

Retirement Plan Business Development Guide

Prospecting ideas and talking points



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Plug into the power of retirement plans

Retirement plans are powerful. They have the power to open doors with clients. They can help participants get ready for retirement and they can help you grow your business.

Whether you are looking to complement an established health and welfare practice or develop the knowledge to become a retirement plan specialist in the \$4 trillion retirement plans market, The Standard has the tools to help you succeed.

Employers and employees are looking for someone to help them navigate this often complex, always changing and essential component of the benefits puzzle. The Standard can help you develop your proficiency in this area and serve as a trusted partner and resource. This guide, combined with the local expertise of our pension consultants, can help you make the most of the retirement plans market.

For more information, contact your pension consultant at The Standard.

1. Define your target market

- Plans with \$1,000,000 or more in assets
- 401(k), 403(b), 457 and Defined Benefit Plans

2. Identify opportunities in the marketplace

401(k) Plans

> Need for EGTRRA restatement

- All 401(k) plans must be restated by April 30, 2010
- Encourage prospects or clients to use this as an opportunity to review their current plan design and vendor relationship

> Increased attention to full fee disclosure

- Does the plan sponsor know exactly what fees they're paying? This has been a challenge for years as many vendors do not provide advisors and clients with an easy-to-find, total expense number. Employers do not have to select the least expensive option, but they do need to know exactly what they (and more importantly, their participants) are paying.
- Has their current advisor and provider disclosed all revenue-sharing arrangements?
- Has their advisor placed them with a vendor that is revenue-neutral?
- Have they taken their plan out to bid in the past three or four years?

> Need for participant-level advice

Are participants being provided with savings and advice solutions? Many vendors provide a savings program that includes a retirement income gap analysis that does not take into consideration outside assets and/or spouse or partner income, providing a more limited view of a participants' financial picture. In addition, many vendors do not actually implement the savings and advice recommendations for participants (i.e., they provide the advice, yet leave it up to the participant to take the final action to implement the recommendations). Unfortunately, most participants do not take the individual action necessary to follow through with the advice. To give participants the best opportunity for success, our recommendation is to use a savings and advice program that recognizes outside assets in a retirement income gap analysis and follows through with implementation.

> Focus on the quality of investment options being made available to participants

- Are proprietary funds included? Are they required?
- How do the funds — especially the proprietary funds — compare to the marketplace from a risk, return and expense standpoint?
- Is your current vendor revenue-neutral (i.e., do they make more in revenue on some funds than on others, presenting a potential financial conflict of interest)?

> Focus on plan participation

What's the current level of employee participation? Is the client happy with it? What is the current advisor (and vendor) doing to improve it? Is there a formal strategy in place to track results?

> **Greater desire for fiduciary protection**

The Supreme Court has held that participants can sue under ERISA for losses to their individual accounts allegedly caused by fiduciary breach. What responsibility does the current provider accept? If the provider does not accept fiduciary responsibility under ERISA §3(21) or ERISA §3(38), there is room for improvement. Our recommendation is for clients to select a retirement plan vendor that acknowledges their fiduciary status under ERISA.

Investment managers defined by ERISA §3(38):

“The term ‘investment manager’ means any fiduciary (other than a trustee or a named fiduciary, as defined in section 402(a)(2)):

- (1) who has the power to manage, acquire or dispose of any asset of a plan;
- (2) who (i) is registered as an investment adviser under the Investment Advisers Act of 1940 [15 U.S.C. 80b-1 et seq.]; (ii) is not registered as an investment adviser under such Act by reason of paragraph (1) of section 203(A)(a) of such Act, is registered as an investment adviser under the laws of the State (referred to in such paragraph (1)) in which it maintains its principal office and place of business, and, at the time the fiduciary last filed the registration form most recently filed by the fiduciary with such State in order to maintain the fiduciary’s registration under the laws of such State, also filed a copy of such form with the Secretary; (iii) is a bank, as defined in that Act; or (iv) is an insurance company qualified to perform services described in subparagraph (A) under the laws of more than one State; and
- (3) has acknowledged in writing that he is a fiduciary with respect to the plan.”

