Plan sponsor seeing benefits from fee levelization

Learn how one company levelized 401(k) plan administrative fees for its active 401(k) participants.



COMPANY PROFILE

Industry: Media and entertainment

Location: Rockville, Maryland

Plan participants: 250

OPPORTUNITY/CHALLENGE

The employer has a retirement plan goal to offer the most appropriate, cost-efficient investment options to participants—and, like all plan sponsors, to remain compliant. To help ensure their success, they told their financial professional they specifically wanted to:

- Monitor and continue to meet or improve their fiduciary responsibility
- Share plan administrative fees equally among all participants
- Keep the plan's current investment options
- Learn more about fee equalization because they had little awareness of the topic

SOLUTION

With the help of their financial professional and Principal®, here's how this played out:

Awareness

Knowing the plan and goals, the financial professional brought in Principal and had an open conversation with the plan's investment committee about fee levelization to let them know their options.

Education

With the help of their financial professional and Principal, the investment committee used a series of meetings to educate themselves about their fee levelization options, how they work, and the pros and cons of each.

Consideration

Before making an official decision, the committee talked about how participants might react and how to best communicate the change.

Decision

The employer chose to implement a zero revenue sharing option they felt would best meet their plan goals.

Implementation

Communicated the change and held open educational meetings for all employees.

RESULTS

To date, the plan sponsor is pleased with their decision and what they accomplished, including:

- **Remaining compliant —** knowing they're meeting their related fiduciary obligations (by considering all of their options) in a highly regulated environment
- **Doing what's fair —** levelizing (sharing equally) plan administrative fees among active participants
- **Lowering fees —** on average, participants have been paying less with crediting back revenue sharing
- **Implementing seamlessly —** receiving almost no participant questions or complaints related to the change
- **Employee participation —** virtually no change in the retirement plan's participation rate and deferral rate in the month following the change

"Our biggest surprise during implementation was that we only had a few questions from our participants," said the compensation and benefits manager for the company. "The implementation itself was easy…there was little time and effort involved on our part."

TIPS

Plan sponsors considering fee levelization may want to:

- Keep the dialogue flowing between all involved parties. This may include your financial professional, TPA, service provider, and members of your investment committee or the decision-maker.
- Remember that every plan sponsor and every plan look different. Take the time to fully understand the fee levelization options so you can feel more confident in determining a prudent approach and meet your related fiduciary duties.
- If you make the decision to use fee levelization, work with your financial professional and/or service provider to roll out a fee levelization option. And be sure to communicate to all employees to avoid surprises.

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