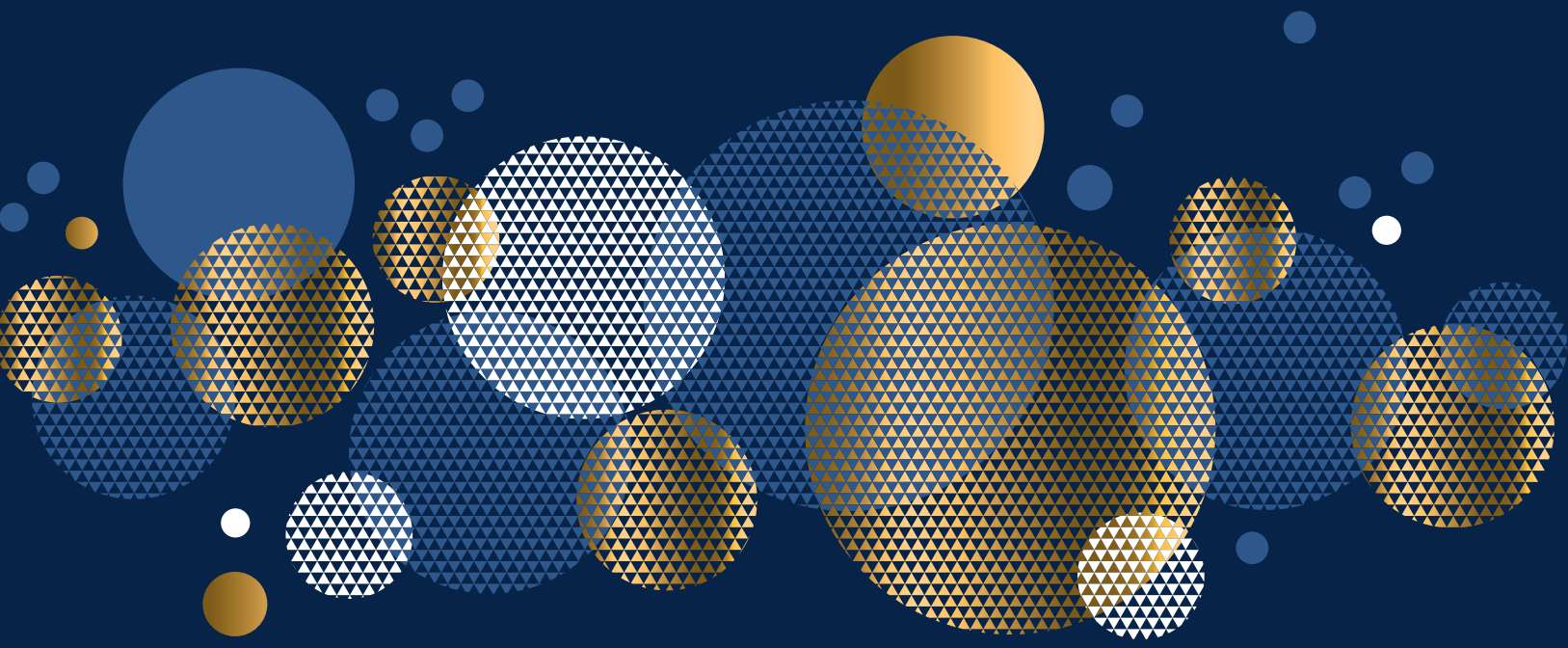

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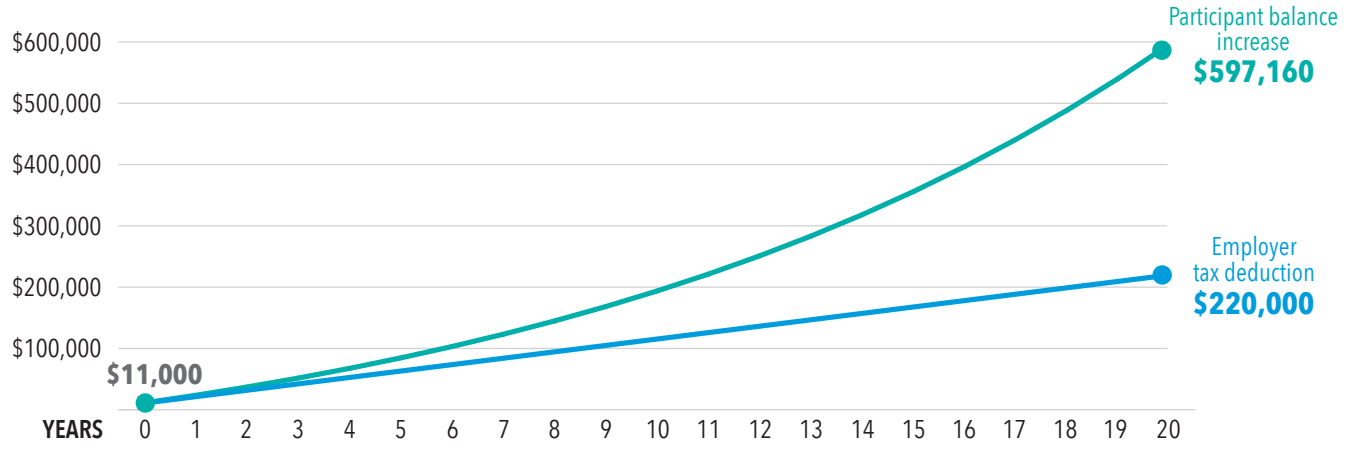

Hypothetical example assumes a $1 million retirement plan with 30 participants and annual recordkeeper costs of $4,000, advisor costs of $5,000 and TPA costs of $2,000, totaling $11,000, that are added to principal at an assumed growth rate of 8% over 20 years with quarterly compounding.

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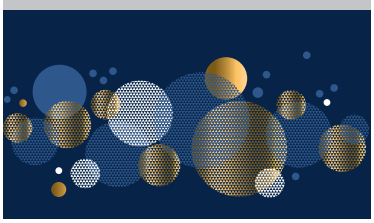

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Letter From the Editor

Insider Insights

Once again, the nation's leading retirement plan advisors provide compelling insights.

There is perhaps no group of retirement plan advisors so committed to the business of retirement as the nearly 1,200 who arrived at the 2019 NAPA 401(k) Summit. And while this second Summit Insider covered familiar ground(s), some new questions – and new options – provided new insights from this elite group.

More than 530 retirement plan advisors participated in this second edition of the Summit Insider, both during the NAPA 401(k) Summit itself and in the days that followed. A wide range of experience and target-market focus is represented in the data on the pages that follow – and yet, through it all a remarkable consistency emerges.

Among the key findings:

Once again, while there was no shortage of big issues on which to focus, "client retention" loomed largest for our NAPA Summit Insider respondents – in fact, even larger this year than a year ago.

Fee compression – last year's second highest consideration – slipped back some, while cybersecurity, noted as a very important consideration by 35% (and important by 38%), "hacked" its way higher.

Roughly a third of this year's respondents sold more than half of their new business with third-party administrator (TPA) relationships.

Top reasons for recommending a change in recordkeeper were that the plan outgrew service model/poor service (30%) and that fees were too high (26%).

Despite (or perhaps as a result of) expanding coverage about Environmental, Social, and Governance (ESG) investments, ESG topped this year's list of "over-hyped" topics, changing places with robo-advice, which had "topped" the 2018 list.

Advisors were of mixed minds on multiple employer plans, or MEPs; a slim plurality (36%) said they were "looking to sell if open MEP officially passes." That said, nearly as many (34%) wanted to "learn more about asset pooling" to scale their practice.

Topics on which advisors wanted more information were led by fiduciary education, financial wellness and health savings accounts (HSAs).

Just over one in five (21%) opted for target-date funds with a "through" focus, while about half that many (12%) went with those with a glidepath focused on a "to" target-date strategy. But most opted for a situational approach.

A plurality of advisors (37%) who were favoring passive investment strategies over active management were motivated by a desire to reduce plan costs. Just over one in five did so in response to plan sponsor demand.

This year's survey also found remarkable "splits" on subjects ranging from target-date fund glidepaths to active/passive fund choices to plan profitability measures and succession plans.

On the pages that follow, you'll find additional insights and perspectives – including verbatim comments from advisors on what they'd like plan sponsors – and regulators – to know. And we've added a new section to capture their sense of "what nobody is talking about that everyone SHOULD be talking about." The challenges outlined are real, consistent, and yet dynamic – as is to be expected in an industry as complex, and yet critical, as the one in which we labor.

A special thanks to the hundreds of retirement plan advisors who took the time to provide such thoughtful responses – and to the sponsors of this second edition of the *Summit Insider*.

