



§408(g) Fiduciary Adviser Audit

T. Rowe Price Advisory Services, Inc.

Advisory Planning Service

For the year 2018



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Independent Auditor's Report

September 13, 2019

To: Fiduciaries Authorizing an Eligible Investment Advice Arrangement with T. Rowe Price Advisory Services, Inc.

We have examined the records and conducted tests of the Advisory Planning Services ("APS") provided by T. Rowe Price Advisory Services, Inc. for compliance with Subsection 2(A)(i) of ERISA Section 408(g), Sections 4975(d)(17) and (f)(8) of the Internal Revenue Code, and generally accepted fiduciary. The maintenance of these records is the responsibility of T. Rowe Price Advisory Services, Inc. Our responsibility is to express an opinion with respect to T. Rowe Price Advisory Services, Inc.'s compliance with applicable regulations and standards of practice, based on the examination and tests we conducted.

Our examination and tests were conducted in a manner that has a high probability of identifying deficiencies where the practices and records do not comply with applicable regulations. Methodologies, agreements, and disclosures were examined. In addition, DALBAR engaged the APS service in the advice process under a number of different scenarios to examine the process and results. The findings provide a reasonable basis for our opinion.

As evidenced by the specific findings that follow, it is our opinion that T. Rowe Price Advisory Services, Inc. is in compliance with ERISA §408(g), IRC §4975, and generally accepted fiduciary practices in all material respects for the 12 months of 2018.

DALBAR, Inc.
September 13, 2019
Marlborough, MA ¹

¹ DALBAR has a 30-year history recognized by industry and government as an independent third-party expert in the business of providing evaluations, ratings and performance due diligence. DALBAR certifications are recognized as marks of excellence in adviser services, communications, electronic and telephone services. DALBAR is the only ratings firm with an SEC no-action letter exempting its evaluations from the testimonial rule. Given its history, reputation and our extensive involvement in fiduciary adviser training, we believe that DALBAR meets or exceeds the expertise and proficiency required to conduct audits required by ERISA Section 408(g)(5).



Specific Findings

COMP = Analysis of Complaint Line	TST = Test of Investor Enrollment /Advice Process
AGR = Review of Investor Agreement	NOT = Review of Notifications/Disclosures
SMPL = Review of sample materials	WS = Written Statement
PG = Alignment with Peer Group	BG = Background Check
EVL = Evaluation of EIAA clients through online survey	

Compliance Test	Method of Evaluation	Result	Comment
Does Fiduciary Adviser's compensation not vary based on the investment advice provided?	AGR	✓	Compensation of Fiduciary Adviser does not vary based on based on clients' investment selections.
Were EIAs expressly authorized by fiduciaries other than the Fiduciary Adviser?	TST	✓	Investors authorize the advice arrangement at the end of the online client profile experience.
Did authorizing fiduciary receive a written audit report?	WS	✓	Annual audit for the 12 months of 2017 was made available to clients within 30 days of the audit's receipt.
Was investor notification provided before delivering the investment advice?	EVL	✓	<p>Notifications are provided at the end of the online client profile experience.</p> <p>600 clients were contacted, 110 responded.</p> <ul style="list-style-type: none"> • 78% recalled receiving information about the types of services provided in connection with the investment advice arrangement (18% did not recall). • 76% recalled receiving information about T. Rowe Price Advisory Services, Inc.'s privacy policies (21% did not recall). • 52% recalled receiving historical performance of the investments offered (36% did not recall). • 66% reported being aware that they can arrange for advice by another provider that could have no material affiliation or receive no fees in connection with their retirement assets. • 82% reported receiving information related to the advice they receive on a regular basis.



Was the notification complete and accurate with respect to:			
Past performance of investment options?	EVL TST SMPL	✓	Fifty-two percent (52%) of clients surveyed recalled receiving historical performance of the investments offered (36% did not recall). Historical performance of the various model portfolios is provided in an appendix to the advice delivery document.
The role of any affiliate or contractor involved in the advice delivery or selection of the plan's investment options?	AGR NOT	✓	Required notification was evaluated and found to contain all required information. It was also written in plain, understandable language.
Compensation for providing advice?	AGR NOT	✓	
Any affiliation, contracts with or interests in securities available in plans?	AGR NOT	✓	
Circumstances under which an investor's name or identity is disclosed?	AGR NOT	✓	
Types of services provided?	AGR NOT	✓	
Duties and responsibilities of the adviser?	AGR NOT	✓	
Statement of investors' rights to engage his/her own adviser?	AGR NOT	✓	
Acknowledgement of fiduciary status with respect to the plans?	AGR NOT	✓	
Were there excessive or severe complaints about this adviser from plan sponsors or investors?	COMP	✓	There were no complaints received concerning T. Rowe Price Advisory Services, Inc.
Is the notification provided to investors:			
Accurate and calculated to be understood by the average investor?	NOT	✓	Required notification was evaluated and found to contain all required information. It was also written in plain, understandable language.
Provided annually at no charge?	WS	✓	Processes and procedures allow investors to access relevant notifications and disclosures annually, upon request, as well as instances where a material change is made to such documents. Investors are not charged for these notifications or disclosures under any scenario.
Provided on request at no charge?	WS	✓	
Updated for any material change and delivered to investors at no charge?	WS	✓	
Have disclosures required by securities laws been made? (Form ADV)	BG	✓	Investors are presented with Client Agreement, Fiduciary Disclosures and form ADV when agreeing to the terms and conditions of the APS service.



