

Retirement Plan Updates, Upgrades and Fixes



F R A N C I S

Investment Counsel LLC

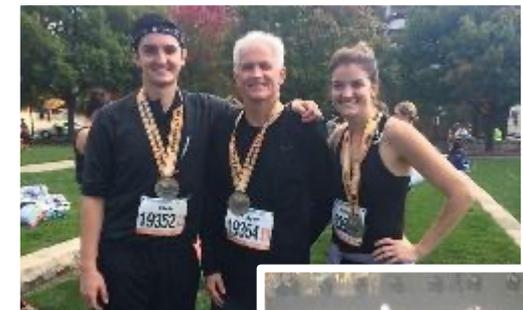
FEI Eastern Wisconsin

January 11, 2023

Let's Meet Joe

Joseph Topp, CPA
Principal
Vice President – Investment Consulting Services

- Certified Public Accountant (CPA) since 1985
- Joined the Francis Team May 2000
- Public and industry accounting background
- Plan cost management “bulldog” - Extensive experience in negotiation of plan administrative fees and provider benchmarking processes
- Coordinates vendor search activity
- Over 20 years of experience advising qualified retirement plans
- Speaker at PlanSponsor National Conference, WI SHRM, and Wellness Council of Wisconsin



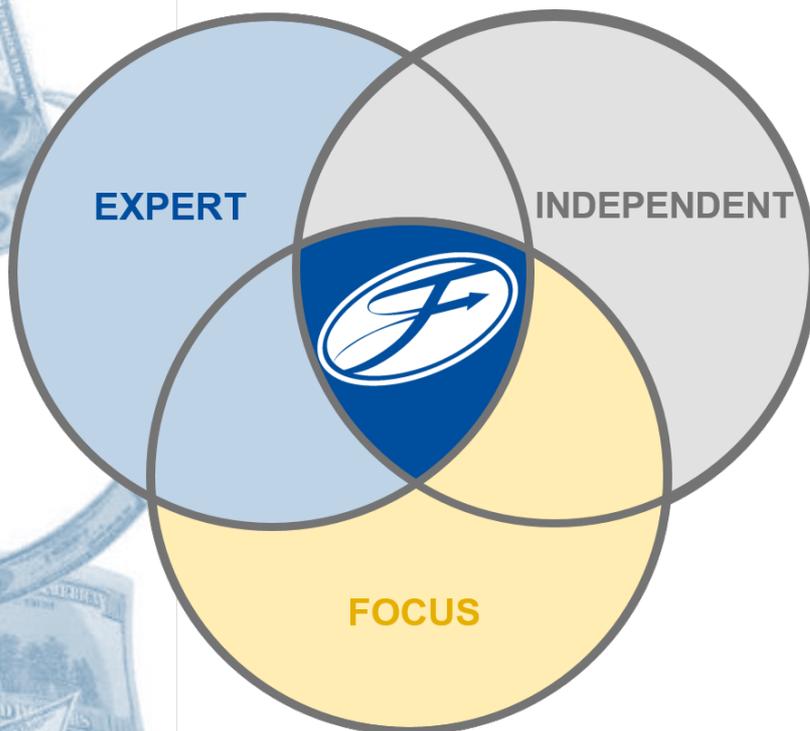
Let's Meet Kevin

Kevin Skow, CPC, QPA, QKA
Vice President - Retirement Plan Consultant

- Credentialed member of American Society of Pension Professionals & Actuaries (ASPPA)
- Over 20 years consulting to retirement plans
- Extensive plan design and compliance experience
- Will assist in monitoring, benchmarking, and management of recordkeeping relationship
- Served as President of MPLS Pension Council
- Current President Friends of FANA MN
- Bachelor of Arts degree from Marquette University



Francis Investment Counsel



EXPERT

- Serving Retirement Plan industry since 1988
- Consult to \$12 Billion of qualified plan assets
- Proprietary investment manager research

INDEPENDENT

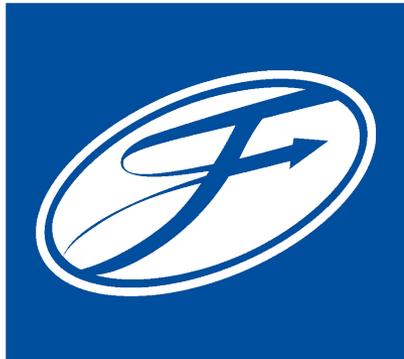
- 100% employee-owned; six equity partners
- No affiliations, no financial product sales, no wealth management service offerings
- Conflict-free ERISA fiduciary to clients & participants

FOCUS

- Serving qualified plans and their participants is all we do!
- ERISA lens to all aspects of plan oversight, design, and investment monitoring
- In-depth knowledge of industry / participant perspective benefits clients through forward-looking recommendations



