BCG Retirement News Roundup

April 2017 Volume 6, Issue 4

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Boomershine Consulting Group (BCG) provides this monthly news roundup of highlighted significant articles from the retirement industry – for clients and friends. Retirement plan news has become increasingly pertinent for many audiences these days, including:

- Retirement Plan Sponsors – addressing both private and public sector issues
- Employers – dealing with complicated decision making for their plans
- Employees – educating the Boomer generation that is nearing retirement
- Industry Practitioners - helping to understand and resolve today's significant challenges

We review numerous industry news services daily and will include a collection of timely and significant articles each month concerning compliance, actuarial plan costs (including assumption debates), plan design change issues and benefit trends, as well as other related topics. If you would like to discuss any of these issues, please contact us.

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As the Clock Ticks, Senate Stalls on State-Run Retirement Plans

Congress could overturn a rule that allows states to create private-sector retirement programs. But it only has a limited time to do it.

Late last month, Congress voted to overturn an Obama-era rule that cleared the way for cities to create retirement programs for private-sector workers that didn't have one through their employer. But a similar resolution targeting the rule as it applies to states is stuck.

For the past three weeks, that resolution has lingered in uncertainty as the Senate stalls on taking an up or down vote. Many believe that signals an opportunity. "Based on the conversations we've had with staff and colleagues working on this," says Cristina Martin Firvida of AARP, which supports the Obama-era regulation, "I think there are a number of senators who still have a lot of questions about the state rule."

The rule, which was issued by the Department of Labor, reaffirmed cities' and states' legal right to help support private-sector savings programs for small businesses. Seven states are implementing such programs, while another dozen states and cities are considering them.

Called Secure Choice or Work-and-Save, the programs require most employers that don't currently offer a pre-tax retirement savings program to automatically enroll employees into one. They run independently from the state, employers don't contribute and employees can opt out at any time. The goal is to close what many feel is a retirement security gap among working Americans: Half of private-sector workers don't have an employer-sponsored retirement plan, and only a small percentage of those 57 million people have saved enough on their own to retire.

Studies have shown that these programs don't just help the individual but the states too. A recent analysis by Segal Consulting found that if all workers gain access to retirement plans, then states would save big on future Medicaid costs because vulnerable households would be removed from the poverty rolls by the time they retire. In the first 10 years after a retirement savings plan is introduced, 15 states would save more than $100 billion in Medicaid payments. California and New York alone would save more than $1.1 billion.

But in February, the House quickly passed two resolutions that overturned the Labor Department rule as it applied to cities and states. The Senate approved the resolution for cities a few weeks later, and it was signed by President Trump this month.

Even if the Senate overturns the state rule, it's unclear if it would impact those places that have already approved a Secure Choice program. Sarah Mysiewicz Gill, senior legislative representative for AARP, says most of these places approved their plans before the Labor Department clarified the rule last year. One such place, Oregon, is still moving ahead with its plans to launch a preliminary version in July.

Still, overturning the rule would open states to the possibility of lawsuits. The Labor Department rule exempted Secure Choice programs from the federal Employee Retirement Income Security Act, which governs private retirement plans and requires certain legal and financial protections for plan enrollees. In other words, someone could sue a state for allowing private-sector retirement programs that don't have the same fiduciary protections for enrollees that traditional, employer-sponsored plans have.
On top of that, many are worried that a rejection from Congress could have a chilling effect on the growth of such programs. That's already happened in Montana. A day after the U.S. Senate overturned the rule for cities, the state legislature reversed course and voted down a proposal to create a statewide Secure Choice program. "There was a belief that the city rule impacted the state," says Gill.

Advocates for Secure Choice say the reason the Senate hasn't voted to overturn the state rule yet is likely ideological. During the debate this year on health care, those that wanted to repeal the Affordable Care Act argued that states should have more control over their own health systems. Voting to repeal a rule that gives states more flexibility when it comes to retirement saving programs would be in direct conflict with that idea. "I think there are a number of senators who have a somewhat cautious feeling about voting for this because it does fly in the face of states' rights," says Diane Oakley, executive director of the National Institute on Retirement Security.