Nevin E. Adams, JD
Editor-in-Chief
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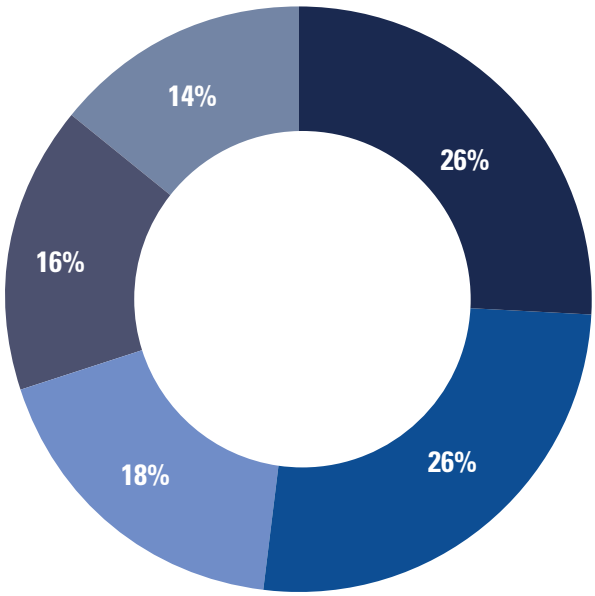
Who Are the 'Summit Insiders'?

The 531 respondents to the 2019 Summit Insider poll were identified as retirement plan advisor attendees at the NAPA 401(k) Summit. They represented a wide range of experience levels and market focus.

They tended to be experienced; more than half had at least 15 years of experience, and half of that group had in excess of two decades of experience. However, nearly one in five (18%) had less than 5 years of experience, and the remaining third split nearly equally between those with 10-15 years and those with between 5 and 10 years.

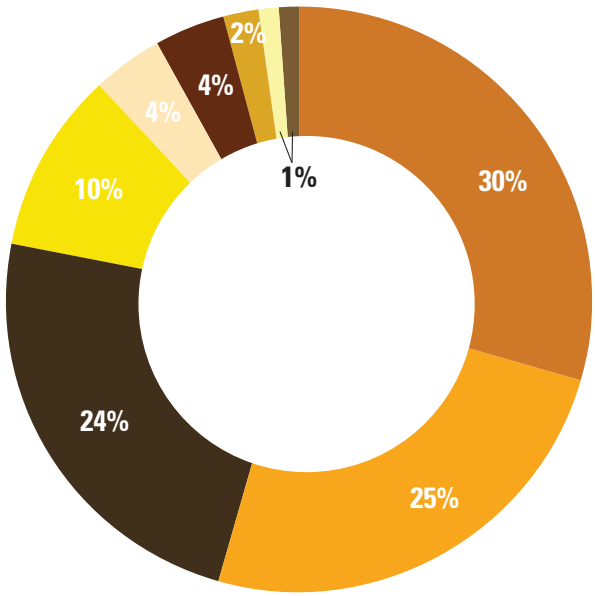
Summit Insiders also served a wide range of target markets. Roughly a third (30%) focused on plans with less than $5 million in assets, but respondents ran the gamut in terms of their focus, up to and including those who served plans with more than $1 billion in plan assets. SI

How long have you been a retirement plan advisor?



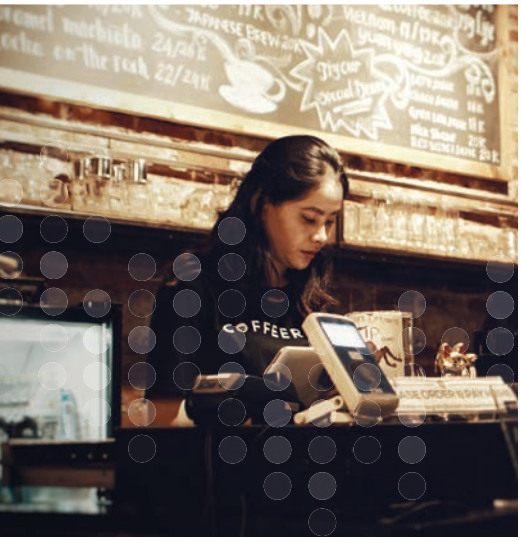
- More than 20 years
- 15-20 years
- 10-15 years
- 5-10 years
- Less than 5 years

With what size retirement plans do you TYPICALLY work?



- > $1 billion in assets
- $500 million-$1 billion in assets
- $250-$500 million in assets
- $100-$250 million in assets
- $50-$100 million in assets
- $25-$50 million in assets
- $10-$25 million in assets
- $5-$10 million in assets
- Less than $5 million in assets

Is retirement readiness important to you? We've got you covered.







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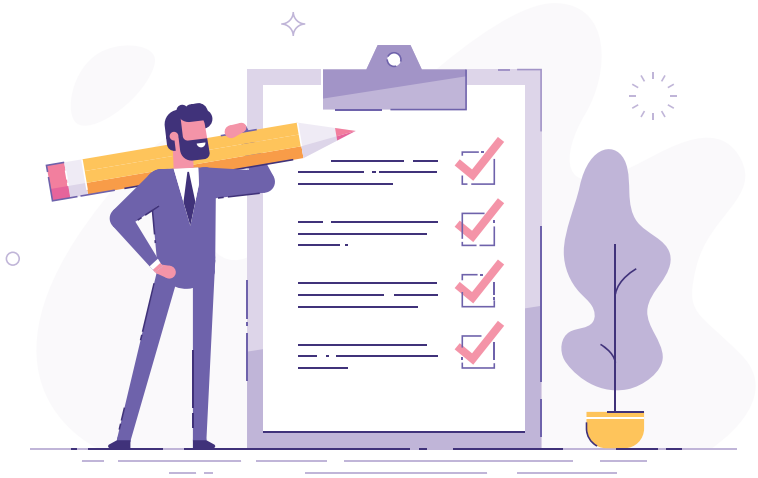

Issues, Oriented

Client retention (still) top concern, but…

Advisors participating in the nation's retirement plan advisor convention brought a lot to the sessions, networking, and – once again, shared valuable insights via an exciting new medium: the NAPA 401(k) Summit Insider.

Once again, while there was no shortage of big issues to focus on, "client retention" loomed largest for survey respondents – in fact, even larger in this year's Summit Insider. More than a third (35%) of this year's 531 respondents rated it as a "very important" consideration, compared with about a quarter (24%) a year ago. Moreover, nearly as many (34%) rated it as an "important" consideration.

In fact, in this year's Summit Insider, the "competition" for concerns was even more fierce than a year ago. Fee compression – last year's second highest consideration – slipped back some, rated as a "very important" consideration by (just) 23%, though important by 39%.

Instead, this year's strong second concern was cybersecurity, noted as a very important consideration by 35% (and important by 38%), closely followed by attracting and retaining talent, cited as very important by 31% and important by 38%. "Growing staff, keeping employees and their home life happy with constant travel is a big concern," explained one respondent. "My employees must be happy if they are going to give top notch service." Still another cited "maintaining culture during significant growth in practice" as a concern.

Competition wasn't far behind, noted as "very important" by nearly a third (30%) and important by 42%. "We are less concerned with other advisors, competition is good," explained one respondent. "Biggest issue is cybersecurity and government involvement, especially at the state level."

What didn't seem to be of much concern was industry consolidation. While provider consolidation was noted as "important" by 37%, fewer than 1 in 10 classified it as a "very" important practice consideration (nearly twice as many said it was "not at all" a concern). Advisor group consolidation, though cited as "important" by 26%, was noted as "very" important by just 9%, and "not at all" by a robust 28%.

That said, one reader cautioned: "We are being commoditized by the recordkeepers. Access to plans is limited to none. We can't help the sponsor with the administrative problems, which are huge. The industry is being painted into a corner. It is not about investments, it is about behavior." Another cited "providers that build an ecosystem that cuts into role of plan advisors" as a concern, while another similarly mentioned "plan provider relationship managers trying to take the client away from you."

Meanwhile, the fiduciary regulation – though we now have prospects for updates from both the Securities and Exchange Commission and the Labor Department – was seen as "very important" by just 15% (though it had enjoyed that assessment by even fewer a year ago), though important by nearly 4 in 10 (39%).

Other articulated concerns were succession planning (more on that in a minute), the lack of support for financial wellness initiatives, being squeezed by the state-run retirement plans, participant engagement, the challenges of expanding current practices to incorporate new elements (like health savings accounts) and, as one reader described it, "the uneven playing field in terms of compliance between major firms and RIAs." SI

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Biggest Issues

FEE COMPRESSION

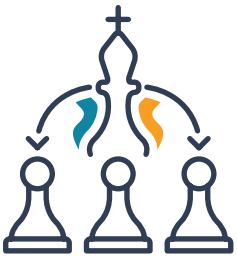
Very Important	23%
Important	39%
Somewhat	34%
Not at All	5%

CLIENT RETENTION

Very Important	35%
Important	34%
Somewhat	23%
Not at All	8%

TECHNOLOGY COMPLIANCE

Very Important	15%
Important	38%
Somewhat	37%
Not at All	9%



PROVIDER CONSOLIDATION

Very Important	9%
Important	37%
Somewhat	40%
Not at All	15%

ATTRACTING & RETAINING TALENT

Very Important	31%
Important	38%
Somewhat	22%
Not at All	9%

CYBERSECURITY

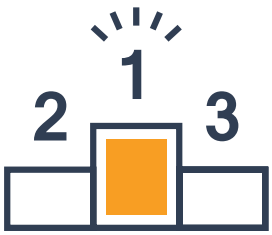
Very Important	35%
Important	39%
Somewhat	22%
Not at All	4%

FIDUCIARY REGULATION UNCERTAINTY

Very Important	15%
Important	39%
Somewhat	34%
Not at All	12%

ADVISOR GROUP CONSOLIDATION

Very Important	9%
Important	26%
Somewhat	37%
Not at All	28%



COMPETITION

Very Important	30%
Important	42%
Somewhat	25%
Not at All	3%

Client Concerns

But if advisors are being confronted with a host of new challenges, the plan sponsors they support – at least in the eyes of their advisors – are still, mostly, dealing with classic issues.

