ERISA ROUNDUP

A quarterly recap of recent publications from BDO's ERISA Center of Excellence.

Q3 2019

A NOTE FROM BDO'S NATIONAL ERISA PRACTICE LEADER

As October 15 deadlines draw near, you have a distinct opportunity to evaluate the effectiveness and organization of your employee benefit plans. Were issues uncovered during your audit process? Was your audit rushed or chaotic? Take the time to brush up on best practices and ways to improve efficiency.

BDO is always here to help.

Our latest ERISA Roundup includes a special highlight for those in the Healthcare industry as well as some notes on DOL enforcement and how plan sponsors can evolve their benefit offerings to support millennials and freelance team members.

We hope you have a wonderful holiday season and start to 2020! And, please consider following along with us online at www.bdo.com/erisa until our next issue in early January.

Sincerely,

BETH GARNER
National Practice Leader, ERISA

BDO's ERISA Center of Excellence is your source for insights on emerging regulations, industry trends, current topics, and more. Visit us at www.bdo.com/erisa or follow along on Twitter: @BDO_USA and #BDOERISA.

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2019 Deadlines and Important Dates for Plan Sponsors

OCTOBER 2019

- **1** / Make sure procedures align with language in plan document. Oct 1.
- **1** / Annual notices to participants begin Oct. 1, including 401(k) Plan Safe Harbor Notice, automatic contribution arrangement safe harbor and qualified default investment alternative.
- **15** / File PBGC Form 10 by Oct. 15, Post-Event Notice of Reportable Events for single-employer defined benefit plans.
- **15** / Oct. 15 is the extended deadline for filing Form 5500.
- **15** / Oct. 15 is the extended deadline for filing individual and C-Corp tax returns.
- **15** / Oct. 15, multi-employer defined benefit plans file PBGC Comprehensive Premium document and pay $29 per participant flat-rate premium.
- **15** / Oct. 15 to open a Simplified Employee Pension (SEP) plan for extended tax filers.
- **25** / File PBGC Form 200 by Oct. 25, if plan sponsor of a single-employer defined benefit plan does not make the Oct. 15 required contribution, causing the plan to have more than $1 million in unpaid contributions.

Don't forget! Your summary annual report is due **60 days** after your Form 5500 is filed.

NOVEMBER 2019

- **14** / File PBGC Form 10 by Nov. 14, Post-Event Notice of Reportable Events for single-employer defined benefit plans.

DECEMBER 2019

- **1** / Annual Participant notices must be distributed by Dec. 1. These include: 401(k) safe harbor, annual automatic contribution and qualified default investment alternative (QDIA) notices.
- **15** / Dec. 15 is the extended deadline to distribute Summary Annual Report (SAR) for calendar year plans.
- **31** / By Dec. 31, process corrective distributions for failed ADP/ACP testing; a 10 percent excise tax may apply.
- **31** / Amendments to change traditional 401(k) to safe harbor design, remove safe harbor feature or change certain discretionary modifications must be completed by Dec. 31.
- **31** / Required minimum distributions for participants age 70 ½ must be completed by Dec. 31 for calendar plan years.
- **31** / Plan sponsors must amend plan documents by Dec. 31 to account for any discretionary changes made during the year.

CONTRIBUTION PLAN LIMITS AND OTHER ROLLING NOTICES FOR 2019

In addition to those important deadlines and dates, plan sponsors should be aware of the contribution plan limits and other rolling notices for 2019:

- Employee salary deferral limits for 401(k), 403(b) and 457 plans will be $19,000. Age 50 catch-up contribution limit stays unchanged at $6,000.
- Health Savings Account contribution limit is $3,500 (single) and $7,000 (family). Age 55 catch-up contribution stays at $1,000.
- Traditional and Roth Individual Retirement Account contribution limit will be $6,000. Catch-up contributions for participants age 50 and over stays at $1,000.
- Limitation for the annual benefit under a defined benefit plan under Section 415(b)(1)(A) will be $225,000.
- Newly eligible employees must receive a Summary Plan Description (SPD) within 90 days.
- Provide quarterly statements and fee information to participants.

Designing Benefit Plans for Healthcare Organizations

Healthcare is one of the largest and fastest-growing portions of the U.S. economy. Against a backdrop of an extremely tight labor market, many hospitals, physician groups, skilled nursing facilities and other organizations across the healthcare continuum are having a difficult time filling jobs with the right people.

While offering a competitive salary matters, it takes more than a paycheck to attract and retain workers in today's labor market. Record low unemployment rates are forcing employers in the healthcare sector to take a closer look at their benefit plans to remain ahead of competing healthcare organizations, as well as companies from other sectors, in the search for top talent.

Management teams and benefits professionals have a difficult task in choosing from the extensive range of benefits options that are available today. In addition to traditional retirement plans and health insurance, many organizations are now offering benefits such as student loan assistance, multi-tier healthcare options and even in-house yoga classes and pet care.

So how can healthcare organizations put together a benefit lineup that will attract and retain top talent—while staying within budgets that work for a healthcare industry that is navigating massive shifts in payment models? We examine trends that are shaping the healthcare sector and look at some of the most effective ways healthcare organizations can design competitive benefit lineups.

HEALTHCARE INDUSTRY: HEALTHY AND GROWING

According to the **Bureau of Labor Statistics**, healthcare jobs are expected to grow 18 percent from 2016 to 2026, outpacing the average for all types of work. The healthcare sector will add 2.4 million new jobs over this timeframe, more than any other occupational group. BLS noted that the growth is in step with the requirements of our aging population, which will need more healthcare services in the future.

Wages are rewarding in this sector as well. The median wage for medical talent, including doctors, nurses, surgeons and dental hygienists, was $66,440 in 2018, significantly higher than the $38,640 average for all jobs in today's economy.

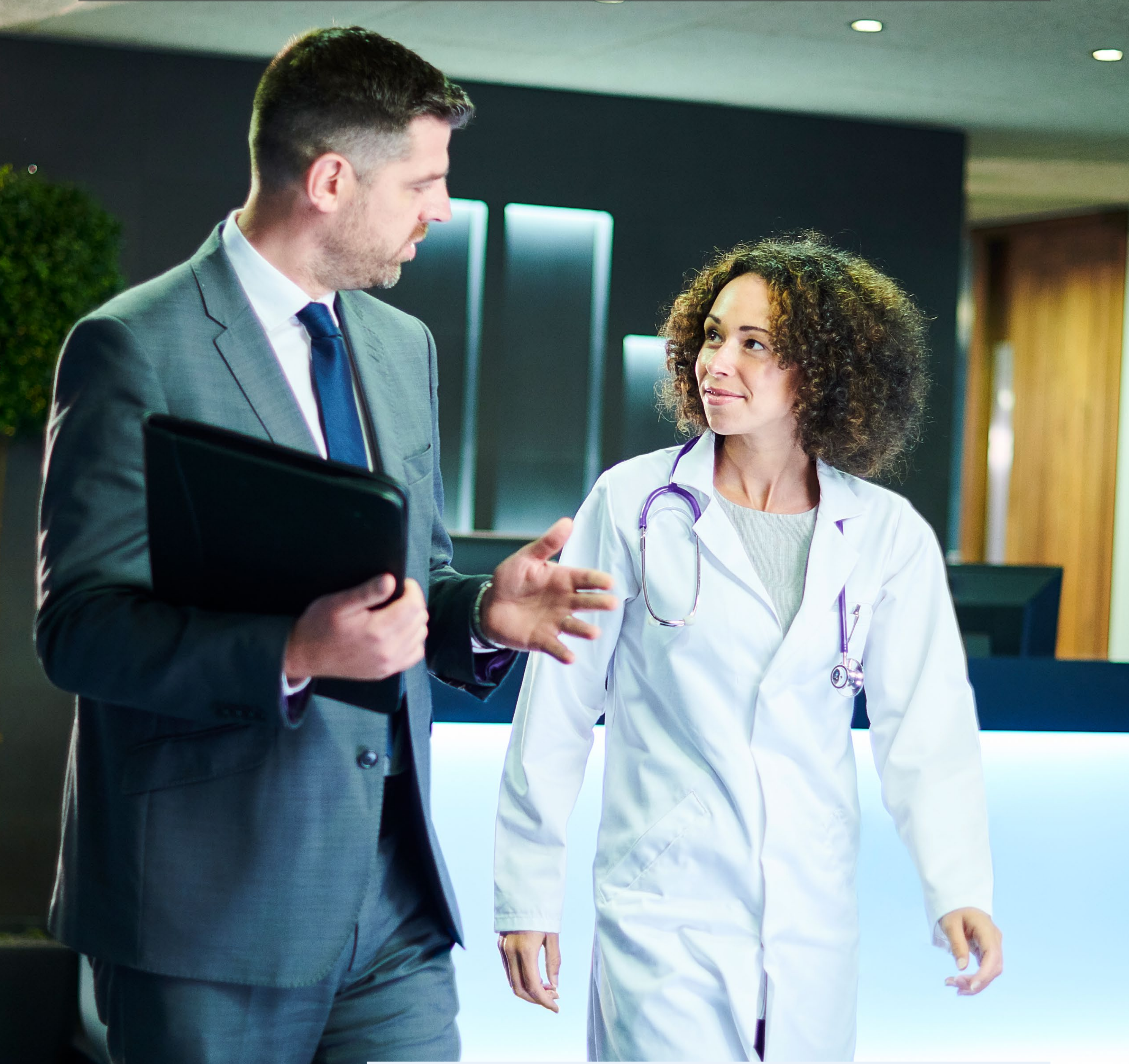
But it takes much more than medical talent to run a healthcare organization today. Information technology professionals, attorneys, scheduling administrators, finance and accounting professionals, billing specialists and building maintenance personnel are among the long list of people needed to run a healthcare organization. And healthcare organizations often have to compete against for-profit companies in other sectors for these non-medical workers. As a result, healthcare employers need to examine their benefits lineup and determine whether their offering is competitive against all types of organizations vying for the same talent.

