50%

citing health and 45% citing productivity as the main benefits.

The paper emphasizes that employees who become more active in financial planning build the confidence they need to continue their path to financial wellness. Moreover, alleviating financial stress clears the way for more productive workers and ultimately generates a higher return on investment, the paper suggests.

Determining employee base demographics and understanding how they think and feel about money are the first steps in the process, the paper explains. A financial wellness assessment can help uncover these more "subjective beliefs" and enable a provider to craft personalized communications, which will lead to improved benefits engagement.

Suggesting that it's time to change the return-on-investment (ROI) conversation with respect to financial wellness programs, a recent paper contends that a more effective way to prove a program's value is by measuring employee engagement.

Ernst & Young explains that creating a suite of benefits is pointless if your workforce is not taking advantage of the resources provided to establish a path to financial wellness. Instead of focusing solely on a metrics-driven assessment, the paper submits that measuring levels of utilization will give leaders a "new perspective on the value of their investment."

While acknowledging that many organizations want metrics to validate the expense of a financial wellness program, the paper says that ROI can be difficult to measure and may not be the most reliable benchmark. It notes that sick days, productivity and other indicators fluctuate, and factors unrelated to financial stress could account for those changes.

The paper notes that the selection criteria and perceived benefits varies among those who already offer a program and those who don't, based on the results of a survey conducted with 200 HR professionals. Those who have yet to offer a program focus on cost, which shows that justifying the price remains a stumbling block for some. Among those without

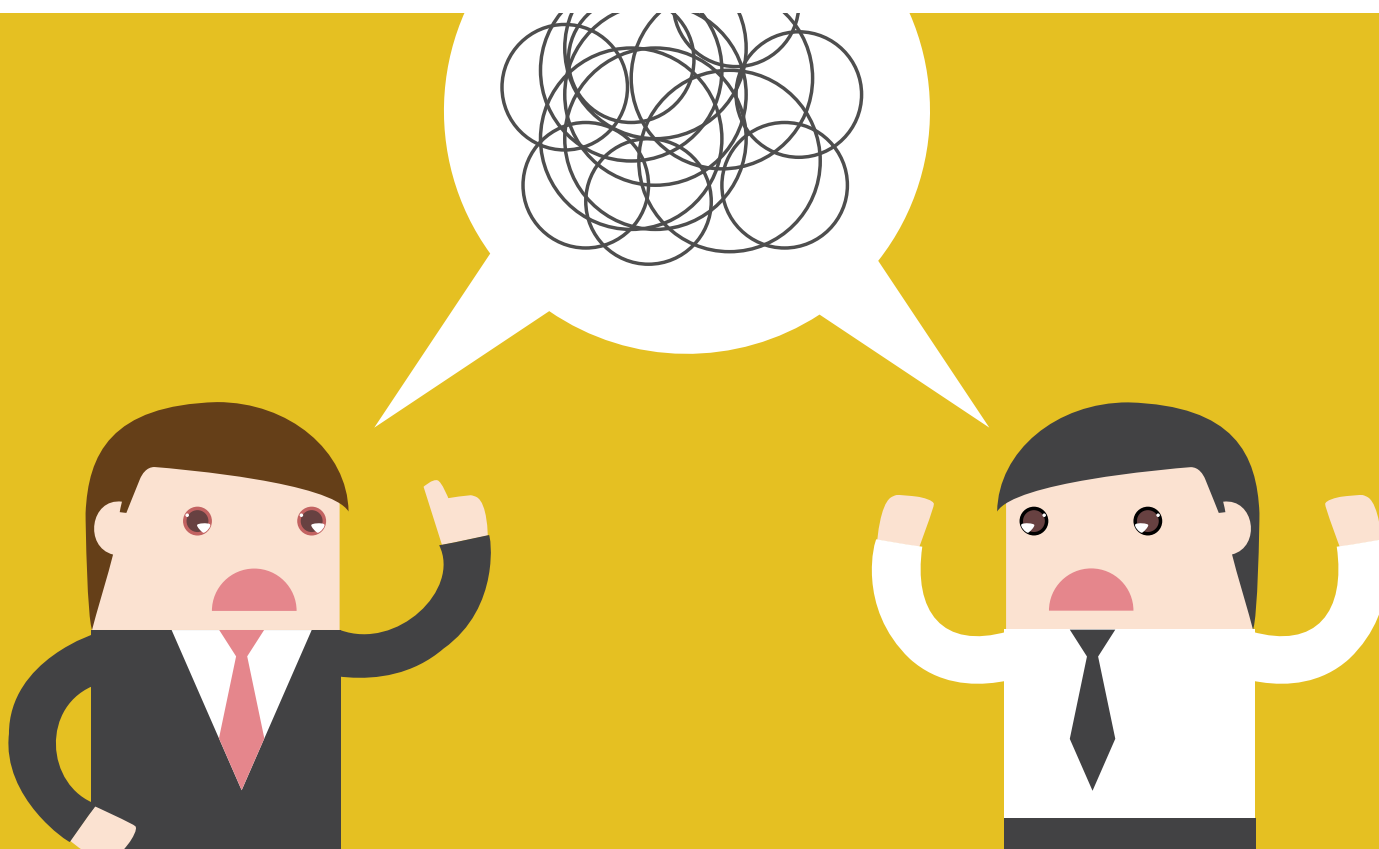
a program, 59% say the top selection criteria is price, followed by ease (53%) and breadth (44%) of the program. However, once a program is in place, the focus becomes more about employee engagement across the breadth of the program (47%) and less about price (35%).

In addition, the survey found that companies without a financial wellness program had a more limited vision of the potential benefits. For those respondents, 50% consider it a way to boost retirement savings, 38% see it as a means to help employees boost savings overall and 31% believe it could lead to greater retention. On the other hand, companies that offer financial wellness plans saw a direct correlation to employee well-being, retention and productivity, with 56% of respondents citing retention, 50% citing health and 45% citing productivity as the main benefits.

The paper emphasizes that employees who become more active in financial planning build the confidence they need to continue their path to financial wellness. Moreover, alleviating financial stress clears the way for more productive workers and ultimately generates a higher return on investment, the paper suggests.

Determining employee base demographics and understanding how they think and feel about money are the first steps in the process, the paper explains. A financial wellness assessment can help uncover these more "subjective beliefs" and enable a provider to craft personalized communications, which will lead to improved benefits engagement.

— Ted Godbout



BY DONALD B. TRONE

Fiduciary Cognitive Dissonance

We no longer have a shared understanding of fiduciary.

At the SS&C Learning Institute we define fiduciary as a continuum between legal, moral and functional prerogatives. At least it should be.

Consider the current condition of our industry:

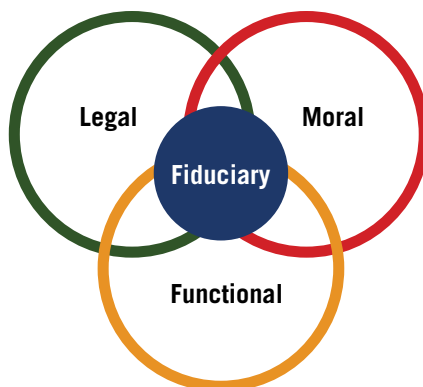
- **Advisors are not aware of legal prerogatives.** The overwhelming majority of advisors don't know the difference between an ERISA fiduciary standard of care and a '40 Act one.
- **Advisors are not aware of moral prerogatives.** Now everyone is a fiduciary, and yet they're not. A person of questionable character or devoid of ethics will still be able

to comply with the DOL's conflict-of-interest rule.

- **Advisors are not aware of functional prerogatives:** The DOL rule obscures the essence of procedural prudence by redefining fiducia-

ry merely in terms of disclosure requirements.

We're in a state of *fiduciary cognitive dissonance* in which we no longer have a shared understanding of what it means to be a fiduciary. Fortunately, the DOL's current leadership has blessed us with an 18-month reprieve so that we can level-set the meaning.



Legal Prerogative: ERISA versus '40 Act

What's the difference between an ERISA fiduciary standard and one defined by the Investment Advisers Act of 1940?

If you don't know the answer, you're not alone. Certainly most proponents of the DOL rule have demonstrated an ignorance of the difference. When proponents claim

that fiduciary advisors have provided cost-effective services to retail clients for years, often they're referring to a '40 Act standard of care, not an ERISA standard of care.

The answer is *procedural prudence*. Simply stated, procedural prudence is the requirement that the fiduciary show the details of its decision-making process. The details of a prudent decision-making process are what constitute the functional prerogatives of a fiduciary.

ERISA and the '40 Act both require that a fiduciary serve in the best interest of the client. However, in the case of ERISA, there is the additional requirement that the fiduciary demonstrate that, given a specific set of facts and circumstances, their advice is procedurally prudent.

The DOL rule subjects advisors to an ERISA standard; therefore, advisors will be subject to a heightened fiduciary standard. The execution of the rule's requisite disclosure documents will not suffice.

Moral Prerogative: Now Everyone Is a Fiduciary; And Yet, They're Not

Proponents of the DOL rule have marketed the Pollyanna-esque notion that the world will be a better place when everyone is a fiduciary. Not so. In fact, such advocacy is doing more harm than good because those who are qualified to serve in a fiduciary capacity are being *lumped in* with the *lumps*.

To effectively serve as a fiduciary, an advisor needs to be able to objectively and wisely determine the best interest of another. Discernment is an ability and capacity that often requires special training supplemented with years of experience. It's a gift that's not unwrapped when an advisor obtains their Series 7 license. Each firm needs to define policies and procedures on how it is going to assess advisors to determine who is ready to serve in a fiduciary capacity and who needs additional time and training.

In addition, the fiduciary advisor needs to be inspired by moral aspiration — by a sense of purpose to serve in the best interest of others. In contrast, the DOL rule is based on moral obligation — on negative motivation. *Do it, or else*. Moral obligation desensitizes an advisor's sense of moral aspiration and passion to act in the best interest of others.

Functional Prerogative: The Essence of a Uniform Fiduciary Framework


DOL and SEC officials have signaled a desire to define the details of a uniform fiduciary code of conduct. When they do, they should find ample working documents since fiduciary advocates have been laboring on defining a uniform fiduciary code for more than 25 years. "Uniform" in the sense that a single framework is defined to satisfy the requirements of existing fiduciary acts, case law, and regulatory opinion letters.

Of late, efforts also have been made to integrate with a uniform framework FINRA rules and financial planning standards. This is of particular importance when we talk about a fiduciary standard for managing retirement savings.

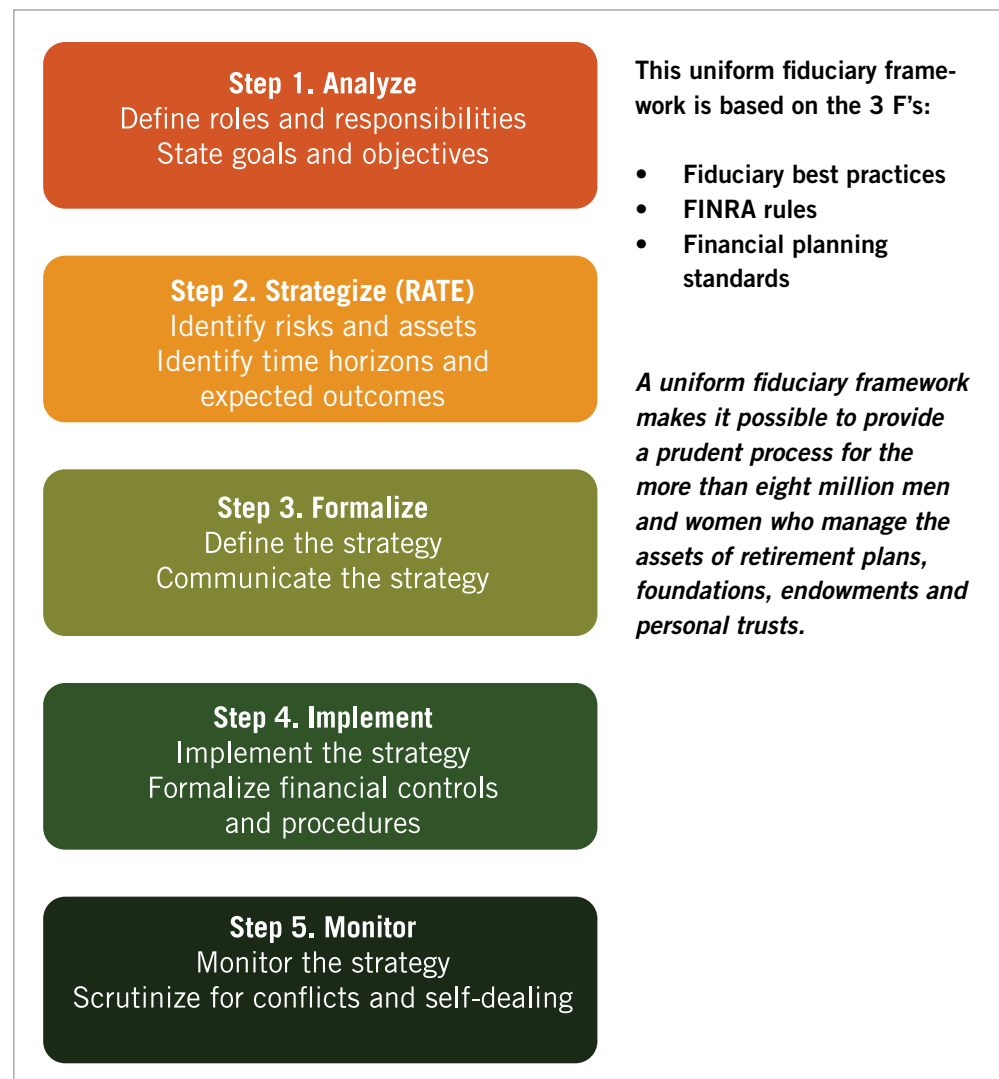
Conclusion

One of the many negative consequences of the DOL rule is that it has been mar-

keted as a new fiduciary standard. It's not; it's just a conflict-of-interest rule. In an effort to *maximize* the number of advisors subject to a fiduciary standard, the rule has *minimized* the legal, moral and functional prerogatives that define our profession.

The rule has caused the industry to lose sight of what it means to be a fiduciary. We no longer have a shared understanding of how to serve in the best interest of others. We're suffering from fiduciary cognitive dissonance. 

» Don Trone is a Senior Fellow at the SS&C Learning Institute, and is the CEO and cofounder of 3ethos. He was the founder and president of the Foundation for Fiduciary Studies, which in 2003 published the industry's first handbook on the best practices that define a uniform fiduciary code of conduct.





BY REBECCA HOURIHAN

Why You Need Surround-Sound Networking

Focus on your current relationships, make new introductions and promote your results, all while acing your digital interview.

W

herever and whenever your clients, prospects and centers of influence are seeking retirement plan related information, you are there. That's 360 degrees of you.

Here are the four tips

on becoming the authority in your area as the retirement plan expert.

Ace the Digital Interview

Have you heard of "webrooming"? This new buzzword describes the act of researching products and services online which customers ultimately purchase

offline. Potential clients visit your website and read about you to decide whether to move forward offline.

Approximately one out of four (23%) plan sponsors are seeking a *more knowledgeable advisor*.¹ Demonstrate your knowledge with a website that offers strong and easily accessible answers. In a recent survey,

41% of plan sponsors said they would want an advisor to have a *good value proposition* posted on their website.² If your website does not include this, it should.

If you couple that with a retargeting campaign, a “giveaway” landing page, and/or a lightbox sign-up form, this will allow you to continually stay in front of that curious plan sponsor.

Let your website “talk the talk” so that when you are meeting with potential clients in person, your role is just to “walk the walk.”

This is why having a strong digital presence is important. If your website makes a great impression, then you will stand out amongst other advisory firms. When you ace the digital interview, this instills confidence in the plan sponsor. Your website is a reflection of your centers of influence. When you look good, they look good.

Industry Designations

How many years have you spent gaining retirement plan experience? I’m willing to say you probably have a PhD in ERISA, right? Show that to plan sponsors by attending conferences, and talking about your awards and industry designations.

Recently, the Centre for Fiduciary Excellence (CEFEX) came out with a great video³ that discusses why the CEFEX certification is important. With all the recent lawsuits, it’s more important than ever that advisors have a documented, prudent and consistent process in place to minimize fiduciary risk exposure.

By having designations, it shows your clients, prospects and COIs that you are serious about this business. It is a core competency. You are investing your time and resources to be an expert so that you can share that knowledge with your clients and they can benefit from your expertise.

With more and more advisor search websites coming out each day, you can distinguish your knowledge and skills by having retirement plan and fiduciary designations.

In my last position with a broker/dealer, fiduciary advisors were required to hold a

“By having designations, it shows your clients, prospects and COIs that you are serious about this business.”

fiduciary designation in order to work in a 3(21) or 3(38) capacity with retirement plans. While that is not true across the entire financial services industry, it might be the trend that plan sponsors start to think about soon. Get ahead of the curve and start now.

401(k) Case Studies

Can we get more of these? In financial services, we all know that we cannot use testimonials. However, you can demonstrate your results through case studies. Interview your plan sponsor clients and ask them to share their experience working with you.

Did you:

- Improve plan design?
- Recommend changes to the investment menu?
- Implement a financial wellness program?
- Change recordkeepers?
- Establish a formal fiduciary process?

Write about it. Promote it. When plan sponsors visit your LinkedIn profile, have this article published under your name. Email it to your centers of influence to prove the true value of a retirement plan expert. Share it with your clients. Ask your clients to get involved, then write about their experiences as well. It’s the human element. As an industry, we need to discuss why human financial advisors are critical. This is a very powerful way for you to show what you do and talk about the ultimate value of your expertise.

Center of Influence Reputation

Many advisors tell us that their business is referral-based or from word of mouth. That is great. Keep it up. To help with your surround-sound marketing efforts, each week ask a CPA, TPA, benefit advisor and/or influence person to a meeting. This can happen over the phone or in person.

To open that conversation, start with a compliment and what you have heard about them. The Internet makes this easy, and taking an interest in them makes them more likely to be interested in you. Then talk about how and why getting to know each other could be mutually beneficial. You have clients; they have clients. See if your values align and if there is a working opportunity. You never know. It could be a great partnership or even just a good person to know in the industry. But remember, relationships take time, so don’t expect either party to share all their client information in the first meeting.

Start with these. They will give you a good foundation. In future posts, we will dive into more ideas and details on how to implement them. As you know, the retirement plan industry is based on relationships. If you focus on your current relationships, make new introductions and promote your results, all while aching your digital interview, this will help you to become known throughout your community as the retirement plan expert that you are.

Thanks and Happy Marketing! 

