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BlackRock Examines an Altered Fiduciary Landscape

June 15, 2010

Stakes are High

Retirement plan sponsors who fail to perform their fiduciary duties may face severe consequences and can be held personally liable for any losses resulting from a breach of fiduciary duty.

Increasingly, the majority of plan sponsors feel that they need help reviewing their fiduciary responsibility. Due in part to the global recession and heightened governmental scrutiny of DC plans, plan sponsors are now looking to DC advisors for a lot more help with fiduciary-related issues.

The Opportunity: Help Fiduciaries Navigate Tough Terrain

To start with, do your plan sponsors realize that they are considered to be fiduciaries? More importantly, do they understand what it means to be a fiduciary and to act prudently in that capacity? Unfortunately at this point, many plan sponsors don't understand the full scope of their responsibilities as a plan fiduciary and increasingly, they are seeking knowledgeable professionals to help them meet the demands of being a plan fiduciary.

Financial advisors should now have the opportunity to play a valuable role by pointing out these new and updated fiduciary duties to existing and potential clients.

Discuss the Altered Landscape

The role of plan sponsors has recently taken on heightened importance because the entire fiduciary landscape is changing.

It is difficult for them to keep up with regulatory changes, such as the Pension Protection Act of 2006 and changes to Form 5500 (email dcadvisor@blackrock.com for information on Blackrock's upcoming program covering the new Form 5500), but more importantly, it is important to grasp the impact these regulations have on their ability to carry out their fiduciary responsibilities.





In this era of significant regulatory change, advisors have an excellent opportunity to educate sponsors, which is the first step in the process of protecting them from fiduciary liabilities.

Because all plan sponsors need to understand the issues that they face, and will benefit from the insights you can provide, it is prudent to make the discussion about fiduciary responsibilities a part of any “sale” to a plan sponsor and to bring fiduciary issues to the attention of prospective as well as established clients. If you neglect to have this conversation with your clients, others may step in.

Help Plan Sponsors Understand Changes

To help plan sponsors navigate the changing fiduciary landscape, you should first clear up any confusion over the role and legal responsibilities of those acting as fiduciaries.

The Employee Retirement Income Security Act of 1974 defines the attributes of a fiduciary. This definition can apply not only to plan sponsors but to investment managers, consultants and trustees as well.

The key fiduciary duties of plan sponsors include prudently selecting and monitoring service providers and plan investments, as well as providing participant education and disclosure.

Plan sponsors should be made aware that it isn't enough simply to act in a prudent manner. They must also hold themselves accountable to being informed at all times, and use new and existing knowledge to act in the best interests of participants and their beneficiaries.

Become a Valued and Effective Partner

Sponsors should follow a disciplined process with a deliberate methodology covering due diligence, implementation, documentation and review. They should be able to document and demonstrate their entire decision-making process to show they are acting and behaving as prudent experts, and that their plans are being operated in the best interests of participants and beneficiaries.

Advisors can help plan sponsors prepare for the new fiduciary landscape and improve their fiduciary process by asking them these key questions:

- Do you have — and follow — a written investment policy statement?
- Have you had a service provider and investment review in the past 12 months?
- Do you have committee meetings, and do you document meeting minutes?



- Do you offer a broad range of investment options, including a qualified default investment alternative, and was the plan's QDIA option selected based on prudent criteria?
- Have you provided participants with certain required information as well as a list of optional information they can obtain upon request?

By demonstrating the value you add, you can develop more-consultative partnerships in your existing plan sponsor relationships and build new relationships with better-informed and well-prepared plan sponsors.

Access tools to help your plan sponsors better manage their fiduciary duties by clicking the button below. For additional DC resources, including information on Blackrock's upcoming program covering the new Form 5500 email dcadvisor@blackrock.com.

Access Tools

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A similar article appeared in Investment News originally published on its website in May 2010.

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