Cybersecurity in retirement plans: protecting participants

The future of defined contribution

nuveen
A TIAA Company
Delivering more: can guaranteed investment strategies help?

Getting personal: four modern ways to engage participants

Securing retirement: key things to know about the SECURE Act

Cybersecurity in retirement plans: protecting participants
Everything has changed but nothing has changed

Few could have predicted that a global pandemic would be responsible for ending the longest-running bull market in history and causing markets to whipsaw worldwide. But while volatility can cause investors to panic, it’s helpful to keep a long-term perspective, and supporting plan participants through this crisis is more important than ever.

The long-term global implications from the coronavirus are still largely unknown, but one thing has not changed: The risk of retirees running out of money persists despite short-term uncertainties. The SECURE Act (Setting Every Community Up for Retirement Enhancement) was signed into law in December to help address the retirement-savings crisis.

In this issue of next, we discuss key aspects of the SECURE Act that plan sponsors should know about. And since lifetime income provisions are featured prominently in the new legislation, we model the effect of adding a guaranteed investment option, like a deferred annuity, to a mixed-asset portfolio. In addition, we offer techniques to get your participants more engaged in their retirement planning and tips on protecting them and your plan from the ever-increasing threat of cyberattacks.

While it’s difficult to predict how long the coronavirus will impact markets, the value of advice, planning and partnership remains. Although we are living in uncertain times, your commitment to providing your participants with positive retirement outcomes remains constant.

Your Nuveen Team
INVESTMENT CORNER

Delivering more: can guaranteed investment strategies help?

Transitioning from “employee” to “retiree” is a complex process and the result of countless decisions employers and employees make over the course of many years. The employee’s decisions include how much to contribute, how to allocate contributions, avoiding loans and staying the course. The employer’s decisions largely center on plan design, which include matching contributions, auto features and investment selection. As the employee-to-retiree transition begins, there is a new series of interdependent decisions between employee and employer: mainly what options do employees have to transition their retirement savings into income?
The majority of 401(k) plans offer limited support at this transition point, unlike their defined benefit and 403(b) cousins that were designed to provide guaranteed income in retirement. The recent passing of the SECURE Act (Setting Every Community Up for Retirement Enhancement Act) acknowledged this. In an attempt to encourage the inclusion of lifetime income options on plan menus, the law expands the fiduciary safe harbor for the selection of an annuity provider if certain conditions are met. This is a critical step aimed at helping 401(k)s evolve.

The benefits of an in-plan guaranteed income solution are often attributed to retirees who are focusing on the simplicity of a consistent stream of income. However, there are potential benefits of including guaranteed income solutions in a plan menu for employees who are still in the process of growing their retirement savings. Annuities have the potential not only to provide income for life at retirement, but may also help employees save more, guarantee growth and protect retirement savings.

Default dependent

Most corporate defined contribution plans use target date funds as their default investment option. While target date funds remain an important and popular retirement savings tool, there may be opportunities to improve asset allocation strategies. Nearly 7 in 10 Americans say guaranteed retirement income is the most important thing their retirement plan should provide, but at the same time, 63% of employees incorrectly believe they’ll get that from their target date funds.1

One way 401(k) plans can advance is by enhancing the default option. Target date funds and other asset allocation strategies, such as managed accounts, will continue to develop and evolve into vehicles with the portfolio strength, investment diversity and performance that will help support employees to and through retirement.

Performance potential

Rigorous modeling can demonstrate how adding a guaranteed investment component, such as a deferred fixed annuity, to target date funds may improve the overall portfolio. A guaranteed investment component helps manage the downside risk of fixed income markets, while protecting potential returns. In fact, modeling examples have shown improvement in fund returns and a noticeable reduction in standard deviation of returns, particularly during fixed-income bear markets, providing investors with the assurance of principal safety and guaranteed interest even in the most volatile markets. To demonstrate this, we modeled two different strategies:

