VIEWPOINT

SageView Advisory Group Quarterly Newsletter Q3 2020

SageView Congratulates Plan Sponsor of the Year Winner Bohannan Huston!

We are excited to share that engineering firm Bohannan Huston has won the Plan Sponsor of the Year award for the Corporate 401(k) $25MM-$50MM category! The firm has a participation rate of 98.8% and average deferral rate of 10.2%, numbers way above the industry average nationally.

PlanSponsor profiled Bohannan Huston for its unique corporate wellness program made up of three pillars of health: financial, emotional, physical.

Bohannan Huston

"They've deployed a phenomenal educational program," says Ed Wagner, managing director, SageView Advisory Group, in Irvine, California, the plan's 3(21) fiduciary. "We're out there doing one-on-ones [a] minimum four times a year. They've really paid attention to making sure the participant has support."

The full summary of Bohannan Huston's financial wellness program and strategy is available here.

DOL Unveils Lifetime Income Disclosure Rule

In mid-August, the Department of Labor unveiled an Interim Final Rule on lifetime income disclosures under the SECURE Act. Under the Interim Final Rule, retirement plans would provide lifetime income illustrations using prescribed assumptions designed, "to give savers a realistic illustration of how much monthly retirement income they could expect to purchase with their account balance."

The rule, which won't come into effect until one year after publication in the Federal Register, will require that participant statements once a year show how a participant's account balance could be translated into a monthly income amount, both on a single life and qualified joint and survivor account (QJSA) basis. However, the Labor Department emphasized that neither the Interim Final Rule nor the SECURE Act requires that a plan offer an annuity distribution option.

Producing those numbers requires five pieces of information: the account balance, the date of starting payments, the age on which the annuity starts, the interest rate and an estimated end date for the payments.

Complete detail of the rule is available here.
Source: NAPA, DOL

Implication for Retirement Security of American Workers

For those in older age groups, taking withdrawals under the CARES Act can have damaging effects on workers who fail to repay them. That's according to a new study from the Employee Benefit Research Institute (EBRI). Participants who fully repay their coronavirus-related distributions are projected to see a minimal impact on their future retirement savings, while those who do not repay the distribution face the possibility of significant reductions in their balance at retirement. The most catastrophic scenario is one in which workers are provided CARES-Act-like access to withdrawals time and again as various crises occur.

The report offers four scenarios, each with a different impact of taking out a CRD:

1.) One-time full withdrawal — up to $100,000 — with a three-year payback period, which resulted in a median reduction rate in retirement balances of 2.3%. However, that figure more than doubles, to 5.8%, for older workers ages 60 to 64.

2.) Worker takes a full distribution but does not pay back the withdrawal at all. EBRI found that in this scenario, the median reduction jumps to 20%, and more than doubles for older Americans, at a 45% reduction rate in retirement balances.

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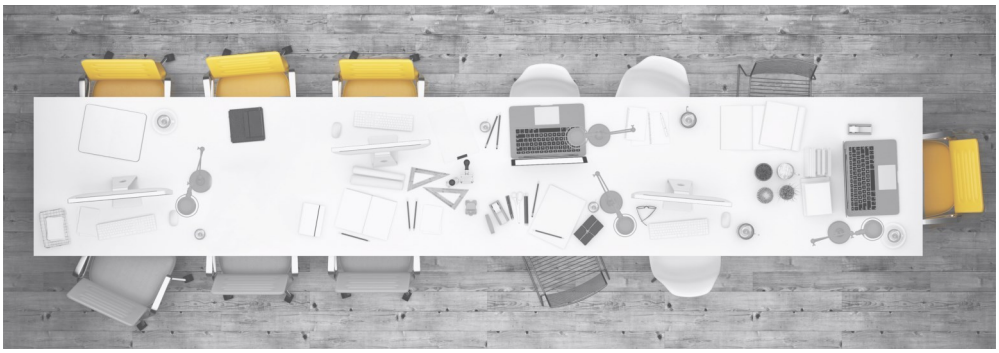

Implication for Retirement Security of American Workers

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3.) The report assumes every dollar used to repay the CRD will result in a dollar reduction toward new contributions to the DC account. This results in a median reduction of 5.9% overall, and an 8.8% reduction for workers ages 55 to 59, and 5.5% for those 60 to 64.

4.) The most catastrophic scenario is one in which workers are provided CARES-Act-like access to withdrawals time and again as various crises occur. In other words, this is a scenario in which policymakers essentially turn defined contribution plans into de facto emergency savings vehicles. In this scenario, the overall median reduction in retirement balances as a multiple of pay at age 65 is 54 percent.

