

PENTEGRA

Your AdvantEDGE

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Pentegra 2022 Survey on Advisor Attitudes Toward 3(16) Fiduciary Outsourcing

In December 2022, Pentegra conducted a survey of retirement plan advisors and their perspective on retirement plan 3(16) fiduciary outsourcing.

The survey measured how advisors are using fiduciary outsourcing to help clients better manage their retirement plans. It also captured their perspectives on what outsourcing does to help them better position their services and manage their practices.

[Read the full survey](#)



One for the Ages

How Will You Embrace the Automatic Age?

Since the beginning of time, there have been several ages that reflect society propelling itself forward in physical, intellectual and technological ways. First, there was the Stone Age. Then came the Iron and Bronze Ages (not to mention the

Golden Age and the Age of Enlightenment).

Welcome to the Automatic Age

Section 101 of SECURE Act 2.0 requires new 401(k) and 403(b) plans to automatically enroll participants, with the initial automatic enrollment amount being at least 3% but not more than 10%. Each year, that amount must be automatically increased by 1% until it reaches at least 10%, but not more than 15%.¹ However, plans that existed on or prior to the December 29, 2022, signing of the SECURE Act do not have to follow this new provision — they were grandfathered in.

Breaking Down the Grandfather Clause

Just how many plans are out there right now that haven't yet embraced the Automatic Age? According to the Society for Human Resource Management's 2022 Employee Benefits report² (based on responses from 3,129 human resource professionals across the United States), only about a half of the plans automatically enroll new or existing employees, and only 26% automatically increase employee contributions annually. Vanguard's "How America Saves 2022" report³ reveals that 56% of Vanguard plans have adopted automatic enrollment and two-thirds of those plans have implemented automatic annual deferral rate increases. PSCA's 65th Annual Survey (most recent) puts those figures at 59% (auto-enroll) and 78% (auto-increase).

Embracing the Numbers

For several years now, the case has been made that automatic enrollment and escalation plan features work. According to a 2012 ground-breaking Ariel/Aon-Hewitt study, automatic enrollment helps workers who wouldn't normally participate in a company's retirement plan. "The most dramatic increases in enrollment rates are among younger, lower-paid employees, and the racial gap in participation rates is nearly eliminated among employees subject to auto-enrollment," the study found.⁴ More recently, John Hancock's "State of the participant 2022"⁵ report found that auto-enroll/auto-increase features used in tandem greatly enhance a participant's chances of achieving retirement readiness.

Plan Design	%RetirementReady 2020	%RetirementReady 2022
No auto features	46%	52%
Auto-enroll at 5%+	48%	56%
Auto-enroll at 5% with annual increase starting at 1%, up to 10%	55%	65%

The majority of surveys and research reports addressing automatic features show that adoption, usage and effectiveness are on the rise from previous years, which is cause for great optimism. However, they also suggest that there is still more work ahead for many plan sponsors and advisors in the Automatic Age.

1 Employees may opt out; in addition, there is an exception for small businesses with 10 or fewer employees, new businesses that have been operating for less than three years and church plans.

2 The Executive Summary of the Society of Human Resource Management's "2022 Employee Benefits Survey" can be viewed at: <https://tinyurl.com/3xpr3sd3>

3 Vanguard's "How America Saves 2022" can be viewed at: <https://tinyurl.com/5c29waxw>

4 Senate Finance Committee, SECURE 2.0 Act of 2022 ; Ariel/Aon-Hewitt study referenced in Section 101.

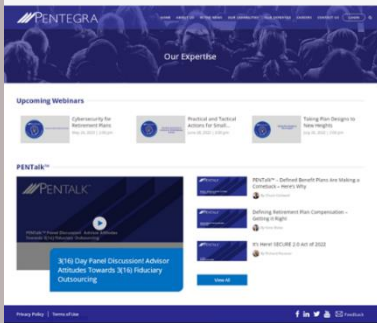
5 John Hancock's "State of the participant 2022" can be viewed at: <https://tinyurl.com/4ftvxe48>



Secure 2.0 Tech Tips

Pentegra's Tech Tips offer insights on the SECURE 2.0 Legislation

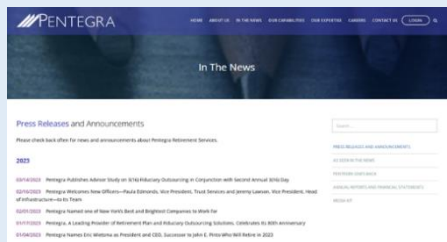
- [Automatic Enrollment Escalation – Is My Plan Grandfathered?](#)
- [New RMD Rules To Live By](#)
- [Relief for Reporting Required Minimum Distributions for IRAs for 2023](#)
- [SIMPLE IRA-to-401\(k\) Mid-Year Switch Gets Easier in 2024](#)



Webinars and PENTalks™

Check Out Our Upcoming Webinars, CE Courses and Recent PENTalks

<https://www.pentegra.com/expertise/videos/>



Recent Press Releases and Announcements

- [Pentegra Welcomes Carlo Guerrero as Director, National Accounts](#)
- [Pentegra Publishes Advisor Study on 3\(16\) Fiduciary Outsourcing in Conjunction with Second Annual 3\(16\) Day](#)
- [Pentegra Welcomes New Officers—Paula Edmonds, Vice President, Trust Services and Jeremy Lawson, Vice President, Head of Infrastructure—to Its Team](#)

Look For Us At These Upcoming Events

April 2-4
NAPA 401(k) Summit
San Diego Convention Center
San Diego, CA

April 25-27
122nd Annual LBA Convention & Exposition
The Omni Grove Park Inn
Asheville, NC

April 26-28
Tech+
The Omni Grove Park Inn
Asheville, NC

May 7-9
Northwest Association of Independent Schools- Spring Heads Meeting
Cedarbrook Lodge
Tacoma, WA

May 10-12
New York Association of Independent Schools - Business Affairs Conference
Mohonk Mountain House
New Paltz, NY

May 11-12
Retirement Plan Advisor Summit – Southeast
Four Seasons Hotel
Fort Lauderdale, FL

May 17-19
Texas Bankers Association -137th Annual Convention

May 17
SouthWest Benefits Association - Building Benefits Better
Irving Convention Center at Las Colinas

JW Marriott San Antonio Hill Country
Resort and Spa
San Antonio, TX

Irving, TX

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