



401(k) Scorecard

YOUR GUIDE TO EVALUATING PLAN PROVIDERS

your401ksource.com

powered by RWAAdvisors

401(k) Plan Scorecard

If you're considering changing 401(k) providers but are not certain of all the questions to ask and topics to cover, don't fret. There are multiple approaches to getting solid options. This scorecard is designed to be used as a guide to cover the most important subjects and questions. By the end of this process you should have a 401(k) that is better designed (yes, designed) and less expensive than what you have now. Better employee communications, better thought out investment options and less overall work for you and your staff.

As you go through this scorecard you will find that there are different parties in the process - plan record keepers, third party administrators, financial advisors and administrative fiduciaries. Financial advisors use lots of industry jargon and can be less than transparent about their fees and what liabilities they are taking for you. There are over 250 companies that offer 401K services. Plan recordkeeping such as the large insurance companies, mutual fund companies and independent providers. Then you will need a third-party administrator (TPA's). You'll find that there are large national companies and hundreds of local and regional TPAs. Fiduciary services can be provided by large national firms and lots of local firms with pricing being very fluid. If you're looking for investment services, you'll find that hundreds of large and regional companies provide the service along thousands of individual financial advisors.

The Six Elements of a 401(k) Plan:

1. **Value Proposition:** Recruit, Retain, and Reward your Employees
2. **Fees:** Keeps fees in the 401(k) plan in check – from plan administration to individual investment fees.
3. **Administrative Work:** Completes the day-to-day tasks that come with sponsoring a 401(k) plan.
4. **Compliance and Plan Design:** Ensures your 401(k) plan meets Department of Labor and IRS requirements.
5. **Investment Selection:** Include low-fee fund options, such as index and target date funds.
6. **Payroll Integration:** Integrate with payroll providers

The quality and management of each are critical to keep your 401(k) house in order. Each of these can be fully delegated or fully managed by you, it's all a matter of how much time and liability you want to take on – and how much expertise you have on the team.

1. Does the plan help you Recruit, Retain and Reward your Employees?

Does it take care of your employees without a lot of work and high fees?

- What is the functionality of the employee's online experience?
- What tools do you provide to help increase average participation and savings rates of participants in the plan?
- What communications do you send to employees (example: monthly balance updates, quarterly statements, etc.)?
- How often will employees hear from you (example: monthly, quarterly, annually)?
- Which of these communication delivery methods do you support?
 - Direct mail
 - Email
 - Text messaging
- Do you have a mobile app? Is there a difference in the functionality between the mobile app and the online?
- Do you have a team to help my employees with password or login issues?
- Does your help support line offer support after work hours?
- How do you educate employees on how our company match works?
- Do you support automatic enrollment and auto-increase?
- What is your process for registering a new participant?
- What is your security process? How is that communicated to participants?
- Can you support automatic annual increases to employee savings rates?

2. Fees:

Fees are charged 3 different ways

1. Flat Fee- Ex \$1,500
2. Per Participant Fee- Ex \$38 per participant for the first 100 and \$32 per participant after
3. Assets Under Management (AUM)- Generally expressed in basis points (Bps) annually.

Ex- .11% or 11 Bps which translates into 11% of 1% per

11bps for a 100K account equals \$110 per year. Generally, AUM fees are paid on a quarterly basis

Set-up Fees?

How much do you charge employees including the average fund fee?

	Flat	%	Per Participant
<input type="checkbox"/> Account fee:	_____	_____	_____
• Recordkeeping:	_____	_____	_____
• TPA:	_____	_____	_____
• Advisory:	_____	_____	_____
• Custodial:	_____	_____	_____
• Total:	_____	_____	_____

Can I set whether the employee or employer pays the fees?

What other fees are charged?

- Transfers
- Amendments
- Termination
- Loans, hardship, rollover, distribution fees
- Divorce Settlements - QDROs

How do you educate employees on the fees in the 401(k) plan?

Do you receive any 12b-1 or other compensation from any mutual funds that are or will be contained in our plan? If so, do you rebate that back to the plan?

3. Administrative Work:

What you or your administrative staff will do on a day-to-day basis will largely depend on the answers to the following questions.

