

CAP Report

**Consultant's Assessment of Practices
for**

Retirement Plan Service Providers

Enterprises that provide recordkeeping and administration services to fiduciary organizations

ASPPA Certification Program



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Consultant's Assessment of Practices

Recordkeeping and Administration

*for the exclusive use of CEFEX Analysts performing
ASPPA Certification Assessments*

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Prepared by CEFEX, Centre for Fiduciary Excellence, LLC

To be used in conjunction with the document

STANDARD OF PRACTICE FOR RETIREMENT PLAN SERVICE PROVIDERS

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CEFEX, CENTRE FOR FIDUCIARY EXCELLENCE, LLC.*

CEFEX acknowledges the contribution of fi360 of Bridgeville, PA in the development of this workbook. fi360 has developed the Consultant's Assessment of Fiduciary Excellence (CAFE) used in the assessment of fiduciaries such as Investment Advisors, Managers and Stewards.

This workbook emulates the methodology used in CAFE's.

*REFERENCES TO THE AMERICAN SOCIETY OF PENSION PROFESSIONALS & ACTUARIES (ASPPA)
ARE USED WITH PERMISSION.*

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Introduction

The American Society of Pension Professionals & Actuaries (“ASPPA”) and CEFEX, Centre for Fiduciary Excellence, LLC (“CEFEX”) has introduced a standard set of practices for recordkeeping and administration firms in the U.S. retirement industry. Entitled, “Standard of Practice for Retirement Plan Service Providers”, it forms the basis for a registration program intended to increase assurance among fiduciaries that a recordkeeping and/or administration firm is utilizing the industry’s best practices.

Through an ASPPA member task force established in 2007, ASPPA and CEFEX developed a complete registration program, using a format similar to that deployed for fiduciaries like Investment Managers, Investment Stewards and Investment Advisors. The intent is to establish a comprehensive system of assurance for retirement plan sponsors. A plan sponsor whose plan is being serviced by a firm that has attained the ASPPA Certification for Service Provider Excellence, can be assured that the industry’s best practices are in use throughout the administration and recordkeeping process.

CLASSIFICATIONS

The program uses 2 Registration Types as follows:

Registration Type: ASPPA Recordkeeping Services Certification.

Bookkeeping for retirement plans’ trading transactions and individuals’ accounts (the major activity in recordkeeping).

Registration Type: ASPPA Administration Services Certification.

Administrative functions including compliance testing against relevant pension and tax laws and filing of government reports such as form 5500.

A current version of a blank CAP Report can be found as a download in the Analyst Document section at www.cefex.org. Analysts should always ensure they are using the most recent version of the CAP Report, at the outset of any assessment.

PART I – PREPARING FOR THE ENGAGEMENT

1. Execute a CEFEX Assessment Agreement which is available at www.cefex.org.
2. Discuss with the Candidate that the engagement is not intended to be a legal opinion.
3. Affirm the scope and intended outcome of the engagement with the Candidate.
4. Use the CEFEX Assessment Procedure (available at www.cefex.org) to conduct the assessment.

PART II – DATA GATHERING

1. BACKGROUND

1.1 Consultant/Analyst

Consultant/Analyst conducting CAP _____

Consultant/Analyst's organization _____

Date CAP commenced _____

Date CAP concluded _____

Date(s) of on-site _____

1.2 The Candidate

Name of Organization _____

CEFEX File Number _____

Type of Entity *(check the type that applies)* Type 1 – **Recordkeeping**

Type 2 – **Administration**

Scope of the Assessment _____

Liaison Officer _____

Email _____

Phone _____

Fax _____

Address _____

Date of Candidate's Inception _____

1.3 Does the Candidate conduct business in more than one physical location?

Yes

Total number of business locations _____

Number of locations outside the U.S. _____

Is the recordkeeping and/or administration performed in a single centralized location?

Yes – Where? _____

No - Number of locations? _____

No

2. DOCUMENT GUIDE

The documentation listed in the table below provides substantiation to the Candidate's responses to the Analyst's interview questions and verifications. The Analyst must confirm that the required action was taken as described in the columns included under the caption "Action Required". Enter a check (✓) in the appropriately shaded box for each document. The documents indicated by a shaded box under "Included in Package" should be scanned and forwarded to CEFEX along with this CAP report.

Table 2.1

ID	ACTION REQUIRED			Description
	Verified On-site	Retained by Analyst	Included in Package	
D-1			*	Organization Chart
D-2				Financial Statements (what viewed)
D-3				Bylaws or partnership agreement
D-4				Biographical sketch's of key decision-makers
D-5				Job descriptions of key managers
D-6				List of managers that have left the Candidate within the last five years, including job titles, responsibilities and reason for leaving
D-7				Job descriptions of client handling employees
D-8			*	Mission statement
D-9				Business plan
D-10				Succession plan
D-11				Samples of all documents the Candidate presents to its clients and their participants
D-12				Risk management policy
D-13				Contracts (eg. Service Agreements) with clients for each type of service offered
D-14				Contracts with vendors of mission critical services
D-15				Fee disclosure document provided to clients if separate from Contract, or sample client invoice
D-16				Flow chart of information and operations activities
D-17				All policies and procedures manuals
D-18				Conflict of Interest Policy
D-19				Ethics Policy
D-20				SAS 70, Type II ¹
D-21				Sales/marketing operations policy
D-22				Employee handbook
D-23				Proof of insurance coverage
D-24				Trading procedures
D-25				Human Resource manuals documenting hiring, training, performance evaluation and communication policies
D-26				Information retention policy
D-27				Information technology maintenance and development plan
D-28				Information technology disaster recovery plan (incl. security)

¹ Note: The SAS70 report is provided for background information purposes only. CEFEX does not conduct a formal review of the SAS70 report, but rather refers to it for insight on the candidate's operations. CEFEX disclaims any responsibility for verifying the findings of a SAS70 report.

* These documents need only be uploaded on Renewal Assessments if they have changed from the previous assessment.

3. INTERVIEW GUIDE

Interviews can be performed either on-site or by telephone, however on-site is preferred. Individuals to be interviewed from the following functions include the following:

1. **Chief Executive Officer** (e.g., President, Managing Partner, and Chairman of the Board of Directors);
2. **Chief Financial Officer** (e.g., treasurer, accounting department manager, and controller);
3. **Chief Operating Officer** (e.g., operations manager and manager of administration);
4. **Operations Supervisor(s)**;
5. **Administrator(s)**;
6. **Vendor Liaison Officer**;
7. **Compliance Officer**;
8. **Manager of Marketing and/or Sales**;
9. **Information Technology staff.**

List the individuals interviewed in Table 3.1 below:

Table 3.1

Name	Title	Date of Interview

4. ADMINISTERED VEHICLES

4.1 For what types of administered vehicles (“vehicles”) does the Candidate provide recordkeeping and/or administrative services?

