

# PlanTools™ ERISA Advisor Evaluator (“EAE”)

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PlanTools™ ERISA Advisor Evaluator (“EAE”) assists Plan Sponsors, ERISA Attorneys, CPAs and a selective group of Vendors and Consultants the ability to conduct a formal Request for Proposal (“RFP”) for a qualified Advisor. This report is designed to provide a basic explanation of the process and methodology.

#### **What is the purpose?**

The requirements to become an investment advisor are minimal. In fact, in the State of North Carolina, the educational and training standards required to certify a hair-stylist are higher than those to manage billions of dollars. As a result, many fiduciaries have retained an advisor with minimal skills when the obligation is to retain an expert where expertise is lacking. Unfortunately, there are no industry provided solutions to assist a fiduciary in identifying, qualifying and selecting a qualified advisor until now.

EAE was created to assist a plan sponsor in the process of vetting and selecting a qualified advisor. Advisors that are housed in the EAE system have been pre-vetted to ensure only qualified advisors are in the system. By pre-vetting advisors, a plan sponsor is assured that those advisors in the system have been subject to an independent evaluation. In addition, the automation provided by EAE enables a plan sponsor and their consultants to quickly and efficiently conduct a search for the expertise needed while documenting the process to confirm their qualifications.

#### **Who is eligible to participate in EAE?**

Only qualified advisors are permitted to participate in the EAE system.

#### **What are the qualification requirements?**

The qualification requirements involve a four step process which includes:

1. Review and qualification of the RIA,
2. Financial, Criminal and Sex Offender background check of the Advisor,
3. Application process for the Advisor that establishes compliance with minimum industry standards, and
4. A review of their Bonding and E&O insurance.

There are numerous documents that must be provided for the review and we require the compliance officer to validate the advisors answers on the minimum standards application.

#### **What is the basis for the methodology?**

There are three primary bodies of knowledge that influence the evaluation and approval process of the advisor. Those three bodies of knowledge include:

1. Daubert Supreme Court decision and the progeny of cases that follow,
2. Rule 702 of the Federal Rules of Evidence, and

3. The Cambridge Handbook of Expertise and Expert Performance.

In addition, these three bodies of knowledge are subjected to the ERISA fiduciary standards.

It is worth noting that if a plan sponsor is targeted for litigation, their expertise and that of their service providers are subject to scrutiny. It is imperative, that a fiduciary be able to defend the selection of their service providers based on their expertise and not on their entertainment value e.g., golf score.

#### What does it cost the Advisor?

The advisor has two options, they are:

1. Pay \$500 nonrefundable fee for the background check and if they pass an additional \$1250 is due. This is an annual fee. OR
2. Pay \$295 nonrefundable fee for the background check and if they pass no additional fee unless they are selected by the plan sponsor at which time they pay PlanTools, LLC \$995.

The fee for the background check is an annual fee because we conduct a background check every year.

#### What is the cost to the Plan Sponsor?

Currently, we are permitting the first 25 plan sponsors or their consultants to conduct a search at no cost. The initial 25 plans are part of our beta test to determine what changes or enhancements are needed to improve the process. Thereafter, the fees are as follows

<b>Plans</b>	<b>Cost</b>
Under \$5 million	\$995
\$5 to \$50 million	\$1195
\$50 to \$250 million	\$1595
\$250 to \$1 billion	\$1995
\$1 billion and higher	\$2495

However, from July 15, 2012 through October 31, 2012 (our introductory period) a Plan Sponsor (excluding the first 25) can conduct a search for an advisor at a flat fee of \$775.

#### What if we want to include an advisor that will not pay?

That advisor can be entered into the system at no cost. Once the evaluation is concluded the advisor's data will be excluded from view. However, we do require the advisor to sign a contract under the fee arrangement outlined in #2 of the Advisor Fees. In other words, we will not conduct the background check but we will be paid \$995 if the advisor wins the engagement.

#### What guarantee does PlanTools' provide?

None! We cannot guarantee any advisor will win business and we cannot guarantee the plan fiduciary will be satisfied with the results of the advisor they retain. We also cannot guarantee the advisor has not engaged in any illegal or disqualifying activity during the year. Our background check is as of a specified date and renewed each year so we cannot guarantee the advisor is clean as of any date other than the date of the analysis.

#### Conclusion

This is the industry's first comprehensive solution to document the selection of a service provider, in particular, the advisor. By engaging in a documented process the fiduciary can support a claim of prudent process and avoid monetary damages for conflicts or self-dealing. Furthermore, the process is independent and the cost to validate the advisors qualifications is borne by the advisor.

#### For More Information

Questions, comments, Advisor Application or for more information on the EAE system email [info@fraplantools.com](mailto:info@fraplantools.com) or call 704-699-7031.

*Fiduciary Risk Assessment ("FRA") provides consulting, expert witness and assessments of advisor expertise. PlanTools™, a wholly owned subsidiary, delivers web-based expense analysis, benchmarking, 408(b)(2) reporting, revenue sharing database, standards-based risk management and fiduciary governance solutions. For more information about FRA/PlanTools contact David J Witz, AIF® GFS™ at 704-564-0482 or [dwitz@fraplantools.com](mailto:dwitz@fraplantools.com)*