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Engagement
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An employer's go-to resource for 401(k) plans.

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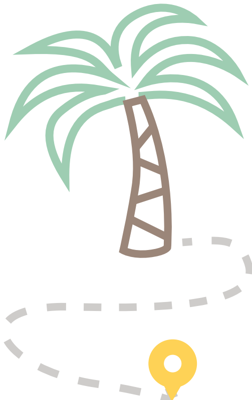

RESOURCES

Finding the Right Tools for 401(k) Success

by Nathan Fisher

When it comes to evaluating any business' 401(k) plan, there are many factors to consider, from expenses, to available investments, and even potential conflicts of interest. Perhaps most important, however, are the resources and support a 401(k) service provider has to offer both employers and their employees, resources that most providers offer but many employers and employees don't even know are available. For small to mid-sized businesses especially, these resources can mean the difference between employees' success and failure as they work to make the most of their 401(k)s and prepare for retirement.

Here, I'll review resources that can help you as the 401(k) plan manager more effectively manage your plan and resources that will help your employees get and stay on track toward retirement.

Resources for Employers

If you're like most employers in the small to mid-size business range, you don't have a ton of time to manage the retirement plan you offer. Your ultimate goal is to make sure your plan is managed well, employees perceive it as a good plan, you're limiting the risk to your business, and you still have time to do your job. The good news is that in my experience, the success of a 401(k) plan doesn't come down to the amount of time an employer spends with it, or even how hard they work in administering it. Instead, success tends to stem from how that employer leverages the resources available to them and commands a certain level of service from their provider(s).

Lean on your Service Providers

First and foremost, your 401(k) service provider(s) should have a number of skilled professionals actively servicing your plan and contributing to its overall success. It can vary from provider to provider, but your team should include:

- **A record keeper** who provides online support, might hold your assets as a custodian, and may even be a trustee for the plan;
- **An administrator** who may or may not be the same individual as your record keeper, and whose job it is to perform compliance testing to make sure your plan is compliant with updated rules and regulations, to draft the plan document, and to perform annual 5500 filings;
- **An adviser** who may help you select and even monitor your investments, and may also meet with you and your employees on a regular basis to make sure the plan is running well and help your employees with their retirement goals.

Request a Robust Fiduciary Audit File

Outside of the professionals managing your plan, your 401(k) service provider should also provide you with a **fiduciary audit file**, a document that can be either physical or electronic, which contains all of the documents an employer would need as a plan sponsor. It's best practice for you to have that file easily accessible in the event of questions that may arise about the management of the plan. Likewise, if you are ever audited by the Department of Labor, you will want to have this information at your fingertips. Some 401(k) service providers include more than others in these files, but you should insist upon the following at a minimum:

- **Plan Document:** Think of this as the master blueprint for your company's 401(k) plan. This document should describe all the features of your plan in exact detail, including plan eligibility requirements, plan entry dates, types of allowable contributions, and vesting schedules.
- **Plan Benchmark:** The Employee Retirement Income Security Act requires that any 401(k) plan's fees be "reasonable," but it does nothing to explain to employers what reasonable fees may be. To that end, your provider ought to be able to regularly provide you with an analysis that shows what different plans in the market at different levels of service pay so you know you are paying fair fees for the level of service you are being provided. It's best if this is updated at least every three years, and if it is accompanied by an unbiased report from a third party.
- **Investment Analysis:** As an employer, you aren't necessarily an investing expert yourself, but your service provider should be able to provide you with an analysis which shows you the quality of the investments being provided in your plan. This should also be accompanied by a third party report so you know what your adviser or record keeper is telling you is transparent and honest.

Login to Leverage Online Tools

Your 401(k) service provider should offer a variety of online tools to help you manage your plan, and also to help your employees make the most of it (but more on that later). Look for calculators, checklists, and other materials similar to the ones provided here in the R.E.T.I.R.E.® kit to help you understand the ins and outs of your company's specific situation.

Talk with Colleagues at other Companies

I believe this resource is often the most overlooked. Other employers in similar plans can help you evaluate any problems you have in managing your plan. Your peers can be a wealth of knowledge and experience, and any chance for collaboration can be a fruitful experience. Such individuals also have no personal interest in convincing you that one resource is better than another, so you can really talk to them about what's working and expect honest feedback.

Resources for Employees

Of course, much of the success of a 401(k) plan rests on the shoulders of employees, the ones who must take an active interest in contributing and planning for their futures. This is why it's so critical that those employees have access to resources that are directly relevant to them, from online tools to one on one financial counseling. We know that employees value 401(k) plans they can make the most of; in our own survey, we found that 80% of employees polled prefer to work for an employer that provided 401(k) support. Interestingly, though, almost half of people are not getting any kind of education or counseling for their plan, which then translates to 49% of people saying that they do not feel confident in their own ability to select investments in their plan.

Ultimately, this all leads to employees who aren't taking the right steps to maximize their retirement planning and saving through their 401(k) plans. It's key, then, that you make sure you evaluate the resources your provider offers your employees–like access to ongoing education, or to financial counselors who can meet with them one on one–to help them select investments, determine the right level of contributions to make to the plan, and answer any questions employees may have along the way.

There are many resources out there that can be very useful to employees, so make sure you have a robust blend of different types of resources for all learning styles available from your service providers, including:

- Online calculators
- Group meetings
- Individual meetings

- Emails
- Webinars
- Videos

With a broad range of tools and educational resources made available to them, your employees will be able to get the help they need in the way they prefer, which results in a more successful plan.

In this section of the R.E.T.I.R.E.® kit, you'll find tools to help you dive deeper into the resources your provider should be offering, including:

- **Audit File Guide**
- **Glossary of Terms**
- **Hardship Distribution Guidelines**
- **401(k) Loans**
- **Payroll Process**
- **RFP Process Guide**
- **Service Provider Landscape**
- **Department of Labor Guide: 401(k) Plans for Small Business (Appendix B.1)**

Review these tools to better evaluate your plan and the resources available for your success, and the success of your employees in planning for retirement.

Fiduciary Audit File Guide

ABC Company 401(K) Plan

Audit Information

The Department of Labor (DOL) requires any plan with more than 100 eligible participants to be audited annually. However, the DOL/IRS may conduct an inspection or random audit at any time. This guide is meant to help you be prepared should your plan ever be audited. As a general rule, be sure to update these documents regularly, especially payroll files, and maintain all documents in the file for at least 7 years.

Who conducts the plan audit: Typically an independent third party accounting firm, but in some cases it may be the DOL or IRS.

What you should do to be prepared:

- Form a 401(k) Administrative Committee
- Hold committee meetings at least annually
- Take & retain committee notes (list of attendees, date, agenda, basic discussion notes)
- Regularly review administrative fees being charged to the plan for reasonableness
- Maintain a Fiduciary Audit File (documents that would be helpful to have quick access to during an audit).

The following items should be maintained and kept in your Fiduciary Audit File (can be electronic copies).

ABC Company 401(K) Plan

Audit File Documents

Plan Documents:

- IRS Approval Letter
- Adoption Agreement
- Summary Plan Description
- Plan Document
- Plan Amendments

Investment Advisor Documents:

- Service Agreement
- Investment Policy Statement
- Fee Analysis

Recordkeeper Documents:

- Custodial/Trust Agreement
- Recordkeeping Service Agreement (RSA)
- Rollover Service Agreement
- Authorization Agreement for ACH Debits
- Fee Disclosure (408(b)(2))
- Termination Letter for Prior Recordkeeper

Participant Notices:

- Blackout Notice
- Safe Harbor Notice
- QDIA Notice
- Participant Fee Disclosure (404(a)(5)) including Fund Fact Sheets

Custodial Documents:

- Service Agreement
- Fee Disclosure (408(b)(2))

Trust Documents:

- Trust Application
- Declaration of Trust
- Disclosure Memorandum
- Fee Disclosure (408(b)(2))

Ongoing Administrative Documents:

- Documentation of Internal Process:
  - Roles & Responsibilities
  - Payroll Process
- 401(K) Administrative Committee Meeting Minutes
- Annual Nondiscrimination Test Reports
- Annual Census Data
- Annual Statements
- Participant Distribution and Loan Forms
- DOL or IRS Correspondence
- Prior Year 5500 Filed with DOL including extensions if applicable
- Summary Annual Report
- Fidelity Bond Insurance
- Payroll Related Information (example: the employee census file)

Glossary of Terms

Sources: www.401khelpcenter.com, www.irs.gov, www.sec.gov

12(b)1 Fees
A type of mutual fund fee that is used to compensate brokers for selling certain funds, like a commission. Typically the fee ranges from .25-1%, and is included in the fund's expense ratio.

3(21) Investment Adviser
A paid professional who provides investment recommendations for the 401(k) plan to the plan sponsor. However, the plan sponsor ultimately retains the decision making authority and may accept or reject the recommendations. A 3(21) Investment Adviser shares fiduciary responsibility with the plan sponsor.

3(38) Investment Manager
An authorized investment professional responsible for selecting, monitoring and replacing investments in the 401(k) plan. A 3(38) Investment Manger relieves the plan sponsor of fiduciary responsibility for managing the plan's investment lineup.

401(k) Plan
An IRS-qualified savings plan that is sponsored by an employer to allow employees to save for retirement directly from their paycheck on a post-tax and/or pre-tax basis.

401(k) Plan Sponsor:
A designated party—typically the employer—who sponsors a 401(k) plan for the benefit of the plan participants—typically its employees.

403(b) Plan
Section403(b) of the Internal Revenue Code allows employees of public school systems and certain charitable and nonprofit organizations to establish tax-deferred retirement plans which can be funded with either annuities or mutual fund shares. A 403(b) is similar to a 401(k), but is exclusively for certain tax-exempt organizations, certain ministers, and public schools.

404(a)5
This is a regulation regarding "participant disclosures" which requires that sponsor of participant-directed ERISA plans provide specific information to all plan participants (including those eligible but not participating) including fees, expenses and other plan and investment-related information.

404(c)
Optional regulation on plan sponsors to provide certain information and fund choices so plan participants can make informed decisions about their retirement plan investments.

408(b)2

This is a regulation regarding "sponsor disclosures" which requires covered service providers to provide fiduciaries of ERISA plans with a description of the services they provide, the compensation they expect to receive in connection with those services and identification of any services provided as a fiduciary.

A

Active Management

When a person or team actively makes investment decisions within a fund. The opposite of active management is called passive management, which is also known as "indexing."

Actual Contribution Percentage (ACP)

This is a type of annual compliance testing that must be performed on a 401(k) plan to make sure the plan doesn't disproportionally benefit the highly compensated employees. It is calculated by taking the average ratios of combined contributions to compensation for both highly compensated and non-highly compensated employees. The results are averaged out within the 2 groups and then compared.

Actual Deferral Percentage (ADP)

This is a type of annual compliance testing that must be performed on a 401(k) plan to make sure the plan doesn't disproportionally benefit the highly compensated employees. It is calculated by taking the proportion of each participant's compensation to deferral rate for all highly compensated and non-highly compensated employees. The results are averaged out within the 2 groups and then compared.

Administrator

A service provider for a 401(k) plan who maintains the plan document, performs annual compliance testing, and prepares annual IRS filings like Form 5500. The administrator may be the same party as the record keeper. If the administrator is not the same party as the record keeper, they might be called a Third Party Administrator.

Adoption Agreement

The section of a retirement plan document that allows the employer to choose the provisions that apply to its employer-sponsored retirement plan.

Advisory Letter

A written statement issued by the Internal Revenue Service (IRS) to a volume submitter practitioner or volume submitter mass practitioner as to the acceptability of the form of a specimen plan and any related trust or custodial account under 401(a).

Annual Defined Contribution Limit
This is correct but needs to be reviewed/updated annually. More generally this is "The maximum 401k contribution limit that applies to all employee and employer 401k contributions in a calendar year. This limit is the lesser of 100% of the employee's total pre-tax compensation or a fixed amount that can change annually".

Annuity
A contract by which an insurance company agrees to make regular payments to someone for life or for a fixed period.

Asset
A resource that has economic value to its owner. Examples of an asset are cash, accounts receivable, inventory, real estate, and securities.

Asset Allocation
The dividing of an investment portfolio among the major asset categories. The most important decision investors will make.

Asset allocation fund
A common type of mutual fund that spreads its portfolio among a wide variety of investments, including domestic and foreign stocks and bonds, government securities, and real estate stocks. This gives small investors far more diversification than they could get allocating money on their own. Some of these funds keep the proportions allocated between different sectors relatively constant, while others alter the mix as market conditions change.

Automatic Contribution Arrangement (ACA)
A feature in a plan whereby a covered employee's compensation is reduced by an amount specified in the plan and contributed to the plan on the employee's behalf unless the employee makes an affirmative election to have a different amount or no amount contributed to the plan. In the case of a 401(k) plan with an automatic contribution arrangement, the amounts withheld from employees' compensation are contributed to the plan as elective deferrals and the percentage of compensation contributed is called the default deferral rate.

Automatic Enrollment
A plan feature where all eligible employees are automatically enrolled in the plan without requiring the employees to submit a request to participate. Employees who do not want to make deferrals to the plan must actively file a request to be excluded from the plan.

Automatic Escalation
A plan feature which allows participants to elect to automatically increase their elective deferrals on a periodic basis. For example, every January 1st, the elective deferral automatically increases by 1%.

B

Balanced Fund
A common type of mutual fund that maintains a balanced portfolio, generally 50% bonds and 50% stocks. This percentage can vary.

Benchmark
A standard point of reference against which investment performance within each fund of the 401(k) plan can be assessed. Plan fees and services can also be benchmarked.

Blackout Period
The period of time that a 401(k) plan goes offline during a service provider transition. Participants are not able to make any adjustments to their accounts during this time.

Bond
A certificate of debt issued by a company or the government. Bonds generally pay a specific rate of interest and pay back the original investment after a specified period of time.

Bundled Plan
A 401k package which includes all investment, administration, education, and recordkeeping that is sold as one unit. This is in contrast to a basic 401k plan in which the plan sponsor can individually hire each component provider separately.

Buy-and-Hold
A strategy in which the stock portion of your portfolio is fully invested in the stock market at all times.

C

Cash Balance Plan
A type of defined benefit plan that can be used alongside a 401(k) plan in order to allow higher maximum contribution limits. All contributions come from the company and are pooled and trustee-directed. Each participant has an account that is credited with a dollar amount that resembles an employer contribution, generally determined as a percentage of pay. Each participant's account is credited with earned interest.

Capital Gain
An increase in the value of a capital asset such as common stock. If the asset is sold, the gain is a "realized" capital gain. A capital gain may be short-term (one year or less) or long-term (more than one year).

Catch-up Provision
A provision found in some 401(k) plans that allows eligible employees who are at least age 50 to make higher annual contributions in the years prior to retirement.

Certificate of Deposit
A bank deposit that pays a specified rate of interest for a certain period of time.

Churning
The unethical and excessive trading of a client account in order to generate commissions for a broker. This is typically not in the best interest of the client because not only does the client pay high commissions, they can also get stuck with a high tax bill due to the short-term holding of assets.

Cliff Vesting
A 401(k) plan with "Cliff Vesting" vests 100% of employer contributions after a specified number of years of service. After three years of service, benefits must be fully vested.

Collective Funds
An investment vehicle that functions like a mutual fund, but it is sponsored by a bank and is only available to qualified retirement plans—like 401(k) plans. They are also referred to as collective investment trusts (CITs) or collective investment funds (CIFs).

Common stock
An investment representing ownership interest in a corporation.

Compliance Testing
Testing required by the IRS to make sure that the 401(k) plan is fair to both highly compensated and ordinary employees.

Compounding
The ability of an asset to generate earnings that are then reinvested and generate their own earnings (earnings on earnings).

Contingent Beneficiary
A contingent beneficiary stands second-in-line, behind the primary beneficiary, to inherit the assets of a retirement plan.

Contribution Limits
Annual limits set by the IRS on the amount that can be contributed to a 401(k) plan. For 2023, the maximum an individual can contribute is $22,500 (plus $7,500 in catch up for those 50 and older). The total that can be contributed on behalf of an individual (individual contribution + employer contribution) is $66,000 (plus $7,500 in catch up for those 50 and older)

Controlled Group
A group of trades or businesses (employers) that are related through ownership. A controlled group of employers is either (1) one or more chains of employers connected through ownership with a common parent employer where at least 80% of each employer, other than the common parent, is owned by one or more of the other employers and the common parent owns at least 80% of one or more of the other employers ("parent-subsidiary controlled group"); (2) two or more employers where five or fewer common owners satisfy an 80% common ownership test and a 50% identical ownership test ("brother-sister controlled group"); or (3) three or more employers where each employer is in either a parent-subsidiary controlled group or a brother-sister controlled group and at least one of the employers is the common parent employer in a parent-subsidiary controlled group and is also in a brother-sister controlled group ("combined group").

Corrective Distribution
A distribution of funds from the plan to correct a nondiscrimination test or to correct a contribution in excess of a statutory limitation.

Custodian
The bank or trust company that maintains a retirement plan's assets, including its portfolio of securities or some record of them. Provides safekeeping of securities, but has no role in portfolio management.

D

Deemed IRA
The "Deemed IRA" (also called a "Sidecar IRA") was part of "The Economic Growth and Tax Reconciliation Act of 2001" (EGTRRA), although the concept has been around since the early 1980's. Basically, if your 401(k) plan adopts this provision of EGTRRA, for plan years beginning on or after January 1, 2003, a 401(k) plan may allow employees to make voluntary employee contributions to a "Deemed IRA" which is a separate account established under the plan.

Default
A failure to repay a plan loan in accordance with the provisions specified in the plan document. The document must identify the events that constitute the failure and the parameters for any grace period.

Default Deferral Rate
In the case of an automatic contribution arrangement in a 401(k) plan, the percentage of compensation, specified in the plan, withheld automatically from a covered participant's compensation (unless the participant elects otherwise) and contributed to the plan as an elective deferral.

Deferral Rate
The percentage of income that participating employees contribute to the plan. Also called the elective deferral rate or savings rate.

Defined Benefit Plan
An employer maintained plan that pays out a specific, pre-determined amount to retirees. Defined benefit plans are guaranteed by PBGC.

Defined Contribution Plan
A defined contribution plan does not promise a specific benefit at retirement, but does provide regular, set contributions to a pension fund. Defined contribution plans tend to be less expensive than defined benefit plans.

Deflation
The increase of purchasing power due to a general decrease in the prices of goods and services.

Department of Labor (DOL)
The federal agency responsible for work-related benefits and rights, including administering ERISA.

Depreciation
Decrease in the value of an investment over time.

Direct Rollover
A tax-deferred transfer of assets from one qualified retirement plan to another qualified retirement plan or IRA. Sometimes called a "trustee to trustee" transfer. The transfer is made without any funds being sent directly to the plan participant.

Discrimination Testing
All tax-qualified retirement plans must be administered in compliance with several regulations to meet Internal Revenue Service guidelines, every tax qualified retirement plan (like a 401(k)) must pass a series of numerical measurements each year. These include the ADP Test (Actual Deferral Percentage), ACP Test (Actual Contribution Percentage), Multiple Use Test and Top-heavy Test. Typically, doing these tests is called discrimination testing.

Designated Roth Contribution
An elective deferral designated as a Roth contribution when contributed to the plan and which is not excludable from gross income.

Diversification
The practice of spreading risk by investing in a number of securities that have different return patterns over time. When one investment is yielding a low or negative rate of return in a diversified portfolio, another investment may be enjoying positive or above-normal returns.

