the dana report
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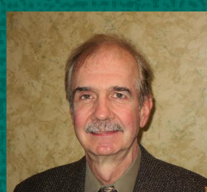
ABOUT THE FIRMS



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.

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CORONAVIRUS ISSUES AFFECTING QUAIFIED RETIREMENT PLANS

We have posted to our website (www.danaconsulting.com) a special firm memorandum addressing various issues affecting your company's (or your clients') retirement plans as a result of the coronavirus outbreak. The memorandum can be found under the Education tab and will be periodically updated for developments. If you have any questions about how the Coronavirus outbreak affects your retirement plan (or your clients' plans), do not hesitate to contact us.

US DROPS FURTHER IN RETIREMENT SECURITY INDEX

The US barely makes the top 20 in the latest retirement security rankings among developed countries, falling two spots to No. 18 in the latest Global Retirement Index, from Natixis. In its seventh year, the Natixis Investment Managers and CoreData Research index examines factors that drive retirement security and provides a comparison tool for best practices in retirement policy. The index looks at a variety of factors.

1. Low interest rates stimulate borrowing, but they also present a significant hurdle for those saving for retirement and those looking to generate income. Individual investors expect a hefty 11.7% annual return from their investments while institutional investors say 6.7% is more realistic.
2. Rapidly aging populations pose one of the biggest risks to pension planning, but longevity also represents a key risk for retirees. Old-age dependency is a critical factor for retirement security. For example, an individual reached age 65 in 2015 is expected to live another 19 years whereas an individual who reaches age 65 in 2065 should plan on living another 24 years.
3. The consequences of climate change mean retirees may also face some daunting financial challenges. Questions now being asked include: How does climate change impact the cost of healthcare? How could rising sea levels affect residential assets? Can existing coastal infrastructure survive intense storm damage?

For readers interested in their report, it can be downloaded from their website at www.im.natixis.com.

THE BEHAVIORALLY-ENLIGHTENED FIDUCIARY

We came across an interesting article recently about what is means to be a fiduciary from a moral perspective. Fiduciary status is a big issue in the retirement plan industry, including how it should be defined. The US Labor Dept tried its hand at it, now the SEC is wading into it and various states are also looking at imposing their own standards. The article looks at the question whether a fiduciary has a duty to advise clients from a "behaviorally-enlightened" perspective and explores some of the underappreciated moral dilemmas that result from using that perspective. For example, should a fiduciary recommend a strategy that can result in the best outcome but which the client is unlikely to understand or be able to implement? For those interested in reading the article, it can downloaded from www.kitces.com.

SO DO YOU REALLY WANT TO JOIN A MEP?

Congress passed the SECURE ACT changing various rules relating to retirement plans. One of the changes is to make MEPs (short for Multiple Employer Plans) more attractive. See our December newsletter for an update on this new law.

We bring this up now to share a new client experience with a MEP. The client is a professional organization that participated in a MEP sponsored by their payroll company. Fees were cheap but the client was not getting the plan design opportunities they were looking for. What we found from inboarding the plan was that contributions were being deposited into the wrong sources. For example, safe harbor contributions were going into the profit sharing account, and non-safe harbor contributions were going into the safe harbor accounts. This affects a lot of things, none of them good. We contacted the MEP and were told somebody needed to sort it all out and tell them what to do. The MEP said this was not their problem. We picked up another new client from a MEP and that whole thing will likely end up in litigation. The MEP conducted no testing since they set up the plan in 2016 and a variety of testing failures have occurred. Once again the MEP is saying none of this is their fault.

FEE COMPRESSION IS NOT FREE

We have written many times in ***the dana report*** about our views regarding the relentless drive to lower 401(k) plan fees. This trend is sometimes referred to as Fee Compression. We are posting to our website under the Advisor Services tab an article by Securian, a 401(k) investment and recordkeeping platform, about Fee Compression. We strongly recommend our partners in the investment community take a look at this. While it is easy to disregard Securian's views since they are the victim of a lot of this compression, they are pointing out what the effects are. We regularly sit in annual trustee meetings where the advisor is either offering to reduce fees or suggesting an RFP to get lower fees. A great advisor (and 401(k) platform for that matter) is worth paying for - they earn their keep. An advisor nobody has seen in months (or years) is not worth what you are paying, no matter how little. Everybody understands nothing is free that also applies to so-called low-cost 401(k) plans.

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