

TPS



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Fiduciary Investment Liability

Recent surveys demonstrate the largest concern among employers centers on fiduciary responsibility of investments. The below information provides a better understanding of key aspects surrounding fiduciary investment liability—aimed to assist investment specialists in effectively serving each of their clients.

Who are the investment fiduciaries?

ERISA defines the following individual(s) as fiduciaries:

- the plan sponsor
- trustee(s)
- plan committee members
- board of directors
- investment advisors rendering fiduciary investment advice

What are the investment duties of the fiduciary?

Investment duties include:

- offering investment options which constitute a broad range,
- prudently selecting and monitoring investment options, and
- providing options considered suitable and appropriate for a plan's participants.

Will participant directed plans intended to comply with 404(c) provide protection for a fiduciary?

Compliance with 404(c) requires that the plan comply with 20 specific items. It is very unlikely that a plan is capable of complying with all 20.

What are the participant directed plan results?

The results are not positive: 60% of employees are currently invested in 2 funds. 60% of employees never change their elections, 60% never rebalance their portfolios and 50% spend less than 5 hours per year reviewing investment returns and option in their plan.

What can fiduciaries do to protect themselves?

You and your client must develop a prudent process, monitor investments, develop asset classes and allocation models, increase formal employee education and develop an investment policy statement. In addition, you and your client should be familiar with aspects of the Ability Pyramid* — specifically the policy decisions and the ability of employees in understanding why decisions are made.

How can TPS help?

We would be happy to meet with you and your client to establish processes and procedures designed to limit your fiduciary liability. Call our office at: 815.394.5500 and schedule a meeting to review your clients' plans at no cost.

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** Ability pyramid for Fiduciary Responsibility Concerning Retirement Plan Policy Decisions on reverse side.*