THE IRON CHRONICLES
ENTERPRISE IRON FINANCIAL INDUSTRY SOLUTIONS, INC.
Delivering impactful Business, Technology & Workforce Solutions since 2002.

JANUARY 2021 | VOL. 2 | ISSUE 1

From The Corner Office

Welcome 2021 -- We are grateful for your arrival and for new beginnings! As our daily lives continue to look different in response to the global pandemic, here at Enterprise Iron, we are hopeful that we are at the beginning of the end of this health crisis.

We are excited and humbled to be entering our 20th year in business. During our history, there have been many disruptions in and to the industries we serve: technological innovation, mergers and acquisitions, legislative and regulatory changes, litigation and on-going consolidation. Our focus and commitment to get results on behalf of our clients remains resolute.

Please join our team of experts as we take a closer look at some of ***The New Challenges of Operating a Retirement Plan*** and how organizations have adapted and shifted their practices in ***Moving from a Waterfall to an Iterative Based Methodology: Agile, a Primer***.

We hope you enjoy this issue of The Iron Chronicles. Feel free to forward this newsletter to a colleague and remember that you can always submit comments or suggestions for future topics. For more information, please visit **www.enterpriseiron.com**.

Best Regards,

John R. Crocker
Co-Founder, EVP & CCO

UPCOMING EVENTS

NASRA Winter Meeting	FEBRUARY 22ND – 24TH
PSCA National Conference	APRIL 19TH – 20TH

The New Challenges of Operating A Retirement Plan

By Denise Gumlak and Paul J. Gallagher, AIF with Peter Lohri, AIFA

Operating a retirement plan in 2021 is a complex and time-consuming endeavor. Effective administration of the plan requires experience and expertise in numerous disciplines including accounting, finance, operations, compliance and investment performance, among others. Enterprise Iron helps our clients navigate these complexities with a high degree of competency and expertise. Our comprehensive Fiduciary Assessments are led by our Accredited Investment Fiduciary (AIF) and Analyst (AIFA) employees who leverage the prudent practices espoused by Fi360 and CEFEX.

As the year 2020 faded into the sunset and 2021 dawned, many Recordkeepers, Retirement Plan Consultants and leading industry publications released numerous articles jammed with information. These advise employers about all the tasks, participant notices and regulatory reports that sponsors of 401(k) plans must complete, file, or provide to be compliant with IRS and DOL rules.

Depending on which firm published the article and the point of view of the author, the actual number of discrete tasks that the average 401(k) plan must complete for each plan year varied from 22-55 regulatory tasks. As every plan is unique, the actual number of tasks depends on the specific characteristics of that plan.

To complete these tasks, extensive data and information needs to be obtained from Recordkeepers, Custodians, TPAs and Internal Systems and then shared with Regulators, Participants, Trustees and Service Providers such as accountants and attorneys. Surprised? The intricacies of administering a retirement plan have increased significantly over the past ten years. In 2020 alone, three pieces of legislation added even more complexity:

1. The SECURE Act changed the rules regarding the start date to take RMDs to age 72. The Act also changed the rules around the distribution of Inherited IRAs.

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2. The CARES Act was crafted to provide relief during the COVID-19 pandemic and waived most RMDs for 2020 and increased the limit on 401(k) loans to $100,000. It also created a new coronavirus related distribution, The COVID Related Distribution Exception (CRD), which allows families to take a total distribution of up to $100,000 from their individual 401(k), 403(b) or IRA plans if the participant or their spouse was affected by the virus. For any eligible individual, the standard 10% early withdrawal penalty for any distribution before age 59 ½ was waived. In addition, CRD allows any taxes on the distribution to be paid ratably over three years or avoided completely if the distribution is repaid within three years. If the distribution is repaid, it will be treated as a 2020 rollover and no tax will be due.

3. The last piece of legislation was COVIDTRA. This innovative new law created a permanent Qualified Disaster Distribution that enabled any qualified plan participant to take a distribution of up to $100,000 per qualified disaster for anyone adversely impacted by a qualified disaster such as a flood, hurricane, etc. This new exception also stated that in addition to avoiding the early withdrawal penalty and a three-year repayment period, any distribution cover under this provision would not be subject to 20% mandatory withholding.

