



# RESOURCES FOR QUALIFIED PLAN FIDUCIARIES

For Plan Sponsors

# A Careful Look at Fiduciary Requirements

As a qualified plan sponsor, you also assume the role of plan fiduciary. As such, you have the duty to act in the best interest of the plan and its participants. The worksheets and checklists in this brochure were designed to assist you in meeting your responsibilities, thereby helping to mitigate your fiduciary risk.

The material here can help you and your LPL Financial advisor manage your responsibilities and consider current and future plan needs.

Your LPL Financial advisor can provide further information about your fiduciary duties, and help you understand how these materials can assist you in your fiduciary due diligence.

In providing information about ERISA standards and responsibilities, you must remember that this is general information only, and you should consult your own attorney for specific legal questions on the application of ERISA to your plan.

# SECTION 1: PLAN ASSESSMENT AND DUE DILIGENCE

These materials were created to help you manage your fiduciary responsibilities.

<b>1. Document Checklist</b>	There is a wide range of plan-related documents a fiduciary must maintain. This checklist can help with organization and maintenance of all necessary paperwork. – page 5
<b>2. Compliance Calendar</b>	Many plan compliance issues are date-sensitive. Stay on task with this helpful calendar. – page 6
<b>3. Annual Fiduciary Review Agenda</b>	A detailed annual plan review is a critical component of your fiduciary responsibility. Work with your LPL Financial advisor to develop an agenda. This sample can help. – page 8
<b>4. Annual Plan Review &amp; Due Diligence Checklist</b>	Working with your LPL Financial advisor, use this annual checklist to document how you have satisfied your fiduciary duties. – page 9
<b>5. Building an Investment Policy Statement (IPS)</b>	An IPS is the foundation for plan investment decisions, and enables plan sponsors to be more disciplined and systematic in their decision-making. – page 14
<b>6. Service Provider Fee Review</b>	Plan fiduciaries have the obligation to fully understand all direct and indirect fees and expenses being charged to the plan, and all direct and indirect fees being earned by plan service providers. Your LPL Financial advisor can help you understand the value of the plan services you are currently receiving. – page 15
<b>7. Annual Service Provider Assessment</b>	It's important to annually review the services you are receiving from each plan provider. This worksheet can help you determine the value of the plan services you are receiving and assess whether you need to make future changes. – page 16

## SECTION 2: EMPLOYEE ENROLLMENT & EDUCATION

A key component of your fiduciary responsibilities is plan education for employees. Your LPL Financial advisor can work with you to develop a comprehensive employee enrollment and education program.

<b>8. Enrollment Program Checklist</b>	Plan fiduciaries have the responsibility to ensure employees get prescribed information in a defined format. Work with your LPL Financial advisor to develop an optimal enrollment program. – page 17
<b>9. Employee Education Checklist</b>	Providing ongoing employee investment education is an excellent basis for protection from potential fiduciary liability claims against you as a plan sponsor. Your LPL Financial advisor can provide resources and work with you to develop an employee education program that makes sense for your workforce. – page 18
<b>10. Qualified Plan Distribution Checklist</b>	Employees who leave your organization need to understand their plan distribution options. Your LPL Financial advisor can help you to develop a program to educate employees about their options and the importance of keeping their retirement savings in a tax-advantaged account. – page 19
<b>11. Glossary of Retirement Plan Terms</b>	There are many terms and acronyms associated with qualified retirement plans. This glossary will help you familiarize yourself with frequently used retirement plan vocabulary. – page 20

# 1. DOCUMENT CHECKLIST

Maintaining important plan-related documents is fiduciary responsibility — but which ones are important?. This checklist can help you identify the agreements, communication materials, formal documents and government forms that should be readily available.

Plan: \_\_\_\_\_ Date: \_\_\_\_\_

- Annual Compliance Tests (e.g., ADP/ACP and Top Heavy)
- Trustee/Custodian Annual Report
- Government Form 5500 Series with Summary Annual Report (SAR)c Accountant’s Audit Report (for plans with 100 or more eligible participants)\*
- Fidelity Bond & Fiduciary Liability Insurance Policies
- Plan Document (with the Adoption Agreement, if applicable) & IRS Approval Letter
- Summary Plan Description (SPD) & Summary of Material Modifications (SMM)
- Administrative Forms Package (with forms for participant requests such as loans, hardship withdrawals, benefit distributions, etc.)
- Annual Fiduciary Review Meeting Minutes
- Investment Committee Membership, Meeting Schedule & Minutes
- Investment Policy Statement (IPS)
- Employee/Participant Communication & Enrollment Materials

## **Service Provider Agreements\*\*** – More information in the Annual Service Provider Assessment [pg. 15]

- Investment Advisory Services [e.g., ERISA Section 3(21) Fiduciary or ERISA Section 3(38) Investment Manager]
- Payroll Platform
- Paying Agent (for liquidations from the plan that require Form 1099-R)
- Recordkeeper
- Third-Party Administrator (TPA)
- Insurance Provider (e.g., fidelity bond and fiduciary liability coverage)
- Accountant (plans with 100 or more participants\* require an independent audit report)
- Trustee

\* For purposes of determining whether a plan audit is required, all eligible employees are considered to be participants.

