

Broadridge Fi360 Solutions Webinar Series

ELIGIBLE FOR CONTINUING EDUCATION CREDIT FROM FI360, CFP BOARD, AND IWI



Demystifying Governance in your Practice

January 27, 2022

Ready for Next

Demystifying Governance in your Practice

Blaine Aikin, AIFA, CFA, CFP, Founder and Principal at Fiduciary Insights

Bonnie Treichel, Chief Solutions Officer at Endeavor Retirement





Retirement Plan Governance

- Governance is the act or process of overseeing the control and direction of something
- ERISA does not require a “governance” process or framework
- Governance is the step-by-step playbook for running plans of all sizes

DOL

Prudent Process +
PTE 2020-02

State Laws,
UPIA +

UPMIFA
Prudent Process

SEC

Regulation Best
Interest



Importance of Governance Today

- Continued M&A activity among advisors + their service providers
- Impacts from COVID-19 turbulence
- Constant turnover with plan sponsors
- Continued regulation from DOL (think: ESG, missing participants, cybersecurity)
- Increase in litigation (especially starting in 2020)
- Legislation (think: CARES, SECURE)
- Changing participant demands including ESG and crypto
- Shift to focus on income instead of solely accumulation

Approximately **150**
retirement plan
recordkeepers today

From roughly **400**
a decade earlier

Impacts to Advisor Business



1. Turnover

Continual turnover with plan sponsor staff creates more work for advisors



2. Continuity

M&A among recordkeepers leads to lack of continuity + increased demands on advisors



3. Technology

Fast-paced innovation requires advisors to keep up + increase spending on technology



Governance Framework

1

Identify responsibilities
under ERISA

2

Determine roles for
associated
responsibilities

3

Develop a framework
for fulfillment and
delivery

Governance Calendar

This is a sample calendar reflective of the activities that plan committees may cover when they gather throughout the year

Investments	Service Providers	Employee Engagement	Operations + Administration
 Preparation for the Fiduciary Committee Meeting			
<ul style="list-style-type: none"> Census, compliance testing and issue refunds (if applicable) Review 404(c) compliance 	<ul style="list-style-type: none"> Annual audit (if applicable)* Review small sum distribution practices (if applicable) 	<ul style="list-style-type: none"> Distribute fee disclosure notices to participants Prepare to meet all participant notice filing obligations File Form 5500 (or file for extension)* Review missing participant practices 	<ul style="list-style-type: none"> Review plan document and any necessary amendments Review payroll log Prepare for compliance testing Review bonding and insurance Prepare report to the Board on activities from the past year
 Review + Report to the Fiduciary Committee			
Review/Approve prior meeting minutes			
Review investment report from prior quarter-end			
Discuss regulatory and legislative updates			
<ul style="list-style-type: none"> Review investment policy statement Review QDIA Review asset class structure and overall menu design Review share classes Review brokerage window (if applicable) Review model portfolios, managed accounts (if applicable) Review employee securities considerations (if applicable) Review specialty asset classes 	<ul style="list-style-type: none"> Review fee disclosures notices to plan sponsor Determine reasonableness of fees and services for all service providers Review fee policy or methods for paying fees Review of cybersecurity protocols Update list of fiduciaries and service providers 	<ul style="list-style-type: none"> Review of practices related to participant data Review of service providers' rollover practices Review of participant engagement programs and associated ROI Review plan design considerations and effectiveness 	<ul style="list-style-type: none"> Review plan document and any necessary amendments Review committee charter Review loan policy Review forfeiture and revenue credit balances

*Calendar Year Plans



Identify Responsibilities under ERISA

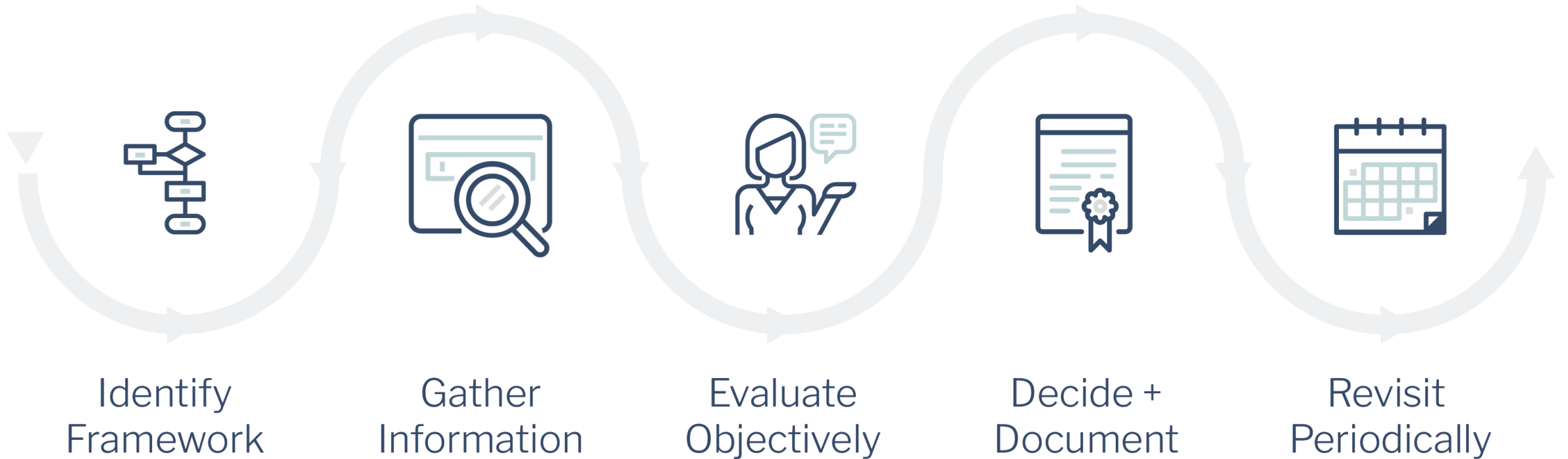
- Fiduciary obligations identified under ERISA Section 404
- Additional responsibilities emanating from regulation, litigation + legislation
- Consider: There is not a clear place to locate a “list” of all responsibilities; how can you monitor + adapt over time?

