



Canary Capital Sings a Note of Caution to Plan Sponsors

Do you have any funds from Janus, Strong, Bank One or Nation's in your company's retirement plan investment lineup? If you haven't heard yet, take note: Morningstar is recommending that you avoid funds from these families as a result of the Canary Capital scandal.

For those who need a quick refresher, the New York Attorney General, Eliot Spitzer, named the four mutual fund groups in a complaint. The complaint alleges that the four fund families let Canary Capital engage in improper trading in some of their funds to the harm of long-term fund shareholders.

So what is a plan sponsor to do? First, take a look at your core investment lineup and see if you offer any funds from these families. As a next step, immediately contact your plan administrator and ask them what they are intending to do. Finally, convene a special meeting of your company's investment committee to discuss the issue and what steps to take. You can expect some participants to ask you about this scandal and you want to be able to show your understanding of the basic issues and that you have a contingency plan in place as the situation unfolds.

If any of these funds comprise the sole offering of a core asset class sub group, you may at a minimum want to consider offering another fund or even removing this fund from your lineup. This task is easier if you have an investment policy statement in place and have a formal process for the selection and monitoring of investments. You may decide that average or below-average performance coupled with the fallout from this scandal provides sufficient reason to remove the fund or funds from your core investment lineup.