Two Primary Service Offerings



Investment Consulting to Plan Sponsors

- Establish and Execute Prudent Oversight Process
- Improve Outcomes and Lower Costs
- ERISA Fiduciary



Financial Wellness to Participants

- Group Financial Education
- Holistic Financial Planning & Personalized Advice
- Sales and Conflict-Free



Francis Investment Counsel

Pensions & Investments

~THE~
*Eddy
Awards*

14-TIME RECIPIENT, RECOGNIZING
EXCELLENCE IN PARTICIPANT
FINANCIAL EDUCATION

PLANSPONSOR
RETIREMENT
PLAN ADVISER
LARGE TEAM
OF THE YEAR
2018

- PLANSPONSOR's 2018 Retirement Plan Adviser of the Year
- 13-time Top 100 Retirement Plan Adviser, according to PLANADVISER's ranking
- Top 100 Institutional Consultant according to Pensions & Investments ranking
- Top 50 Institutional Consultant according to Barron's ranking
- 14-time Pensions & Investments Eddy Award winner for excellence in participant financial education

Representative Clients



The above list does not represent Francis Investment Counsel's entire client list. The sample included represents clients currently engaging the Firm for services similar in scope to the services proposed for your organization. There were no performance-based criteria used to assemble this list, nor is this list intended to serve as a testimonial for the services Francis Investment Counsel currently provides. It is unknown if the clients listed above approve of Francis Investment Counsel or its services. Francis Investment Counsel will furnish a complete list of organizations currently served upon request.

Today we'll cover...

- ✓ Secure Act 2.0
- ✓ Plan Cost Management
- ✓ Stable Value vs. Money Market
- ✓ Plan Operational Review



SECURE Act 2.0

Setting **Every Community Up** for **Retirement Enhancement Act**

A part of the Consolidated Appropriations Act

- Signed into law on December 29th, 2022

90 Provisions



SECURE Act 2.0

Primary Goals

Title I: Expanding Coverage & Increasing Retirement Savings

Title II: Preservation of Income

Title III: Simplification & Clarification Of Plan Rules



Selected Provisions of SECURE Act 2.0

- 1) Roth Feature
- 2) Student Loan Payments
- 3) Part-Time Employees
- 4) Emergency Savings Accounts



SECURE Act 2.0: Roth Feature

- Elimination of required minimum distribution (RMD) for Roth money
 - Effective 2024
- Catch up contributions must be Roth basis
 - Applies to employees earning \$145,000 or more
 - Effective 2024
- Employer matching and non-elective contributions can be made on Roth basis
 - Optional
 - Effective immediately
 - Taxed to the employee

Secure Act 2.0: Student Loan Payments



- Employer can make matching contributions on qualifying student loan payments
 - Optional
 - Effective 2024



Polling Question #1

What employee census information are you currently providing your recordkeeper?

1. All full-time employees
2. Only eligible employees
3. All employees receiving compensation



SECURE Act 2.0: Part-Time Employees

- Dual eligibility requirement consists of:
 - 1 year of service with 1,000 hours
 - OR
 - 3 consecutive years of 500 hours

← CURRENT

- Dual eligibility requirement consists of:
 - 2 consecutive years of 500 hours
 - Effective 2025

← NEW
under
SECURE
Act 2.0



SECURE Act 2.0: Emergency Savings Accounts

- Employer option to auto-enroll non-HCEs into emergency savings plan linked to retirement plan
 - Contributions are Roth and capped at \$2,500 balance
 - Optional
 - Effective 2024