**Strategy A:** hypothetical mixed-asset portfolio returns without a guaranteed investment component

**Strategy B:** hypothetical mixed-asset portfolio returns with a guaranteed investment component

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1 For more information on the SECURE Act, please see the article on page 10.
2 An in-plan guaranteed income solution is offered to participants by the plan sponsor within a retirement plan. An out-of-plan income solution is selected by an individual and is not a direct investment option on the plan menu.
### Asset mix modeling

**Strategy A:** This modeling example simulates the one-year return of a hypothetical retirement income target date fund and considers a variety of equity and fixed income return scenarios. The one-year return is shown in the row/column intersections in the table below:

#### Strategy A: hypothetical equity returns

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#### Strategy A: hypothetical portfolio returns

**given varying equity and fixed income returns within a set asset mix without guaranteed investment component**

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### Strategy A

**Portfolio of original fixed income assets replaced with guaranteed contract**

- **0.0%**

**Guaranteed contract assumed rate of return**

- **0.0%**
**Strategy B:** Like Strategy A, this model uses the same simulated one-year returns of a hypothetical retirement income target date fund and considers a variety of equity and fixed income return scenarios. However, Strategy B substitutes 75% of the fixed income sleeve with a guaranteed investment that pays 2.5% interest. The result shows the potential for an increase in overall returns of the target date fund/account in markets where the fixed income sleeve returns less than the guaranteed investment, such as in a rising interest-rate environment.

### Strategy B: hypothetical equity returns

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### Strategy B: hypothetical portfolio returns

Given varying equity and fixed income returns within a set asset mix with guaranteed investment component

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### Strategy B

- **75.0%** Portion of original fixed income assets replaced with guaranteed contract
- **2.5%** Guaranteed contract assumed rate of return

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![Equity, Fixed Income, Guaranteed Returns](chart.png)
Model results

The scenario below demonstrates how the guaranteed investment component in Strategy B offers downside protection and can stabilize overall fund returns. The scenario shows a 3.12% average return improvement across a range of fixed income returns (-4% to 4%). The improvement in one-year returns with the guaranteed investment component is most pronounced when the traditional fixed income sleeve experiences poor performance (e.g., during a rising interest rate environment). When traditional fixed income returns are 2.5% — i.e., equal to the returns from the guaranteed investment component — overall returns remain unchanged between the two strategies.

Change in return from employing Strategy B vs. Strategy A

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Outlined box indicates range of positive returns.

Result: change in one-year return from employing Strategy B vs. Strategy A

<table>
<thead>
<tr>
<th>Equity</th>
<th>Fixed Income</th>
<th>Guaranteed</th>
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<tbody>
<tr>
<td>29.8%</td>
<td>70.2%</td>
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</table>

76% Improved scenarios
Summary

Incorporating a guaranteed investment option into target date funds and other asset allocation arrangements, such as managed accounts, can enhance and protect overall portfolio returns. Modeling illustrates how a guaranteed investment strategy can help stabilize fund returns and reduce downside performance in a multi-asset portfolio, helping plan participants minimize market risk and sequence of returns while they prepare for, and live in, retirement. If the guaranteed investment also provides the option for lifetime income, the approach can also help participants generate income in retirement that they can never outlive.
PARTICIPANT ENGAGEMENT

Getting personal:

four modern ways to engage participants
A successful whole of a defined contribution plan comprises three parts:

1) a solid investment menu
2) strategic plan design
3) employee participation

While the first two are directly driven by the plan fiduciary, employee participation is a combination of both plan design and employee-initiated action. The question then becomes: How can employees become motivated to get the most out of their retirement plan to help improve their retirement outcomes?

And a critical question it is! The onus of saving for — and managing assets through — retirement has increasingly shifted to employees over the past few decades, and the result isn’t encouraging. According to the Employee Benefit Research Institute (EBRI), 40% of all U.S. households — where the head of the household is between 35 and 64 — are projected to run short of money in retirement. As an industry, we have some serious work to do. Yes, “we.” While the responsibility may have been shifting to individuals, saving for retirement is, and should continue to be, a team effort that involves plan fiduciaries, industry providers and the government in addition to employees. Empowering participants to take action is a great start, but how to empower them is another question.