Dollar-Cost Averaging

The process of buying securities at regular intervals and at a fixed dollar amount. This is typically accomplished with periodic contributions to a 401(k) plan. When prices are lower, the investor buys more shares or units; when prices are higher, the investor purchases fewer shares or units. Over time, this typically results in a better average price for all shares or units purchased.

Dow Jones Industrial Average (DJIA)

Price-weighted average of 30 actively traded blue-chip stocks, traditionally of industrial companies.

E

Elective Deferral

An amount contributed to a 401(k) plan by an employee. Elective deferrals can be either pre-tax or designated as Roth contributions if the plan has a Roth option.

Eligible Automatic Contribution Arrangement (EACA)

A type of automatic contribution arrangement that may be included in a 401(k) plan. Under the feature, a participant may elect to receive a one-time distribution of elective deferrals withheld under the automatic contribution arrangement. The arrangement must satisfy a uniformity requirement and a notice requirement.

Employee Stock Ownership Plan (ESOP)

A type of defined contribution plan that is invested primarily in employer stock.

Employer Matching Contribution

The amount, if any, that the employer contributes to the employee's 401k account. Matching contributions are usually configured to provide a set percentage of an employee's contribution up to a fixed limit.

Employer Discretionary Contributions

If the 401(k) plan allows for employer discretionary contributions, then the employer is able to make an optional contribution at plan-year end in the form of increased matching contributions and/or a profit sharing contribution. These employer contributions are considered a tax-deductible business expense and also grow on a tax-deferred basis.

Equities

Also known as stocks, equities give the investor a portion of ownership. Real estate and common stocks represent equity instruments. Usually, their chief benefit is potential growth in value.

ERISA

Employee Retirement Income Security Act or ERISA. This law was passed in 1974 and is a comprehensive package dealing with all areas of pensions and employee benefits, not just 401k plans. ERISA includes requirements on pension disclosure, participation standards, vesting rules, funding, and administration.

ERISA Plan Audit

An examination of a 401(k) plan's financial statements conducted by a certified public accountant. Plans with more than 100 participants are required to be audited annually.

Exchange Traded Fund (ETF)

a marketable security that tracks an index, a commodity, bonds, or a basket of assets like an index fund.

Expense Ratio

The ratio of total expenses to net assets of a mutual fund. Expenses include management fees, 12(b)1 charges, if any, the cost of shareholder mailings and other administrative expenses. The ratio is listed in a fund's prospectus. Expense ratios may be a function of a fund's size rather than of its success in controlling expenses.

F

401(k) plan

A tax-deferred retirement plan that can be offered by businesses of any kind. A company's 401k plan can be a "cash election" profit-sharing or stock bonus plan, or a salary reduction plan. A 401k plan carries many unique advantages for both employer and employee.

403(b) plan

SECTION 403(b) of the Internal Revenue Code allows employees of public school systems and certain charitable and nonprofit organizations to establish tax-deferred retirement plans which can be funded with mutual fund shares. A 403(b) is similar to a 401(k), but is exclusively for certain tax-exempt organizations, certain ministers, and public schools.

404(c)

Optional regulation on plan sponsor to provide certain information and fund choices so plan participants can make informed decisions about their retirement plan investments.

Fiduciary

An individual or a institution charged with the duty of acting for the benefit of another party as to matters coming within the scope of the relationship between them. For example, any person who exercises any discretionary authority or control over the management of a 401k retirement plan or its assets.

Fiduciary Audit File
A compilation of all documents a plan sponsor would need in the event of a plan audit. Can be maintained as a physical or electronic file.

Fiscal Year
An accounting period consisting of 12 consecutive months.

Fixed-Income Securities
Investments that represent an IOU from the government or a corporation to the investor and offer specific payments at predetermined times. Public and private bonds, government securities, and the 401(k)'s guaranteed accounts, are fixed-income investments. Guaranteed fixed-income accounts offer investors a guarantee against the loss of both principal and the interest earned on that principal.

Force Out
A terminated employee that still has a balance in the 401(k) plan can be "forced out" of the plan if their balance is less than $5000. Removing these employees from the plan can help minimize plan administration costs.

Forfeiture
The part of an employee's account balance (employer contributions) that is lost because it is not vested when the employee terminates employment.

Form 5500
A compliance, research and disclosure tool for the Department of Labor. Every 401(k) must file one annually in order to remain compliant.

Frozen Plan
A plan under which accruals and/or contributions have ceased but assets are still held for participants and beneficiaries.

G

Gap Analysis
A comparison between how much income an individual is projected to have during retirement and their projected financial needs during retirement. The gap between these two numbers helps individuals understand whether they are on track to achieve their retirement goals.

GNMA (Ginnie Mae)
Fixed-income securities that represent an undivided interest in a pool of federally insured mortgages put together by GNMA, the Government National Mortgage Association.

Glide Path
The gradual reduction of risk within a portfolio based on the number of years to a target date (typically a retirement date). This is achieved by adjusting the allocation of assets to more conservative investments. This term is typically used when referring to target-date mutual fund strategies.

Guaranteed Investment (Interest) Contract (GIC)
A debt instrument sold in large denominations issued by Insurance Companies and often bought for retirement plans. The word guaranteed refers to the interest rate paid on the GIC; the principal is at risk. The company issuing the GIC makes the guarantee, not the U.S. Government.

H

Hardship Withdrawal
An in-service distribution from the plan which is made because the participant has suffered severe financial difficulty or an extraordinary event as defined by the plan document.

Highly Compensated Employee (HCE)
For 2017, any employee who:

- Earned greater than $120,000 in gross compensation in 2016; or
- Is a 5% (or greater) owner of the company; or
- Is a direct family member (spouse, child, parent, grandparent) of a 5% (or greater) owner of the company

I

Investment Adviser
A service provider for a 401(k) plan who may help select and monitor investments, and meet with you and your employees on a regular basis to make sure the plan is running well and help employees with their retirement goals.

Income Fund
A common type of mutual fund that primarily seeks current income rather than growth of capital. It will tend to invest in stocks and bonds that normally pay high dividends and interest.

Index
A statistical measure of the changes in a portfolio representing a market. The Standard & Poor's 500 is the most well-known index, which measures the overall change in the value of the 500 stocks of the largest firms in the U.S.

Index Fund
A common type of mutual fund that seeks to mirror general market performance by matching its portfolio to an index. For example, the Standard & Poor's 500-stock index.

Individual Retirement Account (IRA)
A personal, tax-sheltered retirement account available to wage earners not covered by a company retirement plan or, if covered, meet certain income limitations.

Individual Retirement Account (IRA) Rollover
A provision in the IRA law allowing individuals who receive lump-sum payments from pension or profit-sharing plans to "roll-over" into, or invest that sum in, an IRA. IRA funds can be "rolled-over" from one investment to another.

Inflation
The loss of purchasing power due to a general rise in the prices of goods and services.

In-Service Withdrawal
A withdrawal from a retirement savings plan by a participant who remains employed. In-service withdrawals of elective deferrals are prohibited by law prior to age 59 ½. While allowed by law after that age, only some plans allow for it.

Insider Trading
Trading by management or others who have special access to unpublished information. If the information is used to illegally make a profit, there may be large fines and possible jail sentences.

Integration
A pension design tool in which contributions reflect the existence of Social Security benefits. In this process, FICA taxes are considered part of the contribution to the pension fund. Since Social Security provides a greater percentage benefit to lower paid employees, integration allows the company to increase contributions to higher paid employees.

Interest
What a borrower pays a lender for the use of money. This is the income receivable from a bond, note, certificate of deposit, or other form of IOU.

Investment Adviser
A person who manages assets, making portfolio composition and individual security selection decisions, for a fee, usually a percentage of assets invested.

J

K

Keogh Plan
Also known as H.R. 10 Plans, this is a tax-deferred retirement account for self-employed individuals or employees of unincorporated businesses

Key Employee
An employee who at any time during the plan year owns more than 5% of the business, or owners more than 1% of the business and has annual compensation greater than $150,000, or is an officer and has annual compensation greater than $170,000 (for 2017).

L

Lagging Indicator
Economic indicator that changes directions after business conditions have turned around.

Leading Indicator
Economic indicator that changes direction in advance of general business conditions.

Lifestyle Fund
A mutual fund that maintains an asset allocation based on the expected retirement age of the investor; generally, the investor's portfolio will be shifted into less-risky assets as s/he grows older, or closer to the time when s/he wants to withdraw his investment.

Liquidity
The degree of ease and certainty of value with which a security can be converted into cash.

Longevity Risk
The risk of outliving one's retirement savings and income.

Lump Sum
The distribution, in a single payment, of a participant's entire vested accrued benefit under the plan (or what remains of the participant's vested benefit at the time of the single-sum distribution).

M

Margin
The use of borrowed money to purchase securities (buying "on margin").

Market Risk
The volatility of a stock price relative to the overall market or index as indicated by beta.

Market Sentiment
The feeling, sentiment, or tone of a market. This is usually shown by the activity or price movement of the securities represented within the market. For example, a bullish market sentiment would be indicated by rising prices and strong demand for securities, while a bearish sentiment would be indicated by falling prices and a lack of demand for securities.

Market Timing
Attempting to leave the market entirely during downturns and reinvesting when it heads back up.

Matching Contribution
Employer contributions that are made on account of elective deferrals or employee after-tax contributions.

Minimum Contribution
A contribution required to be made to a plan in any year in which it is determined to be top-heavy.

Money Market Fund
A common type of mutual fund that aims to pay money market interest rates. This is accomplished by investing in safe, highly liquid securities, including bank certificates of deposit, commercial paper, U.S. government securities and repurchase agreements.

Money Purchase Plan (MPP)
A defined contribution plan in which employer contributions are usually determined as a percentage of pay. Forfeitures resulting from separation of service prior to full vesting can be used to reduce the employer's contributions or be reallocated among remaining employees.

Mutual Fund: A type of pooled investment vehicle regulated by the Securities and Exchange Commission. Investors' money is collectively invested in other securities, like stocks or bonds.

N

Named Fiduciary
The plan document must name one or more fiduciaries (called the "Named Fiduciary") with the duty and the power under ERISA to control, manage and administer the plan. The Named Fiduciary can be an employee of the plan sponsor or an independent party.

NASDAQ
National Association of Securities Dealers Automated Quotations System. This is a computerized system that provides up-to-the-minute price quotations on about 5,000 of the more actively traded over-the-counter stocks.

Net Asset Value (NAV)
The current market worth of a mutual fund share. Calculated daily by taking the fund's total assets, securities, cash and any accrued earnings deducting liabilities, and dividing the remainder by the number of shares outstanding.

Non-Discrimination Rules
Rules denying an employer, employee or both the benefit of tax advantages if the plan discriminates in favor of highly compensated or key employees as demonstrated by government-specified discrimination tests.

Non-Elective Contribution
A type of contribution an employer makes to their employee's retirement plan account regardless of whether the employees make a contribution to the plan.

Non-Highly Compensated Employee (NHCE)
Any employee that is not a highly compensated employee. This group of employees is determined on the basis of compensation or ownership interest. See Highly Compensated Employee.

Non-Qualified Deferred Compensation Plan
A plan subject to tax, in which the assets of certain employees (usually Highly Compensated Employees) are deferred.

Non-Qualified Plan
A pension plan that does not meet the requirements for preferential tax treatment. This type of plan allows an employer more flexibility and freedom with coverage requirements, benefit structures, and financing methods.

O

Opinion Letter
A written statement issued by the IRS to a sponsor or master and prototype mass submitter as to the acceptability of the form of a master/prototype plan under §401(a) and, in the case of a master plan, the acceptability of the master trust under §501(a).

Orphan Plan
A defined contribution plan for which there is no plan sponsor or other plan fiduciary willing to act with respect to the plan.

P

Participant
An employee who is eligible to either make contributions to the retirement plan or to share in employer contributions to the plan.

Participant Contributions
The dollars that employees contribute to their 401(k) plans.

Participant-Directed Account
A plan that allows participants to select their own investment options.

Participant-Directed Investing
In this case, the employee decides how to invest his or her funds. It is the company's responsibility to offer a variety of investment opportunities so that the employee can make investments according to his or her long term goals.

Participation Rate
The percentage rate at which eligible employees participate (make contributions) in a plan. Many plans use this as a metric to help understand how engaged their employees are in the plan. It is calculated by taking the number of employees participating in the plan divided by the total number of employees that are eligible to participate in the plan.

Plan Administrator
The individual, group or corporation named in the plan document as responsible for day to day operations. The plan sponsor is generally the plan administrator if no other entity is named.

Plan Benchmark
A process to help determine whether fees paid by plans are "reasonable." Typically, this is done by comparing the fees paid by similarly sized plans receiving similar services.

Plan Document
A written instrument under which the plan is established and operated.

Plan Fiduciary
Anyone who exercises discretionary authority or discretionary control over management or administration of the plan, exercises any authority or control over management or disposition of plan assets, or gives investment advice for a fee or other compensation with respect to assets of the plan.

Plan Sponsor
The entity (generally the employer) responsible for establishing and maintaining the plan.

Plan Trustee
Someone who has the exclusive authority and discretion to manage and control the assets of the plan. The trustee can be subject to the direction of a named fiduciary and the named fiduciary can appoint one or more investment managers for the plan's assets.

Plan Vendor
Companies that administer, service and/or sell 401(k) plans. They are generally employed by the plan sponsor.

Plan Year
The calendar or fiscal year for which plan records are maintained.

Portability
This occurs when, upon termination of employment, an employee transfers pension funds from one employer's plan to another without penalty.

Portfolio
The group of individual securities held by a person or an institution.

Present Value
The value today of a future payment, or stream of payments, discounted at some appropriate interest rate.

Principal
The original amount of money invested or lent, as distinguished from profits or interest earned on that money.

Profit Sharing Plan
A defined contribution pension plan that uses a variable level of contributions based on company profits. Profit sharing plans allow firms to limit allocations to a pension fund in lean years. However, they suffer from lower maximum deduction limits than standard plans.

Prohibited Transaction
Activities regarding treatment of plan assets by fiduciaries that are prohibited by ERISA. This includes transactions with a party-in-interest, including, sale, exchange, lease, or loan of plan securities or other properties. Any treatment of plan assets by the fiduciary that is not consistent with the best interests of the plan participants is a prohibited transaction.

Prospectus
The written statement that discloses the terms of a securities offering or a mutual fund. Strict rules govern the information that must be disclosed to investors in the prospectus.

Prudent Investor Rule
The latest development in evaluating fiduciary prudence. The current (1992) model uniform act differs from the traditional Prudent Man Rule in that it indicates that: (1) no asset is automatically imprudent, but must be suitable to the needs of the beneficiaries, (2) the entire portfolio is viewed when evaluating the prudence of a fiduciary, and (3) certain actions can be delegated to other agents and fiduciaries. ERISA [§ 404(a)(1)(C)] generally follows the approach of the Prudent Investor Rule.

Q

Qualified Automatic Contribution Arrangement (QACA)
A type of automatic enrollment arrangement with a special Safe Harbor provision that exempts a 401(k) plan from annual ADP and ACP testing requirements.

Qualified Default Investment Alternative (QDIA)
A plan's default investment option that is used when a plan participant has not made an investment selection for their 401(k) assets.

Qualified Domestic Relations Order (QDRO)
A judgment, decree or order that creates or recognizes an alternate payee's (such as former spouse, child, etc.) right to receive all or a portion of a participant's retirement plan benefits.

Qualified Nonelective Contribution (QNEC)
A contribution made by the employer to correct a 401(k) plan's ADP or ACP testing failure.

Qualified Plan
A private retirement plan that meets the rules and regulations of the Internal Revenue Service. Contributions to such a plan are generally tax-deductible; earnings on such contributions are always tax sheltered until withdrawal.

R

Real Rate of Return
The annual percentage return realized on an investment, adjusted for changes in the price level due to inflation or deflation.

Record Keeper
A service provider for a 401(k) plan who keeps track of the different money sources in the plan, provides online support and participant statements. The record keeper may also perform administrative, custodial or trustee functions.

Retirement Readiness
The degree to which plan participants are on track to achieve their financial retirement goals.

Request for Proposal (RFP)
A document issued by a plan sponsor asking service providers to respond with written proposals, enabling a formal comparison among multiple service providers.

Rollover
The process of moving money from 1 qualified account to another. For example, you can roll an IRA into a 401(k) account.

Roth 401(k)
A 401(k) feature that allows employees to make elective contributions on an after-tax basis. Withdrawals, generally after age 59½, of any money from the account (including investment gains) are tax-free.

S

Safe Harbor 401(k)
A Safe Harbor 401(k) is similar to a traditional 401(k) plan, but the employer is required to make annual contributions for each employee that are immediately vested. These contributions can be structured as a match (100% match on the first 2% and 50% match on the next 2%) or a 3% non-elective which goes to each eligible employee regardless of whether they contribute. The advantage of a Safe Harbor 401(k) plan is that they are deemed to automatically pass ADP and ACP compliance testing.

Salary Reduction Plan (Cash or Deferred Arrangement)
A CODA is a defined contribution plan that allows participants to have a portion of their compensation (otherwise payable in cash) contributed pre-tax to a retirement account on their behalf. They include 401(k), 403b and 457 plans.

Service Provider
A company that provides some type of service to a 401(k) plan, including managing assets, recordkeeping, providing plan education, and plan administration. Examples of service providers include investment adviser, record keeper, third-party administrator (TPA).

Self-Directed Brokerage Account
An option within a 401(k) plan that allows the participant to invest in funds, stocks or bonds outside of the plan's investment lineup.

Sidecar IRA
See "Deemed IRA"

Socially Responsible Investing

An investment strategy that only purchases securities of individual companies that espouse some form of social responsibility. For example, "green" funds that target investments reflecting environmental awareness.

Summary Plan Description (SPD)

A brief summary of the plan's provisions and features. ERISA requires a Summary Plan Description (SPD) be distributed to each plan participant and to each beneficiary receiving benefits under the plan as follows: For existing plans, a new participant must receive a copy of the SPD within 90 days after becoming a participant, and a beneficiary must receive a copy within 90 days after first receiving benefits.

T

Target Benefit

A target benefit plan is a defined contribution plan that acts much more like a defined benefit plan. Contributions are set for each year, but are variable based on the age of the employee. This allows older employees to receive similarly sized pensions as younger employees despite having less time for investments to grow.

Target Date Fund

A mutual fund type that automatically reduces the risk within its portfolio by resetting the asset mix between stocks, bonds and cash to be more conservative based on the number of years to a target date.

Tax-Free Rollover

Provision whereby an individual receiving a lump sum distribution from a qualified pension or profit sharing plan can preserve the tax-deferred status of these funds by a "rollover" into an IRA or another qualified plan if rolled over within sixty days of receipt.

Third Party Administrator (TPA)

A party hired by a plan or its fiduciaries to conduct annual plan administration, including preparing IRS Form 5500, performing compliance testing and maintaining the plan document.

Top Heavy

When greater than 60% of the total assets in a 401(k) plan belong to key employees, the plan is deemed top heavy. If a plan is top heavy, the employer may be required to make a minimum top heavy contribution to non-key employees.

Treasury Bill

Short-term debt security issued by the federal government for periods of one year or less.

Treasury Bond
Longer-term debt security issued by the federal government for a period of seven years or longer.

Treasury Note
Longer-term debt security issued by the federal government for a period of one to seven years.