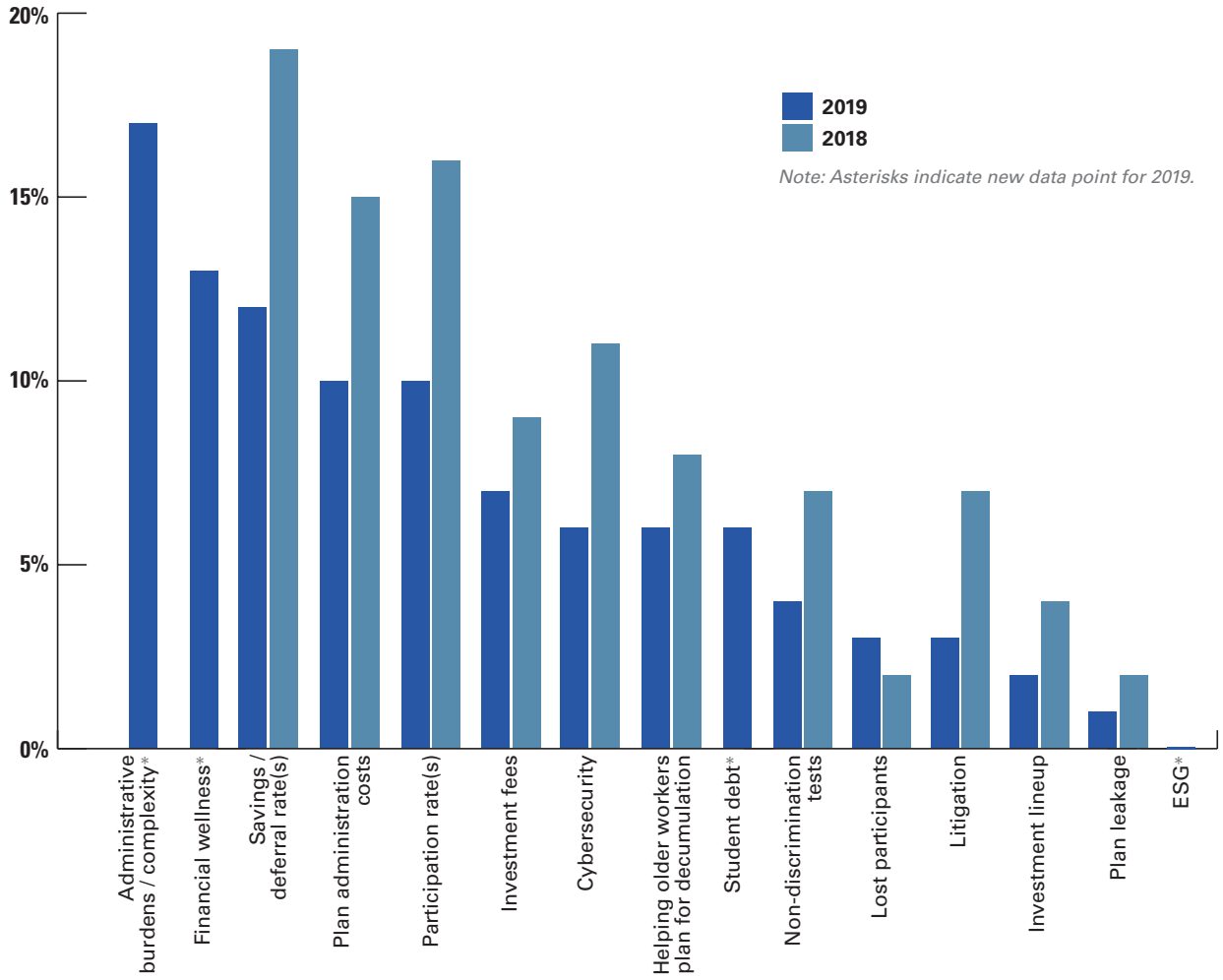
Asked to pick the three most significant concerns for their plan sponsor clients, administrative burdens/complexity outpaced other concerns, though financial wellness – a new category this year – came in second, cited by 13%.

But close after that came the traditional concerns; savings/deferral rates, participation rates and plan administration costs dominated the choices, with investment fees (7%), cybersecurity (6%) and helping older workers plan for decumulation weren't far behind.

Student debt – a new category this year – drew the support of just 6%, while concerns about non-discrimination tests were down considerably from a year ago.

Pushing aside participation rates, cybersecurity, a relatively new concern, was a close fourth – though it came in higher (second place) among advisors who work primarily with plans above $100 million in assets. SI

Most significant concerns for plan sponsor clients



Party 'Flavors'

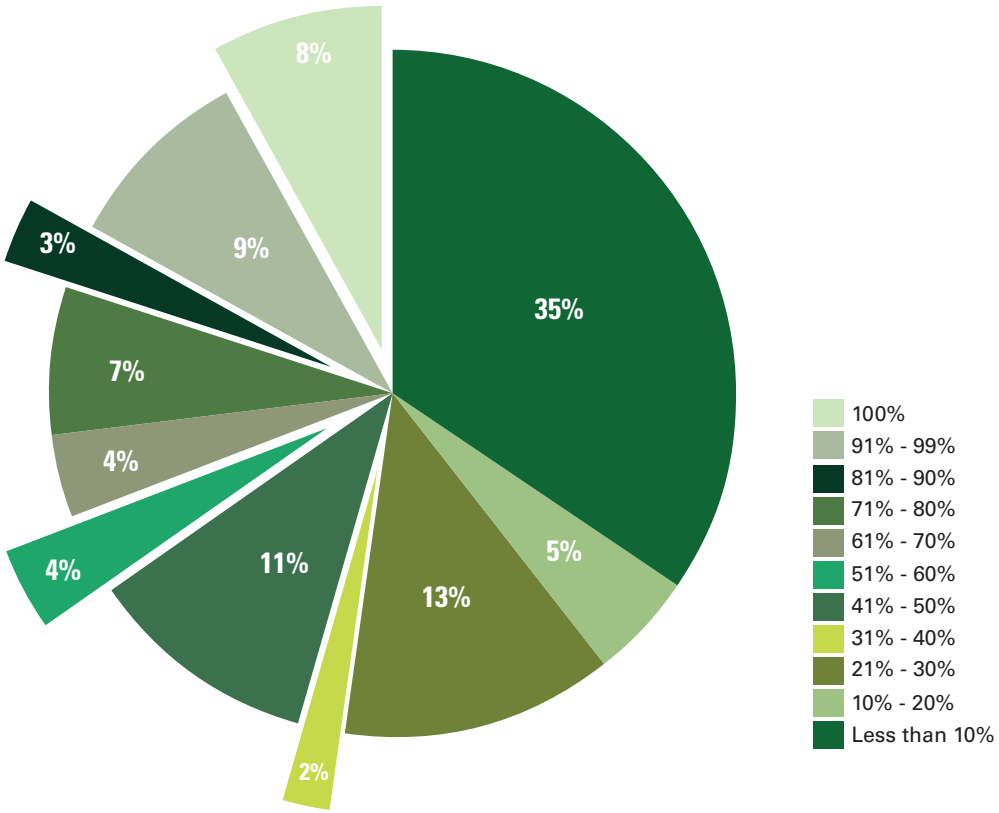
A new question this year had to do with third-party administrator relationships, specifically what percentage of advisors' new business was sold with a TPA.

Of course, the term "third-party" harkens back to a realization that these firms, as with recordkeepers generally, provide services to a plan sponsor that plan sponsors once did for themselves. Things have grown significantly more complicated over the years, and though today TPAs not only keep up with participant accounts, they can be an invaluable resource to plan sponsors – and advisors – on issues like regulatory compliance and plan design. We're talking about an extraordinarily extensive list of services, including amending and restating plan documents; preparing employer and employee benefit statements; assisting in processing all types of distributions from the plan; preparing loan paperwork for plan participant; testing the plan each year to gauge its compliance with all IRS non-discrimination requirements as well as plan and participant contribution limits; allocation of employer contributions and forfeitures; calculating participant vested percentages; and preparing annual returns and reports required by IRS, DOL or other government agencies.

A TPA can be a plan advisor's best friend. But it's important to understand the various types of TPAs and how to best leverage them depending on the plan profile and size.

Roughly a third (35%) of this year's respondents sold more than half of their new business with these partnerships, and nearly 1 in 10 (8%) have relied on these relationships for 100% of their new business. But as you can see on this chart, the results were quite varied. SI

What percentage of your new business is sold with a TPA?



