Simply stated, benchmarking is the process of reviewing and evaluating your company retirement plan. It involves taking a look at what you are offering your employees today and deciding if it's appropriate or needs some updating.

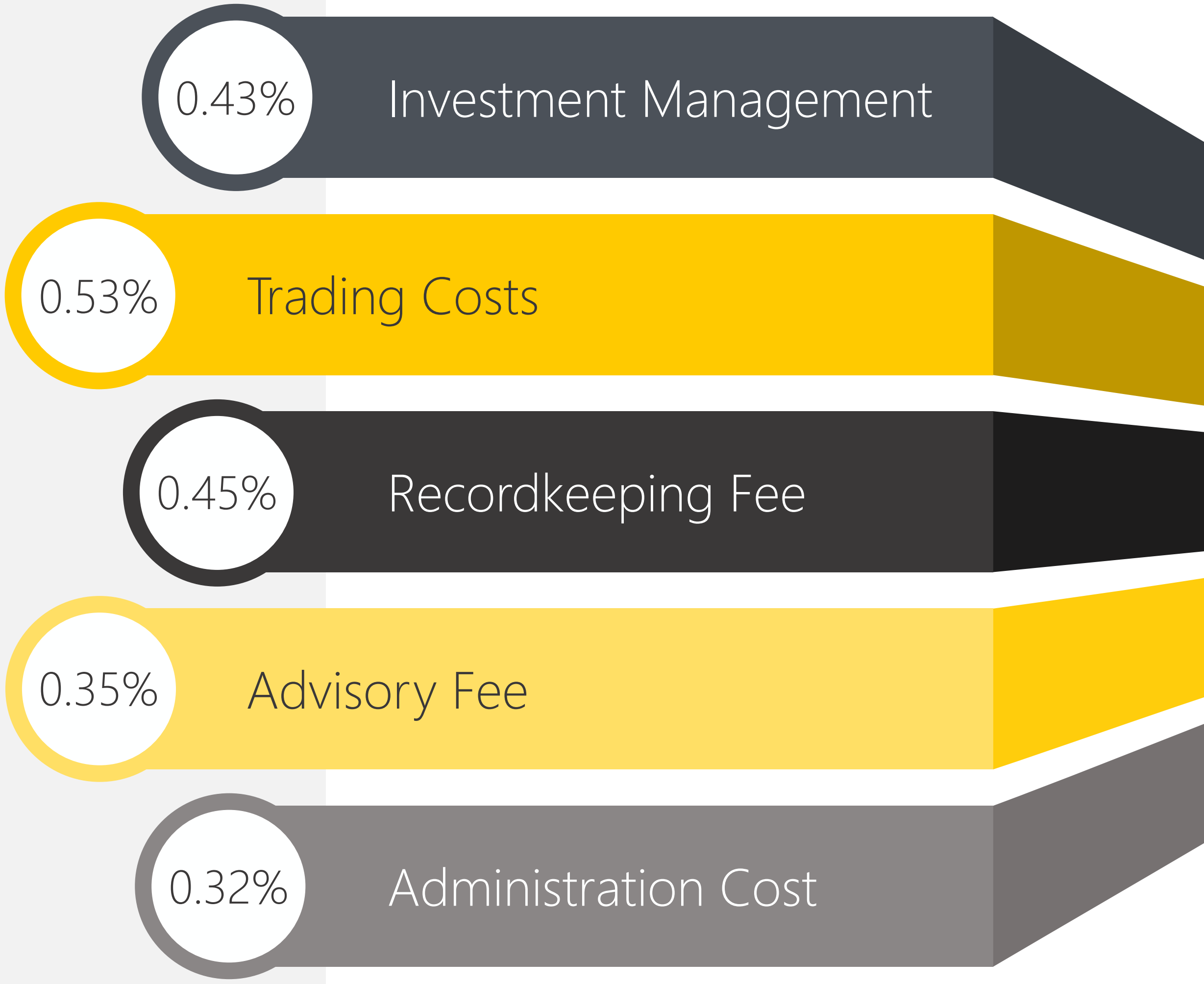
For people responsible for managing their company's 401(k) plan, benchmarking is more relevant than ever between avoiding lawsuits, hiring and retaining employees, and contending with budgetary and investment pressures.

