

# Calculating Retirement Plan Fees

Step-by-step process to estimating your plan fees.

# This Course Will Cover

1. The four types of plan fees
2. How to identify if plan providers are revenue sharing
3. How to estimate plan fees
4. How to determine fee reasonableness

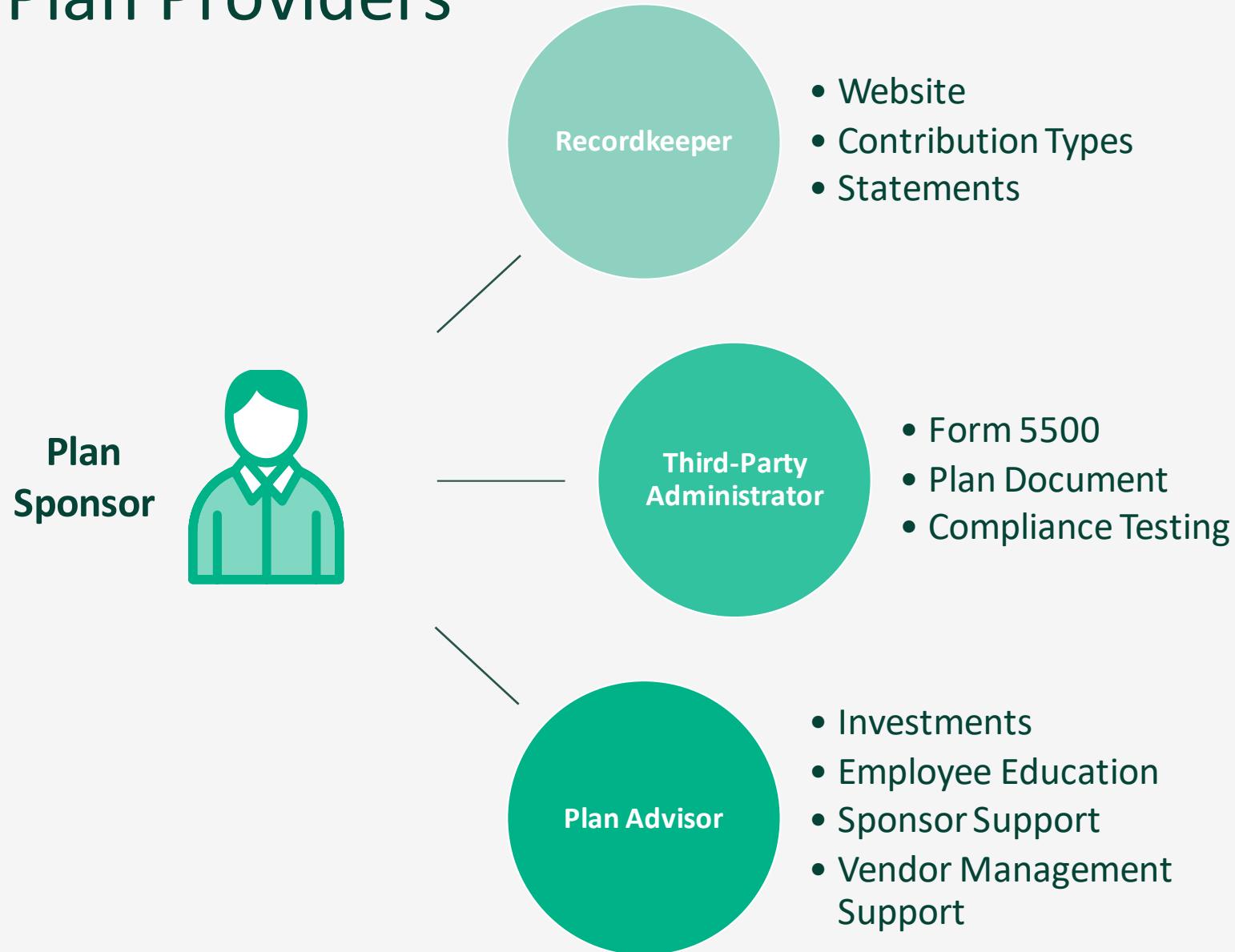
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## The Four Types of Plan Fees

# Why knowing what you pay is important

1. Most plan fees are paid for by participants.
2. An employer offering a retirement plan is legally responsible to act in the best interest of plan participants.
3. This fiduciary responsibility obligates the employer to review plan fees and benchmark services every three years or so to verify 'fee reasonableness'.
4. Plan sponsors have been successfully sued by employees for failure to execute their fiduciary responsibilities.