The report concludes that further analysis is still needed. Preliminary analysis of potential actual aggregate utilization of CARES Act provisions based on employer responses to a Plan Sponsor Council of America (PSCA) survey finds that reductions are very small. Even in the scenario in which employees fail to pay back CRDs, the aggregate impact — because of low estimated actual implementation and utilization of CARES Act provisions — is estimated to be less than one-half a percent.

Source: EBRI

Most Pre-Retirees Stay the Course Despite Uncertainty

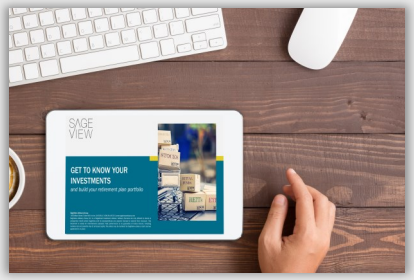
A recent Alliance for Retirement Income study provided key insights on the opinions of Americans between the ages of 61 and 65 on the timing for their retirement.

- 52% are not fully confident they will be able to retire when they want to. 43% of this group identified market conditions when they plan to retire as the top reason for their concern.
- 91% of employed Americans expect to retire at a certain time based on meeting planned milestones.
- 47% of retired Americans say their retirement was partly based on factors out of their control.
- 61% in these prime retirement years are concerned about current market volatility.
- Despite the concern around market volatility at the time, the majority (71%) of those ages 61-65 are staying the course with their portfolio - reinforcing the value of protected lifetime income during times of high uncertainty and market downturns.

Source: Alliance for Lifetime Income

EMPLOYEE EDUCATION CORNER

Every quarter, SageView's education team releases a new flyer and video on topics important to retirement plan participants. Click below to view the most recent pieces.



GET TO KNOW YOUR INVESTMENTS

And build your retirement savings portfolio

Watch the video here.

KEEP YOUR FUTURE IN SIGHT

Stay on track for retirement when major life events occur

Download the flyer here.

LIVE FINANCIAL WELLNESS WEBINARS

In August, SageView hosted a live participant webinar on "Financial Do's and Don'ts in a Crisis." The Spanish and English recordings are available here.

On September 22nd, we're also hosting a pre-retiree webinar for participants. Get the details here.

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Upcoming Compliance Reminders

SEPTEMBER 30 - Summary Annual Report

Distribute to plan participants and beneficiaries the summary annual report ("SAR") required by ERISA, on or before September 30, 2020 (i.e., the end of the ninth month after the end of the plan year), unless the filing deadline for Form 5500 and Schedules has been extended.

OCTOBER 15 - Form 5500 (on Form 5558 Extension)

If an extension of the deadline for filing Form 5500 has been obtained by filing Form 5558, file Form 5500 (Annual Return / Report of Employee Benefit Plan) and all required Schedules with the Department of Labor Employee Benefit Security Administration (EBSA).

OCTOBER 15 - Form 8955-SSA (on Form 5558 Extension)

If an extension of the deadline for filing has been obtained by filing Form 5558, file IRS Form 8955-SSA.

DECEMBER 1, but no more than 90 days prior to beginning of the plan year - Annual notice to participants for plans with automatic contribution arrangement (ACA), also referred to as "negative election."

Plans with an automatic contribution arrangement (ACA), also referred to as a 'negative election', must provide an annual notice to participants by December 1 but no more than 90 days prior to beginning of the plan year. Plans must comply with DOL-issued default investment rules providing a notice to each participant to whom the arrangement applies within a reasonable period of time prior to the start of the plan year.

DECEMBER 1 - Annual notice to participants for plans providing for a "Qualified Default Investment Alternative" (QDIA) option

A notice must be provided by December 1 to participants explaining their rights under the plan for plans offering a QDIA option, (used when participants do not exercise an investment election). The notice must detail the default investment option, a participant's right to select another investment option, circumstances causing default investment option, and the type of default investment.

Leading Experts Share Valuable Insights, Trends and the Far-Reaching Impacts of COVID-19 in SageView's First Summer Speaker Series

From late July to early September, SageView hosted a series of four webinars for Plan Sponsors covering some of the major questions and trends the current health and economic crisis has brought forth. Below is a short summary of each webinar, with a link to view all of the replays.

How America Saves
A look a retirement plan trends, plan design and participation in DC plans

The Economy and Evolving Impact of COVID-19
Investment fundamentals and a discussion of the potential impact of the upcoming election

Executive Benefit Satisfaction
A new survey reveals the eight things plan sponsors should know about NQDC plans

ERISA Fee Litigation
Recent cases, rulings, and trends: what they mean for your retirement program

Listen to the replays here.

SageView Welcomes Margarita Cross to Northern California Team

In mid-September, Margarita Cross joined SageView Advisory Group as a Retirement Plan Consultant out of the Woodside, CA office.

In her role, Margarita proactively supports her clients' retirement programs and assists plan sponsors with plan design, administration, consulting, compliance testing analysis, and investment reviews.