Unlike most things in Congress, this uncertainty for states does have a deadline. The resolutions are subject to the Congressional Review Act, so if the Senate does not follow the House and vote to reverse the rule by mid-May, it will stand.

Scranton council hears pension board reps on reforms

Scranton council learned Thursday that reforming the city's severely distressed pension system remains a work in progress marked by some divisions among the Courtright administration, pension board and public safety unions.

Council held a caucus with pension board officials to discuss potential reforms. The meeting came three weeks after a council work session at which Mayor Bill Courtright and advisers informed council of his plans to use more of the city's immediate sewer sale proceeds to pay off debt than to shore up pensions.

Under the mayor's plan, pensions would get $22.8 million of the city's nearly $70 million sewer proceeds received so far, and would involve creating a trust fund account for oversight and disbursement of sewer proceeds to pensions.

Pension board member John Judge, a city firefighter, told council his union renegotiated labor contracts in 2015 and made certain concessions, including increasing employee pension contributions, with the expectation that the city would use a "substantial," though unspecified, amount to shore up pensions.

"We did everything that we were asked to do. We were told in meeting after meeting that there was going to be a large sum from the sale of the sewer authority and it was going to be placed into the pension funds. It seems like that's not happening now or we're doing something completely different," Judge said.

He also stressed that the pension board is autonomous over disbursements and investment decisions and wants to be involved in administration discussions. Instead, he said the board is frustrated and feels like it's being "strong-armed."

"We need to have cooperation with the city, and it seems like there's a blockage right now."
Judge also said the administration is having difficulty getting a third-party administrator in place.

Council President Joe Wechsler called that a "revealing comment." Councilman Bill Gaughan said the administration has been saying for a year now that a third-party administrator is on the way, yet still not in place.

In other matters, council voted 5-0 — with Wechsler, Gaughan, Pat Rogan, Wayne Evans and Tim Perry all in favor — on each of the following:

• Introduced a resolution for the city to accept a $2.5 million state grant for a revitalization project of the 1100 and 1200 blocks of South Main Avenue in West Scranton. In September, Gov. Tom Wolf visited the site to announce the grant. It would go toward a $5.5 million redevelopment plan by Swetland LLC and Southside Xpress Marts that proposes demolishing buildings and constructing new ones. The project calls for a 15,000-square-foot physical therapy and rehabilitation center with space marketed to the bioscience industry.
• Introduced a resolution for the city to hire Thomas McLane and Associates for $50,460 for design and engineering services related to converting the closed Novembrino pool complex in West Scranton into a splash park.
• Adopted an ordinance authorizing spending a $710,000 debt refund on paving roads.
• Adopted a resolution authorizing the city to again contract with Knowles Associates of Scranton for insurance brokerage services for three years starting April 1, and one-year contracts with various insurers for coverages such as property, equipment, automobile, electronic data processing, and professional and fiduciary liabilities. The total premium would be $701,116, and there's an $890 fee.

In another matter, council voted 4-1, with Gaughan dissenting, to adopt a resolution authorizing the city to again contract with PMA Management Corp. of Blue Bell for self-insured workers' compensation and heart and lung claims third-party administration, for three years starting April 1 for a flat annual fee of $71,500. Gaughan expressed concern that PMA was not the lowest of three proposals received.

Deficit in Dallas: How One of the Fastest-Growing U.S. Cities Ended Up With Billions in Debt

The city has created a huge problem for itself -- one so big that bankruptcy isn't off the table.

Dallas has enjoyed enormous success in recent years. Texas' third-largest city has seen the fastest job growth of any major metropolitan area in the country, as well as the second-fastest population growth. But despite its good fortune, Dallas has created a huge problem for itself -- one so big that even bankruptcy isn't off the table.

