

Your Retirement Plan Provider: How and What to Evaluate



Retirement
Planology

—
*navigating the
retirement plan maze*

It's hard to sift through the noise and decide *what* and *how* to evaluate in a retirement plan provider. In this white paper, we provide a foundation for developing the criteria and the process you can use to not only evaluate your current provider, but also a new provider.

1. Determine the purpose of the plan.

First, any decision that you make as a fiduciary needs to be consistent with the objectives of the plan and your company culture. **Why** or for **what purpose** does your plan exist? Examples:

- Providing a tool/benefit that keeps us competitive in attracting/retaining employees
- Offering a vehicle that employees can use for long-term savings
- Allowing employees to be rewarded for their consistent performance and have ownership in their actions as a part of the company's greater results
- Providing a tax shelter for a paycheck to be created in the future, and all employees have the ability to maximize their salary deferrals
- Delivering a way for employees to have the luxury of deciding how they spend their time later in life if they choose to use the plan
- To allow employees the eventual ability to leave working for the company and live out their later years in life with dignity
- To provide a low cost, basic plan for employee to use as a starting point in saving for their financial future

Now that you have the reason, you can ask the following question:

Based on our plan's purpose, how do we define retirement plan program success?

Perhaps you haven't considered this before. If not, spend some time on it. Will you derive success through specific metrics like participation rates, deferral percentages, employee awareness, offering a simple and cost-effective plan, profit sharing contributions, etc.? Then, throughout your evaluation of your current provider or through your RFP process:

Will [X] promote meaningful retirement benefits for the employees of our company, consistent with the purpose of our plan? Does [X] help/hinder/allow us to live out the purpose of a successful retirement plan program?

One more item to keep in the back of your mind as you go through this process: as a fiduciary, sometimes you get stuck with the decisions of the past. This is your opportunity to dictate the decisions of the future. In other words, this is a good time to eliminate doing something a certain way solely because it's always been that way. There can be political ramifications of all decisions made, but remember that change is good when made in the best interest of the participants and living out the purpose of the plan. After all, you have to live with it – fiduciary responsibility and all.

2. Develop a plan and criteria.

Why are you making this change? There is probably a reason. Examples might include:

- The service is terrible. Their inefficient service model is putting strain on our staff because: they lack accountability within their service team/we have no one to call that knows the answer/we never know who to contact, etc.
- We're a technology company. Their website stinks. Why would we remain with a vendor that is contrary to our core beliefs?
- Their product is inferior. They just don't seem to have the resources to support us, or the tools our employees have requested.

- We just need more access to investment options and feel like their proprietary products may not fit our needs.
- Their educators and service team lack the knowledge to help us meet our goals for the plan.
- We need less “self-serve” and more “hands-on proactive.”
- What we had was fine when we were small, but we’ve grown into a large company and we need to offer more competitive benefits.

Compare #1 and #2 and get a foundation for what is driving the decision to go shopping so you have a place to start. If you have holes in your pants and you know that pants best fit what you need to wear, you go shopping knowing what pants size you wear and that you don’t want a skirt.

--See the attached worksheet to consider what is and is not working in your current plan, and to prioritize your needs.--

3. Determine if there are specific responsibilities that need to be allocated. You already are aware that under ERISA, fiduciaries are not required to be experts in all aspects of the plan. You’re allowed to outsource responsibilities to competent folks. Now is the time to develop a wish-list of things you’d like to move off of your plate and your staff’s plate. Examples might be:

- Enrollment – can someone track when employees are eligible and send the materials?
- Could our payroll system talk to our retirement plan files better to leverage shared information? That would reduce Sally’s workload at the end of the year when she needs to be concentrating on closing out year-end.
- Can someone talk to the employees more frequently so they get their questions answered?
- Can the website collect deferral changes and track beneficiaries?

4. Brainstorm. To further flesh out the wish list, what else would be ideal? Here are aspects of the plan that you can focus in on:

- Investments
- Employee engagement and education
- Efficient back office administration
- Options or flexibility with plan design (documents)
- Service protocol – Local? Telephone? Team? Dedicated representative?
- Fees – cost to company/employee (investments, bills received for administration, predictability of charges, formulas for how fees are calculated, etc.)
- Tools for employees in accessing their account
- Compliance culture
- Fiduciary support tools
- Timeliness, accuracy

Do yourself a favor and rank the importance of the items on the wish list or divide into must-have and nice-to-have lists.

5. Go shopping. You’re probably inclined to ask your pals who they use. You can do that, but understand that your needs may be significantly different than theirs. The last thing you want is to use someone else’s bad vendor because they didn’t know any better and perpetuate thinking like a lemming. However, this might uncover questions that you haven’t asked for your criteria list, so we won’t say it’s a terrible thought. If you’re going to go the survey route, here’s your list of questions:

- What do you like best about them?
- What do you like worst about them?
- How do they handle issues that arise?
- Why were they chosen to be part of your team? Who was the second runner up and why?

Now go back to developing your own list. You have your deal-breakers sorted out, so BEFORE you request a proposal, ask if they can accommodate your must-haves. Why? You don’t just need a mode of transportation, you need a car. If you don’t say you need a car from the onset, you’ll get a proposal for a scooter, a bicycle, a unicycle, a

bus pass... You'll waste precious time and have a ton of vendors calling to follow up on proposals that weren't worth your time to begin with!

There are several ways to do this:

1. You can call. (They'll call you back, so watch out.)
2. You can send them an RFP with a cover letter that says, "We absolutely need to have X, X, X, and X. If your answer is anything other than yes we have/do those things (i.e. requires substantial explanation), your proposal will not be considered."

