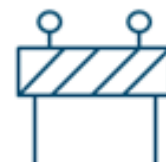


# Five Guiding Fiduciary Principles

## Executive Summary

Plan sponsors face increasingly complex fiduciary requirements, as well as pressure to provide an optimal plan experience for participants at a reasonable cost. Making investment selection decisions under these conditions can prove challenging.

Defined contribution plans find themselves in an increasingly complex and litigation-prone world. Therefore, it is important to debunk common investment misperceptions, and instead underline what the real focal points for fiduciaries should be.



Here are five guiding principles under ERISA that can aid fiduciaries in selecting and monitoring investment options and assessing active strategies within their plan lineup:

### It's about the process.

In order to satisfy ERISA prudence standards, a fiduciary needs to make informed decisions. This means that fiduciaries should have a good decision making process that they consistently follow.

### Fiduciaries should focus on the value-for-cost proposition.

Plan fiduciaries are not required to scour the market for the cheapest investment options. Rather, fiduciaries should focus on the value-for-cost proposition. This means fiduciaries have latitude to consider what different investment strategies provide to plan participants, and not just cost.

### There is no one-size fits all approach to investment selection.

Making good decisions about investment menus requires a fiduciary know the available alternatives and know their audience.

## Range of choice and strategies can be appropriate.

In choosing investment strategies, plan fiduciaries should consider the particular attributes of their plans, and may appropriately offer plan participants an array of choices across multiple investment styles and strategies.

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## Fear based decisions fall short of prudence.

While litigation may be top of mind, it has no place in fiduciary decision-making. Instead a well-rounded assessment of investment strategies and options that focuses on participant outcomes and plan objectives should supersede all other factors.

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ERISA fiduciary standards require procedural prudence, not perfection. Rather than mandate certain types of investment options for plans, courts instead focus largely on the decision-making process that the fiduciaries engaged in when making investment selections for their plans, and the plan sponsor's purpose in offering the plan in the first place.