



# Fiduciary Decisions

Independent | Comprehensive | Actionable

## Who is Fiduciary Decisions?



Reasonableness Done Right.

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# INTRODUCTION

Among many important and demanding duties, retirement plan sponsors are tasked with the fiduciary responsibility of determining fee reasonableness. This introduction to Fiduciary Decisions' (FDI) services is intended to help the reader understand the basics, the essentials and the benefits of satisfying this important obligation. It also presents the innovative benchmarking methodology developed by FDI to support the duty of plan sponsors to make prudent fiduciary decisions and use best practices for holistically evaluating their service providers.

Benchmarking their plan gives retirement plan sponsors a clear understanding of the costs associated with running and maintaining their offering. By going through the process of benchmarking a plan to see how the plan compares with others of a similar size and/or type, plan sponsors often will be able to measure participant savings and investment metrics, quantify the fees they are paying, and determine whether those expenses are reasonable.



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# BENEFITS OF BENCHMARKING

## WHY SHOULD PLAN SPONSORS BENCHMARK THEIR RETIREMENT PLANS?

The retirement plan space is ever-evolving and has historically been highly competitive. Operating as fiduciaries in this environment, plan sponsors are required to fulfill their legal obligation under federal law to assess their plan's fee reasonableness, services, and costs. They are also required to make any necessary changes, keeping in mind the best interest of the plan, the participants, and their beneficiaries. To accomplish these important goals, plan sponsors turn to benchmarking. This enables them to obtain data that will permit them to assess how their plan compares in multiple respects to its peers.

When conducted properly, in addition to satisfying a fiduciary's legal obligation, plan benchmarking comes with significant opportunities:

- For plan participants, the benefits of benchmarking include making sure that the fees they pay are reasonable, and that their outcomes are assessed and measured, helping them get on and stay on track for secure retirement.
- For plan sponsors, benchmarking provides a procedurally prudent process that can help eliminate participant excessive fee lawsuits. It can also provide valuable insights into industry trends and optimize the plan's recruitment and retention possibilities.

## INCORRECT IMPRESSIONS

Unfortunately, some plan sponsors are under the misconception, supported by some providers of benchmarking information, that benchmarking stands for identifying the cheapest investments and services for the plan, and that the examination should focus only on fees and costs. This could not be further from the truth, and these wrong impressions can unfortunately hurt plan participants.

Instead, the discussion should begin with what investments and services a plan needs to help participants successfully reach retirement. The question to ask should be: What services are valuable to the plan and its covered employees? Only after this concern has been adequately considered, can the discussion turn to cost. Again, the lens applied should focus on reasonableness: "What is the reasonable cost – based on market data – of the services that provide the value needed for the participants to reach a successful retirement?"

## BETTER BENCHMARKING

Even though, historically, quantitative data has been more easily available, measuring "quantity" or cost data for plans ("what you pay") can only go so far. Cost must be compared with "quality" or "value" (what you get). The examination of value of the services and providers can be elusive and challenging to measure, but a retirement industry authority on benchmarking has found a way to accomplish this.

FDI uses a patented method that focuses on building apples-to-apples benchmark groups of similar plans, using high-quality data, to provide a balanced assessment of the relationship between fees and value by also looking at the quality, services and value of each service provider.

# COMPANY OVERVIEW

## OUR COMPANY

Creativity, innovation and doing things the “right” way is what has personified Fiduciary Decisions since our inception as Fiduciary Benchmarks in 2008.

## WHAT WE DO

Fiduciary Decisions provides technology, tools and research that are independent, comprehensive and actionable to retirement plan and IRA service providers for the benefit of their clients.

We build services that are win-win-win for Service Providers, Plan Sponsors and their Participants. Our services range from our patented plan benchmarking to practice management to plan design and more.

### OUR CORE OFFERINGS INCLUDE:

- Value and Fee Benchmark report with FEEPOINT® calculation: the industry’s leading fee reasonableness and benchmarking solution.
- Business Management Dashboard – a next level practice management platform for Broker Dealers and retirement plan advisors enabling them to manage their business more efficiently and effectively than ever before.
- Retirement Outcomes Evaluator: a dynamic plan design analyzer that shows how different plan design alternatives can improve retirement outcomes.
- IRA Rollover Compliance Solution: assists services providers processing IRA rollovers in documenting that the rollover is in the best interest of the participant.

