



# Retirement Plan Landscape

# Retirement Plan Industry Trends

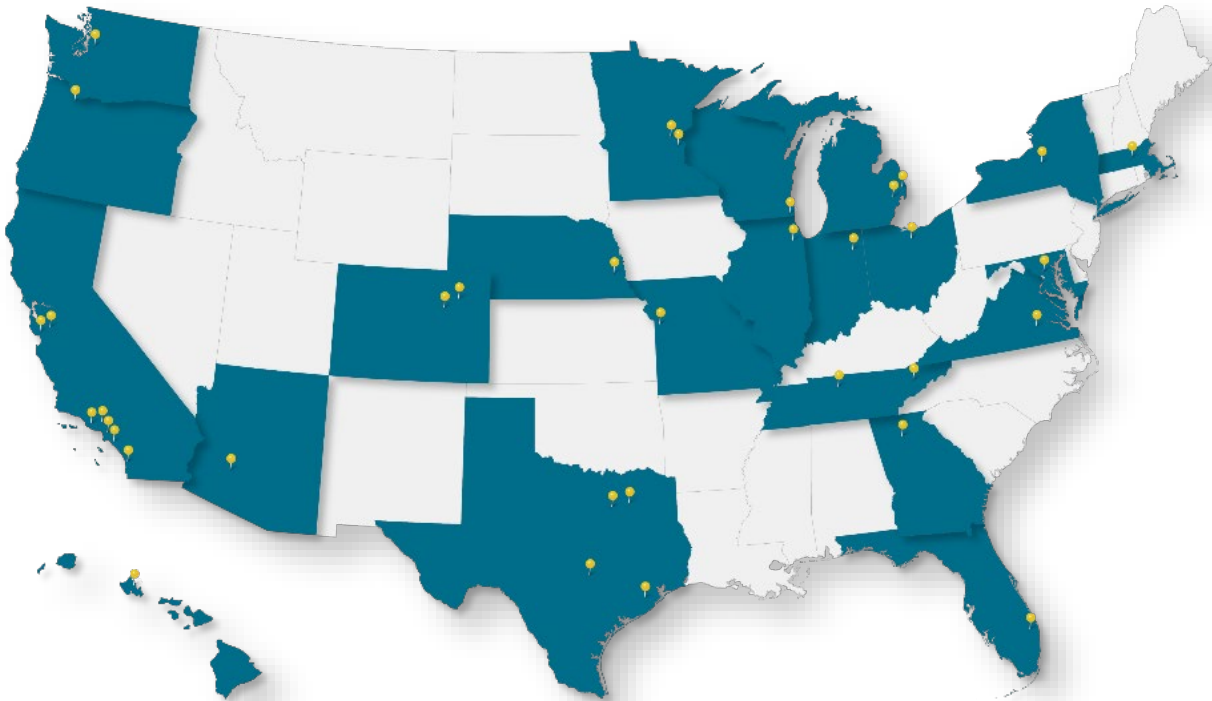
Presented by:

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*Senior Investment Consultant*

SageView Advisory Group

# SageView Snapshot



Atlanta, GA  
Austin, TX  
Bloomfield Hills, MI  
Boston, MA  
Chicago, IL  
Cleveland, OH

Northampton, MA  
Omaha, NE  
Phoenix, AZ  
Portland, OR  
Richmond, VA  
San Diego, CA

Dallas, TX  
Denver, CO  
Fort Wayne, IN  
Fort Worth, TX  
Honolulu, HI  
Houston, TX

San Jose, CA  
Seattle, WA  
Syracuse, NY  
Valencia, CA  
Washington, DC  
West Palm Beach, FL

Kansas City, MO  
Knoxville, TN  
Los Angeles, CA  
Milwaukee, WI  
Minneapolis, MN (2)  
Newport Beach, CA

Westlake Village, CA  
Woodside, CA



**\$204B**  
AUA + AUM



**270**  
Employees



**2,300+**  
Retirement Plans

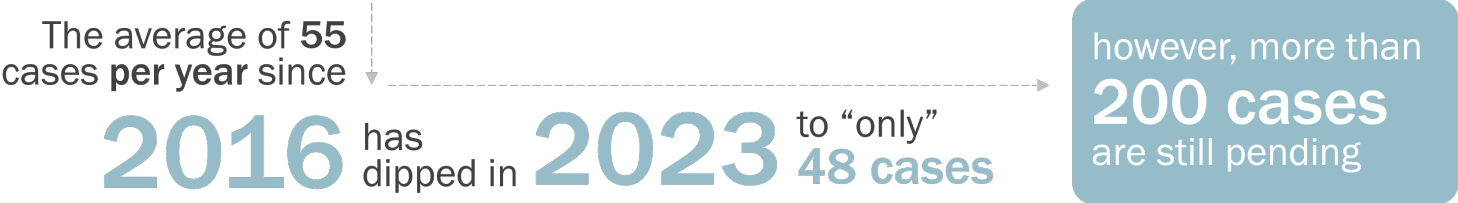


**30+**  
Office Locations



**20-Member**  
Investment Committee

# State of Litigation



## 2023 CASES BY SIZE:



Newer suits are starting to look at novel claims like float income and forfeitures.

