

Granite Insight:

To our surprise, we read an article in CFO Daily News about 401k fines in 2013. In the article, it stated that **seventy-five percent** of plans were fined or penalized. It further stated that the average fine was 600,000 dollars which was a 33% jump from the previous year. Additionally, 88 corporate officers were criminally indicted.

The Issue:

It's all about the Department of Labor (DOL) regulations and the audit. What is your provider doing to protect your plan's and your employees' interests? If you are with a mutual fund, bank, brokerage or insurance company, the answer is probably nothing. They protect their own interest leaving the employer with all the liability. Consider Tussey vs. ABB, the employer received a 35 million dollar fine.

What to look for:

With the increase in enforcement agents, it would be good to make sure you are compliant. How do you know your auditor is good? Is your 5500 accurate?

There are several items to look for, but we will only touch on a few.

-Make sure you to get a corporate Trustee, otherwise you are personally liable.

-Do you have an Investment Policy Statement (IPS)?

-Does anyone receive compensation from the plan that works at is affiliated with your company?

-Does your 5500 accurately state all vendors compensation? (even 12b-1 and sub-ta fees?)

Additional information:

If you would like specific information on operational and investment best practice, please contact Granite Group Advisors. Granite Group provides investment and operational consulting services for Retirement Plans, Pension, Endowments and Private Clients. 203-210-7814

Disclaimer: This brochure cannot be construed as tax, legal or investment advice. You should seek a qualified Erisa attorney for specific concerns on your plan.



Solutions:

Other issues to investigate to help avoid a conflict with employees as well as the DOL include:

- 1) Make sure your auditor is thorough. Verify if they have never been sued or have any complaints. If so, find out what they are.
- 2) Have a standard! Seventy percent of plans do not have an IPS. If you do not know what one is, you need to get one, ASAP. It's not required by law, but if you do not have one and an employee sues, it will not work out well.
- 3) Hire an independent consulting firm who is not compensated by the investments in the plan. Make sure they have proven investment and operational processes to ensure continuity.