Change 'Parse'

Perhaps no function is as integral to the successful operation of a plan as that of the recordkeeper. Of course, nothing can so completely or rapidly sour a relationship as bad recordkeeping, and therefore it's no real surprise as to what our 2018 respondents said was their primary consideration in selecting a recordkeeper: service. In fact, service was cited more than twice as often as the No. 2 consideration: fees.

This year we asked advisors to look at the flip side of that question – and asked them to identify the top three reasons for proposing a change in that recordkeeping relationship.

Not surprisingly, two items dominated the list:

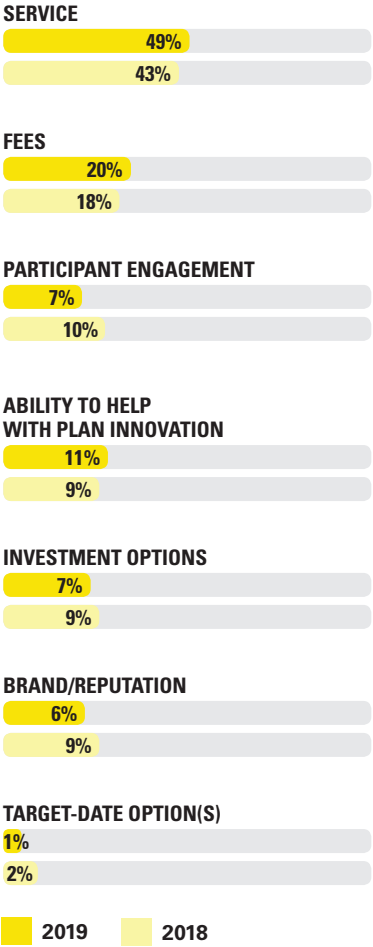
- either the plan has outgrown the service model or poor service (30%); and
- the fees are too high (26%).

Limited technology or web-based tools was ranked third (17%), while investment restrictions was a distant fourth, cited by 11%. SI

What are the top reasons for proposing to change your prospect or client's recordkeeper?

- Plan outgrew service model or poor service: 30%
- Fees too high: 26%
- Limited technology or web based tools: 17%
- Investment Restrictions: 11%
- Lack of employee wellness/retirement readiness tools: 7%
- Unable to accommodate unique assets or plan design: 5%
- Inabiility to offer custom models: 3%
- Not a firm-approved provider: 1%

What is your PRIMARY consideration in selecting a recordkeeper?



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client retention[1]

100%

client satisfaction[2]

1 Client retention as of 12/31/18.

2 Securian Plan Sponsor Satisfaction Survey as of 11/1/18. Satisfaction rating for clients with over $10 million in assets.

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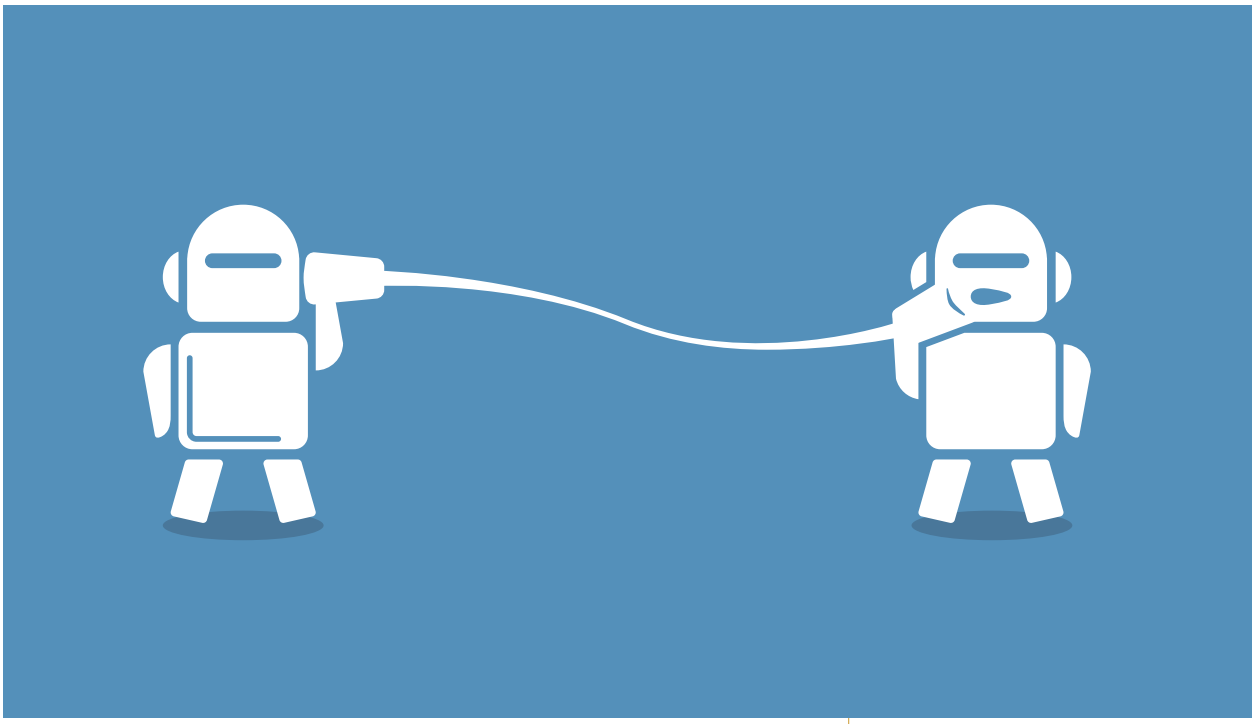


'Over' Done?

A lot can happen in a year, but in terms of topics deemed "over-hyped," respondents to our 2019 Summit Insider poll had much in common with those from the prior year. Environmental, Social and Governance (ESG) investments topped this year's list, categorized as such by one in five respondents, barely eking out robo-advice (19%), which had "topped" the 2018 list. Of course, ESG had been No. 2 in this category last year.

With regard to robo-advice, one respondent explained, "The media promotes robo-advice (lower fees, streamlined efficiencies) like everyone wants that and nothing else. But we all know in-person, customized advice is what moves the needle on participant actions. And the vast majority of actual feedback from sponsors and participants is that they want to deal with a real human, someone to explain the issues and concepts and handle their questions."

Collective investment trusts (15%) ranked third this year, a position it held (albeit tied with managed accounts) a year ago.

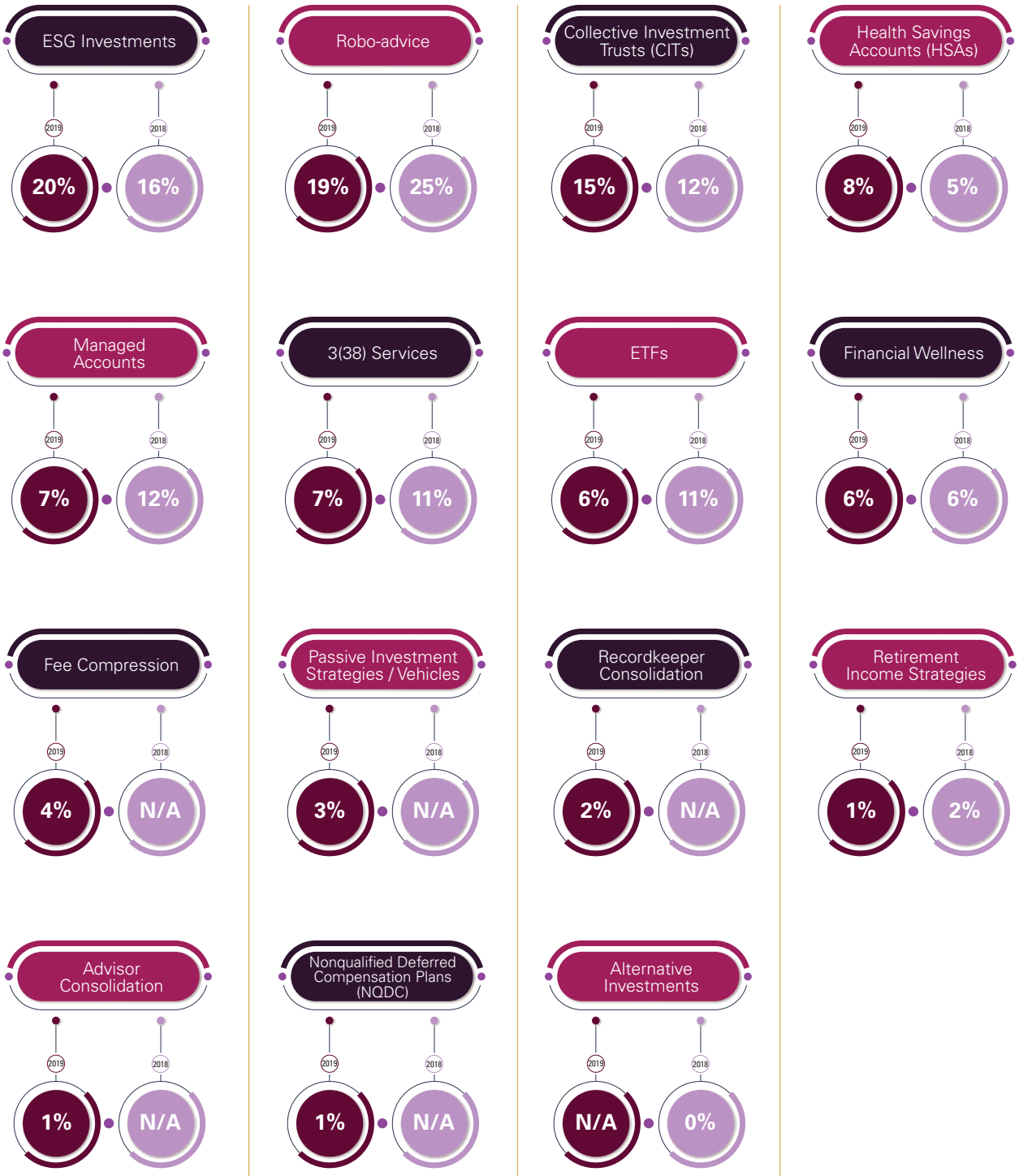
All in all, this year's list was more concentrated than a year ago. After CITs, things dropped off into single digits, with things like health savings accounts (though they registered 8% this year, compared with 5% in 2018), managed accounts, 3(38) services, ETFs and financial wellness. Regarding the latter, a respondent cautioned: "I find that people use the term 'financial wellness' but never deliver an actual financial wellness strategy."

