



CHECKLIST FOR A FIDUCIARY AUDIT

1. Plan Documents and Records

- Do you have a complete, current set of Plan and Trust documents that have received IRS approval and that are up to date with law changes?
- Have summary plan descriptions (SPDs) and summaries of material modifications (SMMs) been timely distributed to all required recipients?
- Do you have copies of summary annual reports (SARs) and Form 5500 filings for the past seven years?
- Do you have a current copy of the plan's fidelity bond and any other insurance protecting the plan or its fiduciaries? Do you know who is covered under those policies? Is the coverage adequate?
- Do you have an Investment Policy Statement that reflects current practices and investment needs?
- Do you have service contracts with all of the plan's service providers? Are the contracts adequate and accurate?
- Do you have committee minutes or other documentation of all fiduciary decisions made for the prior period (e.g., hiring of service providers, selection and ongoing monitoring of investments, changes in plan benefits).

2. Service Providers

- Do you have clear documentation of the responsibilities of each of the plan's service providers?
- Have all service providers been selected in accordance with the plan's written procedures, and is it clear who is responsible for ongoing monitoring of each provider?
- Do you know which providers are fiduciaries for what purposes, and have the providers agreed to such fiduciary status in writing?
- Do you have a defined and documented process for selecting and monitoring service providers, and have those processes been followed?
- Do you know what fees you are paying for what services, and have you documented the process you followed to determine that those fees were reasonable?

3. Investments

- Are the plan's investments reviewed within the time frames and according to the procedures outlined in the plan's Investment Policy Statement?
- Are decisions regarding the selection, retention, and deletion of an investment option properly



documented (including comparisons with comparable funds) and consistent with the Investment Policy Statement?

- Do the investment options offered by your current service provider satisfy the needs of the plan, and are they consistent with the standards contained in your Investment Policy Statement?
- To the extent participants are responsible for investment decision making, have they received adequate communication, education, and fund alternatives to support that role?
- If your plan invests in employer securities, have legal experts in the securities and ERISA areas been consulted to address particular issues surrounding investment in employer securities, particularly in light of developments in the Enron and WorldCom litigation (e.g., securities registration and reporting, special fiduciary issues)?

4. Prohibited Transactions

- Have you identified all persons or entities involved with the plan who are parties in interest?
- To the extent you are paying a party in interest with funds from plan assets, have you verified that such payments are exempt from the prohibited transaction rules?
- Do you have reliable people and processes in place to ensure that all salary deferral contributions are remitted timely to the plan trustee?

5. Plan Operations

- Is the plan being operated in accordance with the terms of the plan and trust document?
- Do your service providers keep you informed of plan activity and escalate matters that require corporate involvement?
- Are the reports you receive from your service providers timely and accurate?
- When mistakes are made, are they identified and addressed in a timely and accurate manner?
- Is the process of communication (electronic, verbal, or otherwise) used to integrate services among various providers timely, accurate, and cost-efficient?
- Are your employees adequately educated about plan features?



The 401(k) business is well known for a lack of transparency in total costs, services, and most importantly, who is getting paid for providing the services. To remedy that lack of clarity, the U.S. Department of Labor has issued guidelines for transparency and disclosure. This is intended to allow plan sponsors and participants alike to understand the services and costs involved with a plan. It will allow for fully informed decisions about vendors. Containing costs is the single best path to improving investment returns for participants.

As the 401(k) market continues to grow in importance to working people nationwide, making fully informed decisions is more important than ever. As recent market volatility highlights, investing involves risk. Risk can be mitigated through proper application of investment truths; asset allocation, diversification, dollar cost averaging, and cost management.

For many American workers, their 401(k) plan will be the primary or even sole source of pension income. Small improvements in return can compound meaningfully over time. As well, even small reductions in participant expenses can greatly increase participant accumulation, compounded over time.

Lawsuits brought by plan participants against plan sponsors and fiduciaries are growing. As undisclosed and often excessive fees are revealed to participants, they are increasingly turning to the courts when a breach of fiduciary duties is suspected. If any plan is not managed explicitly for the benefit of the participants, with undisclosed, excessive or inappropriate compensation to one or multiple vendors, true fiduciary liability may exist.

Amid the market volatility and pending Department of Labor guidelines for full disclosure, now is a good time for all plan sponsors, fiduciaries and participants to review their 401(k) plan. We are available to help you conduct your informal audit, if desired.

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About West Chester Capital:

Founded in 1994, West Chester Capital is a registered investment advisor managing \$140 million of client assets. Located in West Chester, Pennsylvania, West Chester Capital is a wholly owned subsidiary of AmeriServ Financial, a publicly held bank and trust company, headquartered in Johnstown, Pennsylvania. AmeriServ is a \$1 billion bank with a trust company administering \$1.8 billion in client assets.

West Chester Capital manages fiduciary quality portfolios and investment programs for individuals and institutions within a framework of openness, integrity, objectivity and rigorous client advocacy.

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