“The whole is greater than the sum of its parts” is a motto that has been around for centuries, but today, it can be applied to the modern world of retirement.
At a minimum, plan fiduciaries are required by the Department of Labor to provide participants with the following documents:

- Summary plan description
- Individual benefits statement
- Automatic enrollment notice
- Summary annual report
- Blackout period notice

ALREADY DATED

There is an ongoing debate in the defined contribution industry about whether participant education is effective at helping employees understand how their retirement plan works and how they will benefit from participating in it. Spoiler alert: It’s not. Sure, plan fiduciaries are obligated to provide specific information to eligible employees and plan participants, but that alone isn’t enough to motivate them.

To understand why, let’s look at the simple definition of the word “educate,” which means, “to train by formal instruction and supervised practice especially in a skill, trade or profession.”

Traditional methods of participant education often rely too much on lectures or slide presentations. This type of learning requires the learner to passively absorb and retain information. To retain learning, adult learners need opportunities to make a connection with the content and apply it to real life. Adults bring experiences and self-awareness to learning that younger learners do not, and therefore need to be better engaged, which is defined as: “to hold the attention of; to induce to participate.” So let’s evolve beyond merely educating employees and explore ways to engage them to both boost participation rates and positive outcomes.

1. GETTING ENGAGED

How adults learn has become a hot topic among academics, psychologists and professional educators. There’s even a term for it: andragogy.

Malcolm Knowles, a pioneer in the study of adult learning, observed that adults learn best when the five principles of andragogy are applied:

- Learning is self-directed.
- Learning is experiential and utilizes background knowledge.
- Learning is relevant to current roles.
- Instruction is problem-centered.
- Students are motivated to learn.

There are also three primary learning styles: visual, auditory and kinesthetic. Visual learners tend to learn by looking, seeing, viewing and watching. Auditory learners tend to learn by listening, hearing and speaking. Kinesthetic learners tend to learn by experiencing, moving and doing.

Incorporating the principles of andragogy and learning styles into plan enrollment and information sharing instead of relying on traditional lectures and materials may positively increase employee engagement.

There are also three primary learning styles: visual, auditory and kinesthetic

**Visual learners** tend to learn by looking, seeing, viewing and watching.

**Auditory learners** tend to learn by listening, hearing and speaking.

**Kinesthetic learners** tend to learn by experiencing, moving and doing.

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4 Ibid.
6 Principles of Adult Learning & Instructional Systems Design.
2. PLAYING GAMES

Gamification, game elements in nongame contexts, is an increasingly popular technique used to help employees learn. But this shouldn’t be surprising, because people generally like games.

Gamification builds from research in cognitive science that identifies adults’ psychological ideals and draws upon them to engage “gamers” to play. These innate ideals include:

- **The need for recognition** – often through rewards, progression or status
- **A sense of belonging** – leveraging leaderboards or virtual teamwork
- **Emotional connection** – through incorporating relatable narratives into the game
- **Stress relief** – by clearing distractions and creating hyperfocus
- **Loss aversion** – helping maintain engagement to protect earned rewards

While increasing engagement is great, it’s not enough. The ultimate goal is to get employees to take actions that may improve their chances for a successful retirement. One study has found that gamification works. TIAA found that over a seven-month period, 22% and 28% of participants, respectively, who participated in two separate gamified plan information sessions, took action in their retirement plans afterward. Plan fiduciaries can work with service providers to determine whether they offer some of these practices.

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8. U.S. Consumer Financial Protection Bureau (CFPB)

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3. CREATING FINANCIAL INDEPENDENCE

Using financial wellness tools is one of the most impactful ways to introduce the benefits of gamification to employees. The U.S. Consumer Financial Protection Bureau defines financial wellness as an individual’s current and perceived financial state of being in which an individual:

- Has control over day-to-day, month-to-month financials
- Has the capacity to absorb a financial shock
- Is on track to meet financial goals
- Has the financial freedom to make choices that allow him or her to enjoy life

Plan sponsors increasingly recognize that helping employees save for retirement is becoming more complex as workplace demographics shift. Millennials, for example, are doing far worse than previous generations, according to a study by Deloitte.
The combination of student loans, rising rents and higher healthcare costs has driven the average net worth of Americans aged 18 to 35 down to $8,000, a 34% drop since 1996. At the same time, millennials are paying more for basics such as food and transportation all while incomes have stagnated. Saving for retirement may now require employees to do some prework to tackle immediate financial issues, such paying down debt and building savings. Addressing employees’ finances holistically may not only help the employees but can benefit employers too. Research shows that the state of an employee’s financial wellness can have a direct correlation to engagement, absenteeism and productivity in the workplace.