» Rebecca Hourihan, AIF, PPC, is the Founder and CMO of 401(k) Marketing, which she founded to assist qualified experts operate a professional business with professional marketing materials and ongoing awareness campaigns. Previously she served as LPL Financial’s East Region Manager for four years, where she consulted large institutional retirement plan offices on business development, client acquisition and prudent plan governance.

Footnotes

1. “Plan Sponsor Attitudes. Survey Results: 7th Edition.” Fidelity, 2016.

2. MassMutual Retirement Plan Referrals Study. Opportunities for financial advisors to obtain referrals from retirement plan sponsors, August 2016.

3. <https://www.youtube.com/watch?v=xkAJBNZzPR4>.



BY SPENCER X SMITH

NASA Doesn't Need a Social Media Policy...

... and neither do you.

You and I know our customers will look for us on social media before making a phone call or stopping by our offices. Guess what? You don't need a separate policy governing how your employees will represent you on social media.

What better way is there to stay top of mind with your target audience than to go where they're already paying attention and participate in the conversation?

But still, so many companies play it safe. They'd rather leave their social media profiles blank than post something that could

harm the business's reputation. Noting the potential negative impact of improperly used social media accounts — just look at the reaction to many of President Trump's tweets — companies forbid their employees from posting anything work-related on social media.

Often, they're waiting until they can write a policy that will minimize the potential for corporate embarrassment via social media.

Here's the thing: You don't need a separate policy governing how your employees will represent you on social media. You already have one.

I recently listened to a podcast (<https://blog.bufferapp.com/show-notes-john-yembrick-nasa>) featuring John Yembrick, the social media manager at NASA (<https://twitter.com/yembrick>). Yembrick oversees more than 500 NASA-affiliated social media accounts. If any organization was going to face a roadblock to posting on social media, I would have expected it to be NASA — it's a massive government agency with dozens of layers of bureaucracy to wade through to get new policies passed.

On the podcast, Yembrick said he had no trouble gaining approval to build out NASA's social media presence and authorizing hundreds of NASA employees to post on NASA's behalf.

If you work at NASA, he said, you already have a NASA email address, a NASA business card, a NASA office phone, and in most cases, a NASA cellphone. The organization already has a detailed communication policy that governs how employees will represent NASA in person, over the phone, and via email.

Your existing communication policy? It applies to social media too. NASA didn't need to create a separate policy for social media. It simply told its employees to follow the same standards on social media that they follow in any other situation.

Allowing your employees to post on social media on your behalf might feel like a dangerous move. But at any given moment, any one of your employees could say something in an in-person meeting, during a speech, or in a mass email that would make your company look bad. But you allow them to speak on your behalf



via those platforms because it's crucial to their job and you trust them to represent you well.

So how do you convince a reluctant CEO that your company needs to be on social media? Start by relieving them of the burden of creating a social media policy. Your company's existing communication policy is enough to guide your employees in getting started posting on any social platform.

Another reason some of the companies I consult with are reluctant to establish a brand presence on social media is because they're afraid of opening themselves up to public criticism from dissatisfied customers.

It's a very real possibility: Just look at the social media accounts of the largest airlines around the country. With frequent weather and technical delays, airlines always face complaints from frustrated customers. But the best brands see the public forum of social media as an opportunity to showcase their outstanding customer service. Instead of only engaging with frustrated customers via private message, proactive brands will respond publicly and offer to help, provide an explanation, or make the situation right.

Sure, you'll have interactions with customers who refuse to be satisfied, but your loyal customers watching the exchange can recognize when a customer is being unrea-

sonable. You'll gain more respect when you handle a difficult situation well than if you try to hide the complaints.

Even if you're not on social media, customers will find ways to express their frustration about bad experiences they've had with your brand, whether that's on Yelp, or on Google Reviews, or on their own personal accounts. If you're already on social media, you gain the advantage of being able to respond and potentially convert a dissatisfied customer into a delighted customer. Start having those conversations in your sandbox instead of all throughout the Internet.

And getting back to my earlier point, the policies that govern your private response to customers are the same ones that should guide your public response. After all, with a few clicks of a button, a customer could screenshot your response and share it to social media, making it public anyway.

Taking this approach to social media should cross one more thing off your company's marketing and advertising to-do list. You don't need to write a social media policy because you already have one. So start posting! 📺

» Spencer X Smith is the founder of spencerX-smith.com, instructor at the University of Wisconsin, and Adjunct Faculty at Rutgers University. He's a former 401(k) wholesaler for two of the industry's largest recordkeepers, and now teaches financial services professionals how to use social media for business development, only after he proves the strategies work himself. He may be reached at spencerXsmith.com.

THE NEW TRADITIONALISTS

As Generation Z enters the workforce, how can advisors 'connect'?



BY JUDY WARD



W

hen advisor James Moyes goes on-site to his plan sponsor clients, he's starting to see members of Generation Z show up to group and one-on-one meetings. And these youngest members of the workforce turn out to be pretty receptive to saving for retirement.

"I actually think that they are more willing to participate than other generations," says Moyes, managing partner at

Lehi, Utah-based RedStone Advisors, LLC, and one of NAPA's 2017 Top Retirement Plan Advisors Under 40. He adds, "They have seen a few things, like the 2008 financial crisis, at a young and impressionable age. They know that they need to save."

The Center for Generational Kinetics defines Gen Z — also known as "Centennials" and "iGen" — as individuals born from 1996 to the present. Gen Z currently numbers more than 23 million people in the United States, and within five years will become the fastest-growing generation in the workplace, the Austin, Texas-based research and consulting firm says.

The leading edge of this generation just started graduating college and entering the workforce this past spring, says David Stillman, co-author (with his Gen Z son Jonah) of the book *Gen Z @ Work: How the Next Generation is Transforming the Workplace*, and co-founder of the Minneapolis-based consulting firm GenZGuru. Some advisors may think providing the right mobile apps and other technology as the primary way to bridge the gap with Gen Z, he says. That's important, he believes, but not the real key.

Gen Z both differs distinctly from Millennials and resembles previous generations in some important ways — while also having some unique characteristics, Stillman says. "Rather than technology, I actually think the bigger gap is that if you want to prove your value to them as an advisor, you'll need to show them that you understand their generation," he says. "Then they'll think, 'This man or woman gets me, so okay, I'll talk to them.'"

Free Agents at Work

Jason Dorsey, president and co-founder of The Center for Generational Kinetics, thinks of Gen Z as the Throwback Generation. "Their behavior and their outlook appears to be more representative of their grandparents than of Millennials," he

Their behavior and their outlook appears to be more representative of their grandparents than of Millennials."

— Jason Dorsey,

The Center for Generational Kinetics

says. He sees a couple of explanations. "One is the Great Recession. Millennials experienced the Great Recession personally: They came into the workforce at a terrible time to get a job," he says. "Gen Z was old enough to see the recession, and their parents strongly encouraged them to learn from it. But they were young enough to not actually be in the workforce during it, so they avoided the career drag it created."

Gen Z members also saw plenty of media portrayals of Millennials as laggards, Dorsey says. "So Gen Z says, 'We don't want to be known as the Entitled Generation,'" he says. "They can see how that didn't work out for Millennials. They also can see the large amount of college debt that many Millennials had, and how they were forced to delay marriage, having kids, and buying a home as a result." Gen Z craves the sort of stability that generations prior to Millennials did, he says.

While many Millennials struggled to get a career foothold, Gen Zers tend to have a very realistic view of working, says Ryan Jenkins, president of Atlanta-based consultancy Next Generation Catalyst. "To understand them, you need to understand their parents. Their parents are Gen Xers: the 'latchkey kids' who are very independent, and skeptical in many regards," he says. "You better believe that they're instilling in this generation that there are winners and losers out there, and you have to work hard if you want to get where you want to be."

Gen Zers want stability, but they also have an independent streak. "They want to be part of a traditional organization as an employee, but at the same time, they want to be a sort of free agent," says Steve Coco, New York-based global consulting leader at Conduent Human Resources Services. Many envision changing jobs — though not necessarily employers — every couple of years, and feel drawn to doing a variety of proj-

ect-oriented work, with defined deliverables and end points for each project. “They are looking to have much more control over their career path,” he says, “and organizations that hire them are going to be tasked with how to be more fluid with that.”

Gen Zers’ desire to forge their own unique career path doesn’t surprise Stillman. “This is a generation that, since birth, has been building their own customized ‘brand’ for themselves on social media. As teenagers, the goal used to be to fit in: Now the goal for teenagers is to stand out,” he says. And hyper-customization has been the norm for their whole lives in the consumer world, he says, pointing as an example to Amazon’s personalized shopping recommendations. “They are entering the workforce now,” he adds, “and why shouldn’t they assume that they can customize this area of their lives, too?”

Methodical About Money

As their careers begin, Gen Zers already have seen older relatives struggle with job setbacks and financial burdens in the Great Recession’s wake, so they have realistic beliefs about money. “They’re very aware that the rug can be pulled out from under you at any moment, and they are very dialed into the need to save money,” Stillman says. “When they do spend money, they’re more likely to spend it on an experience than on things. I don’t think they want to be judged on their status by things: For them, it is more about fulfilling their needs with experiences.”

Gen Z’s level-headed views on money also may have been influenced by their front-row seat to see the impact of Millennials’ student debt and credit card debt burdens, Jenkins says. “Gen Z members say, ‘I don’t want to take on that much debt, I want to be smarter with my finances,’” he says. “I think that they’re going to be much more methodical and strategic about money.”

That realism about money has helped make Gen Z more optimistic about what the future holds than any other generation, according to the “Measuring Optimism: Outlook and Direction of America” survey released by Lincoln

I think that they’re going to be much more methodical and strategic about money.”

— Ryan Jenkins,
Next Generation Catalyst

Financial Group in August 2016. Among Gen Zers, 89% feel optimistic about the future, compared to 83% of Millennials and Gen Xers, and 78% of Baby Boomers. “Their youth is part of the reason for their optimism,” says Jamie Ohl, president of Radnor, Pennsylvania-based Lincoln’s retirement plan services division. “But I think a second reason they are optimistic about the future is that they understand the importance of saving, and they already are saving.” Sixty percent already have a savings account, Lincoln’s survey found.

Since Gen Z has only started to enter the workforce, it’s not clear how they’ll think about the retirement phase of their lives, Stillman says. “But here’s a generation that sees its life expectancy inching toward 100. This is not a generation that’s saying, ‘I’d like to work until I’m 55, then retire early,’” he says. “They know that they’re going to be in it for the long term.”

The idea of saving for a day when they don’t work at all may not resonate much with Gen Z. “They are not even thinking about retirement in the ways that our parents thought about it,” Coco says. “They may never actually ‘retire,’ in the traditional sense of the word. They might have several ‘retirement jobs,’ in this shifting, nimble, free-agent world.”

Stillman thinks Gen Zers may want to customize the retirement phase of their lives, too. “I’m not sure that they will see retirement as an end date to earning,” he says. “They may see that phase of their lives as a time when they will work and spend as they go.”

This generation likely will also have a realistic view of their financial needs in retirement, Dorsey thinks. “This is the first generation where, as very young adults, the majority already believe that they won’t have Social Security, or any other type of social safety net, in retirement,” he says. “They recognize that they are going to have to take care of themselves financially in retirement. Even now, they understand the idea of, ‘If I’m going to be in a position to do the things I want to do later, I need to start saving now.’”

There is a lot of pragmatism about the future in Generation Z, Coco says. “There is kind of an ‘innocence lost,’” he says, “compared to other generations that grew up in good times.”

Preparing for Gen Z

How can plan advisors prepare for Gen Z? Think about these issues:

Talk the Same Language

“For advisors trying to convince Gen Z to save for retirement, I think they need to start at a fundamental, 101 level: Are we on the same page with what ‘retirement’ even means?” Stillman says. “An advisor might think that just means work, work, work, then stop. To a Gen Z, that might mean working and then taking sabbaticals — periodic breaks from work — throughout their lives. Show them that you understand the definition of ‘retirement,’ as they see it, so that you’re talking the same language.”

Gen Zers may see “retirement” as starting a business down the road, or working part time and traveling part time, Dorsey says. “It is not really about ‘retirement,’ in the traditional sense,” he says. “They want to have self-reliance and freedom, so saving money is about acting now to give themselves more stability and freedom later,” he says.

Asked for his advice on how to frame the retirement-saving issue for Gen Z so that it resonates, Moyes suggests selling the sizzle. “The sizzle, in this case, is the lifestyle they can have down the road, if they start saving now,” he says. “Make it tangible for them, so they can visualize it. Show them, ‘You can build your future however you want.’”

Use FOMO to Motivate

FOMO is the “Fear of Missing Out,” and Gen Z feels that intensely. “FOMO is this idea that they’re constantly ‘in the loop.’ They’re so used to, if they want to know something, they just pull out their phone and find out,” Stillman says. “So they have an insane level of fear of missing out on something.” For an advisor who wants to convince Gen Z to save, he says, “I think it would be smart to tap into FOMO, to tell them, ‘You might be missing out if you don’t save.’”

Gen Z’s interest in life experiences — and not missing out on them — may help motivate them to save, Jenkins says. “Maybe show them, ‘If you are smart with your finances early, here are some of the experiences that you can have later on in your life,’” he suggests.

The idea that they’re missing out on free match money if they don’t contribute up to their employer’s full match level also may resonate especially well with Gen Z, Ohl thinks. “There is an opportunity with this group to auto-enroll them at a rate high enough for them to get the full match, from the very beginning of their participation in a plan,” she says.

And Moyes has seen that some Gen Zers starting to participate in plans already like using tools that allow them to benchmark where they stand on retirement savings, compared to their peers. “They like to compare themselves to data on other folks their age, to see where they rank,” he says.

Take Communications Cues from the Online World

Gen Z grew up using smartphones, and reaching them requires giving them information by mobile apps and text. For example, in September, Lincoln launched a version of its mobile app that works on Apple Watch, and allows participants with the device to check their account balance and see their retirement income projection, among other things.

But Stillman’s market research has found that Gen Zers also value face-to-face connection a lot — although they expect their in-person experience to have a similar feel to their digital experience. “Where other generations struggle with

“Show them that you understand the definition of ‘retirement’ as they see it, so that you’re talking the same language.”

— David Stillman,
GenZGuru

the line between the physical world and the digital world, they see no line,” he says. “To them, it needs to feel one and the same.”

Doing on-site education, advisor Neil Plein already has experienced how advisors need to approach communicating with Gen Z differently. “Every time, you have to perform like you’re an app with a five-star rating,” says Plein, retirement plan consultant at Aldrich Wealth in Lake Oswego, Oregon, and one of NAPA’s 2017 Top Retirement Plan Advisors Under 40. He does concise presentations light on text and heavy on visuals, and he tries to convey information by telling stories as much as possible. “You really have to trim the fat. It’s got to kind of dazzle,” he says. “You have to try to put on a show, in a sense. I know it’s hard when the topic is 401(k) plans, but if you can make a joke, or maybe give away prizes, that can help.”

To get Gen Z’s attention, the industry needs to ramp up its creativity on communications and education to make them more targeted and fun, Moyes says. “It can’t be cheesy and boring, like a video of a guy lecturing on the need to save for retirement,” he says. “It has to grab them right upfront, because this is a generation that has been able to get the information they want, right at their fingertips, for most of their lives.”

Show Them an Instant-Gratification Tool

Gen Z needs to see the payoff of putting money aside for retirement today, and

a tool illustrating that needs to be immediately accessible rather than something they have to take time to find, Moyes says. “They want a tool that lets them see, ‘If I put a dollar in today, what is it going to purchase me down the road?’” he says. “That tool should not be a separate part of the website, but integrated right into a participant’s home page.”

During on-site meetings, Gen Zers like to see a demonstration of how their recordkeeper’s income replacement projection tool works, Plein says. “That’s when their eyes light up, when you show them that,” he says. “They can instantly see that they can have a huge impact, with minimal effort, on saving for retirement,” he says. Encourage them to play with the sliders and see how that changes their projected income replacement in retirement, he recommends. “At that age, they can see how a tiny, tiny slide of the slider on their contribution rate can have a huge impact on their ultimate goal,” he says. “It’s a group of people who like instant gratification. And they don’t want their (income-replacement) number at 91%: They want it at 100%.”

Help them Figure out Financial Priorities

As Gen Z joins the workforce, their finances will get more complex. They’ll have monthly living expenses to pay, plus more options for what to do with their discretionary income. “Try to focus on things that are relevant to them, financial challenges that they face,” Plein recommends. “Try to help them understand how to balance decisions like contributing to the plan versus building up their emergency savings.”

Members of Gen Z — the generation that’s coming of age already understanding the value of saving — soon will have a lot of needs and wishes competing for their dollars, Ohl says. “We’ll need to provide them with tools to budget and prioritize those competing needs,” she says. “For us as an industry, the challenge is helping them maintain the same savings discipline that they had when they were 15 or 19 years old.” **N**

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

TEAM 'BUILDERS'



BY NEVIN E. ADAMS, JD



n the pages that follow, we are pleased to unveil our first-ever list of Top DC Advisor Teams.

Since their inception, NAPA's various industry lists have been a valuable Who's Who of who matters in the world of retirement plans and plan advisors. Now we open another chapter — the NAPA Top DC Advisor Teams, ranked by self-reported DC assets under advisement.

Unlike other, similar lists, this one focuses on firms, or what may, in a wirehouse environment, be referred to as a team or office, and on defined contribution practices exclusively. While we used the terms "team" and "office" interchangeably during the development process and online promotion of the list, we have decided to embrace "teams" in the list's official name, since the term captures the essence of a group of individuals pulling together toward a common goal.

Every one of the 275 teams on our inaugural list has in excess of \$100 million in DC assets under advisement. Think about that for a second: It means a total of \$275 billion in DC assets guided by the teams listed on the following pages.

Sure, we know it's not just about the numbers — but the reality is that advisors are having a huge impact every single day, not only on the quality of retirement plan advice, but in building a more financially secure retirement for millions of Americans.

We appreciate the commitment and hard work of the teams acknowledged on the following pages — and we're proud to have the opportunity to share it here.

