RE:INVENT | RETIREMENT

Prudential Retirement's Harry Dalessio says the DOL's proposed rule on multiple employer plans is a "significant step forward in addressing the retirement challenges" facing small businesses.

Q&A

Reshaping retirement for small businesses

By Nick Otto

Small employers historically have faced a big retirement challenge: Though most want to offer retirement benefits to their employees, they're discouraged by the cost and complexity of running their own plans. But there may be relief on the horizon: The Department of Labor last month released a proposed regulation that would allow small businesses to band together to offer employees defined contribution plans.

Would multiple employer plans make a significant difference for small businesses? Are there barriers to such arrangements? And how else are these employers aiming to fix the coverage gap and help workers beef up their post-work savings?

For answers, *Employee Benefit News* spoke to Harry Dalessio, head of Prudential Retirement's full-service solutions business, who sounded off on what the retirement landscape might look for small employers as this proposed rule moves forward and a new year sits right around the corner.

"As we look at the overall landscape, so many Americans are struggling — not just [with] saving for retirement, but [with] other aspects of their overall financial foundation," he says.

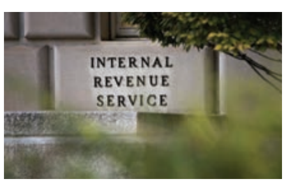
Excerpts of the interview follow.

How big of a problem is retirement coverage among small businesses, and would the proposed MEP rule help change that?

Coverage has been a challenge. Roughly half of workers don't have access to a workplace retirement plan, and with 10,000 individuals reaching retirement each day, it becomes a larger and larger problem.

If the proposal is adopted, it would permit a group or association of diverse employers to sponsor a single retirement plan. The current law limits such sponsorship to groups or associations where there is a commonality of interest com-

REGULATION



IRS RAISES RETIREMENT CONTRIBUTION LIMITS

In 2019, most employees can save up to $19,000 in their 401(k)s.

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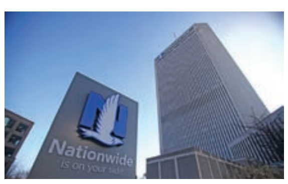
RETIREMENT SAVINGS



NATIONWIDE MUSCLES ITS WAY INTO HSA MARKET

The company will offer HSA services to 36,000 retirement plan sponsor clients in the first quarter of 2019.

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Ultimately, it gets at overall coverage. It would allow an opportunity for more small employers to have access to workplace retirement plans and offer their employees a retirement savings program with reduced cost, reduced administrative burdens and reduced exposure to fiduciary liability. And ultimately that begins to get at the overall retirement security challenge that exists across our country today — it really starts at coverage and at targeting a large part of the working population who don't have access to it today.

Are there any negatives to the rule or barriers not addressed that might keep small employers from joining a MEP?

The rules do not address the one "bad apple" rule in the internal revenue code, which essentially is that one non-compliant employer could jeopardize the tax status of the MEP. However, we do anticipate the Department of the Treasury and the IRS will, pursuant to the White House directive, be issuing guidance in this area in the not-too-distant future.

And I'd say maybe second to that, there is some concern that a limited approach to MEP sponsorship could limit the development of a real, comprehensive, competitive marketplace. Those would be the two concerns that have jumped out.

On the positive side, I believe this is a significant step forward in addressing the retirement challenges facing traditional and the growing gig workforce.

Why are MEPs a good solution for employers, and are there other solutions employers might look to?

Through a MEP, a small employer can pull their resources into a single plan which ultimately [leads to] efficiencies and benefits typically limited to large employers or employers participating in a union-sponsored collectively bargained plan.

MEPs have been around for a while, but the open MEP conversation is to take some of the restraints off and try to make it a little more scalable as an aggregated solution at the smaller employer end of the market that just don't have the resources. That's clearly one of the ways to get at expanding coverage.

But we should also keep our eye on some of the technology solutions that are beginning to emerge — albeit early stage — as they look to get at how to scale benefits programs for small employers while offering personalization to that individual company. It's been an industry challenge to date.

As the job market tightens, will the MEP proposed rule help employers beef up their offerings so they can better attract workers?

Yes. In contrast to a standalone plan, a MEP can offer that reduced administration and reduce risk of fiduciary liability because the MEP is being operated by benefit investment professionals. We believe a small employer offering a plan is a win, and [doing so] will certainly help attract and retain qualified employees. And it's certainly a win for employees as a way for financial security and wellbeing. We estimate that more employers will offer a plan because of those simplified solutions.

What are your final thoughts on small employers and their retirement plans going forward as the new year approaches?

I think there will be more and more discussion as it relates to financial wellness. At the core of this is the conversation that the benefits landscape is changing — and that more responsibility is being put on an individual from a defined contribution standpoint versus a defined benefit standpoint. Those plans were not designed to be the primary retirement vehicle for U.S. workers.

Now the conversation is really becoming much more holistic around financial wellness. So instead of focusing in on, "You should save X in your plan," there has to be a recognition that the individual may be thinking, "Well I have massive student loan debt and I don't even have a budget or emergency savings account. So how am I going to save for my retirement or financial future if I can't address the initial building blocks to just sustain me right now?"

Financial wellness is the big buzz word in the industry, but I think you'll see it rapidly coming online with solutions that are beginning to get at that baseline foundation for workers. We've launched emergency savings accounts in addition to our defined contribution offering. We've offered student loan debt management and consolidation as part of our DC retirement offering.

It's not about just saving in the retirement plan anymore; it's about taking a holistic view of your financial situation and where you're able to do that in a simple and seamless way. I think will be a big part of the narrative as we go into 2019 and beyond. **EBN**

Nick Otto is *senior editor* of *Employee Benefit News*. Follow him on *Twitter at @Ottografs*.

REGULATION

IRS raises retirement plan contribution limits

By Kathryn Mayer

Employers have some good news to share with employees who may want to start out the New Year on a savings kick: Workers can now contribute more to their retirement accounts in 2019.

The IRS on Nov. 1 increased the pre-tax contribution limits for employees who participate in a 401(k), 403(b) and most 457 plans to $19,000 from $18,500. That limit also applies to the federal government's Thrift Savings Plan.

For participants ages 50 and over, the additional catch-up contribution limit, which is set by law, will stay at $6,000.

Meanwhile, IRA contribution limits were raised to $6,000 from $5,500 — the first time the IRS has increased the limits since 2013. The catch-up contribution limit for people 50 and over will still be $1,000.

The deferred compensation limit in defined contribution plans for pre-tax and after-tax dollars will increase by $1,000, to $56,000, and the maximum defined benefit annual pension will increase by $5,000, to $225,000.

The increased limits are good news for both employers and their employees who are struggling to get retirement-ready. Research by Willis Towers Watson earlier this year found that just half of employees surveyed by the consulting firm say they feel confident they have enough money to live comfortably 15 years into retirement, down significantly from 69% in 2015. **EBN**

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