

**SAMPLE COMPANY, INC.**

<b>Company Information</b>	
<b>215 METRO BLVD</b>	
<b>LOS ANGELES CA, 33333-1206</b>	
<b>(858) 274-4155</b>	
Primary Contact	
<b>CHARLIE SPONSOR</b>	
Company Stats	
EIN: <b>20-47659435</b>	
Assets: <b>\$6,352,571</b>	Earnings: <b>\$9,900</b>
Eligible Employees:	
Principal Business Activity: <b>448120. Women's Clothing Stores</b>	

<b>Fiduciary Analytics Compliance Toolkit</b>	
Group: <b>Administration</b>	
<b>Employer Match or After-Tax Contributions</b>	<b>Rating: 10</b>
<p>Fiduciaries carry significant personal liability with regard to operating corporate retirement plans. The 5500 reveals potential liability for this plan due to Employer Matching Contributions and/or Voluntary After-Tax Employee Contributions which are often offered in conjunction with employee directed investment options. Allowing participant direction when complying with 404(c) can be a good step towards limiting fiduciary liability. Protection comes only with the prudent management of many different aspects of plan design, investment selection and monitoring, participant education / notification, plan filings and more.</p> <p><b>Suggestion:</b> Seek appropriate financial, legal and tax planning to avoid liability on both personal and corporate levels. Many firms offer bundled services for all of these important functions.</p>	
<b>Filing Extension under the DFVC Program</b>	<b>Rating: 8</b>
<p>The 5500 has indicated that the plan is filing under the Delinquent Filer Voluntary Compliance (DFVC) Program. DFVC allows delinquent filers to pay a reduced penalty amount by satisfying the program's requirements. This may indicate problems with the plan's administration or other crucial fiduciary functions.</p> <p><b>Suggestion:</b> Fiduciaries should carefully consider the events that led to the delinquent filing and develop a plan with appropriate financial, legal and tax advisors to mitigate liability and insure future compliance. Many firms offer bundled services for all of these important functions.</p>	
<b>Age Weighted or New Comparability Formula</b>	<b>Rating: 5</b>
<p>Every plan is required to meet basic non-discrimination requirements to insure that the plan is not discriminating in favor of highly compensated employees. However alternative testing formulas may be applied in certain circumstances. Form 5500 indicated that this plan is NOT using the Age-Weighted or New Comparability formula. This method can increase the amount of contributions that certain employees receive while still complying with non-discrimination rules and regulations.</p> <p><b>Suggestion:</b> Applying alternative testing methodologies can be a complex task however it may offer significant tax advantages to the company and key employees. Many firms provide alternative testing analyses as part of their bundled services offering.</p>	
<b>Fidelity Bond Compliance</b>	<b>Rating: 5</b>
<p>Under the Pension Protection Act of 2006 retirement plans are required to maintain a Fidelity Bond in the amount equal to the greater of \$1,000 OR 10% of Total Plan Assets (up to a maximum required of \$1,000,000). Supporting schedules of the 5500 indicated this plan was not properly covered.</p> <p><b>Suggestion:</b> Plan Sponsors should seek appropriate financial, legal and tax advice in order to obtain the required Fidelity Bond. Many firms offer bundled service for all of these important functions.</p>	

**Non-Discrimination Issues - Controlled Group**Rating: **5**

ERISA regulations require that employers offer plans that do not discriminate in favor of highly compensated employees of the firm. Form 5500 together with Schedule R indicate that this plan is a multi-employer plan that may have non-discrimination issues. Certain ERISA and other regulations require that minimum coverage requirements are met for all plans offered by employers with a controlled group or multi-employer status. Application of these rules can be complex however the employer indicated that they have not applied the same minimum coverage requirements for all plans under their control.

**Suggestion:** Plan Sponsors should seek appropriate financial, legal and tax counsel to insure that they are applying the minimum coverage requirements required by ERISA, DOL and Treasury regulations. Many firms offer bundled services for all of these important functions.

**Fidelity Bond Compliance**Rating: **4**

Under the Pension Protection Act of 2006 retirement plans are required to maintain a Fidelity Bond in the amount equal to the greater of \$1,000 OR 10% of Total Plan Assets (up to a maximum required of \$1,000,000). Supporting schedules of the 5500 indicated this plan was not properly covered.

**Suggestion:** Plan Sponsors should seek appropriate financial, legal and tax advice in order to obtain the required Fidelity Bond. Many firms offer bundled service for all of these important functions.

Group: **Communication****Low Participation**Rating: **9**

One of the most basic fiduciary responsibilities of Plan Administrators is to encourage plan participation. The 5500 reveals that plan participation is very low and may indicate a failure in plan operation.

