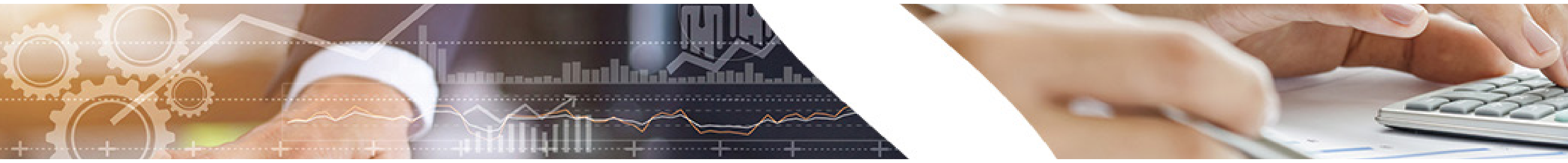
SCHNEIDER DOWNS
Retirement Solutions

Schneider Downs
Retirement Plan
Best Practice Standards



Industry best practice standards at the heart of the fiduciary role include having well organized and effective plan trustees or a retirement committee; selecting and monitoring plan investments regularly; overseeing plan administration; and monitoring plan costs for reasonableness. Though a plan sponsor may be delegating some of these responsibilities to outside service providers, plan fiduciaries who are responsible for oversight of their plan's operation always maintain a fiduciary responsibility for the selection and retention of outside service providers.

Retirement Plan Committee

Appointment of the committee
- If a retirement committee is implemented, it is important that committee members be well positioned by their job responsibilities and expertise to function effectively.
- The fiduciary committee should be designated in the plan document as the "named fiduciary."
- The plan sponsor should have a mechanism for overseeing the committee and its actions.

Structure of the committee and regular meetings
- There should be a clear, focused, and small group of qualified individuals who know they are the plan's fiduciaries and are legally responsible for its operation and for making critical decisions.
- Depending on the complexity of a plan, committees may meet anywhere from quarterly to annually. In addition, committees should call off-schedule meetings when necessary.

Qualification and training of fiduciaries
- Individuals chosen for the committee should be familiar with their duties and responsibilities under the law (see Department of Labor publication "Meeting Your Fiduciary Responsibilities").
- Committee members should pursue relevant knowledge as to their responsibilities through training programs or professional guidance.

Documentation
- The plan document or charter should define the committee structure and its responsibilities.
- Each meeting should be documented with minutes to be reviewed and approved by the committee; i.e. who attended the meeting, high-level description of issues discussed, and agreed upon action items.

Investment Selection and Monitoring

Investment Policy Statement (IPS)
- The IPS defines the purpose, objectives, and measures of success for the plan's investments.
- Committees should review their IPS annually to ensure that it continues to reflect the plan's objectives and meets the needs of the plan's participants.

Investment purpose, objective, and measures of success
- Plan investments should be based on the program's goals and objectives (i.e. participants accumulating adequate savings for retirement) while factors such as participation and contribution rates can be considered for metrics of success.

Investment Strategy
- ERISA embraces Modern Portfolio Theory, which recognizes the benefits of diversification. What matters is not the individual risk of a specific investment, but how an entire portfolio seeks to manage risk and return.
- Plan fiduciaries should examine risk-and-return characteristics with a long-term view of performance

Manager evaluation

The evaluation of investment managers incorporate four key elements:
- Evaluate an investment manager's team and organization;
- Understand the philosophy that guides the manager's firm;
- Understand the firm's process and its consistency over time; and
- Analyze performance over time in light of the firm's philosophy and process.

Qualified Default Investment Alternative (QDIA)

One component that aims to afford plan sponsors fiduciary protection under ERISA Section 404(c) is the use of a QDIA as the plan investment default. This provision, if selected and procedures followed, minimizes plan sponsor responsibility for plan participants who fail to actively select an investment.

Administrative Oversight

Plan documents and the management process

- Plan fiduciaries should ensure that the processes used to administer the plan conform with the written plan document.
- Employers should review plan transactions periodically to be sure they are in line with the plan document, e.g. contributions, withdrawals, terminations, loans (if offered).

Current documents and compliance reviews

- Plan fiduciaries should review and maintain their signed plan documents in compliance with current regulations, e.g. changes in tax rules from the IRS and fiduciary and disclosure rules from the DOL.

Nondiscrimination and compliance testing

- Plan fiduciaries must ensure the plan complies with applicable federal nondiscrimination testing rules. Highly compensated employees and their contributions to the plan should be tested to be certain they are not disproportionate to the contributions from non-highly compensated employees.
- ERISA requires that plan fiduciaries maintain bonding to protect the plan against losses due to fraud or dishonesty.

Contributions, notification, and claims

- The DOL requires timely remittance of all contributions to the plan's trust as soon as they can be reasonably segregated from the employer's assets.
- Fiduciaries should ensure all required documents are provided to participants, both initially and annually (when required) depending on the specific plan design, e.g., safe harbor notice, QDIA notice, summary annual report, fund change notice, automatic enrollment notice.
- Plan documents and summary plan documents should contain detailed information regarding how a participant files a claim for benefits and the appeal process for a denied claim.

Plan Costs

Determine fees are reasonable

- Plan fiduciaries should periodically benchmark their fees or distribute a Request for Proposal (RFP) as a way to determine reasonableness of fees for the outside service providers and the investments offered. "Reasonable" does not necessarily mean the lowest cost; rather it connotes consideration of the level of service being provided.
- Monitoring reports should provide reoccurring analysis and substantiation of the reasonableness of investment management fees. This ongoing analysis should dovetail with the processes and criteria outlined in a plan's Investment Policy Statement.