

Retirement Plan Costs – Broken down and explained.

Like all employee benefits, retirement plans have costs associated with the services rendered. It can be particularly confusing for plan sponsors and corporate CFOs to recognize what the cost is for the program. We have created a guide to help plan sponsors clearly identify those fees and understand what the plan actually costs. This guide is intended to be generic and help plan sponsors navigate the fees and costs of a retirement plan. Statherós Financial Solutions does not necessarily charge all of the fees described here.

The first step is to review your 408(b)2 fee disclosure. This annual, regulatory disclosure is usually provided to you by your recordkeeping company (which is typically the company that provides a website for access to employee accounts). This disclosure document will outline the costs associated with your current program.

Administration Costs

Recordkeeping – This vendor can disclose or charge these costs in different ways. You could see a *per participant fee*, a *base fee*, an *asset based fee*, a *flat fee* or some combination in between. The total cost may be divided into your billing schedule (quarterly/monthly). If this says something like \$0 – you may want to check the investment literature or participant fee disclosure (404(a)5) to see if these fees are being covered by other sources such as the investment company, another service provider, or paid by the participant accounts.

Third Party Services (TPA services) – If your recordkeeper is a bundled provider, they will also be doing the TPA work such as testing, compliance, and 5500 filing. In this case, these TPA Services costs will be reflected on the 408(b)2 disclosure and may be included in the recordkeeping fees or listed separately. If you hire a separate service provider for TPA Services or do not see these fees listed on the disclosure notice, you will want to consult your recordkeeper or TPA to find the exact costs they are charging.

Custody – There may be a separate charge for a custodian to physically hold the assets. If you do not see a line item for this, it is likely that your recordkeeper may perform this function as well and it is a bundled service. If not, consult with your recordkeeper provider to determine this particular cost.

Advisory Costs

Advisor – If you've hired an advisor to work with your retirement plan in any capacity (*fiduciary*, *investment consultant*, *employee education*), you may find these costs listed on the 408(b)2 disclosure. If they are not on the 408(b)2 disclosure, your company is most likely receiving an invoice for this service and paying the advisor directly. If you are not receiving an invoice for services, they are most likely being pulled from plan assets in some fashion and should be listed on the 408(b)2 disclosure. Advisor costs are typically based on a percentage of plan assets or can be charged as a flat fee. The next section addresses some additional fees that may also be paid to the advisor or recordkeeper.

Investment Expenses

12b-1 Fee – When looking at the investment expenses in your offering, the expense ratio is important to review and monitor, however the expense ratio is a total of all underlying fees for the investment choice. In some cases, investments may hold a 12b-1 fee within it. This fee is a form of a commission that is given back to an advisor for offering that fund. In other words, the investment company is paying the advisor for putting assets into that fund. This underlying fee can differ between *share classes*.

Sub-TA Fee – Similarly to the scenario above, the investment expense ratio can also include a Sub-TA fee. This fee can also differ between share classes. The difference is that, instead of being given to the advisor, this money is used to compensate the recordkeeper, or some other Third Party involved in trading or plan recordkeeping.

It is common in the industry for providers to have something called “revenue sharing.” These 12b-1 fees and Sub-TA fees are considered “revenue” and, in many cases, will be “shared” with the advisor, recordkeeper, or retirement plan (to offset other plan fees), or given back to the participants invested in those particular funds. Look for a line item on the advisor’s or recordkeeper’s fee disclosure that talks about “revenue credit” or something along those lines. If you are unsure if your plan has these fees, it is prudent to ask your advisor or recordkeeper.

Ancillary Fees

These are fees that are charged if something out of the normal day-to-day functions are performed. For example, you may see a loan initiation fee for \$100. This is most likely something that is charged to the participant requesting that services. Recordkeepers may have ancillary fees for on-site enrollment, hard copy enrollment booklets, plan design strategies that require an intense amount of work and calculation, etc. There should be a list of these ancillary fees accessible to the plan sponsor at any time.

This information is intended to be used only as a guide. All providers have different ways of disclosing their costs and fees to clients. If you have any questions on anything listed here, we advise that you contact your vendors. At Statherós Financial, we are always happy to help clarify these costs or to provide guidance. Please use us as a resource for any questions you may have.