10 Questions Every Retirement Plan Sponsor Should Ask their Advisor

1. **Do you complete an Investment Policy Statement (I.P.S.) for your Retirement Plan clients and if so, how often is it updated?**

   This essentially is the blueprint for how the investments are to be managed in the plan and should be updated regularly when fund/asset class changes are made. An IPS may also be created by an investment committee, to help establish and record its own policies in order to assist in future decision-making or to help maintain consistency of its policies by future committee members or to clarify expectations for prospective money managers who may be hired by the committee.

2. **What is your process for screening funds in the plan and what would prompt a fund change?**

   It's important to establish that your advisor has a process in place for this and that this process is being followed. This process should also be highlighted in the Investment Policy Statement (IPS).

3. **How often is fund screening being completed and is this completed using our current 401(k) providers research or by using third party & independent research?**

   It's important to make sure that investment fund screening & monitoring is happening on a regular basis.
   - *What criteria are being used if & when these funds are screened?*
   - *Are these criteria outlined in the IPS?*
     - *Using Independent, third party research helps limit potential conflicts of interest and is what we recommend as an industry best practice.*

4. **Are we currently using any proprietary funds, and if so, can we and have we documented whether we have considered non-proprietary funds and if better fund options are available?**

   Documenting the why here is very important. It is essential to make sure that the best interest of the participants and their beneficiaries are always at the forefront when making decisions such as these.

5. **Do you act as a 3(21) Co-Fiduciary or 3(38) Fiduciary for our 401(k) plan?**

   A fiduciary is a person or organization that acts on behalf of another person or persons to manage assets. Essentially, a fiduciary owes to that other entity the duties of good faith and trust. The highest legal duty of one party to another, being a fiduciary requires being bound ethically to act in the other's best interests and put the client's interest ahead of their own.

   - ***3(21) fiduciary***- *An investment adviser and 'co-fiduciary' along with the company fiduciary (business owner, board, or named fiduciary). A 3(21) helps build the fund lineup, review the investment selection, and makes recommendations, however, they do not have decision-making or discretionary authority.*

   - ***3(38) fiduciary***- *A 3(38) Fiduciary actually makes the decisions about what to include in the plan menu, implements them, and then manages the investments on an ongoing basis." A 3(38) does have discretionary authority.*

6. **What credentials/designations do you hold that can help our employees plan for a secure retirement?**

   Below I have highlighted a few to make mention of, however, the list of Retirement Plan Designations is exhaustive, therefore, I have included a link that highlights virtually all the financial professional designations:

   http://www.finra.org/investors/professional-designations

- ***CERTIFIED FINANCIAL PLANNER ™ (CFP®)***
  The Industry Standard for experienced and client best interest advisors, mastering topics of Retirement, Risk Management, Income Tax Planning, Investments, and Estate Planning.

- **Certified Plan Fiduciary Advisor (CPFA)**
  The Certified Plan Fiduciary Advisor (CPFA) credential was developed by some of the nation's leading advisors and retirement plan experts – demonstrates your knowledge, expertise and commitment to working with retirement plans. Plan advisors who earn their CPFA demonstrate the expertise required to act as a plan fiduciary or help plan fiduciaries manage their roles and responsibilities.

- **Qualified Plan Financial Consultant (QPFC)**
  This credential is available as an alternative to the CPFA credential. The coursework and exam are the same for both credentials. NAPA members may use the QPFC credential if their broker/dealer does not allow the CPFA credential.

- **Chartered Retirement Plan Specialist® (CRPS®)**
  As retirement plan options evolve and tax complexity increases, many companies seek professional plan administrators to design, install, and maintain their company retirement plans. Firms, non-profits, and government organizations of all sizes recognize the unique skills needed to implement and oversee these internal retirement plans. The CRPS® designation demonstrates that you have those skills.