While more than one reader noted that, "If there was an 'all of the above' option, I would have checked it," write-in topics included:

- aggregators (one reader observed, "Most of these aggregators do not offer real value other than a big fraternity with tools selected from a wide scale of places and not of their own making");
- 3(16) services; and
- "off the shelf" 3(21) and 3(38) services – which one responded categorized as "the robo for fiduciary advice." SI

A-IMAGE / SHUTTERSTOCK.COM

Over-Hyped Trends



Information 'Pleas'

A new question this year had to do with third-party administrator relationships, specifically what percentage of advisors' new business was sold with a TPA.

Interestingly enough, a number of the topics about which respondents said they would like more information also showed up on the "over-hyped" list, suggesting an interest in moving beyond the hype.

Here fiduciary education topped the charts – with more than half (54%) of respondents indicating they would like more information (take note, DCIO and provider partners), followed closely (49%) by financial wellness and the 47% who wanted more information about health savings accounts.

Retirement income (45%) and student loans (41%) also stood out as topics of further interest.

Other topics of interest included:

- Social Security and impacts on income
- Responding to RFPs
- Qualification issues
- Plan corrections
- PEPs/MEPs
- Human capital risk management
- How to build a "sleep well at night" fund to cover unexpected expenses
- Cybersecurity
- Practice efficiency
- Asset Pooling Arrangements
- Advisor succession in the retirement plan business
- Best technology tools for participant engagement

And there was this from one respondent: "Personally, I don't want to read 20-page white papers. I'd love to listen to podcasts." SI

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Which of the following topics would you like more information about (white papers, email newsletters, online articles, and webinars)?

Fiduciary Education
54%

Financial Wellness
49%

Health Savings Accounts (HSAs)
47%

Retirement Income
45%

Student Loans
41%

3(38) Services
25%

Collective Investment Trust (CIT) Funds
24%

Managed Accounts
18%

ESG Investments
17%

Robo-advice
14%

Target-date Funds
11%

Exchange-Traded Funds (ETFs)
8%

529 Plans
8%

Alternative Investments
6%

'Open' Doers?

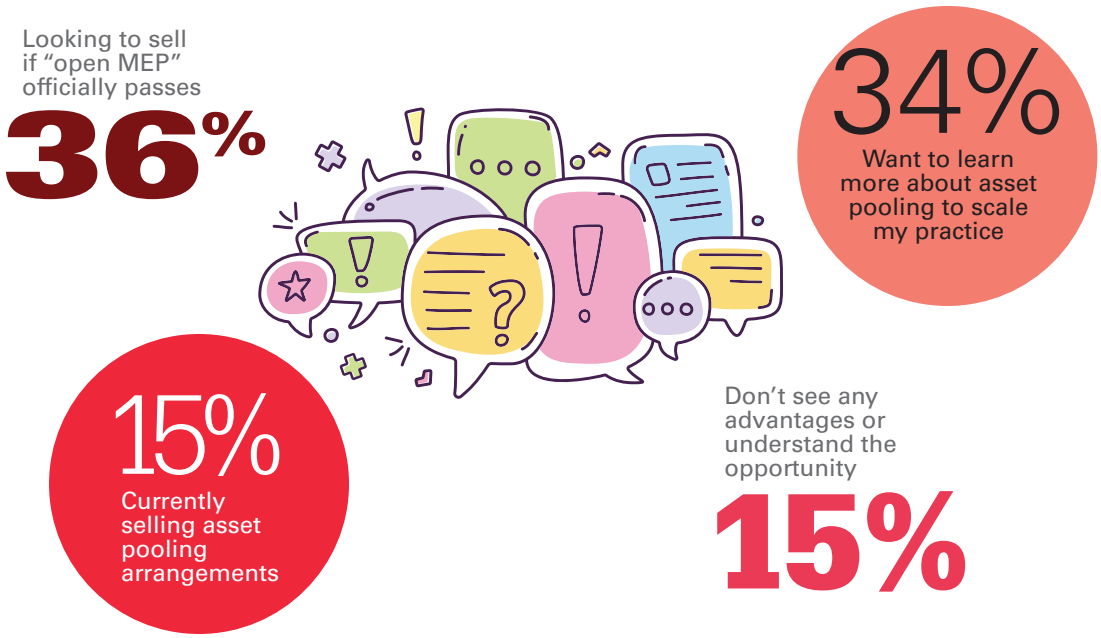
Multiple employer plans, or MEPs, as they are commonly called, continue to be a hot topic of conversation and promise as a way to either help close the current coverage gap, provide a more efficient means for more employers to offer a retirement plan (which would help close the coverage gap), or provide additional means for providers to (more profitably) serve that market (and thus help close the coverage gap) – well, you get the point. Little wonder that the concept has been hotly debated since 2012, when the DOL released Advisory Opinion 2012-04A, clarifying its stance that "open" MEPs (those open to any adopting employer rather than closed to a select group of employers) are not single plans under ERISA but rather a collection of single plans for each adopting employer.

More recently, President Trump directed the Labor Department to explore the opportunities to expand retirement plan access, and versions of open MEPs proposals (though renamed Pooled Employer Plans, or PEPs) have been included in recent legislative proposals, including the SECURE Act recently passed by the U.S. House of Representatives and the Retirement Enhancement and Savings Act (RESA) in the Senate.

So as the industry once again seems to stand on the brink of action with regard to MEPs, we asked Summit Insiders to tell us where they stood on open MEP or asset pooling arrangements.

For the very most part, respondents seemed to be in a "wait and see" mode – and who can blame them, considering the fits and starts of these proposals. In fact, a slim plurality (36%) said they were "looking to sell if open MEPs officially passes." That said, nearly as many (34%) seemed ready to go, indicating they wanted to "learn more about asset pooling" to scale their practice. And as it turns out, 15% were currently selling asset pooling arrangements – though that was matched by the 15% who said they "don't see any advantages or understand the opportunity." SI

Open MEP or asset pooling arrangements: Which best describes your position?



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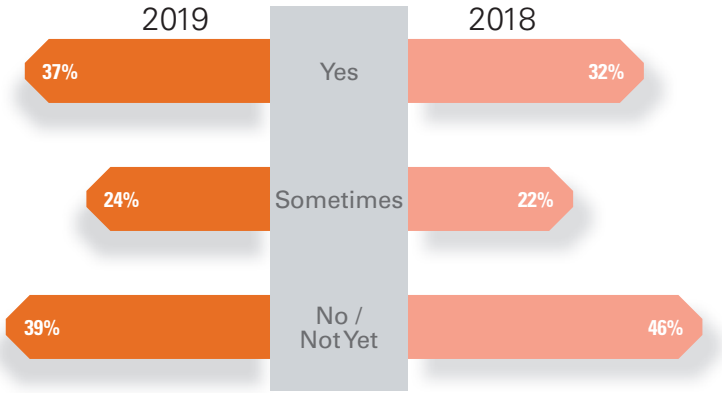
Profit Abilities

There are lots of ways to pay attention to the bottom line, of course – and with competition and fee compression combining to put the squeeze on margins, keeping things in the black can be tough. One way is to evaluate profitability on a per-plan basis – and we asked this year's Summit Insiders if they were doing so.

As it turns out, a plurality (37%) was, with another 24% indicating they did so "sometimes." However, nearly half (46%) of this same group indicated a year ago that they were not doing so, while this year that was just 16%. Consider as well that nearly a quarter (23%) of this year's respondents said "not yet" in response to the question about evaluating profitability on a per-plan basis. SI

Are you tracking profitability on a per plan basis?