Advisor Team	Location	Year Est.	Total DC Plan Assets 12/31/16	Total DC Plans 12/31/16	Total DC Participants 12/31/16
CAPTRUST captrustadvisors.com	Raleigh, NC	1997	\$50,641,070,011	432	4,000,000
CAPTRUST captrustadvisors.com	Richmond, VA	2005	\$22,570,901,767	146	420,000
CAPTRUST captrustadvisors.com	Charlotte, NC	2003	\$18,020,792,966	89	201,000
CAPTRUST captrustadvisors.com	Eden Prairie, MN	1995	\$17,309,112,734	87	200,000
Multnomah Group, Inc. multnomahgroup.com	Portland, OR	2003	\$15,682,929,554	154	N/A
NEXT Retirement Solutions nextretirementsolutions.com	San Diego, CA	1994	\$15,000,000,000	200	450,000
Centurion Group, LLC centuriongroupllc.com	Plymouth Meeting, PA	2006	\$14,100,000,000	170	510,000
Retirement Benefits Group rbgnrp.com	San Diego, CA	2009	\$13,500,000,000	675	161,000
Advanced Capital Group acgbiz.com	Minneapolis, MN	1998	\$13,300,000,000	110	140,000
CBIZ Retirement Plan Services cbiz.com/retirement	Cleveland, OH	1998	\$12,422,338,490	850	230,893
CAPTRUST captrustadvisors.com	Doylestown, PA	2006	\$12,049,747,068	127	500,000
Sheridan Road Financial, LLC sheridanroad.com	Northbrook, IL	2005	\$12,000,000,000	300	550,000
CAPTRUST captrustadvisors.com	Portland, ME	2006	\$11,400,538,773	51	116,000
FiduciaryVest fiduciaryvest.com	Atlanta, GA	2005	\$11,007,000,000	47	161,566
Marsh & McLennan Agency mmaretirement.com	San Diego, CA	2002	\$10,529,000,000	710	168,000
Innovest Portfolio Solutions innovestinc.com	Denver, CO	1996	\$10,300,000,000	117	193,000
Newport Capital Group newportcapitalgroup.com	Red Bank, NJ	2004	\$9,700,000,000	116	112,549
Benefit Financial Services Group bfsg.com	Irvine, CA	1990	\$9,000,000,000	127	Not Tracked
MJM401k mjm401k.com	Pasadena, CA	2005	\$8,495,455,511	78	88,901
Investment Research & Advisory Group iragroup.com	Atlanta, GA	1992	\$8,400,000,000	108	127,880
Westminster Consulting, LLC westminster-consulting.com	Rochester, NY	2003	\$8,000,000,000	60	100,000
CAPTRUST captrustadvisors.com	Tampa, FL	1998	\$7,700,000,000	116	108,000
The PFE Group pfegroup.com	Newport Beach, CA	1996	\$7,200,000,000	160	1,100,000
CAPTRUST captrustadvisors.com	Atlanta, GA	2005	\$7,118,273,627	46	94,000

Advisor Team	Location	Year Est.	Total DC Plan Assets 12/31/16	Total DC Plans 12/31/16	Total DC Participants 12/31/16
CAPTRUST captrustadvisors.com	Dallas, TX	2010	\$7,037,564,653	38	78,000
Compass Financial Partners CompassFP.com	Greensboro, NC	2002	\$7,000,000,000	125	93,000
Blue Prairie Group blueprairiegroup.com	Chicago, IL	2002	\$6,800,000,000	93	100,000
CAPTRUST captrustadvisors.com	Lake Mary, FL	2010	\$6,685,206,803	40	110,000
Sentinel Benefits & Financial Group, A Member Firm of GRP Advisor Alliance sentinelgroup.com	Wakefield, MA	1987	\$6,600,000,000	1700	55,500
CAPTRUST captrustadvisors.com	Akron, OH	2001	\$6,456,052,511	82	100,000
gladinggroup.com gladinggroup.com	Montclair, NJ	2002	\$6,000,000,000	15	40,000
Strategic Retirement Partners srpretire.com	Shorewood, IL	2015	\$6,000,000,000	475	60,000
Marsh & McLennan Agency mma-ne.com	Boston, MA	2008	\$5,846,692,169	260	23,000
Resources Investment Advisors, Inc. riaadvisor.com	Leawood, KS	1987	\$5,653,000,000	589	85,434
CAPTRUST captrustadvisors.com	Bethlehem, PA	2000	\$5,458,622,600	76	122,000
WhartonHill Advisors, A Member Firm of GRP Advisor Alliance whartonhill.com	Ft. Washington, PA	1990	\$5,366,193,602	220	65,588
CAPTRUST captrustadvisors.com	Westlake Village, CA	2009	\$5,008,332,762	68	185,800
Graystone Consulting Los Angeles msgraystone.com/losangeles	Westlake Village, CA	1998	\$4,669,864,144	42	100,000 plus
NFP Corporate Services (SE) nfp.com	Charlotte, NC	1991 (Southeast Region)	\$4,500,000,000	300	250,000
Mesirow Financial mesirowfinancial.com/markets/corporations/rpa	Chicago, IL	1937	\$4,300,000,000	255	120,000
Ascende Wealth Advisers, Member Firm of GRP Advisor Alliance ascende.com/Consulting-Capabilities/Retirement	Houston, TX	2011	\$4,200,000,000	119	150,000
Cantor Fitzgerald Wealth Partners, Pittsburgh CFWP.com	Pittsburgh, PA	2014	\$3,700,000,000	29	60,000
Sentinel Pension Advisors, Inc. sentinelgroup.com	Wakefield, MA	1987	\$3,634,688,886	432	44,759
The Parks Group at Graystone Consulting msgraystone.com/tomparks	Milwaukee, WI	1981	\$3,616,654,038	66	75000
MRP mrpretire.com	Denver, CO	2005	\$3,600,000,000	190	40,000
Moneta Group Investment Advisors monetagroup.com	St. Louis, MO	1869	\$3,407,093,992	290	20,000
Mayflower Advisors, LLC mayfloweradvisors.com	Boston, MA	2002	\$3,300,000,000	160	20,000

Advisor Team	Location	Year Est.	Total DC Plan Assets 12/31/16	Total DC Plans 12/31/16	Total DC Participants 12/31/16
FiduciaryFirst fiduciaryfirst.com	Orlando, FL	2006	\$3,200,000,000	60	30,000
Precept Advisory Group LLC preceptadvisory.com	Irvine, CA	1991	\$3,200,000,000	62	45,000
Intelligents Investment Solutions, Inc. intelligents.com	Albert Lea, MN	1974	\$3,000,000,000	200	40,000
The Robertson Group at Graystone Consulting morganstanleyfa.com/therobertsongroup	Columbus, OH	1994	\$1,800,000,000	30	18,000
Pension Consultants, Inc. pension-consultants.com	Springfield, MO	1994	\$2,922,207,634	162	260,313
ProCourse Fiduciary Advisors procourseadv.com	Carmel, IN	2012 (Team in 1998)	\$2,900,000,000	95	50,000
Graystone Consulting I Boston North Shore msgraystone.com/graystoneconsultingbos- ton-northshore/	Middleton, MA	1999	\$3,300,000,000	35	60,000
Enterprise Retirement Solutions amegybank.com/business/investment-services/ retirement-plan-services	Houston, TX	1995	\$2,660,000,000	212	28,000
Baystate Fiduciary Advisors, A Member Firm of GRP Advisor Alliance bfa401k.com	Boston, MA	2002	\$2,616,591,787	37	14,971
Graystone Consulting - The Atlantic Group msgraystone.com/theatlanticgroup/	Boca Raton, FL	2002	\$2,600,000,000	70	40,000
CAPTRUST captrustadvisors.com	Des Moines, IA	1998	\$2,535,977,202	103	60,000
Pensionmark Financial Group, LLC pensionmark.com	Santa Barbara , CA	1988	\$2,500,000,000	80	60,000
SHA Retirement Group SHAretirement.com	Auburn Hills, MI	2002	\$2,500,000,000	55	12,000
StoneStreet Advisor Group ssadvisorgroup.com	Pearl River, NY	1998	\$2,500,000,000	55	75,000
White Oak Advisors, LLC whiteoakadvisors.com	Indianapolis, IN	2004	\$2,420,000,000	48	51,500
Conrad Siegel Actuaries conradsiegel.com	Harrisburg, PA	1963	\$2,418,832,646	218	54,160
401k Advisors Intermountain 401kaim.com	Sandy, UT	1992	\$2,400,000,000	120	45,000
Fiduciary Plan Advisors htfpa.com	Owings Mills, MD	2014	\$2,400,000,000	105	30,000
Graystone Consulting I Cincinnati morganstanleygc.com/graystoneconsultingcincinnati/	Cincinnati, OH	N/A	\$2,400,000,000	63	>100,000
Cafaro Greenleaf CafaroGreenleaf.com	Red Bank, NJ	1981	\$2,200,000,000	125	70,000
Graystone Consulting msgraystone.com/thergroup	Columbus, OH	1994	\$2,200,000,000	20	21,000
Bukaty Companies Financial Services bukatyfs.com	Leawood, KS	2001	\$2,138,619,277	240	38,731
The Kelliher Corbett Group at Morgan Stanley KelliherCorbettGroup.com	Norwell, MA	1992	\$2,100,000,000	110	40,000

Advisor Team	Location	Year Est.	Total DC Plan Assets 12/31/16	Total DC Plans 12/31/16	Total DC Participants 12/31/16
Pacific Portfolio Consulting pacific-portfolio.com	Seattle, WA	1992	\$2,100,000,000	51	Estimate 15k
Buckingham Strategic Wealth buckinghamadvisor.com	St. Louis, MO	1994	\$2,080,997,108	786	17,116
CAPTRUST captrustadvisors.com	Birmingham, AL	2008	\$2,043,667,107	30	53,000
The Wilshinsky Group at Morgan Stanley morganstanleyfa.com/wilshinskygroupsb	New York, NY	1972	\$2,038,000,000	40	25,000
Oswald Financial, Inc. Member Firm of GRP Advisor Alliance oswaldfinancial.com	Cleveland, OH	1999	\$2,000,000,000	280	75,000
Rogers Financial Pensionmark pensionmark.com	Harrisonburg, VA	1994	\$2,000,000,000	40	25,000
Handler Investment Consulting Group of Raymond James handlerinvestmentconsultinggroup.com	Beverly Hills, CA	1991	\$1,900,000,000	55	45,000
Alpha Pension Group, A Member Firm of GRP Advisor Alliance alphapension.com	Lexington, MA	2003	\$1,800,000,000	405	44,000
Avondale Partners, Member Firm of GRP Advisor Alliance avondalepartnersllc.com/wealth-and-invest- ment-retirement-plans/	Nashville, TN	2001	\$1,800,000,000	36	45,000
Bridgehaven Fiduciary Partners bridgehavenfp.com	Warren, NJ	2006	\$1,800,000,000	50	20,000+
Bronfman Rothschild Plan Advisors belr.com	Rockville, MD	1997	\$1,800,000,000	91	40,000+
CAPTRUST captrustadvisors.com	Austin, TX	2010	\$1,800,000,000	31	35,000
Heuer Wenzel & Associates/ Merrill Lynch fa.ml.com/HeuerWenzel	Houston, TX	2012	\$1,800,000,000	42	30,000
GRP Financial grpfinancial.com	San Juan Capistrano, CA	2014	\$1,700,000,000	70	40,000
Sequoia Consulting Group sequoia.com	San Mateo, CA	2001	\$1,700,000,000	335	60,000
Hooker & Holcombe Investment Advisors hhconsultants.com	West Hartford, CT	1997	\$1,683,700,000	78	26,800
ABG of Michigan, A Member Firm of GRP Advisor Alliance abgmi.com	Bingham Farms, MI	1969	\$1,618,000,000	365	26,460
Hickok & Boardman Retirement Solutions hbretirementsolutions.com	Burlington, VT	1983	\$1,600,000,000	65	25,000
Johnson Sterling, Inc. johnsonsterling.com	Birmingham, AL	1988	\$1,600,000,000	6	30,000
Spectrum Investment Advisors, Inc. spectruminvestor.com	Mequon, WI	1995	\$1,559,720,241	130	21,000
401k Advisors Chicago 401kadvisorschicago.com	Wilmette, IL	2001	\$1,500,000,000	120	56,000
Clearview Advisory clearviewadvisory.com	Atlanta, GA	2001	\$1,500,000,000	80	N/A

Advisor Team	Location	Year Est.	Total DC Plan Assets 12/31/16	Total DC Plans 12/31/16	Total DC Participants 12/31/16
HB Retirement, A Member Firm of GRP Advisor Alliance hbreirement.com	Pittsburgh, PA	2005	\$1,500,000,000	245	100,000
Lebel & Harriman, LLP lebelharriman.com	Falmouth, ME	1978	\$1,500,000,000	198	9,200
The Noble Group thenoblegroup.com	Sugar Land, TX	1996	\$1,500,000,000	125	30,000
Plan Sponsor Consultants plansponsorconsultants.com	Alpharetta, GA	2008	\$1,500,000,000	157	42,000
WealthPlan Advisors wealthplanadvisor.com	Scottsdale, AZ	2009	\$1,500,000,000	160	60,000
Woodruff-Sawyer & Co. wsandco.com	San Francisco , CA	1918	\$1,500,000,000	94	23,000
LeafHouse Financial Advisors leafhousefinancial.com	Austin, TX	2009	\$1,489,677,662	360	45,000
LAMCO Advisory Services, Inc. lamcoadvisory.com	Lake Mary, FL	1990	\$1,450,000,000	57	28,000
Associated Financial Group, LLC associatedfinancialgroup.com	Minnetonka, MN	1984	\$1,320,000,000	230	29450
The Kieckhefer Group kieckhefergroup.com	Brookfield, WI	1999	\$1,317,532,810	42	12,000
CAPTRUST captrustadvisors.com	Clarkston, MI	1988	\$1,302,786,584	260	17,000
Comperio Retirement Consulting, Inc. comperiorc.com	Cary, NC	2006	\$1,300,000,000	30	15,000
Cornerstone Advisors Asset Management, LLC cornerstone-companies.com	Bethlehem, PA	N/A	\$1,300,000,000	19	12,400
VisionPoint, Member Firm of GRP Advisor Alliance vpadvisor.com	Dallas, TX	1981	\$1,300,000,000	88	57,000
Montgomery Retirement Plan Advisors m-rpa.com	Tampa, FL	2004	\$1,293,432,743	75	2,100
AFS 401(k) Retirement Services, A Member Firm of GRP Advisor Alliance afs401k.com	Bethesda, MD	2006	\$1,270,000,000	65	14,450
Mariner Retirement Advisors marinerretirement.com	Leawood, KS	2014	\$1,269,769,670	168	21,838
TrueNorth, Inc. truenorthcorp.com	Wichita, KS	1999	\$1,250,000,000	207	24,826
Wintrust Retirement Plan Services rps@wintrustwealth.com	Chicago, IL	200	\$1,250,000,000	130	35,000
The Beacon Group at Morgan Stanley morganstanleyfa.com/thebeacongrp	Jenkintown, PA	1997	\$1,200,000,000	105	10,000
Chepenik Financial chepenikfinancial.com	Winter Park, FL	1973	\$1,200,000,000	78	53,000
Washington Financial Group washfinancial.com	McLean, VA	1983	\$1,200,000,000	142	30,000
StoneStreet Equity, LLC stonestreetequity.com	White Plains, NY	N/A	\$1,150,000,000	30	30,000
Graystone Consulting - Atlanta msgraystone.com/graystoneatlanta	Atlanta, GA	1997	\$1,139,130,295	67	25,000

Advisor Team	Location	Year Est.	Total DC Plan Assets 12/31/16	Total DC Plans 12/31/16	Total DC Participants 12/31/16
Channel Financial channelfinancial.com	Golden Valley, MN	2002	\$1,100,000,000	170	16,500
Paris International parisint.com	Great Neck, NY	1970	\$1,100,000,000	200	100,000
Renaissance Benefit Advisors Group, LLC renaissanceba.com	Pearl River, NY	2008	\$1,100,000,000	28	16,000
The Trust Company thetrust.com	Knoxville, TN	1987	\$1,100,000,000	191	24,464
The KNW Group knwgroup.com	Minnetonka, MN	2002	\$1,066,870,462	108	20,000
The SeaPort Group at Morgan Stanley morganstanley.com	Portland , OR	2004	\$1,053,000,000	38	14,000
The Mahoney Group mahoneygroupadvisors.com	West Nyack, NY	1992	\$1,000,000,000	40	20,000
Mercer DC Advisors mercerc.com	Chicago, IL	N/A	\$1,000,000,000	35	25,000
The Post Oak Group at Morgan Stanley fa.morganstanleyindividual.com/thepostoakgroup	Houston, TX	1978	\$1,000,000,000	20	15,000
Sapers & Wallack sapers-wallack.com	Newton, MA	1932	\$1,000,000,000	50	15,000
The Messner Group of Graystone Consulting morganstanley.com/Graystone	Birmingham, MI	1992	\$990,000,000	37	18,000
Sikich Retirement Plan Services sikich.com/advisory/retirement-plan-services	Naperville, IL	1982	\$951,000,000	44	9,500
Peak Financial Group, LLC peakfinancialgroup.net	Houston, TX	2002	\$950,000,000	75	15,000
CAPTRUST captrustadvisors.com	New York, NY	2012	\$ 932,252,225	27	20,000
First Western Trust myfw.com	Denver, CO	2002	\$905,000,000	76	45,000
CAPTRUST captrustadvisors.com	Santa Barbara, CA	1988	\$903,044,098	55	20,000
Heritage Institutional Services heritagetrust.com/institutional	Oklahoma City, OK	2008	\$900,000,000	24	23,758
The Ratay Group at Morgan Stanley fa.morganstanley.com/rataygroup/index.htm	Lisle, IL	1985	\$885,000,000	44	6,000
Plexus Financial plexusfs.com	Deer Park, IL	1/13/2010	\$880,000,000	83	20,919
HORAN Retirement Advisors horanretire.com	Cincinnati, OH	1948	\$874,303,161	61	15,000
BerganKDV Wealth Management, LLC bergankdv.com	Bloomington, MN	2007	\$866,480,620	105	17,000
TriBridge Partners, LLC TriBridgePartners.com	Bethesda, MD	N/A	\$850,000,000	87	4,357
RMB Capital rmbcap.com	Chicago, IL	2005	\$826,012,573	38	7857
Aid-Otillio Retirement Group of Wells Fargo Advisors home.wellsfargoadvisors.com/001_NL	Brentwood, TN	2015	\$810,000,000	43	120,000

