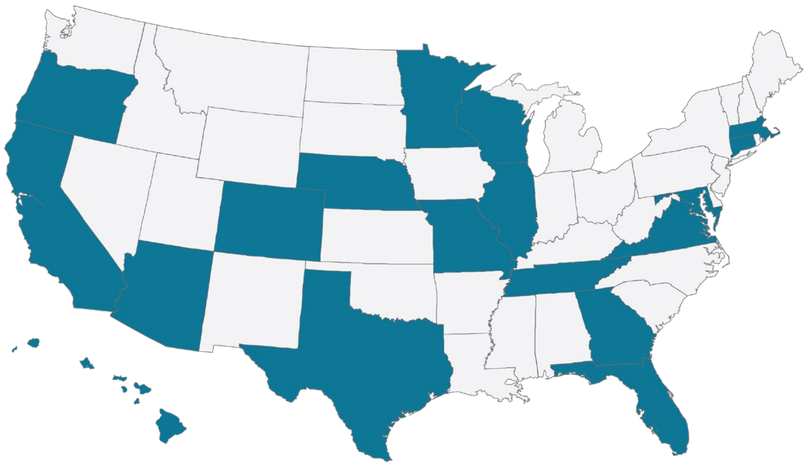
Understanding Governmental 401(a) and 457(b) Plan Costs & Best Practices

November 2023

About SageView Advisory Group



$170 Billion
Assets Under Advisement

1,700+
Retirement Plans*

32
Office Locations

20-Member
Investment Committee

**80 plans sponsored by Governmental entities with $20 billion in assets total*

PLAN DESIGN

PROVIDER MANAGEMENT

FIDUCIARY GOVERNANCE

PLAN COST MANAGEMENT

CLIENT MANAGEMENT AND STRATEGIC SUPPORT

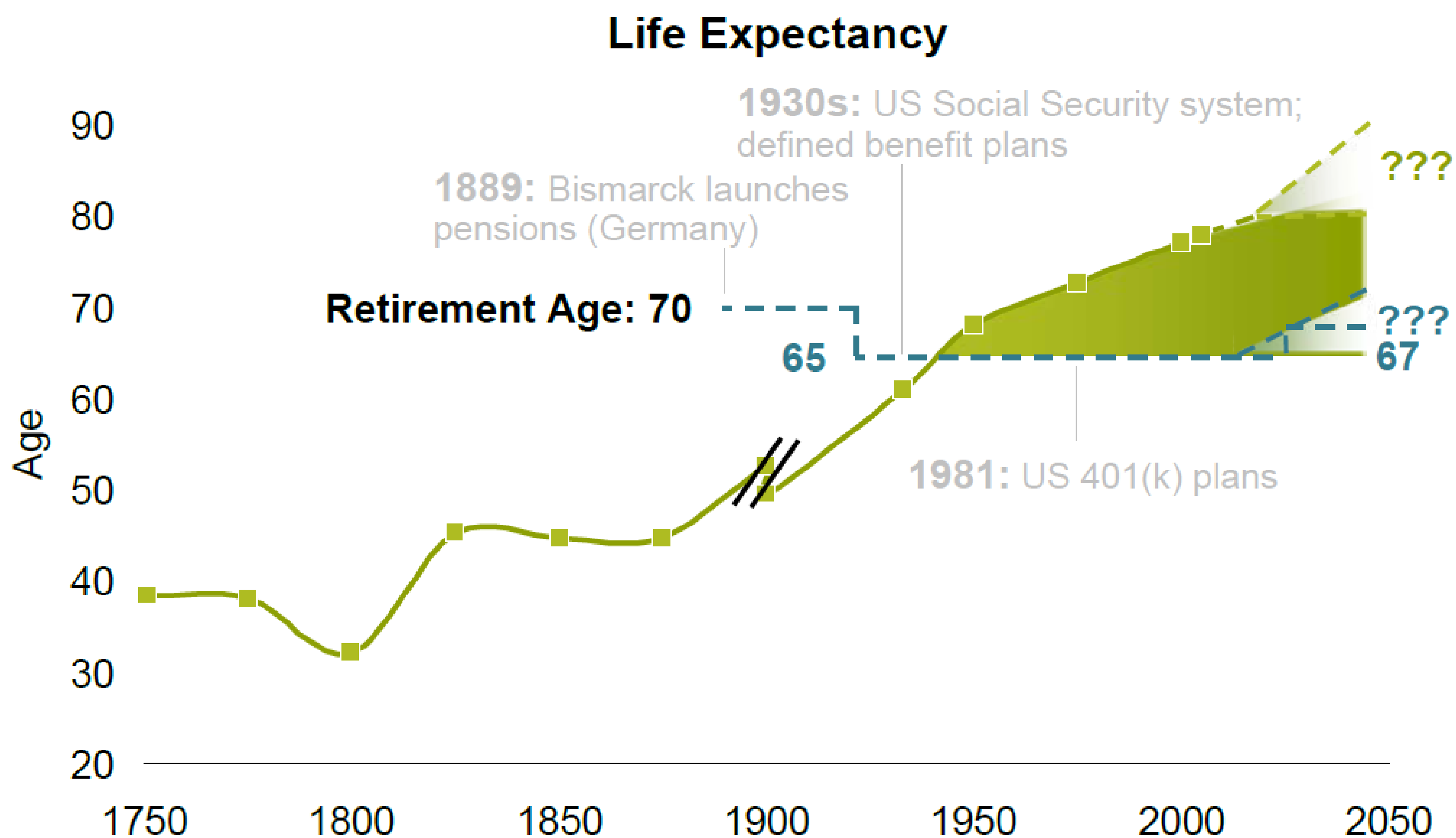
PLAN COMPLIANCE AND RECORDS MANAGEMENT

EMPLOYEE EDUCATION

INVESTMENT MONITORING

DC & 457(b) Plans More Prevalent

Retirement: A Novel Idea In 1889



Source: United Nations Department of Economic and Social Affairs–Population Division, Statistiska centralbyran and US Census Bureau

