



RETIREMENT PLAN  
SERVICES

# Your compliance and due diligence checklist



Staying on course

FOR PLAN SPONSOR USE ONLY.  
NOT FOR GENERAL DISTRIBUTION.



This compliance and due diligence checklist addresses many of the most important requirements that apply to investment options provided under a group annuity contract issued by John Hancock Life Insurance Company (U.S.A.) and John Hancock Life Insurance Company of New York (John Hancock). It does not address requirements applicable to employer securities or other investment options, including self-directed brokerage options, that may be offered under your qualified retirement plan. John Hancock is not in a position to provide you with legal advice concerning your plan or your role as plan fiduciary, and the information included in this booklet should not be taken as such. If legal advice about 404(c) compliance or other expert assistance is required, please consult your legal counsel.

# Stay on course with your compliance and due diligence checklist

## Compliance checklist

The compliance checklist will help you identify:

- The steps a plan sponsor can take to help satisfy the requirements for ERISA Section 404(c) compliance, if you want that protection
- The procedures you should ask your third party administrator (TPA) or other advisers to assist you with
- The steps that John Hancock takes to help you satisfy ERISA Section 404(c) requirements through its group annuity contract

## Due diligence checklist

An important part of your role as a plan fiduciary is to document all of the steps you're taking to fulfill your fiduciary duties. This is important not only when you're setting up the plan and selecting investment options, but also in monitoring the plan's investment performance and operation on an ongoing basis.

The following checklist is not intended to be an exhaustive review of ERISA Section 404(c). It only highlights issues that you need to address if you are seeking relief under that section. It is not meant to be a complete list of your responsibilities as a fiduciary.

Please note that 404(c) protection is only available when participants make affirmative investment direction and 404(c) protection is not available in the situation where the plan fiduciary exercises control over plan investments – for example, in the case of a default or mapped investment.

For more information on some of the issues that a plan sponsor may need to consider, ask your local John Hancock representative for a copy of *Fiduciary responsibility, an employer's guide*.

# Compliance checklist

Check if your plan complies

Here are some compliance requirements to consider at the three main stages of qualified retirement plan implementation:

- 1 Selecting a vendor and the investment options
- 2 Enrolling employees and providing education
- 3 Ongoing monitoring and maintenance

## Step 1: Selecting a vendor and investment options

### COMPLIANCE REQUIREMENTS

- Provide an explanation to all the participants that the plan is intended to be participant directed and ERISA Section 404(c) compliant
- Explain that plan fiduciaries may be relieved of fiduciary liability for losses which result from participant investment decisions

### WHAT YOU NEED TO COMPLY

- A Summary Plan Description (SPD) (usually written by your TPA, attorney or other adviser) should contain this information
- The SPD must be given to all current participants within 120 days of starting the plan, and to new participants when they become eligible to participate
- If the plan is amended, a summary of material modifications may be required and must be distributed to plan participants

- Name, address and telephone number of the plan fiduciary (and any person designated to act on behalf of the fiduciary) from whom the participant can obtain investment information
- Additional information must be provided to participants upon request. See Step 3

- Participants should have this information before they give instructions on how to allocate contributions in their retirement plan accounts

- Choose a broad range of investment alternatives. (You must provide at least three core investment categories representing a wide range of risk/return characteristics.)

- Your group annuity contract with John Hancock helps you comply by offering investment alternatives that provide a broad range of asset classes and investment styles

## Step 2: Employee enrollment and education

### COMPLIANCE REQUIREMENTS

- Give participants a description of each designated investment alternative available under the plan – including investment objectives, risk and return characteristics and the type and diversification of assets for each alternative

### WHAT YOU NEED TO COMPLY

- Distribute John Hancock's enrollment kit. Color-coded materials help employees understand risk/return levels of each investment alternative. The enrollment kit also includes detailed information on Fund objectives, historical performance, underlying portfolio holdings, and style category.
- At the time of enrollment, make sure participants are told what their investment options are, how they can give allocation instructions and to whom. Ensure they are aware of plan and investment option limitations or restrictions. They should have this information before they are permitted to give allocation instructions.

