



## **The National Association of Independent Retirement Plan Advisors**

### **Background**

The image of 401(k) plans, whether fairly or not, has been tarnished by the current economic crisis. In order to weather the storm, frustrated plan sponsors and participants are increasingly seeking investment advice. However, there is surprisingly little understanding in the marketplace and among policymakers in Washington regarding the role of an investment advisor and what it really means to be “independent.”

All this year, Congress will be convening a series of hearings to review “what went wrong” with 401(k) plans. This will include an examination of why participants, particularly those close to retirement, were, in their view, over-invested in equities. In this regard, they will be evaluating the possible impact of conflicts of interest, the importance of promoting advice that is “independent,” and whether more “secure” investment options (e.g., stable-value products) should be required.

The financial services industry (i.e., investment manufacturers) are heavily represented in Washington by a number of trade associations, including the Investment Company Institute (mutual funds complexes) and the American Council of Life Insurance (insurers), and they will be aggressively weighing in on these issues. Independent retirement plan advisors do participate in other organizations (e.g., the Financial Planning Association), but none of them are exclusively independents. Given these uncertain economic times and the upcoming debate about the future of 401(k) plans, it is critical that independent retirement plan advisors have a strong “independent” voice in Washington to ensure their views are clearly heard by policymakers.

### **Name and Mission**

The name of our organization is the National Association of Independent Retirement Plan Advisors (NAIRPA). NAIRPA’s mission is to:

- Educate policymakers in Washington concerning the role of retirement plan advisors, the importance of independence, and what it really means to be “independent.”
- Impact policymaking affecting retirement plans for which independent retirement plan advisors have unique expertise (e.g., retirement plan investment and fiduciary issues).

### **Membership**

Membership in NAIRPA is open to all independent retirement plan advisory firms. An independent retirement plan advisory firm is eligible to join NAIRPA if the following statements are true concerning the investment advisory services that the firm<sup>1</sup> provides to qualified retirement plans:

- The firm agrees that 100 percent of compensation for any **new** client engagements for retirement plan services will either:

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\*The same rules would apply to all firms that are part of the same controlled group.



- not be received directly or indirectly from any financial services firms; or
- be derived subject to a fee agreement that is not affected by the selection of vendors or investments in any given plan, and fees are assessed pursuant to one or more of the following formats:
  - Flat-dollar basis (e.g., \$10,000 per year);
  - Flat percentage of total plan assets basis (e.g., 20 basis points per year); or
  - Per-participant basis (e.g., \$40 per participant per year)
- With respect to all client engagements for retirement plan services, the firm agrees in writing to serve as a plan fiduciary within the meaning of ERISA.
- With respect to all client engagements for retirement plan services, the firm agrees to clearly disclose all fees expected to be received in connection with such services in advance of any engagement and all such fees actually received at least annually thereafter.
- The firm is not directly or indirectly part of a controlled group that includes a financial services firm that manufactures investments.

### **Organizational Structure and Relationship to ASPPA**

Each NAIRPA member will appoint an individual to serve on the NAIRPA Board, which will be responsible, by majority vote, for setting the strategic direction and making policy decisions for the organization. The NAIRPA Board will meet in-person at least once a year in Washington D.C. and by conference call at least once per month. Each year the NAIRPA Board shall elect a Chair and Vice-Chair from among its members. The Chair and Vice-Chair, in consultation with the NAIRPA Staff President, shall set the agenda for the NAIRPA Board meetings.

NAIRPA will be a limited liability company subsidiary of ASPPA. An individual appointed by ASPPA would serve as an ex-officio liaison member of the NAIRPA Board. The NAIRPA Staff President will be the ASPPA Executive Director/CEO, and all logistical and lobbying support shall be provided by the ASPPA National Office. NAIRPA's mission, strategic plan, and vision will be consistent with that of ASPPA.

### **Budget and Dues**

To provide effective representation in Washington, NAIRPA is expected to require annual resources of \$250,000. Annual dues will be set at a minimum of \$3,000, although to help meet our budgetary goal voluntary dues at a level of \$5,000 would be appreciated. Future dues increases will only be instituted after consultation with the NAIRPA Board.

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