Table 4.1

Type of Vehicle	No	Yes	% of Revenue	Number of Vehicles	Avg. Number of Participants per Vehicle	Total Assets for Type
Profit Sharing w/o 401(k)						
401(k)						
Target Benefit						
ESOPs						
TSAs						
Defined Benefit						
Cash Balance						
Nonqualified						
Health and Welfare						N/A
TOTAL*						

* The Total should represent the totals for the assessed candidate, within the scope of certification.

4.2 For Initial Assessments: has the Candidate acquired or merged with any other company in the last 5 years?

For Renewal Assessments: has the Candidate acquired or merged with any other company in the last year?

Yes

Number of acquisitions and/or mergers? _____

Completion dates for each event _____

Number of vehicles converted to Candidate as a result of acquisition and/or mergers?

No

4.3 For Initial Assessments: has the Candidate acquired a block of business from any other service provider in the last 5 years?

For Renewal Assessments: has the Candidate acquired a block of business from any other services provider in the last year?

Yes

Number of occurrences? _____

Provide completion dates for each event _____

Number of vehicles converted to Candidate as a result of acquisition and/or mergers?

No

4.4 Does the Candidate have custody of any clients' assets?

- Yes
- No

4.5 Does the Candidate serve as a trustee to any of its administered vehicles?

- Yes
Percentage of total administered vehicles to which the Candidate is trustee? _____%
- No

4.6 What type of investment fund platform does the Candidate offer/support or partner with?

- Open architecture of funds
- Limited selection of investment funds where the funds are:
 - ___ Selected by Candidate
 - ___ Selected by Alliance Partner
 - ___ Other _____
- Multiple Options
Describe _____

4.7 What asset valuation methodology is used by the Candidate?

- Daily valuation exclusively
- Balance forward exclusively
- Combination of daily and balance forward
 - ___ % Daily (to include Alliance Partner platforms)
 - ___ % Balance Forward
- N/A

4.8 Does the Candidate sponsor prototype plan document(s)?

- Yes
- No - What plan document does the Candidate use?
 - ___ Prototype of Alliance Partner(s)
 - ___ Other _____

4.9 Does the Candidate administer any individually designed or volume submitter plan documents?

- Yes
Approximate percentage of total vehicles administered? _____%
Who designed the vehicles?
 - ___ Candidate
 - ___ Attorneys
 - ___ Other _____
- No

5. PENSION SERVICES RENDERED

5.1 Indicate which of the pension services listed in the table shown below are rendered by the Candidate?

Table 5.1

Service Rendered	Yes	No	N/A	If No, who renders the service for the plan sponsor
Document Preparation				
Enrollment:				
Form Preparation				
Plan Provisions				
Investment Fund Options				
Participant Recordkeeping				
Vesting				
Participant Statements				
Trust Reconciliation				
Loan Processing:				
Form Paperwork				
Distribution of Proceeds				
Distributions and Withdrawals:				
Form Paperwork				
Distribution Proceeds				
Forms 1099-R				
Tax Withholding				
Compliance Testing:				
ADP/ACP Tests				
Coverage Tests				
Top Heavy Testing				
General Tests/Cross Testing				
Benefits, Rights & Features Testing:				
Correction of Failed Tests				
Reporting and Disclosure:				
Form 5500				
Consulting:				
Alternate Plan Designs				
Controlled Groups				

5.2 How has the Candidate's operation changed over time? Terminated plans for which you are still providing services should be included.

Table 5.2

	Jan. 1 st this year*	Jan. 1 st previous year	Jan. 1 st previous year	Jan. 1 st previous year
Total number of vehicles				
Total number of new vehicles in previous 12 months				
Total number of vehicles that transferred out in previous 12 months				
Total number of employees				
Number of employees who were hired in previous 12 months				
Number of employees who terminated in previous 12 months				
Number of times a service provider or alliance partner was fired by the company in the previous 12 months				
Number of times a service provider or alliance partner stopped doing business with the company in the previous 12 months				

* Insert the year for each column.

5.3 How does the Candidate process the workflow for the services it renders?

- Teams assigned a list of plans

Total number of teams? _____

Approximate number of vehicles per team? _____

Is the team responsible for loans?

___ Yes

___ No

Is the team responsible for distributions to beneficiaries?

___ Yes

___ No

- Individual employees assigned a list of vehicles

Number of employees assigned plans _____

Approximate number of plans per employee _____

Is the employee responsible for loans?

___ Yes

___ No

Is the employee responsible for distributions to beneficiaries?

___ Yes

___ No

- Other

Describe _____

5.4 How does the Candidate receive information from sponsors of administered vehicles in order to complete Form 5500?

- Sponsor completes Form 5500
- Sponsor completes Candidate's questionnaire
- Other _____

6. AFFILIATIONS AND/OR ALLIANCES WITH OTHER SERVICE PROVIDERS

6.1 Does the Candidate possess any type of ownership interest or control in, or is owned or controlled by, either directly or indirectly, any organization (an “Affiliate”) that renders services to the Candidate’s administered vehicles?

- Yes *(List each Affiliate in Table 6.1 below and place a check mark in the column(s) that describe the services that they render to the Candidate’s administered vehicles)*
- No

Table 6.1

Name of Affiliate	Services Provided by Affiliates					
	Custodian	Advisor	Platform Provider	Money Manager	Attorney	Other (Describe)

Note: This includes parent companies of the Candidate.

6.2 Does any non-Affiliate of the Candidate render services to its administered vehicles (an “Alliance”)?

- Yes *(List each Alliance in Table 6.2 below and place a check mark in the column(s) that describes the services that they render to the Candidate’s administered vehicles)*
- No
- Not Applicable

Table 6.2

Name of Alliance	Services Provided by Alliances					
	Custodian	Advisor	Platform Provider	Money Manager	Attorneys	Other (Describe)

Note: Alliance firms provide services directly to the Client, and charge for services explicitly, OR provide services which are packaged with the Candidates services, and are thus charged for within the Candidate's billing system.

6.3 Does the Candidate outsource any of the work it commits to perform in its service agreements? This is for work which is not explicitly charged-for, and not explicitly named. I.e. Non-alliance firms should be noted here such as outsourcing plan administration to an overseas company.

