

## *(k)larity*

### *The 401(k) Newsletter*

#### *Let us (k)larity*

### ***The Investment Policy Statement***

In any walk of life, a successful outcome is often predicated on a solid plan. For fiduciaries who bear the responsibility for their companies' 401(k) plan investment decisions, an investment policy statement (IPS) is the crucial foundation upon which an effective and compliant retirement plan rests. Following are some IPS tips that can help set every plan sponsor up for fiduciary success! Simply put, the IPS is the blueprint that lays out how all retirement plan investment decisions are made. It is the governing guide that helps fiduciaries stay focused throughout their decision-making process. Although technically not required, maintaining an IPS for your retirement plan is strongly

recommended. Why? Because it fulfills one of your critical fiduciary responsibilities—to demonstrate prudence when making fiduciary decisions. Further, when the U.S. Department of Labor (DOL) conducts a retirement plan audit, it requests a long list of plan-related documentation, including "analysis regarding the dismissal or retention of portfolio investments." In the event of such an audit, furnishing your IPS would help satisfy this part of the request. There are several benefits to creating and maintaining an IPS:

- **Documentation:** An IPS establishes a written procedure for making investment-related decisions.
- **Confidence:** By following the IPS, fiduciaries can feel confident that they are carrying out their duties in a manner consistent with the expectations that have been laid out for them.
- **Continuity:** Most businesses experience turnover. When employees who serve as fiduciaries leave their firms, the IPS can provide clarity and structure for the new employees to help ensure that there's no lapse in fulfilling fiduciary

duties.

- **Simplicity:** Although an IPS is a complicated document, when adhered to, it offers simplicity and clarity for those tasked with implementing its instructions.

A well-constructed IPS includes a few critical components:

- **Plan objectives:** This section explains why the retirement plan exists and how it will serve employees. It also describes the plan's investment goals.
- **Roles and responsibilities:** This section describes for what the fiduciaries—including third-party fiduciaries such as service providers or plan advisors—are responsible.

**Fiduciary Foundation—The Investment Policy Statement (continued)**

- **Asset class guidelines:** Here, the sponsor defines the process for determining which asset classes are appropriate for the plan and lists the asset classes that will be made available to participants.
- **Selection and evaluation of investments:** This section outlines the process for se-

## The Investment Policy Statement Cont.

lecting and periodically evaluating plan investment options. In general, performance objectives, applicable benchmarks, fees, investment manager philosophy, and organizational strength are considered.

- Removing investment options: The criteria, rationale, and action steps for removing an investment option from the plan are laid out here.

- Requirements for qualified default investment alternatives (QDIAs): QDIAs offer plan fiduciaries safe-harbor protection from certain risks

associated with default investments. This section explains the characteristics that a plan investment must have in order to qualify as a QDIA option. • Your IPS is a living, breathing document. Review your IPS periodically to ensure that it does the following:

- Continues to meet the objectives of your plan and unique needs of your employees

- Stays current with changing investment climates

- Incorporates new asset classes when necessary

- Follow the terms of the

IPS as written. Most experts agree: the only thing worse than not having an IPS is having an IPS but failing to follow its terms. This is a clear breach of fiduciary duty that has been at the heart of recent 401(k) litigation.

- Get help when you need it. In fact, this isn't just a best practice. It's a requirement. If a plan sponsor doesn't have the knowledge or expertise to create an IPS, ERISA requires the sponsor to enlist the help of a third-party expert, such as a retirement plan advisor or another service provider, to draft and maintain the IPS.

## Let's Eat!

**Spring has sprung and here at PRP we are ready to head out with the family to our favorite restaurants. Here are a few of our top picks for a quick bite or something special.**

### Joe's Favorites

#### **Fire on the Mountain (\$\$)**

1708 East Burnside 503-230-9464

Great spot for families with tasty wings and pub grub!

#### **Andina (\$\$\$)**

1314 NW Glisan St 503-228-9535

NoVo Peruvian Cuisine in the Pearl. Excellent crafted cocktails and small plates to share.

### Charles' Top Spots

#### **Dean's Homestyle Café (\$)**

15730 SE 130th Ave 503-305-8929

Easy breakfast spot for home cooked food.

#### **Podnah's Pit Barbeque (\$\$)**

1625 NE Killingsworth St 503-281-3700

Texas-style brisket and ribs!

### Richelle's Go-to

#### **Elephants Deli (\$\$)**

115 NW 22nd Ave 503-299-6304

Breakfast, Lunch or Dinner there's something for everyone!

#### **Mucca Osteria (\$\$\$\$)**

1022 SW Morrison St 503-227-5521

Excellent homemade Italian food and extensive wine list.