

## FIDUCIARY BEST PRACTICES IN ACTION: YOUR GUIDE TO RETIREMENT COMMITTEE SUCCESS

April 3, 2020

The vast majority of Defined Contribution retirement plan solutions provides retirement plan investment and recordkeeping services to plan sponsor clients from coast to coast. Most of these plan sponsors have appointed one or more committees to act in a fiduciary capacity for their retirement plans. A retirement plan committee may have a wide array of responsibilities, including overseeing plan operation and administration, selecting and monitoring service providers, reviewing claims and appeals, and/or choosing or eliminating plan investments.

A well-organized and effective retirement plan committee serves as the bedrock for a plan's operational and fiduciary compliance. Fiduciaries should focus on four critical factors in establishing a successful committee:

- Have a clear appointment process, ensuring that committee members understand their roles and, where applicable, their fiduciary duties.
- Organize effectively in terms of committee size, membership, and responsibilities.
- Ensure all committee members have the necessary qualifications and training.
- Clearly document committee organization.

Even the best-structured committees may fail, however, if meetings are not held or if they are ineffective. Many plan sponsors have grappled with issues related to the effectiveness of meetings, asking what should be covered and when. To assist retirement plan sponsors in maximizing committee effectiveness, RPg offers this sample annual committee calendar.

### ABOUT THE ANNUAL COMMITTEE MEETING CALENDAR

The sample committee meeting calendar assumes that a plan sponsor has a single retirement plan committee responsible for both plan administration and investments. As with all questions under ERISA, whether this calendar should be closely followed or only loosely observed depends upon each plan's particular facts and circumstances. For example, if the plan has separate administrative and investment committees, the duties outlined in the calendar should be properly segregated. Moreover, while the calendar is structured to reflect a general best practice of quarterly meetings, committees should be flexible enough to schedule additional meetings when necessary (e.g., in cases of extraordinary market or plan events).





## SAMPLE ANNUAL COMMITTEE MEETING CALENDAR

Each committee meeting should follow an agenda that best matches the information received and the decisions required throughout the year. As shown below, certain core topics should be reviewed each time the committee meets. Other topics may be spread across different meetings. A detailed explanation of the components of each action item follows.

### CORE ACTIONS – EVERY QUARTER

- Review legal current events/trends.
- Review market and economic overview.
- Review plan investment performance.
- Review plan and participant statistics.

#### 1ST QUARTER

##### SUPPLEMENTAL ACTIONS

- Review participant communication strategy and education materials.
- Review annual service provider fee reports (such as Family Wealths All-in Fee Report).
- Review service provider performance.

#### 2ND QUARTER

##### SUPPLEMENTAL ACTIONS

- Review product and service developments.
- Review committee and subcommittee structure.
- Review compliance and nondiscrimination testing results from prior year, applicable to your plan.

#### 3RD QUARTER

##### SUPPLEMENTAL ACTIONS

- Review advice services.
- Review results of annual plan audit.

#### 4TH QUARTER

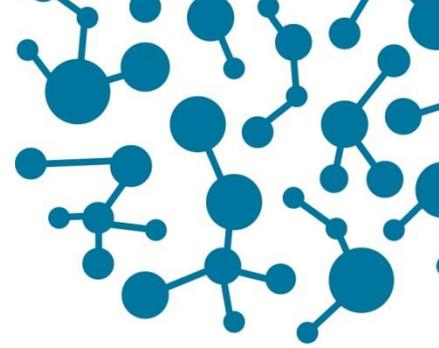
##### SUPPLEMENTAL ACTIONS

- Review plan product and service developments.
- Review, affirm, and update Investment Policy Statement.
- Validate 404(c) compliance.

### DOCUMENT ALL DECISIONS IN MEETING MINUTES

Document the original question, considerations such as pros and cons, the final decision, how the decision was reached, and any future plans for review of the decision.

Note: This sample calendar is intended to serve as a guide and is based on a plan with one committee. For plans with separate administrative and investment committees, the duties outlined on this calendar should be segregated accordingly. The timing for supplemental actions is an estimate and may actually occur in a different quarter or more frequently if circumstances require.



