

The Retirement Times



HAPPY HOLIDAYS

As we approach the close of 2021 and reflect on the year, we would like to take a moment to express how important you are to MCF Advisors and our team. Thank you for all of your support and trust in allowing us to serve your Retirement Plan and Participants. We are grateful not only for your continued partnership, but for your friendship as well. As a valued client you motivate us to excel and grow. It is our fervent intent to continue to make your experience a satisfying and enriching one in 2022 and beyond. We wish you all the best for your goals, plans, and resolutions as we enter the New Year.



Happy holidays to you and your loved ones.

CYBERSECURITY BEST PRACTICES FOR PLAN SPONSORS

Participant data and financial accounts comprise some of the most sensitive and potentially vulnerable information under a company's care. These highly valuable assets can be an attractive target for cybercriminals and therefore present considerable security risk. Breaches to this information can be devastating to plan participants and to the reputation of the organization.

For plan sponsors, ensuring protections around participant data and investment assets is a key fiduciary responsibility. In fact, as law firm Hodgson Russ noted recently, "The causation standard under Section 409(a) of ERISA is an issue that could lead to more litigation as cyberattacks on employee benefit plans increase." The provision states that plan fiduciaries who breach their fiduciary responsibilities are personally liable for any losses that result from the breach. The law firm continues: "Outside of the ERISA context, however, courts have looked at similar questions ... [and] found that proximate cause was sufficiently alleged when a complaint contended that the defendant's failure to establish industry-standard information security safeguards was the proximate cause of the stolen personal information."



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Sponsors should consider their potential exposure under Section 409(a), in the event of a failure to adhere to a prudent process for mitigating risk (upholding the higher prudent man standard). Earlier this year, the U.S. Department of Labor (DOL) issued guidance to plan sponsors, plan fiduciaries, recordkeepers and plan participants, offering best practices for maintaining cybersecurity. The guidance is structured along three main areas of focus: service provider selection, establishment of a cybersecurity program and participant protection.

Hiring a Provider

Per the DOL, plan sponsors should perform a series of due diligence checks prior to engaging a provider. The department's advice includes inquiring about the provider's information security standards, practices and policies, and audit results, as well as comparing them to the industry standards adopted by other financial institutions. The DOL also recommends examining the provider's track record in the industry — including a public records search of information security incidents and litigation related to its services — and asking about the level of security it has met and implemented, how it has responded to past security breaches and whether it carries insurance that would cover losses due to a cybersecurity incident.

Implementing a Cybersecurity Program

For establishing and maintaining an effective program, the DOL points to best practices prepared by the Employee Benefits Security Administration (EBSA). The agency's advice includes having strong access control procedures as well as an effective business resiliency program addressing business continuity, disaster recovery and incident response. It also recommends conducting periodical cybersecurity awareness training and an annual third-party assessment of security controls.

Participant Cyber-safety

Because participants and beneficiaries can fall directly within cybercriminals' attack vector, DOL's guidance also offers tips to retirement account holders to help reduce the risk of fraud and loss. For example, the DOL advises that participants routinely monitor their online account, create strong passwords and use multi-factor authentication. Other recommended precautions include signing up for account activity notifications and exercising caution with regard to use of free, publicly available Wi-Fi networks.

Defending Against Cyberthreats

Cybersecurity breaches have become increasingly prevalent in the modern world and have added another layer of complexity for plan sponsors. Given the current regulatory and legal climate, it's more important than ever to stay abreast of changes in a dynamic risk landscape — and partner with an advisor and service providers who can help mitigate the risks and keep plan participants' data and assets safe from cyberthreats.

To view the full DOL guidance, visit the department's website [\[https://www.dol.gov/agencies/ebsa/key-topics/retirement-benefits/cybersecurity\]](https://www.dol.gov/agencies/ebsa/key-topics/retirement-benefits/cybersecurity)

MCF Advisors is available to assist Plan Sponsors in reviewing your retirement providers cybersecurity programs and best practices. Please contact your Plan Consultant with any questions or to schedule a meeting.

