

## The webcast will start at 1 p.m. Eastern

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Please note:

- **Handout** – You can print or download the webcast handout at <http://capincrouse.com/webcast-benefit-plans>
- **CPE** – CPE certificates will be emailed to you within the next few weeks. To receive CPE credit you must respond to the polling questions, which are not available on mobile devices. Therefore, in order to receive CPE credit you must log in via a computer.
- **Recording**– A recording of today's webcast will be available at [capincrouse.com](http://capincrouse.com). Click **Nonprofit Resources**, and then select **Webcast: Recorded** from the list on the right.



## Making Your Benefit Plan More Beneficial

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5.11.17



## Agenda and Learning Objectives

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- Identify monitoring that helps plan participants
- Outline tips for helping participants become educated about your plan
- Assess fee disclosures from third-party administrators (TPAs)
- Define the role of the TPA versus the plan sponsor
- Reduce time spent on plan administration



## Monitoring That Helps Plan Participants

## Monitoring That Helps Plan Participants

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- Construct monitoring that aligns with your Plan document provisions
  - Auto-enrollment provisions
  - Graduated matching provisions
  - Annual reminders
    - Summary annual report
    - Summary plan description

## Monitoring That Helps Plan Participants

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- Fee monitoring
- Investment options
- Percentage of employees enrolled
- Percentage of employees meeting a match requirement
- Ask your service provider — multiple options are available online

## Monitoring That Helps Plan Participants

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- Dashboard for the board and retirement committee — key statistics
- Quarterly review of census information
  - New hires
  - Comparison of employee deferrals and employer match
  - Contribution limits monitoring



## Tips for Participant Education

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- Conduct an annual check-in with participants
  - Plan options
  - Investment options
  - What it means for take-home cash

## Tips for Participant Education

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- Consult with an individual to meet one-on-one with participants
  - Personal financial planning
  - Provide onsite meeting time during work hours
  - Start conversations on retirement and goals

## Tips for Participant Education

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- Provide on-demand resources
  - Generational differences; newer participants want to be able to access information when they are thinking about it
  - Review materials from service providers
  - Consider tutorials or step-by-step instructions available through an employee login



## Fee Disclosures from Third-Party Administrators

## Fee Disclosures from TPAs

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- Goal is to increase transparency to plan sponsors, which trickles down to participants
- Multiple variations in how fees are assessed and recorded
- Result from government regulation and TPA internal processes

## Fee Disclosures from TPAs

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- Share between investment provider, recordkeeper, and potentially others
- By fund, it is disclosed as percentages or basis points and is typically netted with investment return
- Most TPAs have a guide to the fees charged by fund available on their client portal or website

## Fee Disclosures from TPAs

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- Besides investment fees, the following fees are typical and are charged to the specific participant, usually at the time of service:
  - Loan setup fees
  - Loan maintenance fees
  - Distribution fees
  - Qualified domestic relations order fees (QDRO)

## Fee Disclosures from TPAs

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- Additional fees may include:
  - Participant fee to have an active account with the recordkeeper (typically annual)
  - Recordkeeping fees (typically monthly and based on percentage of assets in the Plan)



## Fee Disclosures from TPAs

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- Anytime you see the Plan pays xxx, remember the Plan is just the combination of all the participants, so this is a short-hand way to say the participants are paying xxx

## History on Fee Disclosures from TPAs

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- The Department of Labor's Employee Benefits Security Administration (EBSA) is responsible for administering and enforcing the fiduciary, reporting, and disclosure provisions of Title I of ERISA
- EBSA solicited information in 2007 and final rule was issued in 2012

## 408(b)(2) Regulations – Covered Service Providers

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- Must provide fiduciaries of ERISA plans with:
  - a description of the services they provide
  - the compensation they expect to receive from those services
    - Direct compensation – paid directly by the plan
    - Indirect compensation – paid by other sources
    - Revenue sharing – typically shared with recordkeeper
  - identification of any services provided as a fiduciary

## 408(b)(2) Regulations – Covered Service Providers

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- “Reasonableness”
- Need to provide enough information to determine whether the arrangement with the provider would be considered “reasonable”

## 404(a) Regulations – Participant Disclosures

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- Provide specific information to all participants (including eligible but not yet participating) related to fees, expenses, and other plan and investment-related information
  - Overview of plan investments
  - Explanation of general plan fees and expenses that can be assessed against participant accounts
  - Provide investment performance data specific to options within the plan in chart format, including comparative information and benchmarking information

## 404(a) Regulations – Participant Disclosures

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- “Sufficient information”
- Need to provide enough information to determine which investments meet the needs and goals of each participant or beneficiary

## Fee Assessments – Why It Matters

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- The best offense is a good defense
- These are people's retirement funds, so there is pressure to incur the least expensive choice for the best possible return
- Avoiding potential lawsuits
- Document the review annually to show how you are managing and reviewing the appropriateness of fees charged



## Role of the Third-Party Administrator versus Plan Sponsor

## Roles – Who's Responsible?

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- Key Players
  - Plan Sponsor and Plan Administrator
  - Third-Party Administrators and Recordkeepers
  - Trustees and Custodians
  - Investment Advisors and Managers
  - Contracted Fiduciaries

## Roles – Who's Responsible?

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- Service auditor report
  - SOC 1, SSAE 16 → SSAE 18 (effective May 1, 2017)
  - Increased focus on risk assessments at least annually
  - Describes controls at the service organization
  - Read annually — this is the way most service organizations provide information to their clients