The problem is the city's pension funding, particularly the cost of its commitments to public safety workers. The public safety pension fund has a shortfall somewhere in the neighborhood of $8 billion. The pension board would like the city to pitch in more than $1 billion -- an amount almost equal to the city's entire general fund. Meanwhile, Dallas is facing a lawsuit over back pay for police and firefighters that could cost the city up to $4 billion.
The pension mess came about through a familiar set of circumstances. Back in the early 1990s, workers were offered generous benefits that included a guaranteed return rate of 8.5 percent

on individual savings accounts. In order to pay for such benefits, the board engaged in some risky investments. “They had some investments in real estate that unfortunately turned out to be disastrous,” says James Spiotto, managing director of Chapman Strategic Advisors. “They promised a high return. They earned far less than that.”

Not surprisingly, problems this big have triggered a good deal of acrimony. Mayor Mike Rawlings has been unable to convince public safety workers that they’ll ultimately have to give up a lot of what they’ve been promised. The mayor accuses the Dallas Police and Fire Pension Board of committing a “grave breach of trust,” and has called in the crime-fighting Texas Rangers to investigate the board’s administration. The board is separate from the city, although it includes several members of the city council. It’s also made up of police and fire workers and retirees.

In the meantime, Rawlings has gone to court to try to block any of the city’s retirees from taking money out of their deferred retirement funds. A group of workers also has sued, blocking a vote on potential voluntary benefit reductions.

Given pension rules in the state, the legislature is going to have to sign off on any plan to address the problem. Lawmakers are confronting a similar-sized hole in Houston, but a crisis seems to have been averted there because the city and its employees have agreed to a deal. Dallas, by contrast, has been unable to bring state legislators an overhaul that has the blessing of both the city and its pension board. One proposal legislators are talking about would convert individual accounts of Dallas workers into annuities. That might save some money, but Texas lawmakers need to consider how they can reshape pension oversight to avoid similar problems in the future.

The quasi-independent nature of pension boards in Texas may be one reason why its plans keep running into trouble. Seven Texas municipalities have filed for bankruptcy protection over the last 35 years, notes Frank Shafroth, a government finance expert at George Mason University and a Governing columist. “The state of Texas needs to really think through what kind of structure they have that enables municipalities to avoid accountability,” Shafroth says.

Retired police officers, firefighters face cuts; Health care benefits of pensions take a hit to aid long-term outlook

Starting in 2019, retired cops and firefighters will no longer receive health care benefits through the Ohio Police & Firefighters Pension Fund but instead will receive a stipend to buy coverage on the open market.

The OP&F board of trustees voted in favor of the major change as a means to preserving the health care fund for the next 15 years. It will impact 58,000 current and retired police and firefighters.

Currently, OP&F covers 75 percent of premium costs for its retirees and 25 percent of the costs for their spouses. That deal will end and be replaced with the yet-to-be-determined stipend amounts.

"No dollar amounts have even been discussed," said OP&F spokesman David Graham. "Really, no details are available on it right now."

OP&F leaders are making no promises that even stipends will be available after 2032.

Though it is not mandated by state law, the retirement system has provided retiree health care coverage since 1974.

Starting in 2003, retirees started shouldering more costs as the health care plan became more expensive for OP&F and its members.

If OP&F does nothing, its $900 million health care fund will be drained within nine years, consultants told the system. In 2016, OP&F health care costs hit $223 million.

"Even with these significant changes, current trends in health care and prescription drug costs, health care support beyond a 15-year projection may not be possible without a new income stream," said OP&F Executive Director John Gallagher in a written release. "The OP&F Board, staff and our outside partners are all dedicated to searching for that funding source to assist future generations of retirees with their health care needs."

Gary Monto, president of Police & Fire Retirees of Ohio, said he is reserving comment on the matter until more details are released.

OP&F has $14.8 billion invested for the benefit of 58,000 police, firefighters, retirees and beneficiaries.

Among the system's assumptions is an expected annual rate of return of 8.25 percent - the highest of the five public pension systems in Ohio. That rate will be reviewed this fall. The other four systems recently reviewed and lowered their expected rate of returns to between 7.45- and 7.75-percent, based on recommendations from consultants and actuaries.

A big drop in the expected rate of return can mean unfunded liabilities balloon, which force pension fund trustees to consider cuts in benefits or other changes.

Palm Beach adopts changes to general employees' retirement benefits

Town employees can expect a boost to their pension benefits after the Town Council adopted a new plan Tuesday.