Here are six reasons why benchmarking your plan is an economic and fiduciary necessity.

01 You don’t know the total cost of your plan.

If you're a 401(k) plan sponsor, you have a fiduciary responsibility to only pay reasonable plan fees and expenses from plan assets. Keeping 401(k) plan fees in check is one of your most important fiduciary responsibilities because even small excessive fee amounts each year can substantially reduce a participant nest egg over decades of saving. Excessive 401(k) fees can also mean severe consequences for you - including personal liability.

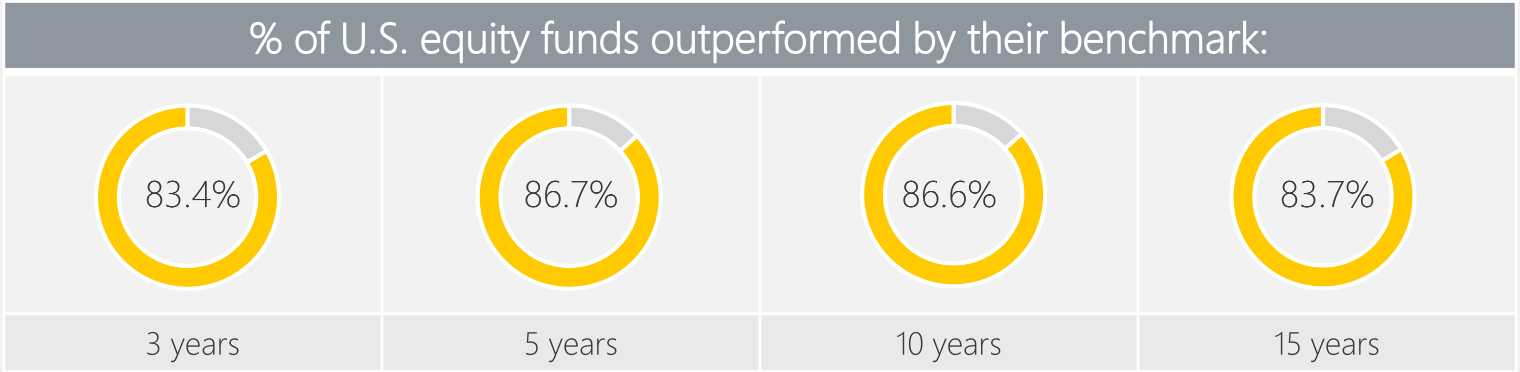
How can you ensure your fees are reasonable if you aren't aware of them all? In addition to the fees you are aware of, there are a number of hidden costs. This makes it very difficult for you to determine the true cost of your plan.



