



TEST YOUR UNDERSTANDING OF THE INVESTMENT POLICY STATEMENT

1. Is a plan required to have a written Investment Policy Statement? Yes No

2. How often should a formalized IPS be reviewed?
 - Semi-Annually Annually Every Two Years
 - Whenever there is a change to the plan fiduciaries or relevant plan information

3. Who is considered a fiduciary? (Check all that apply):
 - The Plan Sponsor
 - The Investment Advisor/Agent
 - The Committee Members
 - The Third Party Administrator
 - Custodian/ Trustee
 - Investment Managers

4. Who should sign the IPS?
 - The person who created it Committee Members Only
 - All named plan fiduciaries

5. Who should have a copy of the IPS?
 - The person who created it Committee Members Only
 - All named plan fiduciaries

6. What are the four main requirements of ERISA Section 404(c)? (Check only four):
 - Notifying participants that a 404(c) plan is constituted, including a statement that fiduciaries of the plan may be relieved of certain liabilities.
 - Providing participants with copies of the Summary Plan Description and Annual 5500 Report.
 - Providing participants with at least three investment options that each have a different risk/return profile.
 - Providing participants with sufficient information so the participant can make informed decisions about his or her selection of investment options.
 - Providing participants with at least five investment options that each have a different risk/return profile.
 - Providing participants with investment advice to guide them in making their decisions.
 - Permitting participants to change investment options on a regular basis.
 - Permitting participants to enroll in the plan at any time.

7. Does your plan need to state its intention to comply with Section 404(c) of ERISA in writing? Yes No



TRUE OR FALSE?

8. As long as we have an IPS on file, we have limited our liability. True False
9. ERISA stands for Employee Retirement Investment Standards Act. True False
10. If an outside professional creates the IPS, the sponsor cannot be held liable if the Policy's procedures are not followed. True False
11. Plan sponsors must provide plan participants access to certain types of information, including the summary plan descriptions, summary of material modifications, and summary annual reports. True False
12. The Department of Labor is responsible for administering the provisions of Title 1 of ERISA. True False
13. Fiduciaries are required to purchase fiduciary insurance. True False
14. A plan is required to have a fidelity bond. True False
15. All fiduciaries have to be covered by a fidelity bond. True False
16. The person who prepares the census and payroll information is considered a fiduciary. True False
17. The main responsibilities of a fiduciary are to demonstrate prudence, diversify investments, and adhere to the plan documents. True False
18. The Investment Policy Statement provides the guidance for monitoring the plan's investments. True False
19. The Investment Policy Statement does not provide guidance on when to replace an investment within the plan. True False
20. If we change advisors/agents or get a new service provider, we need to have a new IPS created. True False
21. The fiduciaries on your plan need to be monitored to make sure they are providing the services requested and that their fees are reasonable. True False



TEST YOUR UNDERSTANDING OF THE INVESTMENT POLICY STATEMENT

1. No, a plan is not required to have a written Investment Policy Statement. While ERISA stipulates that a well-articulated, documented procedure for investment selection and ongoing investment evaluation is a fiduciary *obligation*, there has been little regulatory pressure for enforcement. There is talk that having a formal IPS will become a legal requirement in the near future.
2. A formalized IPS should be reviewed annually and updated whenever there is a change to the plan fiduciaries or relevant plan information.
3. Anyone who exercises any authority or control over any type of employee-benefit plan is a fiduciary. This includes the sponsor, committee members, custodian/trustee, and investment manager. Some Investment Advisors work in a limited capacity and are not always considered fiduciaries if they provide you with educational material only and don't influence the decisions you make on your plan.
4. Anyone named in the IPS as a fiduciary should sign the Investment Policy Statement to ensure their understanding of the guidelines set forth and their intention to manage the investments in accordance with such guidelines.
5. All named fiduciaries should have a copy of the IPS.
6. The four main requirements of ERISA Section 404(c), are:

- ☑ Notifying participants that a 404(c) plan is constituted, including a statement that fiduciaries of the plan may be relieved of certain liabilities.
- ☑ Providing participants at least three investment options that each have a different risk/return profile.
- ☑ Providing participants with sufficient information so the participant can make informed decisions about his or her selection of investment options.
- ☑ Permitting participants to change investment options on a regular basis.

