

2020 MEP/PEP Conference

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Attendee Private Group

How to bolster your advisory practice and profits by seizing the PEP 3(38) opportunity

Presented by W. Michael Montgomery,
AIF, CPFA, C(k)P, CLU, TGPC
Co-Founder, Fidelis Fiduciary Management

W. Michael Montgomery
AIF, CPFA, C(k)P, CLU, TGPC
Co-Founder & CEO, Fidelis Fiduciary Management



- Retirement plan specialist since 1977
- 3(38) Fiduciary to MEPs since 2010
- Author of Fi360 2011 Article of the Year on Multiple Employer Plans
- CEFEX certified firm since 2009
- Frequent speaker and writer on MEPs and fiduciary topics

Demand for PEP 3(38) Fiduciaries

Why?

The SECURE Act specifically states in Section 101(c)(1)(B)(iii)...

*...each **employer** in the plan retains fiduciary responsibility for (II)...the **investment and management** of the portion of the plan's assets attributable to the employee of the employer (or beneficiaries of such employees)...*

However, the employer retains this investment fiduciary responsibility...

*...to the extent **not otherwise delegated** to another fiduciary by the pooled plan provider and subject to the provisions of section 404(c)...*

Role of the PEP 3(38) Fiduciary

- Pooled Plan Provider (PPP) hires a 3(38) at the PEP level.
- 3(38) selects and monitors fund menu
- Follow Investment Policy Statement & plan document
- Follow usual rules regarding self-dealing / conflict of interest unless Prohibited Transaction Exemption applies
- Paid either from plan assets or separately

Adding PEP to Your 401(k) Practice

- Similar skill set
- Leverages your practice's existing tools and staff
- Focus on PPP as plan sponsor.
- Less employer / employee interaction
- Make decisions based on needs of multiple employers

Look Before You Leap

Is the 3(38) role your best PEP business model?

Potential 3(38) Conflicts of Interest

- 3(38) fiduciary proprietary products
- PPP proprietary products / investments
- Decisions that increase revenue to 3(38) or related entities
- Public perception and competitive impact of pushing the envelope

Make Employer Due Diligence Easy

- Fidelity bond
- E&O coverage which covering acts as an ERISA 3(38) investment manager
- Professional designations demonstrating...
 - Plan fiduciary knowledge (Law degree, AIF, AIFA, CPFA, etc.)
 - Investment knowledge (CFA, CIMA, etc.)
- CEFEX or Dalbar certification, or similar outside review
- Experience:
 - Plan investment advisor
 - ERISA 3(38)
 - MEPs / PEPs
- Appropriate monitoring tools and back room infrastructure

Tips For Success

- Public perception matters
- Don't get too clever with the workarounds
- Make it easy for the PEP adopting employers to monitor your credentials and performance

Up Next!

Phil Scott

Founder, Strategic Capital Advisors

Taking the next "PEP"

A Guide to Advisor's Operational Competencies

Questions?

Contact Information:

mmontgomery@fidelisfiduciary.com

813.868.1924