BENEFITS TRENDS FOR HEALTHCARE ORGANIZATIONS

Not surprisingly, **Glassdoor** data show that the most important benefits across all industries are: health insurance; vacation and paid time off; and retirement and/or pension plan. An attractive combination of these benefits will get healthcare organizations in the game for top talent, but how can they construct a benefit lineup to help them attract and retain the candidates they need, especially when competing against for-profit companies?

That answer may come directly from an organization's current workforce as well as from other companies competing for the same talent. Tracking usage of current benefits can help organizations understand the importance of certain programs. Conducting internal focus groups or surveys, researching industry and non-industry benefit trends, brainstorming free or lower-cost perks such as gym discounts or volunteer time off and checking online reviews are all ways to gather feedback about what workers value most. Additionally, market intelligence to gain a sense of other organizations are offering their candidates and employers and, if possible, how the benefit lineup improves employee morale and loyalty, decreasing turnover.

Some healthcare organizations have an advantage because many of their existing services can be woven into a benefit lineup at little additional cost to the employer. Discounted or free pre-natal care and other health screenings, mentoring or teaching programs, nutrition consultations, gym memberships and other perks can complement the solid health and wealth benefit lineup—and may make the difference in a candidate's decision.



BDO INSIGHT: ADAPTING TO A CANDIDATE-DRIVEN MARKET

In an era of record low unemployment, candidates are quietly calling the shots when it comes to benefit lineups. Healthcare organizations that have trouble attracting the talent they need should look at their benefit structure to determine whether a more relevant offering will help draw more interest from potential employees. In doing so, they need to listen to their employees and pay attention to what other employers—even those outside the healthcare sector—are offering. Your BDO representative can help evaluate your existing benefit structure and answer questions about how to gain an edge in the job market.

What Plan Sponsors Need to Know About DOL Enforcement and Red Flags

Being selected for a Department of Labor (DOL) audit is not exactly a prize most plan sponsors want or intend to win. Often, plan sponsors think service providers will take the blame when compliance issues arise. But plan sponsors are ultimately responsible for plan administration and operation. Plan sponsors that don't realize this can suffer devastating consequences and become a statistic on the agency's annual enforcement report.

In fiscal year 2018, the DOL's Employee Benefits Security Administration (EBSA) recovered more than $1.6 billion in direct payments to plans, participants and beneficiaries. This is about $500 million more than the $1.1 billion it recovered in 2017—even though the agency conducted about 400 fewer investigations in 2018 than it did in 2017.

This means that the agency, which carries extensive authority to investigate employee benefit plans, is getting better at its craft. More than half of the plans that were investigated by the EBSA in 2018 were assessed penalties or were subject to other corrective actions.

Plan sponsors need to realize they are absolutely responsible for those plans governed by the 1974 Employee Retirement Income Security Act (ERISA). They need to stay on top of service provider activity and make sure those vendors are performing tasks as expected—or face serious penalties. We examine how the EBSA enforces the law, identify some of the top investigation triggers and discuss what plan sponsors can do to avoid the agency's attention.

BACKGROUND ON EBSA INVESTIGATIONS

ERISA's fiduciary rule requires plan sponsors to act in the best interests of the plan beneficiaries. These plans include 401(k) and other defined contribution plans, defined benefit as well as health and welfare plans. In addition, since the passage of the Affordable Care Act (ACA) in 2010, the EBSA has been charged with enforcement and conducting audits on these health plans.

EBSA audits primarily focus on fiduciary issues as well as reporting and disclosure requirements. The issues can mostly be found in the Form 5500 that plans are required to file annually. Plan participants or others tied to the plan can file complaints against plans, employers or service providers. Last year, EBSA opened 524 new investigations because of participants' complaints, resulting in $443.2 million restored to workers.

WHAT IS THE EBSA LOOKING FOR?

Form 5500 is a treasure trove for EBSA investigators. Filing late or incomplete forms is likely to get investigators' attention. But the EBSA doesn't stop there. Other red flags include:

- Failure to maintain an ERISA bond
- Imprudent investments
- Improper payment of expenses or compensation to fiduciaries
- Prohibited transactions or self-dealing transactions
- Late deposits

The EBSA runs a **Voluntary Fiduciary Correction Program**, where plan sponsors can find 19 specific violations. The agency encourages plan sponsors to actively self-correct these violations. In some cases, plan sponsors who comply don't pay the excise tax. Plan sponsors need to be careful because those that submit incomplete or inaccurate applications might wind up being audited by the EBSA. Last year, the Voluntary Fiduciary Correct Program received 1,414 applications and recovered $10.8 million.

It is worth noting that the EBSA is finding significant success in its Terminated Vested Participant Project (TVPP), which makes sure plan sponsors are actively looking for missing participants and notifying deferred vested participants of their benefit. Last year, total recoveries for this project rose to $808 million from $327 million in 2017.

WHAT PENALTIES?

The DOL **fines** for lack of compliance are heavy. Failure to file a Form 5500 will cost a plan sponsor $2,194 for each day it is late this year. ACA plans that don't provide the summary of benefits and coverage can be fined between $1,128 to $1,156 for each failure.

Defined contribution 401(k) plan sponsors will be responsible for recordkeeping and reporting glitches, too. Those fees can be significant at $30 per participant.

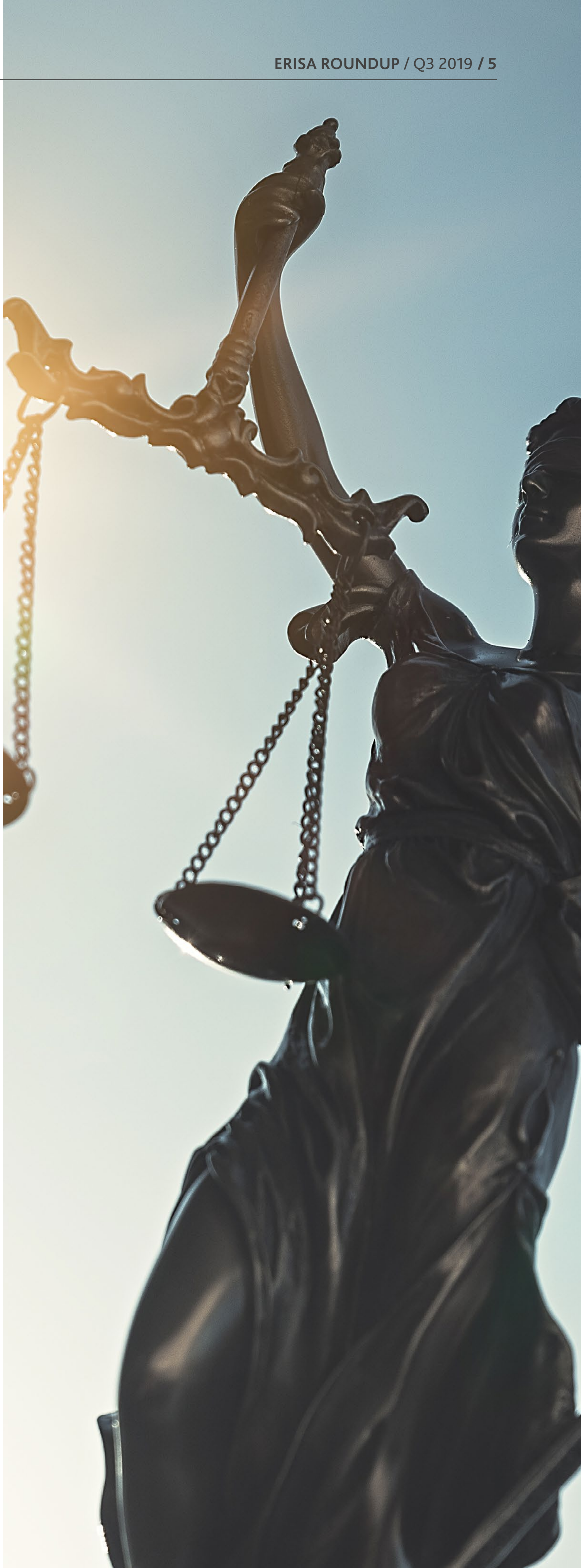
BDO INSIGHT: HOW TO AVOID ENFORCEMENT ACTIONS

It can't be stressed enough: plan sponsors are the fiduciary to benefit plans. Service providers may say they are also fiduciaries, but the ultimate responsibility belongs to plan sponsors. It is imperative that they act in the best interests of plan participants; if they don't, EBSA investigators will step in and make sure plan participants are protected and made whole.

