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Three Questions That Retirement Plan Trustees Should Ask Themselves

by Michael A. DeHaven, CPA

Retirement plans are commonplace in our society, providing a vehicle for many to save for their future needs. Each plan is required to have trustees who are tasked with making major decisions relating to the plan, such as selecting investments that will be available to plan participants, and the hiring of investment advisors, auditors, and third-party administrators. The trustees are also responsible for making sure the plan is operating in compliance with both the Department of Labor and IRS guidelines. When trustees understand and fulfill their duties, employees benefit from a plan that offers investment options that are diverse, with fees charged by service providers that are fair, and from the education they receive from investment advisors to plan for their retirement.

If you are a trustee of your retirement plan, ask yourself these three questions:

1. Are you aware of your responsibilities, and if so, are you fulfilling them?
2. Are you aware of the exposure for not doing your job? There are many cases of participants suing plan trustees for incompetence.
3. Are you having regularly scheduled trustee meetings? If not, schedule one now.

Consider these agenda items to include at your next trustee meeting:

1. **Set meetings at least quarterly.** Take minutes to document the decisions that are made.
2. **Review investment performance quarterly.** The investment selections should include alternatives for all investors both young and old, and for those who favor riskier investments versus more conservative alternatives. These investments should be measured against other investments in their market segments; therefore, it makes sense to include your investment advisor in each meeting.
3. **Review plan documents yearly.** In September or October, ask your benefits advisor to review your plan with regard to recent law changes. Also, review key definitions, such as compensation, eligibility, and vesting. You may want to make changes. For example, will you include employee bonuses or commissions in compensation?

4. **Benchmark your fees.** If you are not benchmarking your fees, you should to ensure your plan is receiving the best value. If you haven't recently solicited proposals from service providers (third-party administrators, investment providers, auditors), do so in 2014. You don't have to pick the lowest-priced alternative, but you should document your decisions in meeting minutes.
5. **Review internal controls.** Don't assume they are working properly! Periodically invite key employees from HR, payroll and finance to your meetings, and discuss topics such as: timeliness of depositing employee contributions, eligibility of recently hired employees before employer matches are made, vesting calculations before distributions are made, review of supporting documentation before hardship distributions are made.
6. **Schedule employee education meetings.** Establish clear procedures for educating employees when they enroll, and then periodically throughout the year. Do you have employees who speak limited English? Consider bringing in a bilingual investment advisor to speak with these employees. If you don't, these employees may ask their managers for help, which exposes trustees to lawsuits if poor advice is provided.

Implementation of the above procedures can go a long way to keep your plan compliant and will enable your plan's participants to get the most out of their retirement benefits.

About the Author:

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