\*\* Please note that one service provider may be responsible for more than one service listed.

## 2. COMPLIANCE CALENDAR

Many plan compliance activities are date-sensitive. This calendar lists key deadlines for calendar-year plans, and does not consider varying deadlines when dates fall on weekends and holidays; if your plan is not a calendar-year plan, other dates and considerations apply.\*

January	February	March	April
<p><b>January 31:</b> Deadline for mailing 1099-R Forms to plan participants/beneficiaries who received plan distributions during the prior year.</p>	<p><b>February 15:</b> Deadline for distributing December 31 quarterly Benefit/Disclosure Statements to plan participants/beneficiaries.</p> <p><b>February 28:</b> Deadline for IRS filing of hard 1099-R Forms, reflecting prior year plan distributions. March 31 is the deadline if the forms are being filed electronically.</p>	<p><b>March 1:</b> Deadline for participants to notify plan sponsors that they made deferrals to more than one unrelated 401(k) plan during the prior year.</p> <p><b>March 15:</b> Deadline for remitting excise taxes to the IRS for failing to make timely corrections to the failed prior plan year ADP/ACP test.</p> <p><b>March 15:</b> Deadline for non-EACA plans to process corrective distributions to participants due to failed prior year ACP/ADP test (without 10% plan sponsor excise tax).</p> <p><b>March 31:</b> Deadline for electronic filing of IRS 1099-R Forms.</p> <p><b>March 31:</b> Deadline for corporations making employer contributions due for the prior plan year (unless corporate tax return extension is filed).</p>	<p><b>April 1:</b> Deadline to begin Required Minimum Distributions (RMDs) for participants who in the prior year reached age 70½, or retired after reaching 70½.</p> <p><b>April 15:</b> Deadline for a sole proprietorship making employer contributions due for the prior plan year (unless tax return extension is filed).</p> <p><b>April 15:</b> Deadline for processing excess deferral corrective 402(g) distributions to participants from prior year.</p>
May	June	July	August
<p><b>May 16:</b> Deadline for distributing March 31 quarterly Benefit/Disclosure Statements to participants/beneficiaries.</p>	<p><b>June 30:</b> Deadline for processing prior years EACA corrective ADP/ACP test distributions to participants (without 10% plan sponsor excise tax).</p>	<p><b>July 29:</b> Deadline for distributing Summary of Material Modifications (SMM) to participants/beneficiaries, if plan was amended in the prior year.</p> <p><b>July 31:</b> Deadline for filing IRS/DOL Form 5500 with accompanying schedules (unless extension request is filed).</p> <p><b>July 31:</b> Deadline for filing Form 5330 to report and pay excise taxes on prohibited transactions and excess 401(k) contributions during prior year.</p>	<p><b>August 15:</b> Deadline for distributing June 30 quarterly Benefit/Disclosure Statements to participants/beneficiaries.</p>

\* This calendar should not be considered a substitute for legal advice. Review important dates with your ERISA counsel.

## 2. COMPLIANCE CALENDAR *(continued)*

September	October	November	December
<p><b>September 15:</b> Extended deadline for filing corporate or partnership tax return</p> <p><b>September 30:</b> Deadline for distributing the prior year Summary Annual Report (SAR) to participants/beneficiaries (unless extension for IRS/DOL Form 5500 was filed).</p>	<p><b>October 15:</b> Extended deadline for filing individual tax return, and corresponding extension deadline for making plan sponsor contributions due for the prior plan year.</p> <p><b>October 15:</b> Extended deadline for filing IRS/DOL Form 5500 with accompanying schedules unless extension request is filed.</p>	<p><b>November 15:</b> Deadline for distributing September 30 quarterly Benefit/Disclosure Statements to participants/beneficiaries.</p>	<p>December 1: Deadline for distributing annual EACA, QACA, QDIA and Safe Harbor notices to participants/beneficiaries.</p> <p>December 15: Extended deadline for distributing the prior year Summary Annual Report (SAR) to participants/beneficiaries.</p> <p>December 31: Deadline for processing corrective distributions due to failed prior year ADP/ACP test (with 10% plan sponsor excise tax).</p> <p>December 31: Deadline for prospective amendment removing Safe Harbor status or to convert existing plan to safe harbor status for the next plan year.</p>

## Fee Disclosure Notices

Notices about plan fees are required throughout the year.

### For plan sponsors from service providers:

- Initial disclosures required within a reasonable time before contract is renewed or entered into.
- Annual disclosures required following changes in investment information.
- Additional disclosures required within 60 days after effective date of change when compensation or services provided change.

### For participants:

- Initial disclosures required on or before date participant may first direct investments.
- Annual disclosures required to be updated and distributed at least annually.
- Additional disclosures required at least 30 days, but not more than 90 days, prior to certain plan changes.

# 3. ANNUAL FIDUCIARY REVIEW AGENDA

It's prudent to review your plan at least annually to ensure you are meeting your fiduciary responsibilities. Documenting your discussions and decisions is a key part of this review.

Plan: \_\_\_\_\_ Date: \_\_\_\_\_

## Meeting Purpose:

Review plan objectives and standards to ensure they are being followed and remain applicable, and make any necessary plan changes.