The new year will bring even more changes. Major changes include the launch of Pooled Employer Plans (PEPs), changes to MEPs and a new requirement to track the work hours of part-time employees over three years so that they can become eligible to participate in a retirement plan.

Multiple Service Providers

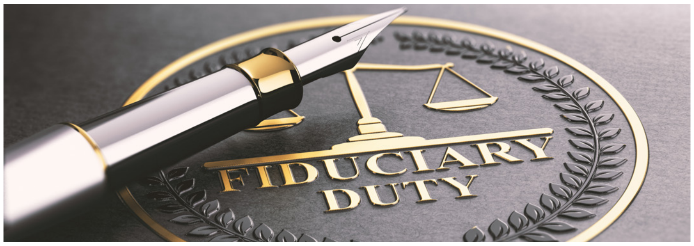
Today, an average 401(k) Plan Sponsor/Administrator is likely to work with multiple service providers to help manage and administer their plan. The most common partners are: Investment Providers, Payroll Providers, Investment Advisor(s), Attorney, Recordkeeper, Accountant TPA and Educational Consultant.

Quite often one provider plays multiple roles, e.g., Investment Provider and Recordkeeper. Typically, each of these providers is an expert in the individual services they offer, but sadly there is usually little or no coordination among providers. This results in overmatched Plan Sponsors who are uncertain or unaware of their fiduciary responsibilities. While there are many service providers, there are even fewer partners.

I Am Now a Fiduciary?

The average employer establishes a retirement plan with the goal of providing retirement benefits for their employees and their beneficiaries. Few employers, especially small business owners who employ a large percentage of the U.S. workforce, understand that by establishing and managing a retirement plan, they become a fiduciary – or someone who is managing assets on behalf of another person in a position of a trust.

Serving as a fiduciary imposes yet another set of responsibilities and duties. While fiduciary responsibilities can be delegated to third-party experts the ultimate responsibility, typically in the form of oversight and monitoring, still rests with the employer.



The Newest Risk

Over the last decade, plaintiffs, class action lawyers, DOL auditors and insurers have increased their focus on whether or not an employer is operating a plan in a prudent manner. Scores of lawsuits alleging imprudent behavior have been filed against name brand Fortune 500 firms and prominent universities. In virtually every case, the ultimate settlement amounts were in the millions of dollars. The reason why these cases were lost are not arcane – they're at the very heart of managing a retirement plan and are generally avoidable.

These plans were found to have:

• Paid higher than market rates for recorrdkeeping services
• Offered underperforming investment funds
• Provided a more expensive mutual fund share class when a less expensive one was available
• Failed to benchmark investment fees for similar size plans

Today, the number of ERISA class action lawsuits continues to skyrocket. The year 2020 saw over 200 cases filed, an 80% increase over the number of 2019 cases and two times the number of cases filed in 2018. In 2021, the number of cases is expected to increase even further. The ominous note here is that the number of cases filed against smaller plans – less than $100M in AUM and <1000 participants increased dramatically. That trend is all but certain to continue or escalate.

How to Respond to These New Challenges

The best response to any challenge is to assess the situation and understand what is working and what is not working. The next step is to address the areas that need attention with diligence and expertise.

Enterprise Iron has a deep history of delivering success to our clients and given the complex operating environment facing every retirement plan, we believe every Retirement Plan Sponsor needs a partner with comprehensive knowledge and understanding of the retirement plan industry to coordinate and synchronize activities across multiple service providers.

Our Team works with the Plan Sponsor, the named Plan Administrator(s), the Plan Trustee and all other Service Providers to ensure that the Plan Sponsor understands and discharges their fiduciary obligation and operates in the best interest of the plan participants.

Enterprise Iron delivers a comprehensive end-to-end Fiduciary Assessment of the plan administration led by our Accredited Investment Fiduciary (AIF) and Analyst (AIFA) certified employees who leverage the prudent practices espoused by Fi360 and CEFEX.

