



# RETIREMENT PLANS: THINKING OUTSIDE THE 401(K)

Plan sponsor options, design, and best practices

Lutheran Financial Managers Association,  
March 30, 2022

# Agenda

- Introductions
- Retirement readiness with Jewelie Grape
- Examples of best practice solutions and resources







## Welcome **Jewelie Grape** ERISA & employee benefits attorney

**Retirement ready? Legislative updates and plan insights for faith-based non-profits**



J. GRAPE  
LAW



Lutheran Financial Managers Association  
Conference

March 30, 2023

# WHAT I'LL DISCUSS...

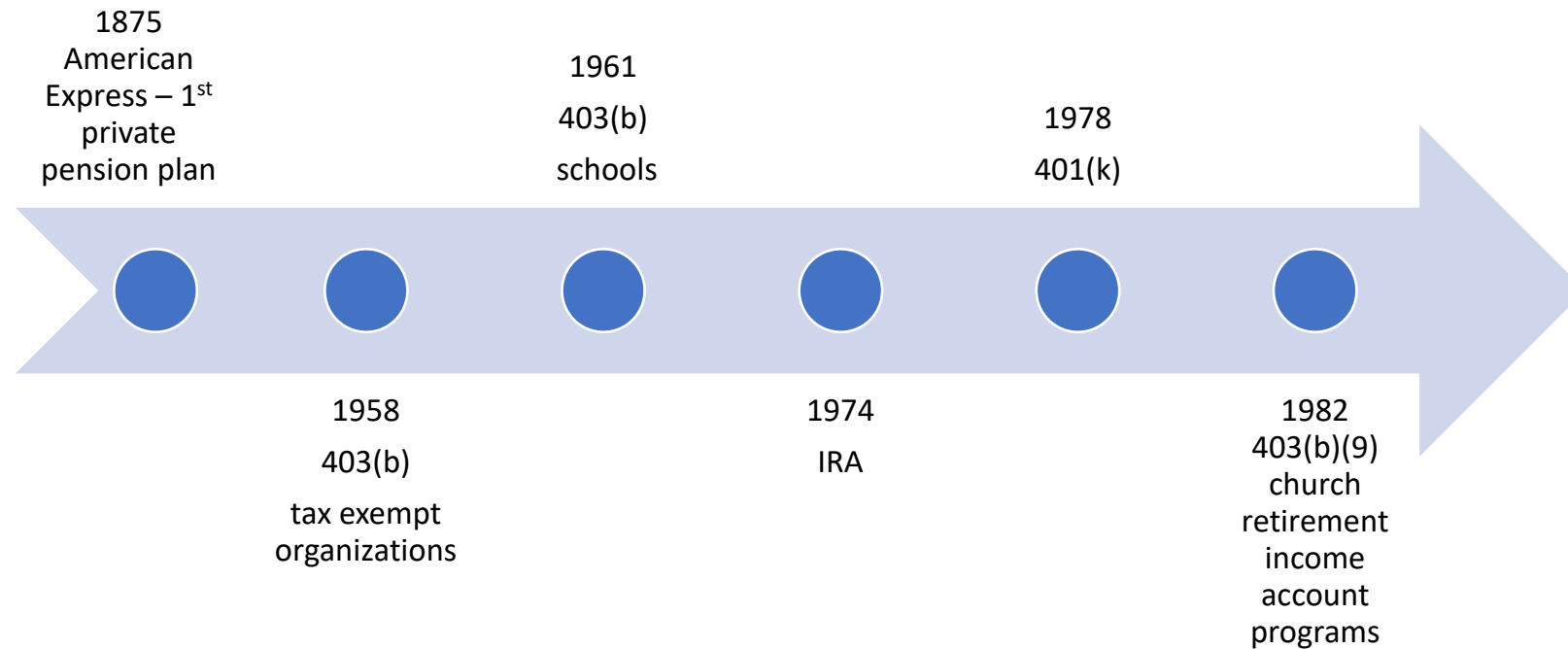
- Terminology, history of retirement plans
- Comparison of retirement plans
- Retirement plan design trends
- Secure 2.0



# FIRST, SOME TERMINOLOGY

- **ERISA** - federal law that sets minimum standards for most retirement and health plans in private industry to provide protection for individuals in those plans. Government and church employers are exempt from Titles I and IV.
- **CHURCH** – “steeple” church, convention/association of churches, elementary or secondary school controlled, operated or principally supported by church.
- **QCCO** – church controlled 501(c)(3) organization that does not receive more than 25% of its support from sale of goods/services to the general public or government sources.
  - \* *Church food pantries, camps, seminaries, church conference associations*
- **NON-QCCO** – church controlled 501(c)(3) organization that receives more than 25% of its support from sale of goods/services to general public or government sources.
  - \* *Church-affiliated hospitals, colleges, social service agencies, nursing homes, senior residences*

# HISTORY OF RETIREMENT PLANS



The logo for J. Grape Law features the text "J. GRAPE" in a large, purple, serif font, with "LAW" in a smaller, purple, sans-serif font below it. A green, stylized vine with leaves and a grape cluster is intertwined with the text. The logo is set against a background of a pair of white scales of justice. The entire scene is framed by a blue and green geometric pattern of overlapping triangles.