The plan allows general employees to start collecting pensions at age 62 rather than 65. The payments will also be larger, using a 1.70 multiplier, up from 1.25 to calculate payments.

The change comes on the heels of an overhaul to the benefits for public safety workers. Deep pension cuts in 2012 resulted in high turnover and poor retention among firefighters and police officers.

Since 2012, the town has matched dollar for dollar, employee contributions of 4 percent into a individually invested retirement accounts. For four years, the council added a discretionary 4 percent to the accounts.

Now, there will be no discretionary contributions. That savings will go toward improving benefits. The town's pension plan assumes an average 7 percent return on market investments over 30 years.

The new pension plan will go into effect the first pay period after May 1.

Private Sector

Is 70 the New 65?

Nearly one-third of those 60 and older are planning to stay in the workforce until age 70.

Is 70 becoming the new 65? CareerBuilder asked this question in a survey of those age 60 and older. Thirty percent said they plan to retire at age 70 or even older, and 20% don't expect to ever retire.

While not having enough money to retire is the reason why they are planning to delay retirement, 34% of those age 60 and older are unsure how much they will need to retire.

When asked to guess how much they will need to retire, 24% think it is less than $500,000. However, 42% think it is more than $500,000. This breaks down to 25% saying $500,000 to less than$1 million, 13% saying $1 million to less than $2 million, 3% saying $2 million to less than $3 million, and a mere 1% saying $3 million or more.
Given these figures, it might be surprising that 26% of American workers older than 55 are not participating in their 401(k), individual retirement account (IRA) or other retirement plan.

Seventy-four percent of workers older than 55 said they are not earning what they would like to earn. Twelve percent plan to change jobs, and 8% took on a second job in 2016.

"Faced with the expectations of living healthier for longer, older adults may opt to remain in the workforce for longer and defer savings, pensions and Social Security for older age," says Rosemary Haefner, chief human resources officer for Career Builder. "This increased workforce participation for older adults has implications for retirement policy, health care financing, Social Security and the behavior of employers and employees alike."

Harris Poll conducted the survey for Career Builder among 3,215 adults between February 17 and March 10; 556 of those respondents were people age 60 and older.

Why Are U.S. Households Claiming Social Security Later?

Over the past two decades, the share of individuals claiming Social Security at the Early Eligibility Age has dropped and the average retirement age has increased. At the same time, Social Security rules have changed substantially, employer-sponsored retirement plans have shifted from defined benefit (DB) to defined contribution (DC), health has improved, and mortality has decreased. In theory, all of these changes could lead to a trend towards later claiming. Disentangling the effect of any one change is difficult because they have been occurring simultaneously. This paper uses the Gustman and Steinmeier structural model of retirement timing to investigate which of these changes matter most by simulating their effects on the original cohort (1931-1941 birth years) of the Health and Retirement Study (HRS). The predicted behavior is then compared to the actual retirements of the Early Baby Boomer cohort (1948-1953 birth years) to see how much of the later cohort's delayed claiming and retirement can be explained by these changes.

This paper found that:

- The Early Baby Boomer cohort was less likely to be fully retired than the HRS cohort at both age 62 (36.7 percent vs. 44.0 percent) and age 64 (49.5 percent vs. 53.9 percent).
- The model suggests that the shift from DB towards DC plans was the biggest contributor to these declines, followed by better health.
- Changes to Social Security rules and improvements in mortality played smaller roles.
- Taken together, the four changes explain about 60 percent of the drop in full retirement at 62 – the remaining could be due to changes in preferences or other changes not simulated like the rising cost of health care.

The policy implications of this paper are:

- As DB plans continue to fade in the private-sector, claiming will likely be further delayed.
- If health continues to improve, claiming could be moderately delayed.
- The resumption of the increase in the Full Retirement Age is not likely to lead to substantial delays in claiming.

IRS Extends Deadline to Adopt DC Pre-Approved Plan and Apply for Determination Letter Until May 1

The Internal Revenue Service (IRS) extended the deadline from Sunday, April 30, 2017, to Monday, May 1, 2017, for certain employers to adopt a defined contribution (DC) pre-approved plan and apply for a determination letter, if permissible.

