A plan sponsor checklist

Fair and reasonable: Evaluating your fee practices

When assessing plan fees, what is a fair share for participants?

Fee fairness can be defined as all participants paying a fair share of the fees required to maintain a plan. Yet, choosing the fairest way to assess participant fees requires careful consideration. What at first may seem like a fair approach for all employees may benefit some over others.

With greater industry focus on fee fairness, it's a good idea to be familiar with the topic and the implications it may have for your organization. This checklist can help guide your plan's fee practices review.*

A question of fairness

Once you've reviewed your fees to ensure they are reasonable, you'll want to take steps to determine whether existing payment methods assess fees equitably among your participants.

Reviewing your plan profile and demographics

Consider not only how fees may affect different employee segments, and how your employee population may change over time. ✓

Identifying how recordkeeping offsets (revenue-sharing) are accounted for and allocated

Some employees may be investing in funds that pay a significantly greater share of the plan's administrative and recordkeeping expenses than others, especially when the plan's default investment provides little to no offset. ✓

Understanding the methods plans typically use to assess participant fees and how each can be classified

Recognize that each fee approach may or may not align with your organization's philosophy towards fee allocation. ✓

To explore the reasonableness and fairness of fees in more depth, you can refer to our additional resources on this topic:

- Four questions to guide your fee evaluation process
- Assessing fee fairness: Characteristics of an effective plan fee structure

* TIAA group of companies cannot and does not provide legal advice and we recommend that you consult your own legal counsel for such advice.

Methods to assess participant fees

Type of fee	Implication for participants
1. **Per capita**—Fixed dollar amounts charged per participant	▪ For example, with a $500 per capita fee, a participant with a $10,000 balance will pay 5% in fees while a participant with a $100,000 balance will pay 0.5%.* ▪ May be considered *regressive* because participants with small account balances pay a larger proportion of their assets in fees.
2. **Pro rata**—Asset-based fees charged as a percentage of assets	▪ For example, a 10% pro-rata fee on each participant's assets means each will pay the same share of fees.* ▪ May be considered *proportional* because all participants pay the same share of fees from their assets. The fee as a percent of assets is the same, but the dollar amount increases as balances rise.

Determine if you are following the best approach for the plan and your employees

Your retirement provider or advisor can help you understand your options or implement changes if needed. ✓

Make sure your fee practices are transparent

Your fee practices should also be easy to communicate to both regulators and your employees. Clear, transparent communication about fees can help enhance employee understanding and perception of your plan's value. ✓

TIAA is committed to helping you understand your fiduciary obligations, and the reasonableness and fairness of fees in your plan. Please contact your relationship manager if you have any questions.

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* Fee examples are for illustrative purposes only and do not represent actual numbers.
Please note that fee structure classification does not imply one approach is better than the other.

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