Yes

_____ %

Describe the type of work _____

To whom it is outsourced? _____

No

7. USE OF INFORMATION TECHNOLOGY

7.1 What technology systems does the Candidate use?

Table 7.1

	Yes	No
Website		
Voice Response Systems		
Call Center		
Electronic Data Transmission		
Paperless transactions		
Loan Calculators		
Retirement Projections		

7.2 Which types of transactions are processed electronically and which are hardcopy?

Table 7.2

	Online	Hardcopy	Both	Other - State
Enrollments				
Submission of Employee Contributions				
Submission of Employer Contributions				
Access to Participant Account Balances				
Vesting Updates				
Participant Statements				
Changes to Investment Elections				
Loan Requests				
Loan Paperwork				
Distribution Request				
Distribution Paperwork				

7.3 What modes of communication are available to respond to inquiries?

(Check all that apply)

Table 7.3

	Online	Call Center	Voice Response System	Call Person or Dept.	Outside vendor	If vendor state name
Plan Sponsor Inquiries						
Participant Inquiries						
Account Balance						
Loan Availability						
Distributions and Withdrawals						
Change in investment fund elections						

7.4 What software does the company use to render each of these services listed below?

Table 7.4

	Software Company Vendor	Release	If rendered by other than company, state whom
Plan Documents			
Participant Recordkeeping			
Compliance Testing			
Vesting			
Loans			
Distributions			
Participant Statements			
Form 1099-R			
Form 5500			

7.5 Has the firm been subjected to an external data security audit?

Yes

By who? _____

When? _____

No

7.6 What measures has the firm taken to implement the following data security measures:

	Comment
Up-to-date software patches for systems (Windows, Servers, Applications, Custom Software)	
Up-to-date virus or spam-ware protection	
E-Mail filtering	
Staff awareness	
Secure programming practices	
Controlled user access rights	
Encrypted data storage and secure disposal	
Firewall protection	
Defined system set-up policies	
Wireless network protection	

8. OVERVIEW OF PERSONNEL

8.1 What is the total number of full-time employees on the Candidate's staff? _____
 Part-time? _____

In addition to the above, how many employees are Full-time contracted? _____
 Part-time contracted? _____

8.2. Credentialed employees:

Table 8.2

	Number of Employees
Employees performing administration tasks	
Employees that have relevant credentials	

List the credentials held by staff: _____

8.3. What method(s) does the Candidate use to train and/or educate its staff?

Check all that apply.

Group training conducted by staff. Indicate frequency:

- | | |
|---------------------------------------|---------------------------------------|
| <input type="checkbox"/> Daily | <input type="checkbox"/> Quarterly |
| <input type="checkbox"/> Once a week | <input type="checkbox"/> Semiannually |
| <input type="checkbox"/> Once a month | <input type="checkbox"/> Annually |
| <input type="checkbox"/> Bimonthly | |

Group training conducted by outside professionals. Indicate frequency:

- | | |
|---------------------------------------|---------------------------------------|
| <input type="checkbox"/> Daily | <input type="checkbox"/> Quarterly |
| <input type="checkbox"/> Once a week | <input type="checkbox"/> Semiannually |
| <input type="checkbox"/> Once a month | <input type="checkbox"/> Annually |
| <input type="checkbox"/> Bimonthly | |

On-the-job training

% of training provided in this manner _____%

Outside the Candidate's company

Training courses

Examples _____

Criteria for employees to attend _____

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Seminars and conferences

Examples _____

Criteria for employees to attend _____

Other

Other training

Describe _____

8.4. Does the Candidate have an internal training department?

Yes

Number of employees in the department? _____

No

9. QUALITATIVE FINDINGS

All of the Practices for Retirement Plan Service Providers are listed below. This guide is used to verify adherence to each Practice, using evidence from interviews, data gathering, and document review. Additional questions may be included to help establish evidence.

The **Evidence** boxes include suggested evidence of adherence. Suggestions often represent the industry's best practices. The Analyst can identify other forms of evidence as required. The Analyst should provide comments either on this CAP Report, or on a separate note sheet, to establish a paper trail of the assessment.

If the criterion is not applicable to this assessment, then indicate N/A in the Comment box.

Prior to submitting this report to CEFEX, the Analyst should indicate his or her conclusion of the Candidate's conformity to each criterion. For each criterion, the Analyst should place a check mark beside one of the three options listed in the column named "**Conclusion.**"

If the Analyst finds that the Candidate does not conform to a criterion, then an Opportunity for Improvement ("OFI") report or a Non-Conformity Report ("NCR") must be prepared for each criterion, as appropriate, and included as an Appendix to this CAP Report.

For renewal assessments, the Analyst must maintain the cumulative comments from previous assessment(s), and include a time-stamp (e.g. R1, R2, R3) for each comment.

Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
RK-1.1	Senior management demonstrates expertise in their field, and there is a clear succession plan in place.		
1.1.1 All Types	The organization has the depth of experienced management to mitigate key man risk.	D-4	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Is there more than one key manager? Key managers should have at least 10 years of industry experience. Review organization chart.</i>		
Comment			
1.1.2 All Types	There is a defined succession plan for senior management to deal with sudden, unexpected disruption.	D-10	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
Evidence	<p><i>If a documented plan does not exist, the Human Resource leader or CEO must be able to articulate how the departure of any key manager would be handled.</i></p> <p><i>With a good succession plan, if a key decision-maker left, there would be little impact on operations and the organizations ability to meet its business plan.</i></p> <p><i>If a plan does exist, has it been approved by the full management team.</i></p> <p><i>Is there any evidence of cross-functional job training?</i></p> <p><i>Do key managers have a broad range of functional experience?</i></p> <p><i>Does the firm hold 'Key Man' insurance</i></p>		
Comment			
1.1.3 All Types	The recruiting process for senior management includes proper background checks and active involvement by external management.	D-6	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<p><i>The firm uses a professional background checking firm. Provide the name of the firm.</i></p> <p><i>Reasonable steps have been taken to recruit executives with the personal characteristics and professional qualifications suitable for the needs of the organization. If a professional firm has not been used, identify the reference-checking method used. (eg. HR manager called references on CV and CEO used network of contacts).</i></p>		
Comment			
RK-1.2	There are clear lines of authority and accountability, and the mission, operations, and resources operate in a coherent manner.		
1.2.1 All Types	There is a well-defined mission statement for the organization as a whole that is communicated to all levels of personnel.	D-8 D-9	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<p><i>There are quarterly scheduled meetings, on an organization-wide or departmental basis, to review company goals and how they relate to the mission. Results, both financial and project-related are communicated to employees. An example of a project related activity is a completed satisfaction survey that provides definitive evidence that the form is achieving its mission.</i></p>		