Polling Question # 1

What is the average life expectancy for a male who attains the age of 65:

a) 75
b) 79
c) 83
d) 88

Retirement Savings May Need To Last For Decades

MALE AGE 65

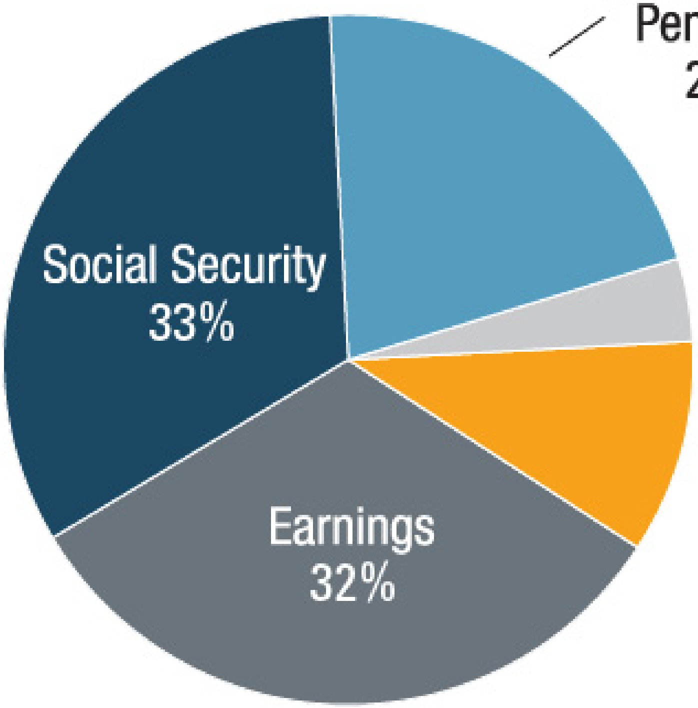
Year 2000	Life Expectancy 83	20% probability lives to age	90
Year 2014	Life Expectancy 88	47% probability lives to age	90

FEMALE AGE 65

Year 2000	Life Expectancy 85	32% probability lives to age	90
Year 2014	Life Expectancy 90	55% probability lives to age	90

Sources of Retirement Income

Median pension benefit for state or local government employee is approx. $22,662 per year



Source: http://www.pensionrights.org/publications/statistic/income-pensions
Source: https://equitable.com/retirement/articles/how-much-do-you-need-to-retire

Polling Question # 2

People with higher financial stress levels commonly say they also experience issues with these health problems. Which of them is the most frequently reported by people with higher financial stress levels:

a. Muscle Tension / Back Pain
b. Severe Anxiety
c. Insomnea / Sleep Trouble
d. High Blood Pressure

Wellness…
Connecting the dots between *health*, and *wealth.*

Retirement Plan "Leakage"

1 in 5 employees took out a loan or borrowed against their retirement plan in the past 3 years.

Where is that retirement money going?

Employees report that the money they have borrowed against their retirement funds in the past 3 years has been for following purposes:

37%
General household expenses (mortgage/rent, utilities)

18%
New car purchase

12%
College tuition/expenses

21%
Credit card payments

19%
Big ticket items (appliances, electronics, computers, etc.)

18%
Medical expenses

9%
Major car repair

Source: Purchasing Power: An Employee Crisis: Financial Literacy 2016

Defining the Problem

- The National Financial Capability Test is given to over 17,000 people from all 50 States. Only 48% of participants were able to pass the 30-question test.
  (1) https://www.financialeducatorscouncil.org/national-financial-capability-test/

- Over 40% of student loan borrowers are either late or not making student loan payments.
  (2) https://www.wsj.com/articles/more-than-40-of-student-borrowers-arent-making-payments-1459971348

- Nearly four out of every five U.S. workers live paycheck to paycheck.
  (4) Dave Ramsey "What is Financial Literacy" https://www.daveramsey.com/blog/what-is-financial-literacy

Source: Purchasing Power: An Employee Crisis: Financial Literacy 2016

40% — 40% of employees working full-time **don't have at least $2,000 in emergency savings** for unexpected expenses such as a car breaking down.

34% — 34% have had **trouble meeting monthly household expenses**, like rent/mortgage, car payments, cable bills, and credit card bills.

47% — 47% consistently carry balances on their credit cards; of these, 26% of whom find it **difficult to make minimum payments on time**.

30% — 30% **haven't been able to make major purchases** in the past year for items they need.

TO BE OR NOT TO BE A FIDUCIARY

Polling Question # 3

Are Governmental retirements plans bounds by ERISA?

a. Yes
b. No

What Is ERISA?

