

Why You Should Benchmark Your Retirement Plan

Under section 408(b)(2) of ERISA, covered service providers are required to identify all plan services and disclose all direct and indirect compensation received in connection with the plan.

While plan sponsors benefit from receiving more comprehensive and more uniform disclosures, many wonder what it all means for them. Specifically, they ask what they should do with the fee information once they have it. Many sponsors understand they have a fiduciary duty to ensure that plan fees are reasonable in light of the services rendered, but they repeatedly ask how to determine reasonableness.

Benchmarking measures retirement plans against their peers in terms of participant and plan demographics, plan types, and fees paid to ensure a true comparison of the plan against real industry data. Common investment alternatives can easily be compared with one another based upon readily available data such as asset class and market segment, investment management fees and/or expense ratios, redemption and other fees, management style and tenure and historical performance.

The Department of Labor has stated on numerous occasions and in their own guidance on evaluating fees: ***"don't consider fees in a vacuum. They are only one part of the bigger picture including investment risk and returns and the extent and quality of services provided."*** In fact, it can be proven that better participation rates, higher levels of contributions and improved investing behavior can be much more important in creating a successful retirement than simply having lower fees. This is why the responsible plan fiduciary follows the Department of Labor's advice when determining fee reasonableness by examining not only what they are paying, but also what they are receiving for what they are paying.

Below are core recordkeeping, TPA and advisor/consulting services you should be receiving:

CORE RECORDKEEPER SERVICES:

- Rollovers into plan
- Investment transfers
- Age 59 1/2 withdrawals
- Hardship withdrawals
- QDRO Support
- Plan Document Support
- SPD Support
- Approve rollovers
- Calculate forfeitures
- Calculate MRDs
- Required notices
- Produce enrollment kits
- Participant statements
- Participant web portal
- Sponsor web portal

CORE TPA SERVICES:

- Draft Plan Document and SPD
- Provide administrative forms

- Determine newly eligible employees
- Assist with auto-enrollment and auto-escalation
- Calculate employer contributions
- Calculate minimum required distributions
- Approve loans, withdrawals and terminations
- ADP/ACP testing
- ADP/ACP refunds or required contributions
- 415 Testing
- Top-heavy testing
- Form 5500
- Sponsor meetings
- Plan design consulting
- Plan benchmarking

CORE ADVISOR/CONSULTANT SERVICES:

- Assess Plan's investment objectives
- Design investment structure
- Draft Investment Policy Statement
- Implement and maintain overall investment structure
- Provide and review performance reports
- Monitor service providers
- Support contract negotiation
- Ensure all fees are disclosed
- Review plan governance
- Create and Monitor Participant Education Plan
- Review Progress against Education Goals
- Provide Participant Support

Please note that Plan Complexity is an indicator of how the plan's design compares to other plan designs. This is neither good nor bad since every plan is designed to suit each employer's situation. What is important to know, is that a plan that is more complex, can cost more to administer.

How does your plan measure up? Find out today! Feel free to [contact us](#) with any questions.
