the dana report

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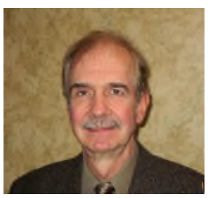
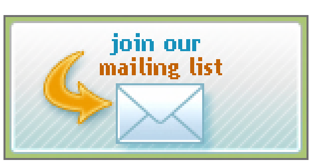
ABOUT THE FIRMS



Dana Consulting Group, Ltd. and Jennings Law Firm, Ltd. were established to provide employers with a single source of comprehensive legal and consulting services relating to retirement plan and employee benefit matters.

If you know someone who would like to receive *the dana report*, click the link below.



CASH BALANCE PLANS GROWING IN THE SMALL PLAN MARKET

According to a 2016 survey by PlanSponsor, a magazine tracking the employee benefits industry, 24.8% of micro companies and 28.7% of small companies offer some kind of defined benefit/cash balance plan to their employees. So while large companies are abandoning the market, smaller companies are increasingly adopting cash balance plans. Small companies and large companies tend to have different objectives, and there is little doubt smaller companies are adopting cash balance plans for tax deduction purposes. In most cases a small company establishes a cash balance plan in conjunction with a 401(k) plan. Regardless of the underlying objectives, employees of companies setting up cash balance plans have a better retirement program over their counterparts who only participate in a 401(k) plan. If you are an adviser to small profitable companies (whether or not the company already has a 401(k) plan, you should take a hard look at whether your clients would benefit from a cash balance plan. Please call Lee T. Jennings in our office for additional details.

GETTING RETIREMENT READY

A JP Morgan survey shows that more and more companies are adding automatic enrollment and automatic escalation to their 401(k) plans. What is behind this? Plan sponsors are more concerned about retirement outcomes for their employees and are looking for ways to better position their employees for retirement. And that is not all. The survey says that 61% of responding employers are analyzing whether their employees are on track to replace 80% or more of their final wages. This is an increase from 44% in 2013. In addition, 23% of respondents said getting the maximum number of employees to retire with adequate retirement income is important, more than double the percentage from 2013. So how does a company jump on the band wagon? If you are a DCG client, call us and let's talk. This is a perfect situation for the financial advisor with the experience and expertise to bring the right tools to the table for their plan sponsor clients.

AUTOMATIC ESCALATION UPDATE

We have reported in past issues about the growing popularity of automatic enrollment and escalation in 401(k) plans. Survey after survey shows more and more companies adding it to their plans. About 68% of large US companies now automatically enroll employees. 75% of those employers then automatically bump up worker savings rates each year, and the escalation continues until the savings rates hit 10% and beyond (or the employee screams).

Owens-Illinois, Inc. is so strongly committed to boosting employee saving rates that it is now automatically escalating savings rates by 1% per year until hitting a ceiling of 20%. The company reports great success with its approach: 98% of eligible participants are contributing and the average contribution rate is 9.77% of pay. According to Vanguard Group, 5% of 401(k) plans they administer offer auto escalation capped at 20% of wages.

WILDERNESS THERAPY UPDATE

In our May issue of the dana report, we reported on a new kind of employee benefit called outdoor behavioral therapy - often dubbed wilderness therapy - that seeks to treat individuals with behavioral issues by combining traditional therapy methods with outdoor activities, such as hiking and camping. Price tags for this new approach can cost $500 per day and may last days, weeks and even months.

Not surprisingly, some employers (and their disability carriers) are balking over paying for this. A federal judge in Florida has just handed Cigna a victory over having to pay for a 22-year old's claim that denial was a violation of the Mental Health Parity and Addiction Equity Act. This law generally requires insurers to cover mental health treatments on the same terms they cover medical and surgical care.

Our Comment: Our September issue (on our website under the Education Center tab) contained an article about working from home. Earlier this year IBM called back to the office tens of thousands of workers who IBM did not think were as productive as they needed to be. Employee benefits programs do not often fit into one size fits all. Some employees work at home fine; others do not. Perhaps running around the woods trying to find oneself is not for everybody.

ANOTHER LAWSUIT AGAINST FIDELITY

We have written in the past about practices employed by Fidelity Investments that relate to retirement plans that use their investments funds. Fidelity has been exonerated in some of these suits on the basis the company was not a fiduciary of the plan. That, however, does not mean they were looking out for the participants of these retirement plans. We came across another lawsuit that illustrates how advisors and plan sponsors need to keep aware of what is going on. This case involved Delta Airlines retirement plan, Fidelity and Financial Engines, an online financial advice provider commonly known as a robo-adviser. There were Fidelity brokerage accounts and part of the lawsuit involved who hired who, and who was getting paid what. Robo-advisers have been touted as a low-cost option to give participants financial advice but the Delta participants claim they were offered high-cost funds and were paying inflated financial fees.

Dana Consulting Group, Ltd. & Jennings Law Firm, Ltd.,
1539 Gamon Road, Wheaton, IL 60189