

Is Your Broker Helping You With The Following?

On July 16, 2010, the Department of Labor released an interim final regulation relating to the fees that must be disclosed by service providers working with ERISA-qualified retirement plans. All impacted service providers must comply with the new regulation by Jan. 1, 2012.

This change, along with final revisions to Form 5500 which include a new service provider information section on Schedule C, support DOL's goal of helping plan sponsors better understand and manage the fees associated with the operation of their qualified retirement plans.

The end result for you as a plan sponsor is that you'll be getting a lot more information about the fees associated with your qualified retirement plan. So, what should you do? Here are five steps you should consider taking as soon as possible.

1. Recognize what DOL is saying.

DOL is expecting you, as the plan sponsor, to conduct a review of the fees associated with your qualified retirement plan each year.

2. Collect and analyze fee information.

In the first year you perform a fee review, it may take you a little more time to collect and understand all of the fees related to your plan.

You should plan to account for all of the following fees: trust, custody, recordkeeping, employee education, participant communication/enrollment booklets, investment management fees, and investment advisory fees.

Don't be afraid to reach out to your consultants and advisers for clarification and assistance. Experienced institutionally focused investment consultants should be able to provide in-depth perspective on appropriate fees for services.

3. Benchmark and compare.

After you have gathered all of the information necessary to understand what you are paying for your plan, the next step is a methodical comparison to determine the appropriateness of your plan's fees. Several databases on retirement plan fee benchmarking are available.

Many organizations are able to provide you with consulting assistance to help you benchmark your plan.

4. Report and document.

You will need to construct a report and share it with your investment committee for review and discussion. This is the most critical part of the fee review process.

Your investment committee needs to understand the fees that are being paid and what their fiduciary responsibilities are. Keep in mind that recent litigation (*Tibble vs. Edison International*) has placed an even higher standard on plan fiduciaries to adequately review fees.

5. File everything.

Remember to document and properly file all of the following information in your retirement plan file:

- * Reports/letters you receive from your plan providers documenting their fees
- * The report you construct and present to your investment committee
- * Meeting notes from the investment committee meeting at which the fee review was discussed
- * Documentation of any changes that resulted from your review

This information demonstrates to the DOL and Internal Revenue Service your fiduciary review and due diligence process, a vitally important element if you ever come under audit from either of these agencies.

References:

Lawton, R. C. (2011, March 1). *Five steps to navigating the new world of retirement plan fees*. Retrieved from <http://ebn.benefitnews.com/news/navigating-retirement-plan-fees-2710057-1.html>