HOW CAN PLAN SPONSORS AVOID ENFORCEMENT ACTIONS?

First, make sure the "team" of other fiduciaries and service providers are aware of the design laid out in the plan document. Fiduciaries need to make sure everyone is doing what is prescribed in the plan document. Not every service provider is proficient in qualified plans, so it is important to ask about experience, internal controls and other qualities that will raise your comfort level when deciding which service provider to hire. Lastly, documenting the decision-making process will also help auditors understand whether certain actions were in the best interests of the participants.

There is no doubt that plan sponsors have many responsibilities to manage. But compliance issues should be a top priority. In certain cases, fines and other penalties can destroy not just the plan, but the company itself. Creating accountability standards and hiring a qualified team are some of the critical steps plan sponsors can take to avoid enforcement actions. Your BDO representative is here to help and answer your questions.



Reinventing Retirement Benefits to Drive Millennial Engagements

Attracting and retaining millennials, the largest segment of today's workforce, is a priority for companies in one of the tightest labor markets in history. One way to do this is to re-evaluate the company's benefits—particularly the retirement plan—so that they better align with millennials' needs and priorities.

Like all generations, millennials—defined as those born between 1981 and 1996, according to the Pew Research Center—may have different career and financial goals than previous generations. While some of these generational differences may be exaggerated, it's still important for employers to understand the priorities of their younger workers and offer benefits that these employees will value and appreciate.

FACTS AND MYTHS ABOUT MILLENNIAL WORKERS

Millennials have a reputation for being frequent job-hoppers, but it's important to understand the data that give rise to this assumption. Gallup data show that 21% of millennials reported changing jobs in the last year—more than three times higher than older generations. Gallup also found that only 29% of millennials report being emotionally and behaviorally connected to their jobs, compared to 32% for Generation X and 33% for baby boomers.

These differences, however, may have more to do with the stage workers are at in their careers than generation gaps in attitudes about work. The Pew Research Center found that millennials aren't changing jobs at a faster rate than Generation X did at similar ages. The U.S. Bureau of Labor Statistics found similar results when comparing millennials with baby boomers, according to a 2018 report by the National Institute on Retirement Security (NIRS).

Regardless of the reasons for millennials' job-changing patterns, there is no denying that it has an impact on millennials' relatively low participation rates in retirement plans. The NIRS study showed that in 2014, the most recent year for which data is available, 66 percent of millennials worked at a company that provided a retirement plan, roughly equal to the percentages for Gen X and baby boomers. But only 34 percent of millennials participated in the retirement plan, compared with about 50 percent for older generations.

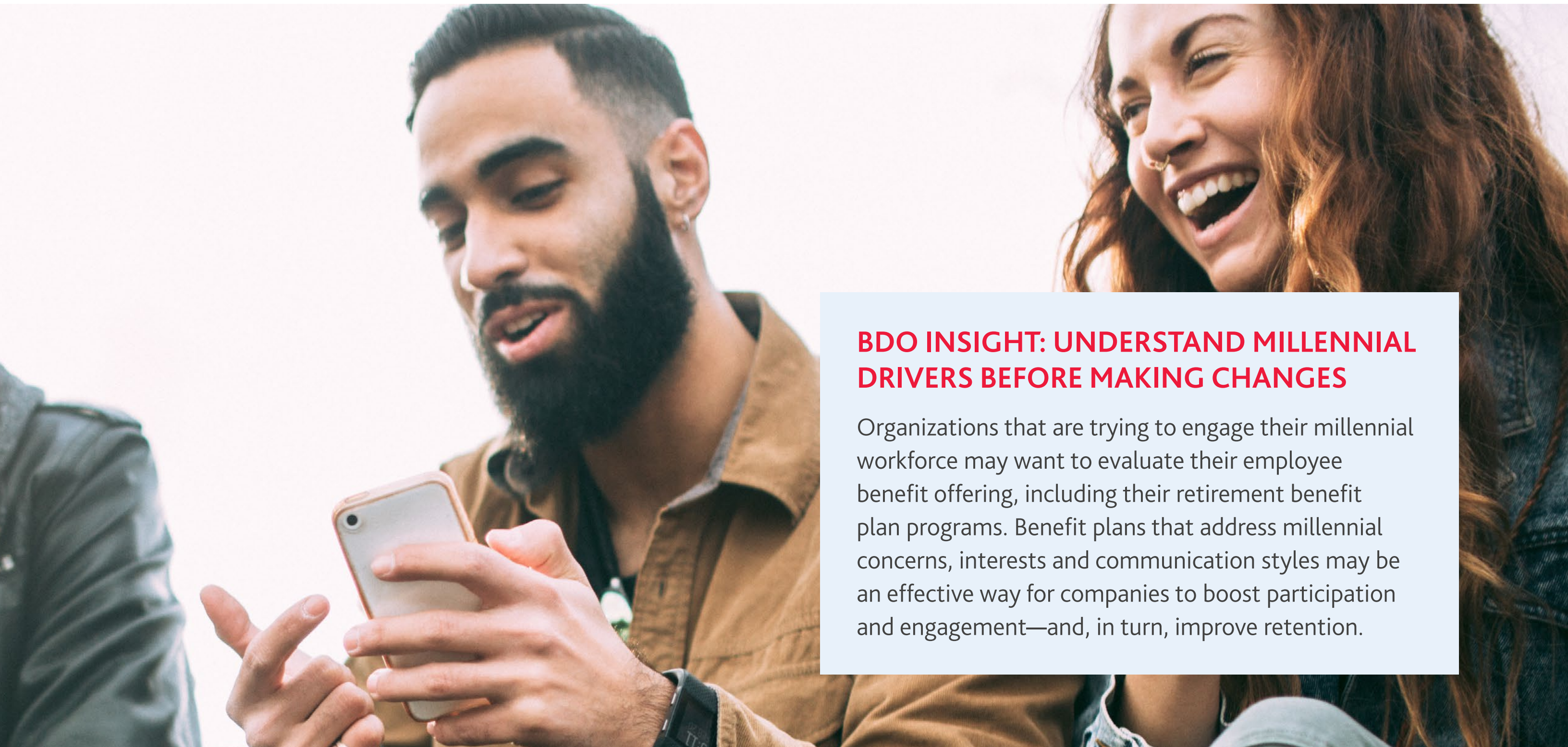
NIRS concludes that this discrepancy is mostly attributable to the fact that millennials are less likely to be eligible to participate in their company's retirement plan. There are two main causes of this: 1) millennials are nearly twice as likely to be employed as part-time workers than older generations and 2) more than half of millennials have tenures of less than one year at their current company.

