



## Fiduciary Update

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In May 2005, the Securities and Exchange Commission conducted an investigation of 24 pension consultants around the nation. The report was driven by concerns about the nature in which pension consultants provide services to both pension plan clients and to money managers. Concerns have arisen that some pension consultants were not disclosing conflicts of interests and their affiliations. Thereby failing to provide true, unbiased advice to clients.

Pension consultants must comply with fiduciary responsibilities at all times. The Investment Advisers Act of 1940 requires investment advisors to communicate any conflict of interest that might motivate them to offer advice that is not disinterested. The advisor must state connections to or participation in "client transactions, brokerage transactions, and compensation for client referrals." In addition, they must also inform all clients of any conflict of interest that is specific to their relationship.

To explore these concerns, the SEC Office of Compliance Inspections and Examinations recorded information for two years about the products and services provided to both pension plan clients and money managers, the method of payment for consultant services, and the disclosure provided to clients. The results were as follows:

- ***Greater than 50% of Consultants reviewed had on-going conflicts of interest***
- ***Many Consultants did not acknowledge their fiduciary duties***
- ***A majority of Consultants reviewed, 58%, have affiliated broker-dealer relationships or relationships with unaffiliated broker-dealers***
- ***Many Consultants reviewed did not have defined practice standards or advance education and training requirements on fiduciary responsibility***

After these findings, the SEC has recommended that consultants enhance their compliance policies and procedures to ensure that they are fully obeying their fiduciary obligations. The Chief Compliance Officer Rule of 2005 instructs each advisor to design procedures that:

- ***Ensure the firm's advisory activities are separate from other business activities***
- ***Ensure that all disclosures are provided to prospective and existing clients***
- ***Prevent or fully expose conflicts of interest***

The result has been greater scrutiny on the fees and unbiased advice that is provided by pension consultants. Comperio was not one of the firms investigated, but we are proud to state that we are structured to adhere fully to these standards.

The SEC and Department of Labor created a document entitled, "Selecting and Monitoring Pension Consultants - Tips for Plan Fiduciaries", in order to address these concerns. It is comprised of 10 questions that Plan Sponsors can provide to consultants to evaluate their objectivity.

In the interest of full disclosure, Comperio has answered those 10 questions regarding the nature of our fiduciary obligations and the structure of our firm. Comperio Retirement Consulting, Inc. meets or exceeds the implied standards set forth in these 10 questions. We will be happy to furnish our responses to you.