

# Four questions to guide your fee evaluation process

As a plan fiduciary, you have a responsibility to ensure your service providers' compensation is reasonable relative to the services provided. A fiduciary process for assessing fees can help meet your obligation to provide a plan that operates in the best interest of your employees. Your plan provider or consultant can help you navigate this process by helping you answer four key questions.

## 1. Who is receiving compensation from your plan?

Identify all plan-covered service providers receiving direct and indirect compensation. Collect complete information regarding their qualifications, scope and quality of services.



Following a documented process to regularly monitor each of your providers is considered a best practice. This includes having set criteria to measure their effectiveness and determining whether there are any potential conflicts of interest.



Collect and review your plan's service providers' required disclosures to verify they are complete and accurate. Clarify any questions you may have with your provider or consultant.



## 2. What are the fees and expenses associated with your plan?

Understand all of the fees associated with your plan and how they are charged. This includes reviewing how recordkeeping offsets are handled by your provider and how participant fees are assessed.



Think about using an all-in fee approach to determine your total plan costs and to help facilitate the fee evaluation process.



Categorizing your fees by administrative, investment and individual categories may make it easier to understand what services are included in your offering and their related cost drivers.



Review strategies available to pay for plan expenses and assess whether your current fee strategy covers plan costs and is administratively feasible and effective.



Make sure you communicate the plan fees to your employees and that you have the necessary information from your service providers to help create your required participant fee disclosures.



## CHECKLIST: FOUR QUESTIONS TO GUIDE YOUR FEE EVALUATION PROCESS

### 3. How do your fees and expenses compare to other service providers or investment options?

When comparing your fees, it's important to benchmark each of your covered service providers. Your provider or consultant can help you find suitable benchmarks for your fees.



Keep in mind that the lowest fee isn't necessarily the best.<sup>1</sup> Also evaluate the quality of services you are receiving and how they are improving plan outcomes.



Determine if any changes are necessary to the plan's investment options or services based on your fee evaluation. A knowledgeable plan consultant can facilitate a thorough review of fees and services if you do not have the internal expertise.



Consider issuing a request for proposal to help you compare services and plan pricing or to replace existing providers if necessary.



### 4. Why is the compensation warranted?

Catalog the full range of services that are included in your plan fees. This can help you prioritize the services according to what you value and what benefits the plan the most.



Evaluate the lifetime value of the services you are receiving, including the value of an in-plan fixed annuity and the guaranteed income it offers.<sup>2</sup>



Evaluating how your plan's services are delivering upon your plan's objectives is considered a best practice. Your provider or consultant can help you identify retirement readiness metrics for your plan.



<sup>1</sup> Low fees do not necessarily result in higher returns.

<sup>2</sup> All guarantees of fixed annuities are backed by the claims-paying ability of the issuer.

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