“Functional Fiduciaries” defined by ERISA §3(21)(A):

ERISA §3(21)(A): (A) Except as otherwise provided in subparagraph (B), a person is a fiduciary with respect to a plan to the extent (i) he exercises any discretionary authority or discretionary control respecting management of such plan or exercises any authority or control respecting management or disposition of its assets, (ii) he renders investment advice for a fee or other compensation, direct or indirect, with respect to any moneys or other property of such plan, or has any authority or responsibility to do so, or (iii) he has any discretionary authority or discretionary responsibility in the administration of such plan. Such term includes any person designated under section 405(c)(1)(B).

> **Less time spent on recordkeeping and administration**

Is your current vendor tracking eligibility for you? Are you required to complete a year-end census?

> **Local service and support**

What level of service are you currently experiencing? How long does it take your current vendor to respond to questions or issues? How good is their technical knowledge?

403(b) Plans

We’ve seen improvement among plans that have adopted a single-provider approach, including:

- **Potential for fee savings.** Many times plans are being dramatically overcharged. Other times, they aren’t overpaying, but are being under-served.
- **Opportunity for fund lineup improvement** (access to a broader universe of options, no proprietary fund requirements, robust monitoring process, etc.).
- **Increased participation**
- **More services from the selected vendor** (i.e., increased service, on-site education, technology, etc.)
- **Increased attention to fiduciary issues** (and greater protection for the board members). This is accomplished by requiring that the winner of the RFP acknowledge fiduciary responsibility for the selection and monitoring of the 403(b) plan’s investment options. Refer to section ‘*Greater desire for fiduciary protection*’ above.

3. Identify specific prospect opportunities

Identify prospects or clients with whom you have a relationship or access.

Informally pre-screen prospects or existing clients to identify plans that are in your target market.

Areas in which The Standard can provide support:

- We can search freeerisa.org and our Larkspur database confidentially with the name and city of the employer. We can then provide talking points specific to each opportunity (i.e., areas for potential improvement).
- We also can prepare a fund performance comparison and *Quarterly Monitoring Report* analysis upon request of the plan sponsor. This may be co-branded or under your firm's name.

4. Identify centers of influence and other professional relationships

Identify other firms or professionals with whom you work (or firms you could approach). Consider approaching and positioning yourself as their retirement plan specialist.

Opportunities include:

- Attorneys
- CPAs
- Benefit firms that focus only on health and welfare consulting
- Property casualty firms

5. Offer in-house training for your own firm or other firms (see previous section)

This can be targeted toward other internal producers and/or account managers.

The Standard is available to help if desired. It may be easier for us to help build you up as the internal specialist for your firm.

6. Develop your approach

- Talking points for in-person or phone interactions with someone you know (Appendix A)
- Email / letters (Appendix B)
- Cold calling (Appendix C)

7. Next steps

Ask about retirement plans in your normal course of marketing.

Call us to help pre-screen any prospects or clients you're interested in approaching.

Appendix A: Talking points for in-person or phone interactions with someone you know

Sample 1

1. Begin by asking for the opportunity to take a look at their retirement plan.

- Mention that you've created a partnership (or strategic alliance) with a national TPA / retirement plan provider that specializes in small- to mid-market plans
- Mention that you've found that most retirement plans can have limitations or potential conflicts of interest, including:
 - Proprietary investments. If the current provider has its own funds, it's a potential financial conflict of interest.
 - Not paying attention to fiduciary issues or offering any real protection to the owners and executives who run the plan
 - Limited (if any) savings and advice programs for participants
 - Less than full transparency as it relates to their total fees

2. We've seen improvements in what we can offer in the following areas:

- Improving the quality of the investment lineup
- Less risk for them as fiduciaries (our partner will sign on as a fiduciary under ERISA)
- Greater fee disclosure
- Less time spent administering the plan

3. We'd be happy to prepare a net performance comparison for your review upon the plan sponsor's request. This will let you compare the quality of the investment lineup and will identify any gaps or areas for potential improvement. Outlined below is the information needed to prepare the analysis.