Year	Number of Settlements	Total Settlements	Average Settlement	High	Low
2020	12	\$ 138,570,000	\$ 11,500,000	\$ 20,900,000	\$ 2,400,000
2021	26	\$ 270,365,000	\$ 10,400,000	\$ 39,500,000	\$ 560,000
2022	31	\$ 149,900,000	\$ 4,800,000	\$ 32,500,000	\$ 330,000
2023	42	\$ 352,800,000	\$ 8,400,000	\$ 124,600,000	\$ 200,000
Total	111	\$ 911,635,000	\$ 8,775,000		

Last year had three large settlements: \$124.6 million from a suit the DOL filed against DST and the investment management firm Ruane, Cunniff and Goldfarb, \$61 million from General Electric and \$30 million from Verizon.

2023 Claim Type	Number of Complaints
Excessive Recordkeeping Fees	28
Excessive Investment Fees	17
Deficient Investment Performance – Investment Imprudence	23
Wrong Share Class	11
High Fee / Underperformance of Active TDFs	10
Excess Float Income	9
Proprietary Funds	7
Forfeiture Claims	5
Stable value Fund Claims	4
Excessive Managed Account Fees	1
Self-Dealing	1

VBA Best Practice: VBA conducts annual cost benchmarking for retirement plan fees and has engaged PRM Consulting to assist with performance monitoring of SageView and conducting service provider RFPs.

## 3(21) vs. 3(38)

### 3(21)

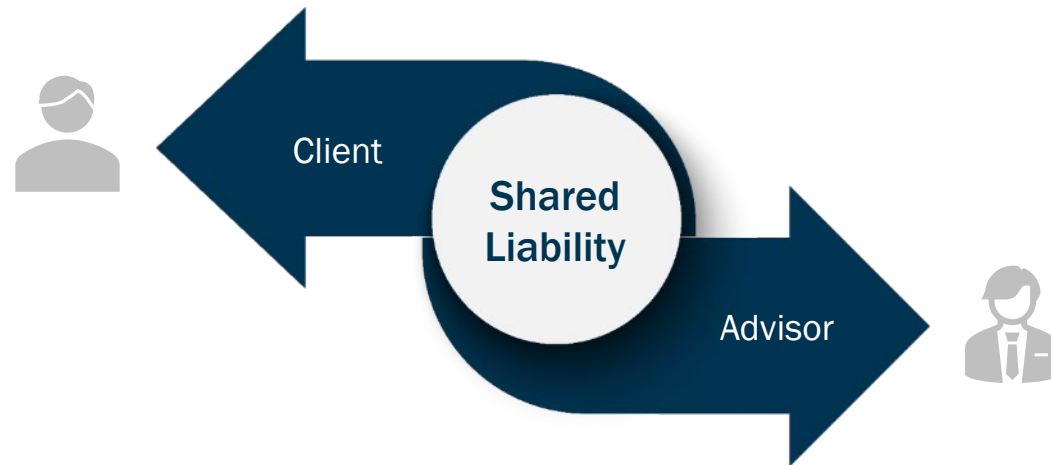
#### ROLE

*Investment Advisor*

Makes **recommendations** in the best interest of participants and the plan

#### INVESTMENT RESPONSIBILITIES

- Helps design initial fund menu
- Monitors ongoing plan performance and fees and makes recommendations to company
- Recommends mapping strategies