TAILORING YOUR 401(K) PLAN

Given these factors, employers who want to increase retirement plan participation rates among their millennial employees may want to examine the eligibility guidelines for their retirement plans. Other ways that employers can tailor a retirement plan to better align with the needs and priorities of millennial workers include:

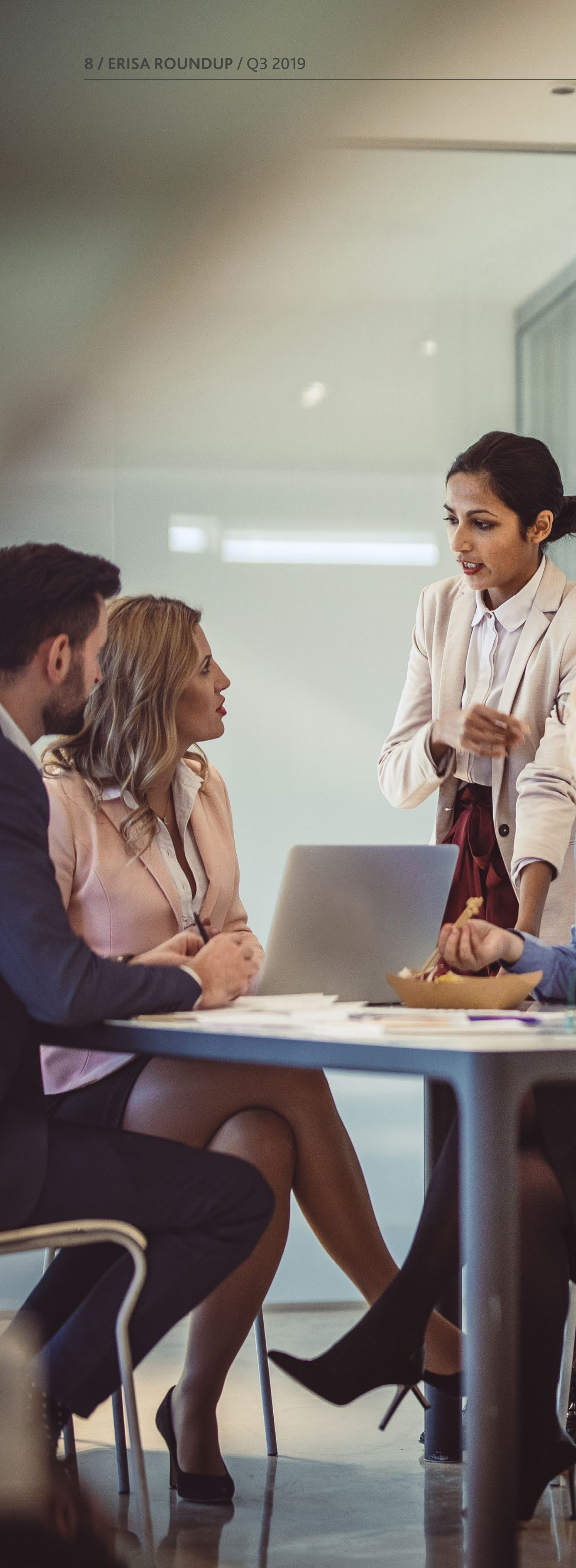
- **Mobile access to plan information:** Millennials expect to receive information via interactive digital formats, so plan sponsors should incorporate this into how they provide information about—and access to—the retirement plan. Formats that plan sponsors may want to incorporate into their communications strategies include videos or infographics (as opposed to static, text-heavy PDFs), apps that make selecting investment options simple and online calculators that facilitate financial planning.
- **Socially responsible investment options:** One of the biggest areas of growth in the asset management industry is investments that focus on more than just financial returns, often referred to as socially responsible investing or Environmental, Social and Governance (ESG) investing. Millennials are driving much of this growth, so they may want to see these types of strategies as options in their retirement plans. Plan sponsors may consider adding these strategies to their 401(k) lineups or at least provide ESG ratings for the plan's current investment options.
- **Portability of benefits:** When they change jobs, workers often cash out of their 401(k) plans. Making it easier for new employees to roll 401(k) assets from their previous employer into the new plan can help employees keep their assets growing and may encourage further savings.
- **Student loan assistance:** A survey by Bankrate.com shows that 29 percent of millennials are delaying saving for retirement because of student debt. Plans sponsors can now help employees address their debt problems through the company's retirement plan. The Internal Revenue Service recently issued a private letter ruling allowing one company to make matching contributions to participants' 401(k) accounts when they pay down a certain percentage of student loan debt.

Before overhauling the plan design, employers should do their homework to understand millennials' priorities for retirement and other benefits and the reasons why millennials do or don't participate in retirement plans. Once these drivers are understood, organizations can design plans aimed at achieving company goals while addressing the specific needs and interests of its workforce. Contact your BDO representative to discover ways you can boost millennial engagement.



BDO INSIGHT: UNDERSTAND MILLENNIAL DRIVERS BEFORE MAKING CHANGES

Organizations that are trying to engage their millennial workforce may want to evaluate their employee benefit offering, including their retirement benefit plan programs. Benefit plans that address millennial concerns, interests and communication styles may be an effective way for companies to boost participation and engagement—and, in turn, improve retention.



Why Plan Sponsors Should Read Their Service Providers' SOC Reports

When a plan sponsor hires a service provider, that organization and its professionals become part of the team operating the client's retirement plan. Each member of the team is expected to perform a specific task according to what is prescribed in the plan document. But how do you know whether each service provider has effective systems and controls in place to ensure that they are executing their roles correctly?

More importantly, how can your auditor be sure and offer proof to federal enforcement officers that a service provider is able to do the job you have hired it to perform?

A System and Organization Controls (SOC) report is a document that can help answer these important questions. It is an independent report conducted by an outside auditor that reviews, evaluates and, in some cases, tests the controls used by a service provider.

Many employee benefit plan recordkeepers, trustees, payroll providers and custodians will commission SOC reports about their service offerings related to benefit plans. These reports are extremely valuable if the plan gets audited. As a result, many plan sponsors file their service providers' SOC reports away and only dust them off when an auditor asks for it.

But it is a mistake for plan sponsors to think that SOC reports are just for auditors. The value of SOC reports goes far beyond making the audit a simpler, smoother process.

By providing bias-free information and transparency, SOC reports can help plan sponsors select new vendors or evaluate the effectiveness of current ones. SOC reports can also give plan sponsors a fuller understanding of how various service providers perform outsourced operations that are crucial to the execution of a benefit plan and identify potential deficiencies before they become major issues.

All of this information helps plan sponsors fulfill their fiduciary duty to make informed decisions and act in the best interests of plan participants. In addition, the service auditor reports on any issues identified within the SOC report. This helps the plan sponsor take steps, if necessary, to mitigate any risks that could result from exceptions or a qualification within the SOC report.

SOC reports can be dense and intimidating—some of them are several hundred pages long. But that doesn't mean plan sponsors can afford to treat them as paperweights until the auditors arrive. The more that plan sponsors understand what goes into these reports, the better equipped plan sponsors will be to meet their fiduciary duties.

TYPES OF SOC REPORTS

There are several different categories of SOC reports, but SOC1 and SOC2 are the ones that plan sponsors will encounter most frequently. A SOC1 report focuses on controls related to financial transactions, such as payroll, investments, contributions and distributions. A SOC2 report focuses on security, privacy and other data- and compliance-related topics.

Furthermore, within each category, there are two different types of SOC1 reports: Type I, where the auditor determines whether the control is implemented and whether the design of those controls is appropriate as of a date in time; and Type II, where the auditor tests the operating effectiveness of each control for a specified period.

HIGH-PRIORITY SECTIONS FOR PLAN SPONSORS

Since SOC reports are long and detailed documents, so it is helpful to know where to look to find the information that will be the most useful for plan sponsors. Some of the most valuable sections of SOC reports include:

- **Independent service auditor's report:** The auditor will state its opinion about the accuracy of the description of the system and operating effectiveness of the controls (Type II) and identify whether the report is unqualified (clean) or qualified (issues were found).
- **Control objectives:** The plan sponsor will want to study this section to make sure that the service provider's controls cover the areas that the plan sponsor is concerned most about, such as contributions, distribution, enrollment, investments and IT security.
- **Complementary user entity controls:** These are the controls that need to be in place and operating effectively at the plan sponsor level to ensure that the service provider is receiving the correct information it needs to execute its responsibilities, and that such information is accurate. In addition, the plan sponsor should have implemented various controls to review such output as applicable from the service provider. For example, if the plan sponsor doesn't have proper controls for the accuracy of the payroll records it submits to the recordkeeper every pay period, the inaccurate information will then be inappropriately recorded to the plan's records, and could be allocated to the wrong participant accounts/investments.

Your BDO representative is available to help you understand the important components of your service provider's SOC report and the potential action items for a better, stronger benefit plan.

BDO INSIGHT: READ THE REPORT

It is common for plan sponsors to simply push a SOC report over to their auditor. SOC reports may be long and tedious, but they can strengthen a plan sponsor's knowledge about the plan's operations.

SOC reports can help plan sponsors understand how a service provider operates and can help sponsors decide whether the provider can satisfy the plan's needs. The SOC report can also identify if there are issues that need to be addressed with the service provider or if there are areas missing that the plan sponsor would like to have included within the SOC report. If the provider has already been selected, plan sponsors can learn more about the controls that they need to have in place to ensure that the provider is receiving accurate and timely information.

Working with a service provider that has a SOC report doesn't relieve the plan sponsor of its fiduciary duty to act in participants' best interests. Plan sponsors need to respond appropriately to the information provided in the SOC report and realize that the report is just one source of inputs that can be used to help make these decisions.

Finally, no plan sponsor looks forward to a plan audit, but having access to SOC reports can make this a much more pleasant process by helping auditors perform their job in a more timely and cost-effective way.