# Multiple Plan Providers



# What exactly are you paying for?



**95%** of plan fees are paid by employees.\*

	Investment Fees	Administration Fees	Advisory Fees	Ancillary Fees
Who are you paying?	Service providers to the fund, including investment managers and administrators	Recordkeeper and/or TPA	Investment Adviser	Auditor ERISA Counsel Others
What are you paying for?	Managing the funds, including investment management fees	Day-to-day management of a plan	Services provided by a plan advisor	Annual audit, ERISA counsel, etc.
How is it calculated?	Percentage of the assets invested in the specific fund	Base fee + per participant fee; sometimes as asset-based fee	Percentage of assets	Varies
Who typically pays?	Employees: fees are deducted from the funds in which employees are invested	Employees: fees are deducted from plan assets	Employees: fees are deducted from plan assets	Employer

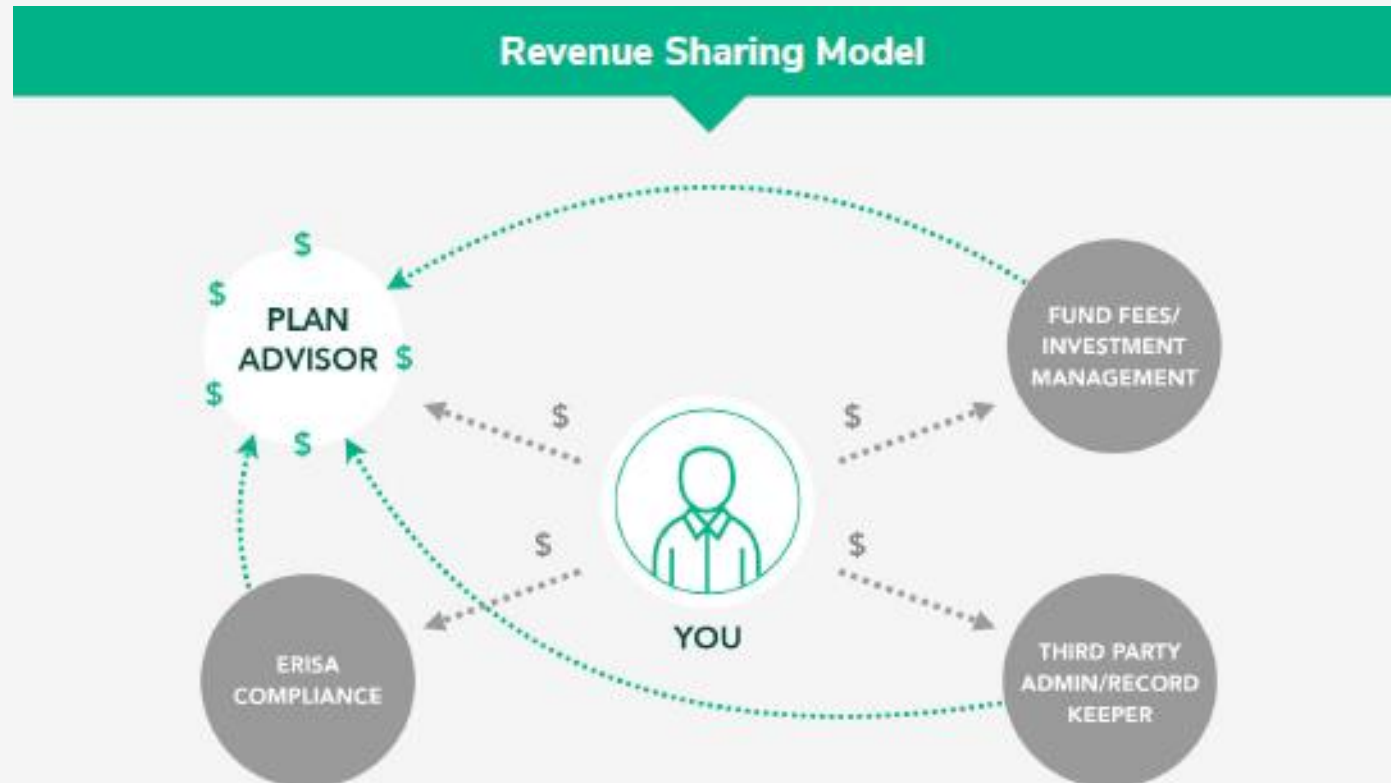
\*Source: 401(k) Advisors, Inc.