### 3(38)

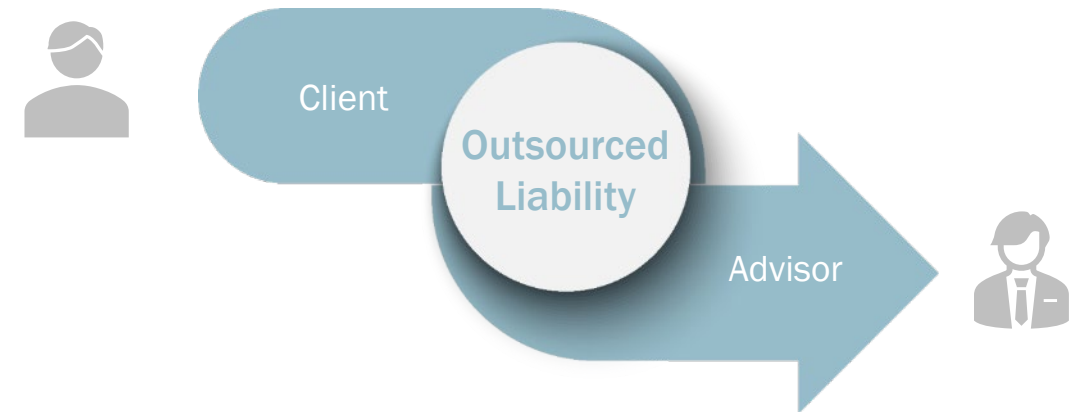
#### ROLE

*Investment Manager*

Makes actual investment **decisions** and selections in the best interest of participants and plan

#### INVESTMENT RESPONSIBILITIES

- Builds initial fund menu
- Monitors ongoing plan performance and fees and makes changes as needed
- Determines mapping strategies



VBA Best Practice: VBA has engaged SageView to serve as a 3(38) Investment Manager.

# CITs

Collective Investment Trusts (CITs) have gained in popularity, especially among large plan sponsors for greater fee transparency among other advantages

	Collective Investment Trust	Mutual Fund
Governing Document	Declaration of Trust	Prospectus
Regulatory Oversight	US Treasury Office of the Comptroller of the Currency (OCC), IRS, US Department of Labor	Securities and Exchange Commission (SEC)
Audit Requirements	Annual	Annual
ERISA fiduciary responsibility	Bank/trust sponsors, investment managers are ERISA fiduciaries	Fiduciary duty to shareholders, but not under the higher standard of ERISA
Negotiated fees	Yes, advisor may be able to negotiate CIT fees on behalf of clients	No, but fund may offer multiple share classes
Fund trading	Daily by CUSIP	Daily by TICKER
Fund access	Limited to ERISA plans via joinder agreement	Generally available to the public with share class restrictions
Ease of obtaining information	Moderate: privileged access to quarterly fact sheets	Easy: public access

VBA Best Practice: VBA utilizes its economies of scale and relationship pricing arrangements to qualify for Collective Investment Trusts for certain investments. The VBA retirement plan utilizes CITs for the Vanguard Target Date Series (\$100M minimum) and MFS Growth.

# ESG Investing

## Definitions for sustainable, responsible and impact investing:

- According to US SIF (The Forum for Sustainable and Responsible Investment), “sustainable, responsible and impact investing is an investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact.”

## Types of sustainable, responsible and impact investment strategies:

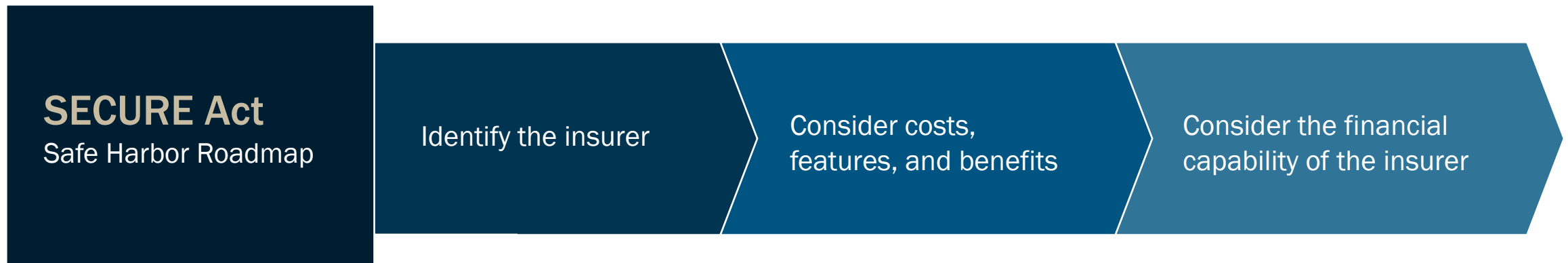
- There is no universal label that applies to all sustainable, responsible and impact investments. However, a loose industry consensus has developed around which sub-categories of these investment exist, and specifically, how SRI and ESG strategies differ from one another.

