



This list of best practices is intended to be a practical resource, it includes information related to plan size, and it is categorized by the aspects that should be part of a Retirement Plan Committee's evaluation process.

## Service Arrangement

Defined as the allocation of services among one or more providers, the service arrangement has a profound impact on the quality of service delivered to both plan sponsors and participants. Careful consideration to determine the optimal arrangement should be the first step in the Retirement Plan Committee's evaluation process. *In a bundled arrangement, one provider may serve as the record-keeper, administrator, investment advisor, participant educator, custodian and trustee. In an unbundled arrangement, these services are allocated to multiple providers. Semi-bundled arrangements are a hybrid of the two.*

### Smaller Market Plans

(Typically <\$2MM - Determined by total assets, total participants, number of locations, etc.)

- Goals often have to be prioritized due to lack of buying power (e.g. lower fees or higher service)
- Bundled arrangements are often the most practical
- Third-party advisor / consultant may be too expensive
- Investment flexibility is often limited

### Middle Market to Larger Market Plans

(Determined by total assets, total participants, number of locations, etc.)

- Each function within the Plan can be optimized for a reasonable fee (e.g. fiduciary support, employee education, etc.)
- Unbundled or semi-bundled arrangements are often optimal
- Third-party advisor / consultant can be obtained for a reasonable fee
- Investment flexibility should not be limited

- Clearly define goals and objectives for the Plan up front
- Obtain unbiased information about the pros and cons of various service arrangements
- Determine the Plan's buying power

Factors that influence buying power:

- Total Plan assets
- Total number of active, eligible, and terminated participants
- Total contributions (employer and employee)
- Number of locations for providers to service

- Hire an advisor / consultant to assist with determining the optimal service arrangement (if the Committee realistically needs assistance)
- Identify the attributes the Committee would like in an advisor / consultant up front
  - Advisor / consultant should be independent, knowledgeable, and free of bias
  - Advisor / consultant should help identify potential service providers
- Determine the service arrangement that will best meet the Committee's objectives prior to evaluating or selecting service providers



## Service Provider Selection and Monitoring

Best practices related to selection are only applicable if the evaluation of providers results in the need to make a change

- Don't get frustrated, good options are out there
- Perform the necessary due diligence to identify provider differences - they do exist
- Find and evaluate multiple providers who meet the Committee's objectives (for each service if unbundled)
- Identify all fees and understand their impact on participants
- Document the process and the decision for initial provider selection
- Monitor providers on an ongoing basis and document the decision to retain (should be performed at least annually)
- For smaller plans, monitor changes in plan demographics for opportunity to transition to more optimal arrangement
- For middle market to larger plans, advisor / consultant should help with provider monitoring, but keep in mind that the plan sponsor is ultimately responsible for provider selection and retention

## Administrative Functions / Compliance

- Ensure Plan documents are up to date
- Clearly understand the data that should be submitted to the Plan's record-keeping firm each payroll and / or at year end
- Submit census data that contains the correct definition of compensation
- Process contributions in a timely manner
- Distribute participant notifications in a timely manner
- Monitor eligibility and vesting (if applicable)
- Review annual compliance testing
- Ensure fidelity bond provides adequate coverage
- Ensure Form 5500 is filed in a timely manner (keep electronic confirmation)
- Establish written procedures for administrative functions (e.g. contribution submission)
- Periodically audit compliance with written procedures
- Document special situations and reason for decisions (i.e. one-time decisions that could increase liability)
- Call provider to determine the source of problems if issues recur

## Fiduciary Responsibility

### Retirement Plan Committee

- Carefully select Committee members - continuity is important
- Educate Committee members of their fiduciary duties and personal liability
- Formalize the Committee and provide fiduciaries with adequate coverage for liability
- Carefully consider the decision to include an employee representative - there are pros and cons
- Make sure Committee members have the knowledge to make informed decisions