Attendees	
Name	Title

  

Agenda
<ul style="list-style-type: none"><li><input type="checkbox"/> Confirm named and other fiduciaries</li><li><input type="checkbox"/> Review plan provisions to ensure they are compliant with current regulatory requirements</li><li><input type="checkbox"/> Review investments in accordance with the objectives and procedures established in the plan's Investment Statement</li><li><input type="checkbox"/> Determine if any investment options are to be added, removed or placed on a "watch list"</li><li><input type="checkbox"/> Determine if third-party fiduciary support is needed</li><li><input type="checkbox"/> Discuss the benefit of utilizing the services of a non-discretionary 3(21) investment fiduciary</li><li><input type="checkbox"/> Discuss the benefit of instituting a QDIA for the plan to help minimize fiduciary risk</li><li><input type="checkbox"/> Review compliance with ERISA Section 404(c), including investment diversity and participant communications</li><li><input type="checkbox"/> Complete the Due Diligence Checklist (completed checklist to be placed in due diligence file)</li><li><input type="checkbox"/> Compare service provider fees to services provided to determine "reasonableness," and whether the services delivered matched the service commitment</li><li><input type="checkbox"/> Review employee education program to determine whether it is responding to employee needs for increased plan and investment knowledge</li><li><input type="checkbox"/> Review compliance with core fiduciary responsibilities: loyalty (to plan participants), acting prudently, diversity of plan investments, following the plan document and ensuring reasonable expenses</li><li><input type="checkbox"/> Examine fidelity bond to ensure adequate coverage (10% of plan assets)</li></ul>



# 4. ANNUAL PLAN REVIEW & DUE DILIGENCE CHECKLIST

You can use this checklist annually to document how you have satisfied your fiduciary duties. The completed checklist should be kept in the plan due diligence file.

Plan: \_\_\_\_\_ Date: \_\_\_\_\_

## Keeping a Record is Key:

ERISA Section 404(c) offers some limitation of fiduciary liability within specific requirements. In a 404(c) plan, participants exercise independent control over their own plan investments, which shifts responsibility for investment losses from the plan fiduciary to the participant. A qualified 404(c) plan must meet specific requirements. For example, participants must be given sufficient information to make informed decisions and must have a reasonable opportunity to give investment instructions. The checklist below highlights these and other requirements of Section 404(c).\*

This checklist may help you document that you've satisfied your fiduciary duties. It highlights many important fiduciary duties, explains how to comply, and gives you check-off boxes to document compliance. It's a good idea to go through this checklist on an annual basis. Then, be sure to keep the completed checklist in your due diligence file. While this section can provide guidelines for your annual plan review, you should still seek qualified ERISA and tax counsel to protect yourself and the plan.

Fiduciary Requirement	How to Comply	Have You Complied?	Required Under ERISA 404(c)
The named fiduciary must report at least annually to the board (if one exists) on the administration of the plan.	Hold an annual review meeting and document what was discussed and reviewed. Use the included sample agenda and checklist as a beginning outline for the meeting.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
ERISA requires that every employee benefit plan must provide the procedure for executing a funding policy in a manner that is consistent with the plan's objectives.	Establish and follow an Investment Policy Statement (IPS). While an IPS is not explicitly required under ERISA, the Department of Labor has issued guidance stating that having an IPS is consistent with the fiduciary obligations of loyalty and prudence. A sample IPS is included.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Maintain plan and trust documents and any amendments.	These are generally written by your Third Party Administrator. Keep a file for the plan document and any amendments that your Third-Party Administrator prepares for your plan.	<input type="checkbox"/> Yes <input type="checkbox"/> No	

\* This checklist is not a comprehensive list of every requirement under ERISA Section 404(c). Please consult your legal and/or tax advisor for more information.

## 4. ANNUAL PLAN REVIEW & DUE DILIGENCE CHECKLIST *(continued)*

### Select and Monitor Investment Options:

Fiduciary Requirement	How to Comply	Have You Complied?	Required Under ERISA 404(c)
Maintain copies of participant communications and a record of when and how each are provided to participants.	This includes the Summary Plan Description (SPD) and any changes, pre-enrollment and enrollment materials.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Maintain service provider agreements, and liability insurance and ERISA bonds.	This includes service provider proposals, contracts and service agreements, and insurance and bond coverages and policies.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Offer a broad range of investment alternatives that includes at least three core investment categories and represents a wide range of risk/return characteristics.	Select a broad array of investment options suitable for your plan demographics.	<input type="checkbox"/> Yes <input type="checkbox"/> No	✓ Yes
Review investments in accordance with objectives and procedures established in the plan's Investment Policy Statement (IPS). Determine if any investment options are to be added, removed or placed on a "watch list."	Review your fund's investment performance according to the time frame stated in your IPS.	<input type="checkbox"/> Yes <input type="checkbox"/> No	

