



ASPPA SERVICE PROVIDER CERTIFICATION

THE STANDARD OF PRACTICE FOR RETIREMENT PLAN RECORDKEEPERS AND ADMINISTRATORS

The American Society of Pension Professionals & Actuaries (ASPPA) Certification for Service Provider Excellence was developed to recognize firms providing recordkeeping and/or administration services to retirement plans that adhere to a standard of excellence and a dedication to best practices. The program, which requires an annual certification renewal, encourages a culture of good governance and oversight at certified firms. The certification allows firms to distinguish themselves in a competitive marketplace and establish credibility with current and prospective clients and advisors. This document contains the Practices that are used to assess the qualification of firms for the American Society of Pension Professionals & Actuaries (“ASPPA”) Certification program.

The practices form a uniform standard of excellence for firms providing various levels of recordkeeping and/or plan administration services. The practices were developed by the ASPPA Certification Task Force, whose members comprised broad representation from the industry.

The certification is organized using two Service Classifications. A Candidate can select either one or both Service Classifications for which to pursue certification. The certificate and seal awarded would indicate the Service Classification(s) covered. For example, a firm that pursues both Types I and II will receive documentation that indicates that its certification is for both “Recordkeeping” and “Administration”.

The Service Classifications or “Types” are as follows:

SERVICE CLASSIFICATION I (“RECORDKEEPING”)

Scope: In House Recordkeeping Services

Bookkeeping for retirement plans’ trading transactions and individuals’ accounts (the major activity in recordkeeping)

SERVICE CLASSIFICATION II (“ADMINISTRATION”)

Scope: Administration Services

Administrative functions, including compliance testing required by relevant pension and tax laws and filing of government reports such as Form 5500.

The Standard of Practice presumes that ASPPA-certified firms are not considered fiduciaries; however, they provide essential services to fiduciaries and their plan participants. These firms help fiduciaries meet their fiduciary obligations and provide increased assurance to fiduciaries that the industry’s best practices are in place.

THE FORMAT

The Standard is comprised of seventeen Practices, which are intended to provide the foundation and framework for a disciplined recordkeeping and administration process.

The Practices are organized under a four-step Management Process analogous to the global ISO 9000 Quality Management System standard, which emphasizes continual improvement to a decision-making process:

TRADITIONAL FOUR-PART QUALITY MANAGEMENT SYSTEM
(Analogous to the ISO 9000 QMS Improvement Process)

Step 1: Organize (Practices that begin with 1.)

Step 2: Formalize (Practices that begin with 2.)

Step 3: Implement (Practices that begin with 3.)

Step 4: Monitor (Practices that begin with 4.)

For each Practice, one or more Criteria are provided to describe the Practice and to help define the details of how the Practice is assessed for conformity.

How the program works....

The initial registration process typically takes four to six weeks, depending on the readiness of the candidate to provide the necessary materials and data. The assessment process can be defined in four basic steps:

1. Data is collected by an independent assessment firm.
2. Onsite visit and interviews are conducted by an independent qualified analyst who represents the independent assessment firm.
3. The analyst prepares a Consultant’s Assessment of Practices (CAP) report of its findings and makes a recommendation to the Centre for Fiduciary Excellence (CEFEX) Registration Committee (CRC). The Criteria covered is dependent upon the Service Classification(s) being assessed.
4. The CRC reviews the recommendation and makes the final decision for registration. If the candidate has satisfied the necessary requirements, CEFEX awards the ASPPA Service Provider Certification.

ORGANIZE

Practice 1.1: Senior management demonstrates expertise in its field, and there is a clear succession plan in place.

Practice 1.2: There are clear lines of authority and accountability, and the mission, operations, and resources operate in a coherent manner.

Practice 1.3: The organization has the capacity to service its client base.

Practice 1.4: Information systems and technology have a strong infrastructure, staff support and are adequately secured.

Practice 1.5: The organization has developed programs to attract, retain, train and motivate employees.

Practice 1.6: There is a formal structure supporting effective procedural and operational oversight.

Practice 1.7: There is an effective risk-management process to manage the organization’s business risk.

FORMALIZE

Practice 2.1: The organization provides disclosures that demonstrate that there are adequate resources to sustain operations.

Practice 2.2: The organization maintains defined business strategies that support its competitive positioning.

Practice 2.3: There is an effective process for allocating and managing both internal and external resources and vendors.