Notice 2016-3 previously extended the deadline from April 30, 2016, to April 30, 2017, to help employers who wanted to convert their existing individually designed plan into a current defined contribution pre-approved plan based on the 2010 Cumulative List.

Employers are eligible for the extension if they adopt a plan after January 1, 2016, other than one that is a modification and restatement of a defined contribution pre-approved plan they maintained before January 1, 2016.

The extension allows the employers until May 1, 2017, to:

Adopt a current defined contribution pre-approved plan.

Apply for a determination letter, if permissible.

(Update April 19, 2017)

The Internal Revenue Service (IRS) and Department of the Treasury (Treasury) issued Notice 2016-03 stating that they will issue guidance in anticipation of the elimination, effective January 1, 2017, of the 5-year remedial amendment cycle system for individually designed plans under the Employee Plans determination letter program.

The guidance will provide that:

Controlled groups and affiliated service groups that have previously made a Cycle A election are permitted to submit determination letter applications during the Cycle A submission period beginning February 1, 2016, and ending January 31, 2017

Expiration dates on determination letters issued prior to January 4, 2016, are no longer operative; and

The period during which certain employers may, on or after January 1, 2016, establish or adopt a defined contribution pre-approved plan and, if permissible, apply for a determination letter, is extended from April 30, 2016, to April 30, 2017.

The changes described in this notice will be reflected in an update to Revenue Procedure 2007-44, 2007-2 C.B. 54. Employers may rely on this notice until Rev. Proc. 2007-44 is updated to include these changes.

Employee Retirement Readiness Tops Not-for-Profit Plan Sponsors' Concerns; Survey finds more than half worry about employees running out of money in retirement; Employers may help improve retirement outcomes by adding guaranteed lifetime income options

While delivering testimony at Congressional hearings in February, CBO's Director was asked a number of questions about potential changes to Social Security. Because answers during hearings are inherently brief, this blog post provides some additional information.

What Are CBO's Projections for Social Security?

Social Security is the largest single program in the federal government's budget. CBO projects that the program's outlays will rise significantly over the coming decades—from 4.9 percent of gross domestic product (GDP) in 2017 to about 6.3 percent of GDP 30 years from now. Average benefits per recipient are expected to continue to increase at roughly the same rate as per capita GDP. However, a significantly larger portion of the population will begin to draw benefits because more of the baby-boom generation will reach retirement age. Their longer life spans will result in those beneficiaries' receiving payments for more years than was the case in the past, thus increasing the total amount of benefits the average retiree receives over a lifetime. Those factors will combine to cause the growth in benefits as scheduled under current law to outpace the growth in the economy overall.

Total revenues for the program, however, are anticipated to decline slightly in relation to the size of the economy, from 4.6 percent of GDP in 2017 to 4.5 percent of GDP 30 years from now. The decline is expected to occur because most of the program's receipts come from the payroll tax—a flat-rate assessment (up to a maximum amount per worker, which is indexed to average earnings)—and because the proportion of earnings subject to the payroll tax is expected to shrink.

What Are Some Options for Changing Social Security?

In a 2015 report, CBO considered 36 policy options that are among those commonly proposed by policymakers and analysts, divided into five groups according to the elements of the Social Security program that they would modify:

- The taxation of earnings,
- The benefit formula,
- The full retirement age,
- Cost-of-living adjustments, and
- Benefits for specific groups.

Although CBO has not updated its analysis of those options, the agency expects that updated estimates of the options' long-term effects would be broadly similar to those reported in 2015. For example, CBO reported that gradually increasing the payroll tax rate by 3 percentage points over 60 years would improve the 75-year actuarial balance by 0.5 percentage points of GDP, as would gradually reducing benefits by 15 percent for newly eligible beneficiaries over 10 years, starting in 2023; each of those options would eliminate about one-third of the shortfall in the program's finances. (The actuarial balance is the sum of the present value of projected tax revenues and the current trust fund balance minus the sum of the present value of projected outlays and a year's worth of benefits at the end of a given period. A present value is a single number that expresses a flow of future income or payments in terms of an equivalent lump sum received or paid at a specific point in time.)

