



# Resources to Help Identify, Manage & Avoid Retirement Plan Vendor Conflicts

- Identifying the six areas where recordkeeping vendors can monetize their relationship with retirement plans
- Document, document, document! Showing your work to monitor any conflicts is crucial

**+ A worksheet to help guide you through the right questions to ask about any potential conflicts**

# Retirement Plan Vendor Conflicts

Fiduciaries are required by ERISA to monitor service providers to the plan. That includes monitoring for any conflicts of interest.

We have identified five areas where recordkeeping vendors have tried to monetize their relationship with retirement plans: Proprietary investment management, managed accounts, IRA rollovers, annuitization, and cross-selling retail financial products. These don't, by definition, constitute a conflict of interest, but whenever a recordkeeper stands to be compensated by choices made by the plan fiduciaries or plan participants, extra care should be taken.

Below are a sampling of questions to assist in monitoring a recordkeeper for conflicts of interest in these five areas, plus additional questions around the compensation of individuals who interact with participants.



## Proprietary Investment Management

- Do you require the use of a proprietary investment product in investment menus?
- Do you charge a fee for the use of some third-party investment products?
- What percentage of the defined contribution retirement plan assets you recordkeep are in proprietary investment products?
- What percentage of the plan's assets are in proprietary investment products?



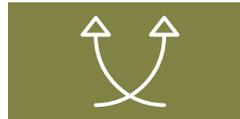
## Managed Account Services

- What fees do participants pay for managed account services?
- How many participants in the plan currently use managed account services?
- What revenue was received from managed account services in the Plan in the last 12 months?
- What percentage of the defined contribution retirement plan assets you recordkeep are in managed account products?



## Proprietary IRA Rollovers

- Do you provide fiduciary advice, as defined by ERISA, on distributions from the plan to participants?
- What percentage of plan participants rolled their assets into proprietary IRAs?



## Cross-Selling Retail Financial Products

- Can plan sponsors strike specific communications or categories of communications from delivery?
- What job titles are authorized to provide employee communication services to participants in the plan?
- Which, if any of those titles receive compensation from commission?
- What are the mechanisms for reviewing the performance of plan representatives?
- Are you willing to engage in non-solicitation arrangements with clients when requested?



## In-Plan Annuitization

- What percentage of plan assets were annuitized in the last twelve months?
- How many plan participants annuitized some or all of their balance in the last twelve months?



## Compensation

- Are individuals interacting with the plan or plan participants compensated for any of the following:
- Transferring IRAs or other qualified plan assets into the plan
  - Transferring plan assets into proprietary IRAs or other proprietary non-plan related qualified assets
  - Selling non-plan related products and services to plan participants
  - Selling plan advisory services to plan participants
  - Selling non-plan advisory services to Plan participants
  - Transferring assets into specific investment products or managed account products
  - Annuitizing plan assets

## Retirement Plan Vendor Conflict of Interest Documentation

Retirement plan fiduciaries are required to monitor service providers to the plan, and the documentation of that monitoring is a critical step of the process. Below is a sampling of some of the most common types of documentation you should keep in your **fiduciary file**.

### Fiduciary File Content Categories



**Service agreements for all plan providers:** agreements may specifically include policies for avoiding conflicts of interest or other requirements

**408(b)(2) fee disclosures:** detail the fees and services from each provider

**Request for proposal responses:** RFPs should include questions about managing and monitoring conflicts of interest

**Meeting minutes:** when reviewing conflicts of interest during committee meetings, include the discussion within the standard minutes

**Vendor reporting:** any documentation or reporting provided by your vendor on the topic of avoiding or managing conflicts of interest. This may include:

- A description of the fiduciary status of individuals interacting with the Plan and Plan participants
- Reporting on compensation structures of individuals interacting with the Plan and Plan participants
- Participant usage of proprietary offerings
- Reporting on services and offerings outside of the plan
- Internal controls for monitoring for conflicts of interest
- Participant education and advice plans and documents

- Call center scripts

Ultimately, fiduciaries should:

- Understand the areas where there may be a potential for conflicts of interest
- Understand how the services providers and plan fiduciaries can safeguard against conflicts, and,
- Document the ongoing monitoring of potential conflicts

## Vendor Conflicts Worksheet

Conflict	Questions	Vendor Response Notes
 <p><b>Proprietary investment management</b></p>	<ul style="list-style-type: none"> <li>• Do you require the use of a proprietary investment product in investment menus?</li> <li>• Do you charge a fee for the use of some third-party investment products?</li> <li>• What percentage of the defined contribution retirement plan assets you recordkeep are in proprietary investment products?</li> <li>• What percentage of the plan's assets are in proprietary investment products?</li> </ul>	
 <p><b>Managed account services</b></p>	<ul style="list-style-type: none"> <li>• What fees do participants pay for managed account services?</li> <li>• How many participants in the plan currently use managed account services?</li> <li>• What revenue was received from managed account services in the plan in the last 12 months?</li> <li>• What percentage of the defined contribution retirement plan assets you recordkeep are in managed account products?</li> </ul>	
 <p><b>Proprietary IRA rollovers</b></p>	<ul style="list-style-type: none"> <li>• Do you provide fiduciary advice, as defined by ERISA, on distributions from the plan to participants?</li> <li>• What percentage of plan participants rolled their assets into proprietary IRAs?</li> </ul>	

 <p><b>Cross-selling retail financial products</b></p>	<ul style="list-style-type: none"> <li>• Can Plan sponsors strike specific communications or categories of communications from delivery?</li> <li>• What job titles are authorized to provide employee communication services to participants in the plan?</li> <li>• Which, if any of those titles receive compensation from commission?</li> <li>• What are the mechanisms for reviewing the performance of plan representatives?</li> <li>• Are you willing to engage in non-solicitation arrangements with clients when requested?</li> </ul>	
 <p><b>In-plan annuitization</b></p>	<ul style="list-style-type: none"> <li>• What percentage of plan assets were annuitized in the last twelve months?</li> <li>• How many plan participants annuitized some or all of their balance in the last twelve months?</li> </ul>	
 <p><b>Compensation</b></p>	<p>Are individuals interacting with the plan or plan participants compensated for any of the following:</p> <ul style="list-style-type: none"> <li>• Transferring IRAs or other qualified plan assets into the Plan</li> <li>• Transferring Plan assets into proprietary IRAs or other proprietary non-plan related qualified assets</li> <li>• Selling non-plan related products and services to plan participants</li> <li>• Selling plan advisory services to plan participants</li> <li>• Selling non-plan advisory services to plan participants</li> <li>• Transferring assets into specific investment products or managed account products</li> <li>• Annuitizing plan assets</li> </ul>	



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