Plan Cost Management

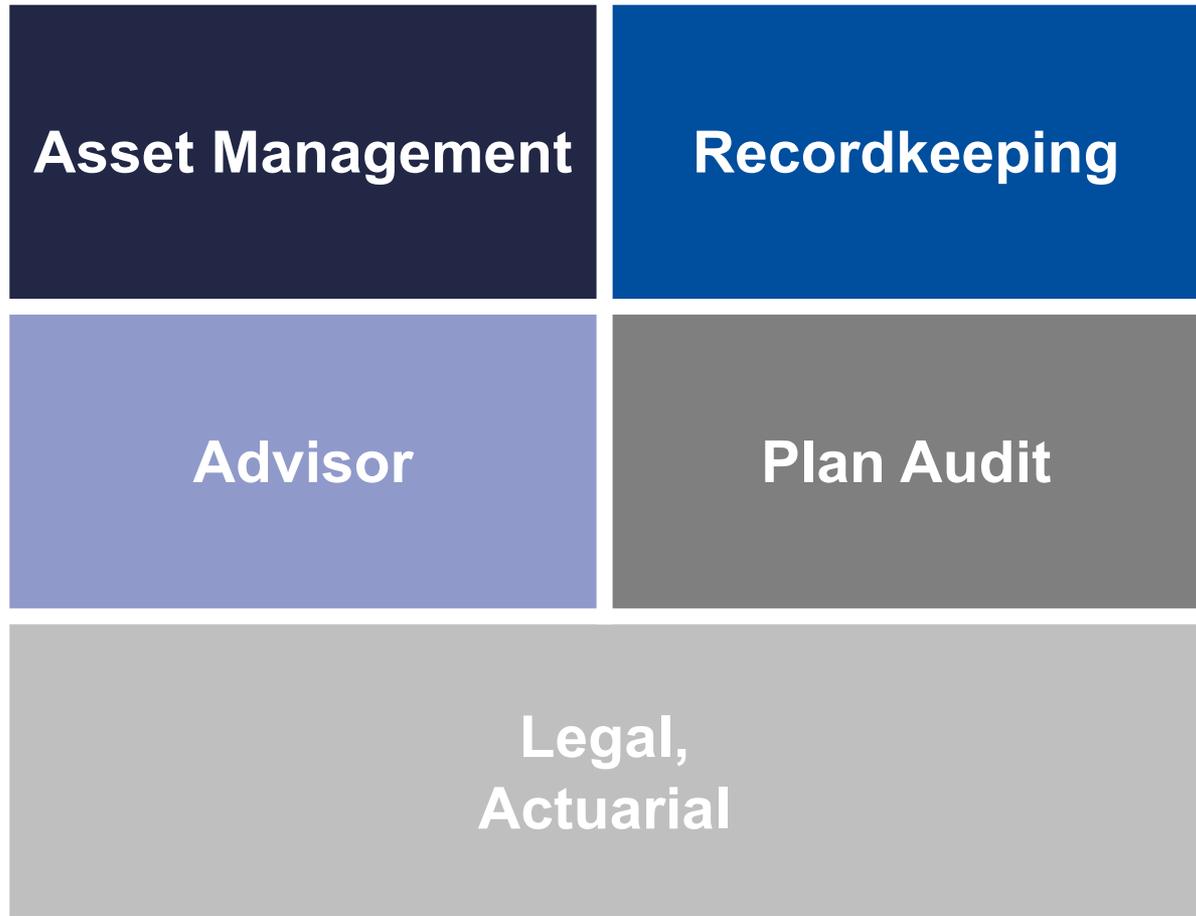
GOLDEN RULES

- Lowest cost shares
- Drive out revenue share
- Return revenue share
- Per head fee for recordkeeping
- Fixed dollar advisor fees
- Equitable allocation to employees
- Monitor and benchmark annually





Plan Cost Categories





Asset Management

- Goal: Identify and utilize cheapest share class available
- Often, there's a share class designed specially for retirement plans, most frequently named "R6," featuring:

Low Expenses

**Low Investment
Minimums (if any)**

No Revenue Sharing

- When evaluating non-retirement share classes:
 - ✓ Verify retirement plan eligibility
 - ✓ Ensure minimums are met
 - ✓ Understand revenue sharing impact (if any)