# 4. ANNUAL PLAN REVIEW & DUE DILIGENCE CHECKLIST (continued)

## Communicate to Participants

Fiduciary Requirement	How to Comply	Have You Complied?	Required Under ERISA 404(c)
Provide participants with a Summary Plan Description (SPD). It must be given to all current participants within 120 days after the plan becomes subject to the reporting requirements of Title I of ERISA. New eligible participants must receive an SPD within 90 days after becoming a participant	The SPD is prepared by your TPA. Distribute to employees upon receipt as required.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Provide participants with a Summary of Material Modifications if the plan is amended.	Statements of Material Modifications are prepared by your TPA. Distribute to participants upon receipt.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Provide written notice to participants that your plan intends to qualify as an ERISA Section 404(c) plan. Include an explanation that plan fiduciaries may be relieved of fiduciary liability for losses that result from participant investment decisions.	This should be included in your plan's SPD.	<input type="checkbox"/> Yes <input type="checkbox"/> No	✓ Yes
Provide participants with the name, address and telephone number of the plan fiduciary (and any person designated to act on behalf of the fiduciary) from whom the participant can obtain investment information.	This information is provided in the SPD.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Provide participants with a general description of investment objectives and risk and return characteristics of each fund, including information on the type and diversification of assets in the portfolio.	This information is provided in fund prospectuses and annual reports.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Provide participants with instructions on whom to contact to give investment instructions and specific limitations on transferring among investment options.	These instructions are explained in the SPD if there are any plan-level restrictions. Fund-level restrictions or redemption fee information is located in the fund prospectuses.	<input type="checkbox"/> Yes <input type="checkbox"/> No	✓ Yes

# 4. ANNUAL PLAN REVIEW & DUE DILIGENCE CHECKLIST *(continued)*

## Communicate to Participants

Fiduciary Requirement	How to Comply	Have You Complied?	Required Under ERISA 404(c)
Provide a description of any restrictions, redemption fees and other transaction fees associated with the purchase, sale or transfer of investment options by participants.	This information is generally provided by your recordkeeper.	<input type="checkbox"/> Yes <input type="checkbox"/> No	✓ Yes
Inform participants of their right to request written confirmation of investment changes.	Confirmation of participant-directed investment changes are generally provided by the recordkeeper.	<input type="checkbox"/> Yes <input type="checkbox"/> No	✓ Yes
Disclose annual operating expenses upon request by a plan participant.	Prospectuses, published portfolio listings, unit values and other disclosure information related to the investment options in the plan are available. This information is available in fund fact sheets, prospectuses and annual reports.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Provide prospectuses, financial statements and reports related to the investment options offered in the plan.		<input type="checkbox"/> Yes <input type="checkbox"/> No	
Provide a list of assets comprising the portfolio of each investment option, including the value of each asset, and for fixed rate investment options, the name of the issuer of the option and its term and rate of return.		<input type="checkbox"/> Yes <input type="checkbox"/> No	
Provide information on the value of the shares or units in any designated investment option and its past and current investment performance.		<input type="checkbox"/> Yes <input type="checkbox"/> No	
Provide information on the value of the shares or units of designated investment options held in the participant's account.		<input type="checkbox"/> Yes <input type="checkbox"/> No	

# 4. ANNUAL PLAN REVIEW & DUE DILIGENCE CHECKLIST *(continued)*

## Manage Administrative Responsibilities

Fiduciary Requirement	How to Comply	Have You Complied?	Required Under ERISA 404(c)
Give participants the opportunity to change their investment options at least quarterly.	Decide on investment change timing when writing your plan document with your Third-Party Administrator	<input type="checkbox"/> Yes <input type="checkbox"/> No	✓ Yes
File an annual report and Form 5500 with the IRS/DOL each year.	The plan fiduciary and Third-Party Administrator, and plan auditor, if applicable, will compile the Form 5500 information and file with the IRS.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Obtain an ERISA fidelity bond of at least 10% of plan assets for individuals who handle plan funds. Review insurance amounts to ensure adequate coverage.	Your business insurance agent can generally help you secure the coverage you need.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Arrange for an independent CPA to audit the plan annually if your plan has more than 100 participants.*	If you have more than 100 participants, hire an auditor to review your plan on a yearly basis.*	<input type="checkbox"/> Yes <input type="checkbox"/> No	

\*For purposes of determining whether a plan audit is required, all eligible employees are considered to be participants.

# 5. BUILDING AN INVESTMENT POLICY STATEMENT

An Investment Policy Statement (IPS) is the foundation for plan investment decisions, and enables plan sponsors to be more disciplined and systematic in their decision-making. Plan investments should be regularly reviewed against the IPS to determine if any investment options need to be added, removed or placed on a watch list for possible further action.

Plan: \_\_\_\_\_ Date: \_\_\_\_\_

## The Anatomy of an Investment Policy Statement

An IPS isn't one size fits all. It should be based on the specific goals of your company's retirement plan and its investment objectives. While the content of an IPS varies from plan to plan, the structure of an IPS typically includes the following:

Elements of an IPS	Include in IPS?
Plan objectives	✓ Yes
Investment objectives	✓ Yes
Roles/responsibilities of parties involved in plan investment decisions	✓ Yes
Investment decision-making process	✓ Yes
Types of investment options	✓ Yes
Number of investment options	✓ Yes
Investment diversification	✓ Yes
Fund selection criteria—process and methodology (criteria for investment managers' selection criteria for investment options)	✓ Yes
Fund monitoring/evaluation criteria	✓ Yes
Benchmarking against indexes and peers (risk measurement, fees, discipline consistency)	✓ Yes
Fund reporting requirements	✓ Yes
Frequency of reports and meetings	✓ Yes
Options for funds that do not meet evaluation criteria: What is unacceptable performance? How long should it continue before action is taken? Process for holding, adding alternatives, or substituting funds)	✓ Yes
Procedures for enforcing and amending the IPS	✓ Yes
Investment communications and education for plan participants	✓ Yes

# 6. SERVICE PROVIDER FEE REVIEW

Fee methodology and fee payment varies by service provider, and many plan services are covered by a “bundled” fee. This fee review can help you identify the cost of plan service components and sources of their payments.

