401(k) Plan Sponsor Risk Management

Educate. Advise. Guide.

Educate and inform plan sponsors of their fiduciary responsibilities

Education is the cornerstone of our process. Most 401(k) plans offer a number of common features, such as employer contributions and loans for employees. Decisions about plan features seldom involve fiduciary obligations set by ERISA because they are mainly business decisions related to establishing a plan. However, a sponsor's decision about investment features (like the menu of investment options) entail important fiduciary obligations under ERISA. Plan sponsors face challenges in fulfilling their obligations when fiduciary roles are not clearly defined, which can lead to gaps in plan oversight. Their fiduciary duties include:

- *Demonstrating Prudence*: Act with care, prudence and diligence.
- *Diversifying Investments*: Diversify the investment options of the plan so as to reduce the risk of large losses.
- *Adhering to the Plan*: Act in accordance with the plan documents and instruments governing the plan.

Define a successful retirement plan

What makes a retirement plan successful? Unless plan sponsors have a clearly defined vision of success for their plan, this question is difficult to answer. We guide our clients through a process to help them clearly define the criteria they set for plan success. Success factors may include:

- Competitive investment returns
- Ease in administration and understanding
- Increased participation rates
- Monitored expenses and fees
- Employees who understand and appreciate the benefit

Documented, prudent process

Liability of the fiduciary is determined by whether or not the fiduciary acted prudently. Prudence is demonstrated by the *process* through which investment decisions are made, not by performance. Since the duty to act prudently is one of a fiduciary's central responsibilities under ERISA, we provide our clients with a prudent process for making fiduciary decisions, documenting the background and basis of decision making along the way.

Utilize and implement appropriate Investment Policy Statement

The preparation and maintenance of the Investment Policy Statement (IPS) is one of the most critical functions of a plan sponsor. The IPS should be viewed as the business plan and the essential management tool for direction and communication of the activities of the plan. A formal process to create and review a company's Investment Policy Statement is executed and a plan is put in place to monitor key changes to this document. This document is then used to run an investment review and set a process in place to regularly monitor plan investments in accordance with the criteria in the IPS. Completing this step is critical to documenting fiduciary compliance.

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We accept the responsibility of a co-fiduciary when plan sponsors delegate investment and management functions as allowed by UPIA, UPMIFA, and ERISA. We provide our clients with:

- Quarterly monitoring reports
- Appropriate Benchmarks
- Evaluation of expenses and fees
- Fiduciary responsibility checklists

Provide evidence of due diligence

We provide our clients a packet with our credentials, training, and background to keep as evidence of their due diligence. Each client also receives our privacy policy, code of ethics, ADV II and Schedule F. Finally, we help the plan sponsor complete a due diligence review of their provider(s) every 3 years to evidence their diligence.

SEARCY FINANCIAL SERVICES, INC.
INTEGRATED WEALTH MANAGEMENT SOLUTIONS
TELEPHONE (913) 814-3800 • FACSIMILE (913) 814-3900
12980 FOSTER STREET, SUITE 160 • OVERLAND PARK, KANSAS 66213
WWW.SEARCYFINANCIAL.COM