



Benchmarking your plan is about more than just fees and expenses

It's about helping you identify opportunities, achieving greater employee outcomes and minimizing your fiduciary risk.

As recent 401(k) and 403(b) retirement plan lawsuits remind us, the process of monitoring your retirement plan costs is an on-going and important function. The Department of Labor (DOL) publication "Understanding Retirement Plan Fees and Expenses" states that fees and expenses are one of several factors to consider when you select and monitor plan service providers as the level and quality of service, and investment risk and return, will also affect your decisions. As a plan sponsor, don't let your fiduciary responsibilities get hung up solely on plan fees. Weigh other key metrics such as the impact of financial wellness campaigns, plan design, employee participation rates and the utilization of online tools. This "look in" can identify valuable information that can help you make necessary adjustments to improve the plan, ensuring that it continues to be relevant to your company and its employees.

Consider benchmarking your vendors vs. the marketplace every two to three years. Taking a holistic approach can be beneficial when contemplating plan benchmarking, such as:

1. **Review your plan's disclosure notice** to ensure you are familiar with the fees and expenses charged by your current service providers. Also, be sure to review certain fund expenses which may be paid by the plan and/or the plan sponsor.
2. **Compare your investment performance** with various market trends during various time periods.
 - a. Are you monitoring investment performance over one, five or ten years?
 - b. Are investment options sufficiently diversified and are appropriate asset classes represented by the mutual funds offered in the plan?
 - c. Are there too many funds offered and could that be confusing your staff?
 - d. How often does the committee meet to review the plan and do you document the meeting?

3. **Consider plan design options** that can add value to retirement preparedness for your employees such as auto enrollment, age-based investment portfolios, appropriate structured employer contributions, and employee engagement/education. Without a doubt the single most important function a plan sponsor can do to help employees successfully reach retirement goals is through the appropriate design of your plan. Looking at all areas of your company's retirement plan benefits with a fresh eye can open up opportunities for plan enhancements.
4. **Include non-investment metrics** to ensure you are looking at more than fees, expenses and investment performance, such as:
 - a. Participation rates by various employee classifications including job roles, geography, age, gender and salary
 - b. Average deferral and participation rates and trends over time
 - c. Frequency of participant investment changes
 - d. Correlation between employee education and its impact on motivating employees
 - e. The plan's impact on recruiting and retaining key employees
 - f. Utilization of plan benefits and features such as auto-escalation, auto-rebalancing, calculators, loans and withdrawal policies

We all know that providing a competitive retirement plan makes good business sense because it can help recruit and retain key talent. In today's environment, taking the time to benchmark your plan on a periodic basis is a recommended industry best practice as it demonstrates that you understand the reasonableness of your plan's fees, expenses and design. It also documents your process for evaluating plan costs and confirms you have taken necessary steps to ensure you are making prudent fiduciary decisions, which by the way, are both key steps cited in many recent retirement plan lawsuits.

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