Plan: \_\_\_\_\_ Date: \_\_\_\_\_

Service Provider	Who Pays?	Fee Type	Estimated Annual Cost
[Insert Service Provider Name]	[Plan Assets/Participants or Plan Sponsor]	[Flat Fee or Asset-Based Charge]	[Insert \$XXX.XX]

LPL Financial Advisor	
<ul style="list-style-type: none"> <li>Plan Sponsor and Fiduciary Education</li> <li>Assistance with Annual Review</li> <li>Assistance with Annual Fee Review</li> <li>Assistance with Service Provider Assessment</li> <li>Employee Investment Education</li> </ul>	<ul style="list-style-type: none"> <li>Employee Retirement Savings Education</li> <li>Employee Enrollment Presentations</li> <li>Ongoing Plan and Retirement-Related Employee/ Participant Communication</li> <li>Plan Distribution Support &amp; Participant Guidance</li> </ul>
Recordkeeper	
<ul style="list-style-type: none"> <li>Establishes Individual Participant Accounts</li> <li>Works with Investment Platform to Process Contributions &amp; Distributions</li> <li>Produces Participant Statements (they may be mailed directly or come through the TPA)</li> <li>Processes Participant Transfer Requests</li> <li>Maintains Interactive Participant Database accessed via the Voice Response Unit (VRU) or Website</li> <li>Call Center for Participant Inquiries and Support</li> </ul>	<ul style="list-style-type: none"> <li>Client Service Manager (a single point of contact for plan sponsors and financial professionals)</li> <li>Customized Programs (to increase plan participation and employee savings rates)</li> <li>Enrollment Support</li> <li>Processes Checks/Wires out of Plan for Distribution to Participants (working with TPA)</li> <li>Processes Applicable Withholdings and Submission to IRS</li> <li>Processes Forms 1099-R/1096</li> </ul>
Third-Party Administrator (TPA)	
<ul style="list-style-type: none"> <li>Annual Compliance Testing</li> <li>Trustee/Custodian Annual Report</li> <li>IRS 5500 Series Forms and Summary Annual Report (SAR) Preparation</li> <li>Plan Document (with the Adoption Agreement, if applicable) Preparation &amp; IRS Approval Letter</li> </ul>	<ul style="list-style-type: none"> <li>Summary Plan Description (SPD) &amp; Summary of Material Modifications (SMM) Preparation</li> <li>Administrative Forms Package Preparation (with forms for participant requests such as loans, hardship withdrawals, benefit distributions, etc.)</li> </ul>
Insurance Provider (e.g., fidelity bond and fiduciary liability coverage)	
<ul style="list-style-type: none"> <li>ERISA Fidelity Bond &amp; Fiduciary Liability Insurance</li> </ul>	
Accountant (plans with 100 participants or more* require an independent audit report)	
<ul style="list-style-type: none"> <li>Accountant’s Audit Report</li> </ul>	
Investment Advisory Services	
<ul style="list-style-type: none"> <li>Investment Advisor</li> </ul>	<ul style="list-style-type: none"> <li>3(21) Investment Fiduciary</li> </ul>

\*For purposes of determining whether a plan audit is required, all eligible employees are considered to be participants.

# 7. ANNUAL SERVICE PROVIDER ASSESSMENT

The Department of Labor expects fiduciaries to diligently complete an annual review of the plan service providers. The goal is to ensure that plan service providers are delivering the services they committed to for a fee that is commensurate with the services delivered.

Plan: \_\_\_\_\_ Date: \_\_\_\_\_

Questions to Consider for Each Potential Service Provider	Potential Service Providers
<ul style="list-style-type: none"> <li><input type="checkbox"/> Are there any potential “conflicts of interest” that may be associated with services provided by a service provider?</li> <li><input type="checkbox"/> Have the service and performance standards committed to in the agreements been met?</li> <li><input type="checkbox"/> Have service provider fees been reviewed?</li> <li><input type="checkbox"/> Is there a clear understanding of the total income (direct and indirect) the service provider is receiving?</li> <li><input type="checkbox"/> Do the fees charged/income received match the fees/income disclosed in the provider agreements?</li> <li><input type="checkbox"/> Can the fees charged/income received be categorized as “reasonable” compensation?</li> <li><input type="checkbox"/> Have service provider reports been reviewed?</li> <li><input type="checkbox"/> Were any participant complaints about service providers received? Were they investigated? What was the disposition?</li> <li><input type="checkbox"/> Has the Annual Service Provider Review been documented?</li> <li><input type="checkbox"/> Has any action taken in conjunction with the review been documented?</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> LPL Financial Advisor</li> <li><input type="checkbox"/> Investment Advisory Services (e.g. ERISA Section 3(21))</li> <li><input type="checkbox"/> Fiduciary or ERISA Section 3(38) Investment Manager)</li> <li><input type="checkbox"/> Payroll Platform</li> <li><input type="checkbox"/> Paying Agent (for liquidations from the plan that require 1099-R Forms)</li> <li><input type="checkbox"/> Recordkeeper</li> <li><input type="checkbox"/> Third Party Administrator (TPA)</li> <li><input type="checkbox"/> Trustee and/or Passive Trustee Services</li> <li><input type="checkbox"/> Insurance Provider (i.e., ERISA Fidelity Bond and optional Fiduciary Liability Insurance)</li> <li><input type="checkbox"/> Accountant (plans with 100 participants require an Independent Audit Report)</li> <li><input type="checkbox"/> Other</li> </ul>