ERISA History

- The Employee Retirement Income Securities Act (ERISA) was introduced and passed by the House, Senate, and later signed by the President in 1974
- ERISA is a federal law that establishes minimum standards for retirement plans and provides for extensive rules on the federal income tax effects of transactions associated with employee benefit plans
- ERISA was enacted to protect the interests of employee benefit plan participants and their beneficiaries
- Responsibility for the interpretation and enforcement of ERISA is divided among the Department of Labor, the Department of the Treasury (Internal Revenue Service), and the Pension Benefit Guaranty Corporation

President Gerald Ford signing ERISA into law on September 2, 1974

Sources Of Fiduciary Duties

- ✓ Federal law - ERISA
- ✓ State law (e.g., Florida)
  - Best Practice is to apply ERISA fiduciary responsibility and fiduciary governance principles to the management of Florida's government sponsored retirement plans. §112.625(1) F.S.
  - "Each retirement system or plan shall have one or more named fiduciaries with authority to control and manage the administration and operation of the retirement system or plan." §112.656 (2) F.S.
- ✓ Organizational charter/specific delegations (i.e. GFOA Best Practices*)
  - "Many governments offer a deferred compensation plan to their employees. In operating these plans, governments act as fiduciaries. Because deferred compensation plans shift investment risk to the plan participant, GFOA recommends that governments provide employee education about the management of the investment risk".
  - "In carrying out their responsibilities as fiduciaries, plan sponsors make decisions in the best interests of plan participants and beneficiaries. In making these decisions, it is assumed that plan sponsors have knowledge about all fees and expenses charged to the plan and participants while ensuring that these costs are reasonable. It is also assumed that plan sponsors are disclosing to plan participants adequate and accurate information about the fees and expenses that affect their account balances".
- ✓ General fiduciary duty

*GFOA Best Practice : Investment Policies Governing Assets in a Deferred Compensation Plan (2004)(CORBA)
*GFOA Best Practice: Monitoring and Disclosure of Fees for Defined Contribution (DC) Plans (2008) (CORBA)

How Does Someone Become A Fiduciary?

A

NAMED
In the plan document

B

FUNCTIONAL
Exercises control

C

ACCIDENTAL
Acts like a fiduciary

Am I A Fiduciary?

- ✓ Fiduciaries in many cases are referred to as “functional” or “deemed”
  - Status is based on responsibilities and functions, not solely on titles or roles
- ✓ A person may be a fiduciary with respect to a plan to the extent they:

Exercise any discretionary authority or control over plan management

Exercise any authority or control over plan assets

Renders, or has any authority or responsibility to render, investment advice for a fee

Has any discretionary authority or responsibility over selecting plan administrator

- ✓ Fiduciaries typically include:
  - Plan Sponsor
  - Plan Trustee
  - Plan Administrator (employer level)
  - Administrative/Investment Committee
  - Investment Consultants

Who Isn't A Fiduciary?

Anyone who is not named, appointed or does not function as a fiduciary, is not a fiduciary.

- Accountants
- Attorneys
- Record-keepers, third-party administrators, or actuaries
- Individuals who provide purely administrative functions within a framework of policies

What Is My Responsibility As A Fiduciary

All plan fiduciaries must:

- ✓ Duty of Loyalty
  - Avoid conflict of interest
  - Ensure plan fees are reasonable
- ✓ Duty of Prudence and to delegate prudently (Prudent Expert Rule)
  - Establish prudent process for making decisions
- ✓ Duty to Diversify
  - Offer diversified investment choices
- ✓ Duty to Select and Monitor Investments
  - Adopt an Investment Policy Statement and monitor investment performance
- ✓ Duty to Follow Plan Documents
  - Act in accordance to plan documents and applicable law

Fiduciary Duties (Cont.)

This includes the Duty to Monitor:

- » Other plan fiduciaries
- » Service providers
- » Investment managers
- » Investment performance
- » Fees and expenses
- » Revenue sharing paid by mutual funds
- » Timely contribution of deposits
- » Compliance and administration issues

FIDUCIARY BEST PRACTICES

Polling Question # 4

Are you Fiduciary to the 401(a) or 457(b) Plan?

a. Yes
b. No
c. Maybe

Managing Your Fiduciary Responsibility

✓ Plan Sponsors should maintain compliance with the Uniform Fiduciary Standards of Care

The Standards of Care are as follows:
Know standards, laws, and trust provisions
Diversify assets to specific risk/return profile of client
Prepare investment policy statement
Use “prudent experts” and money managers – document due diligence
Control and account for investment expenses
Monitor money managers and service vendors
Avoid conflicts of interest and prohibited transactions

✓ Duty of prudence focuses on <u>process</u> and not results.

Implementing A Prudent Fiduciary Process

Establish a Committee Charter	Adopt and follow Investment Policy Statement	Meet Regularly	Monitor	Take Action	Pursue Fiduciary Excellence
Identify committee members Clearly define roles and responsibilities		Keep meeting minutes	Monitor investment managers and performance Monitor fees and expenses and disclosures to participants Monitor revenue sharing and services provider agreements	Act promptly – don't delay when decisions are made State 404(c) compliance and make sure steps are followed Get counsel – hire an investment advisor and ERISA counsel	Consider using a fiduciary advisor If you suspect another fiduciary is not doing their job, take steps to address the problem and document those steps Purchase fiduciary liability insurance

NAGDCA Fiduciary Responsibility Brochure & Checklist

National Association of Government Defined Contribution Administrators, Inc.

NAGDCA

FIDUCIARY RESPONSIBILITY

INTRODUCTION

Fiduciaries of defined contribution (DC) plans have come under increasing scrutiny in recent years, in part due to participant lawsuits filed against plan sponsors and the resulting media attention. The Internal Revenue Service (IRS) and Department of Labor (DOL) have also increased the number of plans they audit each year. Because significant consequences can result from a fiduciary breach, you are encouraged to focus on your fiduciary responsibilities and understand the standards of conduct that apply to every plan-related decision you make.

Under a participant-directed DC plan, much of the control and responsibility for participant investment outcomes is substantially shifted from the plan sponsor to the participant. The plan sponsor, however, remains fully and solely responsible for maintaining the plan, meeting regulatory requirements, educating participants, prudently selecting and monitoring both investment options and service providers, and controlling plan expenses.

