

Vendor Management Certification: frequently asked questions

What is vendor management?

The Employee Retirement Income Security Act of 1974 (“ERISA”) requires organizations that sponsor ERISA qualified retirement plans to select and manage vendors of investment and administration according to a prudent process. Expressed in terms executives might more easily identify with...ERISA imposes a *supply chain management* duty on organizations that sponsor qualified retirement plans. The proper management of vendors in that supply chain is a key focus of the Department of Labor’s audit program. Flawed vendor management systems throughout the ERISA community are the major cause for the growth in breach of fiduciary duty lawsuits against retirement plan sponsors.

What is certification?

Certification is a procedure conducted by an accredited third party such as Roland|Criss. A certification auditor assesses a plan sponsor’s vendor management system and issues a certificate to show that the organization abides by the principles set out in ERISA’s standard of care for supply chain management. The audit firm may not sell investment, custodian, or recordkeeping related services.

Who should be certified?

Any enterprise that has a legal responsibility for assets held by an ERISA qualified retirement plan is a *fiduciary organization* and should be certified against ERISA’s standard of care for supply chain management.

What are the key differences between vendor certification and fee benchmarking?

A certification assessment uncovers excessive fees and vendors’ conflicts of interest, whereas benchmarking alone does neither. In addition, a certification readiness assessment places a fiduciary duty on the assessor, while fee benchmarking carries no such duty. Consequently, fee benchmarking results can be easily challenged.

What is included in a Vendor Management Certification?

A certification assessment embraces all of the methods used for identifying, evaluating, acquiring, and managing vendors of investment and administrative services that support the legal duty of a fiduciary organization. The certification assessment also evaluates the reasonableness of the fees charged by the vendors as outlined in ERISA section 408(b)(2).

What does a Vendor Management Certification prove?

Organizations that earn the Vendor Management Certification have proven that their systems for managing their retirement plan’s supply chain conform to ERISA’s prudence requirements and that the vendors’ fees are not excessive and are reasonable.

What is the scope of the certification assessment?

The Vendor Management Certification assessment looks at an organization’s fiduciary support vendors and oversight practices in their totality. The assessment methodology includes rigorous testing of such areas as the plan sponsors’ formal governance system, the vendors’ pricing structures, vendors’ ratings and certifications, safe harbor compliance assistance, and comparisons with best practices for supply chain management including fees.

ERISA Pension Plans

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What are the benefits of a Vendor Management Certification?

Fiduciary organizations who achieve certification against its rigorous criteria will benefit by ensuring that the investment performance of their employees' retirement accounts is not hindered by excessive fees for vendors' services.

Certification provides the following additional benefits:

- reverses the information advantage that vendors currently hold over most ERISA retirement plan sponsors;
- helps you demonstrate to regulators and your retirement plan's participants that your ERISA plan is run effectively and is not negatively affected by your vendors' conflicts of interest;
- gives assurance that your organization's fiduciary practices are continually improving;
- reduces fiduciary risk for the organization, its directors, and its executives;
- improves knowledge of fiduciary responsibility; and
- converts fiduciary excellence from a mere concept to a tangible reality.

Certification demonstrates to your employees, suppliers, and the financial markets that your organization meets the highest standards of care in supply chain management.

What are the steps to certification?

We can help you at every key step in the process of successfully implementing and certifying your ERISA supply chain management system.

If your organization is currently a client of Roland|Criss but has not yet obtained certification of its ERISA supply chain, your Client Services Manager can help guide you through the certification process. Call 1-800-440-3457 now.

If you are new to ERISA's supply chain management requirements, do not be concerned - Roland|Criss can guide you along the road to certification.

1. Make contact

Call us at 1-800-440-3457. Tell us a little about your organization so we can identify the best plan for its certification. We will then give you a proposal detailing the cost and time involved in a formal assessment.

2. Meet your assessment team

We'll assign to you a dedicated Client Services Manager, who will be your main point of contact throughout the process – and beyond. This ensures that we maintain continuity about your business as you move forward through assessment and certification.

3. Consider training

Regardless of whether you are seeking to implement a vendor management system or would like to increase your general awareness of the ERISA supply chain management standard, we offer training in our Stewardship Development Center. Read about it at www.rolandcriss.com/training.htm.

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4. Readiness assessment

We can conduct an optional pre-assessment of your vendor management system against the ERISA standard, and identify any omissions or weaknesses that need resolving before formal assessment.

5. Formal assessment

A formal initial assessment is made up of a series of stages that begin with a face-to-face opening meeting between your ERISA fiduciary team and the certification auditor.

6. Certification and beyond

Once a formal assessment is successfully finished, we issue a certificate of registration and a certification mark. The certificate clearly defines the scope of the certification. The certification mark is yours to use on your organization's website, employee communication materials, and other documents that you use to promote your plan's ERISA compliance. The certificate is valid for a defined period of time. Your Client Services Manager will schedule regular assessments updates in order to ensure your organization remains in good standing with ERISA's requirements, and to support your continual improvement activities.

Why Roland | Criss?

Roland | Criss has certification clients in every type of ERISA plan. We are also prominent in pension industry certifications for Australia, Canada, and New Zealand. Roland | Criss has more full time assessors than any other fiduciary certification body worldwide. We are the largest and most experienced certification organization in the U.S. This means you'll get the most out of your assessment and certification with the least disruption and cost to your organization.

Roland | Criss does not sell investment products, offer investment advice, or provide administration services to ERISA qualified plans. Our specialty is assessing and certifying supply chain management systems against ERISA for retirement plan sponsors.

Once your organization has been certified, we will visit you on a regular basis to evaluate if it continues to conform to ERISA. We become your partner in fiduciary excellence.