- Do you have payroll integration with my payroll provider? (more on this later)
- Will I need to do any work related to changes employees make to their plan (savings rates, rebalancing, enrollment status, etc.)?
- Who enters the changes in an employees status? Is it electronically?
- Do you track employee eligibility or will I need to manually calculate this?
- Do you review and approve hardship withdrawals, Loans, and/or QDROs?
- Can all forms be submitted electronically?
- Do any forms need wet signatures?
- What forms do I have to do vs the employees?
- Do you have an Employee Portal that shows what needs to be completed?
- Do you calculate the discretionary match and/or profit-sharing contributions for me?
- For compliance, testing & other administrative work show how you help us keep track of all the tasks.
- What are your responsibilities for testing? What are mine?
- What work do you do for me that makes you stand out from your competitors?
- Do you provide an automatic reporting function?

4. Compliance and Plan Design:

Does your plan need to change to make it complaint or more advantageous to participants?

- To what level do you help in designing or modifying any parts of my plan?
- How much do you charge for a custom plan?
- How much of a role do you plan in helping design 401(k) rules (employee eligibility, match, profit sharing, vesting schedule)?
- Do you complete and sign all required investment documents?
- 3(16) fiduciary – Do I need one? If so, which 3(16) services do you provide?
- Are you a 3(38) or a 3(21) fiduciary? Do I need to be either one of these
- Do you provide guidance on non-discrimination testing, including regular testing to determine whether the plan is heading towards failing the test?
- How frequently do you run non-discrimination test checks (weekly, quarterly, annually)?
- Can or do you audit the plan periodically? ?
- What will an audit cost me?
- How much of a role do you play in helping design 401(k) rules (determines employee eligibility, profit sharing, vesting schedule)?
- Is there a minimum length of time we must stay with your company for plan administration?
- Who is responsible and liable for the following plan administrative duties? (You or the 401(k) provider are the two likely options.)
 - Tracking eligibility and sending notices?
 - Reviewing, approving, and documenting loans, hardship withdrawals and QDROs?
 - Signing the Form 5500?
- Tell me about your cyber security. Can you send me your cyber security policy.
- Do you offer flexible options to add profit sharing and/or a discretionary match?
- Do you calculate the discretionary match and/or profit-sharing

5. Investment Selection:

Answers to these questions can help you provide employees with low-fee fund options that include index and target date funds.

- How many funds can I pick from?
- Are there any limitations on the fund choices?
- What is the average fund expense ratio?
- Do you have any favored or proprietary funds?
- Can my employees purchase individual stock in their accounts?
- What is the investment default fund (should be a low-fee, passively managed fund like a Target Date Fund)?
- Do employees have access to investment advisors?
- What asset allocation or risk management tools are available to participants?
- Does your employee education program meet the Department of Labor's 404(c) education requirement?
- Do you have people in the field that will conduct meetings to update us on portfolio performance?
- Describe your approach to educating our employees. Do you have an "advice" service? If you offer an advice service, will you act as a co-fiduciary?
- Do you provide my employees with individual investment advice, or general investment education?
- Do you provide financial literacy classes to participants? What subjects?
- If you provide this service, how many 1:1 employee advisory sessions have you conducted over the past 12 months?
 - Of the employees that you met with, how many ultimately increased their savings rate?
 - Of the employees that you met with, how many ultimately changed their portfolios?
- Investment Committee- Do you assist in supporting one? Do you prepare minutes to reflect the issues discussed and actions taken?
- Risk Assessment- What tools do you offer for an employee risk assessment?

Payroll Integration:

Do you have 180° or 360° integration between your 401(k) recordkeeper and your payroll provider

- Do you offer a 360° integration with my payroll provider?
- How exactly does the information flow back and forth through the apps, etc.?
- What is the deadline prior to payroll dropping for an employee to make changes?
- Is there any human intervention in the process?
- How many clients are using the system?
- What kind of problems are you experiencing?
- Do you have a reporting function?

your401ksource.com

powered by RWAAdvisors

401(k) Scorecard

YOUR GUIDE TO EVALUATING PLAN PROVIDERS

Use this checklist to review your existing plan or to use as a guide to choose a new plan. The checklist isn't all encompassing. But it is a good start. Good luck.

If you have any questions don't hesitate to reach out to us at info@your401ksource.com.