## Roles – Who's Responsible?

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- Complementary User Controls
  - What the organization has to do to make sure the service organization can do its part
  - Really should be named “essential” instead of “complementary”
  - Garbage in/garbage out; accountants can liken to a general ledger system with needing accurate inputs to be helpful and reliable for decision making

## Roles – Who's Responsible?

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- Common culprits
  - Reporting plan amendments to the service provider
  - Eligibility of new participants and reporting new participants
  - Reporting changes in deferrals if not maintained through feedback files

## Roles – Who's Responsible?

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- Common culprits, continued
  - Reporting terminated participants
  - Approving hardship withdrawals
  - Calculating forfeited amounts

## Roles – Who's Responsible?

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- Service Agreements
  - Should be signed and reviewed annually
  - Ensure the agreement covers the pertinent information to the Plan Sponsor

## Roles – Who's Responsible?

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- **PLAN SPONSOR!!!**
  - Can contract fiduciaries to assist, but ultimately the plan is Plan Sponsor's responsibility
  - Activities done outside the Plan Sponsor still must be monitored by the Plan Sponsor for compliance with regulations



## Reducing Administrative Time



## Reducing Administrative Time

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- Set policies to streamline processes and identify discrepancies in a timely manner
  - Reconciliation by pay period of amounts sent to TPAs for employee and employer contributions
  - Annual reviews of SOC 1 reports and user control considerations
  - Annual discrimination testing performed shortly after Plan year-end and corrections made in a timely manner
    - ADP/ACP test, universal availability, ERISA limits

## Reducing Administrative Time

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- Policies, continued
  - Feedback files retained and stored in one location
  - Use IT to set flags based on hire dates for reminders of when certain employees become eligible
  - Use IT to reduce manual time such as creating the census, setting contribution limits, etc.
  - Use annual reviews as reminders for the retirement plan; add a step to review deferrals and match

## Reducing Administrative Time

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- Multiple custodians and TPAs
  - Consider requesting participants to rollover funds to one primary custodian
  - Review plan document for cash-out provisions — typically less than \$5,000
  - Limit contributions to just one custodian
  - Consider a TPA that will fulfill many roles vs. outsourcing each role to a different company

## Reducing Administrative Time

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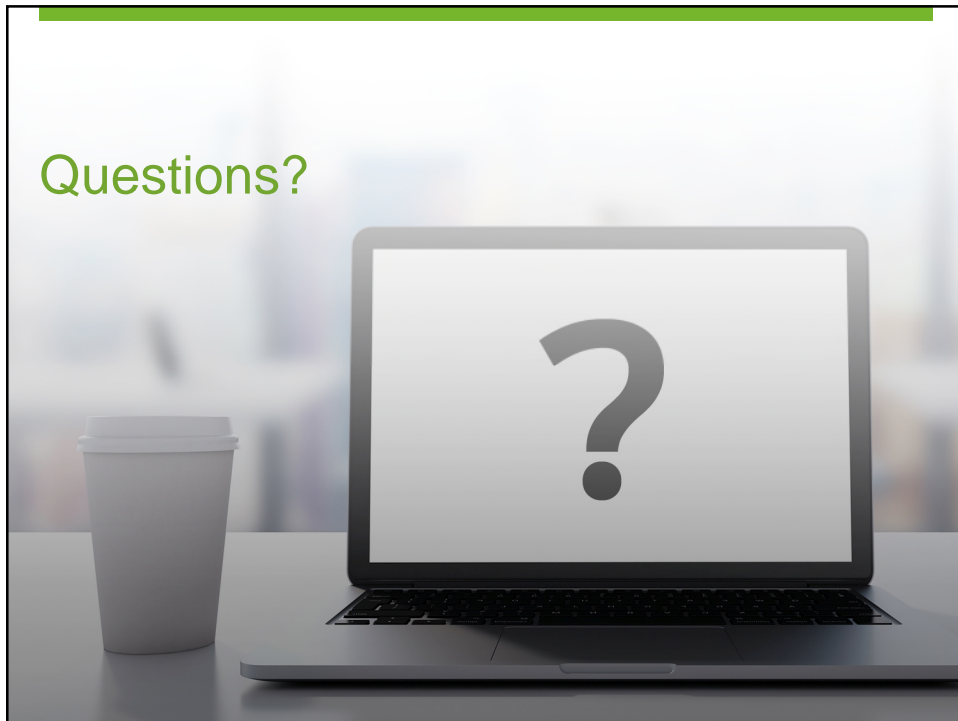
- Points of Pain/Lessons Learned
  - Where has administrative time been lost in the past, and what can you do to adjust? Consider an annual meeting shortly after the audit to discuss adjustments.
  - Form 5500 preparation; consideration of auditor also preparing Form 5500 if a significant amount of time has been spent reconciling between the Form 5500 and the audited financial statements

## Hot Topics

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- Cybersecurity and protecting participant information
  - How do you keep SSNs secure?
  - Cybersecurity is going to be incorporated into audits with federal funding soon; it's also a hot topic with Department of Labor, so mandates to include in the report may come at some point
  - Cybersecurity assessments are available

## Questions?



## Upcoming CapinCrouse Events

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- Financial Seminar for Churches and Nonprofits
  - Anderson, IN – May 16
  - Lombard, IL – May 17
- Webcast - Accepting Contributions of Business Interests, Real Property, and Collectibles – May 25
- Visit [capincrouse.com](http://capincrouse.com) for more information



## Thank you!

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