The following is an excerpt of an article from *Plan Sponsor Magazine:*

"THE 10 DEADLY SINS MOST OFTEN COMMITTED KNOWINGLY AND UNWITTINGLY BY THE PLAN SPONSOR"

Now that all of the confetti-laced New Year's countdowns are complete, it's time to get to a countdown plan sponsors can use. Below are the top 10 things that trip up retirement plan sponsors:

1. Failing to Appreciate Their Responsibilities.

Many plan sponsors fail to get a good grounding in the laws that govern retirement plans, which are complicated and require due diligence.

However, the consequences cannot be overstated: Should the Department of Labor or an irate participant decide to sue the people responsible for making decisions within the plan, those individuals can be made personally liable – the court can take your house and personal bank accounts.

Any individual with decisionmaking power in the plan should read through ERISA 404 (c).

2. Not Holding Formal, Quarterly Investment Committee Meetings.

Every retirement plan should designate an investment committee, made up of key employees of the plan sponsor and the plan's trustees, for the purpose of making decisions and reviewing investments within the plan. Most ERISA attorneys advise meeting quarterly because DOL guidelines suggest that retirement plan participants be able to review their investment quarterly.

Take notes during these reviews and file them for future reference. If the investment committee members are not "experts" in investments, an expert should also attend the meetings. This can be an outside consultant or an unbiased investment provider, such as a Registered Investment Advisor.

3. Lacking Awareness of Vendor Fees.

There are many ways in which fees are assessed inside a retirement plan. Many plan sponsors are paying far more than is reasonable, but have no idea because an invoice does not show up on their desk.

"Reasonable" fees will depend largely on the services that are being performed. Plan sponsors must accurately account for fees and justify the services being provided for those fees.

Questions to ask vendors include: What revenue-sharing (12b-1, sub-ta, other) fees do you receive from the mutual funds? Are there any wrap fees and, if so, what are they? What are the expense ratios for each fund compared to the peer group average? Are there any administrative fees? How much is our broker being compensated? Ask vendors to disclose all forms of compensation.

4. Failing to Provide Quality Employee Education

One of the best ways plan sponsors can not only help employees, but also protect themselves, is to make sure that the employees understand the plan and their investment decisions. Many retirement plan providers and plan sponsors like to think that sending employees a pamphlet in the mail will suffice.

The reality is that most participants do not read these materials and, when they do, they do not understand how to act on the recommendations.

Holding regular group and/or one-on-one meeting for the employees with an experienced investment professional ensures that you have made a valiant 4ffort to help your employees understand how to invest their retirement funds.

Companies that have a widespread workforce can consider Web-based education and video conferencing, as well as having an advisor available by phone when a participant has a question or needs investment assistance.

5. Allowing Participants to Use Individually-Directed Accounts (Sometimes Known as SDA, IDA or PCRA accounts).

Plan Sponsors are directly responsible for the investments in employees' retirement plans. When an employee is allowed to invest in the universe of investments, as is allowed under SDA accounts, it is almost impossible for plan sponsors to monitor those vast numbers of investments to ensure that those investments are appropriate. The fiduciary responsibility of the plan sponsor can be greatly increased by using these types of accounts.

6. Not Including "Model Portfolios" or "Lifestyle"-Type Funds in the Plan.

Participants have an extremely difficult time determining how to use the list of funds inside their retirement plan. Many participants have expressed that they want an expert to simply do it for them. Model portfolios and lifestyle funds accomplish this. They allow a participant to select the level of aggressiveness, and their funds are diversified for them, thereby alleviating much of their anguish, as well as diminishing some of the plan sponsor's fiduciary risk.

7. Not Including Access to Funds in Each "Style" of Investing.

If a plan allows participants to select from a fund lineup, it should include access to both "growth" funds and "value" funds for each capitalization (large, mid, small and international).

8. Having Overlapping Funds.

Allowing access to more than one fund for each "style" and capitalization (for example, having three small-cap value funds in the lineup) can lead to a participant selecting those three funds and thinking they are diversified. In reality, all three funds are doing the same job, and the participant ends up being undiversified.

When small-cap value, as in the example, takes its turn to fall, that participant is likely to be quite upset, and upset participant = more likely to sue.

9. Not Operating Your Plan in Accordance With the Plan Document.

The plan document instructs your participants as to how the plan should operate. Deviating from this without amending the plan can add risk of litigation to the plan sponsor.

10. Failing to Monitor Advisors and Service Providers.

Ongoing monitoring of the advisors and other providers within the plan is a must.

How are the funds performing compared to the benchmark? Are the advisors acting in the best interest of the plan participants? Are they meeting with the trustees regularly to go over various aspects of the plan, including performance?

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