



THREE PHASES OF RETIREMENT ADVICE

August 23, 2016

The obligation of the independent expert and independent auditor (“Examiners”) is to assess compliance with the 408(g) regulation. This includes consistency with the PPA’s intent:

Responding to the need to afford participants and beneficiaries greater access to professional investment advice, Congress amended the prohibited transaction provisions of ERISA and the Code, as part of the Pension Protection Act of 2006 (PPA),¹ to permit a broader array of investment advice providers to offer their services to participants and beneficiaries responsible for investment of assets in their individual accounts and, accordingly, for the adequacy of their retirement savings.

This obligation requires that Examiners establish frameworks that are aligned with the broad needs of participants and beneficiaries. There are three such broad needs that apply to various stages of employment/retirement:

1. **Accumulation.** The broad needs are to build the resources necessary to fund retirement and ultimately transfer to heirs and beneficiaries.
2. **Transition.** This phase begins as retirement approaches and is focused on income replacement strategies as well as estate planning.
3. **Distribution.** Often overlapping with Transition, Distribution is attending to the on-going financial well-being of the participant or beneficiary.

Examiner’s Accumulation Criteria

Determine if investment advice covers Accumulation.

Assess the ability of investment advice to:

- Determine retirement funding and desired time
- Optimize retirement savings to reach a retirement funding at a desired time
- Make investments that are projected to accomplish retirement funding at desired time
- Take steps to protect accumulated capital from significant loss
- Adapt investment portfolio to changing circumstances in market conditions and participant/beneficiary circumstances

¹ Public Law 109-280, 120 Stat. 780 (Aug. 17, 2006).



Examiner's Transition Criteria

- Determine if investment advice covers Accumulation.
- Assess the ability of investment advice to:
- Determine needs during retirement and thereafter and assess retirement readiness
- Determine if structure of current retirement saving is adequate to fund retirement income and other needs
- Determine the need for additional capital preservation
- Assess alternative structures if necessary
- Recommend changes as needed

Examiner's Distribution Criteria

- Establish checkpoints to assess effectiveness of plan
- At each checkpoint, adapt investment portfolio to changing circumstances in market conditions and participant/beneficiary circumstances