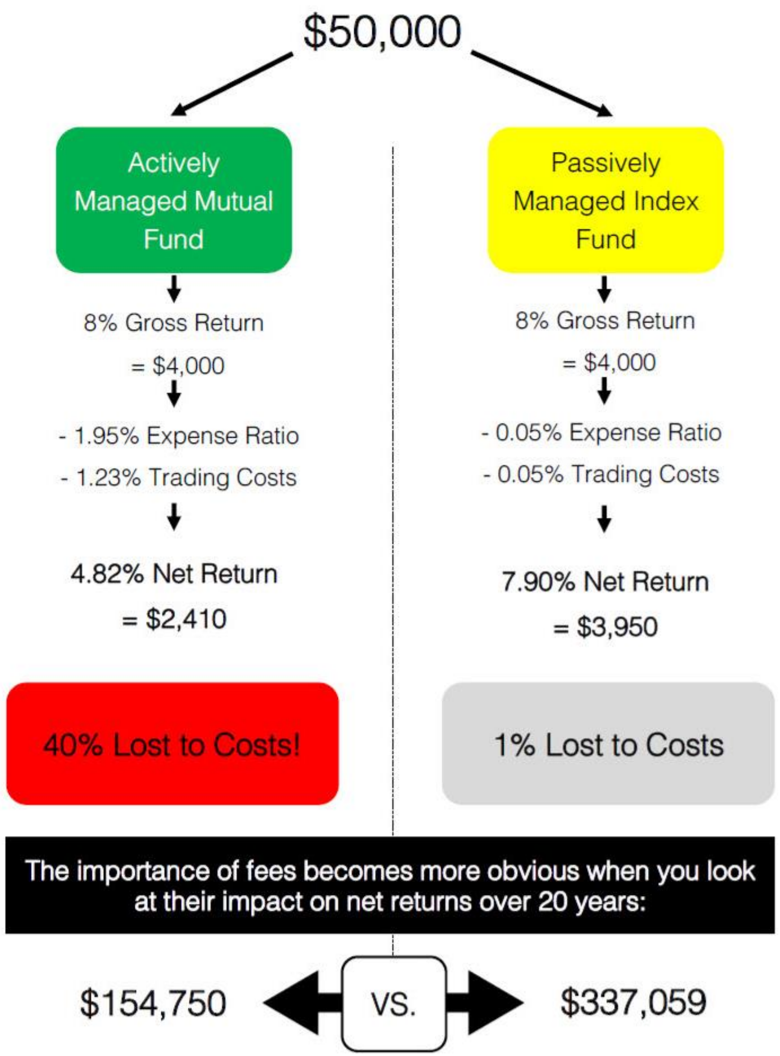
Just to name a few...

02 Active mutual funds dominate your lineup.

Actively managed mutual funds are the most common investment option among 401(k) plans — not because they perform well for participants, instead because they pay “advisors” and other service providers through their revenue sharing arrangements.



Here’s a quick cost comparison of an expensive actively managed fund vs. a low-cost passively managed index fund.



03 Government regulations require action

The Department of Labor (DOL) and Internal Revenue Service (IRS) are tasked with overseeing 401(k) plan regulations. To ensure your plan remains compliant both government bodies provide guidance to plan sponsors. The DOL recommends that plan sponsors "establish and follow a formal review process at reasonable intervals[1]."

The IRS is more specific on their website, suggesting that plan sponsors review their plans on an annual basis.


A Plan Sponsors Responsibilities

https://www.irs.gov/retirement-plans/plan-sponsor/a-plan-sponsors-responsibilities

IRS

Home > Retirement Plans > A Plan Sponsors Responsibilities

A Plan Sponsor's Responsibilities

Congratulations! You have an employee retirement plan in place! Of course, you want to do the right things to run your plan. These tips will help you stay on course.

Remember that you, the employer, are responsible for keeping your plan in compliance

- Your plan document must be written to comply with all requirements in the Internal Revenue Code.
- Your plan must be administered to follow its terms in operation.
- Review your plan annually to make sure it's operating according to its terms and the law.

Double-check the options you selected in your adoption agreement

If you buy a pre-approved plan, you may have an adoption agreement. The adoption agreement is a supplement to the basic plan document and lists plan features from which you may choose. The adoption agreement becomes part of your plan. Know what your adoption agreement says about:

[1]Meeting your Fiduciary Responsibilities, U.S. Department of Labor, Employee Benefits Security Administration

