

Bonus Checklist for Selecting and Monitoring an Outsourced 401(k) Fiduciary and Other Providers

As sponsors of 401(k) plans, business owners are responsible for ensuring their plans comply with Federal law – including the Employee Retirement Income Security Act (ERISA). They also have to consider SEC regulations and Department of Labor regulations.

To comply with ERISA and other requirements, many businesses rely on outside professionals for advice and assistance. Hence, selecting competent service providers is one of the most important responsibilities of a plan sponsor.

The process of selecting service providers will vary depending on the plan, the business and the goals and objectives of the owner. Use the following checklist as a guide for your plan's needs:

1. Consider why you want a plan. Is it to maximize your tax savings, or as a benefit to your employees, or both
2. Where are you an expert and where do you need help? – legal, accounting, recordkeeping, investment management, investment education, or advice.
3. Ask service providers about their services, experience with employee benefit plans, fees and expenses.
4. Investigate service providers or alliances of providers who provide multiple services (e.g., custodial trustee, investment management, education, or advice, and recordkeeping). These arrangements are often called “bundled services.”
5. Ask prospective providers for specifics on services that are covered for the estimated fees. Note that plan fiduciaries are not always required to pick the least costly provider. Understand that cost is only one factor to be considered in selecting a service provider.
6. Check to make sure that the provider has a fidelity bond (a type of insurance that protects the plan against loss resulting from fraudulent or dishonest acts) if the service provider will handle plan assets.
7. Check with state or federal licensing authorities to confirm the provider has an up-to-date license, if a service provider must be licensed (attorneys, accountants, investment managers or advisors),.
8. Ensure you understand the terms of any agreements or contracts you sign with service providers and the fees and expenses associated with the contracts. In particular, understand what obligations you and the service provider have within the agreement and whether the fees and expenses to be charged are reasonable in light of the services to be provided.
9. Prepare a written record of the process followed in reviewing potential service providers and the reasons for your selection of a particular provider. This record may be helpful in answering any future questions that may arise concerning your selection.
10. Request a commitment from your service provider to regularly provide information regarding their services and any changes to the services they provide.
11. Review the performance of your service providers on a regular basis to ensure that they are providing the services in a manner and at a cost consistent with the agreements.

12. Review plan participant comments or any concerns about provider or other services.

For a comprehensive review of your personal situation, always consult with a tax or legal advisor. Neither Cetera Advisor Networks LLC nor any of its representatives may give legal or tax advice.