U

Unbundled Plan
When the record keeper and administrator (TPA) for a 401(k) plan are two separate vendors. In a bundled plan, the record keeper and administrator are the same vendor.

V

Valuation
The process of determining the current worth of an asset.

Vesting
The period of time an employee must work at a firm before gaining access to employer-contributed pension income. For 401(k) plans, employee contributions are immediately vested, but employer contributions may be vested over a period of several years.

Volume Submitter Plan
A type of retirement plan that has been pre-approved by the IRS.

W

Wilshire 5000 Equity Index
A stock market measure comprising 5,000+ equity securities. It is the broadest US stock market index and includes all New York Stock Exchange and American Stock Exchange issues and the Nasdaq Stock Market. It is a capitalization-weighted index.

Y

Yield
The amount of interest paid on a bond divided by the price. A measure of the income generated by a bond. A yield is not a total return measure because it does not include capital gains or losses.

Hardship Distribution Guidelines

What is a hardship distribution:

A hardship distribution is a withdrawal from a participant's elective deferral account made because of an immediate and heavy financial need, and limited to the amount necessary to satisfy that financial need. The money is taxed to the participant and is not paid back to the borrower's account.

What qualifies as a hardship:

Outlined below are the six qualifying reasons for a hardship withdrawal. In order to be approved for a hardship the participant will need to provide proof of one of the reasons below and complete and sign the plan hardship withdrawal form. The withdrawal form is subject to the plan sponsor's approval.

1. Uninsured and unreimbursed medical expenses: An Explanation of Benefits (EOB) form from your insurance carrier, or a copy of the letter from your HMO, detailing any out-of-pocket deductibles, co-payments or denial of coverage for services rendered.
2. Purchase of your principal residence: A copy of the Purchase and Sale Agreement signed by both the Buyer and Seller, or a copy of the Construction Contract for new construction, and a copy of estimated closing costs.
3. Post-secondary education expenses: A copy of the bill from the educational institution or a letter from the education institution (must be on the school's letterhead) attesting to the fact the student is enrolled for the next 12 months and providing the costs for tuition, room and board, and books.
4. To prevent eviction or foreclosure on your principal residence: A notice of Eviction or Foreclosure in writing from the landlord or mortgage holder, including the amount in arrears that must be paid in order to avoid eviction or foreclosure.
5. Payments for funeral or burial expenses: Copy of bill, invoice, or estimate from service provider for covered services, along with a written description of decedent's relationship to the employee.
6. Expenses for uninsured and unreimbursed casualty loss damage to your principal residence: Copy of bill, invoice, or estimate for repairs from a contractor, along with a written description of the casualty and related damage

For more information on 401(k) hardship distributions visit the IRS website:
https://www.irs.gov/retirement-plans/hardships-early-withdrawals-and-loans

401(k) Loans

What is a 401(k) Loan?

A 401(k) loan is a cash withdrawal from your 401(k) account.

- Not all plans permit loans. See your plan's Summary Plan Description or Loan Policy to see if your plan allows loans and the full terms.
- The minimum 401(k) loan amount is typically $1,000, but could be less. See your Summary Plan Description for specifics.
- The maximum loan allowed is the lesser of 50% of the participant's vested account balance, or $50,000.
- Your credit score is not affected by your 401(k) loan.

How are loans paid back?

Payments are made via payroll deduction after taxes are withheld.

- A payment schedule is created upon approval; the first payment must be made within the first 90 days of the loan.
- The typical repayment schedule is 5 years; however, loans may be paid back early.
- 401(k) loan interest rates are generally low and will be locked in at the time the loan is approved.
- Loan interest payments will be credited back to your 401(k) account.

Is there a downside to taking a loan?

When you take out a loan, you lose your 401(k) tax advantage benefit.

- Loan repayments are made after taxes are withheld, meaning you will be taxed twice—once during payroll, then again at retirement when distributions are taken.
- When you take out a loan, that money is no longer invested in the stock market, meaning you lose the benefit of possible market gains.
- 401(k) loans are subject to non-refundable service fees.

What if I miss payments or leave employment?

Late or missed payments should be made as soon as possible to avoid default.

- Default occurs when a payment is missed and is not made up by the end of the following fiscal quarter.
- Unpaid defaulted loans become taxable distributions, meaning taxes will be due on the remaining outstanding balance when year-end taxes are filed. Additional penalties may also apply.
- Outstanding balances become due upon leave of employment, default occurs unless paid immediately.

What if I have more questions?

If you have additional 401(k) loan questions, or questions about your personal account, please contact the Fisher Investments 401(k) Solutions Help Desk at 888-322-7586.

Payroll Contribution and Employee Information

Providing employee census updates with each payroll contribution is important to the success of your plan. When employee information is accurate, your service providers can track eligibility, facilitate transactions, and prepare annual administration – with limited need for corrections.

Generally, there are 5 ways to transmit employee data and payroll contributions to your plan's Recordkeeper. Each is outlined below, along with a checklist to complete each payroll period.

1. **Online Entry** – Log on to Recordkeeper Website, and enter in each employee's payroll contribution. Add new employees by entering information online, and keep current employee information up to date.
   - ☐ Review most recent participant contribution update report from Recordkeeper
   - ☐ Update payroll system with any employee contribution changes
   - ☐ Manually enter contributions by participant on Recordkeeper website
   - ☐ Manually edit to update employee census data on Recordkeeper website

2. **Excel Census File (Manual)** – Employer maintains an excel file for each pay period, updates employee information and payroll contributions manually. Employer submits to Recordkeeper.
   - ☐ Review most recent participant contribution update report from Recordkeeper
   - ☐ Update payroll system with any employee contribution changes
   - ☐ Edit file to update employee information and payroll period contributions
   - ☐ Submit file to Recordkeeper online

3. **Excel Census File (Payroll Report Generated)** – Payroll system or vendor generates a formatted excel report with all employee census data and current payroll contributions. Employer submits to Recordkeeper
   - ☐ Review most recent participant contribution update report from Recordkeeper
   - ☐ Update payroll system with any employee contribution changes
   - ☐ Review payroll generated report for accuracy
   - ☐ Submit file to Recordkeeper online

4. **180 Integrated Payroll** – Payroll Vendor automatically sends employee information and payroll contributions to Recordkeeper. Employer required to keep payroll vendor updated with contribution changes.

   - ☐ Review most recent participant contribution update report from Recordkeeper
   - ☐ Update payroll vendor with any employee contribution changes
   - ☐ Ensure all employee information is accurate in Payroll system

5. **360 Integrated Payroll** – Payroll Vendor and Recordkeeper share information with each other each payroll

   - ☐ Ensure all employee information is accurate in Payroll system

Request for Proposal (RFP) Process Guide

This is a step-by step guide to help small business 401(k) plan sponsors evaluate and select a service provider for their 401(k) plan.

The guide will walk you through the RFP Tool, which is an Excel file located on the USB drive in your RETIRE kit. The RFP tool is designed to help you organize and quantify service provider responses, and ultimately rank each service provider to help you select the one that best fits your plan.

Follow the steps below to initiate your Request for Proposal. If at any point you have questions, you can talk to an RFP Specialist by emailing info@fi401k.com.

The first step in initiating the RFP process is to determine who at your company will be involved in evaluating plan service providers—it may be an individual, or could be a committee of people. Once this has been decided, you're ready to open the RFP Tool. The RFP tool is an Excel document located on the USB drive in your RETIRE kit.

Follow the steps below to go through the RFP process:

1. Open the tab titled Part 1 – Initial Survey.
    a. Enter the name of your company
    b. This page has a survey to help you determine which areas are most important to your company when choosing a service provider for your plan. There are 27 total questions for you to rate by level of importance—high, medium or low importance. The RFP tool will weight these questions based on your answers when calculating which service provider is the best fit for your company.
        i. For example, if fees are very important to your company and you've rated fees as "high" importance, the RFP tool will give a higher weighting to questions regarding fees.
        ii. The 'Resources' column of this tab provides additional information and context for each question.

Part 1: Initial Survey		
Steps	**Your Answers**	**Resources**
1: Enter the name of your company:		
2: In order to determine what is most important to your company when choosing a service provider, rate the questions below by level of importance (use the drop down to select high, medium or low importance). The tool will use your answers to weight/score service provider responses when calculating which service provider is the best fit for your company. There are 27 total questions.		
Question 1	How many clients does the service provider company have?	This will give you a sense of how large the service provider is
Answers		
Question 2	How many employees does the service provider company have?	This will give you a sense of the size of the vendor, as well as their scalability
Answers		
Question 3	What percentage of the service provider's business is dedicated to 401(k) plans?	This will help you understand how specialized the vendor is to the 401(k) industry
Answers		
Question 4	What percentage of the service provider's 401(k) business is dedicated to 401(k) plans of similar size to yours?	This will tell you how specialized the vendor is to 401(k) plans like yours
Answers		
Question 5	How long has the service provider been in business?	This will help you determine whether this is a well-established company, a start-up company or something in between

Welcome | Part 1 - Initial Survey | Part 2 - Send Provider Survey | Part 3 - Store Provider Answers | RESOURCE - Scoring Chart | Part 4 - Score Provider Answers | Part 5 - Review Results | Calculations

2. Open the tab titled Part 2 – Send Provider Survey. This tab holds the questionnaire that you will send to each service provider, and they will send you their responses. Before you send the RFP questionnaire, you'll need to select the service providers you want to evaluate.
   a. Enter the service providers you wish to evaluate in this RFP process (this tool allows you to evaluate up to 4 at a time)
      i. If you don't know which service providers to evaluate, here is a resource that may help you make your selection: http://www.plansponsor.com/2016-Recordkeeping-Survey/?type=provider
   b. Enter the reason you selected each provider
      i. For example, Fisher Investments because of their high-touch service platform

3. Draft the RFP email you will send to the service providers (there is a sample email below and a link to one in the RFP Tool), be sure to include the following information:
   a. Name of your company
   b. Name of your plan
   c. Current payroll provider
   d. Number of employees
   e. Current assets in the plan
   f. Deadline for submitting RFP responses

g. Copy/paste the RFP questionnaire to the email

   i. Below is a sample email:

> Dear (insert service provider),
>
> My company is considering changing the service provider for our 401(k) plan, and would like to evaluate your company. Below is some information about our plan, and an RFP Questionnaire.
>
> Information about my 401(k) Plan:
>
> - Company Name: (insert the name of your company)
> - Plan Name: (insert the name of your 401(k) plan)
> - Number of Employees: (insert the total number of employees you have)
> - Current Assets in the Plan: (insert the current total assets in the 401(k) plan)
>
> Please complete the questionnaire below and return it to me via email no later than (insert date).
>
> You may reach out to me if you have any questions.
>
> Sincerely,
>
> (Insert your name)
>
> (Insert RFP questionnaire)

4. As the service providers send you their responses, use the tab titled Part 3 – Store Provider Answers to keep track of each provider's responses.

5. Once you've received responses from each provider, use the tab titled RESOURCE - Scoring Chart to determine whether their answers are "great," "good," "poor," or "NA" and record the scores in the tab titled Part 4 – Score Provider Answers.

   a. For example, if a provider responds to the question Do you Offer 3(38) Investment Management Services with the answer 'Yes, for no additional fee,' according to the Scoring Chart that is considered a "great" answer. Select the "great" option for that provider under the 3(38) question in the Score Provider Answers tab.

b. We’ve provided the framework to help you determine whether answers are good, great, etc; but if you disagree with our parameters, feel free to use your own judgement to score the provider responses.

RESOURCE: Scoring Chart

Steps

1: Once you've received & stored responses from the service providers, you are ready to score them. Below is a guide to help you determine which answers are 'Great,' 'Good,' 'Poor,' etc. You can record the scores in the next tab (Part 4 - Score Provider Answers).

	Question	N/A	Poor	Good	Great
Question 1	How many clients does your company have?	This is important information as it gives you a sense of the depth and size of the provider. There are both pros and cons to having a large client list: some plan sponsors prefer a service provider with a long list of clients, while others prefer their provider to have a smaller list. Use your judgement to determine if the response is Great, Good, Poor or NA.			
Question 2	How many employees does your company have?	This is important information as it gives you a sense of the depth and size of the provider. Use your judgement to determine if the response is Great, Good, Poor or NA.			
Question 3	What percentage of your business is dedicated to 401(k) plans?	This is important information as it gives you a sense of how specialized the provider is to 401(k) plans. Use your judgement to determine if the response is Great, Good, Poor or NA.			
Question 4	What percentage of your 401(k) business is dedicated to 401(k) plans the same size as mine?	No Answer Provided	Less than 50%	50-75%	75-100%
Question 5	How long has your company been in business?	This is important information as it gives you a sense of whether this is a start-up company that is new to the 401(k) space or a well-established company. Some plan sponsors prefer not to work with a start-up provider, while others don't mind. Please use your judgement in determining whether the response is Great, Good, Poor or NA.			
Question 6	Will my plan have a local contact?	No Answer Provided	No	Yes, for an additional fee	Yes

Welcome | Part 1 - Initial Survey | Part 2 - Send Provider Survey | Part 3 - Store Provider Answers | RESOURCE - Scoring Chart | Part 4 - Score Provider Answers | Part 5 - Review Results | Calculations

6. Once you’ve scored the responses from each service provider, open Part 5 – Review Results tab to see the weighted scoring of each service provider. This scoring is based on the topics you deemed most important and the providers’ answers to the RFP questions. The bottom of this page indicates which service provider is the best fit for your plan. You can print this page out and store it in your fiduciary audit file.

Part 4: Review Results

	Fidelity	Pts	Cuna	Pts	John Hancock	Pts	Wells Fargo	Pts	Fisher Investments
Onsite enrollment support	N/A	0.00	Great	6.67	Good	4.00	Good	4.00	Great
Advisor Fees	Poor	1.17	Good	3.50	Poor	1.17	Poor	1.17	Poor
Bundled RK/Admin Fees	Good	4.50	Good	4.50	Poor	1.50	Poor	1.50	Good
–	Great	9.17	Good	5.50	Poor	1.83	Poor	1.83	Great
–	Poor	1.50	N/A	0.00	Poor	1.50	Poor	1.50	Good
–	Good	4.50	Good	4.50	Good	4.50	Great	7.50	Good
–	N/A	0.00	Poor	1.50	Poor	1.50	Poor	1.50	Great
–	Good	4.00	Good	4.00	Poor	1.33	Poor	1.33	Great
–	Poor	1.83	Good	5.50	Poor	1.83	Great	9.17	Good
–	N/A	0.00	Good	4.50	Poor	1.50	Poor	1.50	Great
Total Score	26.7		40.2		20.7		31.0		57.7

Based on your inputs, the 401(k) provider who will best meet your needs is:

THE 401(K) SERVICE PROVIDER LANDSCAPE

Plan Sponsor

Description:
- Oversees the plan and selects providers
- Legally must act in the best interest of the plan participants and their beneficiaries
- Follows the plan documents
- Selects, or hires someone qualified to select, the plan investments
- Pays only reasonable plan expenses

Investment Advisor

Description:
- Gives advice on investments within the plan
- Plan coordination
- Employee participation & education

Types:
- Personal financial advisors without meaningful 401(k) experience
- 3(21) Investment advisors offer investment advice on limited fiduciary protection
- 3(38) Investment manager makes investment decisions and takes liability for them

Typical Fee Arrangements:
- Some charge a clear and transparent flat fee
- Others are paid by the Record Keeper based on the products they recommend to businesses
- Fees can be found on the 408b2 and the Form ADV2

Third Party Administrator (TPA)

Bundled

Description:
- Plan design
- Plan documents
- Annual compliance testing
- 5500 filing
- Some plans use a TPA, while others have the Record Keeper handle the plan administration
- Can provide a local presence and more hands on expertise for non-standard plans

Record Keeper

Description:
- Tracks contribution sources
- Provides website access
- Provides statements

Types:
- Insurance companies
- Payroll companies
- Record keeping companies
- Brokerage firms

Bundled Arrangements:
- A single vendor provides all recordkeeping and administration

Typical Fee Arrangements for TPAs and Record Keepers:
- Usually a baseline fee, a per participant fee, and ancillary fees
- Various fees are detailed on your 408b2 disclosure including : annual, per participant, plan assets, administration, group annuity fees and revenue sharing
- The plan participant fees can be found on the 404a5 disclosure

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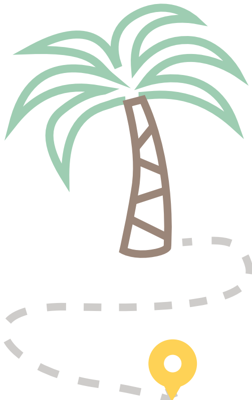


ENGAGEMENT

Helping Employees Make the Most of Your 401(k)

by Nathan Fisher

A 401(k) plan is only worth what employees put into it, and without proper engagement levels, your plan may not be providing the value it should. Here, I'll address why engagement is important, some standard practices for measuring engagement, and some tips for improving your employees' engagement rates with your 401(k) plan.

Why is Engagement Important?

A 401(k) plan is only worth what employees put into it, and without proper engagement levels, your plan may not be providing the value it should. Here, I'll address why engagement is important, some standard practices for measuring engagement, and some tips for improving your employees' engagement rates with your 401(k) plan.

1. **Americans aren't prepared for retirement, but they should be.**
   According to a report from the Government Accountability Office, somewhere between 1/3 and 2/3 of American workers will likely have a lowered quality of life in retirement because they haven't saved enough.[1] This is a statistic that doesn't just talk about people who have 401(k) plans or people who don't, but reveals that overall, people simply aren't saving enough to retire comfortably. Our own survey data backs this up; 59% of workers in small companies plan to work past the age of 65 or not retire at all, with 55% planning to work at some level after they retire.[2] With increased engagement in the retirement plans American workers do have, we'll see Americans saving more money, and thus preparing better for retirement.

2. **Lower engagement can make it harder to pass compliance tests.**
On the employer side, engagement is one of the key factors at play when it comes to **compliance tests**, which are safeguards established by the IRS to make sure that all eligible employees can participate equitably in a 401(k) plan. High participation and contribution percentages are important signs of a compliant plan, but low rates could lead to failure. If a plan fails compliance testing, there are often additional administrative tasks and financial impacts like contribution refunds. Making sure plan engagement is high can help you avoid all of these potential pitfalls.

3. **Your employees receive tax benefits for contributing.**
When your employees contribute to their 401(k) accounts, those contributions are made as pre-tax dollars. That means that each dollar contributed helps to lower the amount of your employees' salaries that are taxable, which means more money your employees get to keep. It works both ways, too; as an employer, your contributions to employee accounts reduce the business's taxable income. These benefits are the government's way of rewarding both employer and employee for taking responsibility and planning for the future, and they're well worth working for.

4. **You can use good plans to attract and retain talent.**
Finally, many employers in a variety of industries find it difficult to attract and retain the qualified talent they need. 401(k) benefits can be key to tapping into talent you may otherwise be missing, but good plans–ones with high engagement that deliver real value–can help you keep your best workers around. In our 401(k) survey, we found that 77% of people prefer to work for someone who offers a 401(k) plan with support for managing that plan; that's an opportunity if you're facing a scarce talent pool.

Measuring Engagement

There's an old adage in business that if you can't measure something, it doesn't exist. This idea can easily be applied to employee engagement in 401(k) plans. You can offer what you think is a good plan to your employees, and you can hope they'll use it and value it, but if you aren't measuring that in some way, you won't know for sure that your employees are receiving the intended benefit of the plan.