By itself, no individual option that CBO examined would create long-term stability for the Social Security program (see the figure below). Some options would affect all workers or beneficiaries similarly; others would have widely disparate effects, depending on a beneficiary's year of birth or lifetime earnings. The effects of many of the options could be changed if they were implemented at a larger or smaller scale or phased in more slowly or quickly, although the resulting effects would not necessarily be proportional to the results presented in the report. If the goal was to address Social Security's long-term imbalance, it would be necessary to combine several of the options that CBO analyzed. However, the effects of several policy changes implemented together are not always equal to the sum of the individual effects of those policy changes.

The first Not-for-Profit Plan Sponsor Insights Survey by TIAA finds that the No. 1 concern among plan sponsors in the not-for-profit (NFP) sector is that employees will delay retirement because they do not have enough money (64 percent), and 59 percent are concerned their employees will run out of money in retirement-far more than the 38 percent who worry about meeting responsibilities as a plan fiduciary.

The survey reveals opportunities for plan sponsors that may help improve employees' retirement outcomes with in-plan guaranteed lifetime income options, wider adoption of employee education and advice programs, and strategic measurement. It also examines plan sponsors' concerns about meeting their fiduciary responsibilities.

Helping to ensure employees have access to income for life

The survey sheds light on changes that could help increase employees' retirement preparedness and help allay employers' concerns. More than half of NFP plan sponsors offer a plan with a guaranteed lifetime income option, and the majority (87 percent) say they plan to keep it.

Those who do not provide a lifetime income option in their plan include 34 percent who say participants can access annuities outside of the plan and 21 percent who believe fees are too high.

However, these responses reflect some common myths about annuities. Lifetime income options offered through a workplace retirement plan can offer benefits that employees may not find through retail financial solutions, and, in most cases, have lower fees.

"We have been working with not-for-profit institutions for nearly 100 years, and we share their dedication to helping their employees pursue financial security," said Ron Pressman, CEO of Institutional Financial Services at TIAA. "With many people living 20 years or more in retirement, a successful retirement strategy may benefit from a source of income for life. And we've seen that employees who contribute to an annuity through their retirement plan over time can generate more retirement income than those who simply purchase one upon retiring."

Plan sponsors may also want to re-think their expectations for how employees will draw down their savings. One-third (35 percent) expect their employees to generate retirement income only through systematic withdrawals. Although taking steady withdrawals can be part of a larger retirement income strategy-for example, to cover discretionary expenditures-relying on this method comes with the risk of outliving one's savings.

Additionally, plan sponsors may be overlooking an especially important feature for employees who don't feel they have the knowledge or interest to choose investments on their own. Only 48 percent of sponsors have a designated default investment option, which can provide unengaged employees with a convenient way to invest for retirement.

Plan sponsors also may consider making an investment with a lifetime income option their plan's default option, but 56 percent of those surveyed say they are not sure if they would adopt such an option. These plan sponsors could be overlooking the fact that default investment options that offer an income for life feature are designed specifically to help improve retirement outcomes. This is especially important considering that 35 percent of individuals holding target-date funds (the most common default option*) expect them to guarantee a monthly income check for the length of their retirement.

Providing education and advice

Survey results also show plan sponsors recognize the crucial role personalized support and advice play in employee outcomes. However, many are unsure of the best way to engage their employees: 81 percent of plan sponsors offer one-on-one financial advice services, yet 71 percent say getting their employees engaged in the plan is a significant challenge.

That may be because of a gap between the methods plan sponsors believe to be effective and what they have in place:68 percent believe financial education designed specifically for different age groups or life stages is effective; however, only 33 percent offer it.50 percent believe financial education designed specifically for women is effective, but only 14 percent offer it.

"Plan sponsors can work with their providers to offer a comprehensive employee engagement program and identify services that may be most effective for their specific employee populations," Pressman said.

