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By Eleanor Laise

Workers Struggle to Deal With Changes to 403(b) Plans

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Over the last two years, many 403(b) plan sponsors were convinced they should require every vendor to sign one Information Sharing Agreement (ISA). They were further convinced that if the vendor did not sign that one ISA the vendor should be dropped from the 403(b) plan.

Interestingly, the one ISA was co-created by some of the largest 403(b) vendors, insurance companies that offer annuities. After years of losing market share to lower cost mutual fund vendors, it appears the insurance companies saw an opportunity to regain market share, with the one ISA they co-created.

Some of the largest mutual fund companies in world (i.e.: Fidelity and Vanguard) reviewed this one ISA and determined they could not meet its terms and conditions. Remember, they are some of the largest employer retirement plan providers in the world. Instead, the mutual fund companies offered their own ISA that met the new regulatory requirements. After a standstill, the mutual funds companies were dropped from many 403(b) plans.

Since then, a number of solutions have gained acceptance, driven in part by knowledgeable employees seeking low-cost investment solutions. Newer platforms offer thousands of mutual funds from hundreds of mutual funds companies, in one 403(b) account combined with fiduciary based investment management.

Lastly, some 403(b) plan sponsors can also offer 457(b) plans. Like 403(b) plans, 457(b) plans offer the same tax benefits. Unlike 403(b) plans, 457(b) plans are not mired in a web of new regulations. Importantly, employees can simultaneously contribute to both a 403(b) and 457(b) – doubling their savings.

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