Of course, there are a lot of ways to think about measuring engagement. On a qualitative level, you can learn a lot about how much your employees care about your retirement plan if you pay attention to their general behavior, asking the following questions:

- Do they ask questions about the plan?
- Do they seem to care about it?

[1]http://www.gao.gov/products/GAO-15-419
[2]Fisher Investments 401(k) Media Poll

- Do they bring the plan up in conversations?
- Do they show up when your provider makes on-site visits?
- Do they tell you whether or not they value the plan?

These are all great ways to measure general satisfaction with a plan, but we also strongly recommend that you take more quantitative steps to measure the hard numbers surrounding two aspects of your employee engagement: **participation and deferral** (savings) rates. We have a methodology for understanding both of these rates and how your plan's specific numbers (which your service provider should be able to give you) compare up against broader industry figures.

Understand Participation Rates

First, familiarize yourself with trends in participation rates so you can compare your numbers and see where you stand. When it comes to participation, there are a few factors that can impact rates on a broad scale:

- **Industry:** Participation rates vary widely by industry. Employers in finance or insurance or telecom might have higher participation rates overall than a company that does transportation or construction.
- **Income:** Participation rates are generally steady below $100,000 per year, but above that rate you start to see much higher participation.
- **Age:** Age does have some impact on participation rates, but not as much as income or industry. The data suggests that where you have employees below 30 years of age, you'll have 70% of them participate, while employees in their 50s might participate at a rate of 80%.

Review the charts below to find the average participation rates for your industry, and for the ages and income levels of your employees, to benchmark your plan's performance.

Compare Deferral Rates

Second, take a look at the deferral rates for your plan and for the broader industry. Deferral rates refer to the amount an employee saves divided by their total income, before taxes, and are typically presented as a percentage of an employee's income. As with participation rates, we see different deferral rates based on income, and age:

- **Income:** Generally speaking, deferral rates can be as low as 5% for people making less than $30,000 per year, but reach as high as 8% for those in the $30,000-$50,000 level. The highest income levels may reach as high as 10%-15% deferral.
- **Age:** Younger workers (less than 30 years old) tend to save around 6%, where people in their 60s might be saving as much as 14% or 15%.

The notion that employees tend to save more as they make more money or grow older underscores the importance of active employee engagement. Each of these changes becomes an opportunity to check in with employees, to help them budget better, to help them participate more, and to help them fine tune their assumptions about how much they should be saving, and when they can retire.

Benchmark with an Employee Survey

Another good way you can measure employee engagement and satisfaction with your 401(k) plan is through a simple employee survey, which we've provided in this kit. We've seen great success in presenting employees with a set of four questions, which can help you gauge their own understanding of your plan and the resources available to them.

Improving Engagement

Once you've evaluated your plan's engagement levels, there are a few steps you can take to give your employees the support and the motivation they need to get more involved with their own retirement planning.

First, consider those resources we discussed in the first section of this kit. This is where many of those tools start to come into play, especially the one-on-one counseling. Remember: we've found that when employees get access to reliable, individualized counseling, participation rates tend to increase 38%.[3] Beyond that counseling, other tools like contribution calculators can help answer some vital questions and increase low deferral rates.

There is also some work you can do as an employer to change your plan and make it easier and more appealing to participate, including:

- Increase employer matching contributions
- Add an automatic enrollment feature or auto escalation
- Shorten or eliminate your waiting period
- Consider altering your vesting schedule
- Offer frequent plan enrollment and election periods

[3]Fisher Investments 401(k) Media Poll

In this section of the R.E.T.I.R.E.® kit, you'll find documents that will help you better understand the importance of plan engagement, and also help you benchmark your own engagement against the industry:

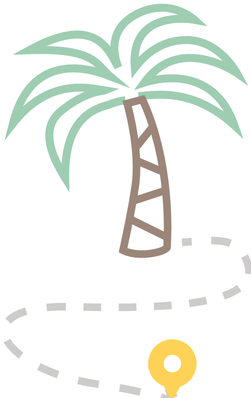
- **Employee Engagement Survey**
- **Fisher Investments 401(K) Solutions article: Employee Participation and Why It Matters (Appendix A.1)**

Dive deeper into these resources to better understand industry trends when it comes to participation and deferral, and the many benefits you and your employees will enjoy with increased plan engagement.

401(k) Employee Survey

Simply answer the four questions below and return the completed survey to your HR Manager.

1. Do you feel financially prepared for retirement?	YES	NO	UNSURE
2. Do you understand your 401(k) and its benefits?	YES	NO	UNSURE
3. Are you confident in your 401(k) investment choices?	YES	NO	UNSURE
4. Do you have access to one-on-one, in person, education and guidance with an investment professional?	YES	NO	UNSURE



TRACKING

Measuring 401(k) Performance in Terms of Retirement Readiness

by Nathan Fisher

At this point, we've explored the Resources your provider should be offering to help you manage your plan (and to help your employees make good decisions). We've thought about Engagement and how you can increase participation and deferral rates. There is a lot to take in on both topics, and we've only just begun working through the R.E.T.I.R.E.® kit; still to come are sections on understanding investments, removing conflicts of interest, and managing plan expenses.

If your head is spinning, you aren't alone. That's why this is a good time to take a step back from all of those finer details and introduce the concept of tracking, specifically in terms of retirement readiness. For most people, retirement readiness is really what a 401(k) plan is all about; your employees are going to retire someday, and they need to be ready with sufficient monthly income to maintain their standard of living.

In many ways, this concept of tracking retirement readiness works as a unifying theme for all of retirement planning. On an individual level, it can help your employees understand what they're likely to have in retirement relative to what they're likely to need. And for you as an employer, retirement readiness can serve as a lens through which you can consider every action you take in managing your plan.

Helping Individuals Track Retirement Readiness

When it comes to measuring retirement readiness, there's a fairly simple rule to help employees understand how much money they will need when they retire: **in order to maintain your standard of living, you'll need about 80% of your pre-retirement income in retirement.** If someone made $100,000 per year before retirement, then, they would need to have available $80,000 per year in income replacement in retirement. That income replacement can come from a number of sources, including a 401(k) account and social security.

The sample gap analysis we've included in this section of the R.E.T.I.R.E.® kit is one great way for an individual employee to track how they're doing with their retirement planning. Your service provider should be able to offer each employee a customized gap analysis of their own, which will show some information about what they have saved, how much they are currently saving, their age, their employer contribution, and also some social security data. All of that information comes together to show an employee the gap between their savings and other sources of monthly retirement income, and how much they are likely to need in retirement.

This information can help employees put their retirement planning into real focus, giving them a clear-cut perspective on their actual situation come retirement and helping them to make changes in their contributions or in their budget to get closer to what they need.

How Employers Track Retirement Readiness at the Plan Level

This concept of tracking retirement readiness is also important to consider when we look at how employers manage a 401(k) at the plan level. As an employer, you have many choices you can make when it comes to things like enrollment, or matching contributions, or even the specific investments your plan includes. Every action you take can impact other areas of your plan, and you can spend a lot of time evaluating the pros and cons of any action.

I often make the argument that when it comes to risk management in a 401(k), your job in managing your plan is to make reasonable decisions on behalf of your employees. Before making any change in your plan, ask yourself: **Will this action improve the retirement readiness of my employees?** If so, it's a good decision. If not, then it's probably not an action you should take.

Thinking about your choices in this way can make your job easier, reduce your risk profile, make your employees happier, and help with compliance testing. It's a win-win. Let's take a look at some of the other aspects of the R.E.T.I.R.E.® kit for some examples of how this methodology can simplify–or at least clarify–some of the tough management decisions you'll face.

1. **Engagement**
   Think back to the Engagement section of this kit. We discussed that engagement matters because increased participation and deferral rates tend to prepare people better for retirement. When exploring options for increasing engagement, hold each option up to that simple question: **Will this improve the retirement readiness of my employees?** If you're trying to figure out whether or not you should offer your employees a certain number of one-on-one counseling sessions with a retirement specialist, you can see from our data that employees who talk to specialists tend to participate more actively. More participation means more retirement readiness, so this is a good action to take.

2. **Investments**
   We'll cover the Investments section of this kit in the next section, but suffice to say that investment management can be a major source of confusion and frustration among employers. How do you know what the right investments are? When is it time for a change? You can simplify this by considering retirement readiness. Are you considering changing up your investments because you feel like they could be performing better, or do you have data that suggests a different blend of investments would perform better, showing a better return, and therefore increasing your employees' overall retirement readiness?

3. **Expenses**
   In certain cases, one choice might seem like an obvious one, but could have an unexpected impact on retirement readiness. Take, for example, fees and other expenses associated with your plan. High fees are obviously bad for your plan because every dollar spent on fees is one less dollar working for your employees' retirement readiness. But consider this: switching providers in the interest of lowering fees might also mean that the level of service you receive is also lowered. Your employees may lose key benefits, such as access to one-on-one counseling, which could in turn have a negative long-term impact on retirement readiness. It's important to balance both sides of this equation to make a good decision when it comes to fees and what they represent.

4. **Plan Design**
   This methodology can also be applied to the choices you make when initially setting up your plan. Each 401(k) plan's design is a reflection of that company's needs; specifics involving vesting schedules, employer contributions, and enrollment can vary widely from plan to plan. When thinking about what features you'd like to include in your plan's design, or when evaluating the features you have, bring it back to retirement readiness.

   For example, I talk with many employers who wonder if auto-enrollment is more trouble than it's worth, or if automatically enrolling newly eligible employees might be a good thing for the overall health of the plan. Here are some key questions you can ask how you can know for sure whether or not auto-enrollment might work for you:

   a. **Is there data that suggests that auto-enrollment will improve the overall retirement readiness of employees in my plan?** This is where our lens makes the question so much easier. Instead of asking about how auto-enrollment will improve any specific numbers, instead ask your provider to frame this decision in the context of overall retirement readiness. Will a greater portion of your employees end up with more money saved for retirement as a result of enacting an auto-enrollment policy? If so, it's probably a good choice.

b. **Which demographic of my workforce is most likely to benefit most from auto-enrollment?** If that first question alone doesn't fully answer your question, you can take it a step further by analyzing your workforce in any number of demographics, including income level, job type, or age. You may find that the data suggests that auto-enrollment greatly benefits a portion of your workforce that is otherwise not participating or deferring enough to make an impact on their retirement readiness. In that case, auto-enrollment may be a good decision. Maybe the only impact will come for a group that's already actively involved, so you should consider a different action to improve engagement among those groups whose numbers are lowest.

By breaking this choice down into a simple exploration of how it will or will not improve retirement readiness, you can gain some real confidence in your ability to make a decision that's in your employees' best interests. The same logic can be applied to any feature of your plan, and can simplify the decisions you make along the way in managing it. That simplicity is what tracking is all about.

In this section of the R.E.T.I.R.E.® kit, you'll find resources to help bring some simple clarity to every step of 401(k) plan management through the lens of retirement readiness:

- **Retirement Income Assessment: Sample Gap Analysis**
- **Fisher Investments 401(k) Solutions article: 3 Steps to a Comfortable Retirement (Appendix A.2)**

Review these materials to understand how a gap analysis can help your employees understand how to track their own retirement readiness, and for some best practices for narrowing the gap.

Introduction to Retirement Income Assessment: Sample Gap Analysis

The following report is a Retirement Income Assessment, which is an example of a Gap Analysis. A Gap Analysis shows a 401(k) participant the income they are projected to have during retirement, compared to the income they are projected to need during retirement. The difference between these two numbers is called the gap. A large gap indicates the participant may not be on track to retire comfortably; whereas no gap shows they are on track to achieve their retirement goals.

This particular report was put together by Ascensus, a 401(k) record keeper. It shows that the participant—John—may not meet his retirement goals. This report also offers "steps to consider" for John to decrease his gap. For example, John can increase his savings rate, work longer, or change his asset allocation.

Many record keepers provide reports like this for plan participants. If you have questions about gap analysis for your plan, contact your record keeper.

ABC Company
123 Main Street
Anywhere, US 12345

000001
John Sample
1 Western Avenue
Albany, NY 12203

RETIREMENT **INCOME ASSESSMENT**

YOU MAY NOT MEET YOUR RETIREMENT GOALS!

This Retirement Income Assessment has been prepared exclusively for John Sample. To help with your retirement planning, we calculated your projected savings and income from the ABC Company 401(k) Retirement Plan. The good news is that you are participating in the plan – a great start toward saving for retirement. However, this assessment reveals that *you may not have enough money to retire* when you reach the age of 65.

John, you may not meet your retirement goals.

RETIREMENT PROFILE

Name:	John Sample
Date of birth:	01/01/1970
Current deferral percentage:	1%
Approximate annual salary:	$30,000.00
Retirement age:	65
Hypothetical investment return:	6%
Employer's match:	$0.50 per $1 up to 6% of pay.

Potential Retirement Income Shortfall: (see inside for details and suggestions)	**$782.38 per month**

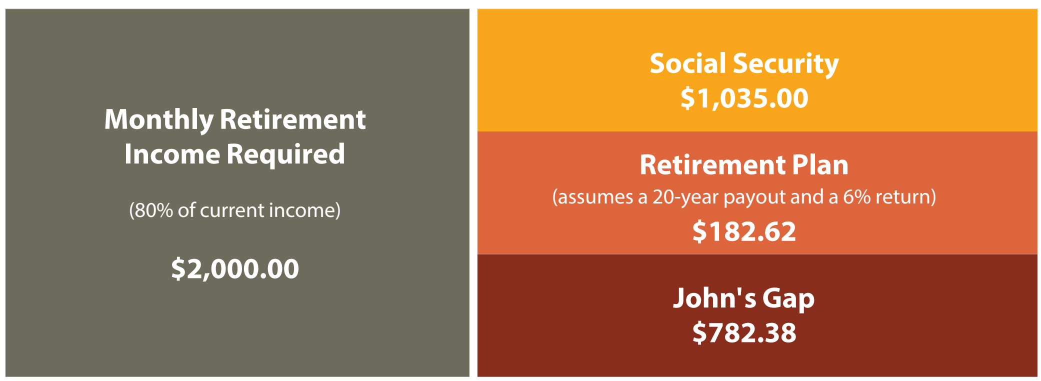
YOU CAN REACH HIGHER GOALS

The retirement income assessment for John Sample shows a potential shortfall in retirement income.

HERE'S YOUR RETIREMENT INCOME ASSESSMENT

- To maintain your current lifestyle in retirement, some advisors say you will need about 80% of your income or $2,000.00 in monthly income.
- At your current 1% contribution rate and assuming a 6% return on your investments, both before and during retirement, your account balance would be $25,489.95 at age 65.
- That balance would generate monthly payments of $182.62 which, with an estimated monthly Social Security benefit of $1,035.00, would produce total monthly income of $1,217.62 (assumes you will deplete your savings over a 20-year period).
- This means you may have a shortage of $782.38 in monthly income during your retirement.
- Keep in mind that these projections do not consider any investments you may hold outside of the ABC Company 401(k) Retirement Plan.

YOUR RETIREMENT INCOME ANALYSIS



IT'S UP TO YOU

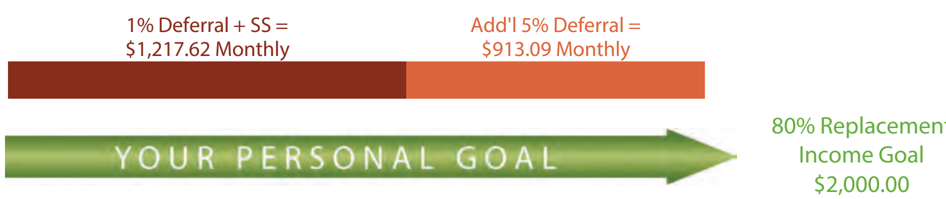
Here's the good news. You have control over your retirement planning. There are a number of steps you can take to help close the "gap."

STEPS TO CONSIDER

STEP 1

Increasing your deferral to 6%. By participating in the ABC Company 401(k) Retirement Plan, you have taken an important first step in securing your financial future. Now may be the time to weigh an equally important second step: increasing your contribution level to help close your retirement "gap."

Your retirement savings plan contribution level is 1%. Increase that rate to 6% and you can help close the "gap." Since your contribution is made on a pre-tax basis, the approximate reduction in your bi-weekly take home pay is $58.84. Assuming a 6% return on your investments, the difference in the growth of your retirement plan nest egg could be dramatic. That change may mean an additional $127,449.73 in the amount you have available at retirement and add more than the $782.38 monthly retirement income needed to close your "gap." (The actual contribution required to close your "gap" is 5.28%, but the plan can only accommodate whole percentage contributions.)



Notes: This assessment does not take into account other resources you may have for retirement (e.g., your home, a spouse's retirement plan or assets, etc.). As a result, it may not reflect your actual retirement preparedness.

Our projection of your retirement income includes your employer's matching contribution. Changes to your retirement plan's matching formula will have an impact on these projections.

Projections assume that, if you reach the pre-tax contribution limit, you continue to contribute the suggested percentage on an after-tax basis.

STEP 2

How much income you'll need at retirement. Our assumption is that you'll need 80% (most financial planners suggest a range between 70-90%). You'll have a better chance of reaching your goal if you determine you can live on less than 80%.

LOWERING EXPECTATIONS AND INCREASING DEFERRALS

Replacement Income	Target balance*	Current 1% contribution	3% (current plus 2%)	5% (current plus 4%)
80%	$134,695	$25,490	$76,470	$127,450
75%	$117,248	$25,490	$76,470	$127,450
70%	$99,800	$25,490	$76,470	$127,450

* The target balance is the amount you should have in your account at retirement to meet your income objective. Your target balance declines when you have a lower replacement objective.

STEP 3

Your retirement age. By working a few years longer, you can extend the period during which you save for retirement, and you reduce the amount you will need for retirement (since the period you will be retired is shorter).

DEFERRING RETIREMENT AND INCREASING DEFERRALS

Retirement Age	Target balance*	Current 1% contribution	3% (current plus 2%)	5% (current plus 4%)
65	$134,695	$25,490	$76,470	$127,450
66	$131,099	$27,525	$82,574	$137,623
67	$127,281	$29,685	$89,055	$148,425

* Your target balance declines as you get older because you will spend fewer years in retirement. Plus, your Social Security benefit may be higher. This projection assumes that, if you reach the pre-tax limit, you continue to contribute the suggested percentage on an after-tax basis.

STEP 4

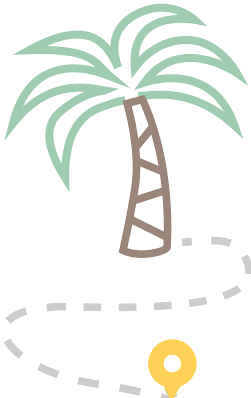
Your asset allocation. Asset allocation refers to how you invest your retirement account. Generally, if you assume greater risk, you can expect, over time, a greater return – and therefore a larger account balance when you retire. But the decision to take on more risk in the hope of generating a greater return should be approached carefully, and there is no guarantee that riskier investments will always produce larger returns.

And remember that your retirement income assessment does not take into account any resources you may have outside of your company-sponsored retirement plan (IRAs, spouse's income, pension, other investments, etc.).

TAKE ACTION TODAY!

A comfortable retirement can be within range if you close the "gap."

Increasing your contributions can help you reach your retirement goals. But it's only one option. Frequently, a combination of the steps we've described is best. To learn more, log onto www.sampleabccompany.com. You'll discover calculators and easy-to-use tools that can help you plan your retirement. For more information or to speak to a representative, please call 800-123-4567. You may also increase your contribution by calling the VRU at 800-123-4567.



