



## **B E N E F I T S   B R I E F**

March 2005

### **Multnomah Group to Speak on Hidden Retirement Plan Fees**

The Multnomah Group will be presenting at an event sponsored by [HRAnswers](#) on understanding and assessing retirement plan fees. The March 22<sup>nd</sup> Breakfast Briefing will take place from 7:30 to 9:30 AM at the HRAnswers facilities at 7659 SW Mohawk Street in Tualatin, OR. Interested parties can register at the [HRAnswers website](#). Continuing education for SHRM designations has been applied for.

### **Surprise ... Surprise**

A recent study by Cerulli Associates concluded that funds with preferred revenue sharing agreements may receive as much as 10 times the dollar flow of funds without preferred revenue sharing agreements. The study is the first of its kind to quantify the return on investment mutual fund companies are receiving by providing poorly disclosed revenue sharing to brokerage firms and other sales institutions. [Click here to read coverage of the Cerulli study.](#)

### **Lifestyle Fund Growth Remains Strong**

Lifestyle and Target Retirement Funds continue to be the trend of the moment. These funds typically create portfolios of other funds that are constructed to meet the investment objectives of the purchasing shareholders. The growth of Lifestyle funds has been fueled primarily by their inclusion in retirement plan investment arrays as alternatives to direct mutual fund investing. [Click here for PLANSPONSOR magazine's coverage of the Lipper study.](#) The Lipper study raised two continuing issues of concern for retirement plan sponsors. The first being participant misuse of Lifestyle funds and the second being the difficulty in analyzing the relative performance of the investment vehicles.

### **SEC works to further clarify differences between 'advice' and Fiduciary Advice**

In 2005 the Securities and Exchange Commission (SEC) will require all providers of investment advice to state on their Form ADV regulatory filings if they act in a Fiduciary capacity with regard to their clients. This additional disclosure will further the clarification as to why commission compensated brokerage and consulting firms cannot be considered fiduciaries under ERISA. [Click here for an article from srconsultant.com on the trend towards the use and need for Fiduciary Advisors](#)

### **Whether DC or DB, Prudence Means Prudence**

Against the backdrop of trading scandals, commission scandals and just plain old bad performance 401(k) plan sponsors are exercising significantly more diligence in the selection of investment products and service providers for their plans. While for the longest time consulting has helped define and structure the investment philosophy of defined benefit plans, this trend towards increasing the amount of information flow between investment managers (often mutual funds) and plan sponsors should improve 401(k) plans and is a necessary step in demonstrating fiduciary diligence. [Click here for an article from DCNews.](#)



### **401(k) Plans with Stock Increasingly Retaining Fiduciaries to Assess Appropriateness of Employer Stock**

While the debate regarding fiduciary responsibilities and potential liabilities continues to rage, what is clear is that some of the first legal battles regarding fiduciary duty will be fought by those with employer stock in their 401(k) plans. With suits recently brought against fiduciaries at Enron, WorldCom, Krispy Kreme, Pfizer, and Marsh and McLennan with regard to their failure to review the suitability of their stock investment in the plan, many sponsors are turning to outside fiduciaries to review stock investments and make determinations as to their suitability. [Click here for an article from DCNews on the growth of stock fiduciaries.](#)

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[The Multnomah Group](#) is the region's leading provider of comprehensive qualified plan management solutions and investment consulting to businesses in the Pacific Northwest. To subscribe to this newsletter please email us at [newsletter@multnomahgroup.com](mailto:newsletter@multnomahgroup.com). To unsubscribe to this newsletter please reply to this email with UNSUBSCRIBE as the subject.