Advisor Team	Location	Year Est.	Total DC Plan Assets 12/31/16	Total DC Plans 12/31/16	Total DC Participants 12/31/16
EPIC Retirement Services Consulting, LLC, A Member Firm of GRP Advisor Alliance epicretirellc.com	New York, NY	1999	\$800,000,000	39	300,000
The Kraematon Group, Inc. kraematon.com	Wellesley, MA	1982	\$771,000,000	43	10,280
Beacon Pointe Advisors bpadvisors.com	Newport Beach, CA	2002	\$750,000,000	75	12,500
Gordon Asset Management, LLC wealthqb.com	Durham, NC	2001	\$750,000,000	160	12,000
Lakeside Wealth Management lakesidewealth.com	Chesterton, IN	2004	\$750,000,000	134	20,000
CoBiz Retirement Advisory Services cobizretirementadvisoryservices.com	Denver, CO	2010	\$730,000,000	70	12,000
A.P. Lubrano & Company, Inc. aplubrano.com	Paoli, PA	1989	\$725,000,000	33	60,000
Rehmann Financial rehmann.com	Troy, MI	1941	\$725,000,000	269	13,681
SLW Retirement Plan Advisors slwadvisors.com	Lafayette, CA	2007	\$712,000,000	97	13,295
E&M Consulting emrja.com	Strongsville, OH	1991	\$705,256,790	40	40,000
Karpiak-Dupee Investment Group at Janney Montgomery Scott KarpiakDupee.com	Philadelphia, PA	Firm: 1832 / Practice 1989	\$700,000,000	19	12,000
Retirement Resources RetireWithMore.com	Peabody, MA	1990	\$700,000,000	35	15,000
MRA Associates mraassociates.com	Phoenix, AZ	1991	\$684,000,000	49	18,000
Assurance Financial Services (AFS) assuranceagency.com/solutions/financial-services	Schaumburg, IL	2006	\$675,000,000	110	17,000
Atlanta Retirement Partners atlantaretirementpartners.com	Atlanta, GA	1998	\$675,000,000	70	10,210
PPS Retirement Advisors, A Member Firm of GRP Advisor Alliance ppspensions.net	Williamsville, NY	2017	\$670,000,000	270	12,450
Valley Forge Financial Group vffg.com	King of Prussia, PA	1967	\$653,000,000	145	9,800
Shepherd Financial shepherdfin.com	Carmel, IN	2015	\$646,240,892	120	12,398
Guidance Point Retirement Services guidancepointrs.com	Portland, ME	2012	\$643,159,753	55	12,863
Fund Direct Advisors, Inc. funddirectadvisors.com	Greensboro, NC	2010	\$600,000,000	125	17,000
Graystone Consulting morganstanleygc.com/graystoneconsultingpitcle	Hudson, OH	2012	\$600,000,000	60	18,000
ISC Advisors, Inc. iscgroup.com	Dallas, TX	1989	\$600,000,000	90	20,000
RSG Advisory, A Member Firm of GRP Advisor Alliance retirementsolutiongroup.com	Portsmouth, NH		\$584,331,543	180	7,359

Advisor Team	Location	Year Est.	Total DC Plan Assets 12/31/16	Total DC Plans 12/31/16	Total DC Participants 12/31/16
True North Retirement Partners of Raymond James TrueNorthRetirementPartners.com	Chicago, IL	2001	\$550,000,000	32	5,500
CAPTRUST captrustadvisors.com	Boston, MA	2012	\$537,433,427	20	45,000
The MKP Group at Morgan Stanley morganstanleyfa.com/themkpgroup	Indianapolis, IN	2012	\$525,000,000	36	12,000
CAPTRUST captrustadvisors.com	Port Washington, NY	2007	\$518,153,689	13	21,000
Vita Planning Group thevitacompanies.com	Mountain View, CA	1979	\$502,338,938	69	8,867
AssuredPartners Colorado assuredpartnerscolorado.com/services/retirement	Denver, CO	1997	\$500,000,000	58	10,000
Level Four Wealth Management levelfouradvisors.com	Plano, TX	2001	\$500,000,000	150	2,500
Principled Advisors principled.com	Staten Island, NY	2004	\$500,000,000	100+	5,000+
Raffa Retirement Services, A Member Firm of GRP Advisor Alliance raffaretirement.com	Rockville, MD	1999	\$500,000,000	130	5,200
Rouleau Bevans Corleto Investment Consulting Group of Wells Fargo Advisors rb-icg.com	Eugene, OR	1999	\$500,000,000	100	10,000
LHD Retirement lhdretirement.com	Indianapolis, IN	2004	\$475,000,000	103	9,200
Cornerstone Institutional Investors, LLC cornerstone-companies.com	Bethlehem, PA	N/A	\$470,000,000	71	19,600
The RG Group fa.ml.com/the_rg_group	Yardley, PA	2006	\$465,000,000	49	5,150
Paradigm Group Retirement Services paradigmgroupretirementservices.net	Nashville, TN	2007	\$460,000,000	28	7,100
Aegis Retirement Group aegisretirementgroup.com	Memphis, TN	1998	\$450,000,000	81	7,500
AssuredPartners Colorado assuredpartnerscolorado.com	Denver, CO	N/A	\$450,000,000	45	2,500
BCI Group a Hub International Company bcigroup.com	Portland, OR	1996	\$450,000,000	70	5,225
Blueway Financial Partners of Raymond James bluewayfinancial.com	Grand Rapids, MI	2000	\$450,000,000	9	6,000
CCR Wealth Management, LLC crwealth.com	Westborough, MA	1998	\$450,000,000	325	3,500
CFS Investment Advisory Services, L.L.C. cfsias.com	Totowa, NJ	1993	\$450,000,000	102	5000+
Geringer, Laub & Associates fa.ml.com/geringerandlaub	Wichita, KS	1993	\$450,000,000	55	4,000
PWMG 401(k) Advisors pwmg401k.com	Worcester, MA	2010	\$450,000,000	369	5,000
Aldrich Wealth LP aldrichadvisors.com/wealth-management	Lake Oswego, OR	1998	\$445,000,000	70	7,475

Advisor Team	Location	Year Est.	Total DC Plan Assets 12/31/16	Total DC Plans 12/31/16	Total DC Participants 12/31/16
Boulay Donnelly & Supovitz Consulting Group, Inc. bdsconsultinggroup.com	Worcester, MA	1969	\$440,000,000	129	6,500
Kainos Partners, Inc. Pensionmark kainos-partners.com	Jersey Village, TX	2011	\$425,000,000	66	6,600
Silicon Valley Retirement Services svretirementservices.com	San Jose, CA	2010	\$425,000,000	52	8,500
Evergreen Consulting, Inc. evergreenci.com	Chattanooga, TN	1990	\$410,000,000	42	41,000
Kidder Advisers, LLC, Member Firm of GRP Advisor Alliance kidderadvisers.com	West Des Moines, IA	1996	\$405,000,000	130	4,900
Fiduciary Retirement Advisory Group, LLC fiduciaryretirementadvisorygroup.com	Aliso Viejo, CA	2017	\$400,800,000	36 <i>(as of 6/30/17)</i>	5,400 <i>(as of 6/30/17)</i>
CSI Advisory Services, A Member Firm of GRP Advisor Alliance csiadvisoryservices.com	Indianapolis, IN	1971	\$400,000,000	225	17,000
Flynn Benefits Group flynnbenefits.com/Retirement-Services.4.htm	Troy, MI	1986	\$400,000,000	27	3,500
The HF Retirement Group thehfgroup.wfadv.com	Los Angeles, CA	2006	\$400,000,000	60	10,000
JKJ Retirement Services jkj.com	Newtown, PA	1956	\$400,000,000	45	4,000
Titan Retirement Advisors LLC titan-advisors.com	Houston, TX	2012	\$400,000,000	300	8,000
Latus Group, Ltd. latus-group.com	Las Vegas, NV	2009	\$398,000,000	57	13,500
Westgate Capital Consultants westgatecapital.com	Tacoma, WA	1988	\$390,000,000	110	6,250
RTD Financial rtdfinancial.com	Philadelphia, PA	1983	\$382,940,310	51	5,240
Signature Estate & Investment Advisors seia.com	Los Angeles, CA	1997	\$380,000,000	55	4,380
Trutina Financial trutinafinancial.com	Bellevue, WA	2005	\$380,000,000	135	8,500
RDH Investment Group rdhinvestmentgroup.com	Spokane Valley, WA	2011	\$371,720,971	26	10,000
The Bearing Group at Morgan Stanley fa.morganstanley.com/thebearinggroup/index.htm	Chicago, IL	1992	\$367,200,000	33	6,735
The Brice Group - Graystone Consulting msgraystone.com/thebricegroup	Birmingham, MI	1967	\$366,681,735	27	7,300
Capital Benefits, LLC capitalbenefitsinc.com	Fairfield, NJ	2006	\$350,000,000	76	3,000
JMB Wealth Management, Inc. jmbwealthmanagement.com	Torrance, CA	2006	\$350,000,000	60	15,000
MidAtlantic Retirement Planning Specialists maretirementps.com	Wilmington, DE	1998	\$350,000,000	135	10,000+
RCM&D rcmd.com	Towson, MD	1885	\$350,000,000	30	2,000
Stark Miller Financial Benefits Group starkmillerfbg.com	Lafayette, CA	1969	\$350,000,000	65	7,500

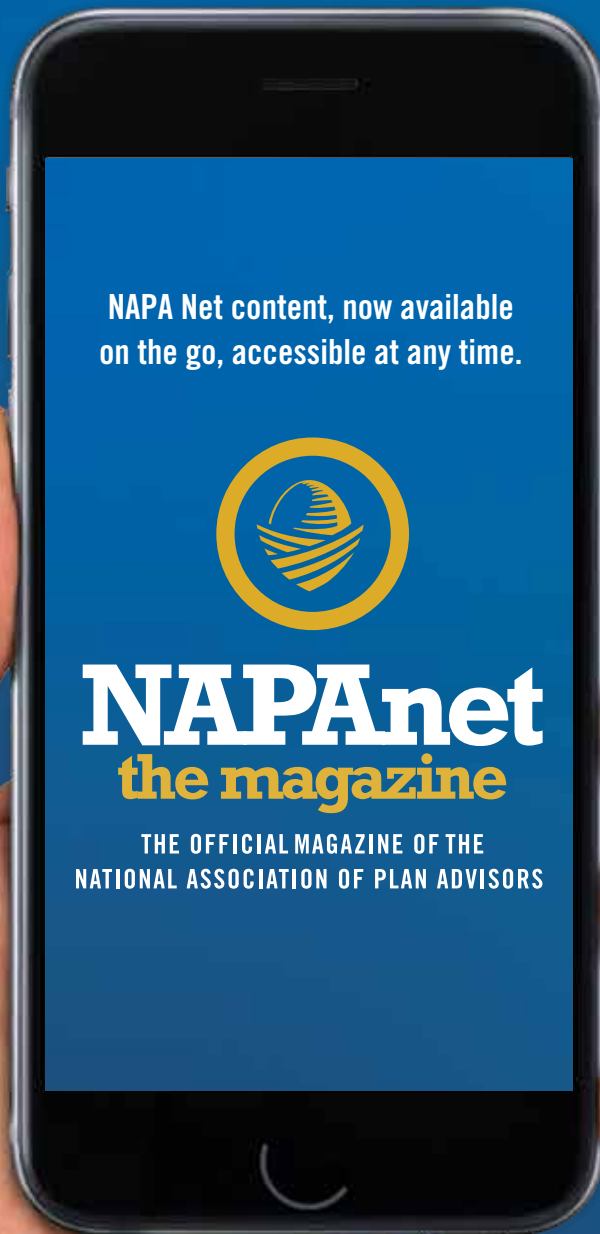
Advisor Team	Location	Year Est.	Total DC Plan Assets 12/31/16	Total DC Plans 12/31/16	Total DC Participants 12/31/16
Infinitas Coordinated Wealth Management infin taskc.com	Overland Park, KS	1990	\$343,726,000	112	8,900
Eukles Wealth Management eukleswm.com	Cincinnati, OH	2011	\$341,325,000	38	7,050
CAPTRUST captrustadvisors.com	Houston, TX	2009	\$335,373,832	18	15,000
CSG Capital Partners of Janney Montgomery Scott csgcapitalpartners.com	Washington, DC	1998	\$320,000,000	26	4,500
CAPTRUST captrustadvisors.com	Greenwich, CT	2013	\$316,295,345	6	4,000
Steidle Pension Solutions, LLC sps401k.com	Lebanon, NJ	1991	\$315,000,000	340	1,890
Tycor Benefit Administrators, Inc. tycorbenefit.com	Berwyn, PA	1987	\$305,134,200	150	4,500
The Corpening Group alex-brown.com/corpeninggroup	Winston-Salem, NC	1993	\$305,000,000	18	3,000
Emmett G. Dupas III, Northwestern Mutual emmettdupasiii.com	Metairie, LA	2003	\$305,000,000	126	7,500
Boston Partners Financial group, LLC bostonpartnersfinancialgroup.com	Andover, MA	2002	\$300,000,000	57	10,000
The Caves-Wiese Group morganstanleyfa.com/thecaveswiesegroup	Los Angeles, CA	2012	\$300,000,000	55	10,000
Chapman and Chapman, Inc. chapmanandchapman.com	Twinsburg, OH	1886	\$300,000,000	60	8,500
CoSource Financial Group, LLC cosourcefinancial.com	Lafayette, LA	2001	\$300,000,000	160	7,500
Douglas R. Peete & Associates, Member Firm of GRP Advisor Alliance peete.com	Overland Park, KS	1980	\$300,000,000	195	5,000
MAGIS Financial Partners magis.pro	Horsham, PA	1976	\$300,000,000	140	2,000
Mary Anne Forrester of Janney Montgomery Scott LLC advisor.janney.com/maryanneforrester	Washington, DC	2001	\$300,000,000	27	4,000
Pensionmark Financial Group pensionmark.com	Garden Ridge, TX	2010	\$300,000,000	120	20,000
Retirement Plan Fiduciaries rpftx.com	Austin, TX	2012	\$300,000,000	55	7,000
CG Financial mycgfinancial.com	Haslett, MI	1999	\$290,000,000	111	10000
Decker Retirement Consulting Group at RBC Wealth Management rbcwmfa.com/john.decker	Glastonbury, CT	1858 (RBC Wealth Management formally in 2008)	\$289,043,280	32	10,000
Oakeson Steiner Wealth & Retirement oakesonsteiner.com	Hastings, NE	1994	\$283,026,122	56	3,320
Acropolis Investment Management, LLC acrinv.com	St. Louis, MO	2002	\$282,000,000	32	3,800
Morgan Stanley fa.morganstanley.com/thetrcgroup	New York, NY	N/A	\$279,959,149	89	5,000
Bonheur Scott Traino Group at Morgan Stanley morganstanleyfa.com/bstgroup	Middleton, MA	1999	\$360,000,000	97	10,000

Advisor Team	Location	Year Est.	Total DC Plan Assets 12/31/16	Total DC Plans 12/31/16	Total DC Participants 12/31/16
Financial Management Network fmncc.com	Mission Viejo, CA	1993	\$266,028,000	134	7,500
McLaughlin Asset Management mclaughlinassetmgmt.com	Haddonfield, NJ	1990	\$265,000,000	33	2,500
The Okby Group at Morgan Stanley morganstanleyfa.com/theokbygroup	Saratoga Springs, NY	1997	\$259,300,000	25	8,400
The E.W.S. Group at Morgan Stanley morganstanleyfa.com/theewsgroup	Rochester, NY	2003	\$254,000,000	25	5,725
Trust Company of Illinois / TC Wealth Partners tcwealthpartners.com	Downers Grove, IL	1993	\$245,000,000	85	3,500
Tsukazaki & Associates, LLC tsukazaki-associates.com	Honolulu, HI	2004	\$236,000,000	86	4,900
ABG Consultants consultabg.com	Salt Lake City, UT	2004	\$213,000,000	99	4,427
Retirement Advisors, LLC retirementadvisorsllc.com	Dallas, TX	2008	\$208,390,389	22	5,378
Centinel Financial Group centinelfinancialgroup.com	Needham, MA	1967	\$200,000,000	50	5,000
Financial Technology, Inc. financialtec.com	East Lansing, MI	1980	\$200,000,000	70	1,200
QP Consulting LLC qp-consulting.com	Takoma Park, MD	2002	\$200,000,000	36	2,346
Tutton Financial pensionmark.com	Santa Ana, CA	2008	\$200,000,000	120	10,000+
www.arcwoodfinancial.com arcwoodfinancial.com	Phoenix, AZ	2002	\$200,000,000	75	15,000
ML&R Wealth Management LLC mlrwm.com	Austin, TX	1997	\$197,390,624	36	2,740.00
Morgan Stanley fa.morganstanleyindividual.com/theswansonjohn- songroup	Portland, OR	2004	\$193,000,000	44	2,629
Blueprint Financial blueprint1.net	Cleveland, OH	2007	\$185,000,000	23	3,800
Eidlin-Kilmer & Associates fa.ml.com/new-york/pittsford/eidlin_kilmer	Pittsford , NY	1992	\$183,623,735	57	1,750
Manhattan Ridge Advisors manhattanridge.com	New York, NY	2006	\$180,000,000	48	1,750
Aurum Wealth Management Group aurumwealth.com	Mayfield Village, OH	1996	\$175,000,000	50	3,800
Connor & Gallagher OneSource, Member Firm of GRP Advisor Alliance gocgo.com/employer-sponsored- retirement-programs	Lisle, IL	1997	\$175,000,000	30	9,000
Sharkeym Howes & Javer, Inc. SHWJ.com	Denver , CO	1990	\$170,000,000	51	2,100

Advisor Team	Location	Year Est.	Total DC Plan Assets 12/31/16	Total DC Plans 12/31/16	Total DC Participants 12/31/16
The Fowler Group of Raymond James fowlerwealthmanagement.com	Nashville, TN	2002	\$168,000,000	27	3,650
Pensionmark Financial Group pensionmark.com	Bakersfield, CA	2007	\$165,000,000	72	5,200
Bishop Wealth Management Group bishopwealthmanagementgroup.com	Pittsburgh, PA	1984	\$164,000,000	50	1,700
Mid-Atlantic Planning Services midatlanticplanning.com	Allentown, PA	2006	\$160,000,000	70	3,000
Stonebridge Financial Group stonebridgefg.com	Wormleysburg, PA	2002	\$155,000,000	65	2,200
N W Kaye Private Investment Management, LLC nwkayepim.com	New Orleans, LA	2015	\$152,000,000	3	2,550
Grinkmeyer Leonard Financial grinkmeyerleonard.com	Birmingham, AL	2005	\$150,000,000	26	3,100
Jbara and Rogers Financial Management Group fa.morganstanley.com/jbaraandrogers	Farmington Hills, MI	1985	\$150,000,000	21	1,300
Fisher Investments 401(k) Solutions fisher401k.com	Camas, WA	2014	\$141,322,314	74	2,314
L.R. Webber Associates, Inc. lrwebber.com	Duncansville, PA	1976	\$140,000,000	20	6,500
Kirby Wealth Management Group justin-kirby.com	Champaign, IL	1995	\$125,000,000	61	3,000
Prosperifi, LLC prosperifi.com	Rosemont, IL	2015	\$125,000,000	60	1,200
Twelve Points Retirement Advisors twelvepointsretirement.com	Boston, MA	2014	\$123,683,942	41	2,460
S C Asset Advisors of Janney Montgomery Scott LLC scassetadvisorsjanney.com	Columbia , SC	1997	\$122,000,000	33	2,200
Beltz Ianni & Associates, LLC beltz-ianni.com	Rochester, NY	2001	\$120,315,750	68	2,226
Horizon Wealth Management horizonfg.com	Baton Rouge, LA	1999	\$120,000,000	60	2,300
Zak Wealth Management Group of Wells Fargo Advisors zakwmg.com	Greenville, DE	1992	\$120,000,000	15	560
The Burns/Marchiano Group at Morgan Stanley morganstanley.com/fa/burnsmarchiano	Morristown, NJ	N/A	\$130,000,000	64	2,000
Investors Brokerage of Texas, Ltd. investorsbrokerage.com	Waco, TX	1982	\$102,000,000	42	2,100



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.