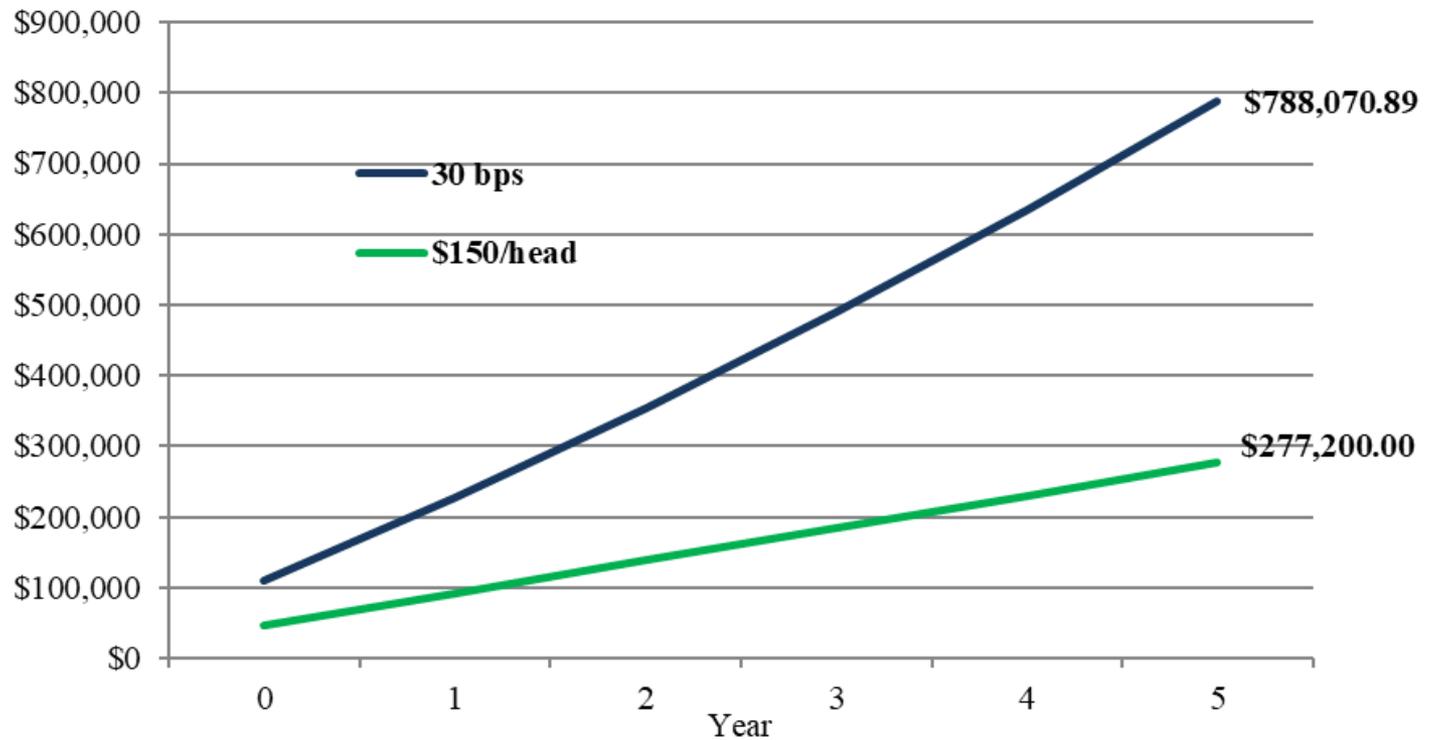
Asset Management



Availability & (Regulator)	<i>Public (SEC)</i>	<i>Private (OCC)</i>	<i>Private (SEC)</i>
	Mutual Fund	Collective Investment Trust (CIT)	Separately Managed Account (SMA)
Type	Pooled	Pooled	Separate
Typical Minimums	\$0 to \$1M	\$1M to \$25M	\$25M+
Negotiable Fee	No	Yes	Yes
Additional Fees	None	Custody, Audit	Custody, Audit, Unitization
Ease of Access to Information	Easily searchable by ticker	No ticker, some public info available	Unavailable through public sources
403(b) Eligible	Yes	No	Yes
Paperwork	No	Yes	Yes

Recordkeeping Fees

Asset Based vs. Per Participant Cumulative Fees Paid



Hypothetical model based on initial plan assets of \$36.7 million and 308 participants. Assumes market appreciation and contributions grow plan assets by 7% per year and participant count remains unchanged.



Advisor Fees

Asset Based

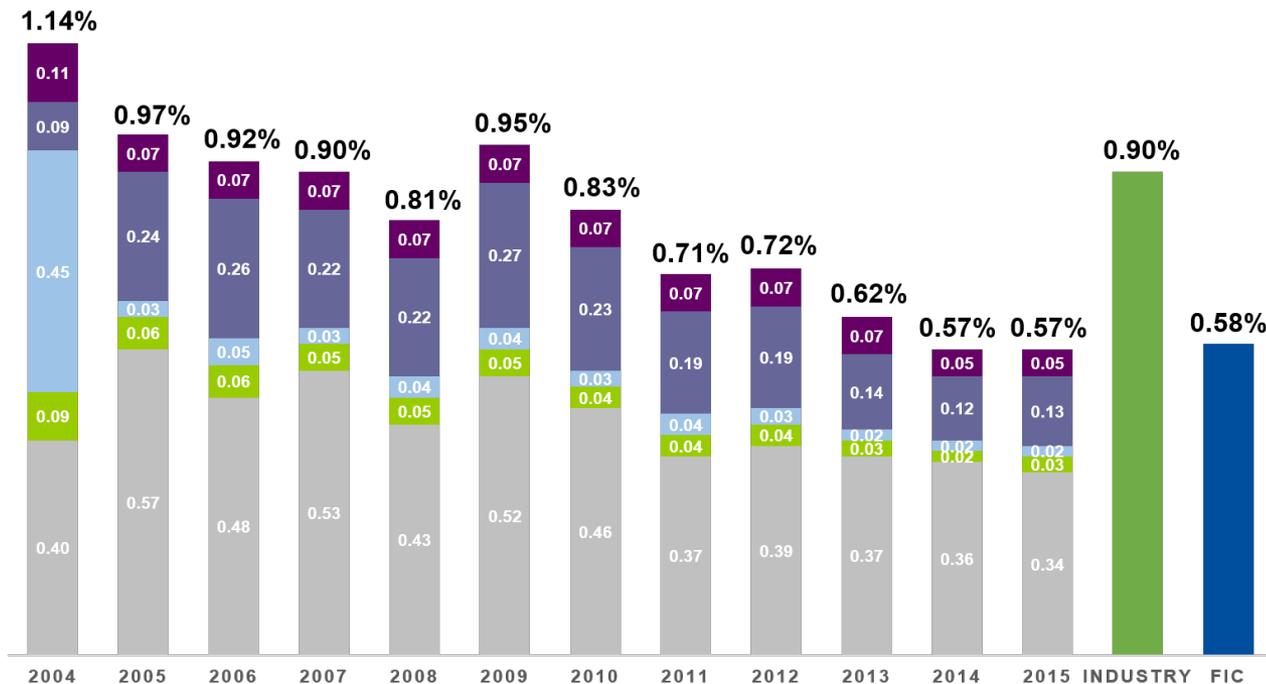
- Basis point fee
- Collection of revenue sharing

