Gone Shopping Lately?

You have probably heard a lot about retirement plan fees lately. Fiduciary breach litigation activity hasn’t been this frequent since the fall of 2006. So it’s not just your imagination. And it probably won’t fall off sharply anytime soon. Keep in mind, this type of litigation offers the possibility of “incentive awards”. This means the amounts awarded to the plaintiffs can be many times greater than the claimed losses. It’s the same reason Willie Sutton robbed banks, it’s where the money is.

The responsibility of a fiduciary, to ensure that the plan pays only reasonable fees for their plan services, has been required since ERISA was passed in 1974. So this is not a new responsibility, just one that has been under a lot of scrutiny as of late.

You may be asking yourself “what are reasonable fees for my plans services”? Where can I look that up? Unfortunately, not even a Google search can answer this question. A Google search will give you a list of articles about what to look for when reviewing your plan fees. But you will still need to go through the assessment process before you can answer the question.

What this means is that every plan regardless of size, current vendor or investment line up must have a prudent process for reviewing plan fees. The determination of reasonable fees for the plan services will be determined by the facts and circumstances of that specific plan. Collecting data about your plans unique features and benefits and applying a prudent process to determine what is reasonable will answer the question for you.

You will probably discover other features of your plan when you apply this process. A specific list of services, and the fees for those services, is provided to you annually by your service providers. Is the plan utilizing all those services? Some modifications may be prudent. Are the administrative fees paid by the plan assets? If yes, how is the collection of those fees executed? Is each participant paying their fair share or is there an imbalance?

If your process leaves you questioning the reasonableness of your fees, what are your next steps? Changing investments or vendors has costs too. What path do you take to act solely in the participants best interests?

As stated earlier, none of these requirements are new. They have been the responsibility of plan sponsors since the passage of ERISA in 1974. We are not exploring new territory here but, in today’s environment, it is proving to be prudent for plan fiduciaries to continue to execute in this arena.

We are happy to discuss this issue in more detail with you or answer any questions you may have. Please contact the CapTrust retirement consulting team at 888.697.5908

This material is for information only and for the use of the recipient. It is not to be reproduced or copied or made available to others. Assumptions, opinions and estimates constitute CapTrust’s judgment as of the date of this material and are subject to change without notice.