Continuing Education Credits

Be sure to sign the “Sign-In/Sign-Out” sheet outside of the room when applying for Continuing Education Credits for the following certifications. (Check the appropriate certification)

- CFP
- CPE

You do not have to sign in and out for InFRE credits; InFRE tracking forms were included in conference registration materials.

Making Your List and Checking it Twice – End of Year Checklist for 457(b)Plan Sponsors

Jim McNamee, Moderator
Jayson Davidson
Kim Solecki
Hutch Schafer

Plan Governance Compliance

Making a List, Checking it Twice….Literally.
### Plan Governance Compliance:
- Document review
- Plan investment particulars
- Expense and revenue share particulars
- Administrative services considerations

### Compliance Checklist

<table>
<thead>
<tr>
<th>Document Review</th>
<th>Date of Last Review</th>
<th>Location</th>
<th>Review Frequency</th>
<th>Action Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Policy Statement (IPS)</td>
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<tr>
<td>Plan Document(s)</td>
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<td>Provider Agreements</td>
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<tr>
<td>Investment Management Agreements</td>
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<td>Trust Documents</td>
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<tr>
<td>Committee Charter</td>
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<tr>
<td>Plan Budget</td>
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<tr>
<td>Meeting Minutes</td>
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### Plan Investments

<table>
<thead>
<tr>
<th>Plan Investments</th>
<th>Date of Last Review</th>
<th>Location</th>
<th>Review Frequency</th>
<th>Action Taken</th>
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</thead>
<tbody>
<tr>
<td>On-going Investment Performance Review</td>
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<tr>
<td>On-Watch Funds List</td>
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<tr>
<td>Investment Manager Contacts</td>
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<tr>
<td>Supporting Documentation</td>
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### Expense & Revenue Sharing

<table>
<thead>
<tr>
<th>Expense &amp; Revenue Sharing</th>
<th>Date of Last Review</th>
<th>Location</th>
<th>Review Frequency</th>
<th>Action Taken</th>
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</thead>
<tbody>
<tr>
<td>Budget / Revenue Forecasting</td>
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<tr>
<td>Fee &amp; Revenue Share Guidelines</td>
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<tr>
<td>Fee Budget</td>
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<tr>
<td>Meeting Minutes</td>
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<tr>
<td>Service Deliverables Review</td>
<td>Overall Satisfaction Review</td>
<td>Annual Plan Activity Report</td>
<td>Budget / Revenue Accounting</td>
<td>Fund Change Communications</td>
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- **Document Review Items to Consider:**
  - Committee Charter/Governing Body Resolution
  - Plan Document
  - Investment Policy Statement
  - Budget/Fee Policy
  - Meeting Minutes

- **Meeting Minutes:**
  - Attendees
  - Start and end times
  - Summary of discussion
  - Actions taken
Plan Budget:
- Identify revenue source
- Document all expenses
- Closely track residual amounts
- Match with fee policy

Investment Option Review Items to Consider:
- Performance reports
- Summary of investment related actions
- Investment option fee and revenue analysis
- Fee disclosure documents

A Few More Words on Fee Disclosures...
Administrative Items to Consider:
- Service commitments and deliverables
- Contractual penalties for failure to perform
- Annual Plan report

Creating your Checklist: the IRC perspective

Advantages of checklist from IRC viewpoint?
- Promotes plan compliance
- Reduce risk or errors
  - preventive
  - detective
- Opportunity to enhance or change internal procedures
Items to include on checklist

- Internal Controls
- Plan Document
- Contribution Limits
- Distributions

Internal Controls
- Increased IRS Focus during plan audits
- Process:
  - Match written form and plan operation
  - Establish procedures of checks and balances
  - Identify and correct compliance gaps
  - Modify when required

Plan Document
- Plan must be operated in accordance with its terms
- Required Amendments
- Discretionary Amendments
- Identify discrepancies between operation and plan terms
2013 Contribution Limit
Employee Deferral $17,500
3 Year Catch-up to $17,500, or
Age 50+ Catch-up $ 5,500
Total Contributions to $35,000, or
Total Contributions $23,000

Required Minimum Distributions
- Separate RMD rules apply to participants and beneficiaries
- 50% penalty tax on required amount not distributed

Distribution of De Minimis Amounts
- $5,000 or less
- Inactive for 2 years
- Participant direction required or automatic process?
IMPROVING PARTICIPANT OUTCOMES

Should this be on your list?

Should Fiduciaries be Concerned?
- Participant investment behavior
- Low average participant balances ($36k)
- Not deferring enough to achieve retirement savings goals
- Withdrawals prior to retirement and the impact to retirement readiness

Fiduciary Best Practice
- Are participants on course to achieve retirement goals?
- A review of participant investment behavior
  - How are they allocating their money
  - How are they diversifying compared to how they should?
  - Are they taking advantage of rebalancing?
What if you knew that…. 

- Of those participants¹ that seek the “help” of a professional asset allocation money manager (Target Date, Target Risk, Managed Accounts)
- ~50% of participants improperly use Target Date Funds
- ~40% of participants improperly use Target Risk Funds
- Of those that manage their own investments, they tend to underperform and take more risk than those who use professional asset allocation money managers

¹Based on data of approximately 1 million public sector participants within Nationwide’s recordkeeping platform as of 12/31/2012

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Partial target date fund users need more help?

<table>
<thead>
<tr>
<th>Asset Allocation</th>
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<tbody>
<tr>
<td>33%</td>
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<tr>
<td>67%</td>
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</tbody>
</table>

- Average allocation to target date funds
- Remaining balance allocated among 5 other funds on average

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Fixed Rate and Stable Value Usage

Some interesting insights:

- Approximately 60% of participants have a position in Fixed/Stable Value
- Approximately 35% of participants under age 50 are 100% in Fixed/Stable Value
- Do these relatively high allocations to fixed align with the desire outcomes for participants?
Potential Actions to Consider

- Get the facts on the overall plan health, specifically participant investment behavior
- Conduct re-enrollment campaigns to:
  - re-orient the conversation around participant outcomes and setting retirement goals
  - re-educate on proper investment management
  - offer additional professional investment options (Target Date, Target Risk, Managed Accounts) for those that need help