<p>Is execution of all securities transactions performed by and at the discretion of the investor?</p>	<p>TST NOT AGR EVL</p>	<p>✓</p>	<p>Investor is provided with an asset allocation and fund selection recommendation only. The execution of the transactions pursuant to that recommendation are initiated and authorized by the investor. Seventy-four percent (74%) of clients surveyed indicated they were aware that any sale, buy or holding occurs solely at their discretion.</p>
<p>Is compensation of the Fiduciary Adviser reasonable?</p>	<p>PG</p>	<p>✓</p>	<p>No fee is charged for the delivery of advice under this Eligible Investment Advice Arrangement.</p>
<p>Are terms of agreement as favorable to the plan and investor as an arm's length transaction?</p>	<p>AGR</p>	<p>✓</p>	<p>Client agreement contains no terms that were determined to be unfavorable.</p>
<p>Are documents pertaining to the adviser's investment management process filed in an accessible location?</p>	<p>WS</p>	<p>✓</p>	<p>Requested and received documents stored by T. Rowe Price Advisory Services Inc. over several years, and confirmed through written communication to DALBAR.</p>
<p>Are documents maintained for the requisite six years?</p>	<p>WS</p>	<p>✓</p>	<p>Documentation is archived by T. Rowe Price Advisory Services, Inc. for required 6 years.</p>
<p>Does adviser have methods and tools to gather required information about each investor being advised?</p>	<p>TST METH</p>	<p>✓</p>	<p>T. Rowe Price Advisory Services Inc. uses a client profile to gather client information and has a documented process for using the profile to develop recommendations.</p>
<p>Can adviser demonstrate adherence to good fiduciary practices:</p>			<p>Client profile includes sources, timing and distribution of all retirement savings, client's time horizon and risk tolerance.</p>
<p>All sources, timing and distribution of retirement savings for each investor have been taken into consideration?</p>	<p>TST METH</p>	<p>✓</p>	
<p>Each investor's retirement time horizon has been taken into consideration?</p>	<p>TST METH</p>	<p>✓</p>	
<p>Each investor's tolerance for risk has been taken into consideration?</p>	<p>TST METH</p>	<p>✓</p>	
<p>An "expected" or "modeled" return for a recommended portfolio has been established for each investor.</p>	<p>METH SMPL</p>	<p>✓</p>	<p>Recommendations contain projected returns based on 1,000 market simulations.</p>



Recommendations include guidelines for rebalancing?	TST SMPL	✓	In both the initial recommendation and the ongoing Checkup, T. Rowe Price Advisory Services, Inc. provides an asset allocation model with suggested changes to the sub-asset class allocation. Allocation changes are made at the client's discretion.
Recommendations reflect diversification that conforms to each investor's time horizon, risk/return profile and asset class preferences?	TST	✓	Selected documents include evidence that recommendations reflect client profile, including time horizon, risk/return and asset class preference.
Are adviser's tools and methodology effectively and consistently applied?	TST METH	✓	T. Rowe Price Advisory Services, Inc. applies a consistent and reliable methodology through automated technology.
Is there a periodic review of adviser's operation?	WS	✓	A periodic review of adviser's operations is conducted through annual policy and procedure end-to-end reviews, ongoing associate auditing, monitoring, training, and development, as well as supervisory review of calls and conversations.



Explanation of Methods Used

Method	Description of Process
Analysis of Complaint Line (COMP)	Complaints received are evaluated to determine if there are an excessive number or if there are severe complaints of breach of fiduciary duty. This process is only applicable when the certifier has been in place for at least a year and has had the opportunity to receive such complaints. This process is not applicable during an initial audit.
Review of Investor Agreement (AGR)	Adviser discloses agreements used. These disclosures are examined for completeness, clarity and for evidence of cases where compensation has or may vary based on the investment advice given to investors.
Evaluation of EIAA Clients through Online Survey (EVL)	Adviser discloses all eligible investment advice arrangements and a randomly selected sample are contacted to determine if signatories are the plan fiduciaries.
Test of Investor Enrollment/Advice Process (TST)	Auditor engages services as a mock investor.
Review of Notifications/Disclosures (NOT)	Adviser provides examples of notification(s) and disclosure(s) provided to investors, which are reviewed for compliance with disclosure requirements. Notification must contain all required content, even when response is negative.
Alignment With Peer Group (PG)	Compensation of all advisers is used to compute a minimum, maximum and mean cost per investor after removing outliers (Highest and lowest 10%). The adviser's compensation is compared to this peer group norm.
Written Statement (WS)	Additional written statements were requested and provided by the Fiduciary Adviser.
Background Check (BG)	RIA and each relevant IAR are screened. Public information provided by regulatory bodies are examined for compliance across multiple regulators. Relevant IARs undergo a similar process plus a criminal background check.