Our goal is a properly managed retirement plan that:

• Costs less to operate
• Reduces fiduciary risk
• Provides better retirement outcomes to participants

We are ready to be your go to partner that provides the guidance and expertise you need to succeed!

Moving from a Waterfall to an Iterative Based Methodology: Agile, A Primer

By Mark Kalafsky

About fifteen years ago, I distinctly remember a client at a large Financial Services firm calling me into her office late on a Friday afternoon and handing me a book on Extreme Programming. She asked me to read the book over the weekend and tell her on Monday if I could lead a new team that she was putting together, utilizing her best developers and business resources. She wanted to use this new iterative paradigm to build a new business application to report on overseas revenues.

I read the book and that Monday walked into her office to say that I could absolutely do it. I thought, “How hard could it be?” I had good programmers, businesspeople I trusted and what I thought was a generous timeframe of four months. My job was to run the project and report back on the pros and cons of this new method of rolling out an application.

Needless to say, the effort was a borderline disaster. Two and a half months in I realized there was no way we were going to deliver this straightforward, relatively simple application to the client. I was mortified but determined to deliver the application on time and operating correctly.

So, what did I do? I ripped up the plan for delivery in an iterative fashion and we developed the entire application in the way all of us on the team knew very well - using the Waterfall method. We wrote specs, did all the signoffs, coded like mad people, and did all the requisite testing. We completed all the tasks and delivered on time!

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One day before my deadline I strolled into my client's office, whipped out my laptop and proudly demoed the application - all without a hitch. I was expecting accolades for all my team's work, but all she said was, "Where is the report on using the new methodology?"

Sheepishly, I had to tell her I abandoned that path and got the job done. Her reply was terse and direct: "You failed. I don't care about the application, I wanted to find out if this crazy idea of Agile can work." I learned rule one of transforming to Agile that day, that the one given about any Agile development project is that it is easy to give up.

I asked for another chance to develop a different application and thankfully got my second opportunity to find out about Agile. This time I stayed the course, was a little late, but the application was completed, and I turned in a document on the pros and cons of each methodology. This was the start of a roadmap detailing my journey with Agile, along with lessons learned and recommendations to move forward.

My plan is to write a series of articles drilling down on topics that are important for your organization to start or complete the journey from Waterfall to Agile.

To start, I will provide some high-level thoughts, strategies and tips on how to become Agile proficient without recreating the disaster I described above. For starters, those who have significant exposure to Waterfall know all the elements and it's pretty simple to follow along. Everything is done in a linear fashion and nothing new starts without the previous task or phase being 100% complete and signed off by stakeholders.

Iterative or Agile (I'll use the terms interchangeably going forward) rely on a series of analytical iterations of business needs and code construction, aka sprints, which are built on each other to produce a stable code base without significant rewrite. I often describe the difference between the two as the difference between playing a one-dimensional game of checkers vs. playing 3D chess.

Now, back to my near Agile disaster so many years ago. I want to point out that the client I am referring to in this article is now primarily an Agile shop and I often communicate with them to see what innovations they have added to their base Agile methodology. What lessons learned did I garner from the second, successful Agile project?

FUNCTION	WATERFALL	AGILE
Development Method	Linear. Each phase is 100% complete before beginning the following phase. This includes stakeholder signoffs.	Iterative. Each small cycle (sprints) produces executable and testable code. Each iteration is incremental as the application is built.
Interaction between Business & IT	Both groups have assigned tasks and rarely work together for any length of time.	Symbiotic. Business and IT work together during the sprints. Rarely does either group make decisions without agreement from the other.
Ability to Pivot	Very difficult. Should the requirements change, the business group must update numerous documents. Moving through the two siloes is cumbersome and slow, often leading to delays.	Rapid. Sprints are mostly defined in two-week segments and the requirements are fluid and top of mind. Business and IT work together and the collaboration is natural.
Code Delivery	Normally, a working version of the code is not available for business testing until the entire development phase is complete. Usually measured in months and sometimes longer.	Workable code is delivered after each sprint. Business testing can take place almost immediately. Issues and remediation (aka refactoring) occur in near time, resulting in better buy-in from stakeholders.
Function Changes	Function ("scope") changes are looked on as negative events and often lead to significant delays in delivery. If scope is changed then implications must be determined, measured and implemented.	Changes occur on a regular basis, are expected and welcome, built into the plan and solutions can be readily discussed and implemented with minimal change to the original schedule.
Learning to Utilize the Methodology	Simple and straightforward. Mostly linear mathematics. Each phase and tasks are rigidly measured, and nothing moves forward without stakeholder agreement that previous work is 100% complete.	Complex. There is a science to running an Agile project, but many practitioners describe their work as art. You must be nimble, intuitive, able to pivot quickly and provide real-time feedback.

