



Survey Reveals Plan Sponsor Attitudes About Advisors

The 2010 Fidelity Investments *Plan Sponsor Attitudes Survey*, which included responses from 503 employers ranging in size from 25 to 2,500 participants, produced the following observations:

- The top three reasons for hiring an advisor include: 1) plan investment assistance, 2) improvement of plan performance, and 3) assistance with fiduciary concerns.
- More plans are utilizing the services of an independent investment advisor. Two years ago 69% (of plans coming to Fidelity) used an advisor and in 2010 that percentage increased to 82%.
- Advisor satisfaction is linked to sponsors' understanding of fiduciary responsibilities. Of the sponsors who indicated they were "certain" or "very certain" of their fiduciary obligations, 71% also indicated they were "very satisfied" with their advisor.
- 63% of plan sponsors said it was "important" or "very important" for advisors to take on a formal fiduciary role.

As your dedicated plan consultant, our primary value proposition is to help our clients navigate their fiduciary responsibilities in a documented, process-driven manner while enhancing investment opportunities for participants. We attribute this aspect of our service model to be a significant differentiator for us in the marketplace and key ingredient in the continued growth of our firm

Allowable Plan Expenses: Can the Plan Pay?

The payment of expenses by an ERISA plan (401(k), defined benefit plan, money purchase plan, etc.) out of plan assets is subject to ERISA's fiduciary rules. The "exclusive benefit rule" requires a plan's assets be used exclusively for providing benefits. ERISA also imposes upon fiduciaries the duty to defray reasonable expenses of plan administration. General principles of allowable expenses include the following:

- The expenses must be necessary for the administration of the plan.
- The plan's document and trust agreement must permit use of plan assets for payment of expenses.
- The expenses must be reasonable and incurred primarily for the benefit of participants/beneficiaries.
- The expense cannot be the result of a transaction that is a prohibited transaction under ERISA, or it must qualify under an exemption from the prohibited transaction rules.

Ultimately the ability to pay expenses from a plan trust is a facts and circumstances determination that needs to be made by plan fiduciaries. Because it is possible that the DOL may challenge such determinations it is important that fiduciaries consult ERISA counsel prior to paying questionable expenses from a plan trust and document the decision and reasoning.

Timely Transmittal of Employee Contributions

One of the most important fiduciary responsibilities is centered around the timeliness of remitting employee contributions. While the DOL has issued a 7-day Safe Harbor rule for plans with less than 100 participants, no Safe Harbor exists for larger plans. The key wording in the law for fiduciaries to remember is "as soon as administratively feasible" in regards to the timing of sending employee contributions to the respective service provider. Many DOL audits are triggered when late contributions are identified during the annual audit or noted on a plan sponsor's 5500. We encourage our clients to revisit internal procedures and establish timing standards that are "as soon as administratively feasible."

401(k) Market Intelligence: How Does Your Plan Compare?

Many plans sponsors want to know how their retirement plan stacks up to typical plan. Following is a brief compilation of statistics from a variety of industry sources to help you see how your plan compares.

- 60.3% of plans offer immediate eligibility (defined as one month or less of service)

- 39.5% of plans provide immediate vesting for matching contributions
- The most common match formula is \$.50 per \$1.00 up to 6% of pay (51.8% of all plans)
- 38.4% of plans have an automatic enrollment feature
- 72% of plan sponsors use a life-cycle or target date fund (TDF) as the default option [*the target date is the date of expected withdrawals at retirement; the fund is not guaranteed at the target date or any other time. These funds are subject to risk, including the loss of principal.]
- Plans offer an average of 18 funds for both participant and company contributions
- Company contributions average 2.1% of payroll
- 33% of plan sponsors have no investment committee, though it varies heavily by plan size
- 90% of all plans have a written investment policy statement
- 66.7% of companies retain an independent investment advisor to assist with fiduciary responsibilities
- Investment advice is offered in 60.1% of plans; 21.6% of participants used advice when it was offered
- 41.3% of plans allow participants to make Roth after-tax contributions
- Self directed brokerage accounts are offered in 15.5% of plans
- 61% of plans offer a loan provision to participants (and is more commonly associated with large plans)
- Hardship withdrawals are permitted in 85.6% of plans
- 34.2% of plans have a Safe Harbor plan design in lieu of ADP/ACP testing

[Sources: PSCA, 401(k) and Profit Sharing Plan Eligibility Survey 2010; PSCA 53rd Annual Survey of Profit Sharing and 401(k) Plans, published in 2010; Employee Benefit Research Institute; Aon Hewitt Trends & Experiences 2010]

Communication Corner: It's Never Too Late

This month's sample participant communication memo briefly reviews why it's never too late to start saving for retirement. Encourage participants to enroll in the plan today, especially if you have open enrollment coming up in July. Email Sherri Attili sattili@ccadvisors.com for copy that you can print and distribute to employees.

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