

# THIN(k) Client Plan Evaluation Process

## Investment Oversight



Plan sponsors are responsible for selecting and monitoring the investments offered to participants. This includes analyzing asset allocation, the types of investments to include and balancing costs with the value being received from each investment option. For those not comfortable with this responsibility, sponsors can engage a 3(21) investment advisor or a 3(38) discretionary investment manager.

### Investment Oversight - Questions to Consider

- Does your retirement plan have an **investment Policy Statement**?
- Have you **appointed an investment fiduciary to your plan** and if so, in what capacity?
  - A 3(21) investment advisor?
  - A 3(38) discretionary investment manager?
  - An Investment Committee or Board?
- **How often are you reviewing the investment options** offered in your plan?
- What investment **data/metrics** are you reviewing?
- Is there a **formal process for monitoring and changing investment options** being offered?
- What are the management costs of your investment options?
- Are you aware of how the **investment options in a plan can impact the cost structure** for your plan participants?

### Due Diligence

| Initial Plan Evaluation | Thin(k) Plan Review |          | Thin(k) Audit File  |
|-------------------------|---------------------|----------|---|
|                         | Quarterly           | Annually |   |
| Investment Oversight    | ✓                   | ✓        |  |

## Action Steps

- 1. Understand the different roles of investment fiduciaries**
  - See "The Impact of Outsourcing ERISA 3(21) and 3(38) Fiduciary Investment Functions for Defined Contribution Plans"
- 2. Design, Review, and Maintain the plan's Investment Policy Statement**
- 3. Utilize Thin(k) Proprietary Scoring Methodology to design menu**
  - Expense Ratio
  - Manager Tenure
  - Morningstar Rating
  - Past Performance
  - Risk-adjusted Returns
  - Fund Flows
- 4. Coordinate the selection of the Qualified Default Investment Alternative (QDIA)**
- 5. Monitor Plan-level Investment**
  - Thin(k) Score
  - Fund to Peer Benchmarking
  - Information Ratio
- 6. Build & Review Thin(k) Audit File**
  - Investment Policy Statement
  - Plan Menu Selection and Monitoring
  - QDIA selection
  - Investment Committee minutes
  - Plan Reviews
  - Investment Management Agreement (if investment fiduciary is appointed)

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