



BENCHMARKING YOUR 401(K) PLAN

Benchmarking Your 401(k) Plan: A once a year check-up, or a regular check-in?

As humans age, we age with complexity and it's a priority that we make frequent visits to the doctor. Normally, we all go to the doctor for yearly checkups; checkups can include adjusting of daily supplements like a multivitamin, or even getting regularly checked for signs of cancer or bigger risk health issues. No one will make us go see a doctor, but it's important to prioritize monitoring and checking up on our health.

In the 401(k) industry, it is becoming more apparent that plans need to be reviewed at least yearly and more thoroughly in order to adequately address fiduciary responsibility and duties. However, many companies haven't made benchmarking a priority even with recent 401(k) lawsuits. If you have not yet made benchmarking a priority, here are four reasons to highlight why it needs to be made one.

1. **Benchmarking can help reduce your personal liability as an employer as well as company liability.** Yes, under ERISA, you as the employer can be personally liable because every sponsor has a fiduciary duty to its participants. Not only that, but ERISA wants to see that you are documenting your actions.
2. **Saving money for your plan participants, and of course, the company.** ERISA requires a sponsor to ensure that fees are reasonable, and a benchmark is a great way to do that.¹ Here are some questions to answer in your effort to reduce costs:¹

¹ Barclay, Spencer. "Why Benchmarking Your 401(k) Plan Should be a Top Priority" BenefitGuard. July 8, 2015

- How much are participants paying in investment fees?
- How much is the company paying in admin fees?
- How many providers are being paid on the plan?
- What service does each provider offer the plan?
- What are plans of similar sizes paying?

3. Not all providers are created equal: Look into improving your service providers.

There are many factors that play into analyzing service offerings; some have high service models, advanced technology, or simply just get the job done. Additionally, it's important to look into factors such as participants getting access to customer support or investment advice, if the provider is responsive, if they "sign and act" in fiduciary roles, and even how much work is passed to you, the plan sponsor, in administering the plan.

4. Sticking to your plan and focusing on improving it. Make it a priority to find out if your existing plan document, plan structure, and plan design are meeting your goals.¹

So, how often should plan sponsors benchmark their plan?²

91.7% of plan sponsors benchmark once per year, while 8.3% only benchmark every 5 years.¹

What are some of the most valuable benchmarking metrics?²

- Investment expenses compared with peer plans – 100% say very important
- Administrative expenses compared with peer plans – 91.7% say very important
- Average employee participation rate – 81.8% say very important
- Average deferral percent – 81.8% say very important
- Percentage of participants getting the full match – 63.6% say very important

This information was developed as a general guide to educate plan sponsors and is not intended as authoritative guidance or tax/legal advice. Each plan has unique requirements and you should consult your attorney or tax advisor for guidance on your specific situation.



www.theplanadvocate.com; 1-855-622-401k; 401k@thephiladelphiagroup.com

Securities and Retirement Plan Consulting Program advisory services offered through LPL Financial, a Registered Investment Advisor, member FINRA/SIPC. Other advisory services offered through Private Advisor Group, a Registered Investment Advisor. The Philadelphia Group, The Plan Advocate and Private Advisor Group are separate entities from LPL Financial.

² Moore, Rebecca. "Plan Benchmarking Measures." PLANSPPONSOR. Feb 2015