Saver's Credit: A Valuable Tool For Boosting Low-Income Employees' Retirement Plan Participation

Plan sponsors often struggle to get lower-paid employees to participate in the company 401(k) plan. For years, a little-known law has been in place to give tax credits to low-income employees to help them save for retirement.

It's called the Saver's Credit, and when used, it can lower federal income taxes for single and joint filers. According to the **Transamerica Center for Retirement Studies**, only 38 percent of employees know that the credit exists. This presents a great opportunity for plan sponsors to create an education campaign to boost participation and savings rates—and encourage lower-income employees to prepare for retirement.

WHO QUALIFIES FOR THE SAVER'S CREDIT?

Employees who are at least 18 years of age and contribute to an employer-sponsored retirement plan—such as a 401(k), 403(b) or government-sponsored 457(b) plan—or have an individual retirement account (IRA) and meet the income requirements are qualified. In addition, designated beneficiaries who contribute to Achieving a Better Life Experience (ABLE) accounts also may qualify. The income requirements for all accounts are:

- Single tax filers with an Adjusted Gross Income (AGI) of up to $32,000 in 2019
- Head of household filers whose AGI is $48,000 in 2019
- Married, joint return filers with an AGI of up to $64,000 in 2019

In addition, Saver's Credit candidates cannot be full-time students, nor can they be claimed as a dependent on someone else's tax return. Also, rollover contributions are not eligible for the Saver's Credit.

HOW IS THE CREDIT CALCULATED?

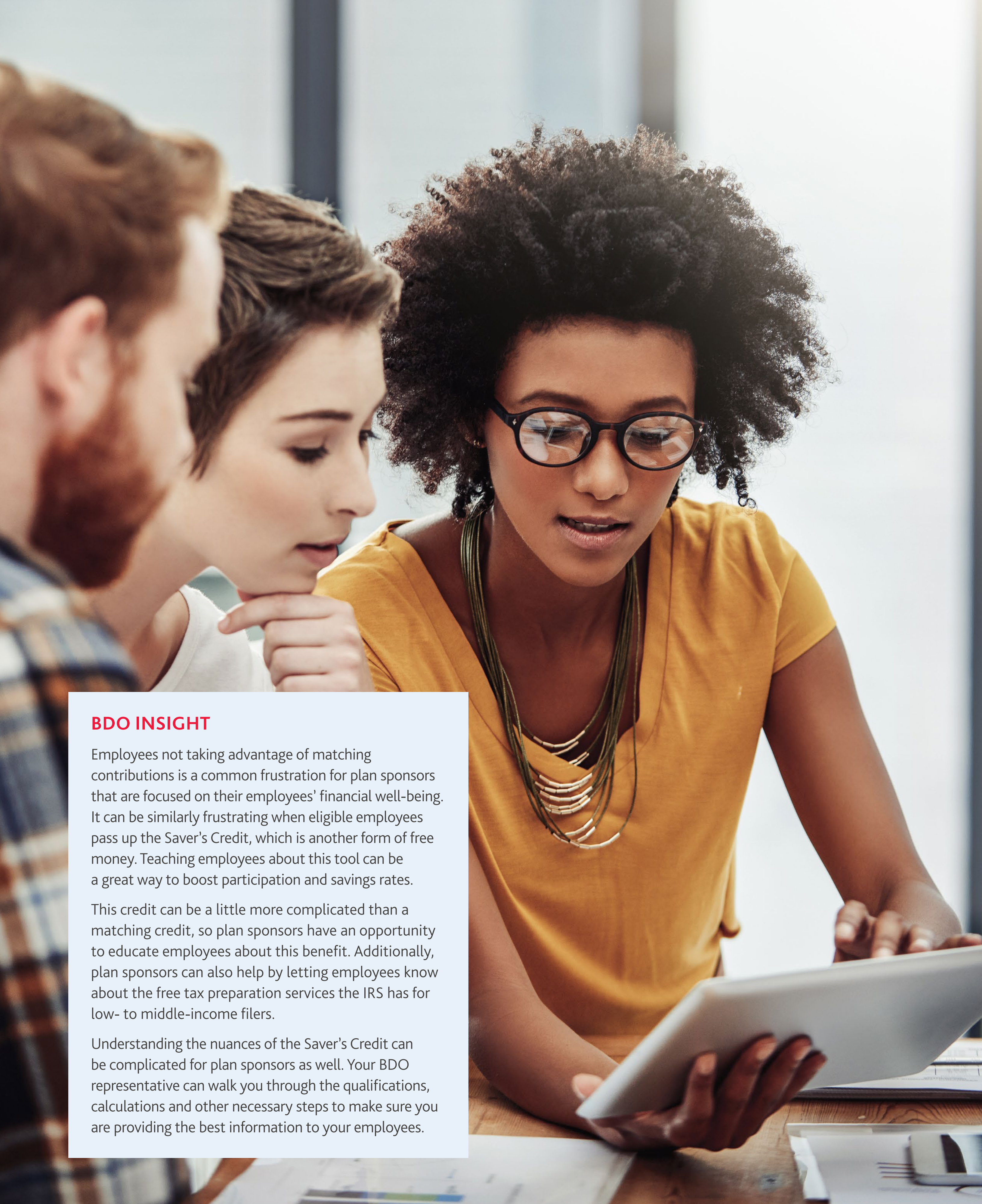
How the Saver's Credit encourages employees to participate in or contribute more to their retirement plan lies in how the credit is calculated. The amount employees will be credited on their tax return depends on their income level and the size of the contributions they make to their plan. In 2019, the maximum retirement contribution that can be considered for the credit calculation is $2,000 for single filers and $4,000 if married filing jointly.

Depending upon income level, employees can receive a credit equal to 10%, 20% or 50% of the size of their retirement contribution—the higher the employee's income, the lower the percentage. Single tax filers with an AGI of $15,000, for example, would be eligible for a credit equal to 50% of their contribution, but single filers with an AGI of $25,000 would be eligible for a credit of only 10%. The table to help filers calculate their credit can be found on the Internal Revenue Service (IRS) Saver's Credit **website**.

HOW IS THE CREDIT CLAIMED?

Employees can claim their Saver's Credit when they file their annual income taxes. It's important to point out that this isn't a deduction that reduces the amount taxed; instead, it's a dollar-for-dollar reduction in what is owed to the IRS. It's also important to note that the credit is non-refundable, meaning that it can't reduce the taxpayer's liability to less than $0.

Saver's Credit filers are also eligible to have someone file their taxes for free using the IRS' **Free File program** if they have an AGI of $66,000 or less. Even if employees don't qualify for Saver's Credit, the IRS offered the Free File program in 2019 for low-income workers and a "light" version for those above the $66,000 AGI. Filers can also use the service to get extensions on their tax filing.



BDO INSIGHT

Employees not taking advantage of matching contributions is a common frustration for plan sponsors that are focused on their employees' financial well-being. It can be similarly frustrating when eligible employees pass up the Saver's Credit, which is another form of free money. Teaching employees about this tool can be a great way to boost participation and savings rates.

This credit can be a little more complicated than a matching credit, so plan sponsors have an opportunity to educate employees about this benefit. Additionally, plan sponsors can also help by letting employees know about the free tax preparation services the IRS has for low- to middle-income filers.

Understanding the nuances of the Saver's Credit can be complicated for plan sponsors as well. Your BDO representative can walk you through the qualifications, calculations and other necessary steps to make sure you are providing the best information to your employees.

