

DOL Fiduciary Rules

On April 6, 2016, the Department of Labor issued the final version of its Fiduciary Rule.

This new rule is the single biggest change affecting the way investment advisors provide advice to retirement plans since ERISA was introduced in 1974. It is very broad and describes fiduciary investment advice as nearly any conversation about investments that results in a transaction and advisor compensation. The new regulations also require all retirement plan investment advisors to act as fiduciaries alongside plan sponsors.

Because the new ruling affects plan sponsors, we are providing an overview of the new definition of fiduciary investment advice as it pertains to them. We encourage all plan sponsors and other fiduciaries to become familiar with the new ruling so they are prepared when it **goes into effect on April 10, 2017**.

Why should I care?

- Until now, investment advisors have not been required to provide advice that is in the best interest of the plan participants and beneficiaries. This could mean inappropriate investment choices, higher fees, limited access to funds and lower returns for your plan participants.
- A plan sponsor is required by law to ensure the investment decisions within ERISA-qualified retirement plans are in the best interest of plan participants.
- If your investment advisor is not currently acting in the capacity of a fiduciary, you (the plan sponsor) cannot be assured that the advice received and implemented is in your plan participants' best interests.

The DOL ruling applies to ERISA-qualified retirement plans, participants in those plans and IRAs. It is so broad that it may apply to virtually any conversation about a particular transaction or investment.

What is a 'fiduciary'?

- A fiduciary is a person or group entrusted in good faith with both the ethical and legal responsibilities of managing another party's assets.
- Plan sponsors and investment committees overseeing plan assets will continue to have the responsibility of meeting the fiduciary standard.

The DOL defines a "recommendation" as a "suggestion" that the investor take a particular action to buy, sell or hold an investment.

As a plan sponsor, what should I do next?

- If your plan's assets are already managed by Hooker & Holcombe, you can rest assured. H&H has acted as a fiduciary partner with our clients from the inception of our advisory business nearly 20 years ago. You can be confident that our advice and recommendations are in the best interest of your plan participants and beneficiaries.
- If your plan's assets are not managed by H&H, you should ask your current advisor if they are required to act in your plan participant's best interest as a co-fiduciary.

The rule also seeks to eliminate potential conflicts of interest when making investment recommendations to individual plan participants.

H&H has always adhered to the AIF® “Golden Precepts” which follow:

- Know standards, laws, and trust provisions
 - Diversify assets to specific risk/return profile of client
 - Prepare investment policy statement
 - Use “prudent experts” (i.e., an Investment Manager) and document due diligence
 - Control and account for investment expenses
 - Monitor the activities of “prudent experts”
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H&H has always acted in a fiduciary capacity towards our clients. It’s just part of our DNA. This document provides an overview of the DOL fiduciary ruling, and there will be more to discuss as solutions are developed for some of the surfacing issues.

Contact the H&H consultants below to learn how we can help to ensure that you are meeting your fiduciary duties as plan sponsor.

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