



Public Sector Retirement News & Views | Q1 2021



CYBERSECURITY IMPACTS RETIREMENT SAVINGS

Retirement and investment accounts have become one of the latest targets by hackers. These bad actors are known to take over a person's email account and find emails related to retirement and investment accounts. Then, they set up rules to forward the account emails to their own email address, and once that's done, they do a password reset and complete their effort to access a retirement or investment account. Most often, they take loans because these sometimes have different controls in place than outright withdrawals. They may also change the account owner's address so the owner no longer receives statements or other account information. Scammers have also been known to "spoof" phone numbers – including those from financial institutions – to make it look like the call is coming from a legitimate party. According to the National Association of Plan Advisors, there has been a 300% increase in hacks to retirement and investment accounts in recent years.

What's a plan sponsor to do?

Plan sponsors can help protect their plans by reviewing security protocols account protection guarantees with their providers. Having the provider walk through the steps required to make withdrawals of any kind can help reassure plan sponsors that strong controls are in place to protect participant accounts, or can identify where controls can be strengthened. Plan sponsors can look for multi-factor authorization, wet signature requirements, and other protocols that involve human interaction and are not entirely reliant on electronic transactions. Plan sponsors can also continuously communicate to participants the importance of monitoring their accounts, changing passwords and PINs, and other commonly advised steps to protect their accounts.

What's a participant to do?

Participants are advised to set up and regularly change unique passwords, PINs and other personally identifying information that only they know. Participants should never provide this information to anyone, including their plan provider representative. Where possible, participants are advised to use multi-factor authentication that will involve another device, a separate app, and/or a secondary PIN that is only known by the participant. If a participant receives a phone call from someone claiming to be from a financial institution, they should tell the caller they are going to hang up and call back. If the call is legitimate, the caller will never object. Finally, participants can further protect their accounts by checking their email rules periodically, and are advised to audit their balances at least monthly.

NEW MORTALITY TABLES CHANGE REQUIRED MINIMUM DISTRIBUTIONS

In November, the IRS issued revised life expectancy tables, which are used in calculating Required Minimum Distributions (RMD) from retirement accounts. In doing so, they reviewed existing mortality tables against current mortality data. They determined that since people are living longer, the life expectancy and distribution tables should be adjusted to reflect current data.

For most people, the RMD is calculated by dividing total assets at the end of the prior year, by the participant's life expectancy factor.* By changing the life expectancy tables, this will result for most people in a reduced RMD. The changes became effective November 12, 2020, and are applied to distribution years beginning January 1, 2021.

*This calculation applies to most retirees. A tax advisor or plan provider should always be consulted when making distributions.

More information about distributions from retirement accounts can be found in IRS Publication 590-B, by clicking [here](#).

WASHINGTON REPORT

Contribution Limits Unchanged

Each year, the IRS determines whether to adjust contribution limits. They do so based on the increase in inflation, and will raise the contribution limits in \$500 increments if inflation data supports an increase. For 2021, they determined that the rate of inflation did not warrant an increase of \$500, so the limits will not change. The limits remain at 2020 levels:

- \$19,500 for regular contributions
- An additional \$19,500 for traditional catch-up, three years prior to reaching normal retirement age
- \$6,500 for age 50 & over catch-up

As a reminder, participants can only contribute one type of catch-up at a time. The maximum contribution for a participant utilizing catch-up is \$39,000.

New Retirement Bill Introduced

In October, House Ways and Means Committee Chair Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX) introduced Securing a Strong Retirement Act 2020 (aka, Secure Act 2.0). Included were many of the same provisions we saw from Senators Rob Portman (R-OH) and Ben Cardin (D-MD) in their Retirement Security and Savings Act 2019. Provisions important to governmental retirement plan sponsors include:

- Elimination of the 1st month rule
- Increasing the age for Required Minimum Distributions (RMD) to age 75 (RMD was increased to 72 in the Secure Act in late 2019)
- Increasing the catch up limit to \$10,000 for age 60 and over
- Allow a person whose total assets are less than \$100,000 to be exempt from RMD
- Safe harbor to correct administrative mistakes (e.g., those found in an audit) – currently the safe harbor is 180 days; this bill increases the correction period to 9-1/2 months

It is important to note that many of the same provisions have been introduced in both the Senate and the House. This indicates that there is wide Congressional bipartisan support for these changes. While we do not know how the outgoing or incoming Administrations will prioritize changes to retirement programs, the fact that these have such broad support from Congress is encouraging.

