

# Selecting And Monitoring

## *A plan committee's fiduciary mandate*

So you've finally decided it's time for a new recordkeeper. For the retirement plan committee, selecting a recordkeeper—really, all service providers for the plan—is an ongoing fiduciary duty. Here, we discuss these and other issues that should be considered when selecting and monitoring your recordkeeper.

### **Recordkeeper Fees**

Benchmarking gives the committee a means to compare one recordkeeper's fees with those charged by other recordkeepers for similar-sized plans and can be done in between requests for proposals (RFPs). Often, the committee's outside investment adviser can help gather this information for the committee. Note that, while you aren't required to select the least expensive recordkeeper, when benchmarking you should review all the facts to determine that the fee is reasonable in relation to the services provided.

In considering the fee, how it is calculated is relevant. For example, is the recordkeeper paid based on assets under management (AUM) or a fixed or per-participant fee? If based on AUM, as plan assets grow, the recordkeeper's fees also grow, yet it may be providing no additional services that correlate to the increase. By periodically reassessing the basis point charge on assets, the committee can address this concern.

### **Recordkeeper Services**

The committee should consider whether services offered meet the plan's needs, whether all services agreed upon in the contract are being provided, and whether any of the services raise conflict of interest issues. Recently, we've been seeing changes in recordkeeping services in response to the Department of Labor (DOL) fiduciary rule. Many recordkeepers are altering their service agreement to provide some advice services and to acknowledge limited fiduciary status for certain services.

Having the recordkeeper act as a fiduciary and provide participants with investment education and/or advice may seem like a good thing, and maybe it is, but the committee must carefully determine whether adding, and maybe paying more for, such services is prudent, rather than just rubberstamp what a recordkeeper now offers.

In particular, the committee should consider and ask for information regarding any conflicts of interest that may exist in connection with providing investment advice to plan

participants. For example, the investment lineup for many plans includes proprietary funds run by the recordkeeper or an affiliate. This is not necessarily a problem, but the committee should understand how any recommendations work and whether there is any conflict with respect to such funds.

Additionally, recordkeepers often seek to capture participants' rollover accounts. It is important that the committee understand what information the recordkeeper is providing to a terminated participant regarding distribution options and whether such information is supplied without creating a prohibited transaction, should the participant move his money to the recordkeeper's IRA.

### **Revenue Sharing**

A hot button issue for the committee to consider is whether the recordkeeper receives any revenue sharing—the additional fees added to the expense ratio of a mutual fund—and, if so, how it is handled. Many plans are moving toward having revenue sharing reallocated back to the participants whose accounts generated it. But not all recordkeepers can accommodate this process. That doesn't mean you can't select a recordkeeper that uses revenue sharing to offset fees or to create an ERISA [Employee Retirement Income Security Act] expense account, but it does mean the committee should understand the specifics in either practice and consider that in its review process of the recordkeeper.

Ultimately, as with any plan-related determination, when selecting a recordkeeper, the committee must gather all the information regarding the recordkeeping arrangement, review that information and make an informed decision.

Then, on an ongoing basis, the committee must continue to monitor the recordkeeper. This can be done by reviewing periodic reports it submits, having a representative of the recordkeeper attend a committee meeting to describe its activities, asking the company's benefits department to comment on its satisfaction with the services provided, seeking guidance and information from the plan's outside consultant, and regularly benchmarking the recordkeeper's fees.

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**Summer Conley** is a partner in the Los Angeles office of Drinker Biddle and Reath LLP, and **Michael Rosenbaum** is a partner in the firm's Chicago office.