- ***Accredited Investment Fiduciary® (AIF®)***
  The leading designation for investment fiduciaries for both individuals and retirement plans providing detailed instruction on how to comply with the fiduciary standards of care and introducing the advisor to the 22 Prudent Investment Practices developed by the Foundation for Fiduciary Studies. These practices combine "the minimum requirements of pertinent legislation with industry best practices."

- ***Certified Retirement Counselor® (CRC®)***
  Signifies a thorough understanding of the Retirement Asset Management and Income distribution process. The Certified Retirement Counselor® (CRC®) certification is independently accredited by the National Commission for Certifying Agencies (NCCA). Of over 100 financial designations, the CRC® is one of only a very few retirement and financial planning-related certifications independently accredited by the NCCA.

- ***Chartered Retirement Planning Counselor® (CRPC®)***
  Encompassing pre-and post-retirement needs, asset management, estate planning and the entire retirement planning process using models and techniques from real client situations. Additionally, individuals must pass an end-of-course examination that tests their ability to synthesize complex concepts and apply theoretical concepts to real-life situations.

- ***Certified 401(k) Professional C(k)P*** ™
  The Certified 401(k) Professional Designation, the C(k)P™ is designed to be a comprehensive designation created specifically for retirement plan professionals, offering a curriculum designed to systematically move the candidate from the early stages of acquiring knowledge to the application of that knowledge, with over 70 courses which cover everything from basic topics such as plan design, industry mechanics, fiduciary considerations, due diligence, industry trends, sales & marketing strategies to advanced topics, such as leadership, team building, management and business skills, advanced behavioral finance theory & techniques and best practices of successful financial advisors in the defined contribution industry.

- ***Accredited Pension Administrator (APA)***
  Is earned by the successful completion of four study courses and examinations covering all aspects of plan administration. Comprehensive insight into the knowledge and skills needed to successfully perform daily administrative tasks gained, including: ***a.*** *Determining eligibility;* ***b.*** *Allocating contributions;* ***c.*** *Fulfilling reporting and disclosure requirements;* ***d.*** *Processing distributions;* ***e.*** *Performing compliance testing;* ***f.*** *Correcting errors;* ***g.*** *And much more.*

7. **How often will you benchmark our plan fees and when was the last time this was completed?**

   Completing plan/fee benchmarking every two years to ensure plan fees remain reasonable and competitive is a best practice. This would include benchmarking:

- *Investment Costs-All costs associated with managing the investments*
- *Administrative Costs-Services to operate the Plan: Recordkeeping, Custody & Trading, Compliance, Web Systems*
- *Plan Advisory Costs-Advisory expenses paid to a registered investment advisor representative or commission paid to a broker*

8. **Do you use Target-Date Funds in the Retirement Plans you consult on, and if so, what is your process for evaluating and selecting/monitoring these for a client?**

Important Considerations for Target Date Funds
{U.S. Department of Labor Employee Benefits Security Administration February 2013}

- *Understand the process if there is one*
- *Understand the process for Periodic Review*
- *Understand the funds allocation in different asset classes (stocks, bonds, cash) and how these change over time*
- *Review Fund Fees & Investment Expenses*

9. **How often do you provide Employee Education & Participant One-on-One meetings?**

   Providing annual employee education & participant one on ones is a good starting point, however, your employees may require more hands-on attention which necessitates more frequent education. The needs of each company and their employees vary.

10. **Do you provide Risk-Based Models and if so, what is the cost for providing this service and how frequently are they updated?**

    Providing this benefit is a value add for your employees. It also helps ensure they are getting access to a broadly diversified portfolio if they choose to use the Risk-Based Models or a Target-Date Strategy. We believe annual updates to the portfolio models is an industry best practice.

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John O'Connor is a CERTIFIED FINANCIAL PLANNER™ professional and Accredited Investment Fiduciary® designee with CYRS Wealth Advisors, LLC. CYRS Wealth Advisors is a boutique Wealth Management and Retirement Planning firm located in Northern Illinois. Investment Minimums for individual clients are $250,000 in investable assets, and $3,000,000 for retirement plan and corporate clients. They also can and may work with clients by means of a retainer or hourly fee.

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