



# **DOL PTE 2020-02: UPCOMING ROLLOVER PROCESS UPDATES**

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## **DOL PTE 2020-02**

**Effective February 16, 2021**

Temporary enforcement until  
January 31, 2022 &  
June 30, 2022

### **Basic provisions:**

Five-part test reinstated

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Covers IRA, as well as ERISA plans

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Rollover recommendations  
are fiduciary

IRA to IRA, plan to IRA, plan to plan,  
account type (compensation) change

# Rollover Focus

Conflict of interest

Compensation: Prohibited transaction

Loss of protection

- ERISA
- Bankruptcy creditor
- Responsible plan fiduciary
- 404(c) requirements

Loans, delayed required minimum distributions, net unrealized appreciation, guarantees, plan sponsor fee payment, institutional share classes

# Key Dates

## January 31

- Provide advice according to impartial conduct standards
- Provide certain disclosures before engaging in transaction

## June 30

- Provide detailed documentation and disclosure requirements

# January 31, 2022 Changes

- Best Interest Analysis (BIA) tool in CLIC®
- Additional fiduciary language added to:
  - Best Interest Analysis
  - CIRA Form ADV2A
  - Form CRS Supplement
  - Annual letter

# Model Language:

“When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

In providing this recommendation we agree to:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services;
- Give you basic information about conflicts of interest; and
- Deliver the Form CRS and Regulation Best Interest Disclosures as applicable prior to or at the time of the recommendation.”

# Rollover Documentation

Comparison of existing and new accounts

404(a)(5), participant statement, Plan 5500 filing

Must provide written statement of fiduciary status

Client deliverable including rationale

## June 30, 2022 Changes

In-depth rollover documentation paths

Submit client-signed BIA with additional analysis OR client-signed RightBRIDGE report





# Rollover Paths

## Recommendation using Cambridge solution

- Integration with CapitalROCK/RightBRIDGE rollover tool

## Recommendation using outside approved solution

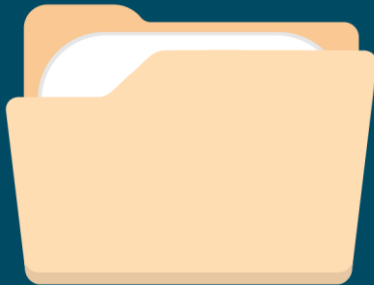
- BIA questionnaire with documentation submission from an approved software

## Special scenarios

- Independent RIA
- Transitioning
- Bypass

# Cambridge Rollover Analysis

The validation process includes 4 steps:



## 1 Data Collection

All relevant client data is collected including investment profile and preferential information



## 2 Analysis

Product or account analysis is performed including regulatory requirements



## 3 Validation

Validation score (0-100) is provided including ReasonText™ explaining the status of checks



## 4 Documentation

Validation Report (PDF) is created containing data, analysis, validation score and Reason Text™

# Cambridge Rollover Analysis

- CapitalROCK/RightBRIDGE
- No BIA questionnaire required if signed RightBRIDGE report submitted
- Multiple data sources: Search and benchmarking capability
- Annuity Wizard and Investment Wizard selection tools
- Variable Annuity Disclosure and Investment Exchange Disclosure requirements satisfied

Plan Rollover Acme Company Close

Compliance Information

Area	Status
Current Employee	✓
Investment Satisfaction	✓
Matching Contributions	✓
In-service Distributions	✓
Access To Help	✓
Insurance Products	✓
Loans	✓
Age 55	!
Company Stock	✓
Withdrawal	✓

Why this product scored this way:

- ▲ The client is no longer an employee of the plan sponsor.  
The client may no longer have access to benefits only available to employees. Without plan sponsor benefits, the plan may be limited in scope and not flexible.
- ▲ The plan does not provide any access to insurance products.  
Insurance products can provide additional guarantees in a client's portfolio.
- ▲ The plan has a match, but the client is no longer employed.  
To receive matching contributions a client must be employed and making contributions. One key feature of employee benefit plans is matching contributions. Without this benefit, the merits of the plan can be compared to an IRA or other more flexible offerings.
- ▲ The current plan offers Computer And Phone.  
Plans from our firm offer Computer And Phone.
- The plan type is: 401k/403b.  
You have described your plan as: A wide selection of funds offered from a non-mutual fund firm (e.g. commercial banks, investment banks, insurance companies, an asset management firm, etc.).  
When 401k assets rollover into an IRA your investment options and flexibility may increase.
- Fund fee considerations.  
Fund management fees cannot be compared until fund selection has occurred. Fund management fees can vary greatly and should be considered carefully when selecting a portfolio allocation.
- The client is between 55 to 60 years old.  
Most company sponsored retirement plans (such as a 401k) allow participants to make a penalty-free withdrawal after the age of 55. However, traditional IRAs require that a client wait until they reach 59 1/2 years old in order to avoid paying an early withdrawal penalty. You should ensure that the client does not need this money for any other purpose or emergency before rolling over those funds into an IRA.
- ▲ The client is NOT OK with the investment options in the plan.  
The client may wish to look at other options that provide more flexibility than their current plan.

# RightBRIDGE Training

Webinar recording: November 10, 2021 – available now

Beta testing expected in February 2022

Series of ongoing trainings in Q2 2022

Resources will be available Q2 2022

# Building Trust

- Client conversations
- Product validation
- Demonstrate value
- Use compliance process to enhance sales
- Helping clients make informed decisions

### Current Plan Analysis

When considering the option of remaining in the current Plan/IRA, the following pros and cons must be considered.

*Pro(s):*

The administrative fees associated with this plan are low compared to plans of a similar size.