NAGDCA created this Fiduciary Responsibility Brochure to guide you, a fiduciary of a governmental participant-

THE PLAN FIDUCIARY

Fiduciary Capacity - A person acts in a fiduciary capacity when he or she handles money or property for the benefit of another. A governmental employer offering a defined contribution (DC) plan to its employees, herein referred to as the plan sponsor, handles money for the benefit of plan participants. Specifically, Internal Revenue Code §457(g) requires governmental 457(b) plan assets and income to be held in trust, or in custodial accounts or annuity contracts described in §401(f), for the exclusive benefit of participants and their beneficiaries. The obligation to make every plan-related decision prudently and with only the best interests of the plan participants in mind means it is essential for you to know and understand your fiduciary responsibilities.

Plan Fiduciaries - A fiduciary is a legal term that can be simply defined as anyone who:

- Exercises discretionary authority or control over plan assets, and/or
- Exercises discretionary authority or responsibility in the administration or management of the plan, and/or
- Gives or renders investment advice

APPENDIX A

GOVERNMENTAL PLAN FIDUCIARY RESPONSIBILITY CHECKLIST

This Governmental Plan Fiduciary Responsibility Checklist is designed to assist you in fulfilling your fiduciary responsibilities. You are encouraged to review the checklist at least annually as a due diligence exercise designed to keep you in compliance with your fiduciary responsibilities. It is not guaranteed to be appropriate or sufficient for you and your plan and you are encouraged to consult with your counsel or other experts for all of your fiduciary responsibility and other plan related matters.

Plan Documents:

- ☐ You maintain the IRS Determination Letter on your qualified 401(a) or 401(k) plan, (if you obtained one while the IRS program was in effect).
- ☐ You maintain the IRS Private Letter Ruling on your eligible 457(b) plan, if applicable.
- ☐ You amended your qualified plan for any required law changes by the due date in Rev. Proc. 2016-37 or subsequent guidance.
- ☐ You amended your 457(b) plan to include any new optional provision by the end of the plan year in which the provision is operationally put into effect.
- ☐ Plan trustees are properly appointed and your trust agreement is properly executed.
- ☐ Your written Investment Policy Statement (IPS) is up to date.
- ☐ Properly executed service provider contracts outlining their responsibilities and fees are maintained.
- ☐ Fiduciary liability or other insurance coverage has been purchased if deemed necessary.

Plan Fiduciaries:

- ☐ All fiduciaries are identified and understand their duties and fiduciary responsibilities via properly executed Board Charter.

Managing Risk: Adopting ERISA Best Practices

404(C), 404(C)5, 404(a)5 and 408(B)2....

404(c) – Provides fiduciary relief to plan sponsors	• Participants must be provided with certain information on request and sufficient information to enable them to make informed investment decisions <u>before</u> making an investment • Must be given the opportunity to change their investments as often as needed
404(c)5 – Provides fiduciary relief against investment losses if qualified default investment alternative (QDIA) option is selected	• Examples of QDIA include, target date, risk-based, balanced portfolios, managed accounts, etc. • Money market funds, stable value funds or fixed accounts are NOT considered qualified
404(a)5 – Participant fee disclosure	• DoL regulations require ALL plan costs are disclosed to participants timely and in a comprehensive format annually
408(b)2 – Plan sponsor fee disclosure	• DoL requires providers disclose ALL plan costs to the plan sponsor annually

Not a conclusive lists. Other requirements apply. This shall not be considered legal advice.

Fiduciary Process Re-cap

1	2	3	4
Understand Responsibilities	Select and Monitor Investment Options	Communicate and Educate	Manage Prudently

Managing Risk: New Regulations

DOL Guidance on Managing Cybersecurity Risk

On April 14, 2021, the DOL issued guidance on maintaining cybersecurity, noting that as of 2018 there were more than 34 million employees with a pension plan and 106 million participants in a defined contribution plan with combined assets of roughly $9.3 trillion.

The DOL notes three areas:

1. Cybersecurity program best practices for recordkeepers and service providers
2. Tips for plan sponsors on selecting a service provider
3. General online security tips

List of recommended steps are found on DOL's site: https://www.dol.gov/sites/dolgov/files/ebsa/key-topics/retirement-benefits/cybersecurity/best-practices.pdf

Themes In DC Litigation

1
Cyber & Fraud Risk

Member accounts are being hacked and unauthorized distributions are occurring

- Issue RFI on cyber and fraud procedures and data protection
- Create a Fraud Policy Statement for Committee review and approval
- Communicate to participants how to monitor and steps to follow if fraud occurs
- Review service contracts and insurance coverage levels

2
Investment Fees & Revenue Sharing

Collective investment trusts and separate accounts are being overlooked when evaluating lowest cost share classes

- Review funds for lowest share class of mutual funds
- Explore if lower cost non-mutual fund investments are available

3
Cross-sell With Plan Data

Service providers use plan data to cross sell non-plan related services

- Review service contract for cross-sell language and who owns the data
- Restrict cross-selling to require member consent
- Request recordkeeper to report new IRAs and other service lines being opened by participants and the revenue received

4
QDIA Selection

QDIA is proprietary to the recordkeeper or was selected without proper evaluation and monitoring

- Follow DOL guidelines to select and monitor QDIAs
- Use plan data to help determine a *"to or through"* glidepath
- Monitor/educate participants using 2+ target date funds

Source: Public ERISA case filings.

