



# Unravelling Plan Fees

You already know a fiduciary must act solely in the interest of the plan participants, their beneficiaries and alternate payees to ensure that only reasonable expenses are being paid.

The big question is: how do you know if plan fees contained within 408(b)(2) disclosures are reasonable? Benchmarking your retirement plan fees is a vital tool for determining how plan fees stack up.

Focus on these key tips the next time you're considering a new retirement solution or making plans for your future:

## 1. UNDERSTANDING WHY BENCHMARKING MATTERS

ERISA 408(b)(2) regulations state that fiduciaries are required to receive fee disclosures from service providers and then determine if said fees are reasonable. The DOL does not explicitly define "reasonable," but they have issued guidance recommending that plans benchmark their providers every three to four years by gathering live bids from alternative providers to set proper context for custom plan pricing.

## 2. THE RIGHT BALANCE MAKES GOOD BENCHMARKING

Meaningful benchmarking requires balancing a number of different plan aspects all at once. You need an equal focus on the cost and the quality aspects of provider services.

No two plans are the same, and you can't examine fees in a vacuum. You have to view them in the context of design, demographics, services and investment opportunities — you need to treat an RFP as if it were as unique to your plan, and you can only do that with the current data to back you up.

Balance plan and provider considerations. For the plan, consider size, complexity, service requirements and investment needs. For the provider, evaluate strengths and experience in the marketplace, find a demographic match and ensure that their system capabilities will work with your plan design.

## 3. ASKING THE RIGHT QUESTIONS GOES A LONG WAY

Taking the time to analyze your plan before delving into other plans will help you keep your benchmarking comparisons focused. Consider these questions before starting a benchmarking study:

- How much does the plan cost?
- Who pays that expense?
- How do they pay?
- What pricing model is best for your plan?

Once you've got those answers, you can start diving deeper into plan financials, fund considerations, plan design and cost.

#### 4. FIDUCIARY PROTECTION IS ALL ABOUT THE PROCESS

Underwriters of fiduciary liability insurance might request “proof of process” before renewing coverage. That means whatever benchmarking process you choose – whether you’re working with a simple fee averages benchmark or a live-bid benchmarking process – you need to be comprehensive, measurable and documented with the care, skill, and due diligence that someone familiar and meticulous with RFPs would be.

**Negotiate plan fees today to make sure they’re reasonably contained within 408(b)(2) disclosures tomorrow.**

#### A BETTER WAY IS OUT THERE — LET US HELP YOU FIND IT.

At Marietta Wealth, we assist companies and trustees of retirement plans in selecting and monitoring investments, educating plan participants, and helping trustees comply with their fiduciary duties. We hold fast to professional practice standards of care as required by ERISA in advising on existing retirement plans or in the creation of new retirement plans.

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