How to Create a Multi-Generational Retirement Communications Plan

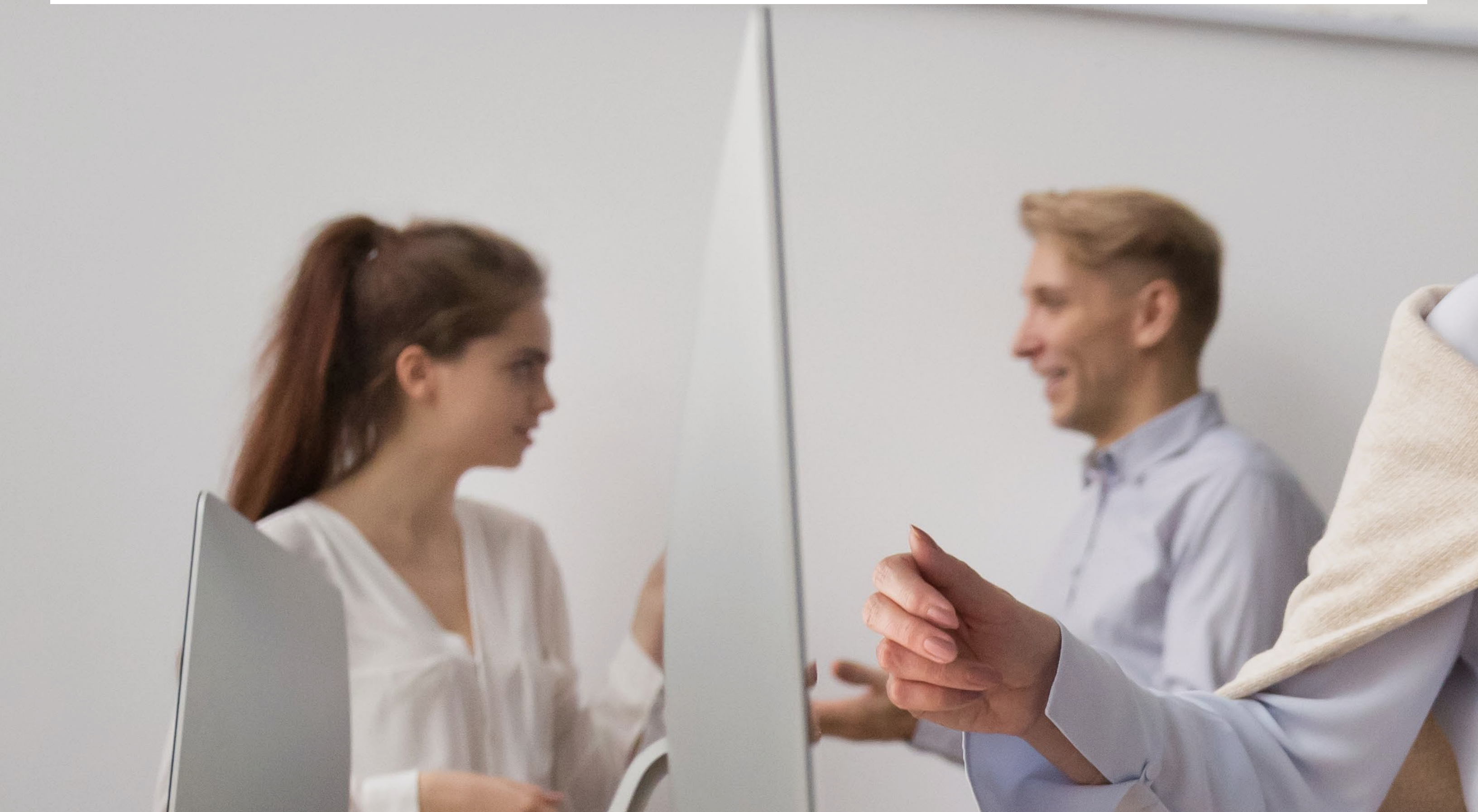
Much has been made about the challenges employers face in managing millennial workers—and for good reason. But perhaps the greater challenge companies face isn't just managing millennials but managing them along with both the generations that came before them, Generation X and the baby boomers, as well as Generation Z, the emerging generation now entering the workforce.

In some cases, there can be an age span of more than five decades within a company's workforce. By 2026, the **Bureau of Labor Statistics** predicts that 63.4 percent of the workforce will be 25 to 54 years old, while nearly 25 percent will be 55 and older.

Knowing how to work with employees across such a wide age span has always been challenging for employers, but these challenges have been accentuated by the digital revolution of the last two decades and the resulting variance of communication preferences across age groups.

The implications of these workforce communication challenges are especially significant when it comes to helping employees save for retirement and manage their employee benefits. As more organizations shift away from defined benefit plans toward defined contribution plans, employees are shouldering more of the burden in saving for retirement—and employers have a greater responsibility to educate their workers about their options.

That is why it is critical for plan sponsors to develop effective strategies for communicating with each workforce demographic about retirement. Here, we identify three principles plan sponsors should keep in mind as they craft a multi-generational communications plan for educating their workforce about saving for retirement using the company's retirement plan.



KNOW YOUR DEMOGRAPHICS

People's financial priorities and needs shift over the course of their lives, so the first step in developing a retirement communications strategy is to understand the makeup of your workforce. There are helpful financial messages that can be sent to each generation; it is a matter of understanding where they are on their financial path.

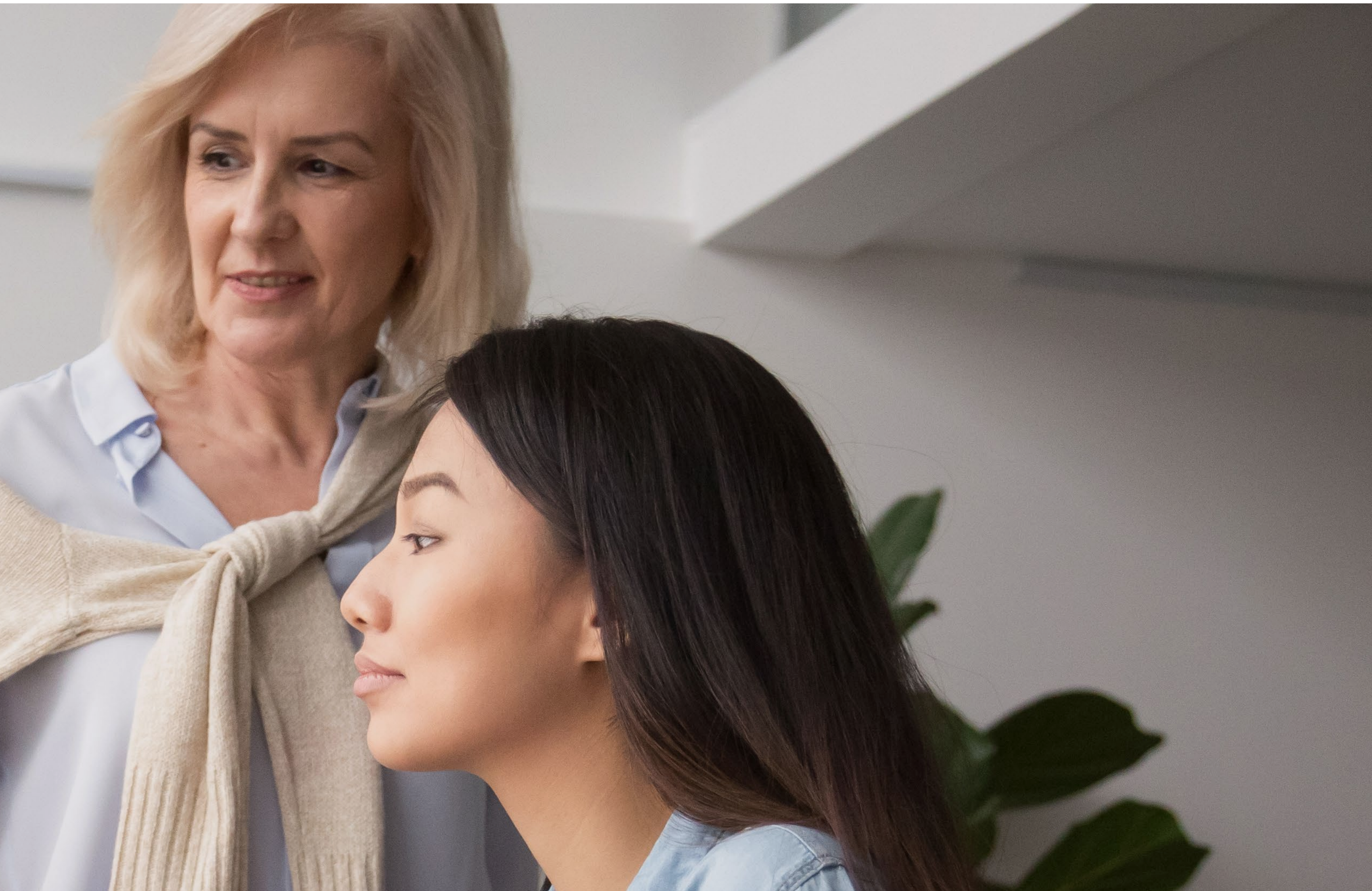
For example, the average student debt for graduates of four-year public colleges in 2017 was about $27,000, according to **The College Board**, and the number of borrowers with at least $100,000 in student debt has quadrupled over the past decade, according to the **Federal Reserve Bank of New York**.

So, for younger workers, you may want to focus on educating them on ways they can save for retirement while also paying down their debt. Conversely, for older workers, you may want to educate them about the catch-up contributions available for workers age 50 and older.

AVOID A ONE-SIZE FITS ALL APPROACH

It is also important to think about the communication channels that are likely to resonate with different segments of your workforce. According to a **survey by TD Ameritrade**, members of Generation Z—those born in 1997 to the present—are more likely to consult their friends (24 percent) and online videos (20 percent) than a financial advisor (11 percent) or their employer (5 percent) when it comes to financial advice.

Even within age groups, people have different learning styles. Rather than having just one set of materials with information about your retirement plan, consider using a mix of brochures, email, videos, podcasts, infographics, online calculators and blogs to get the message out.