According to Mercer, employees’ perceptions of their financial literacy are even more important than their actual levels of financial literacy in achieving financial wellness. Employees who lack confidence may be paralyzed by inertia and may fail to take even simple actions that could help. Alicia Munnell, director at the Center for Retirement Research at Boston College, says stress over finances causes many to delay other savings goals, specifically saving money for retirement. Budgeting and coaching, student loan refinancing and credit management are some examples of financial tools employers can use to empower employees to take control over their finances. By leveraging the principles of adult learning and gamification within a holistic financial wellness framework, plan sponsors can support their workforce in achieving financial wellness.

Research shows that the state of an employee’s financial wellness can have a direct correlation to engagement, absenteeism and productivity in the workplace.

4. BUILDING TRUST

Modern portfolio theory suggests that investors choose portfolios that maximize risk-adjusted returns. In a perfect world, participants would follow similar logic when choosing investments in their 401(k) plans and evaluate each one based on their financial goals, risk tolerance and overall asset allocations. Yet studies show that participants often choose investments for factors other than those supported by portfolio theory. One such factor is brand trust. Recent studies by TIAA found that brand trust plays a large role in asset allocations, and plan participants are more likely to invest in funds with brand names they trust. These are important considerations for how plan sponsors present investment options to participants on the investment menu.

In an effort to simplify investment lineups, some plan sponsors offer white-label funds, which are generic investment options that often use a mix of underlying funds to provide multimanage exposure to an asset class. In many cases, plan sponsors will attach their own names to such investment vehicles. One TIAA study tested whether “branding” the white-label fund with the company’s name makes a difference. According to the study, the employee’s relationship with the firm, and how that translates into trust in their employer, could affect inflows to funds branded with the employer’s name.

Options showing the names of highly trusted employers were found to be more attractive to plan participants than equivalent “generic” white-label options. The studies also found that participants expect higher risk-adjusted returns and lower risk from options that display the name of a highly trusted brand or highly trusted employer.

These findings have important implications for plan sponsors when it comes to menu design. Employers with highly trusted brands could capitalize by displaying their names on investment options to engage participants and motivate them to invest.

Did you know?

The DOL requires that fiduciaries provide participants with sufficient information to make informed investment decisions. Specifically, the participant must be given a description of investment alternatives available in the plan, including a general outline of the investment objectives and risk-and-return characteristics of each alternative.

COMING TOGETHER

Defined contribution plans can help countless employees save for retirement, and as a plan sponsor, you want your participants to benefit fully from the plan you offer. By using modern strategies to get employees engaged in their own financial well-being, you can help them achieve a retirement lifestyle that can be more than the sum of its parts.

FIDUCIARY PERSPECTIVE

Securing retirement: key things to know about the SECURE Act

Late December 2019, while many were winding down the year and enjoying holiday festivities, the federal government passed a new law aimed at improving retirement security for millions of Americans. The SECURE Act, short for Setting Every Community Up for Retirement Enhancement Act, is the first major piece of retirement legislation passed since the Pension Protection Act of 2006 (PPA).
Increasing access to plans

Access to a plan through an employer has been shown to boost savings. According to AARP, workers are 15 times more likely to save if they have access to a retirement savings plan at their job. The SECURE Act encourages employers to implement retirement plans for their employees and broadens access to existing plans. Specifically, the SECURE Act:

- **Permits unaffiliated employers to adopt a single multiple employer plan (MEP).** Prior to the SECURE Act, MEPs were available only to employers that belonged to a “bona fide group or association.” Often referred to as a “closed MEP,” participating employers were required to share a common interest, such as belonging to the same trade association or professional employee organization. The SECURE Act removes this condition, often referred to as the “commonality” requirement, and permits small, unaffiliated employers to adopt “open” MEPs. While this provision only applies to 401(k) plans, it is expected that Congress will broaden its scope to include 405(b) plans as well.

