

# Annual Plan Review Scorecard

## PLAN REVIEW

ERISA requires plan fiduciaries to operate the plan in accordance with its written terms. Therefore, it makes sense to review the plan's routine operations at least once every year. You can use the following scorecard as an agenda for your plan review. This checklist is not exhaustive. There may be other areas of your plan's operations that should be included in your review. Consult with your legal advisers to make sure that you're covering all of the bases.

## ANNUAL PLAN REVIEW SCORECARD

Check out your fiduciary score. Mark the boxes in the checklist below that you routinely use to manage your fiduciary responsibility.

- Have an IRS-approved plan document — Most “prototype” documents have been approved by the IRS. Keep a copy of any amendments and the “opinion” and “determination letter” with the plan document.
- Make sure the plan document is amended to reflect all required updates (e.g., GUST, EGTTRA).
- Maintain a current Summary Plan Description (SPD), updating it as necessary to reflect plan design changes, and distribute to all participants and beneficiaries currently receiving benefits under the plan. (ERISA requires that SPDs, Summary of Material Modifications, and Annual Reports be provided to participants/beneficiaries).
- If you, your family or your company have ownership rights in any other businesses, be sure to engage expert advice concerning the possible consequences to your plan (e.g., control group).
- Verify that the plan's definition of an eligible employee is consistent with the way the plan

is administered. If you have any workers, such as temporary employees, at your company who are not covered under the plan, does your plan document specifically exclude them from participation?

- Review the definition of compensation as defined in the plan document, and verify that the correct compensation amounts are being sent to your service provider(s).
- Review the process of collecting and forwarding employee contributions and loan repayments to your provider. Make sure the contributions and loan repayments are invested in a timely manner. (ERISA provides that participant contributions become plan assets as of the earliest date that they can reasonably be segregated from the employer's assets).
- Conduct regular, periodic and as needed meetings with the plan fiduciaries. Record minutes of these meetings, including all decisions made by the fiduciaries (*and include any background information and supporting documentation for any investment decisions made*).
- Review process for employee enrollment programs explaining the importance of plan participation, saving for retirement, and investment basics.
- Conduct a review of the investments in the plan, in accordance with the investment policy statement. A sample investment policy is available.
- Review employee investment education materials and/or programs.
- Check your ERISA Fidelity Bond for proper coverage. The ERISA Fidelity Bond is protection for participants in the event a fiduciary, or other



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## Annual Plan Review Scorecard, continued

responsible person, steals or mishandles plan assets. The minimum required amount of the bond is 10% of plan assets—up to \$500,000. This limit will increase to \$1,000,000 for plans with employer securities effective for plan years beginning after December 31, 2007. Determine whether the bond covers other fiduciaries, as well as other employees or third parties involved with handling funds or other property of the retirement plan.

- ❑ Monitor and evaluate the plan's investment options and, as applicable, investment managers. Gather and evaluate information on the proper peer group and indices, historical performance, expenses, volatility and other significant factors to review the investment options.
- ❑ Confirm that your plan offers a “broad range” of funds to minimize the risk of large losses such as:
  - Stable Value, Guaranteed Investment Contract (GIC) or Money Market Fund
  - U.S. Government or Corporate Bonds
  - Large-Cap U.S. Equities
  - Mid/Small-Cap U.S. Equities
  - International or Global Equities
- ❑ If the plan is intended to comply with ERISA 404(c), ensure that all requirements under this provision are being met. Ensure the 5500 indicates the intent to comply with the 404(c) requirements.
- ❑ Review the fee structure of the service provider arrangements and of the plan's investment options to ensure complete understanding of all costs and services associated with those fees.
- ❑ Update and document all procedures and decisions; maintain the documents in an appropriate file.

### HOW DID YOU SCORE? COUNT THE BOXES YOU MARKED ON THE CHECKLIST. IF YOUR TOTAL WAS:

All 17 — Excellent, continue to manage your fiduciary responsibilities

12-17 — Good, need to improve in a few areas to help manage your risk

9-12 — Not so Good, could do better in several areas

8 or less — Need significant Improvement, may be exposing yourself to unnecessary fiduciary liability

Your score will provide a general idea of how you're fulfilling your responsibilities, however it is not all inclusive of your obligations under ERISA and your score should be used just as a guideline to help you manage your fiduciary responsibilities.

### HOW RBC WEALTH MANAGEMENT CAN HELP

At RBC Wealth Management we work closely with you to help design and maintain the appropriate retirement plan to meet your company's growing needs.

RBC Wealth Management, a wholly owned indirect subsidiary of Royal Bank of Canada, (TSX, NYSE: RY) is one of the nation's biggest full service regional securities firms.

*RBC Wealth Management does not provide tax or legal advice. The information in this guide is for educational purposes. Please consult with your tax or legal counsel for advice.*

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