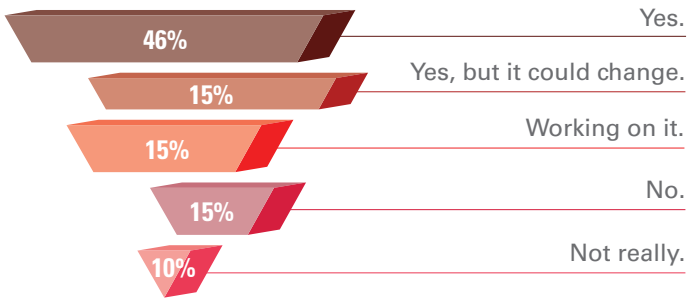


Nothing Succeeds Like Succession?

More than half of the survey respondents said they had a succession plan in place, though 15% said their plan could change. On the other hand, a quarter either didn't, or described their status as "not really."

And then there was the 15% who categorized their status as "working on it." SI

Do you have a succession plan in place?



Service 'Says'

As one might expect, the Summit Insiders tend to be a proactive group when it comes to offering plan design solutions. And in fact, clients of the respondents to this year's Summit Insider were well-represented on a list of features and options that many would consider beyond standard 401(k) plan design.

More than three-quarters (77%) had financial wellness programs, for example (75% did in last year's survey), and more than two-thirds (68%) had clients taking advantage of 3(38) services (71% did in last year's survey). Nearly 6 in 10 (59%) had non-qualified deferred compensation (NQDC) plans, and nearly as many had clients taking advantage of collective investment trusts (57%) and managed accounts (55%).

Less common were retirement income solutions (36%), exchange-traded funds (35%), health savings accounts (30%) and ESG investments (29%).

That said, when asked which of a wide range of services they had proposed to their clients or prospects in the past year (though we limited their choices to five to see which were the most popular), automatic enrollment was the most-recommended service – 80% of this year's respondents had touted that feature, compared with 84% in last year's group.

Similarly, contribution acceleration/automatic escalation was the second-most proposed, though just two-thirds (64%) of this year's respondents had done so, compared with three-quarters (76%) in last year's survey. Re-enrollment of all eligible participants – something that industry surveys suggest is still a relative rarity – had been pitched by about half (52%) of respondents, and stretching the match – something promoted by half of last year's respondents – had been promoted by just 41% in this year's poll.

One standout item – non-qualified deferred compensation programs – which hadn't been on last year's list – had been promoted/proposed by more than a quarter (28%) of this year's respondents. SI

Which of the following have you most often recommended to your new or existing clients during the past year?

Automatic Enrollment	80%
Contribution Acceleration / Auto-escalation	64%
Re-enrollment of all Eligible Participants	52%
Stretch Match	41%
Reset Investment Elections to QDIA/TDF	36%
Nonqualified Deferred Compensation Plan	28%
Collective Investment Trust (CIT) Funds	27%
Managed Accounts	19%
Exchange-traded Funds (ETFs)	10%
Investment Options Designed to Generate Income in Retirement	10%

Which are already being used with plan sponsor clients?

Financial Wellness

77% 75%

3(38) Services

68% 71%

Nonqualified Deferred Compensation Plan

59% N/A

Collective Investment Trust (CIT) Fund

57% 55%

Managed Accounts

55% 51%

Retirement Income Solutions

36% 41%

Exchange-Traded Funds (ETFs)

35% 1%

Health Savings Accounts (HSAs)

30% 26%

ESG Investments

29% 26%

Alternative Investments

21% 28%

Robo-advice

N/A 2%

2019
2018

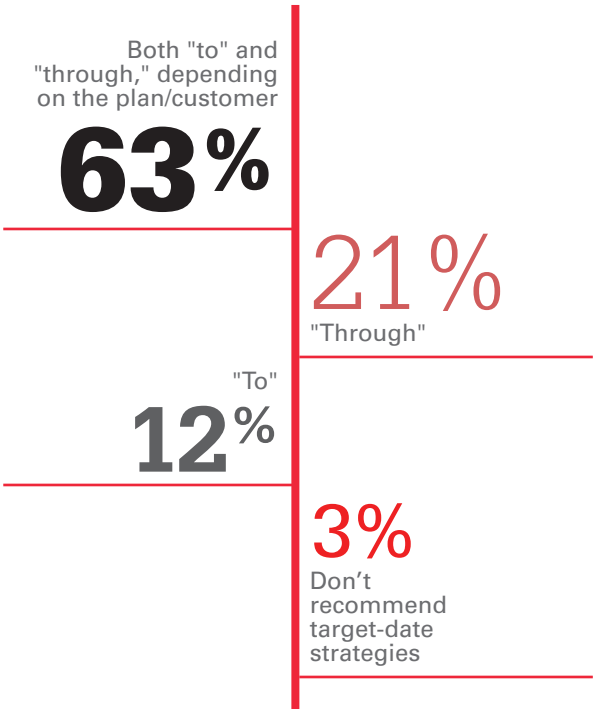
Target Practices

Buoyed (if not fueled) by their prominence as a qualified default investment alternative (QDIA) and the expanding availability of automatic enrollment, target-date funds are dominating new contribution flows.

That said, there are differences between target-date funds – glide paths, fees and fund composition, to name a few. We asked Summit Insiders to share with us whether they recommended target-date funds with a glide path designed to go "to" the specific target date, "through" a specific target date, or both, depending on the plan/customer.

Just over one in five (21%) opted for funds with a "through" focus, while about half that many (12%) went with those with a glidepath focused on a "to" target-date strategy. What that means, of course, is that most – two-thirds – recommended either a "to" or a "through" approach, depending on the needs of the plan/customer. SI

Are the target-date strategies you recommend:



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Passive Tense?

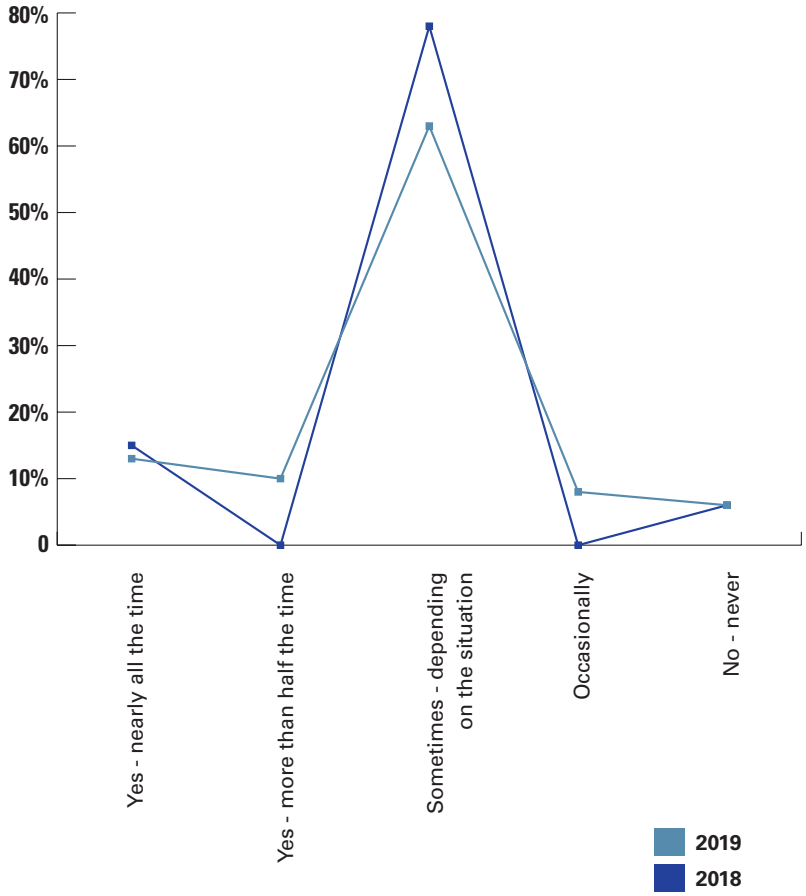
Concerns about fees and litigation (particularly litigation about fees) have drawn attention to the fee differential typically found between active and indexed, or passive strategies.

The response of Summit Insiders? Well, the vast majority were situational, with two-thirds (63%) indicating that they sometimes favored passive options over active, "depending on the situation." That stood in sharp contrast to the 6% who indicated that they never do – the same percentage as in last year's survey.

We offered a couple of new options for this year's responses, however – and found that 13% said they were favoring passive "nearly all the time," while another 10% were doing so more than half the time, and 8% characterized those inclinations as "occasionally."

As for the driver(s) behind that decision, a plurality (37%) cited a desire to reduce plan costs, followed (distantly) by plan sponsor demand (22%), and not seeing the value in active management (16%). SI

Are you currently favoring passive fund options over active in your recommendations?



If so, what is the primary driver behind that decision?

Desire to reduce plan costs
2019: **37%**
2018: **33%**

Plan sponsor demand
2019: **22%**
2018: **22%**

Not seeing the value in active management
2019: **16%**
2018: **16%**

Not currently favoring passive fund options over active
2019: **11%**
2018: **12%**

Something else
2019: **9%**
2018: **11%**

Fiduciary concerns
2019: **5%**
2018: **6%**

What Should Plan Sponsors Understand (Better)?

It's often said that the customer is always right – but that doesn't mean that they are always fully informed and – not being fully informed – they might not always make the "optimal" choice.