- Number of eligible employees: _____
- Number of employees participating in the plan: _____
- Annual flow (employee contributions, match, profit sharing, etc.) to the plan: \$ _____
- Total plan assets: \$ _____
- Annual recordkeeping fee charged by current vendor (this isn't required, but it will allow us to include all fees on our report of findings): \$ _____
- Current performance summary _____

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Sample 2

1. **Begin by asking for the opportunity to take a look at their retirement plan.**
2. **Mention that your firm is making retirement plans an area of specialty and that you'd like to make sure they're receiving everything they can from their current vendor and from the marketplace in general.**
3. **We've found we can help clients in key areas, including:**
 - Providing them with a greater level of fiduciary protection
 - Improving the diversification of their investment lineup by removing all potential conflicts of interest. This may be accomplished by using vendors that adhere to a revenue-neutral approach and do not require the use of proprietary funds (i.e., they don't make more money based on the funds recommended)
 - Confirming that all fees have been adequately disclosed
 - Reducing the time employers have to spend administering their plan
 - Offering investment advice solutions to participants to better prepare them for retirement
 - Increasing the level of service and support at the employer level and for employee education
4. **During a review of your plan, we'll either confirm that the current vendor is still an appropriate choice or identify areas for potential improvement.**

Appendix A: Talking points for in-person or phone interactions with someone you know

Sample 3

- 1. Your question:** *What can you tell me about your 401(k) plan?*
Prospect: (Most will say it's O.K. or something similar.)
- 2. Your question:** *Can you tell me more?*
Prospect: Well, we're with _____, they....
- 3. Your question:** *Are you a raving fan? Would you recommend them to a friend or business associate?*
This makes them commit. Most aren't willing to personally endorse the vendor as they aren't ecstatic about the service.
If they don't recommend the current vendor and advisor, ask, "Who can I talk to? We've got people who make raving fans. The retirement plan is such a key benefit, we want to make sure you're receiving everything you could be."

If the prospect isn't willing to open up, you'll need to provide more tangible examples.

4. We've found we can help employers:

- Reduce their fiduciary exposure by partnering with vendors that pay attention to fiduciary issues
- Improve the diversification of their investment lineup by removing all potential financial conflicts of interest
- Provide employees with advice and direction to better prepare them for retirement
- Reduce the amount of time spent on the administration of the plan and on the year-end testing
- Provide more local support and service

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Appendix B: Sample emails / letters

Sample 1(a): Renewal of Fidelity / ERISA bond

Dear _____:

We are preparing the renewal for your fidelity bond which covers your retirement plan as required by the Employee Retirement Income Security Act (ERISA).

To assist us in providing the appropriate level of coverage at the lowest possible rate and to help identify any potential areas of improvement, we are requesting the following information:

- Current plan asset value: \$ _____
- Estimated total annual contributions (i.e., employee deferral as well as any employer contribution): \$ _____
- Current investment provider (i.e., who is holding plan assets): _____
- Is the investment of plan assets directed by plan participants? Yes ___ No ___
- Do you have a registered investment advisor that assists with the investment selection and review process for your plan? Yes ___ No ___
- Do you have an Investment Policy Statement (IPS)? Yes ___ No ___
- Please provide a copy of the written IPS.
- Will your current investment provider (or other advisors) acknowledge that they are a fiduciary under ERISA with respect to the investment selection and advice provided to you as the plan sponsor? Yes ___ No ___

Your fidelity bond, like all insurance, is priced according to anticipated risk. The more information we have regarding any steps that you have taken to either reduce your risk or transfer that risk to a third party will assist us in securing the most appropriate coverage at the lowest price. If you have any questions regarding the information we have requested, or if you would like to discuss techniques for reducing your risk or transferring it to a third party, please call me at your convenience.

Sincerely,

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Appendix B: Sample emails / letters

Sample 1(b): Renewal of Fidelity / ERISA bond (short version)

Dear _____:

We are preparing the renewal for your fidelity bond which covers your retirement plan as required by the Employee Retirement Income Security Act (ERISA).

To assist us in providing the appropriate level of coverage at the lowest possible rate, we are requesting the following information:

- Current plan asset value: \$ _____
- Estimated total annual contributions (i.e., employee deferral as well as any employer contribution): \$ _____

Your fidelity bond, like all insurance, is priced according to anticipated risk. The more information we have regarding any steps that you have taken to either reduce your risk or transfer that risk to a third party will assist us in securing the most appropriate coverage at the lowest price. If you have any questions regarding the information we have requested, or if you would like to discuss techniques for reducing your risk or transferring it to a third party, please call me at your convenience.