J. GRAPE  
LAW

## **COMPARISON OF RETIREMENT PLANS**



# COMPARISON OF RETIREMENT PLANS

## COMPARISON OF THESE PLANS:

- ✓ 401(k)
- ✓ 403(b) – includes 403(b)(1), 403(b)(7), 403(b)(9)
- ✓ 457(b)

## NOT ADDRESSED:

- 457(f)
- Non-qualified deferred compensation plans
- Defined benefit plans
- Cash balance plans
- SEPs
- SIMPLEs
- IRAs

	401(k) Plan	403(b) Plan	403(b)(9) Plan	457(b) Plan
Type of entity that can establish/ participate in plan	<ul style="list-style-type: none"> <li>• Corporation</li> <li>• Sole proprietorship</li> <li>• Partnership</li> <li>• LLC</li> <li>• Nonprofit organization</li> </ul>	<ul style="list-style-type: none"> <li>• <b>501(c)(3)</b> tax-exempt organization (church, QCCO, non-QCCO)</li> <li>• public educational institution</li> <li>• government</li> </ul>	<ul style="list-style-type: none"> <li>• Church</li> <li>• QCCO</li> <li>• Non-QCCO</li> <li>• Self-employed minister</li> </ul>	<ul style="list-style-type: none"> <li>• State/local government</li> <li>• 501(c)(3) tax exempt organization</li> <li>• Non-QCCO (<b>NOT church or QCCO</b>)</li> </ul>
Nondiscrimination Testing	<ul style="list-style-type: none"> <li>• ADP</li> <li>• ACP</li> <li>• Coverage</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Universal availability</b></li> <li>• ACP</li> <li>• Coverage</li> <li>• Does not apply to plans sponsored by church/QCCO</li> </ul>	<ul style="list-style-type: none"> <li>• Universal availability</li> <li>• ACP</li> <li>• Coverage</li> </ul> <p><b>Only applies to non-QCCOs</b></p>	None
Subject to ERISA	Yes, except for government, non-electing church employer	Yes, except for government, non-electing church employer	No, unless election to opt into ERISA is made	Yes, unless government or non-QCCO church employer

## DIFFERENCES BETWEEN 401(k) and 403(b) PLANS

- Nondiscrimination testing for elective deferral contributions – ADP test vs. universal availability (only applicable to non-QCCOs)
- No 5-year post employment contributions in 401(k) plan
- No 15 year of service catch-up contribution in 401(k) plan
- Wider variety of investment fund options permitted in 403(b)(9) plan than in other types of 403(b) plans



# ERISA RETIREMENT PLAN REQUIREMENTS

- Department of Labor oversight
- Various reporting, notice and disclosure requirements
  - Summary plan descriptions
  - Summary annual reports
  - Summary of material modifications
- Specific fiduciary rules
- Specific eligibility, vesting, funding rules
- ERISA fidelity bond
- **Specific nondiscrimination testing rules**
- **Annual Form 5500 filing**
- **Annual audit (large plans)**





# NON-ERISA RETIREMENT PLANS

- Not required to comply with list of requirements on previous slide; church plans are specifically exempted from Titles I and IV of ERISA to avoid excessive entanglement with religion
- Church plans must comply with Internal Revenue Code, federal anti-abuse rules and state law (no ERISA preemption of state law)



# NON-ERISA CHURCH RETIREMENT PLAN

*(See ERISA § 3(33) and Internal Revenue Code § 414(e))*

- Retirement plan established by **church** or a **convention or association of churches** for church employees, or
- Retirement plan maintained by an organization, the principal purpose or function of which is the administration/funding of a plan for the provision of retirement benefits for employees of a church or convention or association of churches, if such organization is **controlled by** or **associated with** a church or convention or association of churches



# CONTROLLED BY or ASSOCIATED WITH

## **“Controlled by” a church, convention or association of churches**

- Church appoints/removes board of directors

## **“Associated with” a church, convention or association of churches**

- evidenced by sharing of common religious bonds and convictions (see list of factors on handout)

# MOVING FROM ERISA TO NON-ERISA CHURCH PLAN

If you think your organization might be able to participate in a church plan:

- Conduct a detailed analysis to ensure you meet the “controlled by” or “associated with” requirements
- Establish church plan (or join denominational church plan)
- File final Form 5500 (if currently filing)
- If applicable, consider merging 401(k) plan into 403(b) plan (All amounts must be fully vested)







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LAW

## **RETIREMENT PLAN DESIGN TRENDS**

# IMPROVING FINANCIAL WELLNESS

- Focus on the widening retirement savings gap - automatic enrollment/escalation provisions
- Focus on emergency savings, debt reduction (including student loan repayment)
- Managed accounts gaining traction as an investment option (for an additional fee)
- Financial planning services (for an additional fee)