- **Eliminates the “one bad apple” rule,** which says that if one employer participating in an MEP violates the applicable rules it could trigger liability for all participating employers. This change is effective for plan years beginning after 31 Dec 2020.

- **Increases tax credits for small employers.** Effective 1 Jan 2020, small employers that adopt a new retirement plan will receive a start-up credit of up to $5,000, up from $500. In addition, employers that add automatic enrollment to their plan will receive a $500 tax credit per year for up to three years.

- **Expands eligibility for long-term, part-time employees.** Presently, employers may require employees to work at least 1,000 hours in an uninterrupted 12-month period to participate in its retirement plan. Beginning in 2021, employers must allow plan access to long-term, part-time employees with at least 500 hours in three consecutive 12-month periods.

The SECURE Act comprises 30 provisions, falling into three broad categories:

- **Increasing access to retirement plans**
- **Enhancing savings rates**
- **Increasing access to lifetime income**

While there is much to unpack within the new legislation, let’s dive into some of the provisions in each category that directly affect plan sponsors.
2 **Enhancing savings rates**

PPA provided many provisions to help people save for retirement. Now, 13 years later, the SECURE Act modifies those rules to further improve savings rates. A few key examples include:

- **Raising the cap on automatic enrollment contributions for safe harbor plans.** Previously, safe harbor plans with a qualified automatic contribution arrangement (QACA) could not automatically increase an employee’s contribution above 10% of their paycheck. Effective 1 Jan 2020, the cap increased to 15%, with the option for the employee to opt out. This increase may improve retirement savings for those who aren’t actively engaged in their plans.

- **Extending the age for required minimum distributions (RMDs).** Under previous law, participants were required to take distributions beginning at age 70½. Effective 1 Jan 2020, the required age for age RMDs increases to 72, giving participants more time for their money to potentially grow before withdrawing it. Furthermore, individuals working beyond age 72 are still permitted to delay taking RMDs from most retirement plans until after they retire.

- **Eliminating the maximum age for IRA contributions.** Previously, this age limit was 70½ years. As people live and work longer, repealing the age limit allows people who are still working to continue contributing to their IRAs.

3 **Increasing access to lifetime income**

For years, the retirement conversation focused on the accumulation phase by urging workers to invest assets to build a nest egg. After retirement, people transition into the decumulation phase as they convert that nest egg into lifetime income. A holistic retirement plan should include retirement income, and the SECURE Act paves the way for that to happen by:

- **Making it easier to include annuities in retirement plans.** Effective upon enactment, the SECURE Act created a new fiduciary safe harbor that helps 401(k) plans offer annuities by protecting plan sponsors from liability should the annuity provider become insolvent or otherwise unable to pay. This is a major step forward at a time when market investments alone are proving to be inadequate for many retirees. Other than pensions and Social Security, only annuities can guarantee lifetime income. As life expectancy increases and healthcare costs continue to rise, annuities have become an important way for people to literally “insure” they won’t run out of money in retirement.

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**Effective dates for some key provisions of the SECURE Act**

1 **Jan 2020**

- Increased mandatory RMD age
- Increased limit on automatic escalation
- Increased tax credits for small employers
- Portability of lifetime income investments

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Immediately

— Annuity safe harbor
• Requiring lifetime income disclosures on statements. A final effective date awaits guidance from the Department of Labor (DOL), but plan sponsors will ultimately be required to show employees how their retirement account balances translate into guaranteed monthly income. This is important because participants may think they’ve saved enough, but when those savings are converted into a monthly income stream, they may realize it is not enough to cover their expenses.

