

# Part Three – Evaluations and Monitoring

Monitoring Service Providers and Investments

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



Create Opportunities

# Disclaimers

The information contained herein is general in nature and is not intended, and should not be construed, as legal, accounting, or tax advice or opinion provided by CliftonLarsonAllen LLP to the user. The user also is cautioned that this material may not be applicable to, or suitable for, the user's specific circumstances or needs, and may require consideration of non-tax and other tax factors if any action is to be contemplated. The user should contact his or her CliftonLarsonAllen LLP or other tax professional prior to taking any action based upon this information. CliftonLarsonAllen LLP assumes no obligation to inform the user of any changes in tax laws or other factors that could affect the information contained herein.

Investment Advisory Services offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC Registered Investment Advisor.

Securities are offered through Valmark Securities, Inc., member FINRA/SIPC 130 Springside Drive, Suite 300, Akron, OH 44333-2431 (800-765-5201).

CliftonLarsonAllen Wealth Advisors, LLC and Valmark Securities, Inc. are separate entities.



# Housekeeping

- If you are experiencing technical difficulties, please dial: **800-422-3623**.
- **Q&A session will be held at the end of the presentation.**
  - Your questions can be submitted via the **Questions Function at any time during the presentation.**
- The **PowerPoint presentation**, as well as the **webinar recording**, will be sent to you within the next 10 business days.
- For future webinar invitations, subscribe at [CLAAconnect.com/subscribe](https://CLAAconnect.com/subscribe).
- Please complete our online survey.



# CPE Requirements

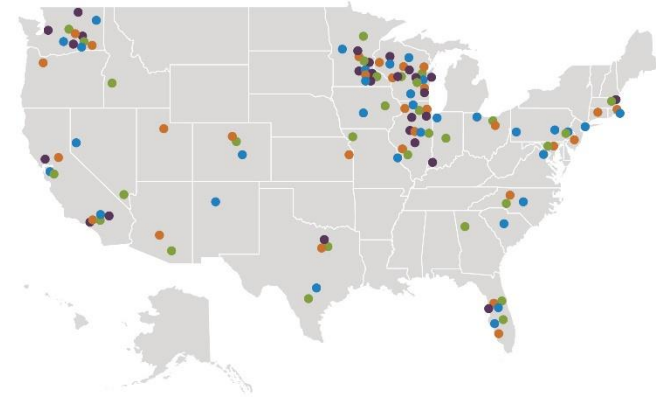
- Answer the polling questions
- Remain logged in for at least 50 minutes
- If you are participating in a group, complete the CPE sign-in sheet and return within two business days
  - Contact [webmaster@CLAconnect.com](mailto:webmaster@CLAconnect.com)
- Allow four weeks for receipt of your certificate; it will be sent to you via email from [certificates@CLAconnect.com](mailto:certificates@CLAconnect.com).

*\* This webinar, once recorded, has not been developed into a self study course. Therefore, watching the recording will not qualify for CPE credit.*



# About CLA

- A professional services firm with three distinct business lines
  - Wealth Advisory
  - Outsourcing
  - Audit, Tax, and Consulting
- More than 6,600 employees
- Offices coast to coast
- Providing employee benefit plan audit, tax compliance, and consulting services for more than 60 years.
- CLA is ***a leading provider*** of employee benefit plan audits in the country\*



\*According to 2017 data from the Department of Labor  
Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC

# Learning Objectives

At the end of this session, you will be able to:

- Identify plan design and service provider evaluations, with an emphasis on process development
- Describe recommendations for monitoring and reviewing investment performance



# Speaker Introductions

## John Stiglich, CPA, CFP®, PFS, AIF®, CHSA



- Principal, CliftonLarsonAllen Wealth Advisors, LLC
- Over 35 years of experience in working with qualified retirement plans
- Experience in plan design, administration, and investment alternatives



# Evaluating Service Providers

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



# Evaluating Service Providers to Your Plan

## What is a Service Provider?

- A Service Provider is a third-party which provides some type of product or service to your company's retirement plan for a fee.



# Evaluating Service Providers to Your Plan

## What are the Common Types of Service Providers to Retirement Plans?

1. A Custodian/Directed Trustee
2. A Recordkeeper
3. A Third-Party Plan Administrator (TPA)
4. An Investment Advisor
5. Independent CPA Firm (Plan Auditor)
6. A Plan Attorney



# Evaluating Service Providers to Your Plan

## What is a Custodian/Directed Trustee?

1. The Company which holds the Plan's assets.
2. Responsible for executing purchases and sales of plan investments as directed.
3. Provide monthly or quarterly reports on account activity.
4. For audit-sized plans, may provide a Certified Trust Statement for the Plan Auditors.



# Evaluating Service Providers to Your Plan

## How do you evaluate Custodians?

1. For Independent Custodians i.e. Schwab, T. D. Ameritrade Trust, Matrix, look at the fees charged. The normal range is .02% to .04%. Some have a minimum fee i.e. \$400. Some are a base fee plus an asset charge. This Custodian is normally chosen by the Plan's Investment Advisor.
2. For “bundled” solutions i.e. Fidelity, Empower, John Hancock, the recordkeeper will use their own Custodian and a separate fee is not disclosed.
3. For “Directed Trustee” Services, an additional fee of \$500 to \$1,500 usually applies.



# Evaluating Service Providers to Your Plan

## What is a Recordkeeper?

1. The Company maintains the accounting for participants' accounts and all plan transactions i.e. Fidelity, Empower, Newport, Ascensus etc.
2. Responsible for correctly allocating plan deposits, making investment transfers and processing participant distributions and loans.
3. Provide quarterly participant statements.
4. Provide Internet Account Access.
5. Provide participant features i.e. Gap Analysis, Education, Account Management etc...