State of Retirement Plan Litigation

Total Damages *(2010 - 2022)*

$1,110,434,468

43% of cases settled or resolved at trial

11% were dismissed

Case filings continue to **increase:** 117 cases in **2020**

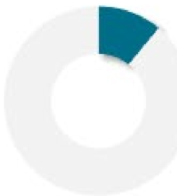
Prior peak was 75 in 2016

CASES BY SIZE:

19% were larger than **$5 billion**

43% from **$1 billion** to **$5 billion**

27% from **$300 million** to **$1 billion**



11% below **$300 million**

*Data sourced from Lex Machina's 2010 – 2022 Graph of ERISA claims

At least **20%** of cases are more costly to defend than to settle

One case cost **$5 million** to obtain a motion to dismiss

Hospitals are the largest target

Government Plan Trends

- Continued pension reform and other political pressures
- Increased plan governance by formal plan committees
- Fee disclosure rules
- Public scrutiny and lawsuits
- Advances in recordkeeping technology
- **Focus on retirement readiness & financial wellness**
- **Vendor consolidation – multi to single provider**
- Industry consolidation as result of M&A

Vendor & Plan Consolidation

Why consider consolidation?

- Excessive fees
- Too many investment options
- Proprietary offerings
- Lack of oversight and ongoing due diligence

Benefits of Consolidation:

- Understand and reduce fees: investment expenses, administration, etc.
- Reduce employee confusion
- Improve employee’s retirement planning experience
- Update and revisit plan documents
- Administration efficiencies
- Simplifies oversight and fiduciary responsibility

Polling Question # 5

How often should you evaluate or benchmark your retirement plan service provider?

a. Every year
b. Every 5 years
c. Every 10 years

Plan Benchmarking: Evaluating Costs

Possible fees within your 401(a)/DC or 457(b) Plan:

- Sub-transfer Agency (sub-TA) fees
- 12(b)-1 fees
- Shareholder servicing fees
- Wrap fees
- Other revenue sharing or SEC 28(e) “soft dollars”
- Administrative fees
- Transaction fees (loans, distributions, mailing, etc.)
- Managed account fees
- Plan document and amendment fees
- Consulting fees

Case Study #1: Consolidation to Incumbent Provider

457(b) Plan: $14,000,000 in assets and 225 participants

Approximate savings of 74%!

	Before	After
Vendors	3 Recordkeeping Providers	Consolidate to 1 Provider
Recordkeeping Fees	$96,144 (combined cost) • MissionSquare – 1.03% • Empower – 0.26% • Nationwide – 0.88%	$25,000 (new cost) • MissionSquare: 0.18%
Investment Expenses	Multiple Investment Menus • Avg. Expense Ratio: 1.14%	One Streamlined Investment Menu • Avg. Expense Ratio: 0.42%
Investment Options	Up to 49 Investment Options Offered	22 + Target Date Funds

Case Study #2: Consolidation to New Provider

401(a) and 457(b) Plans: $19 Million in assets, 158 participants

Approximate savings of 90%!

	Before	After
Vendors	2 Recordkeeping Providers	Consolidate to 1 Provider
Recordkeeping Fees	0.79% or $150,000 (combined) • MissionSquare – 0.91% • Principal – 0.54%	0.07% or $13,300
Investment Expenses	Multiple Investment Menus • Provider 1 – 1.28% • Provider 2 – 0.90%	One Streamlined Investment Menu • Weighted investment exp: 0.23%
Investment Options	38+ Target Date Funds 13+ investment options on the watch-list	15+ Target Date Funds

Case Study #3: Non-Consolidation

457(b) Plan: $18,000,000 in assets and 213 participants

	Before	After
Vendors	2 Recordkeeping Providers	2 Recordkeeping Providers
Recordkeeping Fees	$75,656 (combined cost) • MissionSquare – 0.95% • Nationwide – 0.25%	$44,927 (combined cost) • MissionSquare – 0.40% • Nationwide – 0.20%
Investment Expenses	Multiple Investment Menus • Avg. Expense Ratio: 1.14%	One Streamlined Investment Menu • Avg. Expense Ratio: 0.42%
Investment Options	Up to 49 Investment Options Offered	18 + Target Date Funds