## WHO WE ARE

Our Executive Team has more than 200 years of cumulative retirement plan experience working every day to help you achieve better outcomes. This experience includes a history of building innovative businesses that serve plan sponsors and their service providers. Across the team, from executives to product managers to our Client Success team, our intention is to be our clients’ “first call” when it comes to high-quality technology, tools and research related to retirement.

## OUR CLIENTS

Our company now works with many of the industry’s largest and most respected Recordkeepers, Broker Dealers, Advisor/Consultants and Plan Sponsors. The firm has strict confidentiality and security policies that ensure the protection of all client data.

# OUR METHODOLOGY

## PATENTED SYSTEM

FDI's benchmarking system's intellectual property is protected by U.S. Patent 8,510,198. The system is independent and completely devoid of conflicts of interest. As explained in more detail in the following sections, this patented method for benchmarking starts with data that has integrity, which means it comes from the right source – the service providers themselves. The data is accurate, timely and comprehensive since it considers both fees and value. Just as you require the information for monitoring investments to be 100% correct, Fiduciary Decisions believes you deserve the same data integrity with respect to determining whether the fees you are paying are worth the value you are receiving. Then, we employ a patented method that is fair and independent for all service providers in the plan using a 5-step method outlined below.

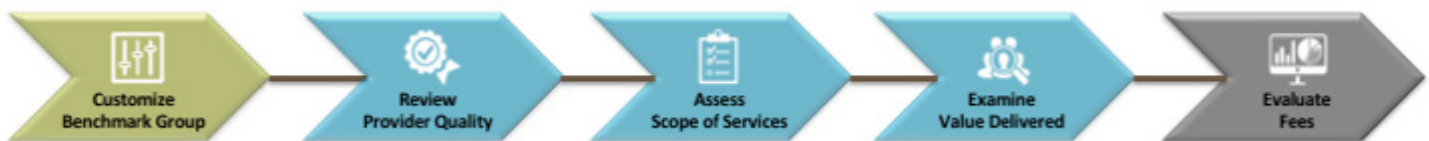
## DATA INTEGRITY

- All data is obtained directly from Recordkeepers, TPAs and Advisor/Consultants to ensure accuracy
- All data is less than 90 days old when received by Fiduciary Decisions. Benchmark group data is generally less than 12 months old when presented in a report
- All data is subject to a rigorous review and is standardized to ensure accuracy, consistency, and fair comparisons
- Fiduciary Decisions' transparent and actionable reports provide fiduciaries with informative charts and graphs that make logical comparisons easy

## FIDUCIARY DECISIONS' FIVE-STEP EVALUATION PROCESS

FDI's patented system uses a comprehensive method that compares the fees for a plan against that plan's cost drivers and value factors by following a five-step approach that:

1. Customizes the Benchmark Group
2. Reviews Provider Quality
3. Assesses the Scope of Services
4. Examines Value Delivered to Plan Sponsors and Participants
5. Evaluates Fees



These steps, using proprietary mathematical models and analytical frameworks, consider similar services and providers for similar plans. This provides an independent, comprehensive and informed method that helps plan sponsors engage in a prudent process to fulfill their fiduciary duty to make sure that fee of each service providers to the plan are reasonable – as required by the Employee Retirement Income Security Act of 1974 (ERISA).

# OUR METHODOLOGY

## DATA INTEGRITY, CONTINUED

Here is some additional detail about each of these important steps:

### Step 1: Customize the Benchmark Group (BMG)

The first step of the patented process is to customize the Benchmark Group (BMG). What does this mean? We reach into FDI's proprietary database of actual plan data of close to three hundred twenty thousand plans. Using a series of mathematical models, we pull out groupings of plans similar to your plan, based on the pricing drivers for each Service Provider. All data is sourced directly from the provider and has been scrubbed and normalized to make sure any comparisons to your plan are valid.

**The end result:** a customized Benchmark Group is built specifically for your plan, for each service provider.

### Step 2: Review Provider Quality

In the second step, we provide a framework for assessing the Service Providers' quality. The U.S. Dept. of Labor (DOL) has specifically noted that you can consider the quality of your Service Provider when determining their fee reasonableness. The framework to help you examine this important factor will be customized for each type of Service Provider for your plan.