INVESTMENT SOLUTIONS

Offering 401(k) Fund Options for Different Purposes

by Nathan Fisher

For many employers, the most overwhelming aspect of 401(k) plan management is investments. That makes good sense; just because you want to provide your employees with a valuable retirement benefit, doesn't necessarily mean you want to become an expert in investing. Most employers have enough to worry about when it comes to the day-to-day responsibilities, and the world of investing can be confusing to navigate.

If this describes you, I have good news: This section isn't about becoming an expert investor at all. Just as you don't really need to understand how a computer works to use one effectively, you don't need to know much about investing to efficiently and appropriately manage the investment solutions within your retirement plan. If you do want to become more knowledgeable about investing, that's great; let us know and we will be happy to provide resources and support to help you do just that. In the meantime, the complexities that come with investing are exactly the reason why so many people choose to hire a retirement-specific adviser, so they don't need to become experts themselves.

Investment Solutions for Different Employees

Once a plan is established and the fund lineup is determined, the next step is for employees to take action: choosing how they'd like to invest their money in their retirement account. Of course, not every employee will know how to focus their investments, and not every employee's unique situation will demand the same approach. For that reason, most plans have several investing solutions to help increase engagement numbers and to give employees flexibility in being as involved—or uninvolved—as they'd like. Review these solutions, and make sure your plan includes some of them so you can offer options that make sense to your employees.

1. **QDIAs for Inactive Employees**
   One helpful feature present in many retirement plans is the Qualified Default Investment Alternative (QDIA). A QDIA is a default investment for participants who do not give investment directions. The plan fiduciary can invest assets in the QDIA without being liable for any investment losses. The need for this is significant: In our recent 401(k) Wellness in the Workplace survey, we found that 67% of employees are not confident in selecting their own investments. For those whose lack of confidence might lead to inaction, plans with QDIAs help these employees get started saving for retirement.

2. **Age-Based Solutions for Evolving Needs**
   Age-based solutions are increasingly popular types of investments that gradually shift automatically as an employee ages and gets closer to retirement. One such solution is the target date fund, which changes its investments over time. For example, younger people may need to see more growth in their portfolio. They also have more time before retirement, so they can stomach more ups and downs in the market. People closer to retirement may not need as much growth, but instead may want to maintain capital. As such, their investments will become more conservative as the target retirement date of the fund approaches. Age-based solutions like this are popular especially among Millennial workers who know they need to plan for retirement, but may not be comfortable making a lot of their own decisions when it comes to investing.

3. **Participant Education for Employees Seeking Guidance**
   For those employees who want help selecting a more customized solution, many providers offer participant education programs. This feature involves an adviser teaching employees how to choose an investment solution based on more than a default investment, or their age alone. In this type of solution, the adviser might discuss how long someone is likely to live in retirement, how much the employee has already saved, how much money they expect to need in retirement, or even how the employee is likely to react when there's a huge drop in the market. Based on that information, the employee can better select the investments that are likely a good fit for their unique needs and situation. Note some providers may charge an additional fee for this type of solution above and beyond the normal expenses associated with the chosen funds.

4. **Mutual Funds and Collective Funds**
   Some employees may wish to look at a curated lineup of funds and choose their investments for themselves. For those employees, your 401(k) plan's lineup of mutual funds and collective funds will be ideal. Mutual funds and collectives are both types of investment products in which investors pool their money to collectively invest in things like stocks or bonds. Collectives are only available to qualified retirement plans, including 401(k) plans. Your plan could have as few as three or as many as 100 different options, and in either case, those

options were likely chosen by your plan's adviser using a third-party evaluation tool. As an employer, you should have access to the reports your adviser uses to evaluate your plan's funds at least once per year. This is a good opportunity to double check that your funds are still good options for your employees, and that you are meeting your fiduciary obligations.

5. **Model Portfolios for Goals-Based Investing**
   Some employees prefer to choose their own investments within the confines of pre-established models. Model portfolios are a great option for these employees. Many providers will create a number of model portfolios within the plan to accomplish various investment goals/styles. This is typically done exclusively through funds available on the plan lineup. This allows employees to pick the model that best suits their needs, and know that it will be periodically rebalanced to stay true to the model goal.

6. **Self-Directed Brokerage Accounts for Total Control**
   Finally, at the other end of the spectrum from the QDIA, another common investment solution is called the **self-directed brokerage account**. Typically reserved for the most active and interested of employees, these accounts offer employees the opportunity to own individual stocks or bonds, or specific mutual funds not otherwise available in a plan's fund lineup. By opening a self-directed brokerage account within their 401(k), employees can enjoy the flexibility to invest in a far greater number of funds—sometimes up to 10,000 options.

Employees who use these accounts have the option of allowing their own personal financial advisers to manage the account on their behalf.

Wherever your employees fall on this spectrum, from a complete lack of investing confidence, to the desire to take full control over each choice, the key is this: Most retirement plans are designed to help people of any investment experience to effectively participate. If you are missing any of these options in your plan, you may be missing opportunities to engage with different types of investors.

In this section of the R.E.T.I.R.E.® kit, you'll find a resource to help you understand the tools your service provider uses to choose the mutual fund options they make available in your plan:

- **Investment Highlights and Snapshot Sample Report**

Review this sample report to get a closer look at the metrics advisers use to evaluate fund options, and consider the features your plan offers to bring your employees the right investment solutions for their needs.

Introduction to Investment Highlights and Snapshot Sample Report

The following is an example of an investment analysis report provided by fi360. This particular report rates the quality of a 401(k) plan investment lineup by assigning a fiduciary score. The fiduciary score is based on various criteria, including expenses, returns and fund manager tenure. Funds that are rated highly are shown in green, mediocre funds are yellow, and funds that are lackluster are shown in red.

A report like this can be used by a plan fiduciary to monitor the ongoing quality of the investments within the plan. This report was done by fi360, which is an independent 3rd party provider that specializes in fiduciary resources.

FISHER INVESTMENTS®

Investment Highlighhts and Snapshot Sample

Prepared on: 7/29/2016 | Fund data as of 6/30/2016 | Holdings as of 06/30/2016

Prepared For:	Prepared By:
Sample Current	**Tyler Kirkland** fi360 fi360, Inc. Abele Office Park 10 Emerson Lane Suite 801-3 Bridgeville, PA 15217

Investment Highlight

The fi360 Fiduciary Score is a peer percentile ranking of an investment against a set of quantitative due diligence criteria selected to reflect prudent fiduciary management. The fi360 Fiduciary Score Average is a one-, three-, five- or ten-year rolling average of an investments fi360 Fiduciary Score.

Investors should consider the investment objectives, risks, and charges and expenses of a fund carefully before investing. Prospectuses and, if available, the summary prospectuses, containing this and other information about the fund are available by contacting your financial consultant. Please read the prospectus and summary prospectus carefully before investing to make sure that the fund is appropriate for your goals and risk tolerance. The performance quoted reflects the reinvestment of dividends and capital gains and is net of expenses. It does not reflect the maximum sales charges, which are generally waived for investments within qualified plans. Such charges, if applied, would reduce the performance quoted. The performance information shown represents past performance and is not a guarantee of future results. The investment return and principal value of an investment will fluctuate so that the shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information shown. For performance data current to the most recent month-end, please reference the Investment Company Contact Information section.

Investment Name		fi360 Fiduciary Score®					Prosp. Net Exp Ratio	Total Return									
			Average														
		Score	1 Yr	3 Yr	5 Yr	10 Yr		1-Year	3-Year	5-Year	10-Year	Alpha	Sharpe Ratio	Manager Tenure (Yrs)	Total Assets ($MM)	Composition Criterion	Style Criterion
Large-Cap Equity																	
Principal Large Cap S&P 500 Index R1 (PLPIX)		0	14	24	31	-	1.03	2.88	10.47	10.93	6.31	-1.03	0.94	5.34	4,921.63	√	√
	# of peers:	1,370	1,288	1,115	1,005	610											
Principal Equity Income R1 (PIEMX)		30	66	61	45	-	1.39	2.76	8.68	9.66	5.97	-1.96	0.82	8.25	5,459.77	√	√
	# of peers:	1,184	1,111	938	843	508											
Principal Capital Appreciation R1 (PCAMX)		46	26	38	31	-	1.33	1.32	10.48	10.39	7.04	-0.89	0.94	6.12	2,524.96	√	√
	# of peers:	1,370	1,288	1,115	1,005	610											
Principal Large Cap Value III R1 (PESAX)		49	53	69	77	-	1.64	0.09	8.39	9.06	3.26	-2.63	0.78	7.08	1,750.58	√	√
	# of peers:	1,184	1,111	938	843	508											
Principal LargeCap Growth I R1 (PCRSX)		56	39	34	23	-	1.47	-1.64	10.52	10.22	7.88	-1.32	0.85	7.08	6,960.92	√	√
	# of peers:	1,461	1,417	1,174	1,018	622											
Emerging Market Equity																	
Principal Intl Emerging Markets R1 (PIXEX)		88	78	74	70	-	2.12	-13.43	-2.94	-4.78	1.92	-3.82	-0.13	9.09	912.51	√	N/App
	# of peers:	620	543	347	254	126											
Intermediate Fixed Income																	
Principal Core Plus Bond R1 (PBOMX)		81	80	64	58	-	1.38	3.91	2.88	2.98	3.62	-0.70	1.10	15.58	4,098.28	√	√
	# of peers:	928	891	773	662	429											
Principal Bond Market Index R1 (PBIMX)		85	84	86	-	-	1.13	4.70	2.77	2.49	N/Av	-1.29	1.00	6.50	1,762.53	√	√
	# of peers:	928	891	773	662	429											
Principal Inflation Protection R1 (PISPX)		89	86	77	76	-	1.27	2.14	0.76	1.36	0.89	-4.44	0.18	5.50	1,769.15	X	X
	# of peers:	225	194	164	128	39											
High Yield Fixed Income																	
Principal High Yield C (CCHIX)		70	61	65	66	46	1.63	-0.36	3.06	4.53	6.29	1.24	0.57	7.16	3,367.67	N/App	√
	# of peers:	632	581	468	407	252											

Investment Snapshot

The fi360 Fiduciary Score is a peer percentile ranking of an investment against a set of quantitative due diligence criteria selected to reflect prudent fiduciary management. The criteria include total returns, risk-adjusted returns, expenses, and other portfolio statistics. Investments are ranked according to their ability to meet due diligence criteria every month. The rank becomes the fi360 Fiduciary Score. The fi360 Fiduciary Score Average is a one-, three-, five- or ten-year rolling average of an investments fi360 Fiduciary Score. The fi360 Fiduciary Score represents a suggested course of action and is not intended, nor should it be used, as the sole source of information for reaching an investment decision. Visit the Glossary or fi360.com/fi360-Fiduciary-Score for more information.

Investors should consider the investment objectives, risks, and charges and expenses of a fund carefully before investing. Prospectuses and, if available, the summary prospectuses, containing this and other information about the fund are available by contacting your financial consultant. Please read the prospectus and summary prospectus carefully before investing to make sure that the fund is appropriate for your goals and risk tolerance. The performance quoted reflects the reinvestment of dividends and capital gains and is net of expenses. It does not reflect the maximum sales charges, which are generally waived for investments within qualified plans. Such charges, if applied, would reduce the performance quoted. The performance information shown represents past performance and is not a guarantee of future results. The investment return and principal value of an investment will fluctuate so that the shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information shown. For performance data current to the most recent month-end, please reference the Investment Company Contact Information section. Text in bold italics indicates Extended performance. Extended performance is based on the performance of the investment's oldest share class, adjusted for fees. Fi360 Fiduciary Score data calculated using extended performance are shown with a colored border instead of a background.

			fi360 Fiduciary Score®					Prosp. Net Exp Ratio % (% rank in peer group)	Total Return % (% rank in peer group)					
				Average										
Investment Name	**Ticker**	**Type**	**Score**	**1 Yr**	**3 Yr**	**5 Yr**	**10 Yr**		**3-Month**	**YTD**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Large-Cap Equity														
Peer Group: Large Blend														
Principal Large Cap S&P 500 Index R1	PLPIX	MF	0	14	24	31	-	1.03 (57)	2.16 (48)	3.31 (41)	2.88 (31)	10.47 (40)	10.93 (41)	6.31 (59)
Principal Capital Appreciation R1	PCAMX	MF	46	26	38	31	-	1.33 (76)	1.70 (61)	2.23 (54)	1.32 (45)	10.48 (40)	10.39 (55)	***7.04 (35)***
# of Fund/ETF peers			1,370	1,288	1,115	1,005	610	1,539	1,515	1,504	1,452	1,370	1,258	1,084
Median Fund/ETF in Large Blend								0.95	2.10	2.49	0.54	9.96	10.62	6.64
Russell 1000 TR USD									2.53	3.73	2.93	11.47	11.88	7.50
Peer Group: Large Growth														
Principal LargeCap Growth I R1	PCRSX	MF	56	39	34	23	-	1.47 (77)	-0.19 (67)	-3.74 (71)	-1.64 (45)	10.52 (59)	10.22 (50)	7.88 (36)
# of Fund/ETF peers			1,461	1,417	1,174	1,018	622	1,537	1,530	1,530	1,509	1,461	1,353	1,170
Median Fund/ETF in Large Growth								1.05	0.50	-1.74	-2.07	11.04	10.22	7.32
Russell 1000 Growth TR USD									0.61	1.36	3.02	13.07	12.34	8.78
Peer Group: Large Value														
Principal Equity Income R1	PIEMX	MF	30	66	61	45	-	1.39 (78)	4.55 (14)	7.11 (20)	2.76 (29)	8.68 (42)	9.66 (50)	***5.97 (44)***
Principal Large Cap Value III R1	PESAX	MF	49	53	69	77	-	1.64 (84)	3.49 (36)	3.64 (55)	0.09 (48)	8.39 (49)	9.06 (64)	3.26 (93)
# of Fund/ETF peers			1,184	1,111	938	843	508	1,334	1,329	1,320	1,285	1,184	1,101	955
Median Fund/ETF in Large Value								0.98	2.96	4.00	-0.15	8.32	9.66	5.63
Russell 1000 Value TR USD									4.58	6.29	2.86	9.86	11.35	6.13
Emerging Market Equity														
Peer Group: Diversified Emerging Mkts														

Investment Snapshot (Cont.)

Investment Name	Ticker	Type	fi360 Fiduciary Score®					Prosp. Net Exp Ratio % (% rank in peer group)	Total Return % (% rank in peer group)					
			Score	Average 1 Yr	Average 3 Yr	Average 5 Yr	Average 10 Yr		3-Month	YTD	1-Year	3-Year	5-Year	10-Year
Emerging Market Equity														
Peer Group: Diversified Emerging Mkts (continued)														
Principal Intl Emerging Markets R1	PIXEX	MF	88	78	74	70	-	2.12 (87)	0.93 (79)	4.19 (69)	-13.43 (83)	-2.94 (79)	-4.78 (77)	1.92 (80)
# of Fund/ETF peers			620	543	347	254	126	887	871	863	829	620	475	254
Median Fund/ETF in Diversified Emerging Mkts								1.40	2.07	6.01	-10.19	-1.35	-3.27	3.24
MSCI EM NR USD									0.66	6.41	-12.05	-1.56	-3.78	3.54
Intermediate Fixed Income														
Peer Group: Inflation-Protected Bond														
Principal Inflation Protection R1	PISPX	MF	89	86	77	76	-	1.27 (85)	1.47 (61)	4.96 (67)	2.14 (73)	0.76 (74)	1.36 (69)	0.89 (99)
# of Fund/ETF peers			225	194	164	128	39	243	243	239	239	225	191	134
Median Fund/ETF in Inflation-Protected Bond								0.65	1.59	5.58	2.87	1.43	1.80	4.03
Barclays US Treasury US TIPS TR USD									1.70	6.24	4.35	2.31	2.63	4.74
Peer Group: Intermediate-Term Bond														
Principal Core Plus Bond R1	PBOMX	MF	81	80	64	58	-	1.38 (87)	2.48 (40)	4.95 (58)	3.91 (79)	2.88 (85)	2.98 (84)	3.62 (91)
Principal Bond Market Index R1	PBIMX	MF	85	84	86	-	-	1.13 (82)	1.92 (82)	4.70 (68)	4.70 (54)	2.77 (88)	2.49 (93)	N/Av
# of Fund/ETF peers			928	891	773	662	429	1,004	995	992	976	928	893	767
Median Fund/ETF in Intermediate-Term Bond								0.71	2.36	5.09	4.83	3.70	3.72	5.00
Barclays US Agg Bond TR USD									2.21	5.31	6.00	4.06	3.76	5.13
High Yield Fixed Income														
Peer Group: High Yield Bond														
Principal High Yield C	CCHIX	MF	70	61	65	66	46	1.63 (82)	4.50 (34)	6.57 (49)	-0.36 (56)	3.06 (54)	4.53 (60)	6.29 (43)
# of Fund/ETF peers			632	581	468	407	252	730	725	721	696	632	544	461
Median Fund/ETF in High Yield Bond								0.97	4.10	6.55	-0.03	3.16	4.71	6.10
BofAML US HY Master II TR USD									5.88	9.31	1.70	4.18	5.70	7.44

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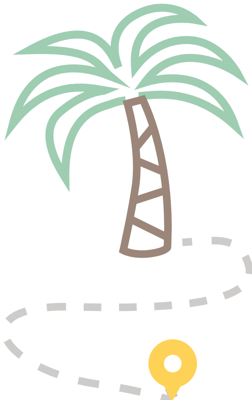


REMOVE CONFLICTS OF INTEREST

Making Sure Your Employees Come First

by Nathan Fisher

As a business owner, or an HR manager, a controller, or anyone who oversees a 401(k)-style retirement plan, you're responsible for making decisions on behalf of plan participants and their beneficiaries—that's current and past employees, and their family—regarding the money they've saved for retirement. As such, you are expected to be a good steward of that money, to make prudent and responsible decisions, and to make sure that your employees' best interests guide the choices you make about things like which service provider to use, or which funds to include a plan. To that end, it's critical that you seek out any potential conflicts of interest in your plan and work to remove them.

What are Conflicts of Interest in 401(k) terms?

A **conflict of interest** is anything that might prevent you from acting in the best interests of your plan participants. That might involve a service provider you choose to work with not because it made the most sense for your employees, but because they are an old friend. It could be that your provider offers funds they themselves stand to profit from if your employees choose them.

Much of the way we think about what is or is not a conflict of interest comes back to the Employment Retirement Income Security Act of 1974 (ERISA), the primary piece of legislation defining the retirement industry to this day. In discussing conflicts of interest, ERISA requires that plan sponsors (that's you, the employer) make "prudent" and "reasonable" decisions, but doesn't fully define what "prudent" or "reasonable" mean. This is why it's so critical for employers to be thorough in documenting their management decisions and challenging any aspect of their plan that seems as though it might present a conflict of interest. Documenting this process is the first step to removing any conflicts of interest that should not be present in your plan.

Why Remove Conflicts of Interest?

There are many reasons for employers to actively remove any conflicts of interest that appear in their retirement plan.

1. **You want to keep your employees' trust.**
   One of the reasons employers offer a retirement plan is to attract and retain key employees. If employees see that a plan is somehow benefitting their employer over them, are they going to trust their employer? Avoiding conflicts of interest helps you to focus on providing a real benefit to employees and, in doing so, build trust and retain them for years to come.

