The Top Retirement Plan Trends for 2020

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With the holiday season upon us and the New Year fast approaching, it is time to consider what 2020 may bring for retirement plan sponsors. Below are the trends that we predict will be popular in the New Year:

1. EMPLOYEE ENGAGEMENT 2.0

Let's face it, while auto-enrollment and auto-escalation are wonderful, forcing employee engagement via these tools has hit a wall. Some surveys have even reported that opt-out rates are increasing. Why? Because, as employees face financial stress, retirement savings are typically the first casualty. That is, unless plan sponsors embrace the next level of employee engagement, attacking the root cause of why employees "can't afford" to save - and save optimally - for retirement. For savvy plan sponsors, the employee engagement 2.0 strategies often include student loan debt repayment assistance, emergency savings accounts, and employee education focused on better financial wellness.

2. ENGAGING MISSING/ UNRESPONSIVE PARTICIPANTS

As an increasing problem that is high on the Department of Labor's radar screen, wise plan sponsors will be pushing their recordkeepers for a zero-tolerance missing participant policy. In this age of technology, having many missing participants is simply unacceptable. However, managing unresponsive participants can be more challenging. Since this unresponsiveness is often borne of employer, or recordkeeper, suspicion on behalf of the participant, smart plan sponsors will look to address the root causes (e.g., calling the participant directly).

3. ERADICATING SMALL-BALANCE ACCOUNTS OF TERMINATED EMPLOYEES

Small balances reduce the average account balance size, which is critical to recordkeeper pricing. Yet recordkeepers often do a poor job of cashing out small account balances, so prudent plan sponsors must stay on top of them. Many plans also contain archaic provisions that require paper checks for distributions of $1,000 or less, a situation which should be rectified (as highlighted in a recent *Top of Mind* post).

4. PUTTING AN END TO UNNECESSARY PLAN LEAKAGE

Many plans still have provisions designed to promote plan leakage rather than restrict it, a problem that has been exacerbated by recent regulations promoting retirement plan balance-destroying hardship distributions. Leakage is also an area that negatively affects recordkeeper pricing. Forward-thinking plan sponsors will work on both plan language and operational rules to limit loan overutilization, as well as hardship distributions.

5. DEVELOPING A SMART APPROACH TO ADDRESS REVENUE SHARING IN RETIREMENT PLAN INVESTMENTS

While the term "revenue sharing" has assumed a stigma similar to "annuity", revenue sharing often cannot be eradicated overnight, at least not at the expense of participants. Revenue sharing is often a complicated issue that requires careful consideration to avoid removing prudent funds in favor of less prudent ones, as well as avoiding an increase in costs for participants by moving to a zero-revenue share lineup. For more details, see our *Top of Mind* post on the subject.

6. MIGRATING TO A PER-HEAD FLAT-DOLLAR RECORDKEEPING CHARGE, AS OPPOSED TO A PERCENTAGE OF ASSETS CHARGE

In this age of increasing fee litigation, the proactive plan sponsor needs to hit this nail on the head; either they have already switched to a flat-dollar fee per participant, or have a well-thought-out rationale for not taking this approach. Since flat-dollar fees impact beginning retirement savers at the worst possible time, care should be taken to consider a modified fee for small-balance participants as part of this process.

7. RIDDING THEMSELVES OF ALL PAPER IN THE ADMINISTRATION OF THE RETIREMENT

As recent Department of Labor (DOL) proposed regulations demonstrate, the age of technology is upon us. Plan sponsors still using paper for participant-level and other transactions, that could otherwise be completed electronically, are truly behind the times. Don't be that plan sponsor! Every time your recordkeeper does something on a paper form, question it. If the answers are not satisfactory, find a new recordkeeper!

8. MANAGING THE INCREASING POPULATION OF SUCCESSFUL RETIREES

An increasing number of people have spent decades saving in their defined contribution retirement plans and are nearing, or have arrived at, retirement age. However, few plan sponsors have made adjustments to their plans to help this population spend their assets as efficiently as they accumulated them. Thus, cutting-edge plan sponsors will work with their recordkeepers to develop and refine strategies to optimally address the decumulation phase of their participants' retirement plan lifecycle.

CONCLUSION

With the ever-changing retirement plan landscape, 2020 is sure to be an exciting year for plan sponsors. What do you predict will be the most significant retirement trends for 2020? Let us know at info@cammackretirement.com.

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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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