Fixed Hard Dollar

Project Fees

Education / Wealth Management Revenues

Monitor and Benchmark Fees



Internal Fund Expenses	Investment Consulting Fees	Trust Company Fees	Benchmark – Average Total Fees
Recordkeeper Fees	Education & Advice Fees		Benchmark – FIC Clients' Average Total Fees

Industry Benchmark: For Plans with at least 2,000 employees and \$100,000,000 in assets as reported in the 401(k) Averages Book 15th Edition, 2015. FIC Benchmark: Francis Investment Counsel clients with Plan assets over \$100,000,000. As reported in 2014 Fiduciary Reviews. While the above depicts an actual client experience, the example is for illustrative purposes only and may not be representative of all client experiences. While we believe this analysis fairly demonstrates our capabilities as an ERISA plan fiduciary, the analysis presented should not be construed to be a track record as we do not retain control of the assets. Past performance is not a guarantee of future returns.





Allocation of Plan Costs

- Asset Based
 - High balance accounts subsidize group
 - Lacks transparency
- Revenue sharing
 - Asset allocation determines cost
- Equitable allocation methodology



Equitable Allocation Methodology

- “Best Practices” - Bifurcated Fee Allocation:
 - ✓ Step 1 – Identify all costs to be borne by plan
 - ✓ Step 2 - Establish fix per head base annual fee (\$48-\$100)
 - ✓ Step 3 - Remaining costs to recover charged pro-rata based on account balance



Best Practices with Fees

What to do:

1

Revenue Credits on Funds – eliminate or return to participants

2

Convert to Per Head pricing with recordkeeper

3

Obtain Fixed Fee pricing not “basis point” with your advisor

4

Develop equitable participant fee allocation methodology

5

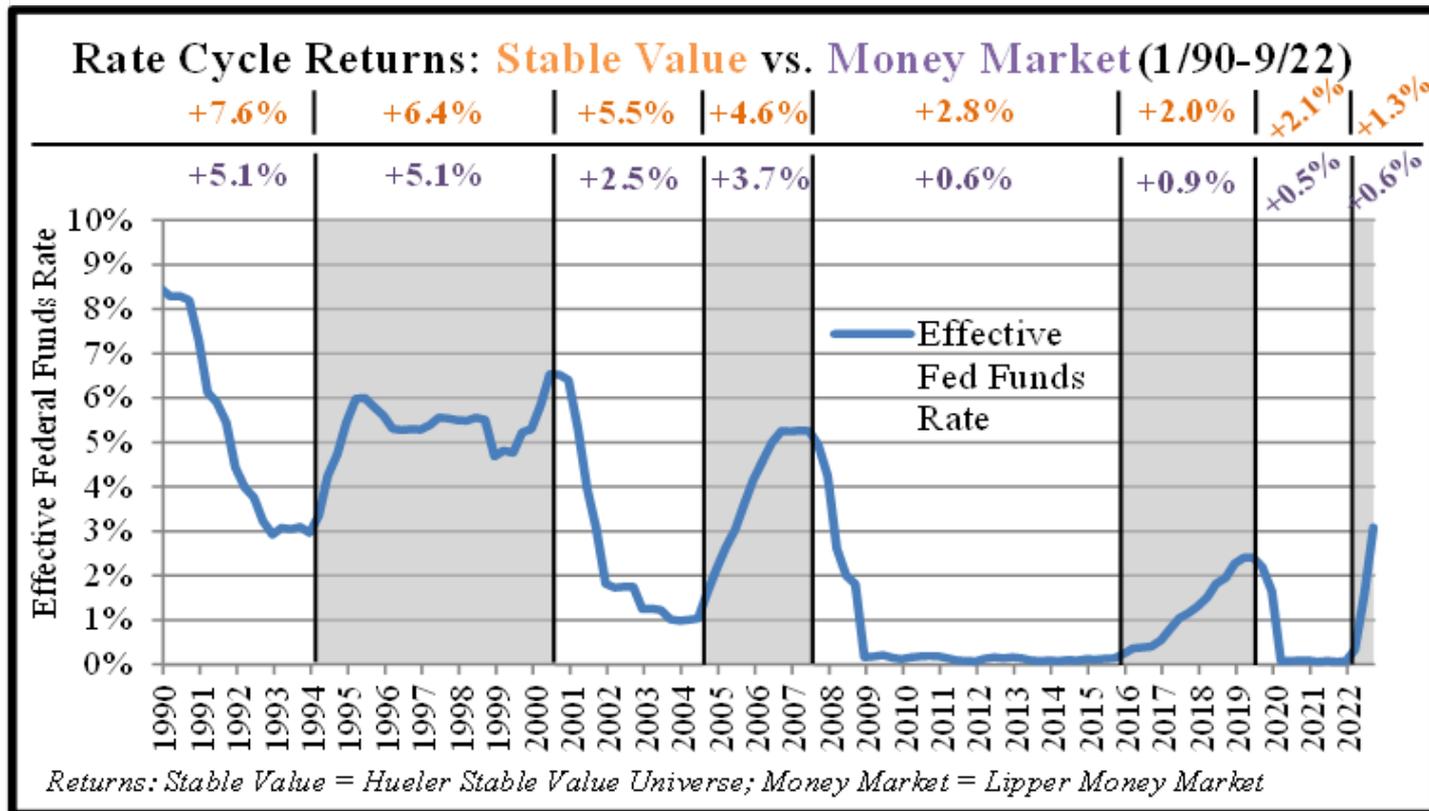
Review & benchmark all plan fees annually