## Fiduciary Responsibility (cont'd)

### Committee Meetings

- Establish and adhere to a meeting frequency and schedule (e.g. semi-annual meetings occurring in the spring and fall )
- Establish a detailed agenda that includes recurring items and items that deserve special attention
- Thoroughly review the Plan's investment options at least annually
- Meet at least annually to review the state of the Plan (i.e. statistics, compliance testing, provider performance, fees, etc.)
- Record accurate meeting minutes and file copies of review materials / evaluations
- Document decisions as well as support for decisions
- Have new Committee members review minutes from prior meetings and go through an orientation conducted by an established Committee member and the Plan's advisor / consultant

### Investment Policy Statement (IPS)

- Draft an IPS if one does not exist
- Routinely review the IPS for compliance (Committee and advisor should conduct reviews)
- Do not make the IPS so restrictive that liability is increased due to consistent non-conformance

### Additional Considerations

- Potentially increase protection with a corporate trustee and / or investment advisor that serves as a fiduciary, but keep in mind that ultimately the plan sponsor is responsible for decisions
- Determine if it is prudent to seek legislative protection (e.g. 404(c), QDIA, etc.)
- If the Committee is aware of a compensation incentive in the service arrangement, be sure to document the reason this is allowed
- Ensure that employees can easily access the information they need to make informed decisions

## Investment Selection & Monitoring

- Have a clear understanding of all fees associated with the Plan including fees that may influence investment selection and monitoring - investment advisor should have no compensation incentives and should provide unbiased information
- Follow the guidelines of the IPS for selection and monitoring efforts
- Ensure informed decision-making by building the Committee's investment knowledge
- Obtain the assistance of an investment advisor who serves as a fiduciary (if needed)
- Maximize investment flexibility - typically determined by custodial arrangement
- Provide participants with a diversified menu of options
- Consistently monitor investment options to ensure they remain optimal
- Understand the strategy used by each fund management team
- Select a default investment that meets QDIA requirements
- Avoid emotion and short-term thinking when making investment decisions





## Employee Education

- Make employee education a top priority to help participants make informed decisions
- Make provider available to employees on a routine basis - establish a schedule and adhere to it
- Maintain records of employee education meetings
- Ensure that participant communications reach all participants - including those who are terminated
- Ensure the day-to-day employer contact (Plan contact) knows Plan provisions (e.g. how often deferral or investment elections changes are allowed, the process for making changes, etc.)

Establish policies stating:

- Plan contact should provide assistance, not advice to participants
- Plan contact should not make investment election changes for participants
- Plan contact should obtain a signed election form from all employees - including those who decline to participate

## Asset Allocation Support

Forms of allocation support include advisor assistance, lifestyle funds / portfolios, and target-date funds / portfolios

- The Committee should do its homework - allocation support comes in all shapes and sizes
- Asset allocation support should complement a solid employee education curriculum
- The form of support should be thoroughly explained to participants
- The form of support should be easily understood and require little action on the part of participants
- If the form of support is not built with funds from the core investment lineup, participants should be informed of this
- Document the process for monitoring the underlying funds in the lifestyle or target-date funds / portfolios, etc.
- If the monitoring criteria for funds used in the core lineup are different from the criteria used for underlying funds in the form of asset allocation chosen, document the reason for this
- If using target-date funds / portfolios as the Plan's default investment election, make sure DOB information is accurate
- If using target-date funds / portfolios, evaluate the glide path they follow

## Plan Audit, if required *(It is possible to have an efficient audit)*

- Have everything the auditor has requested ready and organized prior to the field work
- Assign one employee to be the primary contact for the audit firm
- Resist the temptation to deflect auditor questions to service providers where possible because audit / service provider discussions can increase audit fees
- Use a trustee that provides a Certified Trust Statement and a record-keeper with their SAS 70 to reduce audit costs (it may be possible to perform a limited scope audit)
- Consider using an audit firm that will conduct the audit *and* provide consulting as to how to improve the Plan's operational efficiency

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