*Con(s):*

The client has a need for a product with a death benefit, which is not available in the current plan.  
The current plan does not offer an insurance product, which does not align with the client's desire for guarantees.  
The client is not satisfied with the investment options available in the current account.  
The client would like advice in managing their assets, but the current plan does not offer individualized advice.

### The client is not interested in considering a cash out.

This may not be an appropriate solution for these funds.

### The weighted average fee associated with the client's proposed products is 2.100%. The fees associated with this rollover are indicated to be 0.048%.

Given the potential for higher fees, this option may not be appropriate for the client.

### New Plan Analysis

When considering the option of moving funds to the new Plan, the following pros and cons must be considered.

*Pro(s):*

The administrative fees associated with the new plan are lower than the fees in the current plan.

*Con(s):*

The client has indicated a need for a product with a death benefit, and the new plan does not offer this feature.  
The current plan does not offer an insurance product, which does not align with the client's desire for guarantees.  
The client is not satisfied with the investment options available in the new plan.  
The client would like advice in managing their assets, but the new plan does not offer individualized advice.

### The client would prefer to be *Somewhat Involved* in choosing, monitoring, and managing their investments.

This may not be relevant.

### The client is between 55 and 60 years old.

Most company sponsored retirement plans (such as a 401k) allow participants to make a penalty-free withdrawal after the age of 55. However, Traditional IRA's require that a client wait until they reach 59 1/2 years old in order to avoid paying an early withdrawal penalty. You should ensure that the client does not need this money for any other purpose or emergency before rolling over these funds into an IRA.

# Outside Solution

BIA questionnaire

Built in CLIC or Skience path

Approved report from a third party (Morningstar, Riskalyze, etc.)

Submitted through paperwork process based on path selected

# Approved Vendors

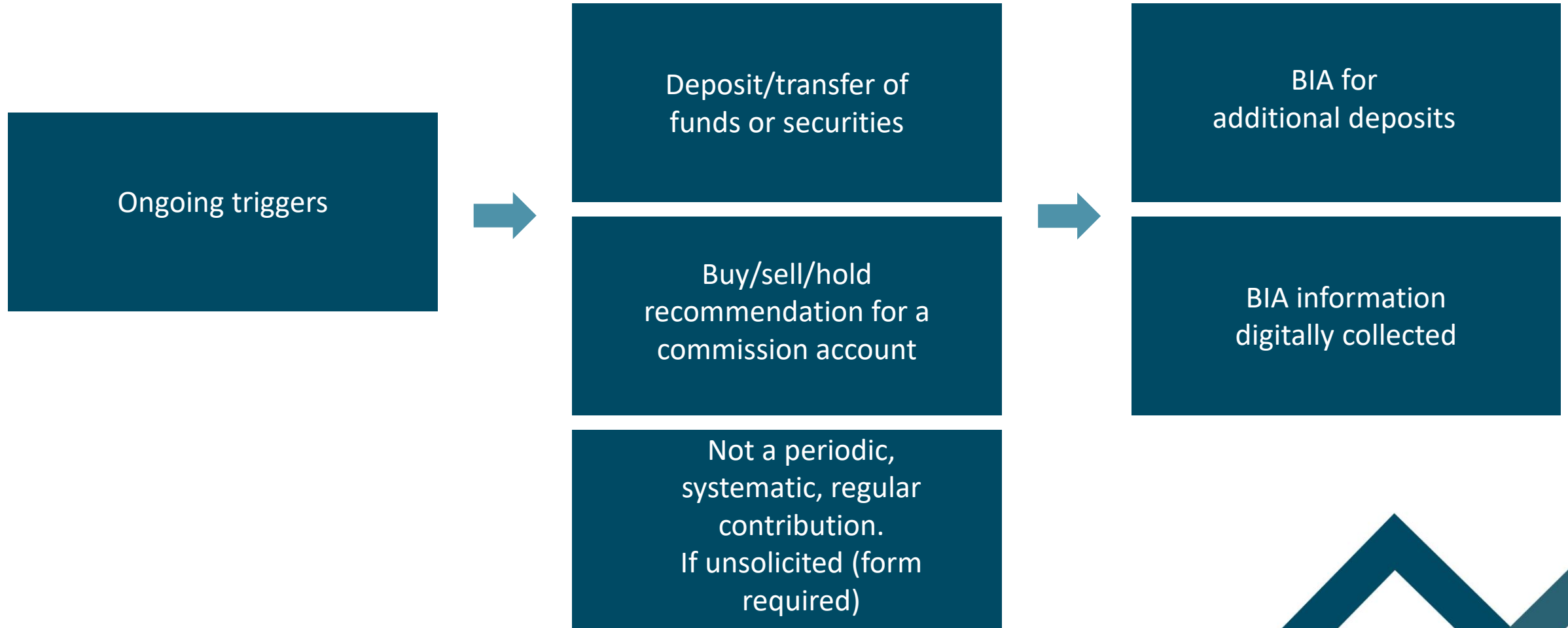
Building approval process for ongoing technology review

Reviewing current value-added reports for compliance with the rule

List of approved and reviewed tools will be published

Process for requesting new reports/tech will be communicated

# Cambridge BIA





# Recap

## January 31

- Provide advice according to impartial conduct standards
- Provide certain disclosures before engaging in transaction

Continue to use CLIC BIA and document in client files

## June 30

- Provide detailed documentation and disclosure requirements

Signed RightBRIDGE or BIA + outside analysis submitted

# Questions?

Contact the Cambridge DOL PTE Support Team  
([DOL-PTE@cir2.com](mailto:DOL-PTE@cir2.com)) at 800-777-6080 x5744.

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