**SECURE 2.0  
PROVISIONS APPLICABLE TO 403(b) PLANS**

Provision	Explanation
Increase in required minimum distribution (RMD) age (2023)	Increases from age 72 to age 73 in 2023 and age 75 in 2033
Reduction in excise tax for failed RMD (12/29/22)	Penalty reduced from 50% to 25% (further reduced to 10% if corrected within 2 years)
Participant self-certification of hardships (2023)	Plan may rely on participants' certification that they qualify for hardship distribution
<p>New distributions permitted:</p> <ul style="list-style-type: none"> <li>• Terminally ill employee (12/29/22)</li> <li>• Federally-declared disasters (1/26/21)</li> <li>• Emergency expenses (2024)</li> <li>• Victims of domestic violence (2024)</li> </ul>	<p>No 10% early withdrawal penalties</p> <ul style="list-style-type: none"> <li>• Certified by physician</li> <li>• Up to \$22,000; repaid within 3 years</li> <li>• Up to \$1,000; repaid within 3 years</li> <li>• Up to \$10,000; repaid within 3 years</li> </ul>
Permitted matching of student loan repayments (2024)	Participants may self-certify student loan repayments



Provision	Explanation
Mandatory cash-out amount increased (2024)	\$5,000 to \$7,000
Emergency savings account linked to retirement plan account permitted (2024)	Up to \$2,500 for non-highly compensated employees, funded with Roth contributions
More liberal hardship withdrawal rules permitted (2024)	Match 401(k) plan hardship rules
Age 50 catch-up contributions – must be Roth (2024)	For employees with FICA wages exceeding \$145,000 (indexed)
Higher catch-up limits at ages 60, 61, 62 and 63 (2025)	\$10,000 (indexed) for employees ages 60-63 [Must be Roth contributions]
Required coverage for long-term, part-time workers (2025) [N/A to non-ERISA plans]	Employees with 2 consecutive years with at least 500 hours of service must be permitted to participate in 403(b) plan

Thank you!!

Jewelie Grape

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651-633-1717

[www.jgrapelaw.com](http://www.jgrapelaw.com)



# There's strength in numbers

**\$8**  
**BILLION**

in Assets  
Managed

**47,223**  
Plan Members\*

Beyond purchasing power and economies of scale, these numbers reflect trust, grounded in over 200 years of serving faith-based organizations



**FOCUS ON FINANCIAL WELLNESS**

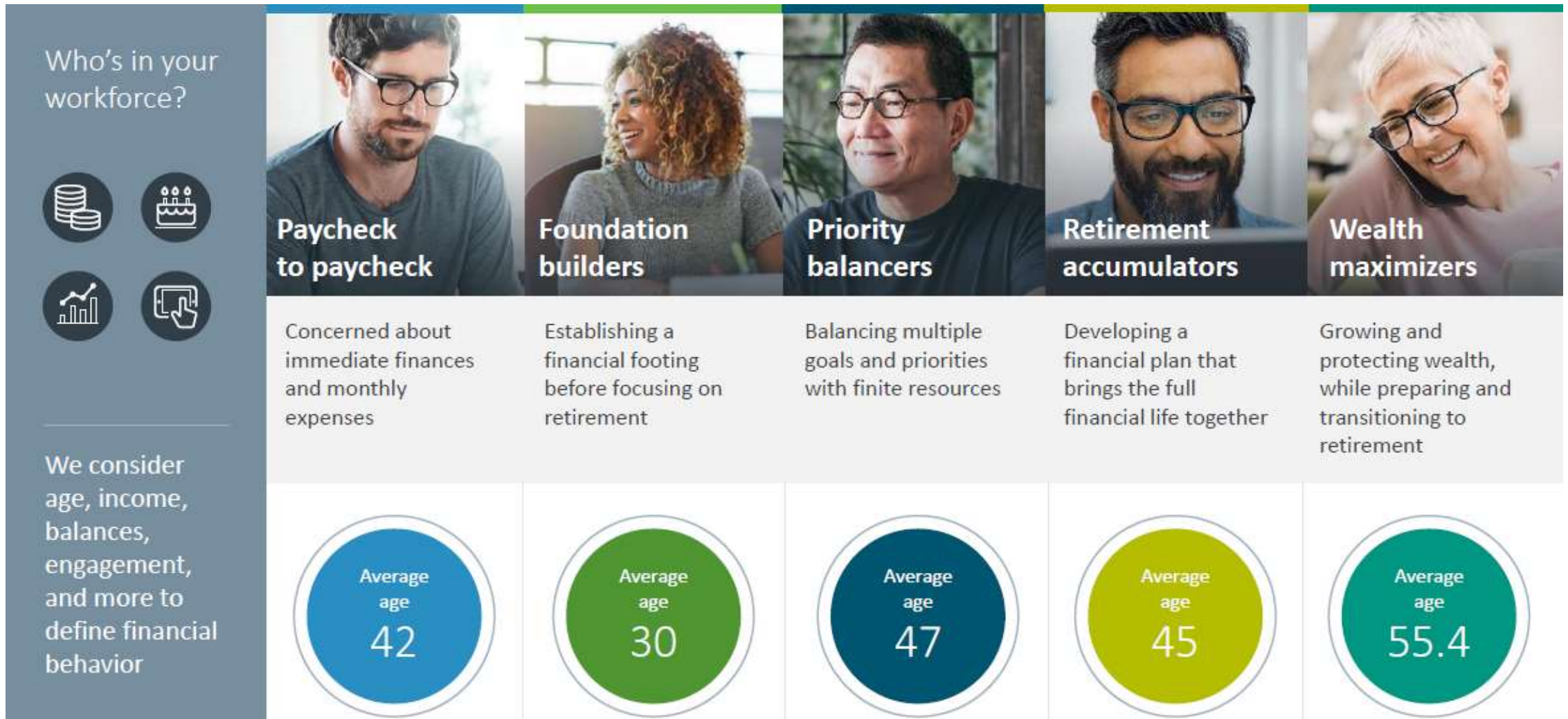


# The state of employee financial wellness

Among financially-stressed employees, **49%** said that **money worries had a severe or major impact on their mental health** in the past year