Determine Roles for associated Responsibilities

- Service providers
- Roles and responsibilities in request for proposal and memorialized in agreements
- Review the agreements to ensure:
 - Reasonableness of fees in light of services provided
 - Services articulated in the agreement match services provided
- Communication among all parties regarding roles and responsibilities



THE PRUDENT PROCESS



Fiduciary File

Plan sponsors should maintain the documents and information below that are applicable to their retirement plan

Investments	Service Providers	Employee Engagement	Operations + Administration
For all instances in which the plan committee meets, maintain copies of: • Meeting minutes • Investment report • Regulatory and legislative updates			
<ul style="list-style-type: none"> Documentation related to share class considerations and selection Evidence of rationale for investment selection, including Qualified Default Investment Alternative (QDIA) Investment contracts Investment monitoring reports Investment policy statement Prospectus Reports reflecting fees and provider for self-directed brokerage window Reports reflecting managed account fees and usage 	<ul style="list-style-type: none"> 408(b)(2) disclosures (if separate from agreements) Benchmarking reports for any service providers Documentation of RFIs or RFPs for any service providers Documentation of service provider conflicts, including cross-selling using participant data Evidence of cybersecurity protocols of vendors with participant data Fee policy statement or other documentation reflecting payment of fees Service provider agreements Small sum distribution procedures 	<ul style="list-style-type: none"> Missing participant procedures Participant communications related to investments, including 404(c) compliance Participant communication plan/strategy Participant communications related to the plan Records related to plan participant eligibility Reports related to outcomes from participant communication plan/strategy 	<ul style="list-style-type: none"> Charter or other delegation documentation Collective bargaining agreements Evidence of self-correction under Employee Plans Compliance Resolution System (EPCRS) Executed and dated plan document (and any amendments)* Fidelity bond Fiduciary liability insurance policy IRS determination letter Non-discrimination testing Payroll logs Plan's practices and procedures Previously filed Form 5500s and attached audited financials** Summary annual reports Summary plan description*** Trust agreement

*Including Adoption Agreement, if applicable

**Audit only applicable for plans with > 100 employees

***Including any Summary of Material Modifications, if applicable

Governance in Practice

- Create framework that is commensurate with services
 - Advisors do not have to support all fiduciary obligations of a plan sponsor but are encouraged to clearly communicate what is/is not supported
 - Advisors are encouraged to align fees with services to ensure a valuable service
- Advisors are encouraged to know the limitations of their practice and where to partner for support
- Advisors may serve a valuable role coordinating other service providers that support plan sponsors in their fulfillment of other fiduciary obligations
- Consider: what does this look like with today's issues such as crypto, ESG, lifetime income + more?





Risk Reward Trade-off

While the degree of risk may seem low, the consequences should the outcome occur would be of substantial magnitude.



Lack of Governance May Result in

Regulatory risk, litigation risk, loss of clients, failure to meet professional standards, inability to win new business.

Steps to get started

- Inventory current book of business
- Assess business that could change to be more process-driven
- Develop a plan + keep it simple
- Migrate existing business + new business to a repeatable and scalable governance framework

Communicating with clients about governance

Using a governance framework demonstrates that your firm embraces a process + structured approach to all your decision-making – *making you the trusted advisor*



Navigator Helps Advisors

- Streamline Governance
 - Keep up with new rules and regulations
 - Grow their retirement business
 - Train new advisors and staff
-
- All of this is on-demand and from the comfort of your own office, so no flights, hotel or conference fees to get what you need and implement today



Contact Us

Bonnie Treichel, JD
Chief Solutions Officer
endeavor-retirement.com
503.683.2545
bonnie@endeavor-retirement.com

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endeavor-retirement.com endeavor@endeavor-retirement.com



THANK
YOU
