

## PLAN GOVERNANCE & DOCUMENTATION

There are three basic categories of fiduciary functions for a typical participant-directed retirement plan. The following chart provides a framework to help plan fiduciaries allocate responsibilities among the committee members. Fiduciaries should consult with a knowledgeable retirement plan advisor to ensure the structure adopted aligns with plan objectives and resources. On an ongoing basis, information relied upon by the fiduciaries to make decisions should be documented and retained.

### FIDUCIARY FUNCTIONS



#### INVESTMENTS

ERISA requires fiduciaries to follow a prudent process when selecting/monitoring/replacing investments. Sec. 404(c) protects fiduciaries that offer a “broad range” of diversified Designated Investment Alternatives (DIAs). If participants are automatically enrolled, fiduciaries must designate appropriate Qualified Default Investment Alternatives (QDIAs). When fiduciaries lack investment-related expertise, they are required to hire professional assistance (e.g., investment education, advice and/or management).

##### Evaluation

- How much help do participants need in planning and investing for retirement?
- What behaviors do participants exhibit regarding risk tolerance, withdrawal patterns, etc.?
- What is the appropriate number/type of investment options to make available to participants?
- What criteria should govern the process for selecting, monitoring and replacing DIAs and QDIAs, model portfolios and investment managers, if applicable?

##### Output

Documentation of information reviewed and basis for decision to select, monitor and replace investments.



#### ADMINISTRATION & REPORTING

Fiduciaries are responsible for ensuring that the plan is properly administered and certain notices, disclosures and forms are provided to participants and regulators. The 408(b)(2) disclosures should contain the data necessary to prepare disclosures to participants under 404a-5 and for completing the Form 5500 and Schedule C, if applicable. Fiduciaries should be familiar with the plan document and create a process to oversee eligibility and vesting. The plan advisor may assist by coordinating service provider assistance.

##### Evaluation

- What are the policies concerning, and who is responsible for approving, loans and distributions, and who will ensure contributions are deposited?
- What notices, forms and/or disclosures are required to be provided to participants and at what frequencies?
- What records will be used to reconcile information required to determine eligibility and vesting?
- Who is responsible for preparing, approving and distributing notices, disclosures and filings?

##### Output

Copies of all required notices, disclosures and filings and any supporting information and/or notes.



#### SERVICE PROVIDERS

Fiduciaries are required to make informed decisions when selecting, monitoring and replacing service providers. Sec. 408(b)(2) requires all “covered” service providers to disclose certain information, including a description of the services and all direct and indirect compensation received. To avoid entering into a prohibited transaction, fiduciaries must evaluate this information, prior to selection and periodically thereafter, to ensure the services are necessary and terms and compensation are reasonable.

##### Evaluation

- What are the needs of the plan/participants?
- Are participants satisfied and are services utilized?
- What is the experience and background of the service provider?
- How is the service provider compensated?
- Are there any potential/actual conflicts of interests that may affect the judgment of the service provider?
- Is the compensation received reasonable in light of the value of the services provided?

##### Output

Documentation of information reviewed and basis for decision to select/retain service provider.



## FIDUCIARY FILE