## ACTION ITEMS

### CORE ACTIONS

#### **Legal current events/trends**

Discuss retirement plan implications of any recently passed legislation and raise awareness around potential implications of recent legislative proposals. Review any new relevant guidance from the Department of Labor (DOL) and IRS. Discuss recent court cases impacting retirement plans and retirement plan trends.

#### **Market and economic overview**

Review current market and economic environments and discuss impact to investments, plan, and participants.

#### **Plan investment performance**

Review plan investments based on the process outlined in the Investment Policy Statement. Determine if investments are still prudent. If plan has company stock, review prudence of company stock as a plan investment, participant usage, timely court cases, and best practices around use of company stock in retirement plans.

#### **Plan and participant statistics**

Review a high-level summary of plan data and participant trends (e.g., QDIA usage, loans, savings rate, asset inflows, and outflows). Use benchmarking data to review plan design success, based on participant behavior and plan feature availability. Consider plan design changes, if needed.

### SUPPLEMENTAL ACTIONS

#### **404(c) compliance**

Complete a review of the plan's compliance with 404(c).

1. Does the plan offer a broad range of investment options?
2. Are participants provided a reasonable opportunity to give investment instructions and to receive written confirmation of their instructions?
3. Are participants provided sufficient information to make informed investment decisions?

## ADVICE SERVICES

Review advice services offered by the plan. Review participant feedback from provider. Confirm no material changes have been made to advice methodology. Review audit report(s) received from advice provider(s).

#### **All-in Fee Report—Review fee reasonableness and allocation**

1. Are the fees charged reasonably for the services provided and when compared with similarly situated plans (e.g., assets, number of participants, complexity)?
2. Are fees being allocated to participants based on the determined fee philosophy (e.g., should fees be paid pro rata or per capita)? Review philosophy on an annual basis to ensure ongoing philosophical alignment.
3. Are there less expensive share classes available? Discuss share class availability with your provider.
4. Are there any technology advances or streamlined processes that could result in fee-reducing efficiencies?



## SUPPLEMENTAL ACTIONS

### **Annual plan audit**

Review audit results and address outstanding issues, if any.

### **Committee/subcommittee charters**

Review all committee and subcommittee structures. Determine whether the committee has adequate representation from all stakeholders. Ensure committee charters are being followed and updated as necessary.

1. What is the committee appointment process?
2. Are there representatives from all stakeholders?
3. Do committee members have the proper qualifications and training?

### **Compliance testing**

Review prior-year compliance and nondiscrimination testing results. Identify any trends that may require plan design changes. Identify any consistent operational failures that may require a review of administrative procedures.

### **Investment Policy Statement**

Review Investment Policy Statement. Ensure it is being followed and update it as necessary. Review philosophy on an annual basis to ensure ongoing philosophical alignment.

### **Participant communication strategy and education materials**

Review participant communication and education accomplishments during the previous 12 months. Review the proposed communication and education strategy for the upcoming year.

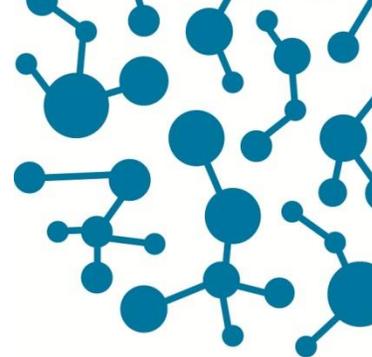
1. What campaigns were successful in the past?
2. What methods of communication were used? Are there any other successful communication methods that similarly situated plans use?
3. Were there any requests for, or comments about, education from employees?
4. Were there any major corporate or plan events that necessitate an updated strategy?

### **Plan product and service developments**

Review any changes to the plan. What is working? What needs modification? Review adoption of new services (e.g., advice, hardship determination services, automatic enrollment). Review any technology updates.

### **Service provider performance**

Review services provided to ensure that execution of services is consistent with agreements. Review performance satisfaction and fees paid (e.g., participant investment advice, plan consultant(s), recordkeeper).



**Important Disclosures:**

Source: Vanguard

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