LOOK FOR YEAR-ROUND OPPORTUNITIES

Financial education shouldn't be a once-a-year event when human resources professionals hand out pamphlets at re-enrollment time and expect employees to understand their choices. Employers should look for opportunities around the year to send and reinforce retirement plan messaging.

Employers should consider these regular events during the course of the year to inject appropriate messaging for each generation:

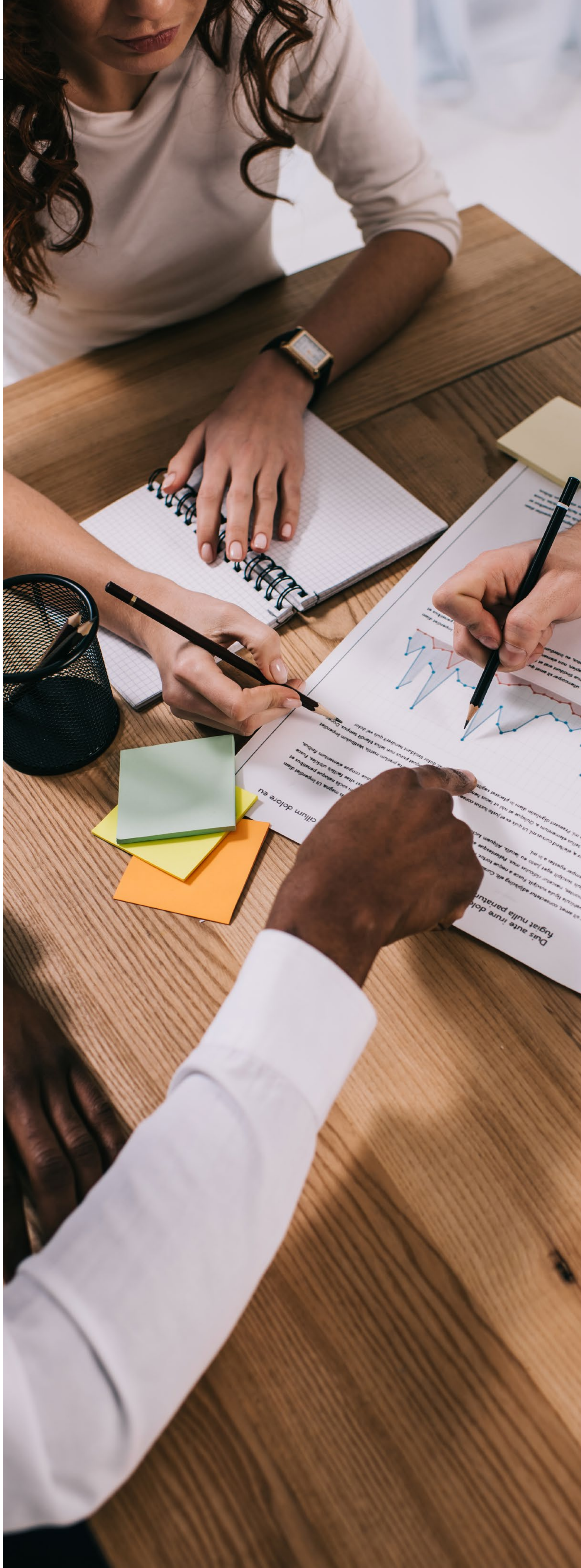
- **Bonus time:** Remind employees that they can use some or all of their bonus to increase 401(k) contributions
- **Annual pay raise:** Encourage employees to increase their 401(k) contributions by the same percentage as their pay raise
- **Tax Day:** April 15 could be an optimal time to remind employees that any refund they received could be put toward retirement and to remind them that contributions to their 401(k) plan can help reduce next year's tax bill
- **Open enrollment:** Inform employees about how changes to premiums could affect the amount they have available to contribute to their retirement

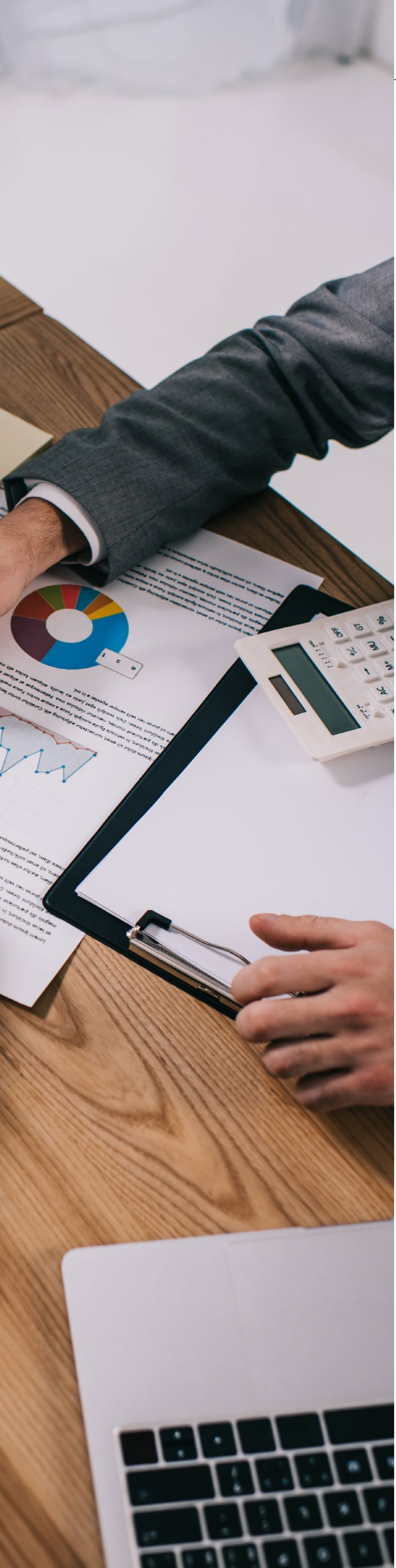
BDO INSIGHT: A CUSTOMIZED APPROACH

We live in a highly automated world where paychecks are automatically deposited and healthcare expenses and other payments are withdrawn without employees pushing a button or writing a check. So, it is no wonder that most employees don't pay much attention to their retirement plans—until they have to.

That is why it is important for employers to be more thoughtful and creative in identifying ways to engage their workers about preparing for retirement. Doing this for workforces that span multiple generations requires understanding your workforce's demographics and creating messages that are tailored for various segments of your employee base.

Managing a multi-generational retirement communications plan can be complicated, but BDO is here to help. Your BDO representative can help you review options and strategies that will best fit your company's objectives and employees' needs.





The Gig Economy: How to Help Contractors Prepare for Retirement

The gig economy is growing, and there are many reasons why workers are looking to build careers as independent contractors as opposed to traditional W-2 employees. Some of the reasons the contractor lifestyle is attractive for American workers include flexible hours, the ability to work remotely, improved work-life balance and more control over their careers. Despite these positives, contractors are missing a critical component of their financial future: a company-sponsored retirement plan.

Freelance, independent contractor and other non-traditional employment relationships are all considered 1099 workers. By law, companies aren't allowed to offer 1099 workers the opportunity to participate in the company's retirement plan.

But that doesn't mean employers should disregard their contractors' retirement needs. Financial wellness is important to all workers' productivity, regardless of whether they are paid via W-2 or 1099. From a retention standpoint, if contractors feel that they aren't on track for their retirement goals, they may look for full-time W-2 employment at another company.

The gig economy is an increasingly important part of the labor market. **The State of Independence in America** report by MBO Partners found that nearly 42 million Americans worked on a contract basis in 2018, a 2.2 percent increase from the previous year. More than 3 million of those contract workers are highly-skilled workers earning more than $100,000 annually, according to MBO.

Even though contractors can't participate in the employer-sponsored retirement plan, there are still things companies can do to help 1099 workers prepare for retirement and understand the retirement savings options available today. In some cases, contractors could be saving more annually in tax-deferred retirement accounts than their W-2 counterparts. Informing contractors about these opportunities could be a way to help them feel more connected to your organization and less financially stressed about their future.

HOW MUCH TO SAVE?

Providing information to help contractors determine how much they need to save for retirement can be an important first step in a) motivating them to save and b) helping them determine which retirement plan is the best fit. There are myriad retirement calculators available through commercial providers, but the **Social Security Administration** and the **Department of Labor (DOL)** also offer these tools. In addition, the **Consumer Financial Protection Bureau** has a detailed education page designed to help people plan for retirement. The DOL also offers a **Lifetime Income Calculator** to help people understand what a monthly income stream might look like.

