

## An overview of CEFEX for Investment Stewards



Investment Stewards are the persons who have the legal responsibility for managing someone else's money, including trustees and investment committee members. As an Investment Steward, you must ensure that your investments achieve the best results possible. You must demand the implementation of the best fiduciary practices amongst your service providers, in addition to understanding your own fiduciary accountabilities.



The CEFEX Mark is an independent attestation of a fiduciary's adherence to a global standard of excellence.

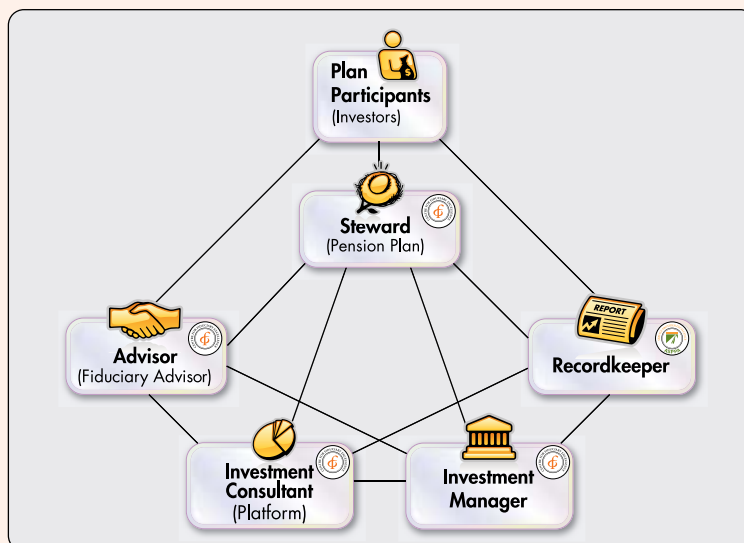
The retirement industry is complex, comprised of firms providing a wide variety of affiliated and bundled products, and in a state of regulatory and economic change. It is clear that many providers have embraced transparency and true fiduciary accountability, however many have not. Since 1940, many interpretations of the law have emerged, and it is clear that some providers have found ways to profit from the industry's complexity, at the expense of investors.

An unfortunate outcome is that the investor/retirement plan participant is affected: investment returns can be reduced if the best fiduciary practices are not followed. Even with extensive educational resources available to them, investors and plan participants need more help in making investment decisions.

## The Solution:

The CEFEX certification program provides an infrastructure for Investment Stewards to improve overall service delivery to investors. A CEFEX certification is an independent verification that a firm is adhering to a global standard of fiduciary practice.

As Investment Stewards increase their use of CEFEX-certified advisors, managers and recordkeepers, the investment environment becomes more structured and fiduciary processes achieve compatibility between providers. All players become aligned to serve the best interest of the participant, using a common standard based on best practices. The firms effectively work together to accept individual fiduciary accountabilities and satisfy regulatory requirements.



*Plan participants are best served when all providers follow a standard of excellence.*



## 1. The Standard of Excellence.

The standard for fiduciary excellence is based on the following precepts:

1. Know standards, laws and trust provisions
2. Diversify assets to specific risk/return profile of client
3. Prepare investment policy statement
4. Use prudent experts and document due diligence
5. Control and account for investment expenses
6. Monitor the activities of prudent experts
7. Avoid conflicts of interests and prohibited transactions

*The standard is maintained by the Foundation for Fiduciary Excellence. Training on the standard is offered by fi360, which also publishes handbooks which fully describe the fiduciary practices.*

**fi360**<sup>™</sup>  
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fiduciary insights

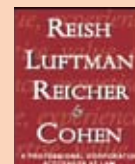


## 2. The Assessment.

The CEFEX assessment involves a detailed review of documents, processes and client files, and is performed at the firm level for a specific scope which is shown on the certificate of registration. It requires an on-site visit including interviews with key management, followed by an overall review by an independent panel of fiduciary experts.

An example of the rigor within the fiduciary certification process is in the area of fee and conflict of interest disclosure, due to the new regulation under ERISA Section 408(b)(2). This is an important element in a CEFEX fiduciary assessment, and is reviewed for each provider:

*The CEFEX assessment methodology includes checklists prepared by Reish Luftman Reicher & Cohen. Fred Reish is on the CEFEX Advisory Council, and his firm's attorneys are prominent in the field of employee benefits law.*



## 3. The CEFEX Advisor.

Advisors must provide increased disclosure of fees, and revenue-sharing arrangements within the complete investment portfolio (including money managers and recordkeepers.) In some cases, the Advisor is the only expert capable to provide a clear description of all fees related to a plan. The goal is that the participant gains a full understanding of the cost of his/her retirement portfolio.



## 4. The CEFEX Investment Consultant.

If an investment platform is used where investments have been selected to form a menu for participants, amongst other services, then a CEFEX certification will attest that the consultant has articulated all the applicable fees and potential conflicts, and that sufficient due diligence procedures have been followed.



## 5. The ASPPA Recordkeeper.

Recordkeepers who follow best-practices, help Advisors bring fee disclosure together for the Plan. As a party in interest, the recordkeeper manages considerable information on the flow of fees within a retirement plan eg. 12b1 fees. While the recordkeeper is not the accountable fiduciary, it still can assist the fiduciaries fulfill their responsibilities. An ASPPA-certified Recordkeeper acknowledges this.

*The Standard of Practice for Recordkeepers was developed by a cross-industry task force chaired by the American Society of Pension Professionals and Actuaries (ASPPA) in 2007.*



## 6. The CEFEX Investment Manager

Investment Managers have the discretion to buy and sell the investment instruments and in doing so, they incur fees and disburse compensations throughout the distribution channel. This is essential to their business models. CEFEX-certified firms disclose these arrangements.

The CEFEX assessment emphasizes the importance of documentation and rigorous process management by the fiduciary. CEFEX firms are devoted to continuous improvement, because they are subjected to annual assessments where “findings” are generated and corrective actions are put in place. The CEFEX-program assesses all of the roles described above, and promotes improvement throughout the investment chain with the issuance of assessment findings: ‘non-conformities’ and ‘opportunities for improvement’ (OFI’s and NCR’s).

**An Investment Steward who demands a CEFEX-certified investment team line-up, is re-assured that the industry’s best practices are in place to maximize a portfolio’s returns.**

**The investor and plan participant is well-served.**



CEΦEX Centre for Fiduciary Excellence, LLC. (CEΦEX) is an independent certification organization. CEΦEX works closely with investment fiduciaries and industry experts to provide comprehensive assessment programs to improve risk management for institutional and retail investors. CEΦEX certifications help determine trustworthiness of investment fiduciaries.

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