Measuring success

Fifty-five percent of plan sponsors consider it a significant challenge to measure the success of their retirement plan. When asked about the most important measure of a plan's success:27 percent of sponsors cite participation rates, with 52 percent tracking these rates for their plan.21 percent say participant income replacement rates/retirement income adequacy is the most important measure, but only 14 percent track these rates.

"Participation rates are important, but they are just a starting point. The true measure of plans' effectiveness is whether employees have adequate income throughout their retirement, and feel secure in knowing they won't outlive their savings. The yardstick for plan success should reflect these goals," said Pressman.

Ongoing tracking of income replacement rates better enables employers to know if their employees are on track for retirement. Most experts recommend that employees aim to replace 70-100 percent of their preretirement income during retirement. However, 47 percent of sponsors surveyed think their employees should target an income replacement rate of 70 percent or less.

Fiduciary focus

As plan sponsors focus on preparing their employees for retirement, results reveal they are also working to ensure they meet their fiduciary responsibilities and offer compliant plans. Last year's introduction of the Department of Labor (DOL) Fiduciary Rule has brought heightened attention to fiduciary practices, and these concerns are top of mind for many.38 percent of NFP sponsors worry about meeting responsibilities as a plan fiduciary.31 percent are concerned about the impact of the DOL rule.24 percent worry about criticism regarding plan administrative and investment fees.

However, these concerns still rank below core plan goals like getting employees through retirement. That may be because many plan sponsors report strong and disciplined plan management practices, such as conducting formal reviews of their plan options and services. Plan sponsors report that over the next 12 months they will conduct a formal review of their:administrative fees (39 percent),investment menu (39 percent),investment fees (38 percent), andplan design (34 percent).

It is generally a good idea for plan sponsors to formally review their plans every few years to help ensure they are offering competitive services and are meeting their plan obligations.

Sixty-five percent of plan sponsors have an Investment Policy Statement (IPS) in place to guide their investment monitoring and selection process, and 12 percent plan to create one in the next 12-24 months. They look to experts for support, too. Eighty-six percent report having a plan advisor and of those, 88 percent report the advisor is a fiduciary.

"Plan sponsors play a critical role in preparing their employees for a secure retirement," said Pressman. "TIAA's experience with clients generally shows that effective plan management, along with lifetime income options, thoughtful engagement programs and success metrics, can increase their ability to deliver successful retirement outcomes for their employees."

PENSIONERS MAY LIVE LONGER, RESEARCH FINDS

The life expectancy of people with defined benefit pensions appears to be improving at a faster rate than that of the rest of the population, research by the Continuous Mortality Investigation (CMI) shows, according to the www.ftadvisor.com. According to the latest CMI Mortality Projections Model, increases in life expectancy have slowed down across the population since 2011 and continued through 2016, after a decade of marked improvement. However, the data found the mortality among pensioners who received a guaranteed income for life through a DB scheme had risen more rapidly. The overall slowdown led some to suggest that the rapid improvements in mortality in the first decade of this century may have permanently ended. But the CMI was more cautious, saying there was significant uncertainty over whether the slowdown would continue. The CMI, which is owned by the Institute and Faculty of Actuaries but independently run, stated that it was important to understand that mortality nevertheless was likely to continue to improve. CMI 2016 has thrown more light on some very interesting trends – namely that, in recent years, the rate at which mortality is improving has been slower than in the first decade of this century.

Although it is highly likely that mortality will continue to improve, there is significant uncertainty as to whether this recent slowing in the rate of improvement will continue. The slowing raises important questions about contributing factors. Indeed analysis of pension data implies that the causes could be more complex and stratified than the pure life expectancy figures, which only consider population data in aggregate alone, would suggest. It is increasingly difficult to argue that the fall off in national mortality improvements since 2011 is simply a blip. However, the underlying picture for pension schemes is complex, and accordingly, a more-tempered view is appropriate. In particular and perhaps surprisingly less-well-off defined benefit scheme pensioners appear to have had higher recent mortality improvement than both the national population and better-off defined benefit scheme pensioners. There is a risk that changing or incomplete data on longevity meant schemes considering hedging their longevity risk could end up with poor pricing or make a decision based on out-of-date information.