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Fiduciary Insights
January 2009

Welcome to Fiduciary Insights, the monthly newsletter that keeps you in touch with issues, trends, events, and insights of significance to individuals connected with the retirement plan industry. The articles have been carefully selected from a variety of high quality sources.

In this issue

General Items

Financial Crisis Highlights Contrasting Pension and 401k Investment Risks

Summary: Watson Wyatt has analyzed the contrasting investment risks faced by defined benefit pensions and 401k plans during the current financial crisis. The predictable, mainly guaranteed income of pensions (including hybrid plans like cash balance plans) contrasts sharply with the day-to-day fluctuation of 401k account values, which are wreaking havoc on planned retirements. Located at: CCH.
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The Business Case for 401k Automatic Enrollment

Summary: Companies using automatic 401ks have seen employee participation rates soar (often above 90%) and especially among lower-income and minority workers who are too often left behind. They have found there are at least three sound business reasons for using automatic enrollment. Located at: Retirementmadesimpler.org.
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Confusion Can Lead to Increased Investments in Stocks

Summary: For employees not well-versed in investment strategy, the decisions can be daunting. According to a new research study at the Rutgers School of Business, many employees will simply choose a heavier investment in stocks when confronted with too many options. Located at: Rutgers.
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Five Basics to Remember in a Down Market

Summary: Down markets are a fact of life. But they need not be a cause for panic or rash decision-making based on newspaper headlines or TV talk shows. Here are five things every investor should remember in these times. Located at: The Standard (PDF File).
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Plan Sponsors Address Market Turmoil

Summary: Plan sponsors are taking their fiduciary responsibilities seriously and dealing proactively with the financial crisis, suggests a new survey from Aon Consulting. Of the 100 defined contribution plan sponsors recently surveyed, 78% have reviewed their plan's core offerings to ensure they have sufficient diversification. Located at: Located at: Employee Benefit News (free registration may be required).
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Benchmarking Your Practice

Summary: A recent survey by Plan Adviser magazine of advisers who work with employer sponsored retirement programs attempts to capture the profile of the "typical" retirement plan adviser. Located at: Plan Adviser Magazine.
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Maintaining Standards in Unusual Times

Summary: By now, even the most ardent advocates of asset allocation have to be asking themselves whether they should just go to cash and wait for saner times. The problem for fiduciaries is that they have a duty to diversify unless it is clearly prudent not to do so. Located at: Investmentnews.com (free registration may be required).
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Setting Up An Effective Strategy Around Lifecycle Funds

Summary: With the flood of lifecycle funds available in the market, plan sponsors need to consider which funds are most appropriate for their retirement plan. Here are some factors to examine. Located at: Employee Benefit News (free registration may be required).
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Some 401k Sponsors Still Fans of Unbundled Services

Summary: The Spectrem research report said unbundled usage is highest among those with plan assets of $50 million to $199 million and that those going the unbundled route are more likely than those bundling to bring in a consultant to advise on their plan decisions. Located at: Planadviser.com.
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Auto Enrollment Wins Prevalence in DC Plans by Slim Margin

Summary: Automatic enrollment of employees into defined contribution retirement plans has been adopted by a majority of plan sponsors, according to a recent survey from Mercer. Located at: Plansponsor.com (free registration may be required).
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Debating DB vs. DC plans

Summary: Plan sponsors are trying to connect the dots on how the Wall Street crash will affect their retirement plan benefits. Watson Wyatt's experts recently weighed in on the pros and cons of defined benefit and 401k plans amid a financial crisis. Located at: Employee Benefit News (free registration may be required).
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Court and Legislative Items

Wal-Mart Captures Resounding Excessive Fee Suit Victory

Summary: A federal judge in Missouri handed retail giant Wal-Mart Stores a resounding legal victory by swatting away a participant's excessive fee lawsuit for falling short of the plaintiff's responsibility to show the employer violated its fiduciary responsibilities. Located at: Plansponsor.com (free registration may be required).
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Mutual Fund Company Exempt from 'Party in Interest' Liability

Summary: The U.S. District Court for the Central District of California ruled that a mutual fund company that engaged in a fee agreement with its investment adviser is not a "party in interest" under the ERISA. Located at: Planadviser.com.
Click here to read article

Commentary and Opinion

First, Do No Harm to 401k Plans

Summary: The author writes, "Theresa Ghilarducci's proposal to replace the 401k with a government subsided plan would make a flawed system more flawed." Located at: 401khelpcenter.com.
Click here to read article

DOL, IRS and SEC Items

IRS Says: Beware of ROBS

Summary: Beware of promoters promising that participants can use their funds in their 401k, IRA, profit-sharing, or annuity plans to open a business without paying taxes on the distribution. Located at: BenefitsBlog.
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