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# How to Identify Revenue Sharing

# What is revenue sharing?

It's when a provider receives kickbacks, incentives, or commissions from each other or from the fund manager. This means those service providers get paid by charging you directly AND by getting indirect payments you may not know about.





# Why is revenue sharing a problem?

**Did you know?**

**OVER  
50%**



of 401(k) plans include  
revenue sharing\*

1. Revenue sharing can make you think you're paying less than you actually are.
2. It also creates conflicts of interest.
3. For example, your plan advisor could be adding low performing funds that pay the highest commissions into your fund line up.

\*Based on actual 401(k) plan data collected by Fisher Investments Fee Analysis Team 2021.

# How can I tell if my plan advisor is revenue sharing?

This can be difficult to identify because revenue sharing payments can be included within other provider's statements. For example, advisor commissions can be included in fund costs as 12b-1, Sub TA, commissions and revenue sharing fees.

SAMPLE PLAN ASSET STATEMENT

Fund Name	Assets	Average Annual Return As of MM/DD/YYYY		Annual Fund Operating Expense			
		1 Year	5 Years	Net Expense Ratio	Gross Expense Ratio	12-b-1 Fees	Sub-TA Fee
Fund 1	\$200,000	X%	X%	0.35%	0.45%	0	0.10%
Fund 2	\$200,000	X%	X%	0.48%	0.56%	0.05%	0.10%
Fund 3	\$200,000	X%	X%	0.61%	0.65%	0.15%	0.10%
Fund 4	\$200,000	X%	X%	0.30%	0.40%	0	0.10%
Fund 5	\$200,000	X%	X%	0.66%	0.67%	0.22%	0.10%

These fund fee types  
often indicate  
revenue sharing

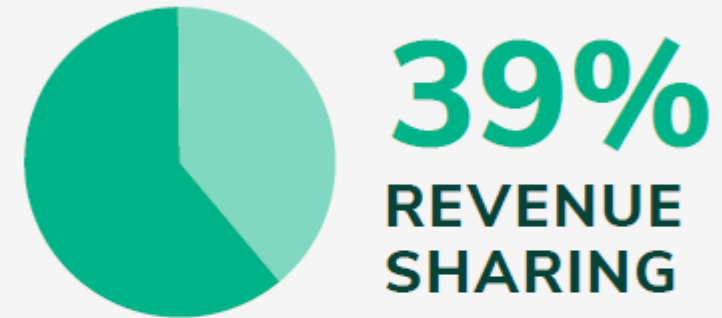
Contact Fisher at [844-238-1247](tel:844-238-1247) to request a complimentary fee analysis.

# How do I avoid revenue sharing?

Hire a plan advisor who:

1. Is a fee only advisor
2. Acts as an ERISA 3(38) Investment Manager
3. Has a clear fee structure that ensures your providers never profit off opaque commissions or fees

## Did you know?



On average, revenue sharing accounts for ~39% of all-in plan fees\*

\*Based on actual 401(k) plan data collected by Fisher Investments Fee Analysis Team 2021.

# What is a 3(38) Investment Manager?

An ERISA 3(38) Investment Manager is someone legally required to make decisions in the best interest of participants and assumes the primary fiduciary liability for certain investment decisions.