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
Comment			
1.2.2 All Types	There is a focus and coherence to the organization.	D-1	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Documents include both organization-wide and departmental charts indicating clear reporting lines.</i>		
Comment			
1.2.3 All Types	Significant organizational changes are reported to clients on a timely basis.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>There is a formal process, either by press release or direct client contact (e-mail, letter) to communicate key employee changes. Material changes in the organization's ownership structure have been disclosed in a timely manner. Material changes resulting from legal judgment against the organization or any related party have been disclosed in a timely manner. (Comment on communication of last major change.)</i>		
Comment			
1.2.4 All Types	There is a disciplined performance review process.	D-25	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Performance reviews solicit comments from the employee and are reviewed by the superior and by human resources. Performance reviews include goals and timetables for completion. Goals are measured using explicit and measurable criteria.</i>		
Comment			
1.2.5 All Types	The roles and responsibilities of all parties are defined, and documented.	D-5 D-7	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Job descriptions are on file, reviewed in a timely manner and updated as appropriate. Documents match the organization chart, and align with interview observations.</i>		

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
Comment			
RK-1.3	The organization has the capacity to service its client base.		
1.3.1 All Types	The organization has a suitable distribution and support structure (physical locations and staff) for each type of client.	Table 4.1 Table 5.4	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Perform an-site walk through of location. Are functional department, teams, plan or service type units located in close proximity to one another?</i>		
Comment			
1.3.2 All Types	The organization provides timely and appropriate communications with clients.	D-11	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Documented guidelines exist, keeping clients up to date when there are legislative changes/requirements that will affect their plan. View samples of communications including notifications, newsletters, email campaigns, etc. Ensure this is distinct from Criterion 2.5.1</i>		
Comment			
1.3.3 All Types	The organization monitors and manages the concentration of individual clients and client types.	Table 4.1	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Management meetings review concentrations on a regular basis, in order to manage risk through diversification and staffing needs. Note the highest single client concentration in the business.</i>		
Comment			
1.3.4 All Types	The organization can demonstrate that it has the capability to process instructions in accordance with its service contracts.	D-13	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Does the Candidate maintain a record which demonstrates that it completes the tasks as outlined in its service contract? Compare report to service contract.</i>		
Comment			

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
1.3.5 All Types	There is a well-developed methodology for providing investment options and/or trading platforms		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Obtain copies of RFP documents used in the selection of investment providers and/or service provider partners. Does the Candidate have a documented procedure with regard to its selection process?</i>		
Comment			
RK-1.4	Information systems and technology have a strong infrastructure, staff support and are adequately secured.		
1.4.1 All Types	The organization has a well-documented technology plan addressing hardware and software maintenance and development needs.	D-27	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>The plan is updated on a regular basis. There is evidence of regular technology maintenance. Software inventory, including versions is documented. A policy on how often system, application and custom software security patches are applied. There is a high level of security consciousness amongst IT staff and users. Evidence can include messages from IT Staff to users regarding security tips. Does the default system set-up policy disable all unused hardware? Is there a security strategy for in-house developed systems? How many people have 'administrator' rights? What is the policy on granting access?</i>		
Comment			
1.4.2 All Types	Back-up procedures and disaster recovery plans are in place.	D-28	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>There is evidence that the disaster recovery plan has been tested. There are security procedures for the clients' assets. There is a log of past back-ups. Back-up tapes are password-protected.</i>		
Comment			
1.4.3 All Types	The organization has up-to-date technology, which is supported by qualified staff.	Table 7.1	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
Evidence	<p><i>Information systems are sufficient to support ERISA compliance administration and daily recordkeeping services if applicable.</i></p> <p><i>The firm has established a useful life for hardware. Hardware is replaced on a regular basis.</i></p> <p><i>IT staff have minimum training requirements.</i></p> <p><i>Check for up-to-date critical security patches. (eg. http://windowsupdate.microsoft.com from any user desktop)</i></p> <p><i>Does IT staff maintain up to date virus protection?</i></p> <p><i>Are security logs reviewed regularly?</i></p> <p><i>Does IT staff maintain internet filtering and are restrictions placed upon the users?</i></p>		
Comment			
1.4.4 All Types	There are adequate processes and procedures to ensure that client assets and information are protected from theft and embezzlement.	D-17	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<p><i>Encryption software is utilized and updated as appropriate.</i></p> <p><i>Data is not transported off-site, unless on encrypted laptops (or other encrypted means)</i></p> <p><i>Documented security procedures are in place to protect client information and assets, which are clearly understood by staff.</i></p>		
Comment			
RK-1.5	The organization has developed programs to attract, retain, train and motivate employees.		
1.5.1 All Types	Employees demonstrate an understanding of how their individual tasks and objectives fit with the organization's mission statement.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<p><i>Interviews reveal that employees understand the firm's mission.</i></p> <p><i>Employees feel there is a clear, established positive culture in the firm.</i></p>		
Comment			

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
1.5.2 All Types	A formal system is in place to foster open communications from employees at all levels, including questions, comments and complaints.	Section 8 D-25	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>HR maintains records of employee issues. Staff turnover is normal (i.e., less than 10%). Interview staff on issues of management, communication & reviews.</i>		
Comment			
1.5.3 All Types	Well-defined employee training and professional development programs are available.	Table 8.2	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Staff is encouraged to seek advanced education and/or designations. Review in-house training for continued education and new hired employees.</i>		
Comment			
1.5.4 All Types	Compensation and benefit packages are competitive and suitable for attracting qualified employees.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>There is a documented compensation structure, including ranges. Bonuses are clearly designed, using clear objectives. The organization promotes from within and/or uses merit raises, ancillary benefits, or other incentive programs to attract and motivate employees. HR can articulate the industry average compensation and describe how the firm compares.</i>		
Comment			
RK-1.6	There is a formal structure supporting effective procedural and operational oversight.		
1.6.1 All Types	The organization has defined policies and procedures that are kept current.	D-17	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Policies and procedures are documented. There is a document management system and/or process. Someone is clearly assigned the responsibility of managing the manual.</i>		
Comment			

