DON'T TAKE LIGHTLY THE DUTIES OF BEING A FIDUCIARY OR TRUSTEE FOR A RETIREMENT PLAN

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A) The fiduciary must:

1) Discharge his duties with the skill of a "prudent man" who is familiar with investments.
2) Act solely in the interest of all plan participants and beneficiaries.
3) Act in accordance with the documents, and be fair to participants.
4) Monitor performance at least annually.
5) Deposit employee contributions as soon as possible.
6) Obtain a fidelity bond for the plan.
7) Avoid self-dealing, conflicts of interest, transactions with "parties in interest," prohibited transactions, and doing anything that benefits the company at the expense of the plan.
8) Exercise caution in the choice of other advisors and service providers.

B) Every plan is required to establish a funding policy, addressing such issues as**:**

1) How funds are to be invested --- how assets are to be allocated among different types of investments, recognizing various levels of risk and reward.
2) How performance will be monitored.
3) How the plan will achieve diversification in
    a) The number of securities it holds.
    b) The types of investments chosen.

C) Monitor the investments, possibly using tools such as the services of Morningstar or Lipper. These companies provide independent monitoring and ranking of mutual funds. Things to be monitored include**:**

1) Investment performance --- Is the investment performance reasonable and competitive?
    a) In absolute terms.
    b) Net of expenses.
    c) In relative terms --- compared to alternatives of comparable risk.
    d) Over different periods of time --- one, three, five, and ten-year periods.
2) Fees and expenses charged to participants
    a) Are these expenses legitimate for payment from the trust?
    b) Are these expenses reasonable for the services rendered?

D) If invoking Section 404(c) to minimize liability to the employer and the trustee, there are a number of requirements, including the following:

1) Offer three or more distinct investment options to participants.
2) Allow transfers between these options at least quarterly.
3) Educate participants so that they truly understand the nature of investments, risk/reward, the time value of money, asset allocation, and how much to save.

E) Research, monitor, and document as much as possible, leaving a trail of formal minutes or memos to the file.

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