



PENSION STRATEGIES

QUALIFIED PLAN DESIGN & ADMINISTRATION



Upcoming Deadlines

September 15

Calendar year end plans must fund contributions.

Extended due date for calendar year end corporations and partnerships returns.

October 15

Extended due date for calendar year end plans to file annual Form 5500.

Extended due date for individual income tax returns to be filed.



More About Us

Strategic Update

Ideas, news and tips from Pension Strategies

September 2013

Evaluating 401(k) Plan Fees

It's only been a year since IRS required the implementation of 408(b)(2) regulations. These regulations require 401(k) plan service providers to disclose fees to the Plan Sponsor. Sponsors can then evaluate whether the fees are reasonable in light of the services being provided. Much of the publicity surrounding fees is based on large employer plans which makes it difficult for smaller clients to comparatively evaluate fee structures. Here are some considerations in reviewing fees:

- **Follow the Money:** "Indirect fees" are the target of 408(b)(2) legislation. In general, these are fees that automatically come out of plan assets and are paid to service providers. Examples include fees for investment management, sales charges, loads or commissions, record keeping, participant statements, etc. Fees to a Third Party Administration (TPA) firm are often paid directly by the company and are not the target of this legislation.
- **Plan Size Matters:** The size of a plan in terms of plan assets and number of participants affects fees. Fees will typically be higher for small employers because the fixed costs of running a 401(k) plan are spread over a smaller number of employees.
- **Service Level Matters:** Investment advisors perform a vital role by assisting Plan Sponsors in fulfilling fiduciary duty to the plan and plan participants. These services are often paid out of plan assets. Services can include investment review, employee education and enrollment services. The fees should correlate to the level of service the company is receiving.
- **Be Wary of Benchmarking:** Benchmarking is a tool that can provide some insight, but conclusions can be misleading. Benchmarking services suffer from a lack of regulatory consistency in reporting fees. In addition, participant outcomes and the successful track record of investment program are generally not part of the benchmarking equation. Much has been written about this topic including the "Yale Professor" letters that have been in the news recently. There were some 6,000 letters Ian Ayers wrote to plan sponsors that benchmarked information reported on their 2009 Form 5500. *If you have received one of these letters or would like more information, here is a link to [An Open Letter to the 401\(k\) Community](#) by a leading ERISA law firm.*

A Plan Sponsor's potential liability lies in the decision and review process itself. Sponsors should keep documentation that outlines the review process and supports the internal decision. Copies of service providers' disclosure reports become important in the event of an IRS or Department of Labor audit. On audit, the consequences of not analyzing fees could include excise taxes which can be avoided by documenting

the process.

If you have not received disclosure reports it's part of your job to ask for the information. As with many aspects of the qualified plan arena, it's about doing your best to analyze your fees and keeping good records.



Department of the Treasury
Internal Revenue Service

Alert: IRS Mistake

Approximately 4,000 plan sponsors have recently received notices that erroneously informed them the IRS is assessing a penalty due to their "filing a late or incomplete" Form 8955-SSA. The IRS says it was a programming error. To

those who received those notices the IRS will be mailing a letter to disregard the penalty claim.

Pension Strategies News



We all want to welcome Marco González to Pension Strategies. Marco graduated from the University of Arizona last May with a Bachelor's Degree in BGS, emphasis in economics and industry. Marco grew up in the Yuma Arizona area but has also lived in Mexico, Canada, and California. Marco was a wrestler in school and today enjoys mixed martial arts. Marco has joined our defined contribution plan team as a new retirement plan specialist.

Please let us know if you would like us to address any topics in upcoming issues of Strategic Update. We're here to be your best resource in the Retirement Planning industry.

Sincerely,

Jack Lawless, CPA, APM

Pam Johnson, QPA, CPC

Jill Hastings, JD

David Schattenberg, APA, Senior Consultant

Mallory Young, Senior Consultant

And the entire Pension Strategies team