



CEFEX FIDUCIARY REVIEW

Service Provider Disclosure Review for Investment Stewards

Definition: The Investment Steward

A person who has the legal responsibility for managing someone else's money, including trustees and investment committee members. Entities include foundations, endowments and retirement plans.

Regulatory Requirement

The US Department of Labor's regulation §2550.408b-2(c) stipulates that Service Providers to ERISA retirement plans must provide specific disclosures regarding the services they provide and the fees associated with them. While legally applicable only to ERISA plans, the regulation is an excellent basis for a review of any type of Investment Steward.

Time to Act

The Investment Steward has an obligation to understand the disclosures and make a determination that the fees are reasonable. The Steward must make the decision to either retain or terminate the relationship with a Service Provider based on the disclosures made.

Solution

The CEFEX Service Provider Disclosure Review (SPDR) performed by a CEFEX Analyst offers the following to the Steward:

1. An independent review of the disclosures made by Service Providers. This delivers a perspective free of Service Provider biases.
2. An expert opinion on complex information.
3. An important basis for the selection and/or retention of your Service Providers. This is essential if your fiduciary responsibilities are questioned.

Review Details

The CEFEX SPDR contains a standard checklist developed by legal counsel containing queries on the:

- a) Service Agreement
- b) Disclosures
- c) Service Descriptions
- d) Compensation
- e) Fiduciary Status
- f) Conflicts of Interest
- g) Information Provided on Request
- h) Changes in Information
- i) Corrections

CEFEX conducts hundreds of fiduciary assessments on Investment Stewards and Service Providers every year. This background forms a basis for the CEFEX Analyst determining the reasonableness of disclosures and identifying best practices. CEFEX Analysts are trained by

expert attorneys and fiduciary specialists, and must have the Accredited Investment Fiduciary Analyst ® designation from fi360, Inc.

Background

CEFEX Fiduciary Reviews and Assessments rely on the Global Fiduciary Standard of Excellence for Investment Stewards. The Global Fiduciary Standard of Excellence is described in a Handbook containing 22 best practices, including supporting criteria, describing how an Investment Steward can prudently manage investments. The Practices are substantiated by legislation, case law and regulatory opinion letters from the Employee Retirement Income Security Act (ERISA), Uniform Prudent Investor Act (UPIA), Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the Uniform Management of Public Employee Retirement Systems Act (MPERS) in the U.S. The handbook can be downloaded from www.cefex.org.



Deliverables

CEFEX Report

Using a CEFEX-developed standard checklist, the Investment Steward is provided a confidential comprehensive report detailing the areas of conformance, non-conformance and opportunities for improvement.

Registered Opinion Letter

The CEFEX Registered Opinion Letter addressed to the Steward, provides assurance to the Steward that the review was done by a qualified professional Analyst, using an up-to-date standard checklist. The report is peer-reviewed by CEFEX to ensure objectivity and that the assessment standard is maintained.

Compliance Opinion Letter

The Compliance opinion Letter is from C. Frederick Reish, an expert attorney from the firm Drinker Biddle & Reath, LLP. This Letter is issued if in the opinion of the CEFEX Analyst and CEFEX, the Steward is in compliance with the regulation (i.e. the Review does not contain non-conformances)

A Step Towards Fiduciary Excellence

A Fiduciary Review is the first step towards achieving fiduciary excellence as a Steward. Ask CEFEX about comprehensive fiduciary assessments and CEFEX certification.

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