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Sources

<https://www.jdsupra.com/legalnews/causation-under-erisa-in-a-4086713/>

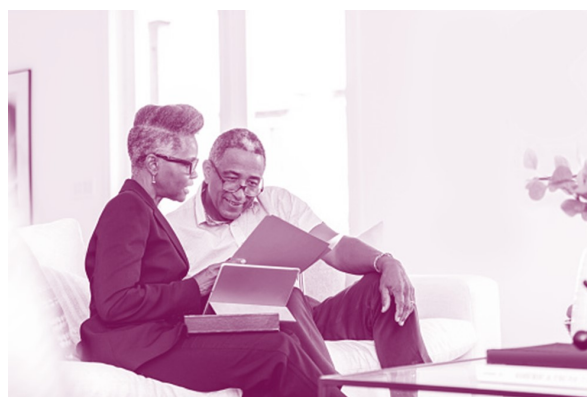
<https://www.dol.gov/agencies/ebsa/key-topics/retirement-benefits/cybersecurity>

WHEN IT COMES TO PLANNING FOR RETIREMENT, PARTICIPANTS WANT TO HIT THE EASY BUTTON

According to J.P. Morgan's 2021 Defined Contribution Plan Participant Survey findings, more than half of the 1,281 respondents indicate that they:

- Are presented with more plan information than they can absorb.
- Don't read investment information provided to them.
- Are willing to spend time planning for retirement but just don't know where to start.

Nearly three-fourths of participants under 30 think employers should provide access to financial professionals and coaching to help them. Even more telling, 62% wish they could push an "easy button" and completely turn over retirement planning to someone else. This figure is up from 55% in 2016.



What's fueling these worrisome trends? Perhaps the added complexity of living during a global pandemic has left workers less time and energy to focus on managing retirement planning. Moreover, 24/7 financial reporting on every market twist and turn may make navigating financial landscapes even more daunting. With seemingly endless media coverage of bitcoin surges and day trader-generated run-ups on stocks like GameStop — more may have come to believe that investment decisions are simply best left to professionals.

Financial wellness is arguably a "must-have" benefit for plan sponsors and participants alike. MCF Advisors is pleased to offer Financial wellness education to participants through onsite group education, virtual education, and complimentary individual participant meetings with a dedicated Retirement Planning Specialist. (Please contact your Plan Consultant to schedule your next education meeting). But, plan sponsors can give employees an additional tool for the assistance they're looking for — target date funds (TDFs) and managed accounts - which can help alleviate workers from many burdens of investment-making decisions.

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Managed accounts and target date funds share similar attributes, such as being multi-asset vehicles that adjust their allocations as the participant approaches retirement. Through professional management, they both simplify portfolio diversification, help mitigate potential behavior biases and take investor emotions out of the decision-making process.

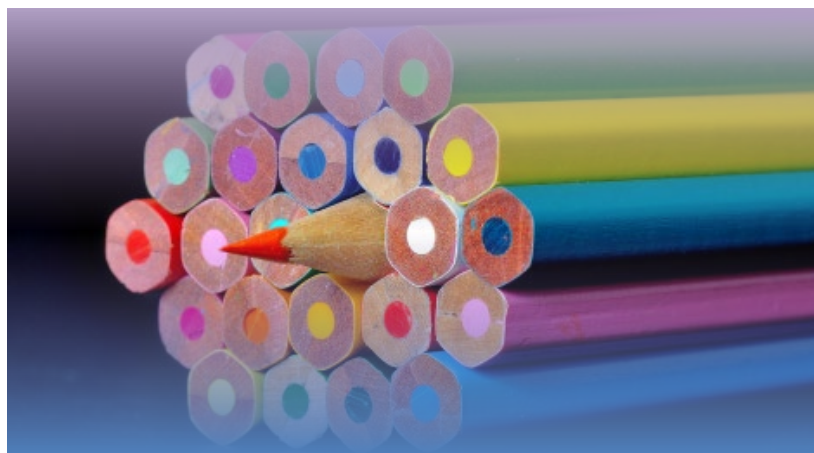
What is a managed account? A managed account is a service in which the participant's account is managed by an investment professional who assumes ERISA fiduciary responsibility for selecting and monitoring investments. The investment manager will construct and continually monitor the asset allocation strategy from the investments offered within the Retirement Plan. Although managed accounts generally do charge a fee, they come with important benefits that can help drive retirement readiness, such as taking into account the participant's personal risk tolerance and investor profile.