2. **You don't want to get sued.**
   When conflicts of interest happen, employers can face lawsuits. Within the 401(k) industry, there are lawyers who have made an entire career around suing employers and service providers over conflicts of interest, and that's just the tip of the iceberg. As more attorneys see that there is money to be made in pursuing these suits, it seems reasonable to expect an increase in these cases.

3. **You don't want to deal with a Department of Labor audit.**
   When the DOL audits an employer, it can feel a lot like an IRS audit. Some audits of smaller businesses take three hours, while others can take as long as three years. While we can't say for sure what goes into the algorithm that prompts the DOL to audit someone, it stands to reason that when something about your plan gets flagged as a conflict of interest, it could increase the risk of a lengthy, costly, and stressful audit.

4. **You don't want to be personally liable.**
   In 2015, the Supreme Court decided a case that sent shockwaves throughout the retirement benefits industry. Tibble vs. Edison set the precedent that a 401(k) plan's fiduciary has an ongoing duty to monitor the plan's performance and investments, even if the participant's original funds were deposited years or decades ago. So, say you sell your business, and 10 years later circumstances have changed so that a conflict of interest has arisen. A plan participant may be able to take legal action against you as an individual if they can demonstrate the conflict of interest is detracting from the plan's value for its beneficiaries.

5. **It's the right thing to do.**
   Beyond all of the regulatory risks, the threat of lawsuits, and the perception of your employees, you should want to remove conflicts of interest from your plan because it's simply the right thing to do. If you believe, as many business owners and leaders do, that your

company is your legacy, and you believe your employees are going to build that legacy for you and carry it on, then it's important that you give them a truly beneficial retirement plan that's focused on giving them the comfortable retirement they want.

How to Remove Conflicts of Interest

Once you've identified a potential conflict of interest in your plan, it's vitally important that you immediately both evaluate it and take steps to remedy the issue, or to document your prudent process for allowing the conflict to continue. It's important to do set up a process to assess conflicts of interest, even if you don't expect to ever have conflicts of interest. Sometimes, you may not want to remove a potential conflict of interest. But in that case, you would still need to review the conflict of interest and clearly document the situation and its null-impact on your plan's focus on your employees. Regardless of your choice to remove or not remove a specific conflict of interest, there are several steps you should follow in order to continuously check your plan for potential conflicts, evaluate those conflicts and, if necessary, remove them.

1. **Document the conflicts of interest**
   ERISA doesn't define what "reasonable" means in the context of your actions managing a retirement plan, and ignorance of conflicts of interest does not exempt you from your responsibility to be thorough in evaluating your plan and making good decisions in your employees' best interests. As such, the first step to removing conflicts of interest from your plan is to review it in fine detail, taking time to document anything that strikes you as a potential conflict of interest. If you feel like you have serious risks, engage your service provider or find legal help with ERISA experience to make sure you are handling your situation properly.
2. **Establish a Prudent Process for Making Changes**
   When it comes time to remove the conflicts of interest, you'll be choosing alternatives to the current setup that contains the conflict. If your conflict of interest is found in the funds you offer, for example, you may want to evaluate new funds to include in the plan. Make sure that before you make that choice, you have a prudent process for doing so, and that your process is documented so your choice can be held up against it after the fact. The problem with a lot of plans is that they don't have a prudent process, or they don't document the one they do have, so changes made to address conflicts of interest could lead to further conflicts down the line.
3. **Use Third-Party Tools to Reduce Risk and Save Time**
   While it's true that you need a prudent process, you do not have to establish it for yourself from scratch. There are many third-party tools and resources available that you can adopt to help you think through your plan management decisions and document them properly. These resources will be less risky for you, as they've been proven and built by experts in the industry, and will ultimately save you time while being more robust than a process you develop yourself. This is why we created this R.E.T.I.R.E.® kit; we're giving you a process and a method for documenting your plan management activities right here.

4. **Document the Entire Process in your Fiduciary Audit File**
   Once you make your adjustments, document what actions you made and why those actions were prudent and reasonable and in the best interest of your employees. Add that documentation to your Fiduciary Audit File (an example of which is included in the Resources section of this kit) so there's a permanent record of your responsible actions.

The Service Provider as Fiduciary

While the above process will help you to identify, address, and document any conflicts of interest your plan may have, there is one even easier way to make sure you avoid any and all conflicts of interest from the get-go: **select service providers who are fiduciaries.** A **fiduciary** is anyone who is responsible for managing a 401(k) retirement plan, and is legally responsible for acting in the best interests of the employees whose assets are being invested in that plan. If you can select a service provider who will put it in writing that they are going to be a fiduciary for you and your employees, this whole process becomes much simpler. Service providers who act as fiduciaries will already have removed their conflicts of interest, or will be going through an extensive process to do so, and will help you understand fully any potential conflicts of interest you may bring into the equation. By sharing that legal burden of responsibility and prudence with you, your service provider can help you save money on ERISA attorneys and other expensive conflict of interest fixes you may face otherwise, and give you peace of mind that your service provider is being held to the same standard you are.

In this section of the R.E.T.I.R.E.® kit, you'll find resources to help you recognize conflicts of interest when you see them, and to remove them properly:

- **Conflicts of Interest Case Studies**
- **Fiduciary 101: Understanding Fiduciaries and Their Responsibilities**
- **Administrative Mistakes**
- **Fiduciary Checklist**
- **Department of Labor Guide: Meeting Your Fiduciary Responsibilities (Appendix B.2)**

Review these materials to understand your own prudent process for removing conflicts of interest and keeping your employees' best interests first.

Conflict of Interest Case Studies

In the industry, we see conflicts of interest coming from two sources: employers managing 401(k) plans, and service providers working on behalf of those employers. In either case, conflicts of interest arrive when an employer or service provider has an incentive to put its own interests in front of the needs of the employees the retirement plan serves. Review the following quick case studies for examples of what different conflicts of interest can look like in the context of different plans.

Banking Arrangements:

Type of conflict of interest
Employer

The Scenario
A local financial services firm provides wealth management solutions to both a small business owner and the business's 401(k) plan.

The Potential Conflict
There's nothing inherently wrong with this scenario, but there is a potential for conflict. If, for example, the bank required the business to hire it for some of its 401(k) plan services to receive a discount on other services provided to the business, then the business has the incentive to make a decision to benefit itself, and not the employees. As a fiduciary, if the business chooses a plan service provider based on a separate benefit to the business, that is a prohibited conflict of interest.

The Solution
The business must follow bank's standard fee schedule and get no special discount. The plan services cannot be tied to the business services. As always, the business should thoroughly document its prudent process in choosing to use the bank as its 401(k) provider.

Personal Provider Relationships:

Type of conflict of interest
Employer

The Scenario
A small business owner chooses a 401(k) service provider that employs his nephew as a financial advisor on the account.

The Potential Conflict

Because a nephew is involved, the seriousness of the conflict depends on whether the relationship would affect the owner's judgment. If so, it is a prohibited conflict. If not, it can proceed, although the owner should thoroughly document the prudent process used to choose the 401(k) provider.

If the scenario involved a parent, grandparent, spouse, child, or grandchild, the arrangement would be completely prohibited. Siblings and nieces are treated as described above with respect to the nephew.

The Solution

The nephew would have to waive the right to receive any fee associated with the account. Another option would be for the business owner to document that the relationship with the nephew is so insignificant that it would not impact the owner's judgment, but that is an admittedly strange memo to write because it declares your nephew is unimportant.

Proprietary Funds:

Type of conflict of interest

Service Provider

The Scenario

A 401(k) service provider strongly recommends that a small business offer it's proprietary funds through the business's 401(k) plan, and the funds pay a fee to the 401(k) service provider.

The Potential Conflict

The fee paid to the service provider is generally prohibited because the service provider stands to make an additional profit from the use of the funds in the plan. The conflict is that the provider has an incentive to offer more expensive funds, when there may be lower cost funds of equal quality available elsewhere.

The Solution

It's very common for service providers to offer proprietary funds, and there's nothing wrong with them doing so. In order to avoid a potential conflict of interest, the service provider would have to do one of the following:

1. Qualify for a regulatory exemption, such as the Best Interest Contract Exemption, which permits fiduciaries to receive compensation despite the conflict, subject to certain conditions.
2. Charge no fee at the fund level. This is what Fisher does. We charge a single asset-based fee

at the plan level. Another way to accomplish this would be to reimburse or offset the fund level fees against other plan fees.

Revenue Sharing:

Type of conflict of interest
Service Provider

The Scenario
A financial advisor helps an employer select a non-fiduciary recordkeeper and recommends the funds available to the plan. The funds share revenue with the recordkeeper and financial advisor. The recordkeeper is not an affiliate of the financial advisor.

The Potential Conflict
The fee paid to the financial advisor is generally prohibited because the financial advisor stands to make an additional profit from the use of the funds in the plan. This extra profit is a motivator for the financial advisor to choose a fund, rather than what is best for the employees.

The recordkeeper can receive the shared revenue so long as it is not a fiduciary to plan and is not affiliated with the financial advisor.

The Solution
In order to avoid a prohibited conflict, the financial advisor would have to do one of the following:

1. Not make any recommendation about the funds available through the plan.
2. Qualify for a regulatory exemption, such as the Best Interest Contract Exemption, which permits fiduciaries to receive compensation despite the conflict, subject to certain conditions.
3. Charge no fee at the fund level.

Ancillary Product Sales:

Type of conflict of interest
Service Provider

The Scenario
A financial advisor gives advice to a 401(k) plan and also sells other investment products to employees participating in the plan.

The Potential Conflict

Sometimes, there's more money to be made for a financial advisor in selling ancillary investment products and services to individual participants than there is in advising a 401(k) plan. A financial advisor might make 0.02% of a $1,000,000 401(k) plan in fees, worth $2,000 per year. But they might also sell a $100,000 annuity to an individual employee in that plan, with a 5% fee that equals $5,000 in additional revenue. Is this financial advisor selling these products to employees in a plan because they're a good solution for those employees, or is the financial advisor simply seeking to make additional profit, using the 401(k) plan as a foot in the door?

The Solution

In order to avoid a prohibited conflict, the financial advisor would have to do one of the following:

1. Not give any advice to the plan.
2. Receive no fee in connection with the products or services provided to the individual employees.
3. Qualify for a regulatory exemption, such as the Best Interest Contract Exemption, which permits fiduciaries to receive compensation despite the conflict, subject to certain conditions.

Understanding Fiduciaries and Their Responsibilities

What is a Fiduciary?

A 401(k) fiduciary is anyone who makes decisions or takes action on behalf of a 401(k) plan or its assets. Fiduciaries have a legal obligation to act prudently (with care and good judgment) and with the best interests of their employees in mind.*

Specifically, under ERISA, a 401(k) fiduciary is required to:

- Act prudently in all plan duties.
- Act in the best interest of plan participants.
- Understand and follow the plan document.
- Diversify investments and ensure fees are reasonable.
- Avoid prohibited transactions.

Who is a Fiduciary?

Every 401(k) plan has at least one fiduciary named in the plan document, but you may be a fiduciary and not even know it.

You are a 401(k) fiduciary if:

- You are a plan sponsor or are named as a fiduciary in the plan document.
- You make any management decisions about the 401(k) plan.
- You have any discretionary authority over the 401(k) or its administration.
- Your title implies a fiduciary status (i.e. chief financial officer, director of human resources).
- You are a plan trustee or sit on the Board of Directors.
- You select investments or provide professional investment advice for the plan.

Other fiduciaries can include investment committee or 401(k) administrative committee members, and anyone who selects 401(k) committee officials or investment advisers. Plan fiduciaries typically do not include attorneys, accountants, or actuaries acting solely in their professional capacity.

*Legal fiduciary definitions and responsibilities are defined in the Employee Retirement Income Security Act (ERISA). For more information, go to www.dol.gov/general/topic/retirement/erisa.

Types of Fiduciaries and Their Responsibilities

Plan responsibilities and duties can be confusing, time consuming, and require a professional level of expertise in order to meet the ERISA standards of prudence and acting in the best interest of employees. Fortunately, ERISA allows a plan sponsor to hire service providers with the required knowledge to carry out some of the responsibilities. Plan sponsors can limit their own personal liability by sharing fiduciary responsibilities with partners who are required by law to act in the best interests of employees and the plan.

Plan Sponsor

This chart describes some of the fiduciary expectations of plan sponsors and the partners they may work with. All of the duties listed below fall on plan sponsors alone ***unless*** they hire fiduciary partners.

- Makes and records plan decisions
- Monitors investment options
- Provides participant education and communications
- Hires and monitors service providers
- Determines fairness of fees
- Follows plan document

3(16) Plan Administrator

- Determines benefits, eligibility, and authorizes distributions
- Provides Summary Plan Descriptions
- Delivers quarterly benefit statements and fee disclosures
- Files tax documents and maintains tax-qualified status
- Hires an accountant to conduct annual audits (large plan filers)

3(21) Investment Adviser

- Co-fiduciary; shares legal liability for certain investment-related decisions
- Advises on plan investments
- Assists with development of Investment Policy Statement
- May provide investment education

3(38) Investment Manager

- Full-fiduciary; assumes full liability for certain investment-related decisions
- Selects, updates, and monitors plan investments
- Assists with development of Investment Policy Statement
- May provide investment education
- Must be a bank, insurance company or registered investment adviser*

*Subject to the Investment Advisers Act of 1940.

Administrative Mistakes

How to Address and Avoid Errors

As a fiduciary, you are required to handle your 401(k) plan administrative responsibilities with diligence, consideration, and prudence. Failure to do so may result in personal liability, tax penalties, or even plan disqualification, meaning the plan could lose its 401(k) tax deferred status.

Errors are typically caused by administrative or operational oversight. Some examples may include: making late or excessive plan contributions, failing certain testing, failure to follow the plan document, and failing to file the Form 5500 on time. Go to www.irs.gov/pub/irstege/ 401k_mistakes.pdf for more information on common mistakes.

How Do I Correct a Problem?

The Department of Labor (DOL) and Internal Revenue Service (IRS) provide many ways to correct errors depending on the type of problem. Some corrective measures include:

- Self-Correction Program (SCP)
- Voluntary Correction Program (VCP)
- Delinquent Filer Voluntary Compliance Program (DFVCP)
- Payment of Excise Tax (Form 5330)
- Employee Plans Compliance Resolution System (EPCRS)
- Audit Closing Agreement Program (Audit CAP)
- Qualified Non-Elective Contributions (QNEC).

5 Ways to Avoid Mistakes

1. **Do the Right Thing**
   Always act in the best interests of the plan and plan participants.
2. **Gather Knowledge**
   Educate yourself about your plan obligations.
3. **Be Consistent**
   Establish and maintain processes to ensure tasks are completed and correct.
4. **Be On Time**
   Turn in payroll, taxes, Form 5500, and other documents on time.
5. **Ask for Help**
   Reach out to your Retirement Counselor, accountant, legal counsel, and others before there is a problem.

Common Errors and Remedies

Knowing and taking your responsibilities seriously is important; the consequences for negligence can be both expensive and bothersome. Thankfully, the DOL and IRS offer explanations of what these mistakes are, how to avoid them, and how to fix them. Following are three examples and how to remedy them.

Late Contributions

What it is:	An operational error committed when an employer fails to contribute participant deferrals to the Plan Trust in a timely manner
Who is affected:	The Plan Participant accounts
What can happen:	Plan disqualification Financial penalties
Remedies:	Deposit late contributions and lost earnings File Voluntary Fiduciary Correction Program (VFCP) documents - Report late contributions on Form 5500 - Pay excise tax to IRS and file Form 5330 Establish procedures to prevent future late deposits

Excess Plan Contributions

What it is:	When the Plan fails ADP or ACP testing, or participants contribute/benefit too much
Who is affected:	Employer Highly compensated participant accounts
What can happen:	Plan disqualification Additional taxes
Remedies:	Pay excess contributions to affected employees within 2 1/2 months following plan year end (PYE) Fund a Qualified Non-Elective Contribution to Non-Highly Compensated Employees Pay excess contributions to affected employees within 12 months following PYE and pay excise tax (Form 5330)

Failure to Timely File Form 5500

What it is:	When the plan sponsor fails to file the Plan's yearly Form 5500 or request a filing extension within 7 months of PYE
Who is affected:	The Plan
What can happen:	Financial penalties
Remedies:	Request an extension (IRS Form 5558) before the deadline and submit filing by the extended deadline File IRS Form 5500 under the DFVCP Pay a fine

Fiduciary Checklist

Below is a checklist of ongoing best practices for all 401(k) plan fiduciaries to consider. This list may not be comprehensive, for further guidance and information consult your ERISA counsel.

How do I know if I am a Fiduciary?

Do your duties cause you to exercise discretion over plan assets or administration (hiring service providers, making investment choices, spending plan assets, etc.). If so, you are a fiduciary and need to make sure you understand and comply with your duties.

Mitigating Fiduciary Liability

- ☐ Consider establishing procedures for delegating fiduciary authority. For example, hiring a 3rd party to act as a 3(38) investment manager or 3(16) administrator for your plan.
- ☐ Provide fiduciary education for new fiduciaries as well as continuing education for all fiduciaries. Many plan service providers will offer resources to help with fiduciary education.

Basic Fiduciary Duties

- ☐ Act in accordance with the documents and instruments governing the plan.
- ☐ Keep record of meetings and decisions so that you can demonstrate your compliance with a prudent process.
- ☐ Develop written procedures for routine fiduciary decisions. For example, do you have a process for making investment decisions or hiring service providers?
- ☐ Consider asking plan counsel to make sure you are complying with any prohibited transaction exemptions that might be necessary.

Overseeing Investments

- ☐ Find out who is responsible for directing investments in your plan
- ☐ Consider setting up a formal investment committee if you don't have one
- ☐ Consider developing an investment policy statement (IPS) documenting all of the plan's investment requirements and processes.
- ☐ Consider engaging an independent fiduciary (like a 3(38) investment manager, or a 3(21) investment advisor) to help monitor the appropriateness of all investments options.

Overseeing Service Providers

- ☐ Conduct a periodic review of service providers to ensure that service and performance standards are being met.
- ☐ Periodically benchmark your plan's fees and services to make sure expenses are reasonable for services rendered.
- ☐ Document the review, including meetings, issues discussed, and any decisions made.
- ☐ Familiarize yourself with the requirements of Section 408(b)(2) of ERISA.
    - ☐ Review the fees (direct and indirect) of service providers to assess the reasonableness of fees and whether any conflicts exist.
- ☐ Conduct an in-depth review of service providers periodically to ensure that your fess and arrangements are consistent with current practices and costs and to determine whether a new request for proposal process is warranted.

Helping Participants

- ☐ Talk to your service providers about providing required participant disclosures.
- ☐ Provide ongoing communications on investments and plan features (e.g., loans, distributions, or contributions).
- ☐ Make sure all communications are accurate.
- ☐ Distribute information to all eligible employees regarding the investment options available under the plan.
- ☐ Consider conducting educational meetings and providing general financial information and investment education.
- ☐ Consider using automatic enrollment with a qualified default investment alternative (QDIA).

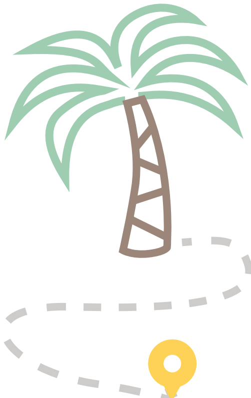
Plan Administrator Basics

- ☐ Develop a compliance plan or calendar to keep track of the various deadlines throughout the plan year.
- ☐ Periodically review the plan documents to ensure that they reflect current practices and have been updated for legal and regulatory changes.
- ☐ Complete and file all required government reporting, such as the Form 5500.
- ☐ Comply with the applicable Internal Revenue Code nondiscrimination tests.