Practice 2.4: There is adequate and appropriate disclosure and delineation of the cost of services provided to each client serviced.

Practice 2.5: The organization has responsible and ethical reporting, marketing, and sales practices.

IMPLEMENT

Practice 3.1*: Trading and cashiering systems, processes and procedures are defined and documented.

Practice 3.2*: Trade processing and cashiering are done in a timely and accurate manner.

Practice 3.3: Recordkeeping and administrative information is readily available, disclosed and accessible to authorized parties for prudent selection and monitoring of the service provider.

Practice 3.4: Administration activities are performed in a timely and accurate manner.

MONITOR

Practice 4.1: There is a process to periodically review the organization's effectiveness in meeting its client responsibilities.

*recordkeeping only

ASSESSMENT REQUIREMENTS

Since the CEFEX assessment is evidence-based, the Analyst will request documents and other forms of written substantiation to demonstrate that a Practice is being adhered to. The following list can help you identify some areas of focus as you prepare for assessment.

1. Succession planning (Practice 1.1)

Depth of key managerial staff, plan for unexpected disruption, recruiting process for senior management

2. Human Resources (Practice 1.2)

Mission statement, clear organizational chart, job descriptions and reporting lines, established review process, formal process for client notification of organizational changes

3. Capacity to service clients (Practice 1.3)

Physical location is adequate and set up effectively, client communications are timely, review of business/client concentrations, demonstration of ability to meet tasks outlined in service agreements, process for investment/product provider selection

4. Technology (Practice 1.4)

Plan that is updated on regular basis regarding systems both hardware and software, tested disaster recovery plan, qualified staffing to support IT, software and other measures to protect the integrity of client data

5. Employees (Practice 1.5)

Employees understand mission and feel that there is a positive culture at firm, open communication lines and records of issues, normal turnover rates, training programs, staff encouraged to seek advanced education and/or designations, documented compensation structure with clear understanding of industry averages

6. Oversight (Practice 1.6)

Responsibility for procedural manuals is clearly assigned, minutes of meeting are recorded and archived, tasks and processes are clearly documented, quality control process is in place for checking work, assignment of responsibility for understanding, communicating and updating processes to meet regulatory changes

7. Risk management (Practice 1.7)

Business risk mitigation reviews, which include client types and concentrations, legislative, environmental, referral sources, etc., adequate Errors & Omissions insurance coverage, conflicts of interest identification, review and documentation, client service agreement which outlines clearly responsibilities of all interested parties and meets needs of a plan fiduciary

8. Financial soundness (Practice 2.1)

Corporate stability, capitalization, ownership of firm

9. Organizational planning (Practice 2.2)

Written comprehensive business plan, formal process to evaluate services offered, enhancements and new products

10. Internal and external service providers (Practice 2.3)

Evaluation process in place to select and monitor service providers with whom you “partner” to provide services to your clients

11. Fee tracking and disclosure (Practice 2.4)

Ability to track costs and fees by client, disclosure of fees to client, fees paid to you and others from the plan assets by client

12. Reporting, marketing and sales (Practice 2.5)

Appropriate compliance review of materials that are consistent with a documented guideline, process for the selection of third party providers from which client reports and other materials are sent

13. Recordkeeping functions (Practices 3.1 and 3.2)

Detailed documentation of all transactional, trading and systems, IT security measures and oversight, timeliness and accuracy demonstration and oversight of all transactions

14. Access to information (Practice 3.3)

Retention policy, client data accessibility and reporting and the meeting of contractual and regulatory obligations with regard to the provision of this data

15. Timeliness of Administration (Practice 3.4)

Written administration procedures complying with service agreement, demonstration of tracking and reporting of timeliness of filing requirements, census and annual questionnaires, compliance testing deadlines, oversight of these functions by qualified staff

16. Overall periodic review (Practice 4.1)

Evaluation and review of existing policies, procedures, processes, documentation, manuals on an ongoing and regularly scheduled basis completed with objectively

The assessment process allows for the issuance of findings including “Opportunities for Improvement” (OFI’s) and “Non-Conformity Reports” (NCR’s). These confidential findings are provided to the candidate in the assessment thereby allowing the candidate to implement corrective actions, while maintaining certification.



The certification program is delivered by CEFEX, Centre for Fiduciary Excellence, LLC in conjunction with the American Society of Pension Professionals and Actuaries. Please visit www.cefex.org/asppa