• Increasing portability of lifetime income balances. Previous legislation dictated that annuities must be liquidated when participants leave the plan or if the sponsor no longer offers it. Why is portability so important? Consider that individuals born from 1957 to 1964 held an average of 12.3 jobs during their lifetime. And millennials have earned the nickname the “job-hopping” generation with good reason: According to a Gallup report, 21% of millennials say they have changed jobs within the past year, which is more than triple the number of nonmillennials who report the same. Because of the frequency of job changes, it’s more important than ever for workers to have the ability to easily move retirement savings so they don’t leave money on the table, especially if these investments contain a lifetime-income option. Effective 1 Jan 2020, participants can roll over a lifetime income investment to another employer-sponsored retirement plan or IRA without penalty or fees. 1

Action steps for plan sponsors to modernize their plans

The SECURE Act contains many significant changes that should improve retirement savings for millions of American workers and retirees. While many provisions are already in effect, further guidance is needed on others. In the meantime, plan sponsors should educate themselves about the SECURE Act provisions and assess their impact on their plans.

To be determined:

— Lifetime income disclosure on statements — more than 12 months after the DOL finalizes the rules

1 Jan 2021

— Open MEPs available

ON THE HORIZON

Cybersecurity in retirement plans: protecting participants

We have all seen the endless stream of headlines about identify theft, data breaches and cyberattacks. These cybercrimes now represent the fastest-growing type of crime in the United States. And not only are incidents of cybercriminal activity on the rise, the cyberthreat landscape is continuously evolving to include additional types of attack methods and vulnerable devices. In response, individuals and organizations are taking steps to protect their electronic assets from cyberthreats by ramping up cybersecurity measures, and retirement plans are no exception.

Retirement plans in the crosshairs

With so many security breaches in the news, many plan sponsors may be wondering whether their retirement plans are vulnerable to an attack. Indeed, with close to $6 trillion held in 401(k) plans, these plans have become an enticing target for cyber criminals. Not only do these plans hold large amounts of money, but they also collect personal information from plan participants, such as names, addresses, birth dates and Social Security numbers. Such data is highly valued by cybercriminals because the majority of it is permanently attached to the individual and can’t be easily changed.

Protecting the plan

While the information included in retirement plans is protected under numerous laws and regulations, there is currently no comprehensive federal law that governs cybersecurity in 401(k) plans. But the cybersecurity threat is so pervasive that lawmakers have asked the Government Accountability Office (GAO) to examine the cybersecurity of the U.S. retirement system. In a letter to the GAO, Senator Patty Murray and Congressman Bobby Scott identified several key questions, including current cybersecurity protections that are in place for retirement plans and what can be done about it in the future. Although the GAO has yet to respond, other industry groups have taken steps to address the issue. The ERISA Advisory Council has published considerations for cybersecurity in benefits plans and has also asked the Department of Labor (DOL) to issue guidance. The Society of Professional Asset-Managers and Record Keepers (SPARK) Institute has also created industry best practices for keeping data secure.

13 Investment Company Institute (ICI)
14 Pension Research Council, “Benefit Plan Cybersecurity Considerations: A Recordkeeper and Plan Perspective.”
TYPES OF CYBERTHREATS:
Plan sponsors should familiarize themselves with some of the more common types of cyberattacks that have been used consistently in recent years.

PHISHING
Phishing is one of the oldest and most widespread types of cyberattacks. According to Verizon’s Data Breach Investigations Report 2019, phishing is the No. 1 cause of data breaches. Phishing uses email to trick victims into compromising their own devices or personal information by clicking on a malicious link, downloading a virus, or replying with sensitive data. The attackers can set up a fake email or website to look like a trusted source. The goal is to get victims to give information that can be used to gain access to their accounts. In the retirement plan world, a hacker could use this information to make a fraudulent distribution or loan request.

MALWARE
Shorthand for malicious software, malware is a blanket term for viruses and other harmful computer programs hackers use to infect or destroy a network or steal sensitive data. In the first three quarters of 2019, there were approximately 7.2 billion malware attacks. And, as mobile devices are increasingly a part of daily life, mobile platforms present a new target for malware-based threats.