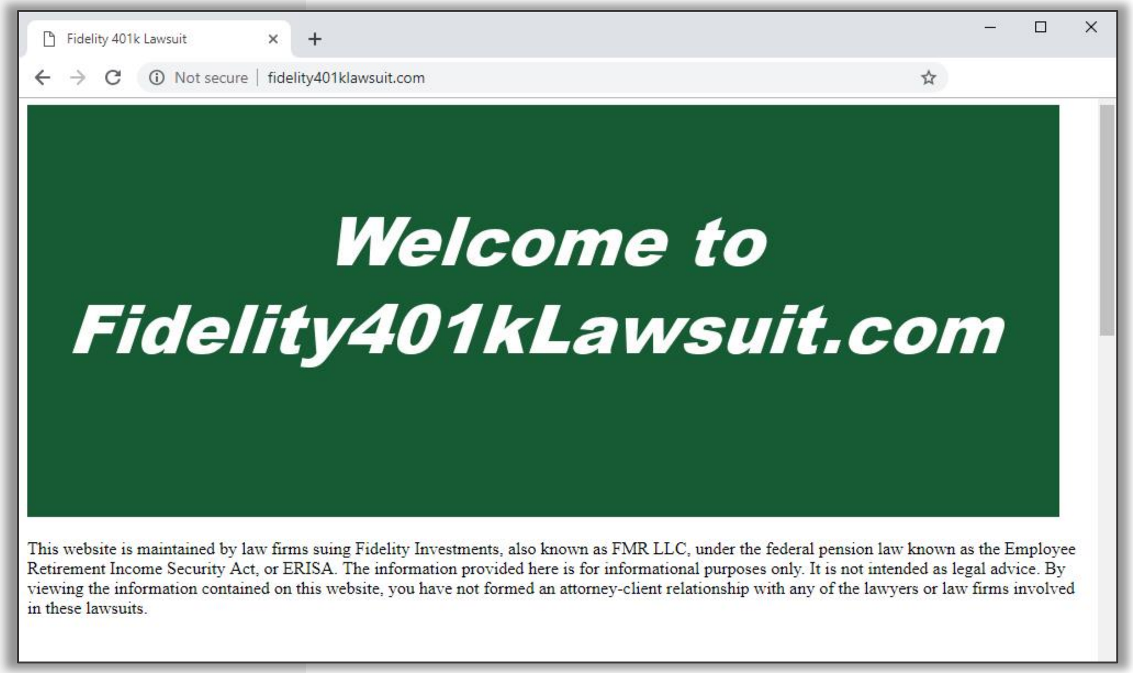
04 Lawsuits are a real threat

Litigation is becoming the primary threat to the 401(k) industry. Lawsuits were once limited to just the largest of employer provided retirement plans, but this is drastically changing. With increased media attention and more educated 401(k) participants, legal arguments are beginning to develop in the small plan market as well.

This means that all plan sponsors, regardless of how small your plan might be, must proactively work to make their plans lawsuit-proof.

All 401(k) related lawsuits are related to the following breaches of fiduciary duty:

1. Excessive fees
2. Improper fund selection
3. Conflicts of interest



The plaintiffs bar is now viewing small plans as a target rich environment for class action lawsuits, viewing 401(k)s as the next asbestos.

05 It enhances fiduciary oversight

A Fiduciary is someone acting in a position of trust on behalf of a third party. Many sponsors are unaware of their status as a fiduciary or even what it truly means.

Major responsibilities of a 401(k) fiduciary	
1	Acting with the care and due diligence of a prudent person
2	Making decisions in the sole interest of the participants
3	Selecting a diverse range of suitable investments
4	Ensuring the plan is paying reasonable expenses

Most "advisors" appear to market fiduciary services, but their agreements routinely affirm their non-fiduciary status, leaving the sponsor as the sole fiduciary and holding all of the liability.

The important point is this:

Sponsors, as fiduciaries, are on the hook for decisions made about money belonging to the plan's participants.

So it is in your best interest to fully understand all aspects of your plan, and how well it compares to alternatives in this dynamic and highly competitive marketplace.

06 It's free!

401(k) Benchmark

Benchmark your 401(k) plan. This way, you know and have documentation that your plan is competitive, fees are reasonable, and you and your employees are getting a good value and service for those fees.

To learn more about NS Capital's free 401(k) Benchmark give us a call at (866) 676-6002