## COMPLIANCE REQUIREMENTS

## WHAT YOU NEED TO COMPLY

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li><input type="checkbox"/> Provide participants with the opportunity to change their investment options. This must be done as often as the volatility of the investment option requires. Participants must be able to change core investment options at least once every three months.</li></ul> | <ul style="list-style-type: none"><li>■ John Hancock offers a valuation system that can accommodate inter-account transfers on any market day. The John Hancock participant website and toll-free telephone service line provides information on investment performance, retirement planning and daily Fund values.</li></ul>  |
| <ul style="list-style-type: none"><li><input type="checkbox"/> An explanation of how and to whom participants can give investment instructions, including any limitations on these instructions or restrictions on transfers</li></ul>   | <ul style="list-style-type: none"><li>■ Provide contact information at the time of enrollment. Give participants information on any limitations or restrictions to participants.</li></ul>   |
| <ul style="list-style-type: none"><li><input type="checkbox"/> A description of any transaction fees associated with the purchase, sale or transfer of investments by participants</li></ul>   | <ul style="list-style-type: none"><li>■ Provide this information to current participants immediately, and to new employees when they become eligible to participate. John Hancock allows inter-account transfers between sub-accounts within our short term trading guidelines. Some transactions may be subject to a redemption fee as determined by the underlying fund company. Refer to current administrative guidelines for complete details. There will be an administrative fee for inter-account transfers between guaranteed interest accounts and sub-accounts.</li></ul> |
| <ul style="list-style-type: none"><li><input type="checkbox"/> Inform the participants of their right to request written confirmation of investment changes</li></ul>  | <ul style="list-style-type: none"><li>■ Tell participants before they are permitted to give allocation instructions. Confirmation of allocation instructions are automatically mailed to you and should be distributed to participants.</li></ul>  |

## Step 3: Ongoing monitoring and maintenance

The following information must be provided to participants upon request

## COMPLIANCE REQUIREMENTS

## WHAT YOU NEED TO COMPLY

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li><input type="checkbox"/> Disclose annual operating expenses (including investment management fees, administrative fees and transaction costs) of each designated investment alternative; the extent to which expenses reduce a participant's rate of return; and the aggregate amount of these expenses expressed as a percentage of average net assets of the investment alternative</li><li><input type="checkbox"/> Provide copies of prospectuses, financial statements and reports and other materials related to the investment alternatives to the extent provided to the plan</li><li><input type="checkbox"/> Provide a list of assets comprising the portfolio of each designated investment option, including the value of each asset (or its proportion of the total holdings) and, for fixed rate investment options, the name of the issuer of the option and its term and rate of return</li></ul> | <ul style="list-style-type: none"><li>■ John Hancock will provide you with prospectuses, published portfolio listings and other materials relating to the holdings in the investment alternatives</li><li>■ If requested, John Hancock will provide you with any other information related to any investment option offered under the group annuity contract</li></ul> |
| <ul style="list-style-type: none"><li><input type="checkbox"/> Provide information on the value of shares or units in any designated investment option and its past and current investment performance</li><li><input type="checkbox"/> Provide information on the value of the shares or units of designated investment alternatives held in the particular participant's account</li></ul>  | <ul style="list-style-type: none"><li>■ To help fulfill these requirements, John Hancock offers:<ul style="list-style-type: none"><li>• Quarterly participant statements</li><li>• Secure website for participants</li><li>• Toll-free telephone service line</li></ul></li></ul>  |

# Due diligence checklist

Check if your plan complies

## Permanent records of the plan

- |  |  |   |
|--|--|---|
| <input type="checkbox"/> Plan and trust documents                                  | <ul style="list-style-type: none"><li>■ Plan and trust documents and any amendments</li></ul>  | <ul style="list-style-type: none"><li>■ IRS Determination Letter for tax qualification</li></ul>  |
| <input type="checkbox"/> Employee communications and education                     | <ul style="list-style-type: none"><li>■ Summary Plan Description (SPD) and any changes, and a record of when provided to participants</li><li>■ Communications provided to employees at pre-enrollment and enrollment giving details on investment alternatives (such as John Hancock's Enrollment Kit, and Returns and Fees)</li><li>■ Confirmations of investment directions</li></ul> | <ul style="list-style-type: none"><li>■ Communications explaining the plan's intention to comply with ERISA 404(c) and documenting the steps taken to comply</li><li>■ Communications to participants regarding ability to conduct investment transactions (such as via voice response telephone service or internet)</li></ul> |
| <input type="checkbox"/> Service provider agreements, insurance policies and bonds | <ul style="list-style-type: none"><li>■ Investment provider and TPA proposals, contracts or service agreements, and any updates, agreements regarding personal brokerage accounts, online participant investment education, etc.</li><li>■ Fidelity bonds to comply with ERISA Section 412, if applicable</li></ul>  | <ul style="list-style-type: none"><li>■ Proof of insurance by service providers</li><li>■ Insurance policies such as: Plan Fiduciary Liability Insurance Policy, Officers' and Directors' Insurance Policy coverage re: ERISA claims</li></ul>  |
| <input type="checkbox"/> Filings   | <ul style="list-style-type: none"><li>■ Form 5500 or 5500-C/R</li><li>■ Auditors' statements, if required</li></ul>  | <ul style="list-style-type: none"><li>■ SAS70 report – a detailed report that can be given to an auditor, outlining all of John Hancock's processes and procedures</li></ul>  |