	Sustainable, Responsible and Impact Investing			
Investment Type	Environmental, Social, and Corporate Governance (ESG)	Socially Responsible Investing (SRI)		
Focus Area(s)	Broad ESG Focus	Social Responsibility	Environment ("Green")	Religious Beliefs
Types of Screens	Mostly positive, inclusive	Mostly negative	Mostly negative	Mostly negative
Screen Diversity	Diversified	Varies	Focused	Focused
Semblance to a Benchmark	Higher	Lower	Lower	Lower
Key Themes	Accountable governance and transparency, in addition to environmental and social concerns	Alcohol, tobacco, firearms, gambling, pornography, labor practices, product safety. Some also consider environmental factors.	Natural resource conservation, alternative energy, clean air and water, green practices	Varies. Similar to socially-focused SRI funds, but also consider abortion and stem cell research

VBA Best Practice: VBA is continuing to monitor ESG legislation and evaluate the demand for ESG investments from plan participants

## Lifetime Income

- Continued demand and need from participants
- SECURE Act provided fiduciary safe harbor for lifetime income provider selection and portability of options



- More products becoming available in the market – standalone and target date funds

**VBA Best Practice:** VBA continues to evaluate the evolution of Lifetime Income products and the demand for these products from plan participants.

## Employees Are Looking For Personalized Services

In a recent survey, many U.S. workers revealed a strong need for personalized financial services



**87%**

of workers would be comfortable sharing some kind of information with employers, in exchange for more personalized benefits.



**68%**

Of workers wish their employer recommended financial strategies based on the worker's income and financial goals.



**78%**

Of workers would be interested in a more personalized 401(k) investment option tailored to their unique financial situation.



# What are Managed Accounts?

Unlike target date funds and age-based portfolios, which only account for participants' retirement dates in determining asset allocation suitability, Managed Accounts considers a multitude of personal data.

## TARGET-DATE FUNDS



Age

## MANAGED ACCOUNTS



Age

+



Account Balance

+



Location



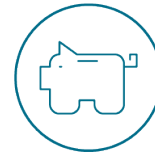
Social Security Impact

+



Savings Rate

+



Pension and Other Plans



Gender

+



Salary

+



Sponsor Match

**The result is an individualized strategy for each employee that includes:**

**Savings rate recommendations**

**Personalized asset allocations**

**Social Security optimization**

**Withdrawal strategies**

**VBA Best Practice: VBA offers Managed Accounts to plan participants through a partnership between Morningstar and SageView.**

# QDIA Overview: Evolution of the Default Option

1980s



**Capital Preservation Fund:** Money Market Funds were the most common default option for participants when 401(k) Plans began. Age not a consideration.

Mid-1990s



**Balanced Fund:** Growing recognition of the need to address inflation and longevity risk led to greater plan sponsor adoption of balanced funds in the 1990s. Age is not a consideration.

2006



**Target Date/Life Cycle:** Pension Protection Act of 2006 created rules for a QDIA – Target Dates which consider age at retirement grew in popularity.

Present Day



**Custom Target Date Funds:** Offer a tailored glide path and asset allocation that helps fiduciaries demonstrate a commitment to participant-centric retirement planning.

**Custom Target Date Funds provide plan sponsors with a tailored, flexible and nimble approach to dynamic asset allocation funds offering:**

## Custom Glidepath

- Designed to reflect the plan demographics, plan design features and risk considerations
- Tailored construction, that can be adjusted as needed, considers the plan's retirement objectives

## Custom Asset Allocation

- Underlying investment strategies are prudently selected, monitored and replaced when/if the fund underperforms
- Utilizing best in class investment managers, without proprietary restrictions, to incorporate a broad range of asset classes to enhance diversification

## Fiduciary Protection

- Well-documented investment strategy developed to satisfy the DOL guidelines
- 3(38) manager held to ERISA fiduciary standards

**VBA Best Practice:** VBA continues to evaluate the cost, suitability and potential liability for utilizing custom target date funds.

# Financial Wellness



## Participant Call Center

A financial wellness hub with multiple ways to connect

A dedicated resource center for participants with articles, videos, and a calendar of upcoming webinars.



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**VBA Best Practice: VBA has dedicated employee education resources through Voya and SageView.**

# Cybersecurity

- In April 2021 the DOL issued a set of cybersecurity best practices which included “Tips for Hiring a Service Provider.” which include a roadmap for evaluating a service provider’s security standards and policies, track record, insurance coverage and contractual provisions.
- Litigation triggered by security breaches that have led to theft of account balances is on the rise.
- All contracts should be reviewed/negotiated to ensure they contain appropriate cybersecurity-related provisions.

**VBA Best Practice:** PRM Consulting conducted an analysis of Voya’s cybersecurity capabilities utilizing the DOL best practices.



# Thank you