

September 6, 2018

Co-Fiduciary: The Importance of an Independent Investment Advisor

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Fiduciary—it’s a word that keeps retirement plan sponsors up at night. With so much buzz around fiduciary duties in the past few years, organizations, large and small, have moved towards relying on outside organizations to assist with fiduciary responsibilities. One important partner a plan sponsor can lean on is an independent retirement plan investment advisor to ensure your plan is providing quality investments and paying reasonable fees.



According to the *PLANSPONSOR 2016 Defined Contribution Study*, 68% of all plans utilize the services of a financial advisor or institutional retirement plan consultant. Why, you may ask? An independent investment advisor can:

- **Limit liability** - per the Department of Labor (DOL), the fiduciary (plan sponsors and their committees) retains the responsibility for selecting and monitoring the investment alternatives that are made available under the plan. By engaging an advisor, you can share that fiduciary duty.
- **Give independent guidance** - relying on your recordkeeper’s standard lineup may be a conflict of interest if proprietary funds are included. An advisor can help you avoid this conflict of interest by providing guidance on which funds to include based on objectives, expenses and performance.

- **Provide expertise** - usually committees/plan sponsors don’t have the time or expertise in fulfilling the role of investment expert. Hiring an advisor does not eliminate your fiduciary responsibilities, but if you do your due diligence in hiring a reputable advisor, you can rely on their expertise as a co-fiduciary.

What should an advisor do for me?

If you are currently getting investment ‘advice’ through your bundled provider, you may be wondering what exactly you are paying for and why you may need an independent advisor. A good investment advisor will have the experience, client references, and reputation in the retirement plan market and will take a consultative approach to determine and monitor the most appropriate investments for the plans and the participants. You can expect that your advisor will:

- Provide training regarding what a fiduciary is and what the committee/plan sponsor’s responsibilities are as a fiduciary.
- Develop and maintain a plan’s Investment Policy Statement (IPS).
- Select investment funds based on performance, expense, and risk tolerance.
- Monitor fund performance in compliance with the IPS.
- Benchmark plan fees.
- Assist in negotiating fees and optimizing your recordkeeper’s services. By working with advisors that are dedicated to the retirement plan industry, they will add more leverage to the conversation because they know the fees and services your providers may offer their other clients of similar size and demographic.
- Facilitate committee meetings (including taking minutes).

- Keep the committee/plan sponsors apprised of developments in the retirement plan marketplace and trends in plan design and administration.
- Assist with the participant education and communication strategy working in tandem with your recordkeeper.

How do I find an advisor?

To find an independent advisor that is a good fit for your plan, a Request for Proposal (RFP) is a good tool to evaluate advisors. RFP questions should be carefully selected to ensure the responses help highlight advisor's strengths in the areas most important in meeting the committee/plan sponsor's objectives. Advisors selected to receive the RFP should be advisors dedicated to the retirement plan industry, have a book

of business with plans similar in size to your plan, and have the resources to assist with the level of participant education and communication needed by plan participants. Don't ever make the final selection based solely on fees. Fees are commonly negotiated. Once the advisor field has been narrowed, the committee/plan sponsor should select a few advisors to meet in person and hear about their value proposition directly from the advisor's team. Personality and personal connection are important since you will be sitting across the table from the advisor every quarter.

Questions or interested in finding an advisor for your plan, but don't know where to start? Contact the Findley consultant you normally work with or contact [Kathy Soper](mailto:Kathy.Soper@findley.com) at Kathy.Soper@findley.com or 419.327.4106.