# 8. ENROLLMENT PROGRAM CHECKLIST

Because of its importance, the plan enrollment process must be carefully managed and monitored. To minimize liability, plan sponsors should ensure eligible employees receive the requisite descriptive materials in a timely manner—and that there are available resources if they have questions. Your financial professional may be able to provide enrollment assistance to you.

Plan: \_\_\_\_\_ Date: \_\_\_\_\_

Enrollment Type	Support	Materials and Resources
<ul style="list-style-type: none"> <li><input type="checkbox"/> Census Enrollment</li> <li><input type="checkbox"/> Paper-Based Enrollment</li> <li><input type="checkbox"/> Online Enrollment</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Review available enrollment materials</li> <li><input type="checkbox"/> Develop enrollment deliverables calendar</li> <li><input type="checkbox"/> Design enrollment meeting agenda</li> <li><input type="checkbox"/> “Reserve” enrollment meeting rooms</li> <li><input type="checkbox"/> Lead enrollment meetings (or identify meeting leader)</li> <li><input type="checkbox"/> Identify post-enrollment meeting</li> <li><input type="checkbox"/> follow-up (telephone support, one-on-one meetings, 800#, etc.). Work with your recordkeeper as needed.</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Enrollment Kits &amp; Workbooks</li> <li><input type="checkbox"/> Enrollment Forms</li> <li><input type="checkbox"/> Fund Fact Sheets</li> <li><input type="checkbox"/> Posters</li> <li><input type="checkbox"/> Prospectuses (or online access)</li> <li><input type="checkbox"/> Sample Participant Statements</li> <li><input type="checkbox"/> Participant Support or Help Center (phone or web)*</li> <li><input type="checkbox"/> Email Campaign</li> </ul> <p style="font-size: small; margin-top: 5px;">*Your recordkeeper should be able to supply</p>

# 9. EMPLOYEE EDUCATION CHECKLIST

Creating meaningful retirement benefits is the goal of your plan, but most employees have a limited understanding of both investment fundamentals and how much they need to save. Providing a robust and ongoing qualified retirement plan education program for your employees makes good business sense, and it can provide an excellent basis for protection against potential fiduciary liability claims.

Plan: \_\_\_\_\_ Date: \_\_\_\_\_

Building an Ongoing Education Program	Topics for Consideration	Communication Methods
<ul style="list-style-type: none"> <li><input type="checkbox"/> Establish education objectives</li> <li><input type="checkbox"/> Work with service providers to choose topics that correlate with plan objectives and discuss presentation support</li> <li><input type="checkbox"/> Develop an annual education calendar</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Saving for Retirement</li> <li><input type="checkbox"/> Market Volatility</li> <li><input type="checkbox"/> Retirement Income</li> <li><input type="checkbox"/> Investment Basics – Asset Classes</li> <li><input type="checkbox"/> Investment Basics – ETFs, Mutual Funds, Variable Annuities, etc.</li> <li><input type="checkbox"/> Investment Basics – Understanding Your Performance</li> <li><input type="checkbox"/> Retirement Plan Distributions</li> <li><input type="checkbox"/> The Importance of Rollovers</li> <li><input type="checkbox"/> The Pros and Cons of Plan Loans</li> <li><input type="checkbox"/> Budget Basics</li> <li><input type="checkbox"/> Where Does Social Security Fit In?</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Group Meetings – All Ages</li> <li><input type="checkbox"/> Group Meetings – Segmented by Age or Years of Participation</li> <li><input type="checkbox"/> One-on-One Guidance</li> <li><input type="checkbox"/> Letters</li> <li><input type="checkbox"/> Employee &amp; Employer Newsletters</li> <li><input type="checkbox"/> Email Campaign</li> <li><input type="checkbox"/> Notes/messaging inserted on paycheck stubs or participant plan statements</li> <li><input type="checkbox"/> On-demand webinars</li> </ul>

# 10. QUALIFIED PLAN DISTRIBUTION CHECKLIST

By sponsoring a qualified retirement plan, you have made a commitment to assist your workforce in building retirement security. Ensuring that terminating or retiring employees understand their plan distribution options is an important extension of that commitment.