Teaming Up



Keys to consider in looking for the right TPA partner

BY JUDY WARD



Over the past several years, Susan Conrad has seen that advisors can't just focus on the investment piece of a retirement plan anymore. Plan sponsors now expect advisors to provide holistic plan management,

says Conrad, director of St. Louis-based Plan-corp, LLC's retirement plan advisors division.

That's taking plan advisors deeper into areas like plan design, operations and fiduciary compliance than has traditionally been the case for many. A solutions "gap" that can be filled by partnering with an organization that does have that knowledge. For Conrad, partnering with a third-party administrator (TPA) has become an important part of her approach to helping clients holistically. Currently, she works primarily with Benefit Plans Plus, LLC, a St. Louis-based TPA. "To be an effective advisor in today's arena, I think that TPA partners are essential," she says.

In looking for a TPA partner, consider these issues:

Understand That TPAs Have a Choice

After 20 years of working only in a bundled service environment, advisor Brian Lumley decided a few years ago to gravitate toward an unbundled setup. So he sought partnerships, and he found that TPAs actually have a lot more advisors to select from for a partnership than advisors have TPAs.

"You have to convince them that the success of their clients' plans is going to be better if you are their plans' advisor, rather than other advisors," says Lumley, financial advisor at Raymond James Financial Services in Springfield, Missouri. When he first started seeking a partner, he discovered that it helped to proactively demonstrate his practice's knowledge to TPAs. "I showed them, 'Here's how our investment due diligence works, here's how our quarterly investment reviews work, and here's how our recordkeeper RFP (request for proposal) process works,'" he says.

Now partnering mostly with Springfield, Missouri-based Qualified Pension Services, Inc., Lumley's practice has benefitted from a steady stream of client referrals from the TPA. "But to do that, I had to have a very

I say to advisors, 'You stay in your lane, and I'll stay in mine.'

— Faith Irmen,
Qualified Pension Services

good process that took me years to develop," he says. "You have to have your business model down pat before a TPA is going to feel comfortable referring you to its clients."

Define Where You Add Value

Advisors seeking a TPA partner should have a clear sense of where they add value in an unbundled service environment, Lumley suggests. "Our primary responsibility as advisors is to manage the investment-oversight process," he says. "That is usually where the greatest need is for an advisor, in the TPA world." When working with a new client referral from a TPA, he finds he can often add the most value by moving that plan to open architecture and lower-fee share classes.

Second, Lumley says, his practice focuses on helping sponsors manage their fiduciary risks. For instance, he often helps new clients develop an investment policy statement (IPS), and then subsequently helps them understand how to use it in monitoring investments. His practice also focuses on helping sponsors select and monitor their recordkeeper, including doing an RFP every three years.

Third, Lumley says he offers his plans participant-level fiduciary investment advice, and spends a lot of time doing onsite participant meetings. His practice does initial enrollment meetings, then comes on site periodically for one-on-one meetings with participants.

"In most of these unbundled cases, we find that no one has come onsite to meet individually with participants. And in many cases, the TPA has had to do the enrollment meetings itself, because the brokers they've been working with are not familiar with how to do enrollment meetings," Lumley says. "We believe that's a big component of what TPAs need when they partner with an advisor."

A RECORDKEEPER'S PERSPECTIVE

Ann Slotwinski, VP of TPA Services at John Hancock Retirement Plan Services, agrees that a team approach can provide the plan sponsor with the best possible service when all parties focus on their strengths. “When our advisor partners team up with a TPA who can take the lead in addressing their clients’ unique plan design and ongoing compliance and administrative needs, they often find it increases the efficiency of their business and can help their practices grow faster and become more profitable.”

Slotwinski also suggests that a good partnership means the advisor should seek out the TPA’s input when it comes to vendor selection. “TPAs work with a lot of different vendors, so they are uniquely qualified to determine which recordkeeper may be the best fit for a client when it comes to efficiencies in bringing the plan on board, and ongoing ease of administration.”

Respect Where the TPA Adds Value

Don’t view what TPAs do as a commodity, recommends Keith Gredys, CEO and president of West Des Moines, Iowa-based Kidder Benefits Consultants, Inc. “If that’s the game for you, then we’re probably not the right fit for you,” he says. “It does not work as well if we funnel everything through the advisor, because things can get misinterpreted. There are some advisors who don’t want to work with us, because they want to control everything.”

With its “consulting TPA” model, Kidder goes beyond just number-crunching and staying in the background: For example, it routinely participates in clients’ plan committee meetings. “We provide additional services to an advisor, to help complement what the

advisor is doing,” Gredys says. The TPA gets involved not just in technical details of operations and plan design, but broader support for sponsor clients such as spearheading recordkeeper searches. “Depending on the advisor’s preference, we can obtain the RFPs and the pricing,” he says. “We can take that off the advisor’s shoulders.”

Some advisors don’t want a TPA that is directly involved in client work. But to have an effective partnership with a TPA, an advisor needs to work as part of a team rather than in a silo, Gredys says. “We work best with advisors who see themselves not as the place for all the answers, but as the person who can pull together a team of experts, and then let that team collaborate to solve a client’s problems,” he says. “It’s not ‘I am your solution.’ It’s ‘We are your solution.’”

Advisors should look for a TPA that can add “alpha” to the advisor’s practice, Patrick Shelton suggests. For Benefits Plans Plus, its role depends on what an advisor needs, says Shelton, managing member at the TPA. “For experienced specialist advisors, a lot of what we do is validating stuff for them, whether it’s giving feedback on their sales strategy to recruit a new client, or the advisor bouncing a potential plan design change for an existing client off of us,” he says. Less-experienced advisors “often will lean on us a lot, for everything,” he adds. “We may do everything from researching client prospects to running plan committee meetings for our shared clients.” Sometimes advisors hesitate to take a TPA to client meetings, Shelton says, out of concern that the advisor will seem like less of an expert to the sponsor. “There is a fear for advisors that they’re going to get embarrassed,” he says. “So I coach advisors, ‘Hey, just take us to the meeting. I won’t say anything unless you turn to me and say, Pat, what do you think?’ You can run the meeting.”

Clarify Your Plan Design Role

In looking for a TPA partner, Conrad prioritizes technical expertise on plan design. “I want to make sure that the TPA can evaluate a potential plan design change and make sure that it’s the best option for a client,” she says.

Advisors need to know, before partnering with a TPA, how much of a role they want to play in plan design discussions. When a sponsor wants to explore a plan design change, Conrad has preliminary talks with

“You have to have your business model down pat before a TPA is going to feel comfortable referring you to its clients.”

— Brian Lumley,
Raymond James Financial Services

the client about it, and Plancorp also collects the necessary data from the employer. Then the advisory firm gives that data to the TPA, which does all the technical analysis.

“Depending on the complexity of the plan design, we might deliver the details on the analysis to the sponsor ourselves, or if the design is really complicated, the TPA will go with us,” Conrad says. She generally handles meetings with clients about 401(k) design changes, but finds it helpful to bring a TPA for meetings with sponsors about design changes to cash balance plans, defined benefit plans and some cross-tested plans.

As an advisor in a bundled environment, Lumley often took the lead role in talking with clients about potential plan design shifts. But once he started working in the unbundled environment, he took more of a teammate role on plan design. “I had to stop talking sometimes, and understand that my role had changed in this TPA environment, and that I needed to make my business model more flexible,” he says. “I have to be cognizant that the TPA is the sponsor’s main contact for plan design issues. Those sorts of questions do come up in my quarterly meetings with clients, and instead of trying to answer the questions then, I say, ‘Let’s get together with the TPA and discuss that.’”

Don’t Overreach on Operational Issues

“I’ve had a lot of problems with advisors who know just enough to be dangerous,” says Faith Irmen, founder and principal at Qualified Pension Services. Those advisors have given sponsors techni-

cal advice on operational issues when they don't have enough expertise, she says. "So I say to advisors, 'You stay in your lane, and I'll stay in mine,'" she adds.

Sponsors sometimes have operational problems that require help from a partner with both in-depth operational expertise and extensive internal resources to back it up, Shelton says. His TPA firm puts a major focus on helping sponsors with operational risk mitigation, and positions itself as an expert to "fix broken retirement plans," as he says. He recommends looking for a TPA with the demonstrable ability to resolve complex operational issues, such as a CEFEX (Centre for Fiduciary Excellence) certification, and a TPA with staff members who have credentials such as the IRS's ERPA (Enrolled Retirement Plan Agent) certification. The latter allows those staff members to represent clients in IRS matters.

"The issue isn't so much, 'Who is going to be standing beside you when things are going well with a plan?'" Gredys says. "It's, 'Who's going to be standing next to you when things aren't going well? Who has the depth of infrastructure that it is going to keep your clients out of trouble?'" For example, Kidder has a department dedicated solely to resolving

Who's going to be standing next to you when things aren't going well? Who has the depth of infrastructure that it is going to keep your clients out of trouble?"

— Brian Lumley,
Raymond James Financial Services

plan operational issues with the IRS and the Department of Labor.

Clearly Explain the Communication Ground Rules

Sponsors don't want the confusion of not knowing whether to call their record-keeper, advisor or TPA with a question, Irmen says. "I'm looking for advisors who are going

to help plans on the investment side and the participant education side, but who will defer to me on issues of operations, compliance, and plan design," she says. "When I partner with an advisor, I come in with the advisor for a meeting with a sponsor upfront, and we go over the ground rules. So the sponsor understands, 'Okay, this is the advisor's realm, and this is the TPA's realm.'"

Conrad leads a retirement plan division inside a financial planning firm that has a culture "to be ultra-high service," she says. She works with a lot of wealth management clients who are business owners, handling their business' retirement plan. Occasionally, those sponsor clients call the TPA directly, such as on technical questions about annual nondiscrimination testing. "But most of the time, I like to be the primary contact for our sponsor clients," she says. "So we ask a sponsor to call us first if they have a question. It's more efficient for our clients."

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

Is now the time for baby boomers to put their retirement assets at risk?

How will the current bull market cycle end—and when?

No one knows.

See why that shouldn't stop baby boomer plan participants from being prepared for retirement—with the help of a preservation-oriented target-date fund glide path.

Download our new white paper now—jhinve.st/tdf.



Investing involves risks, including the potential loss of principal.

Request a prospectus or summary prospectus from your financial advisor, by visiting jhinvestments.com, or by calling us at 800-225-5291. The prospectus includes investment objectives, risks, fees, expenses, and other information that you should consider carefully before investing.

NOT FDIC INSURED. MAY LOSE VALUE. NO BANK GUARANTEE. NOT INSURED BY ANY GOVERNMENT AGENCY.
John Hancock Funds, LLC, member FINRA, SIPC. © 2017 John Hancock. All rights reserved.





BY STEFF C. CHALK

Taking Retirement Plans to The Next Level

Managing a business through uncertainty requires a clear vision of where the business is headed, a strong awareness of the human capital in the organization and a blind eye to the fear of failure.

These are uncertain times for retirement plan advisors. On the one hand, the number of advisors who deliver services to retirement plans is shrinking. There are a variety of reasons for this reduction in the number of advisors who touch retirement plans in one way or another. On the other hand, however, there are more advisors today who are working *exclusively* in retirement plans. The result? A smaller universe of retirement-specific financial advisors. Yet the competition is stronger than it has ever been.

This is all occurring as plan sponsors seem to be pulled in many (non-retirement) directions. Meanwhile, most plan participants struggle with being able to foresee the day when they will be in the position to be able to retire. All this contributes to more angst and more uncertainty.

Where is the Stability for the Plan Participant?

The logical point of stabilization for the plan participant should be their employer. Employer-sponsored retirement plans have provided stability and security to working Americans for decades. This is not to imply that an employer is exclusively responsible for an employee's entire retirement income. However, in a room of HR professionals, when asked the question, "Who do your employees feel is responsible for the employee's retirement funding?" consistently over 75% will respond, "Our employees feel that their employer has the obligation to fund their retirement." Right or wrong, that is the sentiment.

Employers Are Stepping Up

Though employers will not admit to the full responsibility for an employee's retirement funding, some are tacitly accepting the responsibility. This is evidenced by the increasing number of companies that are assigning in-house responsibility for preparing a workforce for retirement. This corporate position is surfacing and gaining acceptance in organizations under the moniker of Chief Retirement Officer (CRO) or Retirement Champion.

This position is so much more than the traditional role of 401(k) administrator or 401(k) specialist. The CRO position is a strategic position. It is where an organization will make decisions based upon the absolute and relative value of human capital. The CRO has input on the human capital value calculations and how the output from those calculations are to be applied. (Such data should be used for designing financial wellness programs, early retirement packages, retirement modeling apps that work with an employee's account balances and tax rates, etc.) This is where accurate CRO-friendly data can be interpreted and used as input for making informed financial decisions. Organizations that continue to make the mistake of not knowing the true cost of employing disgruntled employees beyond normal retirement age are oblivious to the benefit that a CRO can bring to an organization's financials.

The Plan Advisor Needs to Be Indispensable


Successful retirement plan advisors are an integral cog of the retirement committee. Advisors who work with retirement committees can easily identify the CRO in any

organization — even if they have not been given the formal title.

An increasing number of mid-size organizations are using the CRO role to define the responsibilities around employee engagement, retirement funding, turnover and succession planning.

Knowledgeable retirement plan advisors are in an ideal position to engage in high-level conversations with clients around the concept of appointing a Chief Retirement Officer. Speaking intelligently on pertinent topics and potential solutions will require data. Once the data have been made available, the advisor needs to be proficient at interpreting them. This includes being conversant in the role and responsibilities of a CRO.

A starting point for the CRO will be determining whether plan participants are on track for retirement or not. Keep the measurement process and potential remedies simple at the onset. Neither the advisor nor the CRO needs to have pinpoint accuracy when the participant is 25 years old — but the need for accuracy and extended decimal points builds the closer the participant is to the intended retirement date.

In these uncertain times, being a strong and knowledgeable coach for an organization's Chief Retirement Officer may be the largest contribution a seasoned retirement plan advisor can make to a participant's account balance. 

» Steff C. Chalk is the Executive Director of The Retirement Advisor University (TRAU), The Plan Sponsor University (TPSU) and 401kTV.



NAPA 401(k) SUMMIT

&

COUNTRY MUSIC FESTIVAL

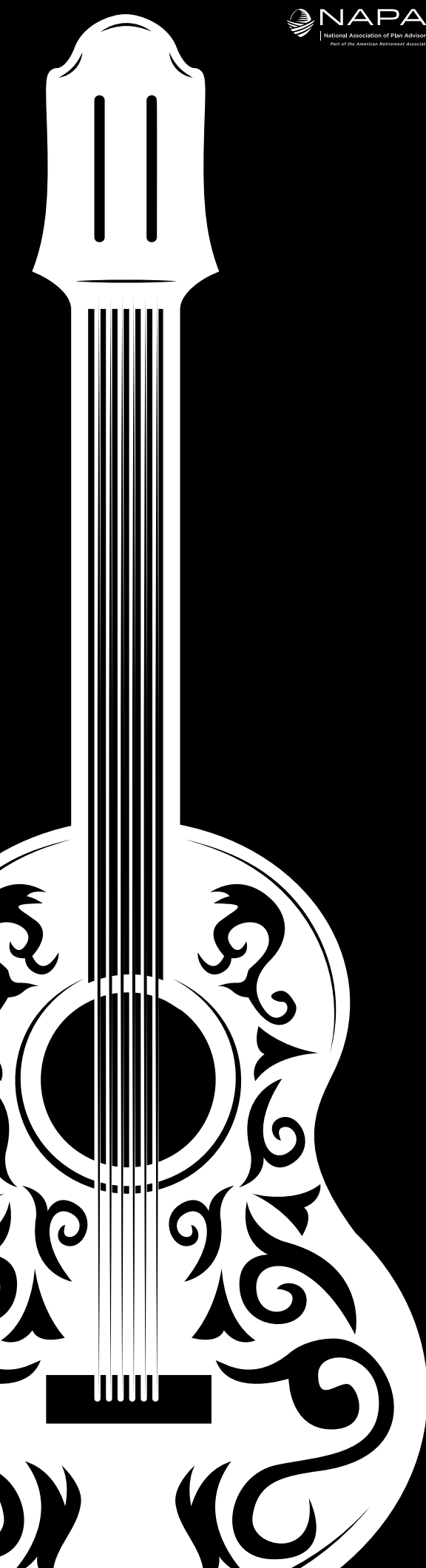
THE ADVISOR EXPERIENCE

April 15 - 17, 2018

**Music City Center
NASHVILLE, TN**

Early registration closes on 12/31/2017, so visit the website today!

www.napasummit.org





BY DAVID N. LEVINE

All That's Old Becomes New Again

Lifetime income, bundled solutions, outsourcing — ever get the feeling you've seen this all before?

At some point in your life, you feel a sense of déjà vu when you see someone, go somewhere, or do something. Déjà vu is a feeling that comes up a lot in the retirement industry too. The most obvious example is how lifetime income has

“evolved” in recent years.

In the 1950s, if you had a retirement plan, most likely it was a defined benefit plan that provided lifetime income to participants and was funded by an insurance contract. In the 1990s and early 2000s, lifetime income was rapidly replaced, often due to decisions by plan sponsors, with lump sum payouts from 401(k) plans. In 2017, lifetime income is now a hot topic again.

Lifetime income is but one example of this circular evolution in the retirement plan world. Other examples of changes that have come full circle include the following.

The Fiduciary Rule Itself

At this point, many in the retirement world are suffering from fiduciary rule fatigue. After seven years of proposed, repropoed, finalized, delayed, and potentially revised rules, many advisers want to move on (or return to) other topics.

Ironically, ERISA's fiduciary rules themselves come from an original source: state trust law. Now that the Department of Labor may modify the fiduciary rule, who is stepping in? Why, the states, of course. Connecticut and Nevada have been leading the way with their own state-level laws, but many others are starting to follow behind. If this pattern continues, we could wind up back where we began — in a land of state-level laws.

“Recently, with the lawsuits and enforcement risk, some plan sponsors have been looking again at outsourcing professional management.”

Bundling and Unbundling


For a long time, plan sponsors, from the largest of the large to small companies, purchased an all-in, “bundled” 401(k) product. During the past two decades, plan sponsors have increasingly moved from bundled solutions to having multiple products and advisors — such as investment consultants, recordkeepers, managed account providers, etc. However, in some parts of the retirement world, there is now a move, in part triggered by the Department of Labor's “new” fiduciary rule, to bundled solutions among some providers.