Regardless, we also gave our Summit Insider advisor respondents an opportunity to weigh in on what they wished plan sponsors understood (better)?

What They Don't Know... Can Hurt You...

» The amount of time we may spend on their plan that they do not see. I need to do a better job of articulating and reinforcing my value proposition.

» Fiduciary value of advisors and consultants versus Record Keepers/Administrators.

» The amount of work that goes on behind the scenes that advisors continuously do to try to get all participants to a better place.

» Advisors don't replace recordkeeping platforms.

» The amount of work we do in the background.

About... Their Role and Risks...

» Their fiduciary responsibility (this came up a LOT).

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"THAT **LEAST EXPENSIVE** IS NOT THE BEST OPTION. THAT **QUALITY OF** ADMINISTRATION IS **CRITICALLY IMPORTANT**."

» There is no way to eliminate all fiduciary responsibility.

» The fact they are a fiduciary and shouldn't work with their golfing buddy just because he's the golfing buddy.

» The seriousness of the trustee responsibility.

» The work it takes to make the plan cost efficient and their fulfilling of their fiduciary duties to the plan.

» Who serves their plan (RK, TPA, Advisor) and what each does. Also, what they are responsible for as a plan sponsor.

» That there will always be work for the plan sponsor as it relates to the plan. No vendor can replace the work of a plan sponsor.

About... Having a Plan...

» How retirement plan costs work; how is your advisor paid, how is the recordkeeper/TPA paid, and what funds are the mutual funds paying.

» That fees are only one element in fiduciary responsibility.

» That the benefits they can receive outweigh the costs of establishing a plan.

» The most important benchmark is participant outcomes – retirement readiness. Period.

» Difference between true 401(k) plan advisors and pretenders – most don't know what they don't know and make hiring/ firing decisions based on faulty or extraneous issues.

» The amount of time, resources and money that goes into servicing plans and participants.

» Participants and HR people come first. Need to be more adaptable to meet client needs.

» Outcomes bearing on bottom line.

About... Running a Plan

» In 401(k) plans, everything depends on clean payroll and demographic data.

» How seriously to take terminated employee communications.

» That the investments (to the extent that they are monitored, etc.) don't really matter all that much to an employee's success.

» I wish plan sponsors would spend more time learning their plan document!

» Don't hastily fire your TPA or record keeper to save a relatively small amount in fees. Don't be tempted by payroll provider without consulting the Financial Advisor first.

» Every vendor has issues/ limitations.

» The importance of regular meetings with the advisor to review the plan.

» Recordkeeping costs and how that relates to the investments that can be offered (i.e. revenue-sharing model vs. zero-revenue model).

» That automatic enrollment works and the number of complaints by participants are minimal.

» The requirement for due diligence on 3(38).

» The reduction in fiduciary liability by hiring a 3(38).

» The operational process of how retirement plans need to work. Too many sponsors still make simple mistakes like late contributions, missed enrollments, late 5500 filings, etc. b/c they just don't fully understand the importance of the requirements.

» The relationship of participant outcomes and financial stress to employer costs.

About… Their Workers and Their Plan

» The importance of their participants saving enough for retirement so that they retire on time and don't end up causing the business to pay for higher healthcare costs.

» The importance of financial wellness to the long term success and viability of the company and its employees.

» That by taking the time to highlight their retirement plan offering more employees would be planning for their future.

» If you do the right thing by your employees then litigation risk solves itself.

» Their employees need help retiring on time and with sufficient retirement income.

» The importance of promoting the plan regularly and the difficulty employees have prioritizing their finances.

» How interconnected their benefits packages are; HSA, student loan repayment, the retirement plan – it all collectively contributes to health and wellness.

» That their organization would be better if they paid closer attention to their benefit plans.

About… Advisors and Their Plan

» That they need a plan, and they can't do it themselves. They understand their businesses, but don't have a clue about ours.

» 401(k) plans aren't FREE. Open your eyes and uncover the hidden weenie.

» You get what you pay for. Lowest cost is not the requirement.

» Our expertise and the service we provide. Sometimes it feels like they view us as a commodity.

» That least expensive is not the best option. That quality of administration is critically important.

» How to vet potential outside advisors for their competence: i.e., experience, credentials and training versus just charging a fee for service with little experience, etc.

» The value of the background and training of their consulting team. Employers don't really ask why an advisor got in the business, how they got in the business and why they are qualified to act in that capacity. Background and training matter.

» Not all advisors are the same; specifically the difference between a specialist and generalist. That all generalists say they do what we do, but don't deliver. That the focus should be on savings and participation rates and not on lowest cost.

» The efforts behind the scenes that goes into making it look easy. SI

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I Wish Regulators Understood (or Understood Better)…

Advisors are, of course, both guided and hemmed in by laws, rules, and regulations. Once again as part of the Summit Insider, we gave our advisor respondents the opportunity to share what they wish regulators understood – or, in some cases, understood better.

Once again, nearly every respondent had something to share on this open-ended question, and while there was a wide range of perspectives, certain "themes" emerged.

At a high level…

» The needs of participants.

» Form 5500 data does a poor job of accounting for 'fee leveling' for plan sponsors.

» The retirement plan industry as a whole and the roles of the parties involved.

» The complexity of sponsors' needs vs participants' wants.

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» The confusion that surrounds fiduciary standards.

» What plan advisors actually do to help plan sponsors and participants.

» Disclosure is a waste of time and money.

On the subject of disclosures…

» The average person does not read disclosures – they are hard to read and understand, and expensive to provide.

» Disclosures are overwhelming the participants.

» Paper notices are not necessary.

» The administrative burden of being over "noticed."

» Participant disclosures are confusing/don't get looked at, and can be burdensome to small plans.

» Participants do not like receiving a lot of paper.

» The complexity/cost of mailing annual notices via paper, and continue to push forward with electronic notices.

» Disclosure requirements have expanded so dramatically that no one reads them, thus defeating the purpose.

And then there's the impact of regulations

» How there are too many rules and too much complexity which often prevents employees from starting plans.

» That making rules complex just makes people do nothing. This needs to be much simpler.

» The escalating costs and burdens of escalating regulations and oversight requirements.

» How difficult it is to comply with the complicated rules.

» What's practical vs. what sounds good on paper but is not realistic that people will and won't do.

» There is an issue with retirees rolling over from low cost corporate plans to higher fees and more expensive investments

» If we want to expand coverage regulations need to be easier to work with.

» That participants really need help and the fiduciary rule makes advisors timid to really help.

How things like _____ work(s):

» Revenue sharing

» Fees

» Our business

» Fee disclosure

» How recordkeepers charge

» Rollovers

» Recordkeepers

» The nuts and bolts of actually running plans

» The entire fiduciary process thru the eyes of the sponsor

» Brokers versus consultants

The impact of state versus federal

» That states can't legislate a one-size-fits-all plan. That a "single provider" system, run by governments that can't manage their own budgets and their own state's pension plans, should not be in the business of legislating a plan solution.

» We need a national plan instead of state by state fiascos.

» Overlaps of fiduciary governance by states.

» That having 50 state solutions is complicated and confusing for plan sponsors and consultants. We need to address national solutions.

When it comes to plan administration…

» Sending out paper notices to terminated participants is a complete waste.

» The impact of their "good ideas" and how much more complex the plan sponsor's job and the advisor's job gets every time they layer on new regulations.

WHAT IT IS WE ACTUALLY DO. **MANY TIMES I DON'T THINK REGULATORS HAVE ANY IDEA WHAT WE DO WITH OUR CLIENTS.**

» The burden they create for small companies with complex rules.

» How hard they are making for plan sponsors to offer retirement plans.

And as for "us"...

» The role advisors play in enhancing participant outcomes.

» That the advisors in this space work very hard to give the company and the employees a much needed benefit. And therefore be able to charge for that expertise and service. We should be limited for the service we provide the same as any other industry.

» Advisors are moving the needle, stop making us the enemy.

» That we have a job to do and they are making it harder.

» The difference between an RIA acting as a fiduciary and a broker who may be intentionally trying to avoid acting as a fiduciary. It's a VERY different model and culture of compliance.

» Advisors are the best thing to happen to plans since ERISA was passed.

» What it is we actually do. Many times I don't think regulators have any idea what we do with our clients.

» The vast majority of advisors are in this business for the RIGHT reasons.

» Not all advisors are evil.

» That the industry has changed a LOT over the past 10 years and clients do not rely on advisors for only investment advice or guidance anymore. They are usually lacking the support elsewhere to help them understand the complexities of retirement programs (which seem to grow more complex daily) and the cost of mistakes can be high. Advisors have the best interest of their clients at hand and are trying to act as a guides in all areas of fiduciary compliance to help them out. At the end of the day, we really do want to do what is in the best interest of our clients and their employees.

And when it comes to plan sponsors...

» That plan sponsors try to do the right thing but these plans are complicated and penalties costly.

» That most plan sponsors are trying to do the right thing, but these plans are complicated and penalties can be severe if there is an error. Try to make correcting errors less complicated and less costly,

» That most employers do not know what they need to do to properly run a plan. Employers are dealing with their own internal company issues. They need a plan expert to help them with process and procedures.