Plan: \_\_\_\_\_ Date: \_\_\_\_\_

Employer Issues Related to Terminated Employees with Plan Balances		
Economic:	Communication:	Liability:
<ul style="list-style-type: none"> <li>▪ Service provider fees (recordkeeper/TPA, investment and trustee)</li> <li>▪ Possible audit expense</li> <li>▪ Communication—materials must be mailed</li> <li>▪ Delayed access to forfeitures (if forfeitures are used to reduce employer contributions, maintaining terminated employee balances increases short-term contribution expense).</li> <li>▪ Increased staff time devoted to plan notifications and communication</li> </ul>	<ul style="list-style-type: none"> <li>▪ All compliance communication must be continued for terminated participants</li> <li>▪ Terminated plan participants often fail to notify prior employers of address changes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Plan sponsors have the same fiduciary responsibility and liability for terminated participants as they do for active employees</li> <li>▪ Balances of \$5,000 or less can be automatically “rolled over” into an IRA</li> <li>▪ The commitment to encouraging continued “tax-advantaged” retirement savings</li> </ul>
Talk to Your Financial Professional		
<ul style="list-style-type: none"> <li><input type="checkbox"/> Talk to your financial professional to see if he/she is interested in providing education to plan participants about qualified plan distribution options</li> <li><input type="checkbox"/> Ask your financial professional about any available qualified plan distribution option and IRA Rollover educational materials</li> </ul>		

# 11. GLOSSARY OF RETIREMENT PLAN TERMS

**Annual Plan Review** – Plan fiduciaries must report at least annually to their board of directors (if one exists) or meet annually to:

- Review the plan objectives and standards, ensure they are being followed and remain applicable, and make any necessary plan changes.
- Review plan investment options to assess whether they are meeting the objectives and procedures established in the plan’s Investment Policy Statement (IPS). Determine if any investment options need to be added, removed or placed on a “watch list.”
- Review plan service providers to assess whether they are delivering agreed-upon services at reasonable fees.

**Automatic Contribution Escalation** – 401(k) plans with an automatic enrollment feature can also automatically increase employee contributions annually. Employees retain the right to opt out of either the enrollment or the contribution escalation.

**Automatic Enrollment** – 401(k) plans with automatic enrollment provisions can increase employee participation.

**Blackout Period** – When a change in plan recordkeepers occurs, participant balances must be moved from one service provider to another. This transition, during which participants cannot access their account balances (including changing contribution levels, requesting loans or distributions, or modifying investment elections), is called a “blackout period.” Participants must be given advance notice of blackout periods.

**Compliance Testing** – To ensure 401(k) plans do not favor highly compensated employees (HCEs) over non-highly compensated employees (NHCEs), non-discrimination testing must be completed:

- Average Deferral Percentage (ADP):** Compares the average employee pre-tax contributions (as a percentage of compensation) made by NHCEs to the average employee pre-tax contributions (as a percentage of compensation) made by HCEs.

Average NHCE Contribution Rates*	Maximum Allowable HCE Average Contribution Rates**
Less than 2%	2 times NCHE average
2% – 8%	NCHE average + 2%
Greater than 8%	1.25 times NCHE average

\* Average NHCE contribution rates include all eligible NHCEs, whether or not they choose to participate in the plan.

\*\* For 2017, employees earning \$120,000 or more are considered to be highly compensated.

- Actual Contribution Percentage (ACP) Testing:** Compares the average employee after-tax contributions (as a percentage of compensation) made by NHCEs to the average employee after-tax contributions (as a percentage of compensation) made by HCEs. The ACP test is performed in the same way as the ADP test, and the passing parameters are the same.
- Minimum Coverage:** There are two coverage tests. The easiest to calculate is the Ratio Percentage Test—the percentage of NHCEs eligible to participate in the plan must be at least 70% of the percentage of HCEs eligible to participate. Plans that do not pass the Ratio Percentage Test must pass the more complex Average Benefits Test.
- Top-Heavy Testing:** Although they do not have discriminatory benefit formulas, some plans may still provide the majority of plan benefits to highly paid employees or owners of the company (e.g., due to long service). If account values for key employees exceed 60% of the account values for all employees, these plans can be determined to be “top heavy.”

**ERISA** – The Employee Retirement Income Security Act of 1974, as amended (ERISA) is a federal law that sets minimum standards for participants in private-industry pension and health plans. ERISA requires plans to provide participants with information about plan features and funding, identifies fiduciary responsibilities, mandates participant grievance and appeals processes and gives participants the right to sue for benefits and breaches of fiduciary duty.

# 11. GLOSSARY OF RETIREMENT PLAN TERMS *(continued)*

**Fidelity Bond** – As a protection for retirement plans, those who handle plan funds or other plan property must be covered by a fidelity bond. A fidelity bond is a type of insurance that protects the plan against loss resulting from fraudulent or dishonest acts of those covered by the bond. The required bond amount is 10% of plan assets (with a \$1,000 minimum and a \$500,000 maximum, unless plan assets include employer securities).

**Fiduciary** – A retirement plan fiduciary is any person who:

- Is named in the plan document as a fiduciary, or is appointed as a fiduciary
- Exercises discretionary authority or control over plan assets and/or plan management
- Provides investment advice for compensation with respect to plan assets

(Every plan must have at least one named fiduciary, and it's often the plan sponsor.)