Sincerely,

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Appendix B: Sample emails / letters

Sample 2: Supreme Court Opens the Door to Participant Lawsuits

Dear _____:

In light of the market volatility we've experienced and recent litigation, you may want to take this opportunity to review your retirement plan to confirm that your current provider is offering adequate fiduciary protection with respect to the plan's investment offering.

Vendors take many approaches to the duties facing plan sponsors today. Paying attention to fiduciary issues is not something that most do particularly well. We can help you make sure you're receiving the benefit of a vendor serving as a fiduciary under ERISA. If your current vendor isn't acknowledging fiduciary status to your plan under ERISA, the trustees and fiduciaries aren't as protected as they can be.

In addition to reviewing your responsibilities, this may also be an opportunity to enhance your current plan. Your answers to the following questions may help identify any areas for potential improvement:

1. Is your current provider a fiduciary under ERISA? Have they acknowledged that they are a fiduciary to your plan in writing?
2. Do you have a written Investment Policy Statement?
3. Does your current provider's due diligence program maintain an objective investment selection and review process (i.e., no proprietary funds, revenue-neutral approach, etc.)?
4. Are 100 percent of payments received from mutual funds used to directly offset plan expenses?
5. Have you benchmarked your plan within the last three to five years? How do the fees compare? How do the services being provided compare? How does the quality of the fund lineup compare to the marketplace as it relates to the net performance and risk-adjusted return of the funds?
6. Does the current vendor offer individual investment advice to participants?
7. Does your current vendor automatically track eligibility and contact employees as they approach their entry date?
8. Are the owners and highly compensated employees able to contribute as much as they'd like?
9. Does your current provider complete annual testing without requiring a year-end census?

I'll give you a call in the next few days.

Sincerely,

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Appendix B: Sample emails / letters

Sample 3: Will you survive a retirement plan audit and/or an employee lawsuit?

Dear _____:

You know your business inside and out. But do you know everything there is to know about maintaining your 401(k) plan? Are you aware that a fiduciary can be held personally liable for a breach of fiduciary responsibility, which may include the plan's investment choices?

Complying with ERISA requirements can be overwhelming. Even if you have the time to devote to the requirements that need attention, are you sure that you have the critical information that you need? It's essential your vendor and advisor pay attention to fiduciary duties as they affect you as a plan sponsor.

Areas for potential improvement may include:

- **Replacing underperforming or inappropriate investment options** — funds that have underperformed their benchmark and peer group, have style drift issues or are inappropriate from a risk-adjusted return standpoint must be scrutinized. You probably have reason for concern if a vendor addresses this issue by chasing returns and adding last year's "hottest" fund to your lineup.
- **Excessive fees at the participant level** — are you sure that the fees being imposed on your participants are reasonable? Are more competitively priced, institutional funds being offered or just retail options?
- **Documentation and due diligence files** — a sample IPS and 404(c) form are not enough. Are you being provided with comprehensive due diligence reports and communications that keep you up-to-date with the performance of your plan and aware of any organizational issues or manager changes? Do you understand why the incumbent funds are being maintained?
- **Investment committee meetings** — are you being provided with the necessary information to effectively monitor your plan and hold regular investment committee meetings?
- **Participant direction and education** — how are your participants diversifying their assets? Are an overwhelming number of options being presented without much direction? Are your participants being offered a comprehensive savings and advice solution?
- **Providing a true "select" list of investment options** — many vendors leave the burden of weeding through funds squarely on the shoulders of the plan sponsor.
- **The use of proprietary funds or other potential financial conflicts of interest** — is your current vendor utilizing an unbiased and independent investment selection and review process (or is there an incentive to push one fund over another)?
- **404(c) compliance** — have you reviewed the steps that are required to fully comply with Section 404(c)?
- **Regular self-audits** — if you have not conducted one, you may be at risk

Addressing all of the above areas goes a long way toward proving "procedural prudence." The DOL does not expect you to have a crystal ball, but you are expected to act in the best interest of plan participants and make decisions like an expert.

