
Honorable Mention

By Editorial Staff Thu, Apr 23, 2020

Survey: How retirement plan sponsors and providers are coping (SPARK and DCIIA); RetireOne and Halo partner to distribute annuities and structured notes to fee-based advisers online; Social Security funding levels are stable, but don't yet reflect COVID-19 impact.

Survey: How retirement plan sponsors and providers are coping

A new survey of 21 retirement plan recordkeepers, asset managers and service providers by the Spark Institute and the Defined Contribution Institutional Association Retirement Research Center shows how plan providers are dealing with the COVID-19 pandemic and the CARES Act.

- Recordkeepers are tracking coronavirus-related distributions (CRDs). Two-thirds are accepting self-attestations from participants that they meet the eligibility requirement. Over 80% of those surveyed have already updated their systems and procedures to accommodate the CARES Act. Another 9% should be updated within a week. The volume of distribution requests and questions is up significantly. Still, more than two-thirds of the industry is meeting their Service Level Agreements (SLAs) to clients.
- None of the surveyed companies plans to lay off or reduce staff, but many have imposed hiring freezes on certain business units. To address shelter-in-place rules and social distancing guidelines, 98% of the industry is now working from home. This is up from 20% in January. The transition to working from home caused minimal disruption since the industry has had work from home procedures in place for more than a decade.
- To address the increase in employees working from home, recordkeepers have responded with an increased focus on cyber-security, supplying employees with necessary technology, and online team calls.
- About half of plan sponsors are considering reducing employer contributions until the crisis is over. To help avoid this, recordkeepers and plan sponsors are also discussing alternative tactics to address plan expense and cash flow concerns. For example, forfeiture accounts and ERISA budget accounts can be leveraged by plan sponsors to help pay some plan expenses.
- Many plan sponsors previously considering a Request For Proposal process have decided to put that process on hold. With so many of their employees now working from home, some plan sponsors are concerned with managing paperwork and required document signatures, payroll and staffing issues, and a lack of necessary technology infrastructure.
- Unlike in the 2009 financial crisis, most participants are not shifting their investments, but instead are looking for loans or hardship withdrawals. For those participants that

are moving assets the shift is toward fixed income products.

RetireOne and Halo partner to distribute annuities and structured notes to fee-based advisers online

RetireOne, the insurance product trading platform for fee-based advisers, and Halo, a structured notes purchasing platform, have announced a partnership where RetireOne's clients will be able to use Halo's platform to buy structured notes and annuities.

"Clients of our RIA partners can now layer in the kinds of principal protections that have traditionally been expensive, and available only to qualified or institutional investors through brokers," said RetireOne CEO David Stone, in a release. "Our RIA partners can choose curated structured notes, or they can design, price, and bid out custom-built solutions,"

Low interest rates are pressuring RIAs to look beyond traditional fixed income for risk-off solutions, the release said. Structured notes, a global investment product category with over \$3 trillion of assets, remains relatively small in the U.S., at just over \$60 billion.

HALO co-founder and CEO Biju Kulathakal said, "Halo's technology helps analyze, customize, execute, manage and liquidate structured notes in an efficient and transparent way. This brings clients much needed access and competition to the structured note market."

A structured note is a hybrid security that helps an investor target a level of expected returns and protection levels over a set period of time. Issued by major financial institutions, these instruments can generate returns in up, down and flat markets.

Serving over 900 RIAs and fee-based advisors since 2011, Aria Retirement Solutions' RetireOne is an independent platform for fee-based insurance solutions. With offerings from multiple "A" rated companies, this fiduciary marketplace serves RIAs at no additional cost to them or their clients.

Social Security funding levels are stable, but don't yet reflect COVID-19 impact

The combined asset reserves of the Social Security Trust Funds (Old-Age and Survivors Insurance and Disability Insurance) are projected to be depleted in 2035, the same as projected last year, with 79% of benefits payable at that time, according to the annual report of the Social Security Board of Trustees.

The OASI Trust Fund is projected to become depleted in 2034, the same as last year's

estimate, with 76% of benefits payable at that time. The DI Trust Fund is estimated to become depleted in 2065, extended 13 years from last year's estimate of 2052, with 92% of benefits still payable.

These estimates do not reflect the still-unknown effects of the COVID-19 pandemic on the payroll tax receipts of the programs, the trustees said.

According to the Trustees' 2020 Annual Report to Congress:

The asset reserves of the combined OASI and DI Trust Funds increased by \$2.5 billion in 2019 to a total of \$2.897 trillion.

The total annual cost of the program is projected to exceed total annual income, for the first time since 1982, in 2021 and remain higher throughout the 75-year projection period. As a result, asset reserves are expected to decline during 2021. Social Security's cost has exceeded its non-interest income since 2010.

According to the Trustees' report:

Total income, including interest, to the combined OASI and DI Trust Funds amounted to \$1.062 trillion in 2019. (\$944.5 billion from net payroll tax contributions, \$36.5 billion from taxation of benefits, and \$81 billion in interest)

Total expenditures from the combined OASI and DI Trust Funds amounted to \$1.059 trillion in 2019.

Social Security paid benefits of \$1.048 trillion in calendar year 2019. There were about 64 million beneficiaries at the end of the calendar year.

The projected actuarial deficit over the 75-year long-range period is 3.21% of taxable payroll - higher than the 2.78% projected in last year's report.

During 2019, an estimated 178 million people had earnings covered by Social Security and paid payroll taxes.

The cost of \$6.4 billion to administer the Social Security program in 2019 was a very low 0.6% of total expenditures.

The combined Trust Fund asset reserves earned interest at an effective annual rate of 2.8% in 2019.

The Board of Trustees usually comprises six members. Four serve by virtue of their positions with the federal government: Steven T. Mnuchin, Secretary of the Treasury and Managing Trustee; Andrew Saul, Commissioner of Social Security; Alex M. Azar II, Secretary of Health and Human Services; and Eugene Scalia, Secretary of Labor. The two public trustee positions are currently vacant.

View the 2020 Trustees Report at www.socialsecurity.gov/OACT/TR/2020/.

View an infographic about the program's long-term financial outlook at www.socialsecurity.gov/policy/social-security-long-term-financial-outlook.html.

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