# Retirement Plan Trends to Watch in 2021

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With the holiday season upon us and the New Year fast approaching, it is time to consider what 2021 may bring for retirement plan sponsors. Below are the trends that we predict will be popular in the New Year:

## POOLED EMPLOYER PLANS (PEPS)

In 2021, PEPs will allow unrelated employers to band together to form a single retirement plan, as opposed to sponsoring individual employer plans. In theory, PEPs take advantage of collective purchasing power to enable small employers to enjoy the same low pricing as larger plan sponsors. However, service providers may retain some of that theoretical cost savings in the form of larger margins. While there are likely to be many PEPs formed in 2021, the success of these plans remains to be seen.

## FINANCIAL WELLNESS

Look for a significant increase in financial wellness programs in 2021, thanks to COVID-19. The pandemic has caused heightened focus on personal financial situations, and many employees are unhappy with what they see - and will look to their employers for help. From student loan debt repayment assistance to emergency savings, budgeting assistance, and even HSAs, there is likely to be a rise in employer-sponsored financial wellness offerings next year.

## ANNUITIES

While annuities have their issues (namely cost, transparency and complexity), there is a clear need for retirement income benefits in the marketplace. With an annuity-friendly legislative and regulatory landscape, look for some providers to overcome the drawbacks to make a dent in the 401(k) plan market in 2021 (annuities are already quite prevalent in 403(b)s). Annuities may also become one of the underlying investments in a growing number of target date funds in the New Year.

## PAPERLESS PLAN ADMINISTRATION

The final Department of Labor (DOL) e-disclosure rule, combined with the COVID-19 pandemic, spelled the end for whatever paper-based transactions remained in all but the smallest plans. Even in those small plans, most communications with participants are electronic. Plan sponsors and participants who are still receiving paper from their retirement plan recordkeeper should question why, unless they have opted out of electronic receipt for some reason.

## AUTOMATIC EVERYTHING

Auto-enrolled plans are now the rule, rather the exception in the 401(k) market. Look for that trend to infiltrate 403(b) as well. And, where automatic enrollment is already in place, look for enhancements that will begin to automate the type of retirement security currently only found in defined benefits (DB) plans, with more target date fund steerage, increased initial default amounts (e.g., "six is the new three"), auto-escalation, and perhaps even auto-annuitization.

## VIRTUAL (ALMOST) EVERYTHING

As plan sponsors and participants grow accustomed to virtual meetings and their advantages, some may not return to in-person meetings at all. While in-person interaction is not entirely dead, business travel is predicted to permanently decline, and the post-pandemic "new normal" may not resemble the old all that much.

## EXPANDED RETIREMENT PLAN COVERAGE

One of the most significant retirement plan issues is the lack of employee coverage, particularly among small employers. In 2021, we should see progress toward this through state auto-IRAs, increased coverage of part-time employees in 401(k)s as mandated by the SECURE Act, the decline in the number of small businesses, and shifting work patterns.

## FEWER REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

Thanks to the CARES Act, RMD failures went from being a top-three defect in retirement plans to practically non-existent this year. Even if the CARES Act moratorium on RMDs is not extended, the SECURE Act escalation of the commencement age from 70½ to 72 will make RMDs much less of a hassle going forward. Be sure to watch for additional legislation that may further reduce RMD requirements.

## 403(b) FLAT DOLLAR PER-HEAD RECORDKEEPER PRICING

While flat dollar per-head pricing is commonplace in 401(k)s, it is still a rarity in 403(b) plans. In 2021, look for this type of pricing structure to finally infiltrate the large 403(b) plan space, due to litigation and continued recordkeeper competition.

## RECORDKEEPER CONSOLIDATION

After a hiatus in 2019 and the first half of 2020 (the latter presumably pandemic-related), recordkeeper mergers have once again ramped up. This is largely due to the continued investment required to remain a viable player in a business that has caused declining margins. We expect this trend to continue, and possibly accelerate, in 2021.

## CONCLUSION

As we come to the close of a tumultuous year and look forward to a new administration and post-pandemic life, 2021 is likely to be a dynamic year for retirement plan sponsors. Stay tuned to Cammack Retirement as we navigate the ever-changing retirement plan landscape.

What do you predict will be the most significant retirement trends for 2021? Let us know at info@cammackretirement.com.

### ABOUT CAMMACK RETIREMENT GROUP

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For more information on our services, please contact **Mike Volo,** Senior Partner, at **781.997.1426** or **mvolo@cammackretirement.com**.

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