- ☐ Review the process for achieving the following in a timely manner:
  - ☐ Collecting employee contributions and loan repayments
  - ☐ Forwarding contributions and loan repayments to the service provider, and
  - ☐ Investing the contributions and loan repayments

Fiduciary Liability/DOL Audit

- ☐ Maintain a well-documented, prudent fiduciary process for decision-making.
  - ☐ Consider including documentation that decisions were actually made.
- ☐ Consider obtaining liability insurance that protects plan fiduciaries from the costs associated with litigation (including unfavorable judgements)
- ☐ Designate a point person (often an in-house or outside attorney) to coordinate and work with the Department of Labor (DOL) in the event of an investigation.



EXPENSES

Understanding and Analyzing 401(k) Plan Fees

by Nathan Fisher

People often ask me how much a retirement plan should cost, and it's a difficult question to answer. It's sort of like asking how much a car should cost. That depends: do you want a convertible sports car? A luxury SUV? A simple coupe without the frills? In the same way, there's a lot to consider when thinking about what a 401(k) plan, and service for the plan, costs. It's all a function of what you're trying to do with the plan, and what you want to get out of your service providers.

While I can't say exactly how much you should pay for your plan, I can say that it is vitally important that you understand the expenses associated with it. Under ERISA, you (or any other fiduciary for your plan) are required to ensure that only the services that are needed are being paid for, and that the fees are reasonable. That means you'll need a practical process for collecting information about your expenses, for comparing and benchmarking that information against other comparable plans in the industry, and for deciding whether or not those expenses are necessary and acceptable.

Let's explore the fees you are likely to see in your plan, who should be responsible for analyzing those fees, how to best go about that analysis, and how often expenses should be reviewed as part of maintaining a 401(k) plan

The Types of Fees in a 401(k) Plan

When we talk about expenses in a 401(k) plan, what we're typically referring to are the fees charged by any service provider handling any aspect of your plan. There are a lot of different kinds of specific fees, but generally, you can expect to pay fees associated with the investments inside your plan, the administration of the plan, and any other individual services your employees may receive from your service providers.

Investment Fees

The largest fees are usually associated with the management of the investments within a plan. Different funds will bring with them fees like the expense ratio, which is a fee based on a fixed percentage of the total assets in a fund designed to cover the management of that fund, sales fees like the front load and back load, which are associated with buying and selling shares in a fund, and 12(b)1 fees, which pay for marketing or distribution of the fund.

Administration Fees

There are also fees designed to pay for the work of different service providers helping to manage a plan. Fees will be paid to your record keeper, third party administrator, and the adviser who recommends your funds or manages your plan for you. Some larger organizations may also pay fees to a third-party auditor for the purposes of evaluating a plan's expenses.

Individual Service Fees

Finally, there may be fees that are only paid by plan participants who elect certain extra services from service providers. Some employees may choose to take a loan from a plan, or may opt for engaging your service provider in more proactive investing strategies that require additional time and, therefore, cost more to provide.

Keep in mind that most of these expenses are paid by the employees and other participants in a plan, though some may be paid by the employer.

Who Should Analyze Fees?

As a plan sponsor, you can take the time to run the analysis yourself, you can ask one of your service providers to do it for you, or you can pay a third party.

1. **Do it Yourself**
   Analyzing your own fees is something you can do as frequently as you'd like, but it isn't necessarily an easy task. Ask yourself: do you have the time and the expertise to dig into all the fees and understand them? Do you have access to the information you'll need to get a complete picture of your expenses? If you feel confident that you are able to perform your own analysis, pay special attention to the six steps we outline below for monitoring fees.
2. **Use a Service Provider**
   It's common for employers to rely on their 401(k) service provider to perform some kind of fee analysis. Many providers choose to do this every few years simply in the interest of

continuing to prove to you, their client that their fees are reasonable and align well with the service you're receiving. That said you should be aware of the bias your service provider brings into the equation when analyzing their own fees. If you go this route, make sure your provider leverages a third-party tool, such as Fiduciary Benchmarks, to ensure their analysis is as objective as possible. You should also be aware that some advisers will benchmark fees associated with recordkeeping, third-party administration, and investing, but stop short of analyzing their own fees. Read any benchmarking reports you get closely, and keep in mind that you may need to benchmark the adviser's fees yourself.

3. **Pay a Third Party**
   The third option is to remove yourself and your service provider(s) from the equation and hire an unbiased third party to complete your expense analysis. Larger plans of 100 employees or more often go this route, simply because larger plans can be more difficult to analyze in-house. Third party auditors who perform these kinds of analyses don't typically offer any other additional services, which means their only interest will be in completing an accurate analysis of your expenses.

How to Monitor Fees

There are six steps to analyzing your fees and determining how reasonable your plan's expenses are.

1. **Gather required documentation.**
   Unless your service provider is performing your analysis, this is a step you will have to take. Typically, you should look for a 408(b)(2), which is a document that spells out all fees paid by participants in a plan. This is a document that you would not distribute to your employees and other plan participants, and is only for the plan sponsor. Additionally, you may need an asset statement and documentation on any fees you have paid as an employer to your service providers via an invoice.

2. **Identify all service providers being paid.**
   You may think that you have a certain number of service providers maintaining your plan—maybe you have met your record keeper, your adviser, and your third-party administrator—but there may be additional third-party vendors servicing your account that you aren't aware of. Call all of your known service providers and ask them who else is involved with providing service to your plan—you may be surprised.

3. **Trace the flow of all funds out of the plan.**
   Next, make sure you document exactly how money is being taken out of the plan, and how it is being distributed to the different service providers. The most common scenario is for your fees to come out of the expense ratios of the mutual funds in your plan, and from there to flow to your record keeper, adviser, and third-party administrator. Think of this as a forensic accounting exercise to see where exactly money is coming from, and where it's going to.

4. **Calculate fees paid to each service provider.**
   Once you understand the flow of funds out of your plan, you can perform some calculations, either in the form of percentage of total plan assets or in a dollar amount, to demonstrate how much of the money flowing out of your plan ended up with each service provider.

5. **Benchmark your fees against the industry.**
   Now that you know how much each service provider is charging compare those numbers to other, similar, plans to see how those plans' fees stack up against yours. This step can be tricky because it's not always comparing apples to apples. If your provider is doing very little for you, it might make sense that their fees are lower than the industry benchmark you find while comparing expenses. Likewise, a provider that offers an exceptionally high level of service might reasonably charge higher fees. There are tools that can help you compare your fees with those of plans that receive a similar level of service so you get an accurate comparison.

6. **Determine your course of action.**
   The last step of this process is to review your findings and decide whether or not the fees in your plan are reasonable. For the service you get, does your plan seem to align with others like it in terms of fees? Going back to our opening metaphor, just because a car is cheap, doesn't mean the asking price is reasonable. The same can be said for very expensive cars. Make sure you see through the potential biases present in the results of your benchmark; your service provider might argue that their fees are reasonable, but they may not be. It's just as important for you to document your perception of the fees as it is to document the fees in the first place. Review them and take note of which ones are reasonable, which ones might be lower or higher than the benchmarks you've found, and which ones are unacceptable for the service you receive.

When to Monitor Fees

Diving into all of the expenses associated with a 401(k) plan can be an extensive process, and requires a great deal of attention to detail. Depending on the size of your plan and your available resources, you may want to monitor your fees with different frequencies. The largest 401(k) plans will benchmark their fees every year, while smaller plans might only perform analyses every other year. Very small businesses with only a handful of plan participants may only need to monitor fees every three years, which would be reasonable and commensurate with the resources and time they have available to them.

Ultimately, this process is about making sure your employees and other plan participants—which may include you, the employer—pay reasonable fees and keep as much money as possible invested and working hard for a secure retirement.

In this section of the R.E.T.I.R.E.® kit, you'll find resources to help you understand and analyze the fees associated with your plan:

- **Fiduciary Benchmarks Plan Profile Report**
- **Department of Labor Guide: Understanding Retirement Plan Fees & Expenses (Appendix B.3)**

Review these materials to gain insight into the different types of fees your plan may include, proper methodologies for analyzing your fees, and tools to help you compare your fees to industry benchmarks.

Introduction to the Fiduciary Benchmarks Plan Profile Report

The following is an example of a fee benchmarking report. This report compiles data from similarly sized 401(k) plans (in this case $2 million in assets and 50 participants) and breaks down average plan fees. This report also shows how much each service provider is charging, and what services are being provided to plans of this size.

A report like this can be used by a plan fiduciary to make sure fees and services are in line with their peer group, and most importantly make sure plan fees are reasonable for the services received. This report was done by Fiduciary Benchmarks, which is an independent 3rd party provider that specializes in fiduciary resources.

Fiduciary Benchmarks
Independent | Comprehensive | Informative

PLAN PROFILE

XYZ Company

REPORT PROVIDED BY:
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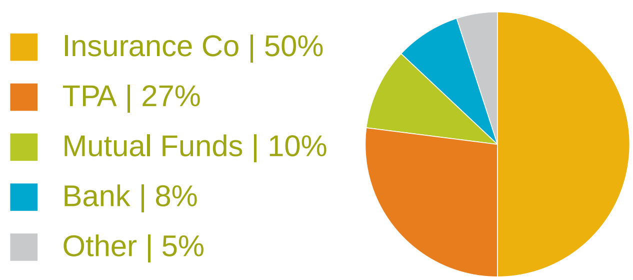
Report Generation Date 11/08/2016
FBI Data as of 06/30/2016

PLAN UNIVERSE

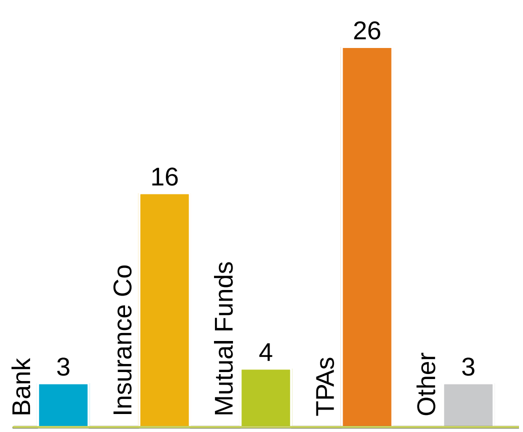
The data used for this report is pulled from Fiduciary Benchmarks' proprietary database which contains data for thousands and thousands of plans. The data for each plan comes directly from each service provider which ensures that the data used to comprise this report is accurate, consistent and up-to-date. In addition, all data is normalized to allow for true "apples to apples" comparisons.

PLAN UNIVERSE CHARACTERISTICS $1mm - $3mm in Plan Assets

Plans by Business Model



Recordkeepers by Business Model



Plan Universe Characteristics

PLAN UNIVERSE	LOW	AVERAGE	HIGH	YOUR PLAN
Total Plan Assets	$1mm	$1.96mm	$2.99mm	$2mm
Participants	18	47	94	50
Average Account Balance	$30,167	$40,798	$59,911	$40,000
Range of Equity Allocation	18%	65%	92%	-
Range of Fixed Income Allocation	8%	35%	82%	-
Range of Active Investments	46%	95%	100%	-
Range of Passive Investments	0%	5%	54%	-

Service Providers in Plan Universe

SERVICE PROVIDERS	PERCENT	YOUR PLAN
Recordkeeper	100%	Ascensus
TPA	39%	Ascensus
Advisor	93%	Advisor/Consultant

TOTAL PLAN FEES

This page contains information on the Total fees for your plan. Note that ERISA section 404(a) REQUIRES plan fiduciaries to make sure the fees they pay for their plan are no more than "reasonable" by PROVIDER. Thus, while this page is informative in nature, it is essential to examine the fees being paid to each of your service providers and the associated services, support and success measures they deliver to your plan and participants.

Fiduciary Benchmarks

PLAN UNIVERSE CHARACTERISTICS $1mm - $3mm in Plan Assets

Total Plan Fees in Percent

1.23% 1.76%

<---------------- Middle 50% ---------------->

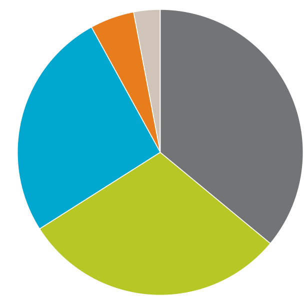
Total Plan Fees in Dollars

$21,932 $33,942

<---------------- Middle 50% ---------------->

Distribution of Fees by SERVICE PROVIDER

- Recordkeepers | 36%
- Investment Managers | 30%
- Advisor Consultants | 26%
- TPA | 5%
- Other | 3%
- Managed Accounts Provider | 0%



Source of Total Plan Fees

SOURCES OF FEES	
Investment Fees	63%
Commissions	0%
Finder's Fees	0%
Other	37%

PAYERS OF FEES	
Paid from Plan Assets	90%
Plan Sponsor	10%
Other	0%

The Importance of Value

The Department of Labor has stated on numerous occasions that fees should be reviewed in CONJUNCTION with the level of services being provided. In fact, it can be proven that better participation rates, higher levels of contributions and improved investing behavior can be much more important in generating an adequate retirement than simply having lower fees. This is why the responsible fiduciary follows the Department of Labor's advice when determining fee reasonableness by examining not only what they are paying, but also what they are receiving for what they are paying.

*See **Important Information Disclosures** at the end of this document for additional information, including key considerations about the information reflected in this report.*

INVESTMENT FEES AND LINE UPS

These pages assist plan sponsors and their advisors in comparing the scope of their investment offerings. It also provides additional details on investment program fees. This information provides perspective on what similar plans are offering.

FOR PARTICIPANTS WHO PREFER TO HAVE SOMEONE ELSE MANAGE THEIR INVESTMENTS

AUTOMATICALLY DIVERSIFIED OPTIONS	% OF UNIVERSE OFFERING	ACTIVE PASSIVE MIX (0% 25% 50% 75% 100%)	ACTIVE FEE RANGE LOW	ACTIVE FEE RANGE AVG	ACTIVE FEE RANGE HIGH	PASSIVE FEE RANGE LOW	PASSIVE FEE RANGE AVG	PASSIVE FEE RANGE HIGH
Target Date Funds	54%		0.91%	1.00%	1.18%	0.18%	0.18%	0.50%
Risk Based Funds	72%		0.77%	0.97%	1.09%	0.16%	0.21%	0.24%
Model Based Portfolios	13%		***	***	***	***	***	***
Managed Accounts	5%		0.00%	0.26%	0.64%	***	***	***

FOR PARTICIPANTS WHO PREFER TO BUILD THEIR OWN INVESTMENT PORTFOLIOS

CORE OPTIONS	% OF UNIVERSE OFFERING	ACTIVE PASSIVE MIX (0% 25% 50% 75% 100%)	ACTIVE FEE RANGE LOW	ACTIVE FEE RANGE AVG	ACTIVE FEE RANGE HIGH	PASSIVE FEE RANGE LOW	PASSIVE FEE RANGE AVG	PASSIVE FEE RANGE HIGH
Money Market	58%		0.42%	0.55%	0.65%	***	***	***
Stable Income	60%		0.55%	0.65%	0.75%	***	***	***
Fixed Income	99%		0.61%	0.82%	0.93%	0.21%	0.22%	0.46%
High Yield	33%		0.77%	0.92%	1.09%	***	***	***
Large Value	89%		0.74%	0.96%	1.11%	0.12%	0.60%	0.60%
Large Core	92%		0.84%	0.96%	1.12%	0.17%	0.41%	0.56%
Large Growth	92%		0.81%	0.98%	1.17%	0.20%	0.24%	0.60%
Mid Value	69%		0.95%	1.11%	1.24%	0.62%	0.66%	0.66%
Mid Core	60%		0.86%	1.14%	1.31%	0.21%	0.50%	0.54%
Mid Growth	76%		0.97%	1.10%	1.30%	0.24%	0.58%	0.65%
Small Value	59%		1.06%	1.22%	1.39%	0.35%	0.68%	0.85%
Small Core	66%		1.01%	1.26%	1.46%	0.30%	0.60%	0.60%
Small Growth	65%		1.11%	1.22%	1.35%	0.24%	0.74%	0.74%
International	95%		0.98%	1.14%	1.30%	0.22%	0.62%	0.62%
Emerging Markets	46%		1.11%	1.36%	1.51%	0.42%	0.69%	0.92%
Company Stock	0%		***	***	***	***	***	***
Self Directed Acct/Fund Window	2%		***	***	***	***	***	***

*** Insufficient Data to Provide Comparison

*See **Important Information Disclosures** at the end of this document for additional information, including key considerations about the information reflected in this report.*

RECORDKEEPER FEE AND VALUE

This page outlines at a high level the fees being paid to recordkeepers for plans similar to yours. In addition, it contains a list of services provided by a typical recordkeeper. These important services are key when determining fee reasonableness.

Fiduciary Benchmarks

PERCENT OF PLANS WITH RECORDKEEPER: 100%

Recordkeeper Fees in Percent

0.34% — 0.73%

<---------------- Middle 50% ---------------->

Recordkeeper Fees in Dollars

$6,078 — $13,658

<---------------- Middle 50% ---------------->

Sources of Fees for Recordkeepers

SOURCES OF FEES	
Investment Fees	58%
Managed Account Fees	0%
Other Fees	42%

PAYERS OF FEES	
Paid from Plan Assets	83%
Plan Sponsor	17%
Other Fees	0%

Typical Recordkeeper Services Provided

PLAN DRIVEN

- Process Payroll Files
- Process Fund Additions
- Makes Plan Design Changes
- Provides Plan Sponsor Internet Portal
- Processes Merger/Acquisition/Divestiture Participants

PARTICIPANT DRIVEN ADMINISTRATION

- Provides RK for Actives and Terminated employees
- Delivers Enrollment Kits
- Originates Loans
- Provides Loan Maintenance
- Processes In-Service Withdrawals
- Processes Hardship Withdrawals
- Processes Distributions
- Processes 401(a)(9)Minimum Distributions
- Processes QDROs

PARTICIPANT DRIVEN COMMUNICATION

- Provides 800 Number Services
- Provides Internet Services
- Delivers Quarterly Statements
- Delivers Communication Campaigns

TPA FEES AND VALUE

This page outlines at a high level the fees being paid to TPAs for plans similar to yours. In addition, it contains a list of services provided by a typical TPA. These important services are key when determining fee reasonableness.

Fiduciary Benchmarks

PERCENT OF PLANS WITH TPA: 39%

TPA Fees in Percent

0.13% <---------------- Middle 50% ----------------> 0.23%

TPA Fees in Dollars

$2,236 <---------------- Middle 50% ----------------> $4,143

Sources of Fees for TPA's

SOURCES OF FEES	
Investment Fees	10%
Managed and Other Fees	90%

PAYERS OF FEES	
Paid from Plan Assets	15%
Plan Sponsor	82%
Other Fees	3%

Typical TPA Services Provided

PLAN DRIVEN
Ensures Payroll Files are in good order
Calculates Employer Matching Contribution
Calculates Other Employer Contributions
Conducts ADP/ACP testing
Conducts 415 Testing
Conducts Top Heavy Testing
Conducts 410(b) Testing
Conducts 401(a)(4)Testing
Accepts calls from Plan Sponsors
Provides Plan Documents/SPD Services
Processes Signature-Ready Form 5500
Supports Annual Audit

PARTICIPANT DRIVEN ADMINISTRATION
Ensures Withdrawals and Termination paperwork is in good order
Ensures Hardship Withdrawal paperwork is in good order
Ensures QDRO paperwork is in good order

See ***Important Information Disclosures*** *at the end of this document for additional information, including key considerations about the information reflected in this report.*

ADVISOR/CONSULTANT FEES AND VALUE

This page outlines at a high level the fees being paid to advisors for plans similar to yours. In addition, it contains a list of services provided by a typical advisor. These important services are key when determining fee reasonableness.