» I wish they could see it through the plan sponsor's eyes versus as a regulator.

» Most plan sponsor committees are formed to comply with regulations and while they care deeply about their employees, the members have 100+ other responsibilities at their respective organization. The committees we partner with truly care about the financial livelihoods of their colleagues.

» That business owners are busy trying to run their businesses and do not have time to become ERISA experts.

» Plan sponsors are not bad people.

» The 401(k) isn't the centerpiece nor daily focus of HR/Op teams at our plan sponsors.

» Plan sponsors run a business and that mistakes made are many times in error and are not meant to be harmful.

Looking ahead… regulators should keep in mind…

» The push for lower cost and fear of having excessive fees has put plan sponsors at risk to not get the needed advice and support. It has also driven down services provided by the record keepers.

» How complicated they have made the retirement arena. This is far too difficult for smaller employers to address really well on a daily and long term basis.

» The burdens and the cost to participants of their "well-meaning" rules and regs.

» Cheap funds do not automatically equate to better outcomes.

» There is a need for safeguard provisions on annuities for decumulation strategies.

» The complexity and scope of work that we do and the breadth of ongoing education and training that advisors in this field need to do in order to serve plan sponsors better.

» We need to come up with spend-down solutions that don't increase liability for the plan sponsor. Much like they did with auto enrollment, plan sponsors need safe harbors. SI

'Talking' Points

While NAPA-Net generally, and the NAPA 401(k) Summit specifically, would seem to be forums where all that "should" be talked about are, for this year's Summit Insider, we asked respondents to recount for consideration, "What is nobody talking about that everybody should be talking about?"

Arguably, much of what is on the list that follows is being talked about – though arguably not talked about by the "right" people – or, more precisely, not being talked about enough.

Here's a thought-provoking subset of the more than 500 comments we received from the Summit Insiders. Discuss….

- How open MEPs could eliminate the need for as many advisors and mass consolidation could occur.
- State takeovers of retirement benefits are happening.
- Underperforming funds inside of target-date funds.
- Social Security will pay 75% less across the board in the near future if we don't do something about it.
- Why would any plan sponsor ever take on a plan without a knowledgeable financial advisor who specializes in the DC/DB arena?
- The success and innovation the retirement industry has had in addressing the changing workforce (people changing jobs all the time), the need for companies to stay financially strong and flexible to be competitive and drive the greatest experiment (the U.S. Constitution) in world history. The retirement "crisis" is just a by-product of rapidly changing expectations coupled with health care advancement and longer life over the last 100 years.
- The Baby Boomers retiring with sufficient assets but not understanding how to create income and navigate healthcare.
- The cost(s) of NOT being able to retire.
- Transient nature of today's workforce.
- The trend of medical and retirement vendors becoming more integrated, but the lack of integration from a strategy perspective by advisors.
- Integration of plan designs like HSAs should be designed to maximize alongside the 401(k) plan.
- Lack of financial literacy in the U.S.
- Removing the option of distributions from a retirement account besides a loan or hardship. Allowing loans from an IRA and ability to transfer loans from plan to plan rather than deeming it a distribution.
- Changing the way we deliver participant notices to terminated participants. Forcing participants to put in their personal email addresses.
- The impact blockchain technology would have on the future (or lack thereof) for recordkeepers.
- Investing HSA accounts for retirement.
- Exit strategies. Being prepared at least 2 years before selling your business. We have a team of attorneys and COA's that put a "ribbon" around the business to make it much more attractive to sell with the proper time.
- Loans – participants using their accounts for loans. I feel there should be tougher limits on the ability to take a loan. Even if it is a 30-minute video that they have to watch. Ultimately, you can't stop someone from taking a loan but there should be more education, or hey stop wait a

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minute and think this through, before a loan is taken.
- Investment committee liability.
- What's going to happen when the majority of people don't have enough money to retire.
- The race to zero will result in everyone losing.
- How some meetings with providers feels like a sales call. A lot of providers are focusing on selling ancillary services and not addressing the issues in the plan.
- Trying to find a vendor who is cost efficient with open architecture in the small market under $1 million space.
- Recordkeeping consolidation.
- Passive investing not being sustainable.
- Record keepers offing fiduciary tools aimed to carve into our business and in some cases competing against us for business.
- When employees can't retire, the cost associated to the business (example – increased healthcare rates).
- Cash balance plans.
- State mandated regulations for retirement saving plans.
- The value in HSA's for covering retirement health care.
- Can we allow people to make a bad choice and live with that outcome.
- All the people not in retirement plans.
- What participants and sponsors are doing well!
- The potential threat to advisors of MEP programs.
- Depending on how the legislation shakes out, MEPs could wipe out a huge number of providers and that advisors may be most at risk.
- The difference between what conference speakers describe as best practices and what people actually do.
- There is approximately 25% to 35% of the U.S. population of plan participants (not just the uncovered) that is NOT going to make it in retirement. How will they be rescued? How much will it cost? Who will pay that social cost? Can we avoid this eventual reality or, at least, can we minimize this hit?
- Understanding how to properly benefit and reward Millennials in the workplace. They will soon be the majority of the workforce and the industry is stuck in the 401k past.
- Having a process to ensure the plan sponsors are meeting their fiduciary obligations. It seems that many plants have no process and the employees have no idea that the people responsible for their plans are not doing their due diligence in regular intervals.
- Retirement income and how to manage it, due to the percentage of baby boomers taking distributions.
- The lack of guidance around how to properly act as a 3(38) investment manager.
- Why are some 3(38) advisors only using one set of target date funds on their approved list? Where is the due diligence?
- How fee compression on the record keepers is hurting service and putting plan sponsors at risk with turnover and lack of being proactive.
- Creating emergency savings accounts inside retirement plans using payroll deduction and an after-tax money type.
- Where is Social Security and its stability?
- Engaging the younger generation of advisors with technology they're used to. The tech focus has been participant driven, not advisor driven. It's time we figure out better ways for advisors to use tech (like texting that is captured for compliance purposes).
- How much good our industry has accomplished over the last 15 years... while not everyone has enough in savings, a whole lot more people have a whole lot more than they did 15 years ago.
- The generation that follows the Millennials and how advisors in their 30s-40s are ill equipped to deal with what type of products and services they may want.
- A push in the small and medium plan market for plan sponsors

INTEGRATION OF PLAN DESIGNS LIKE HSAs SHOULD BE DESIGNED TO MAXIMIZE ALONGSIDE THE 401(k) PLAN.

to understand the number one criterion for judging their plan is employee outcomes.

- The biggest threat to the advisor community is the advisors themselves. The race to the bottom has been driven by the advisor and not necessarily by anything else. If more advisors a) showed value and b) understood their value, it would change the conversation and benefit the industry as a whole.
- Deferred Comp and Corporate Bonus Plans.
- The lack of financial education provided to high school students and children to form a good foundation for success in life.
- Full service financial planning is the next great employee benefit.
- How the rising cost of healthcare will impact the retirement plan industry.
- That like healthcare, the government is going to want to "fix" retirement plans by trying to take it over or legislate the heck out of it.
- Education on financial matters aimed at kids. Expecting adults to make informed choices and decisions is often an uphill battle and lost opportunity because they start at zero level of knowledge and awareness. Americans will always be unprepared for retirement or many other financial matters until we change the education they receive on the topics.
- How can we as an industry solve the coverage problem? How can plans be affordably offered to smaller and smaller companies?
- How fee compression has reduced the overall quality of services.
- Participants who don't properly use TDFs.
- That workplace retirement plans have experienced net outflows for the last few years.
- After-tax as emergency savings.
- We need to do a better job as an industry specifically as it relates to helping participants actually transition into retirement. And I don't just mean annuities, but helping them understand their overall financial picture.
- Maybe the government should regulate how much attorneys charge their clients in their fiduciary capacity.
- The lack of training for plan sponsors on 401(k) plan management.
- Guaranteed retirement income.
- Recordkeepers and Advisors have always been partners except for when it comes to terminated participants. Then, things get territorial. Recordkeepers and Advisors battle for participants. Some recordkeepers are headed towards an adversarial approach and some are headed towards a joint partnership approach. Recordkeepers are creeping into the Advisor space more and more.
- The value an adviser has on a plan. From mitigating fiduciary exposure to using the participant experience to help retain valued employees.
- What the biz owner really wants vs what we want them to know.
- The student debt burden that Millennial investors are carrying, preventing them from adequately saving for retirement. Also, how to turn retirement savings into a stream of income that a 4th-grader can understand. These are being talked about, but I don't hear solutions, just a discussion of the problem. SI

THE LACK OF GUIDANCE AROUND HOW TO PROPERLY ACT AS A 3(38) INVESTMENT MANAGER.

- No one discusses the reasons why people don't have enough income.
- The gap between those that save and those that don't, even though they could.
- Not enough talk about ESG in retirement community and actual strategies for dealing with student debt.
- How recession will affect participants.
- Costs paid by Participants with the highest account balances.
- Processes around 3(38) selection for a plan sponsor. Plan sponsors remain on the fiduciary hook unless they document a sound process on why a 3(38) was selected.
- TDF litigation in the future.
- Integrated payroll and record-keeping.