While ERISA requires you to provide participants with copies of the Summary Plan Description and Annual 5500 Report, this rule is not a requirement specific to Section 404(c).

Participants need to be provided with at least three investment options, although the average plan (according to a recent PlanSponsor.com survey) offered 18 different investment options.

The provisions in Section 404(c) allow you to pass liability for investment decisions to the participants. You must provide them with sufficient information to make informed decisions, but ERISA makes a clear distinction between *educational information* and *advice*. If the committee provides them with direct advice, then the decision is no longer the participants and the liability comes back to the plan. (This does not preclude the plan from bringing in an *outside* professional to offer education and advice to participants on a one-on-one basis.)

You do not have to allow participants to enroll in the plan at any time. When you set up the plan you decide when an employee becomes eligible and when newly eligible participants may enroll in the plan. ERISA does set minimum requirements as to when an employee can become eligible as well as how often a participant must be allowed to make changes to the investments in their account.

7. Yes, it is important to state your plan's intention to comply with Section 404(c) of ERISA in writing. Because of the requirements that must be met, you need to clearly state your intention to comply with this Section, including notifying participants *in writing*.



Educate. Advise. Guide.

8. **False.** Having an IPS on file does not, in and of itself, reduce liability. In fact, having an IPS on file and not adhering to it increases your liability. An IPS is not a document to be created and filed away. It must be actively used in the management of your plan, and the plan must be monitored according to the guidelines this document provides.
9. **False.** ERISA stands for Employee Retirement Income Security Act. This is a federal law that sets minimum standards for pension plans in private industry.
10. **False.** All fiduciaries should sign this document. By doing so, you acknowledge your intention to manage the plan in accordance with the guidelines set forth. Failure to do so can open all fiduciaries up to liability. Even if a fiduciary has not signed this document, they are still responsible for adhering to the guidelines set forth in it. This is why it is important to make sure everyone has a copy and that it is actively engaged in the management and monitoring of your plan.
11. **True.** Plan sponsors must provide plan participants access to certain types of information, including the summary plan descriptions, summary of material modifications, and summary annual reports. ERISA provides guidance on what a plan is required to give participants and all sponsors need to be aware of what this is in order to comply.
12. **True.** The U.S. Department of Labor (DOL) deals with issues related to the American workforce - including topics concerning pension and benefit plans. Through its branch agency the Pension and Welfare Benefits Administration, the DOL is responsible for administering the provisions of Title 1 of ERISA.
13. **False.** Fiduciaries are not required to purchase liability insurance, although it is an option that should be considered on a case-by-case basis.
14. **True.** ERISA requires each fiduciary or other person who handles plan assets to be insured by a fidelity bond. The required ERISA Fidelity Bond provides coverage for loss of property of an insured plan resulting directly from dishonest or fraudulent acts committed by a named fiduciary.
15. **False.** Only those fiduciaries that have direct control over plan assets (moving money) are required to be covered by a fidelity bond.
16. **False.** While you may have a person who performs certain ministerial administrative functions within a framework of the plan's policies, practices, and procedures, they most likely are not considered a fiduciary under ERISA if they cannot "act with discretion".
17. **True.** The main responsibilities of a fiduciary are to demonstrate prudence, diversify investments, and adhere to the plan documents. Other responsibilities include:
 - Acting solely in the interest of plan participants and their beneficiaries and with the exclusive purpose of providing benefits to them.
 - Paying only reasonable plan expenses.
18. **True.** The Investment Policy Statement provides the guidance for the selection and monitoring of the plan's investments.
19. **False.** The IPS should give clear guidance as to when an investment should be replaced within the plan.
20. **False.** While you do not need to create a new IPS, you should update it to list the names and responsibilities of your new fiduciaries so they understand the guidelines set forth.
21. **True.** Just as you need to monitor the investments within your plan, you also need to ensure those who assist you are doing their jobs and that their expenses are reasonable.