## Initial selection of investment options and service providers

- |  |  |   |
|--|--|---|
| <input type="checkbox"/> Selection criteria and provider comparisons | <ul style="list-style-type: none"><li>■ Documentation of plan requirements, such as Request for Proposal or Investment Policy Statement</li><li>■ Documentation of specific selection criteria used, such as checklists or spreadsheets</li></ul>  | <ul style="list-style-type: none"><li>■ Service provider credentials such as presentations, consultants' reports, references, etc.</li><li>■ Cost comparison, e.g., Department of Labor fees worksheets</li></ul>   |
| <input type="checkbox"/> Selection of plan investment options        | <ul style="list-style-type: none"><li>■ Documentation as to workforce needs, i.e. assessment of employee demographics, such as age, investment knowledge and amount of time until retirement, as well as information gathered from any other selection tools</li><li>■ Comparisons of investment options, e.g., John Hancock's Fund Information Guide and Returns and Fees</li></ul> | <ul style="list-style-type: none"><li>■ Documentation of how investment options selected by the plan comply with the requirements of ERISA 404(c), e.g., the requirement to provide participants a broad range of investment alternatives</li><li>■ Documentation of specific plan investment option selections</li></ul> |

# Ongoing monitoring

- Insurance policies and bonds
  - Fidelity bonds to comply with ERISA Section 412, if applicable
  - Proof of continuing insurance by service providers
  - Insurance policies such as: Plan Fiduciary Liability Insurance Policy, Officers' and Directors' Insurance Policy coverage for ERISA claims
  
- Employee communications/ education
  - Ensure new participants receive appropriate communications (see Permanent records of the plan)
  - Participants continue to receive communications about ongoing account balances. John Hancock provides participants with quarterly statements outlining all their account activity.
  - Relevant changes to the plan that have been communicated to participants
  - Compliance with 404(c) requirements, including the information given to participants (see Employee communications and education section in Permanent records of the plan)
  
- Investment monitoring
  - Keep documentation explaining and/or updating the plan's investment monitoring, e.g., Investment Policy Statement, benchmark comparisons, etc.
  - Information from investment provider with performance and expense comparison, e.g., John Hancock's Fund Information Guide, monthly Returns and Fees, award-winning semi-annual FundCheck® Fund Review and Scorecard\*, Annual Contract Review\*\*, etc.
  - Information from investment provider explaining Fund and manager changes, e.g., John Hancock's semi-annual FundCheck® Fund Review and Scorecard
  - Updated information provided by investment provider on investment options available e.g. John Hancock's Fund Information Guide, monthly Returns and Fees, Annual Contract Review\*\*, etc.
  - Record of periodic review of Investment Policy Statement (IPS) and workforce needs to ensure the terms of the IPS continue to be appropriate for the plan and the participants
  - Documentation of any investment options that have been added or removed
  
- Plan administration
  - Annual administration records of the plan prepared by the TPA who provides compliance testing and Form 5500 reports
  
- Other monitoring
  - Documentation reviewing providers' performance against plan needs and provisions in service agreements, including proof of continuing insurance coverage

\* League of American Communications Professionals 2007 Spotlight awards.

\*\* For contracts that meet the minimum asset requirement.

FundCheck® is a registered trademark of John Hancock Life Insurance Company (U.S.A.), used under license by John Hancock Life Insurance Company of New York.



This document is provided by John Hancock USA and John Hancock New York for informational purposes only, and while every effort is made to ensure the accuracy of its contents, it should not be relied upon as being tax, legal or financial advice. Neither John Hancock USA nor John Hancock New York, or any of its affiliates, representatives, employees, or agents provides tax, financial or legal advice.

Both John Hancock Life Insurance Company (U.S.A.) and John Hancock Life Insurance Company of New York do business under certain instances using the John Hancock Retirement Plan Services name. Group annuity contracts and recordkeeping agreements are issued by: John Hancock Life Insurance Company (U.S.A.), Boston, MA 02210 (not licensed in New York) and John Hancock Life Insurance Company of New York, Valhalla, NY 10595. Product features and availability may differ by state. John Hancock Investment Management Services, LLC, a registered investment adviser, provides investment information relating to the contracts.

NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT INSURED BY ANY GOVERNMENT AGENCY

© 2009 John Hancock. All rights reserved.