Plan Benchmarking: Evaluating Costs

Provider's Fee Disclosure Document

Ticker	Investment Option	Prospectus Gross Expense Ratio	Fund Management Fee	12b-1 Fee	Other Expenses	Prospectus Net Expense Ratio	Nationwide Administrative Fee	Total Expense to Participants	MFSFP
ABNDX	American Funds Bond Fund of Amer A	0.61%	0.19%	0.25%	0.17%	0.61%	0.44%	1.05%	0.25%
AEPGX	American Funds Europacific Growth A	0.84%	0.41%	0.25%	0.18%	0.84%	0.44%	1.28%	0.25%
AGTHX	American Funds Growth Fund of Amer A	0.64%	0.26%	0.25%	0.13%	0.64%	0.44%	1.08%	0.25%
AMECX	American Funds Income Fund of Amer A	0.57%	0.22%	0.25%	0.10%	0.57%	0.44%	1.01%	0.25%
AIVSX	American Funds Invmt Co of Amer A	0.59%	0.23%	0.24%	0.12%	0.59%	0.44%	1.03%	0.25%
AWSHX	American Funds Washington Mutual A	0.59%	0.23%	0.25%	0.11%	0.59%	0.44%	1.03%	0.25%
BCSIX	Brown Capital Mgmt Small Co Inv	1.25%	1.00%	0.20%	0.05%	1.25%	0.44%	1.69%	0.35%
DFSCX	DFA US Micro Cap I	0.51%	0.48%	0.00%	0.03%	0.51%	0.44%	0.95%	0.00%
KDHAX	DWS CROCI Equity Dividend A	1.03%	0.60%	0.24%	0.19%	1.03%	0.44%	1.47%	0.50%
KHYAX	DWS High Income A	0.96%	0.46%	0.24%	0.26%	0.96%	0.44%	1.40%	0.50%
KAUFX	Federated Hermes Kaufmann R	2.23%	1.30%	0.50%	0.17%	1.97%	0.44%	2.41%	0.50%
FCNTX	Fidelity® Contrafund®	0.85%	0.71%	0.00%	0.14%	0.85%	0.44%	1.29%	0.25%
FEQIX	Fidelity® Equity-Income	0.60%	0.44%	0.00%	0.16%	0.60%	0.44%	1.04%	0.25%
FGRIX	Fidelity® Growth & Income	0.61%	0.43%	0.00%	0.18%	0.61%	0.44%	1.05%	0.25%
FMAGX	Fidelity® Magellan®	0.77%	0.63%	0.00%	0.14%	0.77%	0.44%	1.21%	0.25%
FPURX	Fidelity® Puritan®	0.52%	0.38%	0.00%	0.14%	0.52%	0.44%	0.96%	0.25%
Galliard	Galliard Stable Value Fund	0.78%	0.49%	0.12%	0.17%	0.78%	0.00%	0.78%	0.47%
OPPAX	Invesco Global A	1.06%	0.64%	0.23%	0.19%	1.06%	0.44%	1.50%	0.50%
OPMSX	Invesco MainStrt MdCp A	1.12%	0.63%	0.24%	0.23%	1.10%	0.44%	1.54%	0.50%
JARTX	Janus Henderson Forty S	1.15%	0.63%	0.25%	0.27%	1.15%	0.44%	1.59%	0.50%
JAMRX	Janus Henderson Research T	0.80%	0.53%	0.00%	0.27%	0.80%	0.44%	1.24%	0.25%
JAMCX	JPMorgan Mid Cap Value A	1.24%	0.65%	0.25%	0.34%	1.24%	0.44%	1.68%	0.50%
NWFAX	Nationwide A	0.95%	0.53%	0.25%	0.13%	0.91%	0.44%	1.35%	0.40%
NWUSX	Nationwide Amer Cntry Sm Cp Inc InstlSvc	1.31%	0.74%	0.00%	0.50%	1.24%	0.44%	1.68%	0.40%
NWHSX	Nationwide Destination 2025 Instl Svc	0.66%	0.13%	0.00%	0.53%	0.66%	0.44%	1.10%	0.25%
NWISX	Nationwide Destination 2030 Instl Svc	0.67%	0.13%	0.00%	0.54%	0.67%	0.44%	1.11%	0.25%
NWLSX	Nationwide Destination 2035 Instl Svc	0.66%	0.13%	0.00%	0.53%	0.66%	0.44%	1.10%	0.25%
NWMSX	Nationwide Destination 2040 Instl Svc	0.66%	0.13%	0.00%	0.53%	0.66%	0.44%	1.10%	0.25%
NWNSX	Nationwide Destination 2045 Instl Svc	0.66%	0.13%	0.00%	0.53%	0.66%	0.44%	1.10%	0.25%
NWOSX	Nationwide Destination 2050 Instl Svc	0.65%	0.13%	0.00%	0.52%	0.65%	0.44%	1.09%	0.25%
NWESX	Nationwide Destination Ret Instl Svc	0.66%	0.13%	0.00%	0.53%	0.66%	0.44%	1.10%	0.25%
Fixed	Nationwide Fixed Account	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Plan Benchmarking: Evaluating Costs

Provider's Fee Disclosure Document

Fund[1]	Morningstar Category[16]	Quarter-End Assets	Plan Expenses: Net Expense Ratio	Plan Expenses: Estimated Expense Cost	ICMA-RC Gross Revenue: Record Keeping*,[3]	ICMA-RC Gross Revenue: Estimated Annual Revenue	ICMA-RC Gross Revenue: Investment Advisory**	ICMA-RC Gross Revenue: Estimated Annual Revenue
U.S. Stock								
Vantagepoint Equity Income R1[24]	Large Value	$4,819	1.25%	$60	0.80%	$39	0.20%	$10
VT Invesco Diversified Div R1[24]	Large Value	$41,327	1.11%	$459	0.80%	$331	0.00%	$0
VT MFS® Value R1[24]	Large Value	$7,227	1.12%	$81	0.80%	$58	0.00%	$0
Vantagepoint 500 Stock Idx R1	Large Blend	$11,549	0.94%	$109	0.80%	$92	0.10%	$12
Vantagepoint Broad Mkt Idx R1	Large Blend	$0	0.94%	$0	0.80%	$0	0.10%	$0
Vantagepoint Growth & Inc R1	Large Blend	$9,353	1.18%	$110	0.80%	$75	0.20%	$19
VT Parnassus Core Equity R1	Large Blend	$0	1.42%	$0	0.80%	$0	0.00%	$0
VT Invesco Oppenheimer Main St R1	Large Blend	$47,652	1.17%	$558	0.80%	$381	0.00%	$0
Vantagepoint Growth R1[24]	Large Growth	$58,609	1.30%	$762	0.80%	$469	0.20%	$117
VT T Rowe Price® Growth Stock R1[11,24]	Large Growth	$75,324	1.47%	$1,107	0.95%	$716	0.00%	$0
VT Contrafund® R1[24]	Large Growth	$173,639	1.37%	$2,379	0.80%	$1,389	0.00%	$0
Vantagepoint Select Value R1[22,24]	Mid-Cap Value	$52	1.44%	$1	0.80%	$0	0.20%	$0
VT Victory Sycamore Est Value R1[22,24]	Mid-Cap Value	$5,061	1.17%	$59	0.80%	$40	0.00%	$0
Vantagepoint Agg Opps R1[22,24]	Mid-Cap Growth	$26,698	1.29%	$344	0.80%	$214	0.20%	$53
VT AMG TimesSquare Mid Cap Gr R1[22,24]	Mid-Cap Growth	$77,379	1.73%	$1,339	0.80%	$619	0.00%	$0