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
1.6.2 All Types	There is a regular management review process to ensure that policies and procedures are appropriate.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>There is a schedule and minutes of management meetings. Quarterly meetings are appropriate.</i>		
Comment			
1.6.3 All Types	The organization has an appropriate quality control process.	D-16 D-20	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>The firm's transactional processes are flow-charted. Teams can clearly describe each step of relevant client transactions, and administrative processes. The firm can demonstrate what steps are taken to improve process quality eg.: -A SAS-70 Type II audit, or similar, is excellent evidence -A checking system where when a task is completed, a separate staff member reviews the task, for quality control.</i>		
Comment			
1.6.4 All Types	A formal review system exists to ensure that the organization upgrades its policies and procedures in order to meet regulatory changes as they occur, that affect its business type.	D-17	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>There are Chief Compliance and Operations Officers (or equivalent function assigned) that understand and communicate regulatory changes as well as update procedures in order to ensure compliance. Verify software is updated when changes are needed. Staff is trained on regulatory matters.</i>		
Comment			
RK-1.7	There is an effective risk-management process to manage the organization's business risk.		
1.7.1 All Types	There is an effective process for evaluating business risk and ensure business continuity.	D-12	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
Evidence	<i>The risk-management process is reviewed and documented. The organization has a defined process for assessing new clients. Senior management meetings take place to review business risk. The senior management team understands where the risks are, and how the business can mitigate them.</i>		
Comment			
1.7.2 All Types	The organization has adequate and current proof of comprehensive general liability and errors and omissions insurance coverage.	D-23	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Note the coverage below (type and limit of liability), and the diligence taken by the firm to establish this level of coverage. Confirm that it is appropriate for the level of risk assumed in the business.</i>		
Comment			
1.7.3 All Types	The organization has defined policies and procedures and designated senior staff tasked with the responsibility of overseeing and managing the organization's conflicts of interest policies.	D-18 D-19	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>There is a formal manual. Senior management can identify potential areas of conflict of interest. The firm uses external independent oversight to guide conflict of interest situations. Potential conflicts are communicated to clients. Past cases are documented.</i>		
Comment			
1.7.4 All Types	Service agreements and contracts are in writing, and the terms serve the needs of plan fiduciaries.	D-13	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Senior management is aware of the definition of a plan fiduciary, the role and responsibility along with prudent practice requirements. Does the service agreement clearly indicate the roles and responsibilities of the TPA and the plan sponsor? Indicate that your review of the service agreement confirms that it would meet the needs of the plan fiduciary in operation.</i>		

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
Comment			
RK-2.1	The organization provides disclosures which demonstrate that there are adequate resources to sustain operations.		
2.1.1 All Types	Standard financial statements or executive disclosures provide evidence of adequate resources to sustain operations.	D-2 D-3	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>There are appropriate indicators of corporate stability including years of operation, capitalization, and audited financial statements.</i> <i>If audited financial statements do not exist, then the Analyst must perform the Financial Analysis contained in Part V of this CAP Report.</i> <i>Please note the firm's legal and ownership structure. Do senior managers have some equity in the firm?</i>		
Comment			
RK-2.2	The organization maintains defined business strategies which support their competitive positioning.		
2.2.1 All Types	The organization has a discernable business plan to develop the organization.	D-9	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>A comprehensive business plan contains:</i> <ul style="list-style-type: none"> • <i>Industry Analysis</i> • <i>Competitive Analysis</i> • <i>Market Plan</i> • <i>Product Plan, including new product development</i> • <i>Operations Plan, including growth plans</i> • <i>Management Plan</i> • <i>Financial Forecast</i> 		
Comment			
2.2.2 All Types	The organization demonstrates an effective process that fosters service and product innovations.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
Evidence	<p><i>Senior management has a formal process for evaluating service enhancements and new products. Senior management can articulate how:</i></p> <ul style="list-style-type: none"> <i>a) the firm's services compare to the competition.</i> <i>b) what clients (especially fiduciaries) require now and in the future. (e.g. fee disclosure)</i> <i>c) what service innovations have been previously implemented, which have succeeded and which have failed?</i> 		
Comment			
RK-2.3	There is an effective process for allocating and managing both internal and external resources and vendors.		
2.3.1 All Types	The organization has a competitive evaluation process for selecting service providers.	D-14	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<p><i>The evaluation process is reviewed and updated periodically.</i></p> <p><i>There is a formal provider selection process (e.g., Request for Proposal ("RFP")). Criteria such as:</i></p> <ul style="list-style-type: none"> <i>• track record</i> <i>• stability</i> <i>• performance</i> <i>• price</i> <p><i>are considered.</i></p> <p><i>Internal transaction costs are understood, and form the basis for selecting external service providers. Contracts with external firms for mission critical services have clear performance objectives and termination clauses.</i></p>		
Comment			
2.3.2 All Types	The organization has a review process in place to assess the performance of internal and external service providers.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<p><i>Comment as to the due diligence process used by the firm in selecting affiliated and Alliance service providers for all administered vehicles covered within the scope of this assessment.</i></p> <p><i>There should be a formal annual review of service providers.</i></p> <p><i>Internal operations meetings occur to review performance. Minutes reflect actions and results.</i></p>		
Comment			

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
RK-2.4	There is adequate and appropriate disclosure and delineation of the cost of services provided to each client serviced.		
2.4.1 All Types	The organization can demonstrate policies and procedures that ensure that costs are appropriately delineated, properly accounted for and disclosed to clients.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Internal transaction, administration and compliance costs are each identified to the client.</i>		
Comment			
2.4.2 All Types	The organization can demonstrate that fees paid to the organization by the administered vehicle are disclosed to clients.	D-15	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Obtain a copy of disclosure materials and comment on examples of client reconciliation. Note that this refers specifically to fees being paid out of the plan assets, not by the plan sponsor. This would include direct fee assessments to the plan as well as any revenue sharing payments made by the plan.</i>		
Comment			
2.4.3 All Types	Procedures exist to determine if fees paid by the administered vehicle are commensurate with governance document provisions.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Contract information is entered into the firm's administration system with checks and balances. Changes to fees are in line with documentation provided to clients. Once again, this is referring to fees being paid to the firm out of plan assets.</i>		
Comment			