We recommend number 2. Why? Because your time is valuable, you need to compare apples to apples, and you've already established criteria. Why would you do number 1 and suffer through hearing what a salesman thinks is really cool about the product that doesn't pertain to you and let them talk you into something you don't need. (I sat through a presentation where the salesman kept reiterating over and over that their strength came from a rules-based recordkeeping system. Quite frankly, if a recordkeeper don't have a rules-based recordkeeping system in 2014, they shouldn't be in the business!)

6. Investigate, report, meet, evaluate. Now it's your time to investigate the issue under consideration: who is the best-fit vendor. Start working through the proposals. Circle back to your answers concerning the purpose and how you measure the success of the plan. Ask again: Will [X] promote meaningful retirement benefits for the employees of our company, consistent with the purpose of the plan? Does [X] help/hinder/allow us to live out the purpose of a successful retirement plan program?

The results of your investigation should be reduced to a written comparison. If you have a retirement plan committee where multiple fiduciaries are involved, it is essential that each one review and understand the proposals or the report, and that they meet to discuss its contents and recommendations and share their individual thoughts. If the discussion raises questions, someone should investigate and get answers. While each committee member has a vote, the final report reflects the analysis and opinions of the committee as a whole. The benefit of critical and involved discussion is that issues are thoroughly explored, and the strengths and weaknesses of the alternative conclusions are fully understood and considered. The decision needs to reflect the collective efforts of the members.

Very important: Once you have whittled down the list, ask for references from clients LIKE YOU. You want to interview the vendor's current clients looking for whether they deliver the services they claim to, what it feels like to work with that vendor, and further investigate your questions and list of requirements. Ask for them to give you the contacts for clients in the same industry, have a similar plan, similar employee based, etc. You want variety and you need the ability to investigate different aspects of what you're looking for.

7. Make a decision. When you document this process for your fiduciary file, remember that while each committee member has a vote, the final report should reflect the analysis and opinions of the committee in the aggregate. The benefit of critical and involved discussion is that the issues are thoroughly explored, and the strengths and weaknesses of the alternative conclusions are fully understood and considered. The decision needs to reflect the collective efforts of the members and how you arrived there.

8. Monitor. While you allow a vendor to help you out and dutifully engage in thoughtful discussions and efforts to prudently select them, you're not done. It's still your responsibility to monitor all service providers. The law does not specify the frequency of the monitoring, just that it needs to be done at appropriate intervals.

Best Practice:

Hire an educated expert to help you. Much like a personal shopper at Nordstrom, this individual should take the time to get to know you, work with you to identify your wants and needs, and have superior knowledge of the marketplace. We can't speak for how others operate, but at Retirement Planology™, our Planologists™ navigate the entire process described here with the client, providing valuable insight, asking the questions the client may not know to ask, and anticipating/navigating problems that could exist down the road from decisions made today.

Measuring Retirement Plan Success



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Every company has its own criteria and way of measuring the success of the retirement plan. This tool can help you rate your current plan, decide what is most important to your company, and help determine what you will use to benchmark your retirement plan's success.

Rate each plan aspect in order of importance. Use a scale of 1 to 5, where 1 is the most important:

- ___ Our employees understand, use, and appreciate the plan.
- ___ We are fee-conscious and get good value for what we spend.
- ___ Our investment options are competitive and fit our employees and company culture.
- ___ We mitigate risk brought on by our fiduciary responsibility.
- ___ The plan vendors are responsive, timely, and accurate, and reduce our workload.

Rate the success of your retirement plan in each the area to assist in evaluating your retirement plan.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Not Important
Employee Education and Services						
Employees understand and use the retirement plan, as indicated by participation and deferral metrics.						
Employees are comfortable with the investments in the plan.						
Employees understand the level of savings needed for retirement.						
Employees have access to tools to help them make better retirement and financial planning decisions.						
Our education plan and retirement plan meetings are effective.						
Plan Expenses/Fees						
We know total fees paid (including indirect) and receive superior value for the expenses we pay.						
Expense budgeting is a concern for us.						
We have a number of terminated employees who still have accounts in the plan.						
Our advisory, administration, and recordkeeping fees are affordable and competitive.						
Investment Options						
Our investment policy statement reflects our plan and company culture.						
Our current investment package meets our employees' diversification needs.						
Participants use appropriate asset allocation strategies.						
Investment due diligence is regularly conducted in accordance with our investment policy statement.						
We have options available for participants who want to choose their own investments as well as options for those that want someone to invest for them.						
Compliance and Fiduciary Support						
We fully understand our fiduciary responsibilities and liability.						
Highly compensated employees have the ability to maximize their salary deferrals.						
Our plan design meets our needs and goals for the plan and is aligned with our culture and values.						
The plan document has been reviewed and has all of the required amendments.						
We regularly review our plan operations and processes, establishing checks and balances.						
Our fiduciary file contains our documented processes.						
We are well-supported by our vendors and have adequate tools and resources around plan governance and fiduciary responsibility.						

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Not Important
Day-to-Day Service and Administration						
Plan administrative tasks are quick and efficient.						
Our vendor does a great job and is very responsive and proactive.						
Distributions/plan loans are processed within a reasonable amount of time.						
It is easy for our participants to get answers to their questions regarding the plan.						
Our contributions are timely and we know the policies regarding float.						
We have no problems between payroll and our 401(k) administrator.						

What three items work best in your current plan?

- 1 _____
- 2 _____
- 3 _____

What three items need the most attention?

- 1 _____
- 2 _____
- 3 _____

Notes and Wish List:
