



401(k) Cybersecurity Questions That Plan Sponsors Should Be Asking

Even if you barely follow the news, you know that corporate data breaches seem to happen almost every day. And although the harmful—and most publicized—exposure of people’s personal information has occurred with the hacking of corporate behemoths like Marriott, Target, Yahoo!, and Equifax, small businesses are by no means immune to information security breakdowns.

A critical but often overlooked aspect of a plan sponsor’s fiduciary oversight is how its recordkeeper or third-party administrator protects employees’ sensitive personal data. But cybersecurity should be near the top of any retirement plan fiduciary’s priority list.

If you’re not sure how to begin the process of safeguarding your company’s retirement plan data, you might start by asking your plan service providers the following questions:

- What are your procedures for dealing with cybersecurity threats and the protection of our employee participants’ personal information?
- Do you conduct risk assessments periodically to identify susceptibility to cybersecurity threats and the impact of potential business disruptions?
- Do you conduct an annual, independent assessment of your cybersecurity systems and policies?
- Does your company employ a chief information security officer (or someone in an equivalent position)?
- How do you store, retain, and destroy sensitive data?
- Does your business continuity and disaster recovery plan include the recovery of an employer’s data after a breach?
- Does your company outsource any services to a subcontractor? If yes, what controls are in place to protect our company’s sensitive data?

Remember, as a plan sponsor and fiduciary, among the most critical tasks you have are the prudent selection of service providers and the continuous monitoring of their performance. If your service providers don’t provide satisfactory responses to your cybersecurity questions, or if they aren’t meeting your standards in other categories, you can’t afford to turn a blind eye. Document your interactions and enlist the help of your plan advisor to perform a benchmarking and risk assessment. Together, you can identify the best service providers for your plan and your valued employees.

Cybersecurity thieves adapt to our efforts to foil them at a lightning-fast pace. Be sure to review your internal information security controls and procedures to stay ahead of these criminals and the potential cybersecurity threats they pose.



Ease-of-Use Features Lower the Savings Barrier

When it comes to helping your employees save for retirement, more can always be done to help move them from inertia to action. Yet no single magic bullet exists for getting them to save. That's why it's vital for barriers to participating in workplace retirement plans be lowered and that plan features be easy to use.

Here's the good news: according to Deloitte's most recent [Defined Contribution Benchmarking Survey](#), plan sponsors have been taking notice, and their emphasis on ease of use has been paying off. Employee contribution rates and account balances have been on the rise thanks to features like auto-enrollment and auto-escalate contributions, as well as less stringent service requirements for plan entry and immediate matching contributions.

Moving beyond the employer match

According to the Deloitte survey, 93 percent of plan sponsors offer a matching or profit-sharing contribution, and 41 percent cite the match as the primary reason employees participate. But plan sponsors recognize that additional strategies to boost plan health are gaining traction:

- 66 percent of plans offer auto-enrollment, up significantly from 55 percent in 2014.
- 19 percent of plan sponsors indicate that auto-enrollment is the primary reason their employees participate in their plans (up from 13 percent in 2014).
- 66 percent of plan sponsors report that auto-enrollment has had a positive impact on deferrals, participation (88 percent), and participant awareness (64 percent).
- 74 percent of responding plan sponsors offer an immediate match—up from 62 percent in 2014—and 43 percent offer full vesting in the match (up from 32 percent in 2014).
- 66 percent indicate that there are no service requirements for plan entry, and 43 percent of plans immediately vest the matching contributions (up from 32 percent in 2014).

The signs are clear: a host of enhancements have fueled positive developments in plan engagement. But are your employees enjoying a similar upward trajectory?

Regardless of past successes, plan sponsors should continue updating their plan design strategies to help participants meet retirement income objectives. Talk with your service providers periodically to review your plans' features. Be sure that the features offered are in line with your plan goals and workplace demographics.



Plan Sponsors Ask: What Can Be Done to Combat Financial Stress?

Q: Our company strives to create an environment that allows our employees to thrive. We know that their personal financial worries carry over into work. What can we do to help them feel more at ease about their financial futures?

A: You're right to think that you, as an employer, can make a difference in reducing your employees' financial stress. As a matter of fact, according to [recent research](#) conducted by John Hancock Retirement Services, 69 percent of workers are stressed about their finances—whether it's about credit card debt, student loan repayments, or everyday essential expenses. And 72 percent of the respondents admit to worrying about finances while at work. As you can imagine, that stress affects productivity. In fact, stressed-out employees cost employers about \$2,000 per worker per year!

So, what can be done? A solid retirement plan is a great start. Offering a gentle nudge to employees to save early and often for retirement is crucial. But more education is also needed. Indeed, 60 percent of respondents in the John Hancock survey believe that getting financial advice at work would help reduce their stress, and 65 percent said it would help them save more for retirement! Introducing education or advice programs on financial topics—such as debt management, health care planning, social security, and budgeting—could be just what your employees need to alleviate stress in their personal and professional lives.

Not sure where to start? Most 401(k) service providers offer online tools and resources designed to help employees save for retirement and make positive financial choices. Reach out to your service provider today to see what resources it has that could work for you.



We Can Help

Contact us to learn more about maintaining the health of your company's retirement plan through examining your service provider's cybersecurity policies, using auto-features to improve your employees' retirement readiness, and helping with other aspects of your plan.

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