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A Recordkeeper Perspective

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on Retirement Legislation and Delays

BY KATIE BOYER-MALOY AND
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This article highlights the importance of collaboration among all parties when dealing with legislative changes and ensuring that those changes are met.

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While this isn't necessarily a new phenomenon, in recent years with the passing of SECURE and SECURE 2.0 legislation, the painful reminder of government delays issuing guidance on upcoming retirement laws brings to light the uncertainty in interpreting and implementing those laws that we all face. But as recordkeepers, we are approached early and often with the same questions from our partners and participants, "Who? What? When? Where? And how much money is this going to cost?"

So, what happens and what can we do about it? Let's talk about the challenges that face us when waiting for guidance around new legislation.

Collaboration—Internal and External

SECURE 2.0 changes the way catch-up contributions are deferred for higher wage earners. Before the ink was dry on the draft of this article, we received word this piece of legislation was delayed, but for our example let's look at the catch-up contribution changes.

Recordkeepers, third-party administrators (TPAs), and payroll companies are wrestling with how best to ensure those deferrals that need to be Roth, are in fact contributed as Roth. Should the wages be immediately contributed as Roth, where possible, or corrected later? Who is in the best position to ensure the individual has the best experience? The plan sponsor and the participant also have voices in determining what is the best outcome.

In other words, there are a lot of interested stakeholders when we consider how to address a required change. This is where it becomes critical that we collaborate to help create an optimal end-to-end experience. It's important that we all offer input and information to lean into the conversations with peers. And for TPAs and Recordkeepers, it's important to talk to clients about the customer experience journey. When asked for feedback, be thoughtful and collaborative.

Collaboration with the entities involved takes a tremendous amount of time and coordination. Part of that time is setting a foundation of what we understand the requirements and objectives to be, and that can be an everchanging marker.

This is just a small example of the level of collaboration that takes place between all the partners in the industry to help ensure we meet our customer's needs.

Understanding Expected Adoption and Prioritization

We've heard it said a million different ways, but we all know that the only way to eat an elephant is one

bite at a time. And much like that concept, expecting to wrap it all up with a bow overnight is just not feasible. Not all legislative provisions are mandatory, and as recordkeepers, we have finite project and IT resources. Understanding what provisions are most important to our customers—to our advisors, plan sponsors, TPAs and participants—allows us to prioritize the development work appropriately to meet our customer needs timely.

Clear and Concise Communication to All Parties

Our clients seek expertise and strategic counsel from us. They are looking for support in seeing and knowing things they otherwise wouldn't know. This could be in the form of viewpoints, white papers, newsletters, social, webcasts, or even in just everyday conversation. They value clear, concise communication regarding instructions on the decision to be made and the call to action to be completed. We collectively focus on keeping our clients informed and up to date, letting them know what is happening even though it can feel clunky, confusing, and time consuming, even with the best laid communication plans.

Review your communication plan from beginning to end and know confidently how often you will communicate, including both what is known and what is still unknown. Anticipate delays and a lack of guidance clarity, and set expectations early with your client that although not all information has been clarified, you are on top of it and will readily communicate decisions to be made and actions to be taken as it becomes available. Help them understand what is known and unknown in the information and how it impacts the decisionmaking process.

Managing Compliance Risks

Recordkeeping systems are built and maintained to ensure they comply with all appropriate regulations. Recordkeepers have dedicated personnel responsible for ensuring that the system is compliant and is constantly being monitored and revised for developing procedures for staff to follow. This adds on an entirely new layer, that not only requires that we verify the compliance with new regulations, but also that those changes do not nullify pre-existing software safeguards or intentions. The process is widely spread and touches nearly every system and process within our infrastructure.

The Question Isn't if There Will Be More Change, but When?

Just when the plan is set and it feels like the ball is rolling toward the end goal, we get thrown yet

another curveball with Internal Revenue Service (IRS) delays on adoption of regulations.

Leaning in, having a technology strategy, and being communicative and collaborative with your partners in the industry can help ensure we all navigate to the best outcome. While the challenges will certainly continue to present themselves as regulations provide additional guidance, the most important thing for

all of us to remember is that the one constant in our industry is change. While there are challenges that come with the changes, especially at the rate we are experiencing them currently, as an industry, we have to take advantage of the chances to partner together, show resiliency, and navigate the changes we are faced with head on, as a team, to work toward the best result for our clients. ■

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