



## Checklist: Four questions to guide your fee evaluation process

As a plan fiduciary it's not enough to simply read your service providers' fee disclosure document. You also have a responsibility to ensure their compensation is reasonable relative to the services being provided. A deliberative fiduciary process for assessing fees can assist with fulfilling 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 including fiduciaries, investment advisors, recordkeepers, brokers, and providers receiving direct and "indirect compensation." Collect complete information regarding their qualifications, scope and quality of services.



Follow a documented process to regularly monitor each of your providers. That includes having set criteria to measure their effectiveness and determining whether there are any potential conflicts of interest.



Ensure that you have received the required disclosures from your plan's service providers. Review the collected information closely in order to verify the disclosures 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. Part of this process includes reviewing how recordkeeping offsets are handled by your provider and understanding how participant fees are assessed.



Use 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 also make it easier to understand what services are included in your offering and their related cost drivers.



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



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

Finding suitable benchmarks to compare your fees with may be difficult to find. You may want to rely on your provider or consultant to help with the benchmarking process. When comparing your fees, it is important to not only benchmark your plan's all-in-fees but also to benchmark each of your covered service providers.



Keep in mind that the lowest fee isn't necessarily the best. Your evaluation should also account for 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 (e.g., fund removal or replacement). 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—both for plan sponsors and participants—that are included in your plan fees. This includes plan management services, reporting, online access, plan communications, advice and guidance offerings and other services. Then, prioritize the services according to what you value and what benefits the plan the most.



Consider if your plan offering takes into consideration the lifetime value of the services you are receiving, including the value of an in-plan annuity and the guaranteed income it offers.



Based on your plan's objectives, evaluate how your plan's services are delivering upon desired outcomes. Partnering with your provider and consultant you can identify the metrics to determine the retirement readiness of your plan.



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