RANSOMWARE
Ransomware is a type of malware. In this type of attack, hackers get users to unwittingly download malicious software that blocks access to the victim’s account or data until a sum of money (a ransom) is paid. Email is the No. 1 delivery vehicle for ransomware; emails with malicious links and malicious attachments are responsible for 59% of ransomware infections.

15 Security Magazine, October 2019
Protecting participants: tips for plan sponsors

Under ERISA, plan fiduciaries, including plan sponsors, have the broad duty “to act solely in the interest of plan participants and beneficiaries.” While the DOL has yet to issue guidance for fiduciaries, plan sponsors can, and should, take steps to ramp up cybersecurity. And in today’s unpredictable digital environment, it is not enough to have a “react and defend” strategy after the fact; proactive approaches to cybersecurity and continuous monitoring are also critical. As the saying goes, the best defense is a good offense. One of the challenges is knowing where to start. Here are some tips for protecting participants and plan assets:

Build cybersafety into company culture

- If you don’t have one yet, establish a program that sends phishing simulations to your population with just-in-time training if they click on a suspicious link. Institutions with a phishing awareness program are able to lower their susceptibility from the industry average of 50%.17

Leverage two-factor authentication when administering plans and on all accounts

- Multifactor authentication, like entering a one-time passcode, can add an extra layer of security during the login process. Even if a cybercriminal obtained a username and password, they shouldn’t be able to complete two-factor authentication without access to the one-time passcode from a secondary authentication device, like a mobile phone.

Practice least privilege when assigning administrative access rights

- Only give the amount of access an employee administrator needs to do the functions required of their role. Even if this person’s credentials were compromised or they became a malicious insider, they would only have access to nonfinancial information. The fewer individuals with access to sensitive data, the more secure the plan will be.

Enlist the help of the recordkeeper.

- When selecting a recordkeeper, plan sponsors should get a clear picture of their cybersecurity practices and also understand how the recordkeeper will work with them should a breach occur. Many recordkeepers create educational materials and resources that are both available to participants on their website, or made available directly to the plan sponsor to include in participant information packets.

Help participants protect themselves

- Educate participants on safeguarding their accounts and personal information. It may sound basic, but many participants often view their 401(k) plan as something to “set and forget.” Encourage them to regularly check their accounts for unauthorized activity, protect their passwords and login information and make sure their contact information is up to date.

Source: Phishme, Armada Cloud Ransomware Statistics 2016, Nelsconsecurity.com/TMA

Plan sponsor responsibility

In the absence of specific guidance from the DOL, plan sponsors must still act in a fiduciary capacity under ERISA’s best interest clauses, as well as adhere to data privacy requirements for electronic notices. The chart below breaks down the regulatory guidelines for plan sponsors’ fiduciary duties related to cybersecurity and electronic distribution of plan information.

<table>
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<tr>
<td><strong>Fiduciary Obligations</strong></td>
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<tr>
<td>The selection and monitoring of service providers is a fiduciary act.</td>
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<tr>
<td>The decision-makers must act prudently and solely in the interest of the plan participants and beneficiaries.</td>
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<tr>
<td>Plan fiduciaries are liable for failing to prudently select and monitor service providers. This may include prudence in selecting and monitoring service providers to ensure that they maintain adequate cybersecurity practices and protocols.</td>
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<tr>
<td><strong>ERISA and electronic distribution of plan information</strong></td>
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<tr>
<td>DOL Regulation Section 2520.104b-1(c) dictates that if plan notices are disseminated electronically, the plan sponsor is required to protect the confidentiality of personal data.</td>
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<tr>
<td>Similarly, plan sponsors are required to take measures to ensure that websites with plan information are secured to protect the confidentiality of personal information.</td>
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Staying vigilant

Cyberthreats are constantly evolving and becoming more sophisticated. As a result, plan sponsors must be one step ahead of hackers. By familiarizing themselves with the cybersecurity risks and developing a plan to circumvent them, plan sponsors can help protect the hard-earned savings that participants and their beneficiaries rely on in retirement.
For more information, please visit us at nuveen.com

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