# Evaluating Service Providers to Your Plan

## How do you evaluate Recordkeepers?

1. By Fees – Review 408(b)2 Fee Disclosure and Benchmark
2. Every 3-5 years get RFP's – see next slide for Checklist
3. Ease to work with
4. Response Time to problem resolution
5. Consistency in Service
6. New Features and Enhancements – Online Services
7. Data Security Features



# Recordkeeping RFP Checklist

The RFP process can help determine the appropriate fit for your business

## Preparation

Identify and prioritize scoring criteria:  
Area of evaluation

- Step 1: Rate each section 1 through 6 (1 most important)
- Step 2: Rate each sub-section 1 through 3/4 (1 most important)

<input type="checkbox"/> Firm Background	<input type="checkbox"/> Investment flexibility and capabilities
___ Client Base	___ Open architecture capability
___ Experience	___ Fund implementation capability
___ Financial status	___ Fund implementation timing constraints
<input type="checkbox"/> Participant services	<input type="checkbox"/> Fees and expenses
___ Communication and statements	___ Recordkeeping
___ Web interface	___ Investment fees
___ Phone services	___ Other fees
___ Education and communication	___ Fee transparency
<input type="checkbox"/> Plan sponsor services	<input type="checkbox"/> Transition/conversion
___ Support	___ Transition planning
___ Technology	___ Transition monitoring
___ Process automation	___ Quality control and testing procedures
___ Web tool	___ Implementation communication

# Evaluating Service Providers to Your Plan

## What is a Third-Party Plan Administrator (TPA)?

The Company that is responsible for Compliance Services for your Plan.

This includes:

1. Plan Document
2. Annual Plan Discrimination Testing
3. Participant Eligibility
4. Form 5500 Preparation
5. Plan Design Review
6. Plan Operations Consulting





# Evaluating Service Providers to Your Plan

## How do you evaluate a Third Party Administrator (TPA)?

1. By their Role – Bundled vs Unbundled
2. Scope and Quality of Services Provided
3. Experience and Quality of Staff
4. Ease to work with
5. Pro-Active Approach
6. Fees



# Evaluating Service Providers to Your Plan

## What is an Investment Advisor?

The Investment Professional engaged to provide Investment Advice/Education to the Plan Trustees and Participants.

## Investment Advisor Status\*:

1. Broker/Registered Representative of BD
2. ERISA 3(21) Advisor
3. ERISA 3(38) Advisor



# Evaluating Service Providers to Your Plan

## How do you evaluate Investment Advisors?

1. By their Role/Status
2. Scope and Quality of Services Provided – Participants?
3. Experience and Quality of Staff
4. Ease to work with
5. Pro-Active Approach
6. Fees – Commission, Asset-Based, Fixed





# Monitoring Investments

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

# Monitoring Investments in Your Plan

## What is the Plan's current structure for Investment Selection?

1. Plan Trustee(s) select
2. Investment Committee select
3. Recordkeeper select – Point in Time Fiduciary
4. Discretionary ERISA 3(38) Advisor select



# Monitoring Investments in Your Plan

## For the First Three Options:

1. Plan Trustee(s) bear liability for investment selection and monitoring
2. Best Practice – Prepare an Investment Policy Statement (IPS) and follow it
3. If no IPS – Develop a process and follow it
4. Review Quarterly Investment Reports compared to IPS/Process
5. Beware of Share Class/ Cost of Mutual Funds
6. Focus on Long-Term and Consistent Performance



# Monitoring Investments in Your Plan

## For the First Three Options:

7. Don't be quick to switch Investment Options
8. Even TDF's need a selection process and monitoring
9. Beware of Proprietary Funds
10. Consider Investment Education for Decision Makers
11. Consider obtaining the Certified Plan Sponsor Professional (CPSP) credential from the American Retirement Association (ARA)
12. Consider engaging an ERISA 3(38) Discretionary Advisor

# Monitoring Investments in Your Plan

## If you use an ERISA 3(38) Discretionary Advisor:

1. The Advisor has full discretion over the investments and bears liability
2. The Advisor will prepare an Investment Policy Statement (IPS) and follow it
3. The Plan Trustee(s) need to monitor the activity of the Advisor
4. Review Quarterly Investment Reports and ask questions
5. At least annually have Advisor provide you with a comparison of the Plan's investments to the IPS
6. Focus on Long-Term and Consistent Performance





# Monitoring Investments in Your Plan

## **If you use an ERISA 3(38) Discretionary Advisor (Cont.):**

- 7. Don't be quick to switch Investment Options
- 8. Even TDF's need a selection process and monitoring-ask
- 9. Beware of Proprietary Funds
- 10. Consider Investment Education for Decision Makers
- 11. Consider obtaining the Certified Plan Sponsor Professional (CPSP) credential from ARA



# Monitoring Investments in Your Plan

## Basic Premises to Follow:

1. Always make decisions which are in the best interest of **ALL PLAN PARTICIPANTS**
2. Establish common-sense processes and policies and follow them
3. Monitor Plan Costs at least every 2-3 years
4. Investment Performance is not the most significant factor
5. Focus on the “Prudent Man”





# Questions?

John Stiglich, CPA, CFP®, PFS, AIF®, CHSA

john.stiglich@CLAconnect.com

815-272-9812

To receive future webinar invitations,  
subscribe at [CLAconnect.com/subscribe](https://CLAconnect.com/subscribe).