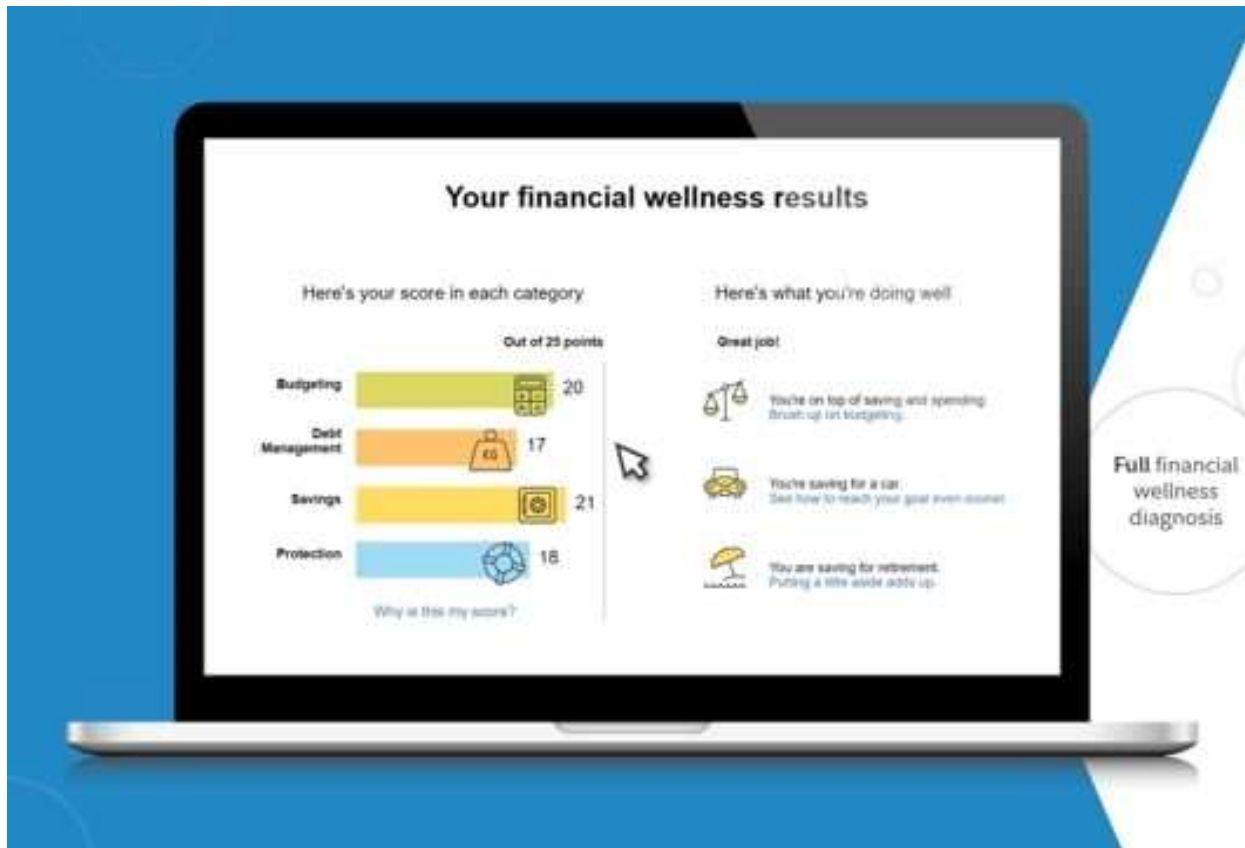
One in four have **saved less than \$1,000 for retirement**, and more than half plan to **postpone their retirement**.

# Effectively engaging employees based on their specific needs



## TAX-EXEMPT RETIREMENT SERVICES

Access to the power of 



- Dedicated experience team solely focused on faith-based and tax-exempt organizations
- Dedicated Portico representatives to address unique needs of our members
- Specialized expertise with 403(b)(9) retirement savings plans, Fidelity understands the nuances of church plans
- Financial wellness tools that customize member experience and informs employers of the greatest needs

Investment options available in the plan are offered and managed by Portico Benefit Services. Please see the MIRP Investment Fund Description for additional information. Fidelity investments are not offered within the plan.

Fidelity recordkeeping data as of June 30, 2021.

# Financial Wellness Assessment

## Personalized Results

Progress: Personal (0/5) | Budgeting (0/5) | Debt management (0/5) | Savings (0/5) | Protection (0/5)

I am a  year-old

I make about \$  a year

Progress: Personal (1/5) | Budgeting (1/5) | Debt management (1/5) | Savings (0/5) | Protection (0/5)

I save about





of my total household income every year, including what I set aside for retirement.