What is a target date fund? Target date funds provide a single diversified fund invested based on the approximate year the participant would like to retire (which is assumed to be at age 65) and/or begin withdrawing money. Target date funds typically invest in a mix of stock and bond funds that gradually adjust to become more conservative over time as the target retirement date approaches. (For example, a target retirement 2040 fund is allocated for investors who plan to retire between the years 2035 and 2044.) This adjustment, known as the glide path, reflects how the fund's allocation of stocks and bonds changes over time.

Sources

<https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/insights/retirement-insights/RI-PPSF-21.pdf>

RETIREMENT INCOME PARTICIPANT INTEREST SURVEYS: A CONTRARIAN VIEW



Retirement income products can serve an important purpose as a participant investment option for retirement plans. Surveys gauging participant interest in these options may be open to interpretation, especially when the survey is conducted by a retirement income vendor.

A survey conducted by the well-known and respected JP Morgan gauged participant interest for a retirement income product that could be meaningful to many retirement plan

participants. Retirement income vendors have increased marketing efforts for their retirement income product



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bolstered in part by employee surveys affirming interest. It is prudent for plan sponsors to look critically at survey conclusions when evaluating potential benefits of any new product for your retirement plan participants.

The JP Morgan survey conclusions are similar to those of others.¹

1. “There is notable variability in participants’ expected retirement age and style. The mean age when respondents expect to retire is 64.7, with 51% planning a gradual move into full retirement.”

“Notable variability” in participant expected retirement ages is not surprising. Many plans have average employee age well under 40. Younger employees may often hope to retire early without careful evaluation of financial planning targets. Some may have done considerable research while others may just be hoping or guessing. Plan sponsors may not find this particularly helpful. The mean expected retirement age of 64.7 is not surprising and not specifically supportive of annuitization.

2. “Most are concerned about outliving their money and unsure about how much they need to save for retirement. Nearly 7 out of 10 respondents are concerned about outliving their money in retirement.”

Again, this conclusion is expected and understandable as 7 out of 10 (at least) should be concerned about outliving their retirement. Also, there is little difference between uncertainty of how much they need to save for retirement in lump sum or lifetime income as an annuity can always be purchased at point of retirement, if they so choose. “Dollar cost averaging” into annuities (rather than a single sum purchase) however may be beneficial as annuity rates change over time as does life expectancy.

3. “Many would welcome a post-retirement income option in their plan. A large majority of respondents (85%) say that they would likely leave their balances in their plans post retirement if there was an option to help generate monthly retirement income.”

Again, no surprise here. Most participants would probably agree that a lifelong retirement income would be a good thing. Even assuming a relatively significant \$1 million account balance, the typical retirement income fund would only generate \$23,800 in annual income. (<https://www.morningstar.com/articles/958275/what-are-retirement-income-funds-do-you-need-one>)

At first glance the above survey conclusions may reflect an implied interest by participants for a retirement income option, however evidence of impending substantial deferral commitments is uncertain.

The question becomes how many participants would actually select to defer into a retirement income option, and at what percentage of their total deferral amount? Considering the proliferation of articles on plan interest in adopting retirement income options the actual adoption rate is not as high as expected, and little is available substantiating the significant utilization of these options by participants.



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This does not mean that these options may not thrive in the future. On the contrary, they may certainly be appropriate for retirement plans. Consider the similarity with auto-enrollment, when first offered, was met with less than tepid acceptance and now it is ubiquitous among retirement plans. And for very good reason.

Sources

¹ Additional JP Morgan survey information can be found at <https://am.jpmorgan.com/us/en/asset-management/adv/insights/retirement-insights/defined-contribution/plan-participant-survey/post-retirement-plans>

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