

Annual plan review scorecard



Wealth Management

Plan review

ERISA requires plan fiduciaries to operate the plan in accordance with its written terms. Therefore, it makes sense to review the plan's routine operations at least once every year. You can use the following scorecard as an agenda for your plan review. This checklist is not exhaustive. There may be other areas of your plan's operations that should be included in your review. Consult with your legal advisers to make sure that you're covering all of the bases.

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Check out your fiduciary score. Mark the boxes in the checklist below that you routinely use to manage your fiduciary responsibility.

- Have an IRS-approved plan document—"Prototype" documents have been approved by the IRS. Keep a copy of all required "interim" or "model" plan amendments, along with the prototype plan document's IRS "Opinion" Letter, as well as the plan's IRS "Determination" Letter, in the event one was obtained from the IRS.
- Make sure the plan document has been amended to reflect all required legislative updates (e.g., GUST, EGTRRA, PPA, SECURE 2.0 Act, etc.).
- Maintain a current summary plan description (SPD), updating it as necessary to reflect plan design changes, and distribute to all

participants and beneficiaries currently receiving benefits under the plan. (ERISA requires that SPDs, summaries of material modifications, and annual reports be provided to participants/beneficiaries).

- If you, your family or your company have ownership rights in any other businesses, be sure to engage expert advice concerning the possible consequences to your plan (e.g., controlled group).
- Verify that the plan's definition of an eligible employee is consistent with the way the plan is administered. If you have any workers, such as temporary employees, at your company who are not covered under the plan, does your plan document specifically exclude them from participation?
- Review the definition of compensation as defined in the plan document, and verify that the correct compensation amounts are being sent to your service provider(s).
- Review the process of collecting and forwarding employee contributions and loan repayments to your provider. Make sure the contributions and loan repayments are invested in a timely manner. (ERISA provides that participant contributions become plan assets as of the earliest date that they can reasonably be segregated from the employer's assets).
- Conduct regular, periodic and as-needed meetings with the plan fiduciaries. Record minutes of these meetings, including all decisions made by the fiduciaries (and include any background information and supporting documentation for any investment decisions made).
- Check your ERISA Fidelity Bond for proper coverage. The ERISA Fidelity Bond is protection for participants in the event a fiduciary, or other responsible person, steals or mishandles plan assets. The minimum required amount of the bond is 10% of plan assets—up to \$500,000 (or \$1 million if plan holds employer securities). Determine whether the bond covers other fiduciaries, as well as other employees or third parties involved with handling funds or other property of the retirement plan.
- Review process for employee enrollment programs explaining the importance of plan participation, saving for retirement, and investment basics.
- Conduct a review of the investments in the plan, in accordance with the investment policy statement.
- Monitor and evaluate the plan's investment options and, as applicable, investment managers. Gather and evaluate information on the proper peer group and indices, historical performance, expenses, volatility and other

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significant factors to review the investment options.

- Review employee investment education materials and programs.
- Confirm that your plan offers a “broad range” of funds to minimize the risk of large losses such as:
 - Stable Value or Money Market
 - U.S. Government or Corporate Bonds
 - Large-Cap U.S. Equities
 - Mid/Small-Cap U.S. Equities
 - International or Global Equities
- As a responsible plan fiduciary intending to comply with ERISA Section 408(b)(2), be certain that you understand all of the services the plan and its participants receive from the plan provider, the costs of these services, whether the plan provider is providing any services as an ERISA fiduciary to the plan, and whether there are any potential conflicts of interest that may affect the performance of those services.
- If the plan is voluntarily intending to comply with ERISA Section 404(c), along with its mandatory compliance with ERISA Section 404(a)(5) participant fee disclosure, ensure that all requirements under these provisions are being met. Ensure the IRS Form 5500 indicates

the intent to comply with ERISA Section 404(c) requirements.

Where employer securities are offered to plan participants, ensure the plan offers information regarding the holding and tender of employer securities and the voting rights associated with employer securities.

- Update and document all procedures and decisions; maintain the documents in an appropriate file.

How did you score? Count the boxes you marked on the checklist. If your total was:

All 17 — Excellent, continue to manage your fiduciary responsibilities

12-16 — Good, need to improve in a few areas to help manage your risk

9-11 — Not so good, could do better in several areas

8 or less — Need significant improvement, may be exposing yourself to unnecessary fiduciary liability

Your score will provide a general idea of how you’re fulfilling your responsibilities. However, it is not all inclusive of your obligations under ERISA, and your score should be used just as a guideline to help you manage your fiduciary responsibilities.

How RBC Wealth Management can help

At RBC Wealth Management we work closely with you to help design and maintain the appropriate retirement plan to meet your company’s growing needs.

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