THE DOL FIDUCIARY RULE:
Protect, Educate & Empower Investors

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AGENDA

I. Fiduciary Regulation – or Conflict of Interest Rule Defined

II. Five Questions For Plan Sponsors

FIDUCIARY RULE DEFINED

THE SIX DUTIES HANDED DOWN TO PLAN FIDUCIARIES

I. Duty to be prudent

II. Duty of loyalty and impartiality

III. Duty to diversify

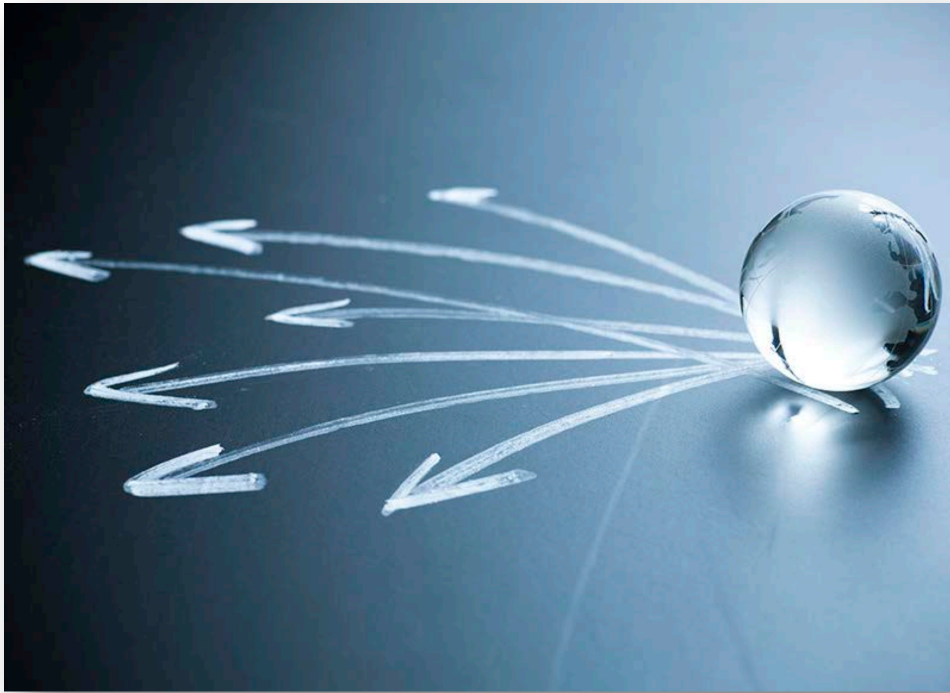
IV. Duty to monitor and supervise

V. Duty to ensure reasonable plan costs

VI. Duty to avoid prohibited transactions

THE FIDUCIARY RULE

- Released on 4.6.16
- Redefines who is an ERISA investment fiduciary as defined under the 1974 Act's Section 3(21)
- More acts are fiduciary
- More parties to retirement assets in the U.S. are fiduciaries
- The most notable and disruptive change is the extension of coverage to IRAs
- Most provisions in the rule are effective on 4.10.17



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CHANGING THE RULES IN THE MIDDLE OF THE GAME

- DOL's North Star = best interest advice for retirement investors
- DOL did not wish to pick winning and losing business models
- Many business models currently serving the IRA market inherently have conflicts

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CONFLICTED FIDUCIARIES?

- Best Interest Contract Exemption (**BIC** or **BICE**)
- BIC Exemption is a **prohibited transaction exemption**
- The BIC creates a way for conflicted fiduciaries to work with retail retirement investors
- Retail retirement investors include IRA accountholders, plan participants, and plans offered by fiduciaries managing less than $50 million

FIVE QUESTIONS TO ASK

FIVE QUESTIONS

1. Who are the third parties that are acting in a fiduciary capacity to the plan or plan participants under the new rules, and what conflicts do these third parties have?
2. What are these third parties' compliance policies and procedures that will ensure their conflicts do not influence the advice they are providing our plan or participants?
3. What is the plan sponsor's perspective on investment advice (as newly defined) for their participants?
4. What is the plan sponsor's benefit philosophy regarding terminated participants?
5. Should a plan sponsor update their plan design to align with their philosophy on terminated participants?

1 Who are the third parties that are acting in a fiduciary capacity to the plan or plan participants under the new rules, and what conflicts do these third parties have?

Advisors

- If not fiduciaries before, likely fiduciaries tomorrow
- If an advisor intends to use the BIC, understand why, for what, and how

Providers / Recordkeepers

- Certain services that are not fiduciary today may be fiduciary tomorrow
- Most notably, certain participant services, including call center activities and, if offered, in-person interactions

2 What are these third parties' compliance policies and procedures that will ensure these conflicts do not influence the advice they are providing the plan or the participants?

- Once conflicts are known, plan sponsors must seek to understand how they will prevent their conflicts from influencing their advice

- Fiduciary duty to avoid prohibited transactions

3 What is the client's perspective on investment advice (as newly defined) for their participants?

- Activities which were previously guidance may now be advice
- Providers previously serving a plan or plan participants in a non-fiduciary capacity may now be doing so in a fiduciary capacity through the BIC
- Is the client comfortable with your participants receiving advice from someone with conflicts of interest?

4 What is the client's benefit philosophy regarding terminated participants?

- Many expect that the rule may result in fewer third parties soliciting rollovers
- The result may be more participants wishing to stay in retirement plans
- Clients should evaluate their philosophy surrounding terminated participants staying in the plan

5 Should clients update their plan design to align with their philosophy on terminated participants?

If a client is supportive of terminated participants staying in the plan they may wish to re-evaluate the plan design and plan offerings to ensure they align with this philosophy, including:

- Supporting roll-ins and consolidation of other qualified assets
- Offering partial distributions, specifically systematic payments
- Exploring guidance or advice offerings
- Evaluating planning tools and calculators
- Adding investment options or solutions designed for income generation

BRINGING IT ALL TOGETHER

- More acts are investment advice
- More parties to retirement plans and participants will be ERISA fiduciaries
- The rule doesn't change a plan sponsor's fiduciary duties, BUT...
- The rule may change the way they carry out these fiduciary duties
- This is a good time for plan sponsors to utilize the five-question framework

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QUESTIONS?

THANK YOU

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