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Here are some important points to consider as you move to an Agile-based organization:

Education
Before jumping into your project headfirst, take time to become educated on Agile and how to practically transition to the methodology. We often see clients make an executive decision that all development going forward will be Agile without investing in the basics of how to implement and transition to Agile. One client built a virtual Agile Center of Excellence Education Center, where anyone could submit questions in real-time, be provided with seminars on any topics causing project difficulties and the Center's output served as a vehicle for building Best Practices.

Communication & Collaboration
Business and Technology organizations are not used to symbiotically working together. Agile development cannot be successful without functioning side by side (or virtually in today's Covid-19 world) and providing direct communication.

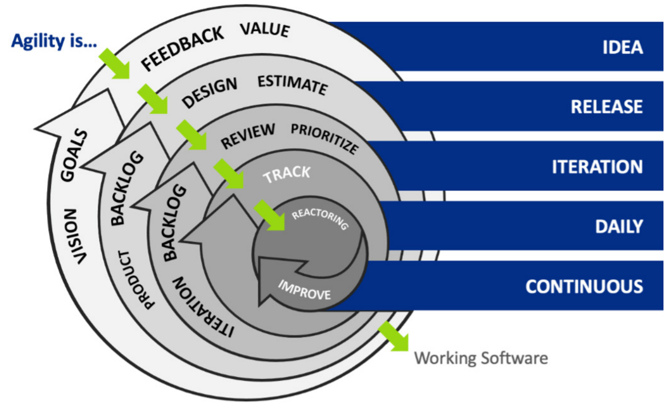
Start Slow to Go Faster
It is hard to start an Agile practice from scratch, especially if there are significant numbers of resources that are used to working in siloes. Choose projects to start that are good candidates to succeed - whether that be cherry picking the application or resources. I have seen so many organizations start off at warp speed with the best intentions to succeed but get stuck because the new paradigm cannot be integrated into the DNA of the organization automatically. It is going to take time.

Utilize Tools
Agile has tools for practically everything. Unlike many of the legacy tools for waterfall-based projects, Agile toolsets were built along with the methodology and are therefore tightly integrated with the concepts of the methodology.

Keep the Transition Going!
Do not do what I did. I panicked after facing methodology issues head on. Because it is a new paradigm, one usually has no clue whether the challenges you will encounter are showstoppers or minor issues that can remediated with a tweak or two. Use your resources, especially if your organization has developed a Center of Excellence.

So why take the risk of moving from Waterfall to Agile Methodology? Quite simply, once you get it right, after the start up bumpy ride, Agile projects are delivered faster and with a lower rate of errors.

AGILE METHODOLOGY
Software Development



But how much quicker and how much cleaner? I usually quote a 30% reduction in time to build a project with Agile vs. Waterfall and the rate of Severity One and Two errors reduced by 75%. Furthermore, those errors are typically not the showstoppers that occur when the business community looks at an application for the first time after a lengthy development effort and the business owner blurts out, "That's not we wanted!"

In the next article, I will do a deeper dive into the basics and tips for Project Managing an Agile project and how to ensure your projects are successfully delivered to the highest degree possible. However, if you have a topic on Agile you would like me to explore, please email me: **mkalasky@enterpriseiron.com.** *Let the sprinting begin!*