My current total retirement savings (including 401(k), 403(b), IRA and employer contributions) is

### Your financial wellness results

Here's how you scored in each category


Out of 25 points

Budgeting		14
Debt Management		9
Savings		9
Protection		8

[Why is this my score?](#)


Here's what you are doing well

**Great job!**

 You're saving for an emergency. [Find out how much you need.](#)


### Here are the top three ways you can improve

- #### 1 SPEND LESS THAN YOU EARN




Compare income and expenses to make sure you're cashflow positive.

[Explore options](#)
- #### 2 PAY OFF HIGH INTEREST DEBT



Credit cards and consumer loans with high interest rates can cost a lot in the long run.

[Explore options](#)
- #### 3 SAVE FOR A HOME

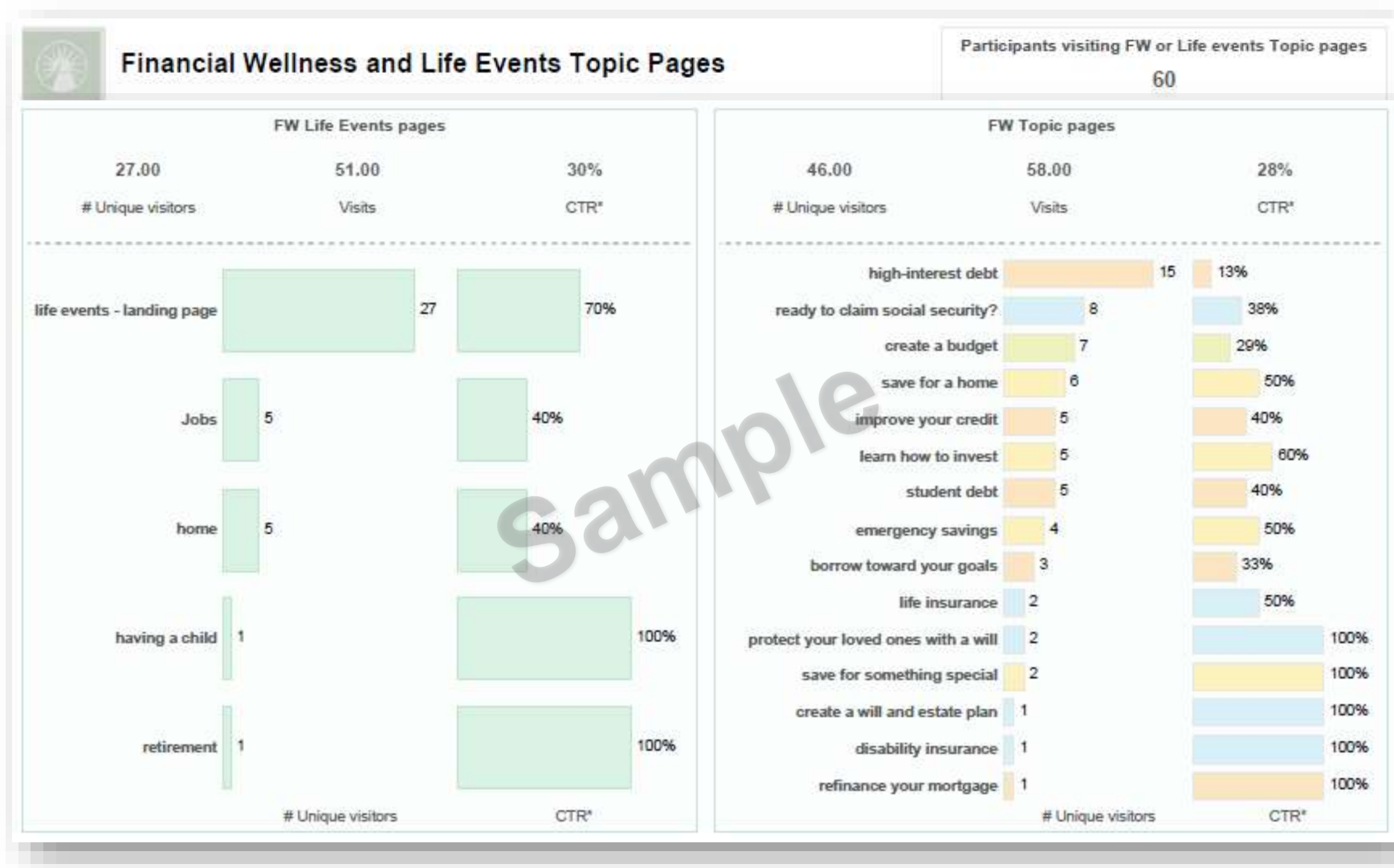


See how much you can afford, and make a plan to get there.

[Get started](#)

[See more opportunities for improvement](#)

# Understand employee engagement via Employer Report





# Multi-format education opportunities offered by Fidelity

## Fidelity Workshops

Help and support for all your employees

We understand that today's diverse workforce has a wide range of needs and that financial wellness is unique to every individual. That's why we developed a series of educational programs to help you help your employees get the most out of their benefits and meet their goals.



