



Auditors play a key-role in identifying potential improvements to retirement plans. One of the most important, yet over-looked, areas where plan auditors can add value is plan governance. Here are a few quick and easy ways to identify meaningful recommendations:

- **Is there a separate retirement plan committee?** A company-sponsored retirement plan should have an oversight committee, separate from the company board, whose sole purpose is to protect the interests of the participants. The committee should have authority to effect changes in the plan. It should meet regularly and keep minutes to document decisions made.
  - ✓ Obtain the committee charter evidencing the approval and requirements of its structure and its authority to make changes to the plan.
  - ✓ Obtain the plan's investment policy statement and ensure that investment options are within the guidelines.
  - ✓ Review committee meeting minutes to determine how robust the meetings are.
    - Is there full attendance of committee members, sufficient for appropriate discussion and voting on important topics?
    - Are plan governance documents reviewed periodically, such as ERISA bonds, the plan document, or fee disclosures? Was last year's audit and/or Form 5500 reviewed and approved by the committee?
    - Did the committee issue any RFPs during the year, or benchmark service provider fees?
    - Is investment performance reviewed regularly? Who is providing that information, a recordkeeper/custodian or a separate advisor? What level of detail is reviewed?
    - When was the last time the committee received fiduciary education or training? Best practice is to provide such training annually.
- **What kind of changes were made to the committee or the plan this year?** A well-run plan should not be stagnant! There should be changes from year to year, and they should be documented in the minutes.
  - ✓ Were any committee members replaced? Members who fail to attend regular meetings should be replaced. Some plan committees have rotating member positions, where a member may only serve a one- or two-year term.
  - ✓ Review investment options to determine if any have been replaced (this year, or ever)?
  - ✓ Review the current Summary Plan Document to determine if any new options were implemented, such as auto-enrollment or auto-escalation.
  - ✓ Were any of the new allowable Coronavirus amendments adopted? If so, ensure they were implemented in practice, AND on paper!
- **Does the plan allow for separately managed accounts?** This account feature presents a huge amount of risk to the participants and the plan sponsor, not to mention additional fees.
  - ✓ Review the parameters of the separately managed account program – are there restrictions on the investments allowed or the frequency of trading in those accounts? Participants should not be allowed to “day-trade” with their retirement savings.
  - ✓ Review the resources available to participants to educate themselves about the risks of investing in individual securities.
- **Does the plan have advisors and experts that it can rely on for assistance?** Some plan committees make the mistake of relying on recordkeepers and custodians to provide the expertise of investment advisors and lawyers. The use and leverage of certain experts should be documented in the minutes or committee meetings. Often, these positions are also designated by the committee charter.