

# HICKS NOTES

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June 2016

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## SUMMER IS A GREAT TIME FOR A PLAN CHECK-UP

As the summer months approach and things slow down, now is a perfect time to be proactive and review your retirement plan and all its components. This month we provide areas of review and resources to help you and your clients accomplish this important task.

**PLAN DOCUMENT:** Every plan sponsor and fiduciary needs to make sure the plan is running properly. The document is the first line of defense. It should be reviewed to make sure it's been restated and the administration is being run according to the plan provisions. The IRS has created a checklist to help identify issues regarding documents. It can be viewed [here](#).

Is the plan accomplishing the goals of the employer in providing benefits and tax breaks to those who need it the most? In the event of a plan audit, here is [a link](#) to our website and the sample IRS and DOL letters requesting information. Notice the extensive requests for documents and amendments.

**ANNUAL ADMINISTRATION:** This is highly technical work and mistakes can be made in the administration process. Eligibility, vesting, accounting, loans and payments to and from the trust should be reviewed by an independent third party at least periodically. We all make mistakes, and if one is caught before an audit, there are various IRS and DOL programs in place that allow for self-correction.

The IRS has a plan checklist that outlines the requirements and issues to look for regarding the operation of these plans. This is helpful in that it gives insight into what the IRS is targeting should your plan be audited. To review, [click here](#).

**THE FIDUCIARY PROCESS:** This is the "Hot Topic" of this year. There are new regulations and court cases regarding breaches of fiduciary duties and failure to exercise their duties. A thorough review of the decision making process is paramount to protecting everybody who works with these plans.

As an investment advisor, your job is to help in the drafting of the investment policy statement (IPS). This is the basis for the selection of investments. It needs to be written and should spell out the process by which funds are chosen. As a plan grows, it should be able to get cheaper funds because of the amount of assets. You cannot "set it and forget it" as the [case of Tibble](#).

**FEES:** The 408(b)(2) regulations require that trustees understand the fees they and their participants are paying. Are they reasonable? Are they getting the proper value and service for what they are paying? Is anybody receiving "kickbacks" or other hidden fees, and are they being offset against administration costs? All of this is important because, in most 401(k) plans, the participant's accounts are being charged something. This annual review requires 3 things: REVIEW, BENCHMARK and DOCUMENTATION. For additional information, [click here](#).

Are the participants getting the proper disclosures, statements and education they need? Ultimately, as a fiduciary, the plan sponsor's job is to put their participants first. They should review the information and educational materials provided to them. Annual meetings, website access to information, and other materials are important to fulfilling these duties. As a financial planner, it is your job to provide these services. The participants and fiduciaries depend on you. Don't forget to document the meeting and decision making process.

**IN CONCLUSION:** We have only scratched the surface of the various issues. The rules are being clarified through new regulations and court cases. We are providing a series of webinars next month where all of these issues are discussed further. For the invitation for these free webinars, click [here](#).

As always, we are always available for questions, comment or proposals. Summer is here, now is the time!!