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METRO NEWS #87
November 5, 2014

To our clients and friends:

This is another in a series of newsletters designed to keep you clearly informed of current events in the area of retirement plans. (plus whatever other stuff I find interesting …)

One Further Update on Plan Documents:

Our last issue provided an update on plan documents. Since then, we have provided all of our clients with a letter, with proposed time frames (due: April, 2016) and fees. If you are considering any changes in the design of your plan, this would be an excellent time to discuss them with us. This is a necessary but hassle-y part of having a plan.

Fiduciary Regs:

The investment community is very anxious about the impending release of (DOL/SEC) regulations on retirement plan investment advice. The theme of these regulations is the avoidance of "conflicted" investment advice.

A proposed draft, since withdrawn, would make all 401(k) investment professionals a "plan fiduciary". While "advisors" are already considered as such, "brokers" are not. These proposed regulations also specified a "most suitable" standard, where the investments have to be selected only with the best interests of the client in mind. Again, while advisors are already subject to these standards, brokers are not.

Finally, in an effort to eliminate any "conflicts of interest", there may well be limits on whether the plan's investment professional can accept an IRA rollover for a terminating or retiring employee. The reason is that if the investment professional receives a different rate of compensation for the IRA investment (as compared to the plan rate), then that could cause another "conflict". While this makes sense on one level, it ignores the reality that the investment professional may well already have an ongoing relationship with that plan participant. (Caveat: We here at Metro are not investment people. This is simply my understanding of the current situation, on an issue that affects all 401(k) plans. You should, perhaps, discuss this issue with your own investment professional.)

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Metro Updates:

If you call us up, the young lady who answers the phone is Jessica Klauss. We are pleased to have her on board as a member of the Metro team. We realize, too, that even having a human being answering the phone is anachronistic, but this is part of our business model – to provide a high level of service that we believe our clients want and enjoy.

401(k) Corner – "Best Practices":

Usually, we discuss "high profile" plan design issues, which are clearly evident (eligibility, match, vesting, etc.) Today's topic, however, is less visible – "election forms".

The reason this is important is that it is one of the first things that the IRS wants to see upon audit. Every participant in every 401(k) plan must have (on file) a "salary deferral form". This is what gives the employer legal permission to reduce that participant's pay and to deposit it into their 401(k) account. This "salary deferral" choreography is the mechanism that allows the 401(k) pre-tax "magic" to happen.

Many plans' forms are either non-existent or obsolete. You should check and/or periodically re-do these forms. While you're checking, it is also worthwhile to take a look at the "beneficiary designation" form that you (supposedly) have on file for every plan member.
Remember, if a participant dies without a valid form, everything goes to their spouse or, if none, their estate. Also, if someone gets married, divorced, or if their spouse dies, then that form becomes invalid, and a new one is needed. Again, let us know if you would like a blank form for your plan.

One other wrinkle on beneficiary designations – in the new round of plan document restatements upon which we are embarking, (above item), we are switching one of the default specifications. We are going to provide that the existing beneficiary form automatically becomes invalid upon divorce. This would alleviate the situation where the money unexpectedly goes to your ex if you die.

Walk this way …. :

Here's an odd observation if you are walking on a busy sidewalk, mall, etc. In order to avoid bumping into people, you want to look at the feet of upcoming passers-by, and not their faces. Somehow, looking at their feet gives you a much better roadmap of where they are going. Feel free to pass your useful tips on making life easier to me to share with the other readers ☺

Quick Update on Me:

For those of you who don't know me, I founded Metro in 1986 (née Metropolitan Actuarial Services). In 2011, I sold the firm to Diane Barton, Russ Smith, and Leigh Lewis. I still provide actuarial and consulting services to Metro and its clients, averaging about 15-20 hours per week. My term as President of ASPPA concludes this month. (This is why it has been 6 months since the last Metro e-news; sorry!)

Quick Update on You:

What questions, comments, or concerns do you have? Are you happy with your 401(k) plan? Are there elements of it that you find frustrating? Can Metro assist? Let me know at david@metrobenefits.com.

Best Wishes,

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