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
2.4.4 All Types	The organization has a process to identify and disclose to plan fiduciaries all fees and expenses associated with the plan, including investment products in the plan, internal expenses of the investments products as well as expenses of any accompanying vehicles such as group annuity contracts paid by the plan sponsor, plan or plan participants. (This information is presented in a manner to allow the plan fiduciaries to determine the total plan cost and compare it with alternatives and against benchmarks to determine reasonableness.)		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<p><i>Obtain the process by which the Candidate develops its fee reconciliation/disclosure documents.</i></p> <p><i>If it does not provide daily recordkeeping services can its partners provide this information on the plan asset based fees?</i></p> <p>Compare the firm's disclosure to the Sample Fee Disclosure form published by the DOL. (available at www.cefex.org Analyst Documents) Fee disclosure should enable the firm's clients to adequately understand all fees being charged.</p>		
Comment			
2.4.5 All Types	The organization has a process to identify and disclose to plan fiduciaries any money or value to include but not be limited to, commissions, 12-B1 fees, shareholder service fees, etc., which may be paid to anyone as a result of the plans investments. (This information would enable fiduciaries to determine if conflicts of interest (real or potential) exist with any of the service providers.)		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<p><i>Verify documents on remuneration to third parties.</i></p> <p><i>View the flow of information/cash through the organization.</i></p> <p><i>Are the disclosures in the Service Agreement?</i></p>		
Comment			

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
2.4.6 All Types	The organization has the capability to offset plan costs and report the offset to plan fiduciaries at the plan sponsor, plan and or participant level, to the extent any money as defined in 2.4.5 exists in accordance with written plan contracts and agreements if applicable. (This is necessary because in some cases the offset is to be contractually applied to the plan sponsor, sometimes the plan and even sometimes the plan participants.)		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>View disclosure document. Is the disclosure in the Service Agreement? Interview accounting/trade persons on fee process.</i>		
Comment			
2.4.7 All Types	Fees generated from investments or third parties that benefit the organization or any specific client are fully disclosed.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Disclosure policies are in place that delineate any income received from proprietary, sponsored or controlled investment options that subsidize internal operating costs or that are beneficial to the plan when the investment options are utilized. Are the disclosures in the Service Agreement? See sample DOL Fee Disclosure document (available at www.cefex.org Analyst Documents).</i>		
Comment			
RK-2.5	The organization has responsible and ethical reporting, marketing, and sales practices.		
2.5.1 All Types	Documented guidelines are applied for sales and marketing practices.	D-21 D-11	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Documentation is complete and up to date. Actual sales and client material is consistent with documented guidelines.</i>		
Comment			
2.5.2 All Types	There is management or a legal and compliance review (if applicable) of all marketing communications.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
Evidence	<i>Verify that the appropriate compliance person or third party entity has reviewed and approved marketing and sales materials prior to use.</i>		
Comment			
2.5.3 All Types	There is a defined policy for remuneration of third-party representatives.	D-21	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Policy is consistently applied. Differences in remuneration are commensurate with services provided, or results obtained.</i>		
Comment			
2.5.4 All Types	There is a documented and disclosed process for selection of third parties that provide operational access to, and processing of, investment options.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Review service provider process for the selection of third parties. Discuss how the firm monitors its third party vendors.</i>		
Comment			
RK-3.1	Trading and cashiering systems, processes and procedures are defined and documented.		
3.1.1 <input type="checkbox"/> Type 1 <input type="checkbox"/> Type 2 N/A	Processes and procedures are documented and well defined.	D-24	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Review procedural manual and SAS-70 audit trading system section, if available.</i>		
Comment			
3.1.2 <input type="checkbox"/> Type 1 <input type="checkbox"/> Type 2 N/A	There are adequate processes and technologies and support services to enable the client fiduciary to follow applicable “Safe Harbor” provisions and/or Prohibited Transaction exemptions (when elected).		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Verify that the firm has procedures in place to meet the SH provisions on a timely basis as well as a review of plan transactions to identify any PT that may have occurred. Verify that the firm’s software has been updated for the newest regulations. (e.g. Relius undergoes a SAS 70 audit. If the software is Relius then the Candidate conforms.)</i>		

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
Comment			
3.1.3 <input type="checkbox"/> Type 1 <input type="checkbox"/> Type 2 N/A	The trade aggregation, submission, reconciliation and confirmation processes are commensurate with trading and settlement platform partners and investment providers.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>A written policy and procedures manual on the daily processing functions is in place which includes timing and reporting requirements. This should include detail by partner as each could have its own set of requirements. Daily reviews by management, include exception reporting.</i>		
Comment			
3.1.4 <input type="checkbox"/> Type 1 <input type="checkbox"/> Type 2 N/A	Systems and processes function in an appropriate, timely manner for the accurate and efficient operation of any plan it accepts for servicing.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Verify that all plans are being serviced in accordance with their service agreements. Are all plans serviced in the same manner? Are there plans which require “out of the box” servicing? If so, are there checks and balances in place to ensure that the plan is being serviced correctly? Comment on the software used. Interview IT department personnel. Check IT maintenance methodology.</i>		
Comment			
3.1.5 <input type="checkbox"/> Type 1 <input type="checkbox"/> Type 2 N/A	The organization has systems, processes and procedures to protect client information and assets (if under the organizations control).		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Comment on software used. Interview IT department personnel. Comment on the safety of the web-site and storage of information.</i>		
Comment			
3.1.6 <input type="checkbox"/> Type 1 <input type="checkbox"/> Type 2 N/A	Information systems and/or procedures prevent late day trading and ensure that there is no possibility of manipulation.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Review systems and procedures and SAS 70 audit, if available.</i>		

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
Comment			
3.1.7 <input type="checkbox"/> Type 1 <input type="checkbox"/> Type 2 N/A	Information systems and/or procedures exist and are designed to enable compliance with investment-related restrictions, such as frequent purchase and redemption (market timing) of securities and/or separate accounts embedded within variable annuity contract investments.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Review systems and procedures and SAS 70 audit, if available.</i>		
Comment			
RK-3.2	Trade processing and cashiering are done in a timely and accurate manner.		
3.2.1 <input type="checkbox"/> Type 1 <input type="checkbox"/> Type 2	Participant information and account balances are properly recorded for new/conversion plans		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Review new client procedures. Inspect documentation. Evaluate the checks and balances of contract information in the system. A Type 2 Candidate may be involved with plan conversions during their installation on an Alliance partners' platform.</i>		
Comment			
3.2.2 <input type="checkbox"/> Type 1 <input type="checkbox"/> Type 2 N/A	Contributions, loan repayments and distributions are accurately reported on a timely basis.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Verify operations manuals/procedures for incoming data.</i>		
Comment			
3.2.3 <input type="checkbox"/> Type 1 <input type="checkbox"/> Type 2	New participant loans are properly executed and documented.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>The loan is executed as instructed by the plan sponsor. The loan is issued and administered in accordance with the plan document and loan policy. Note: Type 3 Candidates may be involved in the online approval process for paperless/online loan and distribution programs through Alliance partners.</i>		