**Suggestion:** Fiduciaries should insure that participants are given proper education on the benefits of joining the plan and document their attempts to encourage participation. Increasing participation and deferral rates where applicable is the best way to insure that participants will be well prepared for retirement. Seek appropriate financial advice for the best ways to increase participation.

Group: **Education****Terminated Participant Issues**Rating: **4**

Form 5500 indicates the plan has participants with vested benefits that are separated from service. A variety of factors should be considered depending on the participants' individual account values. Plan sponsors are required to select a designated IRA provider for purposes of distributing small balances from the plan. This reduces plan administration costs and potential liability from terminated employees. Larger balances require certain distribution notifications to be sent to participants as well as notification to the Social Security Administration.

**Suggestion:** Fiduciaries should seek proper investment and legal counsel to develop a plan for separated participants consistent with ERISA and Pension Protection Act regulations. Many firms offer bundled services for all of these important functions.

Group: **Investment****404(c) Compliance Risk**Rating: **10**

Compliance with ERISA Code Section 404(c) is a complicated task that offers significant protection for plan fiduciaries. The 5500 reveals that the plan sought protection under 404(c) however compliance is not guaranteed by virtue of this election. Protection comes only with the prudent management of many different aspects of plan design, investment selection and monitoring, participant education / notification, plan filings and more.

**Suggestion:** To insure proper protection under ERISA Code Section 404(c) be sure to consult with appropriate financial, legal and tax advisors. Many firms offer bundled services for all of these important functions.

**Participant Directed Brokerage Accounts**Rating: **10**

Fiduciaries carry significant personal liability with regard to operating corporate retirement plans. The 5500 reveals increased liability for this plan due to a Self Directed Brokerage Account (SDBA) feature. Allowing participant direction can be a good step towards limiting fiduciary liability provide that regulations associated with ERISA Section 404(c) are properly addressed. SDBA adds a new level of complexity in adhering to the

requirements of 404(c).

**Suggestion:** Seek appropriate financial, legal and tax planning to avoid liability on both personal and corporate levels. Many firms offer bundled services for all of these important functions.

### Participant Directed Investments

Rating: 10

Fiduciaries carry significant personal liability with regard to operating corporate retirement plans. The 5500 reveals increased liability for this plan due to self directed participant accounts. Allowing participant direction can be a good step towards limiting fiduciary liability provided that regulations associated with ERISA Section 404(c) are properly addressed.

**Suggestion:** Seek appropriate financial, legal and tax planning to avoid liability on both personal and corporate levels. Many firms offer bundled services for all of these important functions.

### Questionable Assets - Holding Personal Property

Rating: 8

The Pension Protection Act of 2006 (PPA) requires in most cases for participants and beneficiaries to be provided with account statements at least quarterly. Supporting schedules of the 5500 indicated that the plan held Tangible Personal Property that could be difficult to value and report accurately to participants. Holding such questionable assets in a retirement plan poses special compliance concerns under PPA and ERISA. Plan Administrators may be liable for any losses incurred due to improper valuation or liquidity delays associated with non-traditional assets.

**Suggestion:** Plan Administrators should consult with appropriate financial, legal and tax counsel to insure they are offering the right mix of investments and monitoring strategy for the participants and beneficiaries covered under the plan. Many firms offer bundled services for all of these important functions.

### Group: Plan Type

### 401(k) or CODA Element

Rating: 7

This plan offers a Salary Deferral Arrangement typical of 401(k) plans. These types of arrangements offer many opportunities for the plan sponsor to defer some or all of the risk to plan participants provided that certain provisions are met, such as those associated with ERISA Code Section 404(c).

**Suggestion:** Seek appropriate financial, legal and tax planning to avoid liability on both personal and corporate levels. Many firms offer bundled services for all of these important functions. Many firms offer bundled services for all of these important functions.

### Special Tax-Exempt Concerns

Rating: 5

Every type of Qualified Plan is required to follow ERISA, IRS, Department of Labor and other regulations in order to maintain its Tax Qualified status. Form 5500 indicates that this is a Profit Sharing Plan which must satisfy a specific set of additional IRS regulations outlined in Section 401(a) of the Code.

**Suggestion:** When establishing a Profit Sharing Plan the Fiduciary Committee should seek appropriate financial, legal and tax advice to insure that it is adhering to all appropriate standards to maintain Tax Qualified status. Additionally, plan operations should be continually examined to insure ongoing compliance. Many firms provide compliance reviews as part of their bundled service offerings.