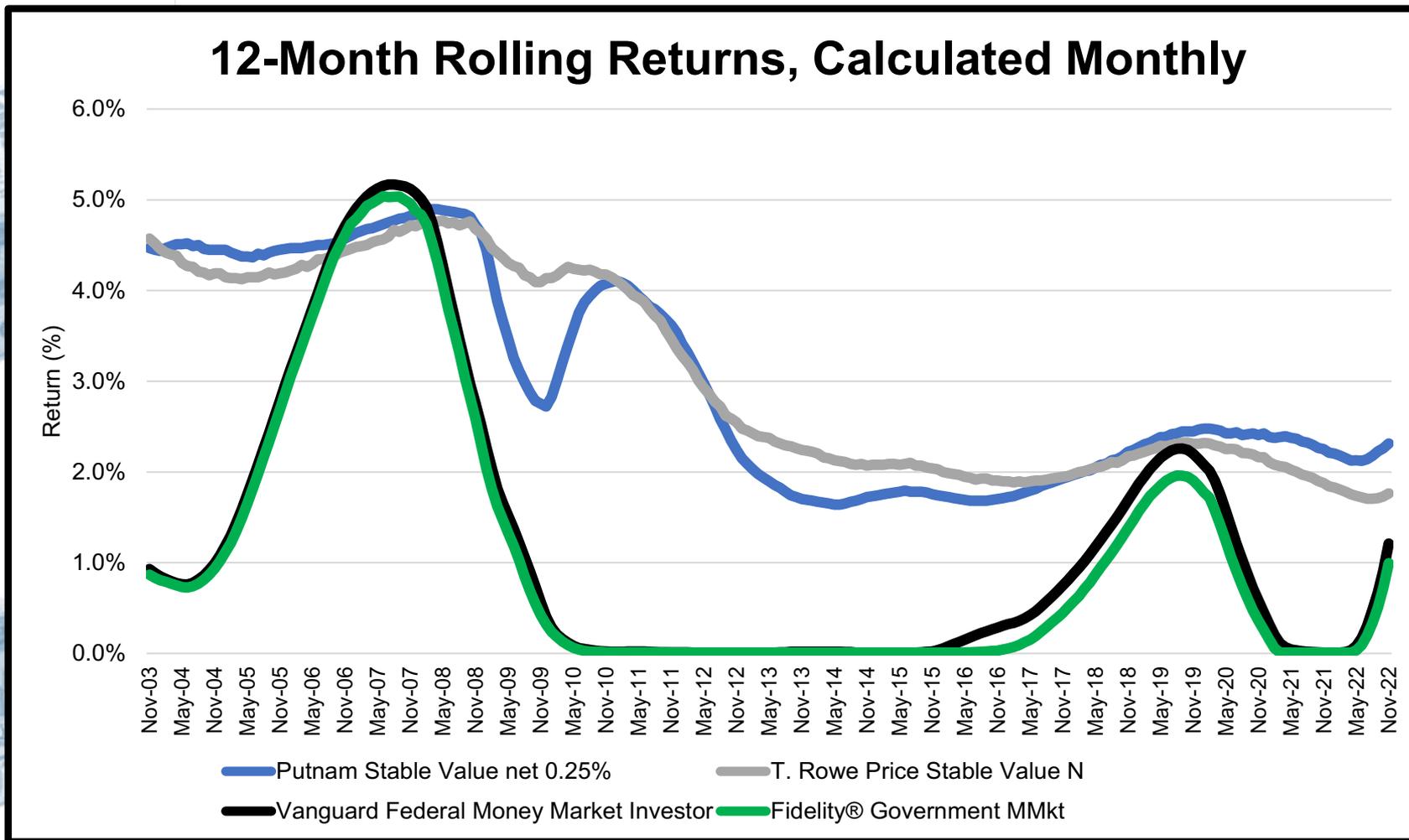
Stable Value Funds

	Stable Value Funds	Money Market Funds (MMF)
Rising Rates	Maturing assets are reinvested at higher rates, delayed gain in yield vs. MMF	MMF rates rise immediately
Falling Rates	Declining yield, delayed	MMF rates decline immediately
Credit Risk	Some, should be AA or better	Government MMF, None
Redemptions – Participants	Daily for participants	Daily for participants
Redemptions – Plan Level	Put option – usually	Immediate
Risk Management	Have numerous insurance providers when possible	U.S. Government

Stable Value Funds



Stable Value vs. Money Market



Source: StyleAdvisor. Fund returns shown are net of fees, past performance does not guarantee future results.



Polling Question #2

Stable Value Funds have historically been able to outperform money market funds over a full interest rate cycle due to which of the following characteristics:

1. Ability to invest in fixed income securities that mature in periods longer than 1-year
2. Flexible investment mandate permitting investment in non-government securities
3. Liquidity restrictions if the Plan Sponsors elects to terminate the fund
4. None of the above
5. All of the above

Stable Value vs. Money Market

	Annualized Returns (Data Through 11/30/22)						
	YTD*	1 year	3 years	5 years	10 years	15 years	20 years
Putnam Stable Value net 0.25%	2.12%	2.32%	2.32%	2.33%	2.04%	2.52%	3.02%
T. Rowe Price Stable Value N	1.61%	1.76%	1.94%	2.06%	2.05%	2.63%	3.07%
Vanguard Federal Money Market Inv	1.21%	1.21%	0.60%	1.14%	0.67%	0.67%	1.22%
Fidelity® Government MMkt	1.00%	1.00%	0.46%	0.93%	0.51%	0.54%	1.10%

Source: StyleAdvisor. Fund returns shown are net of fees, past performance does not guarantee future results.
 *Performance less than 1-year not annualized.



Polling Question #3

How confident are you that your Plans written provisions are being administered accurately in their day to day operation?

1. Very
2. Somewhat
3. I am not sure



Operational Plan Review

WHAT IS AN OPERATIONAL PLAN REVIEW?

A strategic exercise to review the Plan's written provisions and their day-to-day operational compliance

Assists fiduciaries in accurately administering their retirement plan in compliance with the laws and requirements under ERISA, the IRS and the DOL.