	Non-Fiduciary	3(21) Co-Fiduciary	3(38) Investment Manager
Obligated to make decisions in your best interest	No	Yes	Yes
Responsible for Investment Recommendations	None	Yes	Yes
Makes Investment Decisions	No	No	Yes
Participates in Revenue Sharing	Very common	Sometimes	Rarely
Full 3(38) Investment Manager Coverage	No	No	Yes

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# How to Estimate Plan Fees

# Step 1: Collect fee documents

## Fee Documents



- 408(b)(2) Plan Fee Disclosure
- Service Provider or Third-Party Administrator (TPA) Invoices
- Plan Asset Statement
- 404(a)(5) Participant Fee Disclosure

# Step 1: Collect fee documents

	Fee Documents			
Document Name	408(b)(2)	404(a)(5)	Plan Asset Statement	TPA Invoices
What it is	Plan Fee Disclosure	Participant Fee Disclosure	Accounting of the total plan assets in each fund	Invoices accounting for fees from ancillary services
Fees Shown	Fees paid at the plan level: Recordkeeping fees, Administration fees, Advisory fees, Investment fees	Fees paid at the individual participant level: fund fees, certain ancillary fees	Fund fees	Fees that are direct billed to the Plan Sponsor, typically administration fees and/or ancillary fees
Where to Find It	Provided annually Available on demand on plan website	Provided annually Available on demand on plan website	Provided quarterly Available on demand on plan website	Distributed by provider(s) as needed
Who Provides it	Recordkeeper	Recordkeeper	Recordkeeper	TPA, Auditor, or other ancillary providers

# Step 2: Navigating your documents

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## The 408(b)(2) Plan Fee Disclosure

The 408(b)(2) fee disclosure document lists the providers serving a plan and states who's being paid from the 401(k) plan assets, how much, and under what circumstances.

This typically means fund fees

This can include ancillary fees and sometimes advisor fees

Service	Annual Fee (\$)	Annual Fee as Percentage of Assets (%)
Recordkeeping	\$11,400	0.57%
Administration	\$1,400	0.07%
Investment Provider	\$9,600	0.48%
Other	\$7,400	0.37%
Total	\$29,800	1.49%



# Step 2: Navigating your documents

## Third-Party Administrator Invoice

This is the invoice(s) from the provider you've hired to administer your 401(k) plan. This document is only applicable if the third-party administrator (TPA) sends you a direct invoice for payment. If they don't provide an invoice, they likely deduct their fees from plan assets, which means their fees will be included on the 408(b)(2).

INVOICE		
Jan 1–March 30		
ABC Third Party Administrator		
Invoice to XYZ Company 401(k) Plan		
Item	Description	Amount
401(K) Plan Administration	Quarterly Fee	\$350

This is a quarterly invoice.  
The annual fee is **\$1,400**



**Pro Tip:** Invoices often reflect a quarterly fee instead of an annualized fee. If the fee is shown as quarterly, be sure to convert it to an annual fee for your calculation.

# Step 2: Navigating your documents

## Plan Asset Statement

This document outlines the amount of assets your company’s 401(k) plan has in each fund.

Fund Name	Assets	Average Annual Return As of MM/DD/YYYY		Annual Fund Operating Expense			
		1 Year	5 Years	Net Expense Ratio	Gross Expense Ratio	12-b-1 Fees	Sub-TA Fee
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Fund 5	\$200,000	X%	X%	0.66%	0.67%	0.22%	0.10%

These fund fee types often indicate revenue sharing

# Step 2: Navigating your documents

## The 404(a)(5) Participant Fee Disclosure

The 404(a)(5) fee disclosure document lists any fees paid at the participant level. Below is an example of a fee that you might find in a 404(a)(5) participant disclosure.

Asset Value	Account Fee
0-\$100,000	30bps
\$100,001-\$500,000	25bps
\$500,001-\$1,000,000	20bps
\$1,000,001-\$5,000,000	15bps

..... Sometimes there are additional fees shown on the participant fee disclosures.



**Pro Tip:** Revenue sharing often shows up in the investment fees section of the Plan Asset Statement or 408(b)(2) fee disclosure. Terms like ‘12-b-1 fees’, ‘Sub-TA fees’, and ‘commissions’ can be a clue that revenue sharing is taking place within your plan.