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
Comment			
3.2.4 <input type="checkbox"/> Type 1 <input type="checkbox"/> Type 2 N/A	Transfers and investment election changes are executed in a timely and accurate manner.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Verify procedures for trades.</i>		
Comment			
3.2.5 <input type="checkbox"/> Type 1 <input type="checkbox"/> Type 2 N/A	Trades are executed in a timely and accurate manner.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Verify procedures for trades.</i>		
Comment			
3.2.6 <input type="checkbox"/> Type 1 <input type="checkbox"/> Type 2 N/A	Investments are valued at market in a timely and accurate manner.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Review process for updating share market values and the process for value inputs.</i>		
Comment			
3.2.7 <input type="checkbox"/> Type 1 <input type="checkbox"/> Type 2 N/A	Investment income is allocated in the appropriate period, on a timely and accurate basis.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Review the process by which investment income is allocated. The firm has a manual with written process for allocation of all types of investment income. The firm has a record of allocations that track and indicate compliance with the requirements.</i>		
Comment			
3.2.8 <input type="checkbox"/> Type 1 <input type="checkbox"/> Type 2 N/A	Reconciliations are performed in a timely and accurate manner.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Verify timetable for reconciliations. Query the exceptions to the reconciliation and review the process for relieving the exceptions. Does the firm have this process in a written format?</i>		
Comment			

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
3.2.9 <input type="checkbox"/> Type 1 <input type="checkbox"/> Type 2	Responsibility for distribution and withdrawal transaction processing and reporting is clearly defined and delineated between client, Recordkeeper, TPA and other vendors that will participate in the transaction.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>The service agreement details the roles of the Candidate and any other vendors.</i>		
Comment			
RK-3.3	Recordkeeping and administrative information is readily available, disclosed and accessible to authorized parties for prudent selection and monitoring of the service provider.		
3.3.1 All Types	There is an adequate information retention policy.	D-26	<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Verify file maintenance, storage, and retention policies.</i>		
Comment			
3.3.2 All Types	Recordkeeping and administrative information is sufficiently reliable, comprehensive, and accessible to allow fiduciaries and other authorized parties to prudently evaluate the service provider's capabilities, costs and performance.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>View procedure for client reporting and access to data online.</i>		
Comment			
3.3.3 All Types	Recordkeeping and administrative information is reported to authorized parties in conformance with contractual and regulatory obligations.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
Evidence	<p><i>The required data includes:</i></p> <ul style="list-style-type: none"> • <i>plan reporting</i> • <i>compliance testing</i> • <i>contribution calculations</i> • <i>contribution deposits and allocations</i> • <i>provisions and</i> • <i>other relevant data within the scope of its capability.</i> <p><i>Information regarding participant behavior (i.e. number of participants, and distribution) is provided to the plan fiduciary.</i></p>		
Comment			
RK-3.4	Administration activities are performed in a timely and accurate manner.		
3.4.1 All Types	Systems and services are capable of operating and administering the plan in accordance with its submitted governance document and the provisions therein.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<p><i>Review the new client set-up procedure.</i></p> <p><i>Verify the 5500 preparation process.</i></p> <p><i>Do written administration procedures comply with provisions in the service agreement?</i></p>		
Comment			
3.4.2 All Types	Compliance procedures are performed properly, timely and completely in accordance with Internal Revenue and Department of Labor rules and regulations.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<p><i>Verify operation policies and procedures exist and are documented in a manner that would indicate and ensure that compliance procedures are performed properly, timely and in accordance with rules and regulations.</i></p> <p><i>Does the firm have a policy in place that would identify any tasks that had not met the requirements and how it would go about fixing it?</i></p>		
Comment			
3.4.3 All Types	Form 5500 and 1099R returns (if applicable) are completed properly and filed on a timely basis in accordance with Internal Revenue and Department of Labor rules and regulations.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
Evidence	<i>Note: A recordkeeper may not be required to complete 1099R returns. Review the records that document the timeliness of such reporting.</i>		
Comment			
3.4.4 All Types	There is adequate coordination with fiduciaries and/or plan sponsors to maintain relevant and accurate data related to key employees, controlled groups or affiliated employees or employers.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Obtain a copy of yearly questionnaire and census request forms. Ascertain and note how HCE and Keys are identified:</i> <ul style="list-style-type: none"> • <i>by the sponsor of the administered vehicle</i> • <i>by software</i> • <i>by the Candidate's employee(s)</i> 		
Comment			
3.4.5 All Types	Compliance activities are performed by staff with appropriate qualifications.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Request documentation of staff job descriptions/qualifications. Review the staffs' professional designations. (Table 8.2)</i>		
Comment			
3.4.6 All Types	Policies, procedures, and appropriate management oversight exists to ensure plan continuity at all times.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<i>Verify that the procedures manual specifies that plan administration is done timely, correctly and efficiently, with management oversight This would include timing of data requests, compliance reviews, testing completion, government forms completion, etc.</i>		
Comment			
RK-4.1	There is a process to periodically review the organization's effectiveness in meeting its client responsibilities.		

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Practice and Criteria Number	Practice/Criteria Description	Reference	Conclusion
4.1.1 All Types	Reviews are conducted at planned intervals to determine whether appropriate policies and procedures are in place and such policies and procedures are effectively implemented and maintained.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<p><i>Are reviews conducted on a regularly scheduled basis?</i></p> <p><i>Have there been events where an evaluation led to a change in strategy, tactics and/or policies, and were they documented?</i></p> <p><i>Ask line of questions relative to the implementation of and the maintenance of procedures.</i></p> <p><i>Check published dates of manuals and information supplied for evaluation.</i></p>		
Comment			
4.1.2 All Types	Reviews are conducted in a manner that ensures objectivity and impartiality.		<input type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
Evidence	<p><i>If a SAS-70 audit report is available, verify that its procedures are updated periodically.</i></p> <p><i>The firm can demonstrate that it maintains a schedule of operational reviews to ensure it is effective in meeting client needs.</i></p> <p><i>Has the firm hired independent professionals to assist with this? eg. ASPPA Certification assessments, business efficiency reviews, financial viability audits, audits of operations.</i></p>		
Comment			

PART III – CONCLUSION AND RECOMMENDATION

Following careful evaluation of all findings and determining their impact on each criterion contained in the Practices, the Analyst should synthesize his or her conclusions into a single recommendation.