Why Perform An Operational Plan Review

Retirement plans are under constant scrutiny from our regulators and your own employees.

To protect you and your role as a fiduciary

The process will uncover errors, inefficiencies, best practice solutions and documented controls to aid in your plans required operation and oversight.

It will also have the benefit of providing your successors a documented process and history.



DOL vs IRS Audits

DOL

The DOL is responsible for the enforcement of labor laws set forth in the Employee Retirement Income Security Act of 1974 (ERISA).

- Eligibility
- Vesting
- Fiduciary duties
- Prudence of investments;
- Prudence of administration;
- Conflicts of interest; and
- Prohibited transactions, such as deposit of deferrals/loan payments.

IRS

The IRS is focused on tax matters, such as:

- plan qualification, with particular attention to documents and plan operation;
- income, excise, penalty taxes; and
- deductions.
- discrimination;
- limits on benefits (under Internal revenue Code Sections 415, 402(g), 404);
- funding; and
- eligibility and vesting.



What Is Needed to Perform An Operational Plan Review

- Ownership Structure of Corporation or Specific Shareholder(s) and any affiliated ownership interests
- All plan documents and amendments: Adoption Agreement, Base Plan Document, SPD, Amendments
- Enrollment Materials and Employee Communication materials
- Any contractual employment agreements that reference retirement plan benefits
- IRS filings and required notices and disclosures; 5500, 408(b)(2), 404(a)(5), Safe Harbor, ACA, QDIA, etc.
- All Service Agreements with all providers providing services to the Plan(s)



Who Is Needed

- Internal - People or departments that work closely with the plan, for example:
 - Human Resources
 - Payroll Department
 - Finance
 - Retirement Plan Committee
- External:
 - Recordkeeping team - Account Manager and Relationship Manager
 - TPA (Some recordkeepers may outsource certain services to a Third-Party Administrator)
 - Auditor (if applicable)
 - ERISA Attorney (as needed)
 - Independent Consultant



The Outcome and Next Steps

Identify the issue(s) that arose during the review process and document the resolution.