### SAVING & INVESTING

- **Get Started and Save for the Future You**
  - Understand your retirement plan and how to enroll
  - Determine if you're saving enough and learn ways to save more
- **Create a Budget, Ditch Your Debt, and Start Saving for the Future You**
  - Recognize the importance of managing debt
  - Learn steps for maintaining financial health
  - Plan for future goals
- **Take the First Step to Investing**
  - Review the basics of investing and identify your ideal investment approach
  - Understand asset allocation and diversification
- **Identify and Prioritize Your Savings Goals**
  - Learn how to save for each goal
  - Get next steps for saving
- **Make the Most of Your Retirement Savings**
  - The importance of saving as much as possible for retirement
  - The benefits of saving more
  - Different account types for saving for retirement
  - Preserving and growing your savings to last throughout your lifetime

### MANAGING LIFE

- **Invest Confidently in Your Future**
  - Define your savings goals
  - Build an investment plan to help you optimize your savings
  - Understand the importance of continuously managing your plan
- **Plan Loans**
  - What to consider before taking money out of your workplace savings plan
  - How to protect your financial goals for the future
- **Five Money Musts**
  - Understand what a budget is and why you need one
  - Know how to use credit and manage debt
  - Recognize how investing can help you reach your money goals
- **Your College Planning Choices**
  - Learn how to start saving for a child's college education
- **Get a Handle on Your Student Loan Debt**
  - Learn about a variety of student loan repayment options and strategies to help find a better way to pay off your student debt.
- **Own Your Future**
  - Explore what financial wellness means for women
  - Learn the principles of budgeting and saving
  - Discover how to design an investing plan to meet specific goals
  - See how defining an investing personality can keep you on track

### PREPARING AND SAVING FOR RETIREMENT

- **Exploring the Benefits of an HSA**
  - Understand the benefits of an HDHP/HSA
  - See how they work together
  - Explore the features of the HSA
- **Discover the Potential of Your HSA**
  - Recognize the features of the HSA
  - Explore the potential benefits of an HSA
  - Learn the importance of a safety net
  - Understand how HSAs fit into a retirement strategy
- **Fidelity Personalized Planning & Advice**
  - Learn to manage your own portfolio
  - Explore Fidelity's professional investment management
  - Understand the benefits, fees, and expenses
- **Turn Your Savings into Retirement Income**
  - Learn the benefits of a retirement income plan
  - Identify retirement income sources and expenses
  - Explore different retirement income strategies
- **Retirement Income Planning For Her**
  - Designed for women
  - Learn about your retirement savings and how to plan for future income
- **Learn the Basics of When and How to Claim Social Security**
  - Understand Social Security
  - Considerations for claiming Social Security benefits
  - Decide when to take Social Security benefits
- **Maximize Social Security in Your Retirement Strategy**
  - Learn how Social Security fits your retirement paycheck
  - Strategies for claiming Social Security
  - Create your retirement income plan
- **Prepare for the Reality of Health Care in Retirement**
  - Estimate retirement health care costs
  - Understand available options before and after age 65
  - Plan for retirement health care costs
- **Preserving Your Savings for Future Generations**
  - Understand estate planning—wills, probates, power of attorney
  - Learn what's taxable and how assets can be distributed
  - Explore the importance of a living will and health care proxy
  - Learn about the forms of trusts
  - Review beneficiary designations, gifting, and insurance replacement strategies

## Portico provides access to



- Budget & Debt Counseling
- Housing Counseling
- Student Loan Repayment Counseling
- Credit Report Review
- Debt Management Plans

*Within a year, we had paid off all our debt except our mortgage and student loans and saved over a month's salary in an emergency fund!*