### Step 3: Assess the Scope of Services

In the third step, we look at the scope of services that are being provided to the Plan Sponsor and Participants. Fiduciary Decisions' has relied on our extensive industry experience to develop a comprehensive list of services with varying degrees of difficulty. We built proprietary mathematical models that allow you to easily compare the level of service you receive from your Service Provider to a typical service level based on the applicable benchmark group.

### Step 4: Examine the Value You Are Getting

In the fourth step, we cover the value that the Provider is delivering to the Plan Sponsor and the Participants. For Plan Sponsors, we provide data that is generally related to the quantity and quality of services you receive as the Plan Fiduciary. For Participants, we examine the Participant Success Measures for the plan versus your industry. We also may estimate potential difference in total account balances at retirement versus the typical industry, assuming all participants are "average".

### Step 5: Evaluate Fees

Finally, in the fifth step, after looking at the concepts that are not fees, we close with fees and perhaps the most important aspect of the fee analysis: FDI's proprietary FEEPOINT® calculation.

**Here is what you need to know:** not all plans receive the same services, but benchmarking often focuses myopically on average fees. FEEPOINT is our estimate of the value of the services, work, and fiduciary status of the Service Provider for the plan. So, instead of focusing on the average, FEEPOINT calculation enables you to consider how your plan's services are different when assessing whether plan fees are reasonable.

# FREQUENTLY ASKED QUESTIONS

## WHAT ARE PLAN SPONSOR'S DUTIES AS A FIDUCIARY?

Plan Sponsors are fiduciaries and as such have important responsibilities and are subject to standards of conduct because they act on behalf of participants in a retirement plan and their beneficiaries. These responsibilities include:

- Acting solely in the interest of plan participants and their beneficiaries and with the exclusive purpose of providing benefits to them;
- Carrying out their duties prudently;
- Following the plan documents (unless inconsistent with ERISA);
- Diversifying plan investments; and
- Paying only reasonable plan expenses.

## WHAT IS FEE REASONABLENESS?

"Fee Reasonableness" is the obligation of retirement plan service providers, such as Financial Advisors or Broker/Dealers, to explain or justify their fees based on the level of Quality, Service, Value and Extra Credit (QSVE) items they offer to their retirement plan clients.

There has been, and will continue to be, heightened scrutiny on plan fees. Like most fees, there's more to it than just the price.

For a deeper dive into fee reasonableness, we recommend reviewing a whitepaper written for Fiduciary Decisions by Fred Reish and Bruce Ashton of Drinker Biddle & Reath.

## WHAT FACTORS MAKE UP REASONABLE FEES?

You get what you pay for. If a plan service provider is charging more than the median fee but is providing exceptional quality, service and value, then the fees may be reasonable. For instance, if a plan maintains high participation rates, healthy deferral rates and is structured to generate strong retirement outcomes, then their level of Quality, Service, Value and Extra Credit may very well support a higher fee being charged.

When conducting a benchmarking evaluation, we put **FEES** on one side and **QSVE** on the other.

- Q** is the **QUALITY** of the provider,
- S** stands for the **SERVICES** it is delivering,
- V** for the **VALUE** it supplies, and then
- E** is for **EXTRA CREDIT** it might be giving.

# FREQUENTLY ASKED QUESTIONS

## HOW DOES FDI USE PLAN DATA?

First, plan data is used to create a plan's specific benchmarking report, which presents key plan characteristics versus a benchmark group of similar plans. Second, anonymized plan data is used when building benchmark groups for other plan-specific reports.

## ARE PLANS IDENTIFIABLE BY OTHERS IF THEIR DATA IS IN THE DATABASE?

Plans can be identified by FDI and the plan's recordkeeper who is using the benchmarking service, but they are not identifiable or accessible by anyone else unless otherwise authorized.

## WILL FDI REPORTS TELL ME ABOUT OTHER PLANS OR THEIR SERVICE PROVIDERS?

No. FDI's reporting does not explicitly identify others' plans or their specific service providers. Further, it does not provide any service provider specific information that would result in the ability to compare one service provider to another. FDI reports do provide transparency as to the number and characteristics of the plans and service providers used in the benchmark group. This context is helpful when assessing the comparative data presented in the report.



# CONNECT WITH US

## WEBSITE & SOCIAL MEDIA

 Website:  
<https://www.fiduciarydecisions.com>

 LinkedIn:  
<https://www.linkedin.com/company/fiduciary-decisions>

 Twitter:  
<https://twitter.com/FidDecisions>

 Blog:  
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