

Fiduciary Assessments for Qualified Plans

How well are you meeting your fiduciary responsibilities under ERISA?

The Need for Fiduciary Assessments

The 401(k) plan is America's new retirement plan. With this distinction also comes an increased focus from the Department of Labor and members of Congress who are most recently tasked with trying to determine if these plans are actually succeeding at their main goal – that of helping participants save enough money for a comfortable retirement.

Studies show 401(k) plans are failing to achieve their objective for a variety of reasons, including:

- inadequate savings rates by plan participants
- under performing investment options within the plan
- poor investment choices by participants who for the most part have little training and knowledge to select and manage their own investment portfolio
- the underlying costs of the plan which are sometimes difficult to determine from the information provided by vendors to plan sponsors

According to the Employee Retirement Income Security Act of 1974 (ERISA)¹, plan sponsors are fiduciaries whose main objective is to operate the plan in the best interest of the plan's participants and beneficiaries. Hence, addressing and improving 401(k) inadequacies are fiduciary responsibilities.

Prudent Investment Practices for Fiduciaries

Until now, there were few training opportunities or resources available to plan fiduciaries and members of retirement plan committees who oversee the 401(k). Fiduciary360, whose guidelines are supported by the AICPA and top ERISA law firms, has developed a comprehensive global standard of fiduciary best practices titled *Prudent Investment Practices for Investment Stewards*. The handbook provides a baseline prudent investment practice for managing the investments of a qualified retirement plan. The 22 best practices are based on legislation, case law and regulatory opinion letters from ERISA and other regulatory acts.

¹ERISA is a federal law that sets minimum standards for most voluntarily established pension and health plans in private industry to provide protection for individuals. The definition of a fiduciary is someone who is managing the assets of another person and stands in a special relationship of trust, confidence and/or legal responsibilities.



ABOUT US

Sikich Financial is a Registered Investment Advisor and wholly owned subsidiary of Sikich LLP. Sikich Financial provides administration, fiduciary and investment consulting, and employee education services for employee benefit plans. Our comprehensive services are led by senior-level professionals who have extensive experience in providing advice to plan sponsors to fulfill their responsibilities under ERISA.

Plan Sponsor Fiduciary Responsibilities

The standards established in *Prudent Investment Practices for Investment Stewards* are integral to our consultative approach in work with plan sponsors to provide guidance, education and baseline Fiduciary Assessments for Qualified Plans. Additionally, our Fiduciary Assessment may utilize our employee benefit audit resources to address the compliance and administration areas of the qualified plan, if needed.

We find the first step most beneficial to plan sponsors is to conduct a one-hour training and education session in which we review the 22 practice standards to define the plan sponsor's roles and responsibilities under ERISA. The one-hour training session includes a Level 1 Assessment or SAFE (Self-Assessment of Fiduciary Excellence) to determine how well your organization meets a defined global fiduciary standard of excellence.

The one-hour session is provided at no cost. This is an opportunity for the plan sponsor to learn more about their fiduciary responsibilities under ERISA and determine if a Level II CAFE (Consultant's Assessment of Fiduciary Excellence) should be undertaken.

The CAFE is a much more detailed analysis of your retirement plan, which provides a description of each practice along with findings and recommendations for any fiduciary shortfalls discovered during the assessment process. The CAFE results in a bound deliverable to be reviewed with the plan sponsor and/or retirement plan committee members.

For more information regarding a Fiduciary Assessment for your qualified plan or to discuss our comprehensive services for retirement plans, please contact:


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Diana Jordan provides comprehensive fiduciary and consulting services and employee education to qualified retirement plan clients throughout the Sikich organization.

Diana has achieved the Accredited Investment Fiduciary Analyst (AIFA®) designation from Fiduciary360 and is a frequent speaker on fiduciary topics for employer sponsored retirement plans. Her articles and commentary frequently appear in professional and business-oriented publications.

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