Outsourcing

For decades, if you were to have asked a plan sponsor, “Who runs your plan?” the answer would have been: “My vendor, X.” With the rise of more in-depth Department of Labor investigations and active plaintiffs' lawyers, many plan sponsors (and their fiduciaries specifically) began to take a more active role in plan administration. Recently, with the lawsuits and enforce-

ment risk, some plan sponsors have been looking again at outsourcing professional management.

So what does this all mean for an adviser? It means that the longer you are in the retirement industry, the more you are likely to feel like you are going in circles. But it also means you can see trends more clearly because you may have lived through them before.

Of course, each iteration of a topic — whether it is fiduciary standards, lifetime income, technology tools, bundling/unbundling of services, wellness, or anything else — will vary in some form from its prior incarnation. However, if advisers do not forget the past and also learn from it, they are likely to be well positioned for the next wave of retirement industry evolution. 

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

NAPA



CPFA

CERTIFIED PLAN FIDUCIARY ADVISER

Take Charge! Win and retain more business for your 401(k) practice.

www.napacpfa.org

You are the most important asset in your business. Completing the NAPA Certified Plan Fiduciary Adviser Program is an investment in your practice that will create value for you and your clients.

Certified Plan Fiduciary Advisers are 401(k) Professionals

- » Consult on plan design
- » Guide sponsors on administration and compliance
- » Perform fiduciary adviser practices

Complete education program for just \$265.00

- » Self-paced mobile ready and flexible for busy professionals
- » Downloadable resources and reference material
- » Continuing education and updates on regulatory changes



NAPA

National Association of Plan Advisors

Part of the American Retirement Association



Fake news — it's worse than you thought.

That study — more precisely a draft of a study identified as “preliminary and

incomplete” — has found its way into the headlines. The reason? Because while it concludes that roughly 80% of Americans work for an employer that offers a retirement plan, they claim that the take-up rate among what they consider to be full-time workers is just 45.7%. To make matters worse, the press coverage takes those numbers and multiplies them to justify the headline that only about a third of those

who work for an employer who offers a DC plan contribute to it. Or the inverse, that “Two-Thirds of Americans Aren’t Putting Money in Their 401(k).”

Now, those who actually work with retirement plans will be stunned by those numbers. Industry surveys that look at the actual contribution and participation rate of individuals who are eligible to participate in those workplace plans routinely find that anywhere between 65% and 75% of those eligible to participate do so, and when best-of-class plan designs like automatic enrollment are employed, more than 9 out of 10 do so. In fact, data from the non-partisan Employee Benefit Research Institute indicates that moderate income workers, those earning between \$30,000 and \$50,000/year, are 15 times more likely to save when they have access to a plan at work.

So how does this study manage to produce a result so out of touch with reality? Well, for one thing, they don’t stop to worry about “details” like the legal ability to contribute to the plan. For their purposes, if you work for an employer who offers a plan and don’t contribute — even if you are not eligible to do so — you get added to the “not contributing” pool.

That’s not the end of it — to get there, the researchers at the U.S. Census Bureau have to undertake a bit of mathematical gymnastics. They start by taking W-2s and looking at everybody who has any contributions listed in Box 12 (this is where your pre-tax 401(k), 403(b) and 457 contributions are recorded). They then take the employer identification number (EIN) from that W-2, and connect that to any other worker who has that same EIN on their W-2. And then they assume that all of those individuals are covered by that DC plan. Beyond that, lacking the check box data in their dataset, they don’t get a true coverage number. And while they acknowledge this shortcoming in the report, they miss out on those who are receiving only employer contributions and after tax contributions, including Roth contribu-

tions. Of course, as we noted above, that ignores the reality that some folks work for an employer that sponsors a plan in which they are not eligible to participate. These

researchers count those zeroes in the non-take-up category.

They also manage to establish as a criterion for full-time employment anyone whose W-2 indicates that they made more than \$3,770 as a full-time worker in their numerator. That’s right, you could be making as little as \$4,000 a year, and if you contributed nothing to the plan, you’d be included in their non-take-up group.

Are retirees in the mix as well? If they get a W-2, they would be. But they wouldn’t likely be saving for retirement, would they? Still, they go into the “covered” count in the research, even though they aren’t contributing.

And what about those who work for two different employers during the year? Who get two different W-2s, with two different EINs? But who, because they don’t work very long for either employer, don’t contribute to either plan?

You can begin to see where this could be heading. While invoking credible sources of data (W-2s, 5500s), they have nonetheless cobbled that data together in such a way as to potentially produce mush. By presuming that everyone is covered because they have the same EIN that someone else has for coverage, they are overstating coverage. And, because of the factors listed earlier, they are also underreporting participation.

But wait — there’s more.

While a reliance on W-2 data has some allure, the broad net these researchers cast produce something of an apples-and-oranges mix in terms of other results as well. Their data includes a chunk of workers in the public and education sectors. Now, many of these individuals work for an employer who offers a plan, but many don’t make pre-tax contributions because they are covered by a defined benefit program. Not that these researchers don’t acknowledge this trend, but they make no attempt to qualify their conclusions. The net effect? A bump in the “covered” count, not so much in the take-up rate.

So, let’s recap: They take W-2 data, ignore eligibility rules, double-count people who may work for more than one employer during the year, broaden the notion of “covered” to include individuals who make as little as \$72.50 a week, bring in a group that they acknowledge is less

inclined to make pre-tax contributions because they are covered by a defined benefit plan (that is not included in the data), and likely include retirees — basically expanding the denominator of their take-up equation beyond the realm of common sense while at the same time goosing the numerator with lots of zero-contributor categories.

No wonder they produce a result that is so completely out of touch with reality.

Some titled their coverage of this report, “It’s worse than you think.” Indeed it is.

But here we’re actually talking about the quality of the reporting, as well as the report’s conclusion. 🗞



Excessive fee suits move into new territory, smaller plans and advisor comp, while a suit involving a recordkeeper's fee arrangement with a robo-advisor gets tossed, and the Supreme Court leaves an excessive fee case in the purview of the lower courts.

BY NEVIN E. ADAMS, JD



'TROLL' BOOST?

Small plan participant files excessive fee suit with big impact

Another excessive fee suit has been filed by a small plan participant, who's seeking to represent the interests of what she claims are similarly situated participants in 47,000 other plans.

The suit (*Goetz v. Voya Financial, Inc.*, D. Del., No. 1:17-cv-01289-UNA, complaint filed 9/8/17), brought by plaintiff Sharon Goetz, a participant in the (approximately) \$3 million Cornerstone Pediatric Profit Sharing Plan, claims that Voya Financial and its subsidiaries violated and knowingly participated in violations of ERISA, and is seeking "the return of the undisclosed excessive and unreasonable asset-based fees charged by Voya for recordkeeping and administrative services, and to prevent Voya from charging those excessive fees in the future."

In addition to alleging that they were overcharged, the plaintiff here alleges that Voya concealed its true fees by "adding Voya's asset based fees to the operating costs of the various mutual fund options in participant fee disclosures," charging recordkeeping fees based on assets rather than participant count ("reasonable recordkeepers charge recordkeeping fees for each plan par-

ticipant, rather than as a percentage of assets"), "increasing the annual operating cost of every mutual fund investment option available to participants in the Cornerstone Plan and other similarly situated plans by 0.67% to 1.80%," and took advantage of revenue-sharing and collected 12b-1 fees from 19 of the 26 funds offered by the Cornerstone Plan, including 10 of the 12 Voya proprietary funds.

'Big' Data?

There might, however, be some issues with the claims raised by plaintiffs here — certainly the calculation of injury. As source for their allegation that the 19-participant plan was overcharged, they cite a 2015 survey by consulting firm NEPC which notes that the median recordkeeping cost of the 113 plans in that survey was \$64/participant in 2015, and that — based on that assumption — since the Cornerstone plan paid \$30,790 for recordkeeping services, that amounted to \$1,466/participant in 2015, when there were 21 participants in the plan. Doing the math, the plaintiff claims that Voya's fees are "36 times more than the reasonable amount of compensation that should

have been charged to the Cornerstone Plan." However, not mentioned is the fact that the NEPC survey is heavily tilted toward large plans, which would normally be expected to pay less per participant.

Having done some arguably flawed math, the plaintiffs extrapolate to the entire retirement plan universe serviced by Voya (some 47,000 plans), and claim that "based on the asset based fees charged to the Cornerstone Plan, Voya potentially earns over \$1 billion a year in excessive compensation at the expense of the individual plans and their participants."

The suit, filed in the U.S. District Court for the District of Colorado, was filed by three different law firms, including Franklin D. Azar & Associates P.C., which, in addition to filing a similar suit against a \$500 million plan earlier this year, has previously held itself out as a personal injury law firm that specializes in motor vehicle accidents, defective products and slip-and-fall accidents, according to its website. It is a firm that has, in recent months, been trolling for potential litigants. And which now seems to have found another.



COMP 'CLAIMS'?

Excessive fee suit targets advisor comp

Another excessive fee suit has been filed against 401(k) plan fiduciaries, including allegations that part of a breach of fiduciary duty was allowing the plan's advisor to be paid excessive compensation.

The suit (*Sandoval v. Novitex Enterprise Solutions LLC*, D. Conn., No. 3:17-cv-01573, complaint filed 9/20/17), was filed in the U.S. District Court for the District of Connecticut by a participant in the 401(k) Novitex Enterprise Solutions Inc (formerly known as Pitney Bowes Management Services). The suit describes the plan as "a significant and large 401(k) plan in terms of assets," though its \$157 million in assets (as of Dec. 31, 2015) and more than 10,000 participants are much smaller than the plans that have dominated the headlines in these lawsuits.

The suit makes the same kind of allegations that others have, though the 21-page suit is comparatively light on providing details behind those charges. The suit takes issue with the reliance on actively managed funds (with the exception of the Vanguard Institutional Index fund, all of the variable investment options are actively managed), and claims that "with the exception of the Vanguard Institutional Index fund (0.04% expense ratio) and the actively managed Vanguard Inflation-Protected Securities fund (0.10% expense ratio), all are costly, with expense ratios ranging from 0.69% to 1.08%, with a mean of 0.78% and a median of 0.89%." This includes a fund that gets its own special call out, the "Excessively Expensive Stable Value Investment Option," which the suit compares unfavorably to the Vanguard Stable Value Fund as having "not only a lower expense ratio of 0.35%, but a substantially higher crediting rate of 1.86%."

'Unreasonable on its Face'

Additionally, the suit claims that "any revenue sharing paid from the investment options offered by the Plan to compensate for administrative, recordkeeping and other services was unreasonable on

its face because a retirement plan with the assets of the Plan could have easily achieved lower total plan cost ('TPC') by adopting a zero revenue sharing menu of investment options and/or by properly achieving all available savings from revenue sharing by establishing a properly structured and designed plan expense account ('PEA') that credited all revenue sharing to the benefit of the Plan and equalized the amount of participant fees (both direct and indirect) paid by participants of the Plan."

The suit also takes issue with the amount of compensation received by plan advisor, UBS. "In addition to a \$125,000 per annum base fee" (which the suit specifically claims is "excessive given the size of the Plan," it notes that UBS also receives "additional compensation from third parties in connection with assets in which clients' advisory accounts are invested [and this compensation is in addition to the fee that a client pays for investment advisory services]." The suit claims that "UBS has a vested interest in obtaining more compensation from third parties and related entities, which may

run counter to the interests of the Plan of choosing the most prudent investment options."

The suit alleges that "Novitex and the Benefits Committee breached their fiduciary duties by failing to monitor and ensure that UBS was paid reasonable compensation," that "likewise, Transamerica was paid excessive recordkeeping and related fees in light of the assets and other characteristics of the Plan," and that "Novitex and the Benefits Committee breached their fiduciary duties by failing to monitor and ensure that Transamerica was paid reasonable compensation."

The claims in this suit may mirror those made in other cases, but it remains to be seen if the brevity on specifics will survive the inevitable motion to dismiss.





Fidelity has prevailed in an excessive fee suit that took issue with the fee arrangement of an online advice program and the choices provided participants via a plan's self-directed brokerage account.

The suit (*Fleming v. Fid. Mgmt. Tr. Co.*, 2017 BL 336561, D. Mass., No. 1:16-cv-10918-ADB, 9/22/17) was brought by three participants of the Delta Family-Care Savings Plan on behalf of that plan's participants, as well as "all other similarly situated qualified retirement plans," against Fidelity Management Trust Company and Fidelity Investments Institutional Operations Company, Inc. The Delta Family-Care Savings Plan is part of the \$7.5 billion Delta Air Lines Inc. Defined Contribution Plans Master Trust.

According to the original complaint, Fidelity — which provided recordkeeping and other administrative services to the plan — contracted with Financial Engines Advisors L.L.C. to provide investment advice services to individual participants in the plans administered by Fidelity. FE acts as an ERISA fiduciary with respect to the investment advice program and charges a fee for its services as a percentage of the value of a participant's account.

According to the complaint, "Fidelity was not content, however, with providing participants access to FE's services. Fidelity wanted a piece of FE's action, as well," and "in order to be included as the investment advice service provider on Fidelity's platform, FE agreed to pay — and is paying — Fidelity a significant percentage of the fees it collects from 401(k) plan investors."

Motions to Dismiss

In considering the case, Judge Allison D. Burroughs of the U.S. District Court for the District of Massachusetts noted that defendants had made three motions to be considered:

- defendants' motion to dismiss for lack of subject matter jurisdiction;
- defendants' motion to dismiss for failure to state a claim; and
- plaintiffs' motion to strike an exhibit and related factual assertions.

Judge Burroughs noted that "courts have held that plan service providers (such as Defendants) are not acting in a fiduciary capacity when they negotiate with plan sponsors for their own compensation, so long as the final agreement with the plan does not give the service provider the ability to determine or control the actual amount of its compensation." She concluded that "Fidelity, at the time it collected the fee, had no actual control or discretion over the transaction at issue — the price of the previously bargained-for fees," and dismissed the claim.

While the plaintiffs acknowledged that participants who use the BrokerageLink self-directed brokerage account exercised some discretionary control, they challenged the specific classes of mutual fund shares that are available for purchase through that service, specifically that the defendants "acquire shares with higher fees, which typically include revenue-sharing payments," and that the defendants "get a cut of these higher fees in the form of revenue-sharing payments."

Here the defendants challenged the court's subject matter jurisdiction in the case, and said that the plaintiffs failed to state a claim. Specifically, that since the BrokerageLink service requires that the participant has to enter/select a specific ticker symbol, which identifies both the mutual fund and the share class to be purchased, "Fleming herself selected both the mutual fund and the share class for her investments," and thus suffered no injury in fact caused by the conduct alleged in the complaint. As one might expect, the plaintiff argued that that choice was only in a "purely mechanical sense," since BrokerageLink does not always offer investors "a meaningful choice of share class, such that the investor is free to choose the lowest cost share class for which that investor may be qualified." Looking at the claims in the light most favorable to the plaintiffs (the party not seeking dismissal), Judge Burroughs chose to deny the motion to dismiss.

As for failure to state a claim, Judge Burroughs concluded that the plaintiffs

failed to plausibly allege that defendants were exercising a fiduciary function under 29 U.S.C. § 1002(21)(A) when they decided which securities to make available through BrokerageLink "because Delta retained ultimate authority to include or reject the BrokerageLink product from the list of investment options made available to Plan participants."

Fiduciary Capacity

As for the notion that defendants acted in a fiduciary capacity by "hiring FE and controlling the negotiation of the terms and conditions under which FE would provide its services to Plan participants" and by "selecting FE as an investment advice provider for Plan participants," Judge Burroughs noted that while the complaint alleged that defendants "breached their duty of loyalty under ERISA by receiving revenue-sharing payments from FE at the expense of the Plan and Plan participants, and by charging unreasonable and excessive fees for the services they provided to FE," she noted that "this theory is premised on the notion that Defendants, rather than Delta, 'hir[ed]' FE or 'select[ed]' FE as an investment advice provider for Plan participants," but stated that the Master Trust Agreement "compels the conclusion that Delta, not Defendants, exercised final authority or control over the selection or hiring of FE."

She noted that "if Delta believed, as the Complaint alleges, that the fee-sharing arrangement between Defendants and FE wrongfully inflate[d] the price of investment advice services, Delta was free to decline to hire FE or to terminate its relationship with both Defendants and FE to avoid an unfavorable fee-sharing arrangement."

While Judge Burroughs denied the motion to dismiss for a lack of subject matter jurisdiction, she allowed the motion to dismiss for failure to state a claim, and denied as moot plaintiff's motion to strike certain exhibits.



ABB 'NORMAL'

Supremes leave ABB 'be'

The long-running excessive fee case of *Tussey v. ABB* won't get its day before the U.S. Supreme Court — but the case has yet to reach a final conclusion.

The nation's high court has announced without comment (*ABB, Inc. v. Tussey, U.S.*, No. 17-265, cert. denied 10/2/17) that it declined to hear arguments in the case filed on behalf of plaintiffs more than a decade ago by the law firm of Schlichter, Bogard & Denton.

Background

In March of this year, the 8th Circuit Court of Appeals in St. Louis noted that the plans in question offered participants a menu of options for investing the money in their accounts, and that the plan's investment policy statement said the plans would offer investments in three "tiers," organized by how much active involvement they demanded from investors, including one that offered several "managed allocation" funds. John Cutler, Jr., the director of the committee's staff, thought those "managed allocation" funds should be "target-date" or "life-cycle" funds, and he opted for the Fidelity Freedom Funds. According to the court, he also suggested removing the Vanguard Wellington Fund, although that raised the question of what to do with the money participants had invested in it — roughly \$123 million (8.4% of the total assets in the plans).

The ABB fiduciaries decided to map this money into the Freedom Funds, though participants whose money was mapped to a Freedom Fund remained free to choose a different investment option (or options) at any time.

The Fidelity defendants were liable as well, according to the district court, because interest earned when money in the process of being added to or taken out of plan investments and invested overnight — called "float income" — should have been credited to the plans, not back to the investments. The district court awarded the participants \$21.8 million against the ABB fiduciaries for swapping the Wellington and Freedom Funds, \$13.4


million for the ABB fiduciaries' other breaches, and \$1.7 million against the Fidelity defendants on the float claim, plus attorney fees of \$12.9 million from all the defendants jointly and severally. (Fidelity would eventually be cleared of liability by the appellate court.)

The defendants appealed, and the appellate court vacated the finding of breach for changing the investment options, explaining that the district court should have afforded more deference to the discretion the plans explicitly granted the ABB fiduciaries, and going so far as to caution that "the original award for switching the funds was 'speculative' and exceed[ed] the 'losses to the plan[s] resulting from' any fiduciary breach."

