Advisor Retirement Plan Update

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PEACE of MIND

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Money Market Reform

In July 2014, the SEC (Securities and Exchange Commission) issued changes to the money market fund rules as a result of the 2008 credit crisis. These rules were adopted to provide increased transparency and greater protection to money market investors. These provisions will take effect in October 2016.

With these new regulations, there is now a difference between retail and institutional money market funds. Institutional funds will need to have a net asset value (NAV) that varies daily, while retail funds can continue to be priced at $1 per share. Participant directed defined contribution plans (like most 401(k) or profit sharing plans) can invest in retail money market funds that will continue to be priced at $1 per share. Defined benefit plans and trustee directed defined contribution plans will need to invest in the institutional funds that will have a floating NAV. Most defined contributions plans will not need to change their money market fund.

This change will allow fund managers to stop large redemptions of money market funds during times of market downturns as well as the ability to impose fees or stop redemptions in times when the liquidity of the fund is not able to meet the demand. Both retail and institutional funds must now be set up to have certain liquidity levels (10% of assets must be able to be liquidated within one day and 30% would need to be convertible to cash within one week) . If redemptions would force the fund to fall below these levels, the fund could impose a fee of up to 2% on redemptions. The new regulations also allow the fund to stop all withdrawals for up to 10 days if the liquidity levels fall below the applicable percentages.

A plan must determine if it can keep its current money market fund and if not, what alternative fund should be used. We will need to work with you, the plan sponsor and the custodian to make any changes needed as a result of these new regulations.

2016 Benefit Trends

According to a recent article by Employee Benefit Adviser, there are eight benefit trends to watch for in 2016. Not surprisingly, out of the eight listed, three of the trends have to do with retirement plan or financial health.

The trends listed in the article include:

1) Financial Wellness . People want and need help with managing their long and short term finances.

2) Work-Life Balance. Employees crave flexibility, paid time off and parental leave programs. Employers should consider moving to PTO Banks and allowing unlimited leave for some groups of employees.

3) Wellness Programs. Employers are interested in using motivating wellness programs to drive participant behaviors over the next several years.

4) Close the Retirement Savings Gap. Only 20% of workers are projected to be able to retire at age 65. Employers are trying to help increase that number. Adding automatic enrollment to the plans, improving matching contributions, adding automatic escalation features and more employee education are all trends for this year.

5) Employee selection and assessment. Hiring the right person has never been more important. Pre-employment tools can help organizations get the right talent in the door the first time and can help them manage those employees in the future.

6) Simplifying Retirement Savings. Many workers don't have a big comfort level when it comes to investing their 401(k) account balances. Employers are looking for ways to make it easier by adding investment advice, help tools, smaller investment line-ups and professionally managed accounts.

7) Strategies to Control the Costs of Healthcare. More employers are eliminating richer health care plans in favor or lower cost, higher deductible plans.

8) Performance Based Pay. More organizations are finding ways to reward their top performers. Variable pay systems can help to focus employee behaviors on the company's most important goals. It also allows employers to keep the base salaries at a lower level to keep fixed costs lower.