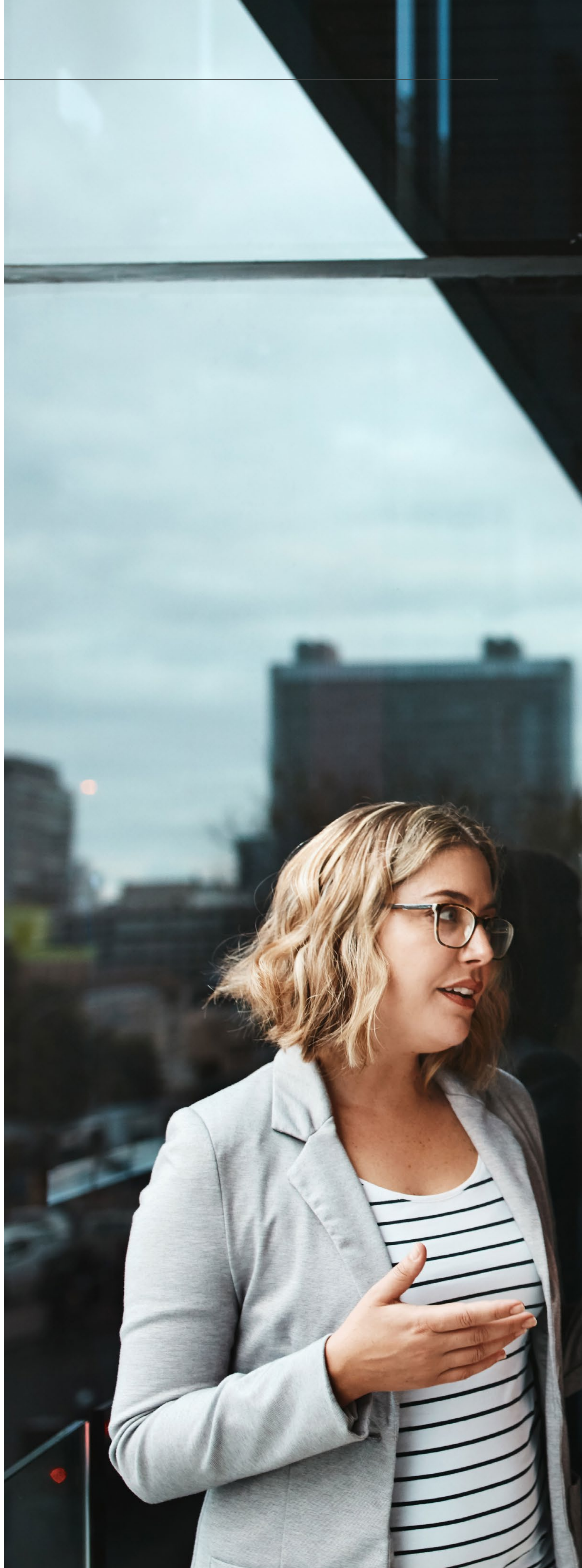
WHAT RETIREMENT SAVINGS VEHICLES ARE AVAILABLE?

There are several types of tax-advantaged qualified retirement accounts available to contractors and other self-employed workers. One of the most difficult decisions contractors face when setting up their personal retirement accounts is determining which one best aligns with their financial situation. This requires understanding the eligibility requirements, contribution limits and other rules related to these accounts.

Traditional or Roth Individual Retirement Account (IRA). An IRA may be the best option for lower-income workers who are limited in the amount they can afford to save for retirement. In 2019, IRA participants can save up to $6,000; those age 50 and older can add a $1,000 catch up contribution. Individuals can take a tax deduction for traditional IRA contributions; Roth users contribute post-tax, but the growth of the assets is tax-free. It's important to note that workers must be below the income limit ($137,000 for single tax filers and $203,000 for married joint filers, with phase-outs starting at lower income levels for both types of filers) to contribute to a Roth IRA.

Simplified Employee Pension (SEP) IRA. This plan can be an attractive option for solo contract workers or those who have only a few employees in their company. SEP users can contribute the lesser of $56,000 in 2019 or up to 25 percent of net compensation. Under this plan, all contributions to employee and employer SEP accounts must be equal. SEP IRAs often have very low administrative costs and are easy to set up and operate.

Solo 401(k). This plan, also known as a one-participant 401(k) plan, can be an attractive option for self-employed workers who don't have any employees. For 2019, Solo 401(k) contribution limits are $56,000 or 100 percent of income, whichever is less. In addition, spouses can participate and contribute the standard 401(k) contribution limit, which is $19,000 in 2019. Users and spouses can make $6,000 catch-up contribution each, if they are over age 50. These plans may require more administrative work and costs than a SEP IRA; once the plan balance exceeds $250,000, the owner may be required to file an annual 5500 report.

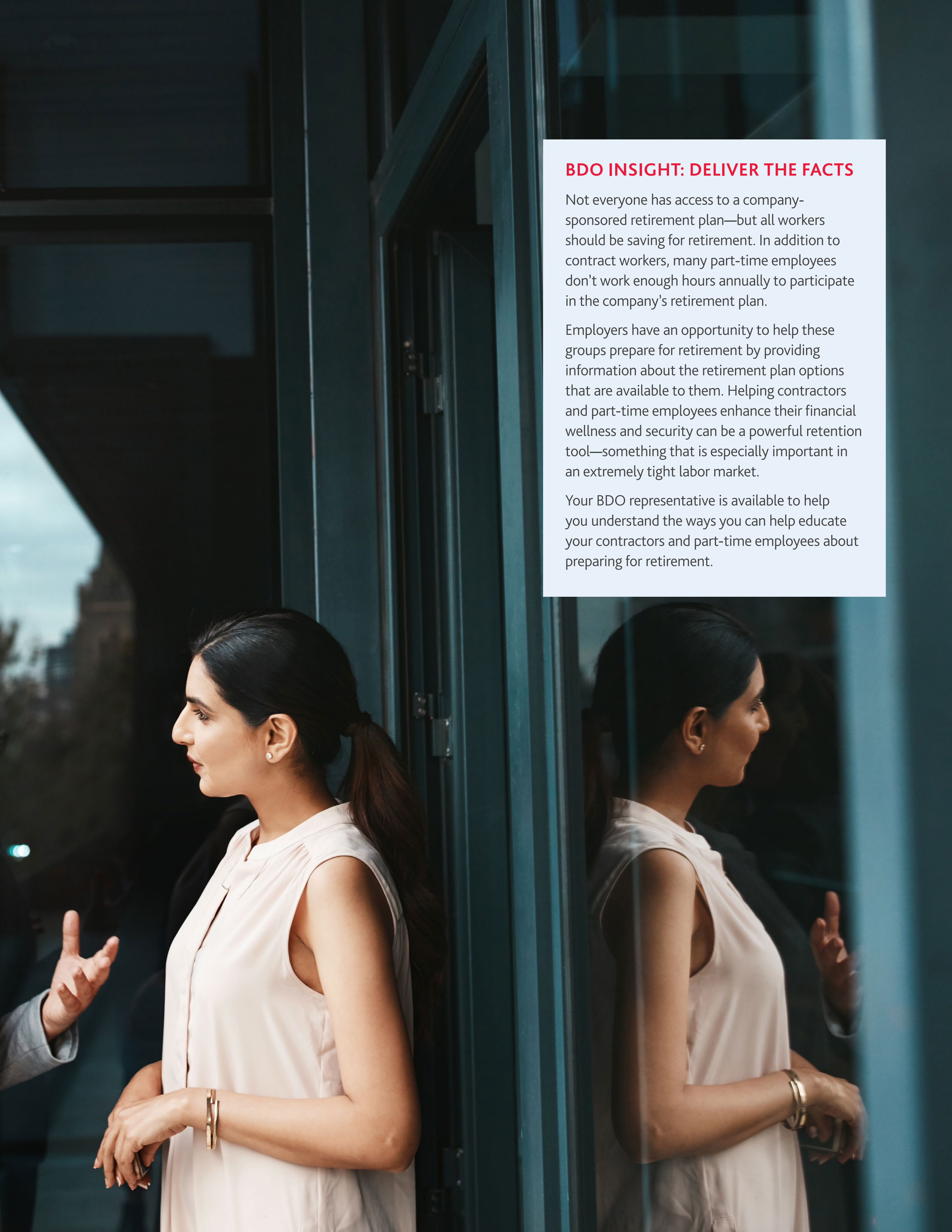


BDO INSIGHT: DELIVER THE FACTS

Not everyone has access to a company-sponsored retirement plan—but all workers should be saving for retirement. In addition to contract workers, many part-time employees don't work enough hours annually to participate in the company's retirement plan.

Employers have an opportunity to help these groups prepare for retirement by providing information about the retirement plan options that are available to them. Helping contractors and part-time employees enhance their financial wellness and security can be a powerful retention tool—something that is especially important in an extremely tight labor market.

Your BDO representative is available to help you understand the ways you can help educate your contractors and part-time employees about preparing for retirement.



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