This is where we come in. As retirement plan consultants, we specialize in helping employers reduce their fiduciary liability and maximize the value of their 401(k) plan. We would like the opportunity to meet with you for an initial 30-minute meeting to help you identify potential areas of concern and areas for improvement. There is no cost or obligation.

I will call you in the next few days to schedule a visit.

Sincerely,

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Appendix B: Sample emails / letters

Sample 4: Would you like to see an analysis of your current retirement plan compared to the marketplace?

Dear _____:

We recently completed an expense analysis and plan review for a client with your current retirement plan provider. We thought you might like to see a sample of our work to compare your current retirement plan with other options.

(Advisor Firm) provides employee benefits and retirement plan consulting. We assist with all aspects of plan design, implementation and ongoing service. As retirement plan specialists, we differentiate ourselves by providing value-added services. We work on a fee-for-service basis or as your broker of record.

As independent consultants, we specialize in helping employers reduce their fiduciary liability and maximize the value of their retirement plan. To demonstrate the type of services we provide and the quality of our work, we are offering an expense analysis and plan review of your current plan.

I look forward to the opportunity to discuss your retirement plan with you.

Sincerely,

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Appendix C: Sample phone scripts

Sample 1

Opening Statement

Hi, this is (advisor name) with (advisor firm). We've done a lot of work with local businesses to help improve their current retirement plan.

Is your plan still with (current vendor)?

We've helped our clients overcome challenges as well as better protect themselves in this volatile market.

What time in the next two weeks would you be available to meet to allow us to review your current plan?

If Yes, set appointment.

Objection: "We're good with what we have," etc.

We'd simply like to prepare a complimentary cost / benefit analysis for your review. There is no cost or obligation to our meeting. During a review of your plan, we'll either confirm that the current vendor is still an appropriate choice or identify areas for potential improvement.

In many of our reviews, we find most plans aren't receiving everything they might when compared to the elite providers in the marketplace.

Objection: What type of services are you referring to?

The enhancements we see range from:

- Improving the quality of the investments being made available to participants
- Offering more in the way of education and advice solutions
- Reducing the employer's administrative burden
- Offering greater fiduciary protection

For our meeting to be most effective, I'd be happy to prepare a cost/benefit analysis for you in advance. Can you provide me with the following information?

- Current provider
- Current assets
- Annual flow (deferrals, match, profit sharing, etc.)
- Number of participants with balance
- Number of eligible employees
- Current fee structure (this isn't required, but we'll include this in the report of findings we prepare)
- Current quarter-end fund performance summary

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Appendix C: Sample phone scripts

Sample 2

This approach is based on data from Larkspur or related lists identifying potential areas of concern or from surveys completed by the plan sponsor.

Opening Statement

Hi, this is (advisor name) with (advisor firm). How are you today?

Great... I'm following up on a recent survey your company participated in with (survey name).

I noticed you marked a couple areas for improvement with regards to _____ and we'd like to set up a time to conduct an independent analysis of your plan.

We want to ensure plan sponsors are receiving everything they should be from their current broker and/or provider. Enhancements we're seeing include:

- More thorough investment selection and review process (no proprietary funds)
- Greater level of fiduciary protection (i.e., vendors that will become a fiduciary to your plan in regards to the investment selection and review process of the plan)
- Full fee disclosure and revenue transparency
- Individual participant investment advice (including a customized savings and investment plan)
- Streamlined recordkeeping services to reduce your administration burden

We would be happy to prepare an independent analysis for your review. There is no cost or obligation to our meeting. During a review of your plan, we'll either confirm that the current vendor is still an appropriate choice or identify areas for potential improvement.

Are you available in the next two weeks to meet to allow us to review your current plan?

If Yes, set appointment.

Objection: "No thanks."

I appreciate your time. We at (advisor firm) wanted to extend a courtesy call to you to make sure you are well cared for. Would it be okay if we kept in touch? We periodically send information through email; if you provide me your address, we will send you anything we think is applicable to you.

Thanks so much. If you have any questions, please feel free to contact us anytime.

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