Fiduciary Benchmarks

PERCENT OF PLANS WITH ADVISOR/CONSULTANT: 93%

Advisor/Consultant Fees in Percent

0.25% <---------------- Middle 50% ----------------> 0.50%

Advisor/Consultant Fee in Dollars

$5,219 <---------------- Middle 50% ----------------> $9,800

Source of Fees for Advisor/Consultant

SOURCES OF FEES	
Investment Fees	29%
Commisions	0%
Finder's Fees	0%
Other	70%

PAYERS OF FEES	
Paid from Plan Assets	96%
Plan Sponsor	4%
Other	0%

Typical Advisor/Consultant Services Provided

PLAN INVESTMENT SERVICES
- Design of overall investment structure
- Develop,monitor and maintain IPS
- Provide and review performance reporting
- Search for new investment manager

VENDOR MANAGEMENT
- Ensure all fees are disclosed
- Benchmark fees and values for reasonableness

PARTICIPANT EDUCATION
- Provide group meetings
- Provide one on one meetings

PLAN SPONSOR SERVICES
- Analyze Plan Design Options
- Meet with Plan Committee

FIDUCIARY STATUS
- 3(21) limited scope fiduciary for Plan Investment Services

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PLAN DESIGN

Plan Complexity is an indicator of how the plan's design compares to other plan designs. Plan Complexity is neither good nor bad since every plan is designed to suit each employer's situation. What is important to know, is that a plan that is more complex, can cost more to administer. Please note that the cost impact scoring system utilized below is a subjective measurement developed by Fiduciary Benchmarks.

Fiduciary Benchmarks

Industry - Professional, Scientific and Techical Services

PLAN PROVISIONS	PERCENTAGE OF INDUSTRY WITH PROVISION	PERCENTAGE OF PLAN UNIVERSE WITH PROVISION	POTENTIAL IMPACT ON PLAN COST	POTENTIAL IMPACT ON RETIREMENT READINESS
ELIGIBILITY				
Service Requirement	61%	80%	■	■ ■
Age Requirement	71%	80%	■	■ ■
Automatic Enrollment	25%	12%	■ ■ ■ ■	■ ■ ■ ■ ■
EMPLOYEE CONTRIBUTIONS				
Employee Pre-Tax	100%	100%	■ ■ ■ ■ ■	■ ■ ■ ■ ■
Automatic Increase	10%	5%	■	■ ■ ■ ■ ■
Employee Catch-up	97%	97%	■ ■ ■	■ ■ ■
Employee After Tax	4%	3%	■ ■ ■	■
Employee Roth	55%	37%	■ ■ ■	■ ■ ■
Employee Rollover	97%	95%	■	■
EMPLOYER CONTRIBUTIONS				
Employer Matching	76%	78%	■ ■ ■	■ ■ ■ ■ ■
Employer Matching Vesting Schedule	66%	71%	■ ■	■
Employer Profit Sharing	83%	86%	■ ■ ■	■ ■ ■ ■ ■
Employer Profit Sharing Vesting Schedule	73%	81%	■ ■	■
Employer Required Basic	14%	15%	■ ■ ■	■ ■ ■ ■ ■
Employer Required Basic Vesting Schedule	15%	8%	■ ■	■
INVESTMENTS				
Number of Investment Options	28	27	■ ■ ■ ■ ■	■ ■ ■
Auto Rebalancing	98%	98%	■	■ ■ ■ ■
Risk-Based or Target Retirement Date Funds	100%	99%	■	■ ■ ■ ■ ■
Managed Account	5%	5%	■ ■ ■	■ ■ ■ ■ ■
Mutual Fund Window or Self-Directed Account	17%	2%	■ ■ ■	■
Company Stock	2%	0%	■ ■ ■ ■	■
DISTRIBUTIONS				
Loans Allowed	87%	75%	■ ■ ■ ■ ■	■
In-Service Withdrawals	89%	80%	■ ■	■
Hardship Withdrawals	87%	83%	■ ■	■
Installments	44%	35%	■ ■	■ ■
Lifetime Income Option	20%	21%	■	■ ■ ■ ■

*See **Important Information Disclosures** at the end of this document for additional information, including key considerations about the information reflected in this report.*

PARTICIPANT SUCCESS MEASURES

Participant Success Measures refers to 14 recognized industry statistics that measure how well a plan helps participants prepare for retirement. This page lists each of these 14 statistics and compares them to the Benchmark Group. Few areas are more central to reviewing fees from the perspective of "what you get for what you pay." Here, small changes can make big differences for participants.

Fiduciary Benchmarks

Industry - Professional, Scientific and Techical Services

	YOUR INDUSTRY			ALL INDUSTRIES			POTENTIAL IMPACT ON RETIREMENT READINESS
KNOWING	LOW	AVERAGE	HIGH	LOW	AVERAGE	HIGH	
Percentage of Participants with a Personal Retirement Goal	12%	25%	94%	5%	10%	24%	■ ■ ■
Percentage of Participants On Track to Achieve That Goal	24%	37%	52%	0%	10%	45%	■ ■ ■
SAVING							
Overall Participation Rate	66%	78%	86%	48%	68%	84%	■ ■ ■ ■
Participation Rate-NHCEs (Coming Soon)	***	***	***	***	***	***	■ ■ ■ ■
Participation Rate-HCEs (Coming Soon)	***	***	***	***	***	***	■ ■ ■ ■
Overall Deferral Percentage (Coming Soon)	***	***	***	***	***	***	■ ■ ■ ■ ■
Deferral Percentage-HCEs	6%	7%	8%	***	***	***	■ ■ ■ ■ ■
Deferral Percentage-NHCEs	4%	5%	7%	***	***	***	■ ■ ■ ■ ■
Percentage of Participants Maximizing Company Match	38%	58%	73%	22%	41%	66%	■ ■ ■ ■ ■
Percentage of Participants Auto-Escalation	***	***	***	***	***	***	■ ■ ■ ■ ■
Percentage of Participants using Catch-up	12%	22%	35%	4%	13%	29%	■ ■ ■
INVESTING							
Percentage of Assets in Auto-Diversified Options	11%	23%	41%	10%	27%	53%	■ ■ ■ ■
Percentage of Participants Using Auto-Rebalance	1%	29%	92%	***	***	***	■ ■ ■ ■
SPENDING							
Percentage of Terminated Participants NOT Cashing Out	56%	75%	89%	33%	65%	89%	■ ■ ■ ■

*** Insufficient Data to Provide Comparison

DISCLOSURES

Fiduciary Benchmarks

The information set in this report is based upon (1) that we have received from you (and/or your advisor or agent) regarding your retirement plan (the "Subject Plan Data") and (2) information that we have received from third party sources, including other retirement plan sponsors and their service providers, regarding retirement plans sponsored by third parties (the "Benchmark Group Data"). Fiduciary Benchmarks, Inc. (FBi) has not verified the accuracy or completeness of either the Subject Plan Data or the Benchmark Group Data. FBi cannot be responsible for any inaccuracies in the Subject Plan Data or the Benchmark Group Data.

This report includes a number of comparisons between your retirement plan and plans sponsored, by other employers that have certain similarities with your plan (the "Benchmark Group"). FBi made a number of assumptions, which are described in the report, in compiling the plans in the Benchmark Group. You should review this report carefully and independently analyze whether the Benchmark Group includes plans that are sufficiently similar to your plan to make the information set forth in this report useful to you in carrying out your fiduciary functions.

This report is based partially on the methodology utilized by FBi to gather, compile and present information. The methodology is more completely described at www.fiduciarybenchmarks.com. You should review the description in order to understand the approaches taken by FBi in preparing this report and in order to properly evaluate the report and the information in the report.

Plan Profile data may only be used in conjunction with this report, and you may not extract such data from the report for any purpose. Use of Plan Profile data for any purpose other than its inclusion with this report is prohibited. For clarity and without limiting the generality of foregoing, you may not include any Plan Profile data as part of any other report, communication, provider search, business pricing analysis, or analytical framework. Failure to follow this restriction is a violation of Plan Profile's user agreement, constitutes grounds for termination of such agreement and/or suspension of your access to Plan Profile, and may result in additional legal action by Fiduciary Benchmarks.

This information is for informational purposes only. You must independently determine how to use and interpret the information set forth in this report, including whether you need the assistance of any professionals to assist you in your interpretation of that information and if so, the nature of professional assistance that you may need. FBi cannot be responsible for the manner in which you interpret the information in this report.

Please note: some, and perhaps all, of the information may be time-sensitive. You should consider that in using this report.

Investors should consider the investment objectives, risks, charges and expenses of the investment company carefully before investing. The prospectus contains this and other information about the investment company. You can obtain a prospectus from your financial representative. Read carefully before investing.

Investing in mutual funds involves risk, including possible loss of principal. International and emerging market investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values and yields will decline as interest rates rise and bonds are subject to availability and change in price.

High yield/junk bonds are not investment grade securities, involve substantial risks and generally should be part of the diversified portfolio of sophisticated investors.

The price of small and mid-cap stocks are generally more volatile than large cap stocks.

401(k) Employee Participation: Why It Matters and How to Fix It

A 401(k) plan can be one of the most compelling benefits for attracting and retaining valued staff—but only if your employees actually take advantage of it. This paper looks at why participation in your retirement savings plan is important to both you and your employees, and some tactics you can use to increase employee enrollment.

Participation in Your 401(k) Matters

Encouraging employees to sign up for your company's 401(k) plan is vital for several reasons:

American workers are not financially prepared for retirement

With the decreased use of pensions and the limitations of Social Security, many working people have to partially or completely fund their own retirement savings. In a recent survey, 59% of workers in small companies said they planned to work past age 65 or not retire at all, and 55% planned to work after they retired. They felt they hadn't saved enough and couldn't afford to retire.[1] You can help your employees better prepare for their financial future by offering a 401(k) plan with features that meet their needs.

Failed compliance tests cause undue administrative tasks and corrective actions

The IRS has set up safeguards to ensure that all eligible employees can participate in a 401(k) equitably through annual compliance tests. Higher participation and contribution percentages can help your plan pass these tests. Failing these tests can lead to excess plan administrative tasks, possible excise tax, and depending on the corrective actions you take, additional required contributions to some employees or contribution refunds with negative tax consequences for other employees.

You and your employees receive tax benefits for contributing

Your employees fund their 401(k) accounts with pre-tax dollars, which lowers the amount of their taxable salary. As an employer, your contributions to eligible employees' accounts offset your taxable income. Tax benefits are the government's way of rewarding both parties for taking on the responsibility of saving for the future.

Change your 401(k) Plan to Increase Participation

There are a number of plan features that may motivate more employees to take advantage of your 401(k) plan. You could choose to:

Increase your employer matching contribution. Since most participating employees contribute at least up to the employer match, raising that amount can encourage them to save even more. This can also motivate employees to participate and helps prevent your competitors from luring valuable staff away from you.

Add an Automatic Enrollment feature. That way, your employees will be automatically enrolled as soon as they become eligible. They can opt out at any time, or change the amount of their contribution. Options include:

- *Automatic Contribution Arrangements:* Basic auto-enroll plans where contributions for employees who don't select any investments are placed in default investments
- *Eligible Automatic Contribution Arrangements:* Plans that mandate the automatic contribution percentage to be uniform for all participating employees
- *Qualified Automatic Contribution Arrangements:* Plans that have Safe Harbor provisions[2] and automatically increase contribution amounts at specified intervals

Employees appreciate automatic enrollment because they don't have to remember to sign up when they become eligible. This feature has been shown to increase participation among staff. However, automatic enrollment may require additional time and expense for administration, and you'll have to incur the expense of any matching contributions.

Shorten or eliminate waiting periods for new employees. Your employees get an earlier start on their savings, which can help increase both their participation and appreciation of your company. Immediate participation can also aid your efforts to recruit experienced employees by allowing them to transition between jobs without a gap in saving for their retirement. However, reducing waiting periods can be cumbersome and time consuming to administer.

Consider altering your vesting schedule and allow immediate vesting. Like shorter waiting periods, immediate vesting can motivate enrollment, boost morale and make it easier to attract top talent. However, this may not be ideal if your business has higher employee turnover rates because you'll be adding to your plan administrative burdens, on top of the cost of recruiting and training new staff.

Offer frequent plan enrollment and election periods. Giving your employees more opportunities to enroll or change their contribution amounts can make them more likely to participate and be happier with your 401(k) plan. Switching from annual intervals to monthly, quarterly or even each payroll period intervals gives employees the flexibility to adjust their savings and take-home pay according to what's happening in their life. However, this can add to your plan administration time. Frequent deferral change periods also pose the risk that your payroll won't accurately reflect employees' withholdings and funding in a timely manner.

Since one size does not fit all when it comes to 401(k)s, your plan service provider should help you weigh the various options and implement those that help you boost participation without putting undue burdens on your internal administrative processes. Also, remember that circumstances change over time. It's recommended that you review your 401(k) plan design at least once every three years to make sure it still aligns with your business goals and meets the needs of your staff.

Make Your 401(k) a More Compelling Benefit

Use this chart to compare your current plan features with options you can add to a future design to create a plan that better aligns with your business goals, staff needs and internal processes.

Feature	Current Plan	Future Plan
Automatic Contribution Arrangement		
Eligible Automatic Contribution Arrangement		
Qualified Automatic Contribution Arrangement		
Immediate Eligibility		
Immediate Vesting		
Contribution Match Percentage		
Enrollment/Election Periods (Annual/Quarterly/Monthly/per Payroll)		

Our Individualized Plan Analysis Can Help

At Fisher Investments 401(k) Solutions, we specialize in serving small and mid-size companies, offering services that can be customized to each particular business. We can conduct a thorough and individualized plan analysis for you to help evaluate whether you're offering a compelling benefit that resonates with your employees, and encourages them to participate in your retirement savings plan.

About Fisher Investments 401(k) Solutions

Fisher Investments 401(k) Solutions is dedicated to helping small and mid-size businesses and their employees reach their retirement goals. We seek to offer comprehensive 401(k) plan services that are designed to help employees optimize their retirement savings while easing the company's risk and administrative burden.

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[1] Source: *The Retirement Readiness Imperative: Overcoming the Challenges Faced by Small Companies*, Transamerica Center for Retirement Studies, October 2013.

[2] Safe Harbor provisions allow plans to opt out of some annual compliance testing but require employers to maintain certain levels of contributions to its employees. Please see www.irs.gov/pub/irs-pdf/p560. pdf for more information.

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Three Steps to a Comfortable Retirement

by Nathan Fisher

There is a lot to think about when it comes to retirement planning. Percentages to contribute, years to work, social security benefits to consider–it's a lot to take in. But through all the calculations, numbers, and investments associated with a 401(k) plan, through all the plans you make for retirement, remember that you are working toward one important day: the day when you hang up your hat and finally retire. When that day comes for you, what will it mean? Will you have the money you need to do the things you want? To pursue new hobbies, visit new places, or maybe spend plenty of time with the family you love?

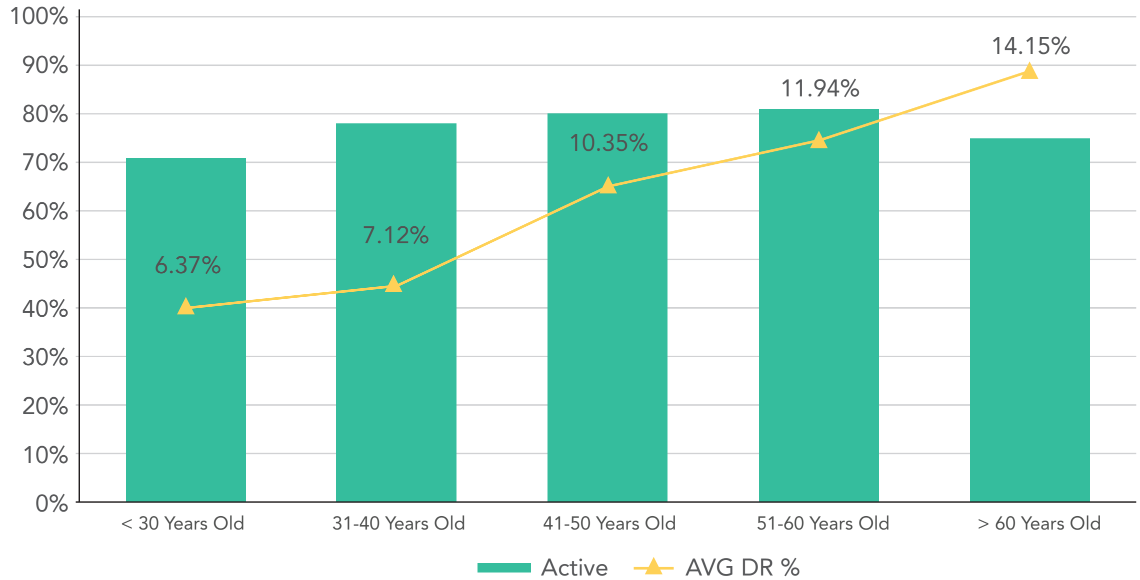
Every situation is different of course, but no matter how far off retirement is for you, and no matter what it means, there are some simple steps anyone can take starting today–right now–to make sure retirement is comfortable.

1. **Get Professional Help**
   This is where our lens makes the question so much easier. Instead of asking about how auto-enrollment will improve any specific numbers, instead ask your provider to frame this decision in the context of overall retirement readiness. Will a greater portion of your employees end up with more money saved for retirement as a result of enacting an auto-enrollment policy? If so, it's probably a good choice.

2. **Start Early**
   In the very same report, we found that 43% of Baby Boomers wished they had started saving for retirement earlier in life. I believe many feel this way later in their careers when they see how their contributed money grows, and how much growth they could have seen had they invested sooner. Over the years, the money you contribute grows through the investments in your 401(k) plan's funds. Money contributed earlier in your career has more time to grow, and works harder for you through compounding growth. Those dollars contributed earlier end up being worth more to you than what you save later, so don't wait. Start saving now.

3. **Save More**
   Of course, you may already be saving, and that's good. But you could always save more, and just as money compounds over time with interest, more money compounds even more. Even a few percent increase in contributions could result in significantly higher savings in retirement. The Plan Sponsors Council of America suggests that the average savings rate in the United States is 6.8%, but I recommend saving more than that in order to really make retirement as comfortable as it can be. Generally speaking, if you follow the curve in the chart below, increasing your savings with time, you'll have the strongest chance of saving what you need to live your ideal retirement without settling.

Participation and Deferral Rates by Age Group



In the short term, your provider should have a savings rate calculator that can help you figure out exactly how much you should be saving based on your budget, how long you'll be working, and your specific plans for retirement.

Because ultimately, that's what this retirement planning is all about: setting goals, and then making your dreams a reality. Don't lose sight of what it means to you to have a comfortable retirement, and keep that vision in mind as you start working toward it today.