Ultimately, the appellate court held in March that the district court "did not err in deciding that the ABB fiduciaries abused their discretion and breached their fiduciary duties by acting on improper motives when they replaced the Wellington Fund with the Freedom Funds as investment options for the plans." However, it went on to note that the district court should have decided for itself how to measure what

the plans lost as a result, "rather than considering itself bound by our prior comments on the issue," leaving that for the lower court to decide upon, and that therefore "the judgment in favor of the ABB fiduciaries is at best premature," going on to vacate the judgment, the award of attorney fees and costs, and remanding it for further proceedings.

'Still' Standing

That remand still sits with federal district court judge Nanette Laughrey, who recently ordered attorneys for ABB and the participants to submit methodologies for calculating damages to the participants, according to a Pensions & Investments report citing Jerome Schlichter, lead attorney for the participants and founding and managing partner of the law firm Schlichter, Bogard & Denton. The district court case had continued even though ABB had filed a petition with the Supreme Court in August. 



Education Precedents?

Do You Have an Education Policy Statement Policy?

BY NEVIN E. ADAMS, JD

While education policy statements are not exactly “new,” they have come into greater visibility (if not use) along with a growing emphasis on financial wellness and retirement outcomes, not to mention a more intense focus on fiduciary responsibility. In a recent weekly poll we asked NAPA Net readers to share their experience(s).

Most of the respondents (53%) aren’t using education policy statements, though 36% do sometimes. One reader commented: “I have never used one... but I should be.” Indeed, only about 11% indicated they are doing so consistently.

Even among those who are using education policy statements, they haven’t been doing so very long. Roughly 7% had been doing so for only about a year, while 30% had been doing so for 1-2 years. Another 29% were in the 3-4 year category, and about half that in the 4-5 year and more than 5 year categories, respectively. However, the rest said they had been doing so longer than they could remember.

Asked about the effectiveness of this tool, most were skeptical; one in five said “not really,” and nearly a quarter said simply “no.” A plurality (38%) said it depended on the commitment of the plan

sponsor — as one reader explained, “It’s a good idea if the plan sponsor is willing and committed to it. But you also must have the internal resources as the advisor and/or great working relationships with your vendors to deliver the content for you or with you.” Roughly 9% said they were effective “sometimes.” The rest? Well, they simply (and enthusiastically) responded, “yes!”

Plan Sponsor Response

So, how did plan sponsors respond to the concept when introduced? Well, it was a diverse response:

36% – agreeable

19% – reluctant

17% – hesitant

16% – skeptical

The rest? Well, it was a mixed bag.

“They are excited about the idea/concept, but a little hesitant about the reality of making it work,” noted one. “Only want EPS if they feel they are required to have one,” shared another. “This would vary greatly among our client plan sponsors,” said another. “Many would not bother due to other priorities while others would be enthusiastic. Enthusiasm or lack of may be quickly assessed based on their plan history and track record with respect to their handling of the plan.”

Another reader explained, “They are usually agreeable until they consider the required time, effort and resources they have to expend.”

Plan Sponsor Objections

What are the objections of plan sponsors? Here’s what readers said:

“Like anything you put in writing, if you don’t follow it or have measurement tools to gauge progress it doesn’t work. So reassuring client the policy has value, is productive and between the advisor and provider there are ways to measure.”

“Sometimes it’s the time commitment in getting employees away from their job.”

“[It’s] Another task on their plate that they don’t see much value in.”

“If it’s documented and not followed through they don’t have the time to administer.”

“Main concern is the potential to violate what is in the statement, given the 1-on-1 meetings are not recorded.”

“It’s hard enough for most plan sponsors to follow an investment policy statement, let alone an education policy statement. It is a document that doesn’t get reviewed enough.”

“Hesitation that they will not fulfill their promises by having a formal ‘policy’ in place.”

“Most of the respondents (53%) aren’t using education policy statements, though 36% do sometimes.”

“Frankly, many small business owners only look for a tax deduction and how much they may contribute to their retirement account. This is not everyone, but a majority.”

“Just another document that can be used against them. Creates more fiduciary exposure.”

“This is one more policy to manage and monitor.”

“Just more paperwork added to the mountain.”

“My plan sponsors see the effort that has been put forth IN RE participant education and the continuing lack of follow-through on the part of certain participants regardless of such efforts.”

“It’s not their objections, it’s my objections. I think it is dangerous to put out a policy that may not be followed. IPS are easy because my office directly controls the adherence to an IPS. With education it’s too nebulous.”

Other Comments

Once again we received a good number of comments on the topic. Here’s a sampling:

“Based on feedback we have received from ERISA attorneys, most recommend not to use Education Policies as they create additional and unnecessary liability.”

“They are easier to set up when the employer has clear goals in mind.”

“Our Advice/Education Project contracts explicitly state we will provide fiduciary investment advice that is in the best interest of the plan participant, so they don’t feel a need to create an Education Policy Statement.”

“Our industry has created enough

‘policies.’ Why create something so formal, that isn’t required, and expose an employer to potential liability if they don’t follow through? Just work with your client to come up with an education plan informally, and then execute. It can be that simple.”

“I think for the larger plans this is a great idea. in the micro/small market I don’t see it as a huge need.”

“Many times large businesses have two committees, an investment committee and an administrative committee. This is something I feel an administrative committee should include as one of their main objectives, and certainly a high priority.”

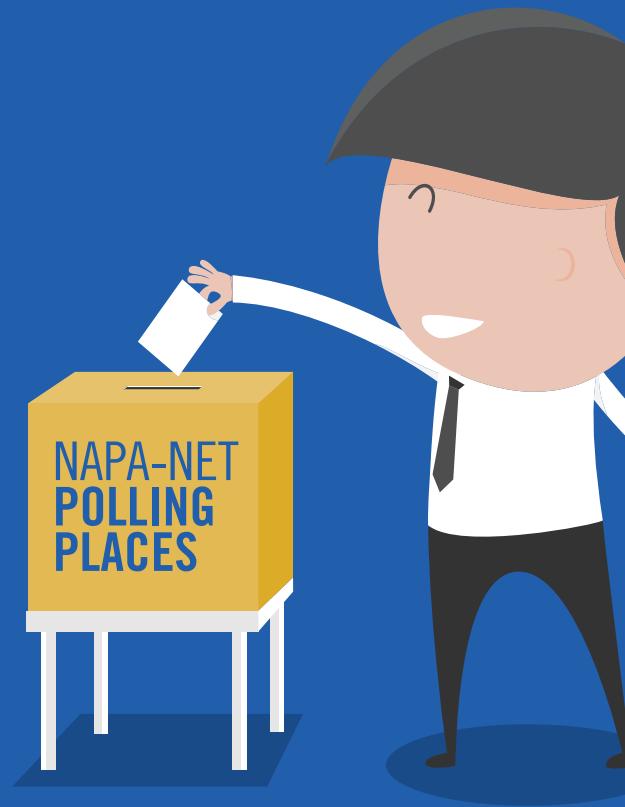
“If they’re as useless as vague investment policy statements, why bother?”

“By putting it in writing you need to stick to it and education is always a moving target with clients.”

“We use the EPS in the same way as the IPS, creating policies and procedures to help the retirement plan succeed. Equally effective with 403b plans.”

“Most committees and HR depts. like the sound of this, but not the assumed liability attached if they deviate from it. Having to monitor and manage another policy is a turn-off. In our practice, the education program and results are documented in the quarterly minutes and the annual review.”

“By creating an Education Policy Statement, we tie the client organization’s hands. They must do what they say in the statement. I have taken over plans that had an Education Policy Statement and failed to follow the policy in the prior two years. In its current form ERISA has no educational requirement for the plan sponsor or fiduciaries. The closest thing to an educational requirement is in 404(c) and 404(a)5 information and disclosure requirements. I believe it is better to have an educational strategy, and implement the strategy when the plan sponsor can afford it, in terms of employee time and resources. For the majority of my employers that may not be every year.”



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

It has been a busy time as 2017 winds to a close and we begin preparations for 2018. The IRS announced the increase of many, though not all, contribution and benefit limits, even as tax reform got underway (amidst rumors of Rothification that, for the moment, anyway, proved to be just that). The Labor Department's fiduciary regulation, now underway, looks to be heading for a further delay in the full applicability date of the Best Interest Contract Exemption...

BY NEVIN E. ADAMS, JD



Limits 'Less'?

IRS announces contribution, benefit limits for 2018

The IRS on Oct. 19 announced cost-of-living adjustments affecting dollar limitations for DC plans and other retirement-related items for the 2018 tax year. The limits are contained in IRS Notice 2017-64.

DC Plan Limits

The elective deferral (contribution) limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan, is increased to \$18,500, up from the 2016 and 2017 level of \$18,000, as is the limitation under Code Section 402(g)(1) on the exclusion for elective deferrals described in Code Section 402(g)(3).

The limitation on deferrals under Code Section 457(e)(15) concerning deferred compensation plans of state and local governments and tax-exempt organizations is \$18,500 for 2018, up from the 2017 level of \$18,000.

The limitation for defined contribution plans under Code Section 415(c)(1)(A) is increased for 2018 to \$55,000, up from the

2017 limit of \$54,000.

The annual compensation limit under Code Sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii) is increased to \$275,000 from the 2017 limit of \$270,000.

The dollar limitation under Code Section 416(i)(1)(A)(i) concerning the definition of key employee in a top-heavy plan is set at \$175,000 for 2018, the same as the 2017 limit.

The catch-up contribution limit for employees aged 50 and over who participate in 401(k), 403(b) most 457 plans, and the federal government's Thrift Savings Plan remains unchanged at \$6,000.

The dollar limitation under Code Section 414(v)(2)(B)(i) for catch-up contributions to an applicable employer remains unchanged at \$6,000. The dollar limitation under Code Section 414(v)(2)(B)(ii) for catch-up contributions to an applicable employer plan described in Code Section 401(k)(11) or Code Section 408(p) for individuals aged 50 or over also remains unchanged at \$3,000.

DB Plan and ESOP Limits

The limitation on the annual benefit

under a defined benefit plan under Internal Revenue Code Section 415(b)(1)(A) has been increased to \$220,000 from \$215,000, which had been the limit in 2017, 2016 and 2015. For a participant who separated from service before Jan. 1, 2018, the limitation for defined benefit plans under Code Section 415(b)(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 2017, by 1.0196.

The dollar amount under Code Section 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a five-year distribution period is increased to \$1,105,000 for 2018, up from the 2017 level of \$1,080,000, and the dollar amount used to determine the lengthening of the five-year distribution period also is increased to \$220,000 from the 2017 level of \$215,000.

IRA, SIMPLE and Saver's Credit Limits

For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered,

the deduction is phased out if the couple's income is between \$189,000 and \$199,000, up from the 2017 levels \$186,000 and \$196,000, respectively.

The AGI phase-out range for taxpayers making contributions to a Roth IRA is \$189,000 to \$199,000 for married couples filing jointly, up from the 2017 level of \$186,000 to \$196,000. For singles and heads of household, the income phase-out range is \$120,000 to \$135,000, up from \$118,000 to \$133,000.

The limit on annual contributions to an IRA remains unchanged at \$5,500.

The limitation under Code Section 408(p)(2)(E) regarding SIMPLE retirement accounts remains unchanged at \$12,500.

The AGI limit for the Saver's Credit

(also known as the retirement savings contribution credit) for low- and moderate-income workers is \$63,000 for married couples filing jointly, up from \$62,000; \$47,250 for heads of household, up from \$46,500; and \$31,500 for married individuals filing separately and for singles, up from \$31,000.

Compensation Limits

The limitation used in the definition of a highly compensated employee under Code Section 414(q)(1)(B) remains unchanged at \$120,000.

The annual compensation limitation under Section 401(a)(17) for eligible participants in certain governmental plans that, under the plan as in effect on July 1,

1993, allowed cost of living adjustments to the compensation limitation under the plan under Code Section 401(a)(17) to be taken into account, is increased for 2018 to \$405,000 from the 2017 level of \$400,000.

The compensation amount under Code Section 408(k)(2)(C) regarding simplified employee pensions (SEPs) remains unchanged at \$600.

The compensation amount under Treas. Reg. §1.61 21(f)(5)(i) concerning the definition of "control employee" for fringe benefit valuation is increased to \$110,000 for 2018, up from the 2017 level of \$105,000. The compensation amount under Treas. Reg. §1.61 21(f)(5)(iii) is increased to \$220,000 for 2018, up from the 2017 level of \$215,000.



Principles 'Offices'

With tax reform looming, ARA issues retirement policy principles

With tax reform and rumblings of Rothification looming, the American Retirement Association issued a set of retirement policy principles for tax reform.

"We support the tax reform goal of economic growth. However, the retirement security of American workers is just as important," noted Brian Graff, CEO of the American Retirement Association, unveiling the principles at the ASPPA Annual Conference in National Harbor, MD in late October. "We were very encouraged by the language in the 'Unified Framework on Tax Reform' issued by the White House and Republican Congressional leaders which outlined their intention to retain the tax

benefits that promote retirement security, and that specifically stated that '[t]ax reform will aim to maintain or raise retirement plan participation of workers and the resources available for retirement.'"

The ARA's retirement policy principles for tax reform are:

- Any changes to current retirement savings incentives must be primarily aimed at promoting retirement plan participation of workers and encouraging retirement savings, rather than solely for the purpose of raising revenue for other tax objectives.
- Limiting employees' tax deductions for 401(k) savings, in the absence

of other meaningful changes to promote retirement savings by middle class families, would be inconsistent with the framework and would in fact be a middle-class tax increase that directly and immediately threatens workers' retirement security.

"We certainly understand that positive changes can and should continue to be made to improve, enhance, and expand our nation's retirement savings system," Graff said. "The American Retirement Association has been, and will be always be supportive of changes designed to enhance the retirement security of American workers."



Extension 'Chord'

DOL files applicability extension proposal with OMB

While most were reading the House GOP's tax reform proposal early in November, the Labor Department filed a rule with the Office of Management and Budget (OMB) for the official 18-month delay of its fiduciary rule.

The Labor Department had published a proposal in the Federal Register in late August to "extend the special transition period under sections II and IX of the Best Interest Contract Exemption and section VII of the Class Exemption for Principal Transactions in Certain Assets Between Investment Advice

Fiduciaries and Employee Benefit Plans and IRAs," as well as "the applicability of certain amendments to Prohibited Transaction Exemption 84-24 for the same period." At the time, the Labor Department had said that the primary purpose of these proposed amendments is "to give the Department of Labor the time necessary to consider possible changes and alternatives to these exemptions."

The present transition period is, of course, from June 9, 2017, to Jan. 1, 2018. The new transition period would end on

July 1, 2019. The proposal includes a 15-day comment period.

The rule, which must be approved by OMB, pushes the applicability date of the fiduciary rule's Best Interest Contract Exemption (BICE) from Jan. 1, 2018, until July 1, 2019.

The rule is titled "18-Month Extension of Transition Period and Delay of Applicability Dates; Best Interest Contract Exemption; Class Exemption for Principal Transactions; PTE 84-24."



Level 'Better'

ARA crafts new leveled fee exemption in RFI response

Responding to the Labor Department's request for information (RFI) on its fiduciary regulation, the American Retirement Association (ARA) has requested an extension of the applicability date — and a streamlined leveled fee exemption.

The ARA had authored — and championed — the notion of a “Level-to-Level” Exemption in its July 20, 2015, and Sept. 23, 2015, comment letters on the proposed fiduciary rule. In its RFI response, the ARA noted that, “while the Level Fee Fiduciary rules addressed a number of concerns, the following significant concerns continue to be a challenge for Financial Institutions and Retirement Investors,” going on to note that the Best Interest Contract Exemption (BICE):

- Does not recognize offsetting arrangements as consistent with being “level,” even though the preamble to the final fiduciary rule acknowledged that existing interpretations and advisory opinions, such as that in the Frost National Bank Advisory Opinion, remained in effect.
- Would benefit from a clarification that offsets, fee rebating and similar approaches, which are far more common in the retirement marketplace than an “all in” flat dollar or basis point fee, are, in fact, covered under the leveled fee exemption.
- Needs to address situations that can arise from circumstances where financial institutions and their advisers who are not all subject to the same regulatory standards may not be able to charge a fixed assets under management fee.
- Doesn't address the unavailability of the existing Level Fee Fiduciary rules when fees vary across investments (that could require higher levels of specialized expertise and levels of service that would justify higher costs for the investment).

Alternative Leveled Fee Exemption Components

The alternative leveled fee exemption proposed by the ARA has four components:

1. Incorporates Impartial Conduct Standards.
2. A Level Fee — defined as one provided on the basis of a fixed percentage of the value of the assets or a set fee that does not vary on the basis of a particular investment recommended, determined within each type of investment. For example, annuities, mutual funds, CITs and ETFs, and fixed income investments would each constitute a separate type of investment.
3. Disclosure of Compensation. With respect to plans subject to ERISA, the Leveled Fee Exemption's disclosure requirements would be deemed satisfied if a retirement investor is provided the disclosures required by ERISA section 408(b)(2). Similar rules would apply to non-ERISA accounts.
4. Special Rules for Investments Protective of Retirement Investors, such as self-directed brokerage arrangements, cash or money market funds, and company stock, where there are no improper incentives that would encourage an adviser to use those investments, and where there is no revenue-sharing or significant fees to incent their recommendation.

The ARA response also includes proposed exemption language.