NFP is monitoring the proposals and will continue to keep you informed of how your plans may be affected. Please contact your NFP advisor if you have questions.

CARES Act Sunsets

The CARES Act was passed in March, 2020 and gave plan sponsors options to give participants financial relief and assistance during the pandemic. Qualifying participants were allowed to make in-service withdrawals of up to \$100,000, and to take loans (if the plan offered loans) of 100% of their accounts up to \$100,000. The CARES Act was effective through December 31, 2020 and as of this writing has not been extended.

As a reminder, plan sponsors who adopted these optional CARES Act provisions are required to update their Plan Document accordingly, by December 31, 2024. Your NFP advisor can help with language to meet this requirement.

Consolidated Appropriations Act 2021 (CAA) Signed in December

The latest COVID-19 stimulus relief package, CAA, has received much attention for the \$600 payments authorized for many US taxpayers. What you may not be aware of is that bill also included some provisions designed to offer financial relief to qualified plan participants in retirement savings plans. The highlights of the CAA provisions are described below.

“Qualified Individual:” The provisions in CAA all pertain to qualified individuals, so it is important to understand how that is defined. A qualified individual is someone whose residence is located in a qualified disaster area, and who has suffered an economic loss as a result of the disaster.

“Qualified Disaster:” A qualified disaster is defined as any geographical area declared a natural disaster, e.g., wildfires & hurricanes. Qualified disaster distributions are allowed in amounts of up to \$100,000, and like the CARES Act, distributions are allowed to be repaid to any eligible retirement savings plan over three years. If the taxpayer does not want to repay the distribution, he or she may choose to pay taxes on the amount withdrawn, over (up to) a three year period. The CAA also allows qualified disaster loans, where qualified individuals may withdraw amounts of up to \$100,000 or 100% of their accounts (normal loan limits are \$50,000 / 50%). Loan repayments may also be suspended for up to one year. The qualified disaster must have occurred between December 28, 2019 – December 27, 2020.

All the above retirement plan provisions are permissive, meaning that the plan sponsor has the option to implement any or all, or none, of the benefits. For any of the provisions the plan sponsor decides to implement, the plan document must be amended, generally no later than December 31, 2024. Please consult your NFP advisor for assistance in fully understanding the options and/or for assistance with plan document amendments.

U.S. 2020 DEFINED CONTRIBUTION PLAN SPONSOR SURVEY RELEASED

A recent survey of defined contribution plan sponsors found that a majority of employers are looking at adding innovative features to their plans to help enhance employees’ overall financial wellness. Some of the innovations of highest interest are 1) assisting employees in building a rainy day fund with after-tax money, and 2) providing links between student loan repayments and the retirement savings plans. The survey, conducted by Willis Towers Watson, also found that employee financial stress has increased various workplace challenges; managing fees is a high priority, and 75% of respondents have benchmarked their fees in the recent past, often resulting in fee reductions; managing cybersecurity is a top fiduciary concern; and there is a growing focus on Target Date Fund (TDF) “fit” with over 50% of respondents reviewing TDF suitability with participants needs and demographics.

For a full summary of the U.S. 2020 Defined Contribution Plan Sponsor Survey, see the Willis Towers Watson press release [here](#).

NAGDCA 2021 CONFERENCE

NAGDCA has announced that they are planning for an in-person conference, scheduled for September 12-15, 2021, in Phoenix, Arizona. They are also preparing to move the conference to an all-virtual model like they did in 2020, as well as developing a hybrid model that allows in-person or virtual attendance. To help prepare the conference program, NAGDCA has issued a call for topics, requesting ideas for presentations of most interest to plan sponsors. Click [here](#) to access the online topic submission form.

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NFP GOVERNMENTAL RETIREMENT PLAN EXPERTISE



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