

# Trends & Traps for Retirement Plans in a Recession?

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This session focused on how the recession has challenged employers in managing retirement plans and how reevaluation and changes within those plans can lead to trends and traps. Some organizations buy into the trends of auto-enroll, new 403 (b) prototypes, increase hardship contributions and loans, furloughs and sabbaticals, and benefit plan freezes which initially appear as good ideas. These trends are hoped to help, reduce or solve the morale issues, lower account balances, company stock complexities, greater need for investment advice and accessing funds. However, if you are not aware of the fiduciary and litigation issues you and your company may find yourself trapped.

More specifically, some of these traps include cutting the match from plans without a written amendment, overlooking the changes in funding rules, layoffs triggering full vesting, failing to forward employee deferrals promptly, and making decisions without due diligence.

All of these traps lead to litigation. So who is getting sued for what? Primary is poor investments. This ranges from company stock plummeting, poorly performing investment funds, unreasonable fees, to missing plan contributions. So how does one avoid these legal pitfalls? Fiduciary Standards of Care! What does that mean? It means establish clear procedures to meet ERISA duties. Review or ensure there is a investment policy statement. Establish Qualified Default Investment Alternatives (QDIAs). Review contracts with providers. Review or purchase a fiduciary insurance policy. Use professional advisors and keep them in the loop. Bottom line: Take action.

Another way to help is reduce costs. Why not suggest immediate vesting if plan terminates. How about increase funding in short-term defined benefit plans. Take a look and compare plan terms with objectives. If needed, change benefits structure or use prototype documents. Ask for the lower fees, the bundled services-negotiate. Request for Proposals (RFP) are an excellent document to see the overall picture. Don't go it alone-appoint an investment committee. After all, this is a serious responsibility in light of recent court cases.

A final note: Due diligence and action will help avoid penalties in the future.