She began her career at a small RIA firm in San Ramon, CA before moving on to Transamerica Retirement Solutions as a Client Relationship Manager. At Transamerica, Margarita managed more than 50 corporate retirement plans.

The Woodside team is led by Managing Director Robert Patton and also includes Ann Cheu, William Posch, David Shnapek, Eric Weissman and Chris Krall. Together, the team manages over 90 client relationships totaling $7.5 billion in assets.

Read the full press release here.

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New Report Shows Uneven Financial Impact of COVID-19

The first few months of the COVID-19 pandemic largely reversed nearly three years of financial gains in the United States. That's according to a new Financial Wellness Census 2020 report by Prudential. The report showed 51% of Americans said their financial health was negatively impacted by the crisis, and 17% of Americans saw their household income fall by half or more.

Lower-income Americans were disproportionately hurt by the financial crisis brought on by the pandemic. A staggering 34% of those with a household income of less than $30,000 a year reported being unemployed in early May, compared with 8% of those with a household income of $100,000 or more.

In the 2020 Census, median household income for the general population was $75,000. It stayed flat for Latino Americans at $55,000, and fell to $45,000 from $55,000 for Black Americans. The unemployment rate for Black Americans nearly tripled from 7% in December 2019, to 18% in May 2020, according to Prudential's Financial Wellness Census.

Financial anxiety remains high

Nearly half of Census respondents (48%) said they are worried about their financial future in May, up from 38% at year-end 2019. Americans with lower incomes and fewer assets were significantly more worried than those who make and have more.

How much do you worry about each of the following?	<$30k	$30-$50k	$50-80k	$80-$100k	$100k +
Your current finances	53%	46%	41%	38%	33%
Your financial future	59%	50%	48%	46%	40%
Your children's / grandchildren's financial futures*	45%	48%	44%	44%	39%
Your ability to earn enough money to achieve your goals	51%	46%	43%	43%	40%
Your ability to save or invest enough money to achieve your goals	46%	44%	44%	43%	41%
Forces you can't control (e.g. the economy) hindering your ability to achieve your goals	46%	48%	45%	45%	44%
The likelihood that you will get sick**	43%	40%	35%	37%	34%
Your ability to rely on a government safety net for financial assistance during times of crisis**	46%	38%	33%	33%	28%
Your ability to pay off any debt you have**	44%	37%	36%	35%	27%
Rising inflation that will limit your buying power**	41%	39%	38%	37%	36%

*Base: Those with children
**Added in 2020
Source: Prudential Financial Wellness Census

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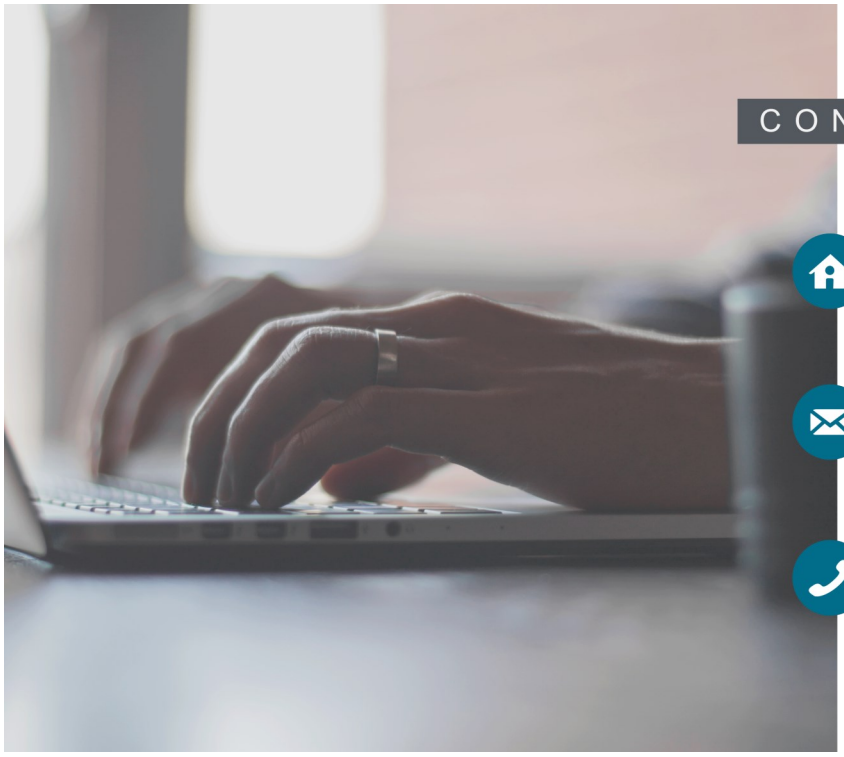

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