Investment Option Comparison & Cost to Employees:

	MissionSquare Cost	Nationwide Cost	Institutional Cost / Open Architecture
Contrafund	1.37%	1.29%	0.86%
S&P 500 Index	0.94%	0.48%	0.03%

SECURE 2.0

Polling Question # 6

Can you have Roth contributions inside your 457(b) plan account?

a. Yes, if the plan allows it
b. No, Roth is not permitted in 457(b) accounts

Rewind to Secure 1.0 *(passed December 20, 2019)*

Required Provisions

Provision	Description	Plan Types Impacted
Required Minimum Distributions to age 72	Increases required minimum distribution age to 72 from 70 ½	401(k) 401(a) 403(b) 457(b)
Beneficiary Distributions	Requires distribution of a deceased participant's account within 10 years. Exception can be made if the beneficiary is the spouse, child, or disabled person.	401(k) 401(a) 403(b) 457(b)

Optional Provisions

	Description	Plan Types Impacted
In-Service Age 59 ½ Distributions	Prior to the Secure Act, the IRS did not allow this feature for governmental 457(b) plans. It has always been allowed in other Plans, but not governmental 457(b) plans. Distributions would be exempt from the 10% early withdrawal penalty.	457(b)
Qualified Birth or Adoption Distributions	This allows a participant to withdraw $5,000 if they have a newborn or have adopted a child (the $5k is per child, per plan). Distribution would be exempt from the 10% early withdrawal penalty for those under age 59 ½ (if applicable).	401(k) 403(b) 457(b)

Secure 2.0: Provisions Effective 2023

2023 – Required Provisions

Provision	Description	Plan Types Impacted
Section 305 Expansion of Employee Plans Compliance Resolution System (EPCRS)	Expands the Employee Plans Compliance Resolution System (“EPCRS”) to: 1. Allow more types of errors to be corrected internally through self-correction; and 2. Apply to inadvertent IRA errors	401(a) 401(k) 403(a) 403(b) 457(b)
Section 302 Reduction in Retirement Plan Excise Tax	Reduces the excise tax for failure to take a required minimum distribution (RMD) to 25% from 50%, and further reduces the excise tax to 10% for taxpayers who take the required RMD before an IRS audit or (if earlier) the second year after the year in which the excise tax is imposed.	401(k) 401(a) 403(b) 457(b)
Section 107 RMDs: New Required Beginning Dates	The required beginning date for required minimum distributions (RMDs) is age 73 beginning in 2023, and age 75 beginning in 2033. Hard cut-off; based on birthday (age 72 before 2023 = age 72; turn age 73 before 2033 = age 73; age 74 after 2032 = age 75).	401(k) 401(a) 403(b) 457(b)
Section 329 Exemption from Early Withdrawal Penalty – Public Safety Officers	Currently, 10% early withdraw penalty does not apply to qualified safety officers aged 50 or older, following separation from service. Going forward, the 10% early withdrawal penalty will not apply for public safety officers who have separated from employment with at least 25 years of service.	

Secure 2.0: Provisions Effective 2023

2023 – Optional Provisions

Provision	Description	Plan Types Impacted
Section 604 Optional treatment of employer matching or nonelective contributions as Roth contributions	Permits DC plans to provide participants with the option of receiving employer-matching contributions on a Roth basis.	401(k) 403(b) 457 (b)
Section 326 Exception to Penalty on Early Distributions from Qualified Plans for Individuals with Terminal Illnesses	• Adds new Section 72(t)(2)(L) which provides that distributions made to employees after they have been certified to be terminally ill are exempt from the 10% early withdrawal penalty. • Changes the applicable definition of “terminally ill individual” under IRC 101(g)(4)(A) to expected death in 84 months (increased from 24 months). • Such amounts can be repaid.	Plans subject to 72(t) and IRAs
Section 328 Public Safety Officer Health Insurance Distributions	• Currently, a public safety officer can withdraw up to $3,000 to pay for health insurance premiums (exclude from gross income); premiums paid directly to the insurer. • Now, the direct payment to the insurer is not required.	401(a) 457(b)
Section 306 Eliminates the “First day of the month” requirement for governmental section 457(b) plans	• Under current law, participants in a governmental 457(b) plan must request changes in their deferral rate prior to the beginning of the month in which the deferral will be made. This rule does not exist for other DC plans. • Section 306 allows such elections to be made at any time prior to the date that the compensation being deferred is available.	457(b)
Section 331 Special rules for use of retirement funds in connection with qualified federally declared disaster	• Distributions are limited to $22,000 per disaster • May be repaid in 3-year period after distributions. • Income inclusion spread over 3 years.	401(a) 401(k) 403(b) 457(b)

Secure 2.0: Provisions Effective 2024

2024 – Required Provisions

Provision	Description	Plan Types Impacted
Section 325 Roth plan distribution rules	• Eliminates the requirement for participants in qualified plans to receive RMDs for Roth accounts in such qualified plans during their lifetime.	All qualified plans
Section 603 Elective deferrals generally limited to regular contribution limit	All catch-up contributions are subject to Roth tax treatment (i.e., contributions are made on a post-tax basis, so income tax applies to the earnings upon distribution). • There is an exception for participants with compensation of $145,000 or less. • The Roth catch-up requirement does not apply to the 403(b) and 457(b) special catch-up.	401(k) 403(b) 457(b) SIMPLE 401(k) SIMPLE IRA
Section 327 Surviving spouse election to be treated as employee	• A surviving spouse may be elected to be treated as the deceased employee for purposes of the RMD rules	All qualified plans