The Analyst's recommendation must be indicated by checking one of the two boxes shown below:

- The Candidate is in substantial conformity to the all of the Practices listed in the table shown immediately above and **is hereby recommended for registration** as a certified firm pursuant to the scope defined in this document.

- The Candidate was found to be out of conformance with one or more Practices in a manner that would prevent it from meeting registration standards. Consequently, the Analyst **hereby recommends that the Candidate be denied registration** as a certified firm at this time.

Positive Aspects:

Please provide any positive aspects regarding adherence of the firm to the Standard. Do not include any confidential information regarding the firm or plan. These comments may be included in the publication of the “CEFEX Public Certification Report”, which would be used by the registered firm to promote its certification.

Positive Aspects:

PART IV – GLOSSARY

Administration Expenses – Accounting and administrative expenses charged to investors before deductions.

Administrator – Either internal or external organization that performs accounting and portfolio and/or transaction valuation functions on the assets purchased/sold by the Candidate.

Back-up – For both data and source code.

Basic IT system design – Short description of structure and scope of the information technology system.

Business continuity planning – Plan describing how the Candidate continues operations when a critical function is partially or completely interrupted within a predetermined time. The plan is normally based on an impact analysis of operational risks under fiduciary mode.

Compensation – Includes all forms of compensation, direct and indirect, including social benefits contribution by the firm.

Custodian/Depository – Name of depository bank or custodian that safe-keeps investors capital and holds securities on their behalf.

Disaster – An unplanned system failure affecting ALL applications and most operations.

Financial Ratios – A ratio of selected values on an enterprise's financial statements. There are many standard ratios used to evaluate the overall financial condition of a corporation or other organization. CEFEX uses several such ratios in order to evaluate the ability of a recordkeeper to sustain its operations. The ratios are described in Part V of this form.

Intervention – A planned system downtime, affecting one or more applications and a limited number of operations.

Lines of authority – This covers the whole hierarchy of decision-making, both in-house and external for governance management purposes, including the various business units or affiliated corporations required to fulfil the firm's mission.

Management Expenses – Management fees charged by the investment advisor on total assets before deduction.

Other Expenses – Sales and marketing, front-back end fees, miscellaneous expenses charged to investors before deduction.

Recovery – When investors regain access to their funds.

Total Expense Ratio – Sum of all expenses, except brokerage fees, charged to investors before deduction.

Trade Reliability – Number of successful trades divided by total number of composite trades. Used to evaluate execution practices.

Transfer Agent – Name of the trust company, bank or equivalent financial institution assigned by the Candidate to maintain records (e.g. account balances and transactions) of investors.

PART V – FINANCIAL ANALYSIS

The following Analysis is to be used when evidence is required for Practice 2.1, specifically if independently audited or reviewed financial statements are not available. The terms 'audited' or 'reviewed' follow the AICPA definition. The purpose of this Practice is to test the adequacy of a candidate's resources to sustain its operations.

The candidate should request to view either

- a) financial statements compiled by the firm's management, and/or
- b) the firm's tax returns

Closely-held businesses, tend to compile their own financial statements without the aid of an independent accountant. The proliferation of sophisticated accounting software over the past 15 years has facilitated this. Furthermore, few closely-held businesses submit their compiled financial statements to an independent accountant to produce an annual audit. Lacking these kinds of statements, the Analyst should review the candidate's federal tax returns as a further source of data for this analysis.

Ideally, financial statements should match tax returns, however in some cases there will be differences. The Analyst should use this Analysis to identify significant differences and solicit rationale for the differences, from the candidate.

The Analyst must use the CEFEX Financial Analysis Tool, available at www.cefex.org Analyst Documents. This is an Excel spreadsheet, to be completed by the Analyst (or the Candidate if necessary). The Tool compares calculated indicators to industry indicators aggregated by the Risk Management Association ("RMA"). The Indicators comprise 14 financial ratios, most commonly used by commercial bank loan committees.

This analysis is not a substitute for the opinion of an independent audit or review. However, combined with the results of a comparison between compiled financial statements to tax returns, they do provide a means for CEFEX to assess adherence to this Practice.

Steps to be performed:

1. Obtain from the Candidate, the following financial statements covering its most recent 3 year period:
 - a) Profit and Loss
 - b) Balance Sheet
 - c) Federal Income Tax Returns
2. Obtain representation that the financial statements are accurate. (eg. a letter signed by senior management attesting to their authenticity). This representation must be kept by the Analyst.

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3. Enter the Candidate's name and data from the financial statements into the appropriate fields in the Financial Analysis Tool spreadsheet, in the sheet entitled: "Income Statement - Mgt Compiled".
4. Viewing the sheet entitled: "Ratios – Mgt Compiled", compare the candidate's financial ratios
5. Compare the candidate's financial ratios for its most recent reporting period, to the RMA ratios. Enter the resulting observation as 'lower', 'median', or 'upper' in the spreadsheet.
6. Repeat the steps using Federal Tax Returns, and save the sheets indicating "Tax Returns".
7. Save the spreadsheets and submit as separate attachments in your Documents package.

Interpreting the Results

The Financial Analysis Tool helps answer 2 questions:

1. How reliable are the Candidate's financial reports?
2. Does its financial status compared to other recordkeeping and administration firms indicate that it has sufficient resources to operate?

Any substantial discrepancy (ie. greater than 10%) between the candidate's compiled statements and its tax returns should be cause for detailed investigation by the Analyst. Such discrepancies may reduce the reliability of a candidate's financial statements.

Closely held businesses that perform consistently in the median to upper quartiles of RMA's ratios are among the U.S.'s most successful companies.

PART VI – OFI REPORTS and/or NCR REPORTS

Please use the OFI and NCR templates found at www.cefex.org. The completed reports should be attached as separate documents in the Documents Package (eg. separate from this CAP report). The OFI or NCR must be discussed with the client. Ideally, it should be discussed while on the candidate's premise. Otherwise, the Analyst may wait until the CEFEX Registration Committee meeting for advice on how to finalize an OFI or NCR.

PART VII – SAMPLE FEE DISCLOSURE TEMPLATE

Provide the attached sample disclosure forms from ASPPA to the candidate, as examples of disclosure which are the best practice for CEFEX-certified recordkeepers. The CAP report should contain comments which describe to what extent the candidate can provide this level of disclosure.