Delay Gains

While the applicability date for much of the BICE was delayed until Jan. 1, 2018, in the comment letter the ARA recommends that the 2018 applicability date for the full BICE be extended until the later of either:


- 6 months after the delayed guidance finally becomes applicable in

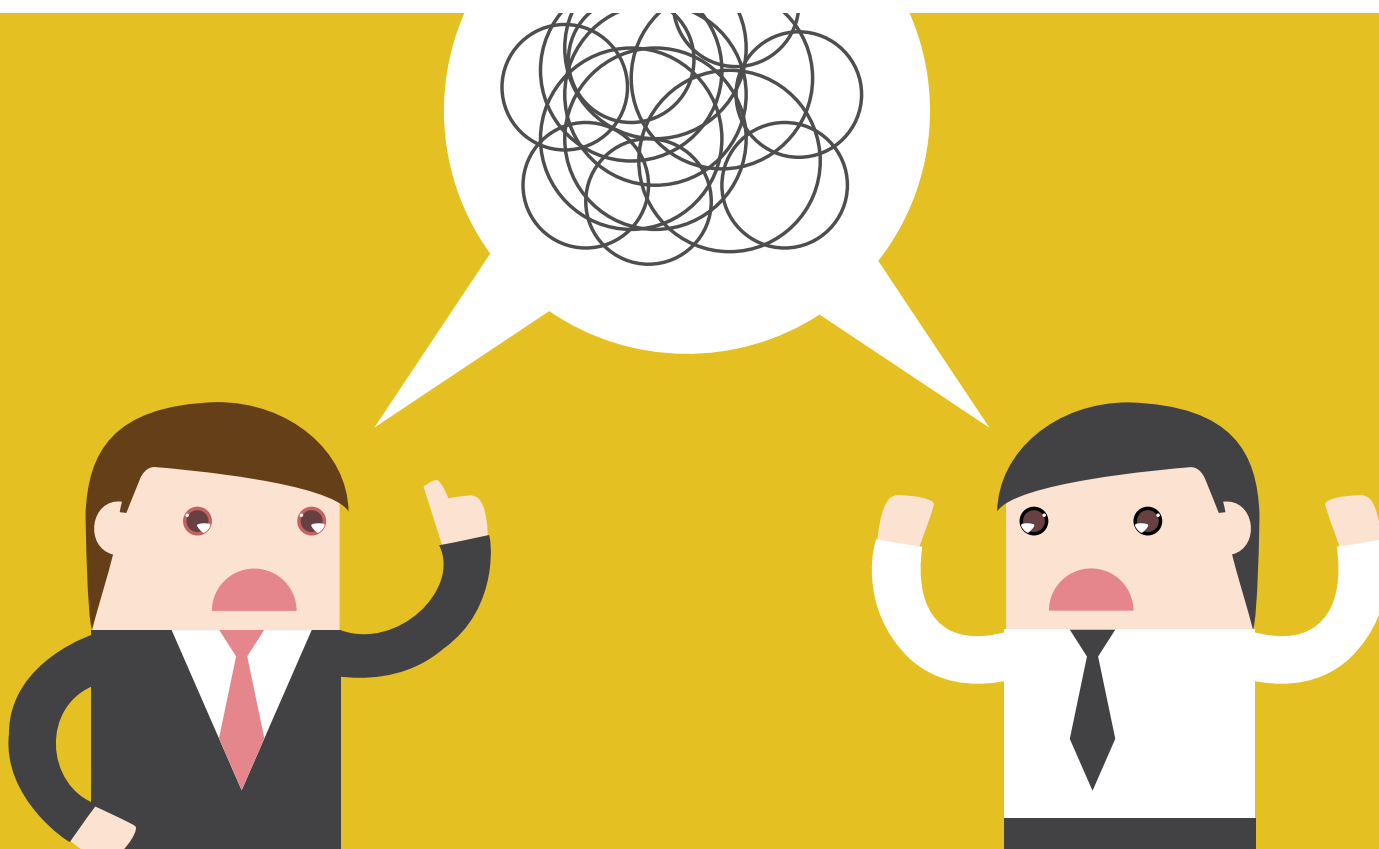
its entirety; or

- 6 months after the date that any supplemental prohibited transaction guidance issued by the Department becomes applicable.

According to the ARA, this delay would have a number of benefits, including:

- Providing more time for the marketplace to create new products and to develop streamlined exemption solutions that would mitigate concerns about compliance with the final fiduciary rule.
- Forestalling a potential second wave of complex communications that would add significant burdens and costs ultimately to be borne by retirement investors.
- Avoiding the need for financial institutions to invest significant resources over the next 5 months to prepare for the 2018 applicability date that would then require retirement investors, consistent with their fiduciary duties, to invest significant resources to evaluate and act on financial institution communications about their decisions.

Regarding concerns about the cost of delaying the applicability date, the ARA comments that the Labor Department would still be able to continue its active enforcement program, and if a financial institution acts in bad faith, the Labor Department could pursue enforcement consistent with the position outlined in Field Assistance Bulletin 2017-02. 



BY DONALD B. TRONE

Fiduciary Cognitive Dissonance

We no longer have a shared understanding of fiduciary.

At the SS&C Learning Institute we define fiduciary as a continuum between legal, moral and functional prerogatives. At least it should be.

Consider the current condition of our industry:

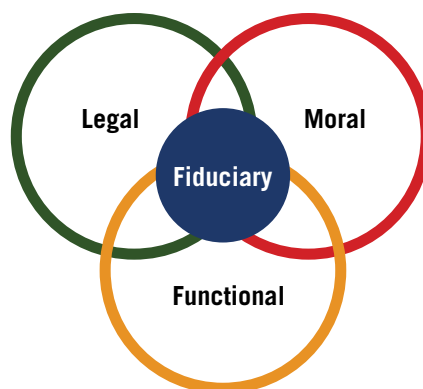
- **Advisors are not aware of legal prerogatives.** The overwhelming majority of advisors don't know the difference between an ERISA fiduciary standard of care and a '40 Act one.
- **Advisors are not aware of moral prerogatives.** Now everyone is a fiduciary, and yet they're not. A person of questionable character or devoid of ethics will still be able

to comply with the DOL's conflict-of-interest rule.

- **Advisors are not aware of functional prerogatives:** The DOL rule obscures the essence of procedural prudence by redefining fiducia-

ry merely in terms of disclosure requirements.

We're in a state of *fiduciary cognitive dissonance* in which we no longer have a shared understanding of what it means to be a fiduciary. Fortunately, the DOL's current leadership has blessed us with an 18-month reprieve so that we can level-set the meaning.



Legal Prerogative: ERISA versus '40 Act

What's the difference between an ERISA fiduciary standard and one defined by the Investment Advisers Act of 1940?

If you don't know the answer, you're not alone. Certainly most proponents of the DOL rule have demonstrated an ignorance of the difference. When proponents claim

that fiduciary advisors have provided cost-effective services to retail clients for years, often they're referring to a '40 Act standard of care, not an ERISA standard of care.

The answer is *procedural prudence*. Simply stated, procedural prudence is the requirement that the fiduciary show the details of its decision-making process. The details of a prudent decision-making process are what constitute the functional prerogatives of a fiduciary.

ERISA and the '40 Act both require that a fiduciary serve in the best interest of the client. However, in the case of ERISA, there is the additional requirement that the fiduciary demonstrate that, given a specific set of facts and circumstances, their advice is procedurally prudent.

The DOL rule subjects advisors to an ERISA standard; therefore, advisors will be subject to a heightened fiduciary standard. The execution of the rule's requisite disclosure documents will not suffice.

Moral Prerogative: Now Everyone Is a Fiduciary; And Yet, They're Not

Proponents of the DOL rule have marketed the Pollyanna-esque notion that the world will be a better place when everyone is a fiduciary. Not so. In fact, such advocacy is doing more harm than good because those who are qualified to serve in a fiduciary capacity are being *lumped in* with the *lumps*.

To effectively serve as a fiduciary, an advisor needs to be able to objectively and wisely determine the best interest of another. Discernment is an ability and capacity that often requires special training supplemented with years of experience. It's a gift that's not unwrapped when an advisor obtains their Series 7 license. Each firm needs to define policies and procedures on how it is going to assess advisors to determine who is ready to serve in a fiduciary capacity and who needs additional time and training.

In addition, the fiduciary advisor needs to be inspired by moral aspiration — by a sense of purpose to serve in the best interest of others. In contrast, the DOL rule is based on moral obligation — on negative motivation. *Do it, or else*. Moral obligation desensitizes an advisor's sense of moral aspiration and passion to act in the best interest of others.

Functional Prerogative: The Essence of a Uniform Fiduciary Framework


DOL and SEC officials have signaled a desire to define the details of a uniform fiduciary code of conduct. When they do, they should find ample working documents since fiduciary advocates have been laboring on defining a uniform fiduciary code for more than 25 years. "Uniform" in the sense that a single framework is defined to satisfy the requirements of existing fiduciary acts, case law, and regulatory opinion letters.

Of late, efforts also have been made to integrate with a uniform framework FINRA rules and financial planning standards. This is of particular importance when we talk about a fiduciary standard for managing retirement savings.

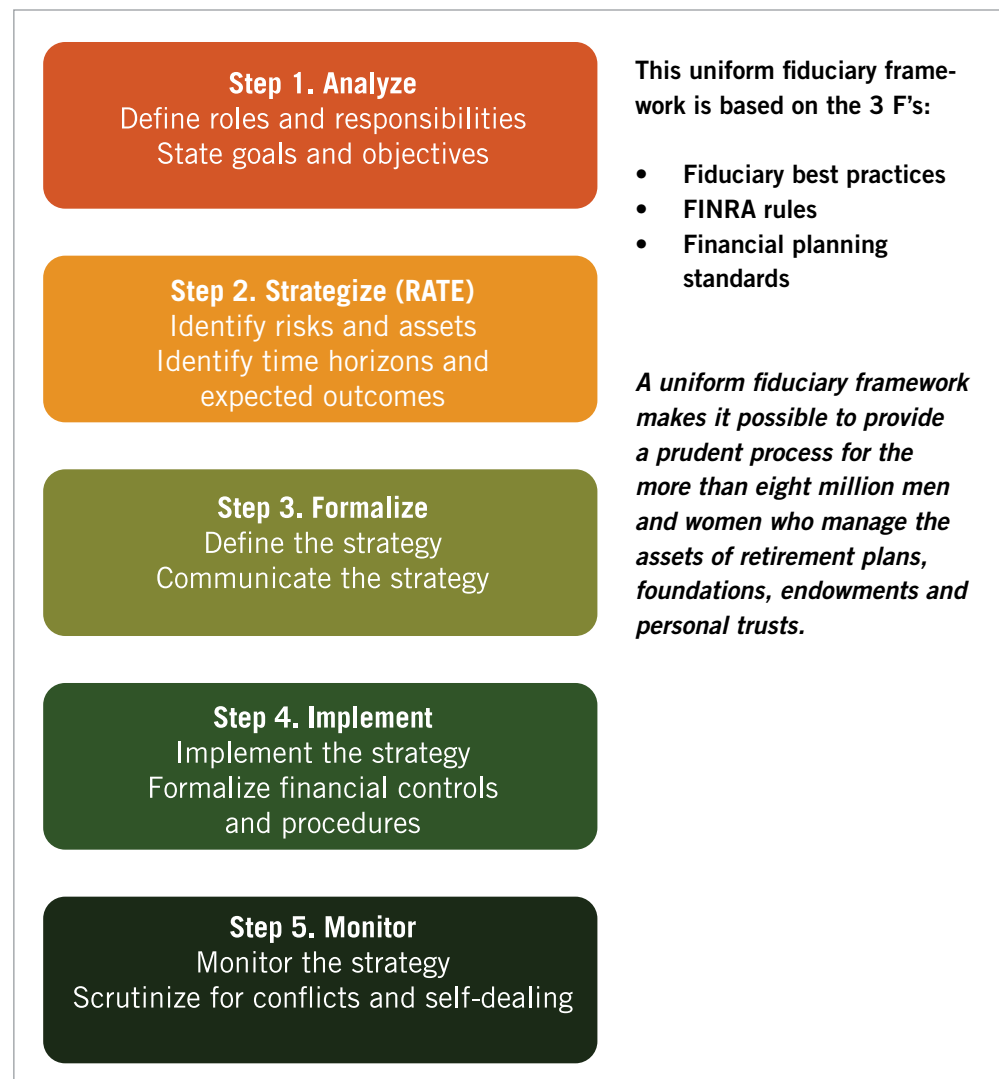
Conclusion

One of the many negative consequences of the DOL rule is that it has been mar-

keted as a new fiduciary standard. It's not; it's just a conflict-of-interest rule. In an effort to *maximize* the number of advisors subject to a fiduciary standard, the rule has *minimized* the legal, moral and functional prerogatives that define our profession.

The rule has caused the industry to lose sight of what it means to be a fiduciary. We no longer have a shared understanding of how to serve in the best interest of others. We're suffering from fiduciary cognitive dissonance. 

» Don Trone is a Senior Fellow at the SS&C Learning Institute, and is the CEO and cofounder of 3ethos. He was the founder and president of the Foundation for Fiduciary Studies, which in 2003 published the industry's first handbook on the best practices that define a uniform fiduciary code of conduct.





NAPA | FIRM PARTNERS

CARE ABOUT YOU AND YOUR PRACTICE

More than 225 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 401(k) Marketing 401KSECURE/DC Plan Insurance Solutions, LLC AB Acceleration Retirement Actuarial Ideas, Inc. ADP Retirement Services Advisor Group Alerus Retirement and Benefits Alliance Benefit Group National Allianz Global Investors Distributors American Century Investments American Funds American Trust Retirement Ameritas AQR Capital Management, LLC Artisan Partners Ascensus Aspire Financial Services Aurum Wealth Management Group AXA Equitable Axia Advisory BAM Advisor Services Bank of America Merrill Lynch Benefit Trust Company Benetech, inc Betterment for Business BlackRock Blue Prairie Group BlueStar Retirement Services BMO Retirement Services BNY Mellon Asset Management BPAS BridgePoint Group, LLC Burrmont Compliance Labs LLC Cafaro Greenleaf Cambridge Investment Research, Inc. Cannon Capital Management Inc. CapTrust Advisors, LLC CAPTRUST Financial Advisors CBC Retirement Partners CBIZ Financial Solutions, Inc CBS Funding, Inc. Center for Fiduciary Management / FIRM Cetera Fianancial Group CG Financial Services Charles Schwab & Co. Clearview Advisory CLS Partners Retirement Services Clutinger, Williams & Verhoye, Inc. Cohen & Steers Capital Management Colonial Columbia Threadneedle Investments Commonwealth Financial Network Compass Financial Partners Conover Capital Management, LLC Cooney Financial Advisors, Inc Cornerstone Trading Corp CoSource Financial Group, LLC CUNA Mutual Retirement Solutions Deane Retirement Strategies, Inc. Deutsche Asset Management	Dietrich & Associates, Inc Direct Retirement Solutions DWC – The 401(k) Experts EACH Enterprise, LLC Eagle Asset Management Efficient Plan, LLC EHD Advisory Services, Inc. Empower Retirement Enterprise Iron FIS, Inc. Envestnet Retirement Solutions Executive Compensation Planners, Inc. Federated Investors Ferenczy Benefits Law Center LLP fi360 Fidelity Investments Fiducia Group, LLC Fiduciary Advisors, LLC Fiduciary Benchmarks Fiduciary Consulting Group, Inc. Fiduciary Retirement Advisory Group, LLC FiduciaryVest Fiduciary Wise, LLC Fiduciary Wise of the Midwest, LLC First Eagle Investment Management First Heartland Capital, Inc FIS Wealth & Retirement Fluent Technologies Franklin Templeton Galliard Capital Management Green Retirement, Inc. Global Retirement Partners GoldStar Trust Company Gordon Asset Management, LLC Gray, Gray & Gray, LLP Gross Strategic Marketing GROUPIRA GuidedChoice Hartford Funds HighTower Advisors Independent Financial Partners Insight Financial Partners InspiraFS Institutional Investment Consulting Integrated Retirement Initiatives InTrust Fiduciary Group Invesco IRON Financial Ivy Investments J.P. Morgan Asset Management Janus Henderson Investors John Hancock Investments John Hancock Retirement Plan Services Judy Diamond Associates (ALM) July Business Services Karp Capital Management Kelly Financial, Inc LAMCO Advisory Services Latus Group, Ltd. LeafHouse Financial Advisors Legacy Retirement Solutions, LLC Legg Mason & Co. LLC Lincoln Financial Group LPL Financial	M Financial Group Manning & Napier Advisors LLC Marietta Wealth Management Mariner Retirement Advisors Marsh & McLennan Agency of New England MassMutual Retirement Services Matrix Financial Solutions Mayflower Advisors, LLC MCF Advisors Mesirow Financial MFS Investment Management Company Milliman Morgan Stanley Morley Financial Services, Inc. MPI (Markov Processes International) Multnomah Group, Inc. Murray Securus Wealth Management Mutual of Omaha Retirement Services NAPLIA Natixis Global Asset Management Nationwide Financial Neuberger Berman New York Life Investment Management, LLC NextCapital NFP Corp Nicklas Financial Companies Nicolet National Bank North American KTRADE Alliance NovaPoint Capital, LLC Nuveen Investments OneAmerica OppenheimerFunds PAI Paychex, inc Perspective Partners, LLC Penchecks, Inc. Penn Investment Advisors Pennial Retirement Advisors Pension Assurance, LLP Pension Consultants, Inc. Pension Resource Institute, LLC Pensionmark Pentegra Retirement Services PIMCO Pioneer Investments Plexus Financial Services, LLC Precept Advisory Group Principal Financial Group Principled Advisors ProCourse Fiduciary Advisors, LLC Prudential Putnam Investments Raymond James RCM&D Resources Investment Advisors Retire Ready Solutions Retirement Leadership Forum Retirement Learning Center Retirement Plan Advisors Ltd Retirement Plan Consultants Retirement Planology	Retirement Resources Investment Corp. Retirement Revolution RidgeWorth Investments Rogers Wealth Group Inc. Roush Investment Group RPS Retirement Plan Advisors RPSS Sage Advisory Services Ltd Co. SageView Advisory Group Saturna Trust Company Saunders Financial SaveDaily.com Schlosser, Fleming, & Associates LTD Securian Retirement Shea & McMurdie Financial ShoeFitts Marketing Signator Investors Slavic401k SLW Retirement Plan Advisors Soltis Investment Advisors Spectrum Investment Advisors Stadion Money Management Stiles Financial Services, Inc. Stolzer Rothschild Levy, LLC Strategic Insight StratWealth Streamline Partners Summit Benefit Solutions, Inc. Sway Research, LLC T. Rowe Price TAG Resources, LLC TD Ameritrade The 401k Coach Program The Pacific Financial Group, Inc The Rosenbaum Law Firm P.C. The Standard Thornburg Investment Management TIAA Titan Retirement Advisors, LLC Touchstone Retirement Group Transamerica TRAU Troutman & Associates, Inc. Trust Builders, Inc. Trutina Financial Tsukazaki & Associates, LLC Twelve Points Retirement Advisors Two West Advisors Ubiquity Retirement & Savings UBS Financial Services Unified Trust Company Vanguard VestWell Victory Capital Vita Planning Group VOYA Financial V-Rooms vWise, Inc. Wagner Financial Wells Fargo Advisors Wipfli Hewins Investment Advisors, LLC
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

*as of November 11, 2017

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

To learn more contact SAMTeam@usareirement.org



www.napa-net.org



When you put participants first, learning is for life.



Beyond helping participants learn about retirement and investments, John Hancock provides robust educational programs across a range of topics and age groups. Our goal is to help participants and their families feel more confident in their financial decisions as they navigate through life's major milestones. Interactive tools like *My Learning Center* can help create an engaged and motivated workforce inspired to take control of their financial futures.

Let John Hancock help you build a better retirement plan program that puts participants first. From start-ups to larger, more complex plans, we have a solution for your clients' goals and unique challenges.

Talk with your John Hancock representative today to find out how we can work together.
Visit **buildyour401kbusiness.com** to learn more.



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
© 2017 All rights reserved. MGTS-PS32044-GE 01/17-32044