

“FINDER’S FEES” OR OTHER FORMS OF COMPENSATION THAT MAY HAVE BEEN PAID FOR ASSET PLACEMENT ARE APPROPRIATELY APPLIED, UTILIZED, AND DOCUMENTED.

The Investment Steward has a duty to account for all dollars spent on investment management services, whether those dollars are paid directly from the account or in the form of soft dollars and other fee-sharing arrangements. In addition, the Investment Steward has the responsibility to identify those parties that have been compensated from the fees, and to apply a reasonableness test to the amount of compensation received by any party.

In the case of an all-inclusive fee (sometimes referred to as a “bundled” or “wrap” fee) investment product, the Steward should investigate how the various service vendors associated with each component of the all-inclusive fee are compensated to ensure that no one vendor is receiving unreasonable compensation, and to compare the costs of the same services on an *à la carte* basis.

In the case of defined contribution plans, it is customary to offer investment options that carry fees that often are used to offset the plan’s record-keeping and administrative costs. For a plan with few assets, such an arrangement may be beneficial for the participants.

However, as the assets grow, the Investment Steward should periodically determine whether it is more advantageous to pay for record-keeping and administrative costs on an *à la carte* basis and switch to mutual funds that have a lower expense ratio in order to reduce the overall expenses of the investment program.

Substantiation

Employee Retirement Income Security Act of 1974 [ERISA]

§404(a)(1)(A) and (B); §406(a)(1); §406(b)(1); §406(b)(3)

Case Law

Brock v. Robbins, 830 F.2d 640, 8 E.B.C. 2489 (7th Cir. 1987)

Other

DOL Advisory Opinion Letter 97-15A; DOL Advisory Opinion Letter 97-16A (5/22/97)

Uniform Prudent Investor Act [UPIA]

§2(a); §7; §7 Comments

Case Law

Matter of Derek W. Bryant, 188 Misc. 2d 462, 729 NYS 2d 309 (6/21/01)

Other

McKinneys EPTL11-2.3(d)

Uniform Prudent Management of Institutional Funds Act [UPMIFA]

§3(b); §3(c)

Management of Public Employee Retirement Systems Act [MPERS]

§6(b)(2) and (3); §7(2) and (5)

CRITERIA

- 4.5.1** All parties compensated from portfolio assets have been identified, along with the amount (or schedule) of their compensation.
- 4.5.2** Compensation paid from portfolio assets has been determined to be fair and reasonable for the services rendered.