- LSS client

## How it works

1

Call (800) 528-2926  
for an appointment

2

Share your financial  
goals

3

Provide key inputs,  
including credit card  
balance and monthly  
expenses

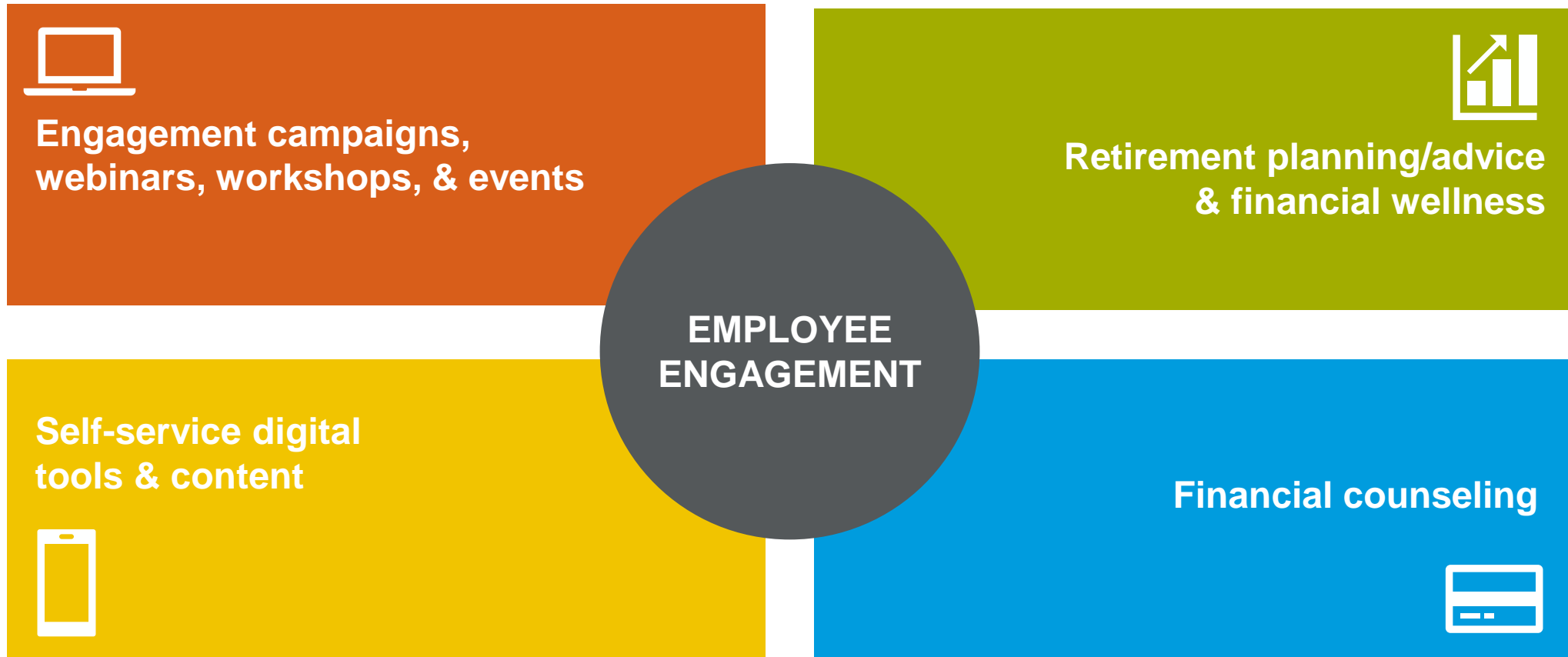
4

A counselor will provide  
options and work with you  
to determine steps to  
reach your goals



# Financial health is our priority is our priority

Through Portico, plan participants have access to Fidelity's recordkeeping services and LSS Financial Counseling, a service of LSS of Minnesota – partners who help us **provide holistic multi-channel engagement experiences.**





**OUR INVESTMENT APPROACH**

# Established in-house Investment Team



**David Quello**

**Chief Investment  
Officer**

10 years at Portico  
23 years Investment Experience



**Dave Lecander**

**Senior Investment  
Manager**

30 years at Portico  
30 years Investment Experience



**Erin Ripperger**

**Manager, Socially  
Responsible Investing  
and Investor Advocacy**

10 years at Portico  
10 years Investment Experience



**Josh Stieler**

**Senior Investment  
Manager**

16 years at Portico  
19 years Investment Experience



**Tyler Mumbleau**

**Senior Investment  
Analyst**

4 years at Portico  
4 years Investment Experience

**18 years average investment experience**

**5 hold advanced degrees; 5 hold the chartered financial analyst designation**

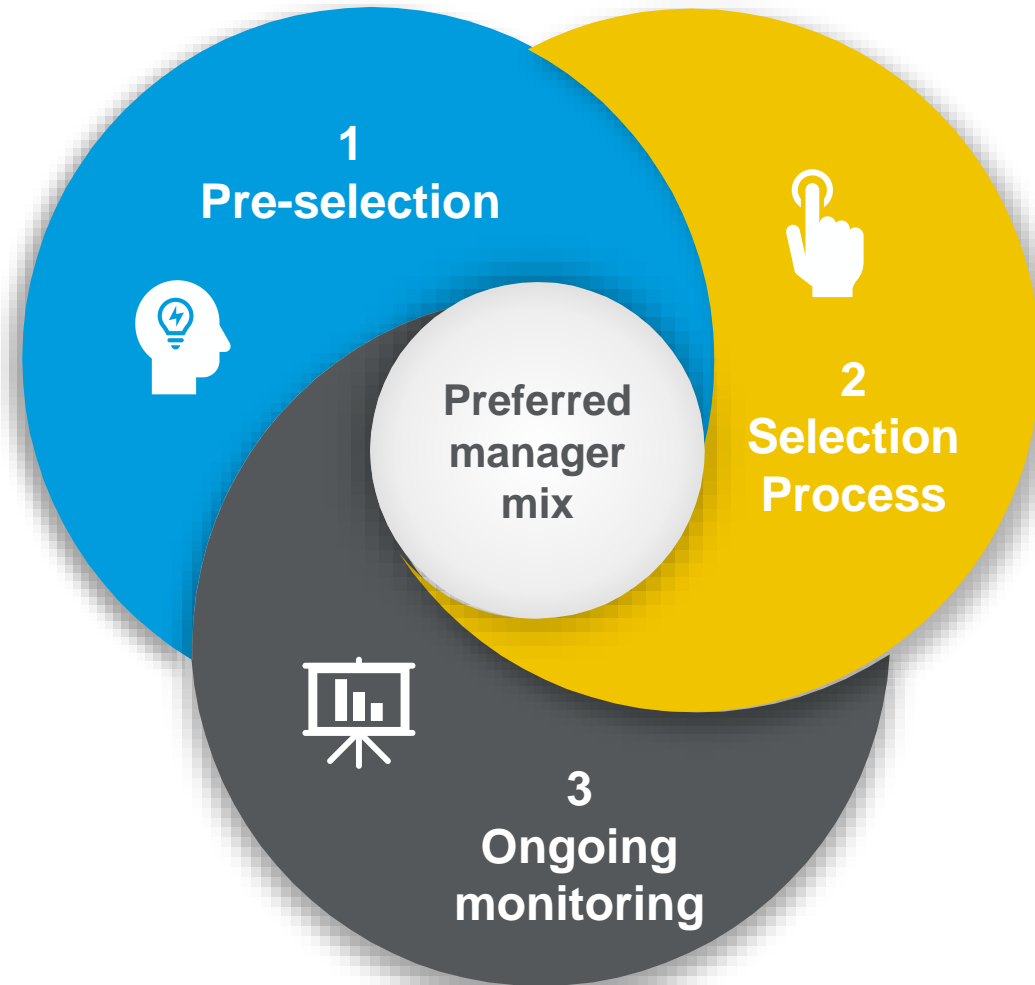
# Extensive investment governance & due diligence