Helpful Resources:

What is ERISA:

<https://www.dol.gov/general/topic/retirement/erisa>

Compensation Charts/Definitions:

<https://www.asppa.org/sites/asppa.org/files/PDFs/Education/Webcasts/08-28-2018%20-%20ASPPA%20Webcast%20-%20Compensation%20-%20Schultz.pdf>

<https://www.asppa.org/sites/asppa.org/files/PDFs/2016AnnualHandouts/WS1%20-%20Plan%20Compensation.pdf>

Correction Programs:

[IRS_DOL](#)

Wisconsin's Retirement Plan Experts



Investment Consulting to Plan Sponsors



Financial Wellness to Participants



**Ready to improve your plan?
Need help getting started?**

**Give Joe Topp a call
(262) 781 - 8950**

Thank you!



FRANCIS
Investment Counsel LLC



Learn more:

francisinvco.com

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PLANSPONSOR's 2018 Retirement Plan Advisor of the Year recognition received based on response to Asset International's 2017 PLANADVISER Retirement Plan Adviser Survey. Eligible advisors required nomination as a Retirement Plan Advisor of the Year or self-nomination by providing industry references. No submission fees required. Selection process based on quantitative variables, a sub-segment of survey questions, and survey information supplied by the advisors themselves. Finalist selection based on firms' business revenue derived from employer-sponsored retirement plans, fiduciary service capacity, commitment to fee-based compensation, utilization of outcomes-based metrics for plan success, and service to plan sponsors and plan participants. Francis Investment Counsel was selected among four finalists in the "Large Team" category. Francis Investment Counsel is not affiliated with, does not receive remuneration from, or provide remuneration to Asset International. Receipt of this award should not be construed as a guarantee of future performance or results.

PLANADVISER's 2019 Top 100 Retirement Plan Adviser recognition received based on response to Asset International's annual PLANADVISER Retirement Plan Adviser Survey. No submission fees required. Top 100 list drawn from quantitative variables, a sub-segment of survey questions, and survey information supplied by the advisors themselves. Francis Investment Counsel was recognized in the "Large Teams With \$3.5 Billion or More in Retirement Plan Assets Under Advisement" category. Francis Investment Counsel is not affiliated with, does not receive remuneration from, or provide remuneration to Asset International. Receipt of this award should not be construed as a guarantee of future performance or results.

Pensions & Investments 2018 Top 100 Institutional Consultant recognition received based on response to Pensions & Investments Annual Investment Management Consultants Survey. Top 100 Institutional Consultants determined based on completion of survey and total assets advised. No submission fees required. Francis Investment Counsel is not affiliated with, does not receive remuneration from, or provide remuneration to Pensions & Investments. Receipt of this award should not be construed as a guarantee of future performance or results.

Barron's Top 50 Institutional Consultant recognition received based on response to Barron's Institutional Consultant survey. Ranking featured top institutional consulting teams, including traditional brokerage firms, as well as registered investment advisor (RIA) firms and independent broker-dealers. Rankings determined based on a range of criteria which included institutional assets overseen by the team, the revenue generated by those assets, the number of clients served by the team, and the number of team members and their regulatory records. The advanced professional designations and accomplishments of the team were also considered. Francis Investment Counsel is not affiliated with, does not receive remuneration from, or provide remuneration to Dow Jones & Company, Inc. Receipt of this award should not be construed as a guarantee of future performance or results.

2019 Eddy Award recognition received based on Pensions & Investments annual evaluation process. Winners demonstrated program effectiveness and creativity, as well as completion of the entry form, which included a \$150 fee per entry. Number of entries varies annually but averages 130-150. Selection criteria weighted differently based upon the category, but in general, creativity and the ease of understanding complex topics was key in determining successful entries. Francis Investment Counsel completed three submissions in the entry type "Joint – Plan sponsor and service provider entering together as a team," and was recognized with a first place award in the "Financial Wellness" category, a first place award in the "Pre-Retirement Preparation" category, and a second place award in the "Special Projects" category. 2019 Eddy Awards represent the eighth, ninth, and tenth times Francis Investment Counsel has received such recognition, having previously received Eddy Awards in 2011, 2012, 2014, 2016, and 2018. In 2019, a total of 66 defined contribution plan education programs were recognized with a First, Second, or Third-Placed Eddy Award, based on the entry category, size of the plan, and educational topic discussed. Francis Investment Counsel is not affiliated with and does not receive remuneration from Pensions & Investments. Receipt of this award should not be construed as a guarantee of future performance or results.