**5500 Series Forms** – The 5500 Annual Return/Report Forms are a series of documents used by plan sponsors to comply with the ERISA and Internal Revenue Service annual reporting requirements. The annual filing reports financial, investment and operational information about pension and welfare benefit plans.

**Hardship Withdrawals** – Retirement plans may offer hardship withdrawals for participants who have an “immediate and heavy financial need.” Determining whether a financial need qualifies as a hardship depends on specific facts and circumstances; however, certain expenses are deemed to automatically qualify: certain medical expenses; costs relating to the purchase of a principal residence; tuition and related educational fees and expenses; payments needed to prevent eviction from, or foreclosure on, a principal residence; burial or funeral expenses; and certain expenses for the repair of damage to a participant's principal residence.

**Investment Policy Statement (IPS)** – An IPS is the foundation for plan investment decisions. It establishes the objectives for the management of a plan's investments, including establishing criteria for investment selection, evaluation and monitoring. An IPS enables plan sponsor fiduciaries to be more disciplined and systematic in their decision-making. Although Investment Policy

Statements are not explicitly required under ERISA, the DOL has issued guidance stating that having an IPS is consistent with the fiduciary obligations of loyalty and prudence.

**Key Employee** – A key employee is an employee who, at any time during a plan year, is:

- More than a 5% owner of the employer (family attribution rules apply)
- More than a 1% owner of the employer with annual compensation greater than \$150,000 (family attribution rules apply)
- An officer with annual compensation greater than \$170,000 for 2014 (qualifying compensation changes; \$165,000 is level for 2013)

**Loans** – Qualified retirement plans can allow participants to borrow from the plan. The plan document must specify if loans are permitted, but in no event can participants' aggregated plan loans exceed the lesser of 50% of their vested account balance or \$50,000.

**Plan Audit** – ERISA requires retirement plans with 100 or more participants to be annually audited by an independent qualified public accountant. Audited financial statements, and the accountant's report on the fairness and consistency of the information presented, must be filed with Form 5500.

**Plan Document** – Retirement plans begin with a written document under which the plan is established and operated.

**Prohibited Transactions** – To prevent dealings with parties who may be in a position to exercise improper influence over the plan, certain retirement plan-related transactions are prohibited by ERISA. In addition, plan fiduciaries are prohibited from engaging in self-dealing and must avoid conflicts of interest that could harm the plan.

**Qualified Defined Investment Alternative (QDIA)** – ERISA 404(c)(5) provides that in self-directed plans where participants have an opportunity to direct their plan investments but fail to do so, plan fiduciaries will be protected from liability if those participants' balances are invested in a QDIA.

# 11. GLOSSARY OF RETIREMENT PLAN TERMS *(continued)*

**“Reasonable” Fees** – Fees are just one of several factors plan sponsor fiduciaries need to consider in selecting service providers and plan investment options. ERISA does not specify acceptable fee levels, nor does it require plan sponsors to select the lowest fees. But, it does require that plan fees be “reasonable.” After careful evaluation during the initial service provider selection, plan fees and expenses need to be annually monitored to ensure they continue to be reasonable.

**Safe Harbor 401(k) Plan** – A safe harbor 401(k) is similar to a traditional 401(k) plan, except the employer must make contributions for all eligible employees. Employees are always 100% vested in the value of these employer contributions. Safe harbor 401(k) plans ease employer administrative burdens by eliminating the need for some of the compliance testing required for traditional 401(k) plans.

**Service Provider** – Many plan sponsors rely on individual professionals and organizations to advise them and assist them with their retirement plan responsibilities. Selecting competent service providers is one of a plan sponsor’s most important responsibilities.

**Summary Annual Report (SAR)** – An SAR is a summary of the information filed with the IRS/DOL on Form 5500, which must be furnished annually to plan participants.

**Summary of Material Modifications (SMM)** – SMMs are used to notify participants and beneficiaries of retirement plan changes, and must be distributed within 210 days after the end of the plan year in which changes are adopted.

**Summary Plan Description (SPD)** – The SPD is the primary communication vehicle used to inform participants and beneficiaries about their retirement plan and how it operates. It must be a plain-language description of key plan features including: when employees can participate, how service and benefits are calculated, when benefits become vested, when distributions are made and in what form, and how to file a claim for benefits.

**TPA** – A Third-Party Administrator is an entity that provides administrative services for retirement plans. These services usually include plan design, compliance testing, loan administration, etc.

**Trustee** – ERISA Section 403(a) requires that all plan assets (other than insurance contracts) be held in trust by a trustee named in the plan or trust document, or appointed by a named fiduciary identified in the plan document.

**Vesting** – Vesting refers to participants’ nonforfeitable right to their retirement plan benefits. Participants are always 100% vested in the value of their own contributions. Vesting in the value of benefits funded by employer contributions is based on a schedule. Plan sponsors can choose between a three-year and a six-year schedule, or opt for more accelerated vesting. Safe harbor plans must offer 100% immediate vesting for all benefits.

**1099-R Form** – 1099-Rs are the forms used to report retirement plan distributions to plan participants and the IRS.



To the extent you are receiving investment advice from a separately registered independent investment advisor, please note that LPL Financial is not an affiliate of, and makes no representation with respect to, such entity.

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