2024 – Optional Provisions

Provision	Description	Plan Types Impacted
Section 314 Penalty-free withdrawal from retirement plans for individual in case of domestic abuse	• Adds new Section 72(t)(2)(K), which provides that domestic abuse victims have a 1-year period to take a distribution (capped at the lesser of $10,000 or 50% of account balance on a plan aggregation basis) from an eligible retirement plan. • Abuse grounds include abuse of child or household member. • Such amounts can be repaid. • Victim can self-certify need. • The distribution is not eligible for rollover treatment.	401(a) 401(k) 403(b) 457(b) IRAs

Secure 2.0, 2024 Provisions

2024 – Optional Provisions, continued

Provision	Description	Plan Types Impacted
Section 110 Treatment of student loan payments as elective deferrals for purposes of matching contributions	• Allows such employees to receive matching contributions by reason of repaying their student loans. • Matching contributions are with respect to "qualified student loan payments." A qualified student loan payment is broadly defined as any indebtedness incurred by the employee solely to pay qualified higher education expenses of the employee. • For purposes of the nondiscrimination test applicable to elective contributions, Section 110 permits a plan to test separately the employees who receive matching contributions on student loan repayments. • These matching contributions must also vest under the same schedule as all other matching contributions. • The participant must certify annually regarding the loan payments that authorize the matching contribution.	• 401(k) • 403(b) • 457(b) • SIMPLE IRA
Section 115 Withdrawals for certain emergency expenses	• Provides exception from 10% penalty for premature distributions if the distribution is used for emergency expenses. • Expenses must be for unforeseeable or immediate financial needs relating to personal or family emergency. • Plan sponsor may rely on participant self-certification of the emergency. • 1 distribution per year up to $1,000. • Participant has option to repay the distribution within 3 years. • No further emergency distributions permitted during 3-year payback period unless repayment occurs, or the participant makes elective contributions at least equal to the amount of the distribution.	• 401(a) • 401(k) • 403(b) • 457(b) • Traditional IRA
Section 120 Distributions: Auto-Portability	• Prohibited transaction exemption for service provider providing automatic portability services, such as automatic transfer of a participant's default IRA (established in connection with a distribution from a former employer's plan) into the participant's new employer's retirement plan, unless the participant elects otherwise.	Employer Sponsored Plans

2024 – Optional Provisions, continued

Provision	Description	Plan Types Impacted
Section 127 Allows a DC plan to offer non-highly compensated participants an opportunity to contribute to a "pension-linked emergency savings account"	• Funded post-tax with Roth-type contributions. • Maximum contribution is $2,500 or a lower amount set by the employer. • Plan must permit at least 1 withdrawal per month and at least 4 per year with no fee or penalty. • Contributions count toward annual deferral limit. • Eligible for employer match up to $2,500; match is invested in the participant's retirement account. • Additional contributions may be directed to participant's in-plan Roth account or stopped until the balance of the account derived from employee contributions falls below the $2,500 cap. • Distributions are deemed to be qualified Roth distributions and are not taxable. • At separation from service participant may take balance of account as cash or rollover to in-plan Roth account or Roth IRA. • Employers may auto-enroll employees up to 3% of pay invested in a principal-protected investment in manner consistent with DOL QDIA regulations.	401(k) 403(b) 457(b)
Section 304 Updating dollar limit for mandatory distributions	• Amends applicable consent and auto-rollover sections of ERISA and the Code. • Plans may be drafted to cash out participant balances under $5,000 (and require rollovers to an IRA of any balance between $1,000 and $5,000). • Section 304 increases this amount to $7,000.	401(a) 401(k) 403(b) 457(b)

Secure 2.0: Provisions Effective 2025

2025 – Optional Provisions

Provision	Description	Plan Types Impacted
Section 109 Higher catch-up limit for individuals age 60-63	Increases catch-up limit for participants age 60–63: • To the greater of (1) $10,000 and (2) 150% of the regular limit. • Lower limit for SIMPLE plans of $5,000 and 150%. • The increased amounts are indexed for inflation for tax years beginning after December 31, 2025.	DC plans with elective deferrals, such as 401(k), 403(b), 457(b)
Section 334 Allows retirement plan distributions to purchase long-term care insurance	• Participant may withdraw annually up to the lowest of: 1. $2,500 (indexed); 2. the actual amount of the long-term care premium; 3. or 10% of the employee's vested accrued balance. • Exempt from early withdrawal penalties. • Limited to policies that provide high-quality coverage (must include cost-of-living adjustment (COLA) and other features). • Premium statement must be filed with plan. • Insurer must file policy specifics with IRS.	401(a) 401(k) 403(b) 457(b) IRAs

Secure 2.0: Provisions Effective 2027

Provision	Description	Plan Types Impacted
Section 103 Saver's Match (and Section 104: Promotion of Savers Match)	• Repeals and replaces the current credit for certain individuals who make IRA, retirement plan and Achieving a Better Life Experience Act (ABLE) account contributions. The new law changes the credit from a cash tax refund payment into a federal matching contribution that must be deposited into a taxpayer's IRA or retirement plan. The match is 50% of the IRA or retirement plan contribution up to $2,000 per individual. The match phases out at certain income levels. • Section 104 requires Treasury to report back to Congress not later than July 1, 2026, on promotion and awareness eff orts to low- and moderate-income taxpayers.	• Employer sponsored plans • IRAs

THANK YOU!

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