Board of Trustees	Board of Trustees Investment Committee	In-house Investment Team	External Investment Managers	Investment Consultant
<p>Approves broad investment and corporate social responsibility policies</p>	<p>Approves specific fund policies, including target date fund glide path calculations</p> <p>Approves investment strategies and policies for asset class pools</p> <p>Approves policies for social criteria and manager monitoring and evaluation</p>	<p>Develops recommendations on strategy and policy issues</p> <p>Manages investment implementation, manager selection, and guidelines</p> <p>Manages social purpose program, including proxy voting, shareholder resolutions, screening, and positive social investing</p>	<p>Implement specific mandates within established guidelines</p> <p>Provide passive and active portfolio management</p>	<p>Provides independent assessments</p> <p>Assists with manager selection</p> <p>Develops investment policy inputs</p> <p>Provides project/analytical support</p>

# Systematic & disciplined investment manager selection & monitoring process

Access to high-minimum-requirement investment managers, including but not limited to:

- Baillie Gifford
- BlackRock Institutional Trust Company, N.A.
- Loomis, Sayles & Co.
- Nuveen
- State Street Global Advisors
- T. Rowe Price Associates



# Investment due diligence client reporting

ELCA MASTER INSTITUTIONAL RETIREMENT PLAN

## INVESTMENT FUND MANAGER DUE DILIGENCE REPORT

DATA AS OF 12.31.21

### RETIREMENT PLAN FUND MANAGERS

The Portico investment funds are investment pools managed under the supervision of Portico Benefit Services. They are not mutual funds. Portico is responsible for establishing the investment objectives and strategy for the various investment choices in the ELCA Master Institutional Retirement Plan. Where Portico does not manage assets directly, Portico's investment staff identifies and hires investment managers in each investment category to assist in carrying out Portico's strategy. The current external investment manager(s) of each Portico fund is shown below.

EXTERNAL INVESTMENT MANAGERS as of 5/30/2022				
ASSET CATEGORY	MANAGER	STRATEGY	CATEGORIES	PORTICO FUNDS
U.S. Stock	BlackRock Institutional Trust Company, N.A.	S&P 500 Stock Index	Organization Philosophy and Process Performance/Risk Fees	Target Date Funds; Global Stock Fund; S&P 500 Index Fund; ELCA Participating Annuity Fund
U.S. Stock	BlackRock Institutional Trust Company, N.A.	Small/Mid Cap Stock Index	Organization Philosophy and Process Performance/Risk Fees	Small- and Mid- Cap Stock Fund
U.S. Stock	State Street Global Advisors	Social Purpose Stock Index	Organization Philosophy and Process Performance/Risk Fees	Social Purpose Target Date Funds; Social Purpose Stock Index Fund; Social Purpose Global Stock Fund
U.S. Stock	Hotchkis and Wiley Capital Management	Large Cap Value	Organization Philosophy and Process Performance/Risk Fees	Target Date Funds; Social Purpose Target Date Funds; Global Stock Fund; Social Purpose Global Stock Fund; ELCA Participating Annuity
U.S. Stock	State Street Global Markets (Interim)	Large Cap Growth	Organization Philosophy and Process Performance/Risk Fees	Target Date Funds; Social Purpose Target Date Funds; Global Stock Fund; Social Purpose Global Stock Fund; ELCA Participating Annuity
U.S. Stock	Martingale Asset Management	Low Volatility Equity	Organization Philosophy and Process Performance/Risk Fees	Target Date Funds; Social Purpose Target Date Funds; Global Stock Fund; Social Purpose Global Stock Fund; ELCA Participating Annuity
U.S. Stock	LSV Asset Management	Small/Mid Cap Value	Organization Philosophy and Process Performance/Risk Fees	Target Date Funds; Social Purpose Target Date Funds; Global Stock Fund; Social Purpose Global Stock Fund; ELCA Participating Annuity





# Thank you!

## **Will Stensrud**

Sr. Principal, Business Development &  
Strategic Partnerships

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