# Step 3: Estimate your fees

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Use this quick reference to locate the specific fee information you need for this calculation:

Information you need	Where to find it	Your amount*
Number of plan participants	The 408(b)(2) fee disclosure	
Amount of total plan assets	Plan Asset Statement	
Recordkeeping fee	The 408(b)(2) fee disclosure	
Administrator fee	TPA Invoice(s)	
Advisory fee	The 408(b)(2) fee disclosure or Plan Advisor Invoice	
Participant fees	The 404(a)(5) fee disclosure	
Fund fees (Average expense ratio)	The 408(b)(2) fee disclosure	

\*Make note here of fees as both a percentage (%) and dollar amount (\$) for purposes of calculation

Some of these fees are expressed as percentages; some are expressed as a dollar amount; others are a combination of both percentage and dollar amount. Be sure to document them all.

## Step 3: Estimate your fees



Now you're ready to input your numbers into the Plan Fee Estimator

Download the retirement plan cost estimator template to calculate the estimated true cost of your plan.

[DOWNLOAD THE ESTIMATOR](#)

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Determine fee reasonableness

# Businesses were fined \$193 Million in 2019 for *excessive plan fees*

**\$449 Million**

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2019 ERISA Class  
Settlements

**\$193 Million**

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Excessive Fees Settlements

**\$12 Million**

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Average Settlement

[Source: Bloomberg](#)

# What is fee reasonableness?

Plan sponsors will be asked to justify their plan fees including:

1. The **QUALITY** of the provider
2. The **SERVICES** it is delivering
3. The **VALUE** it supplies
4. The **EXTRA CREDIT** it may be providing



# Who decides if a fee is reasonable?

The fiduciary decides if the fees are reasonable and is liable for fines:

- Plan Sponsor
- Plan Sponsor AND the Plan Advisor (if acting as a 3(21) Fiduciary)
- Plan Advisor (if acting as a 3(38) Investment Manager)

# Benchmark your plan



## Benchmarking Your Plan

The best way to assess whether fees are reasonable is to benchmark them—compare your plan fees to other plans that are similar to yours.

This is where it's critical to have a specialized provider to help.

A free Fee Analysis from Fisher will benchmark your plan fees against plans similar to yours.

Contact us at 844-238-1247 or click [here](#).

# Fisher redefines what it means to be a partner in retirement

## **Your Interests First**

Our incentive structures are aligned with your success. No revenue sharing, no kick-backs, and no commissions. When you do better, we do better.

## **DIFY (Do It For You) Approach**

Our servicing solutions focus on doing everything we can for you. From acting as a single point of contact for your plan to selecting your investments, we provide services that many other Plan Advisors can't or won't provide.

## **Superior Financial Guidance**

As one of America's top financial advisors, we work with you to build an optimal program and provide ongoing one-on-one financial guidance to maximize wealth generation.

## **Small Business Expertise**

We specialize in small business retirement plans. As a result, we act as your advocate and have the knowledge, resources and clout to champion your needs.

Contact us at 844-238-1247 or click [here](#).

# Appendix

# Services your plan advisor should deliver

	Criteria	Your Plan	Fisher Advantage
Plan Performance	Higher than average plan participation. Industry average is 60%. Fisher average is 69%. <sup>1</sup>		✓
	Higher than average participant deferral rates. Industry average is 7.1%. Fisher Average is 8.2%. <sup>1</sup>		✓
	A low cost, high performing fund line up.		✓
Plan & Investment Guidance	Plan advisor commits in writing to receive no form of revenue sharing.		✓
	Plan offers a variety of investment solutions, including a self-directed brokerage account, to meet the wide range of needs of investors.		✓
	Access to open architecture funds, institutional share classes.		✓
Participant Support	Regular in-person, one-on-one meetings to increase employee participation and improve retirement readiness.		✓
	Language support in English and Spanish, and translation services for most other languages.		✓

# Services your plan advisor should deliver

	Criteria	Your Plan	Fisher Advantage
Simplified Plan Administration	Dedicated single-point-of-contact for plan servicing, troubleshooting and vendor management assistance.		✓
	High-touch transition management for a seamless shift to a new plan.		✓
	Plan advisor that partners with the company's employee that administers the plan to streamline payroll and plan administration processes.		✓
Legal Protection	Provides full 3(38) fiduciary coverage including responsibility for selection and ongoing maintenance of the fund lineup.		✓
	Create and help maintain a fiduciary audit file.		✓
	Annual benchmarking for fees, services and performance.		✓