Fee and Expense Policy Statement Checklist

Most defined contribution plans have an investment policy statement (IPS) to guide the prudent selection and monitoring of investments. While a good practice, a great deal of recent qualified plan litigation has focused on fees and expenses. Plan sponsors should consider developing and implementing a fee and expense policy to guide the process of evaluating plan expenses, the allocation of those expenses, and the role that revenue sharing, if any, serves in their plan.

This checklist is designed to illustrate actions that plan sponsors should consider taking when creating a fee and expense policy that best meets the needs of their plan.

ESTABLISH POLICY AND SCOPE

- ☐ Clearly identify the goals and scope of the policy
- ☐ Decide who will implement, oversee, monitor, and enforce the policy. This may be the named fiduciary and/or plan committee
- ☐ Establish a method of amending or updating the policy given potential changes or product enhancements

GENERAL FEE POLICIES

- ☐ Establish whether plan administration costs will be:
  - ☐ The sole responsibility of the employer
  - ☐ Partially the responsibility of both the employer and the participant
  - ☐ The sole responsibility of the participants

- ☐ If some or all of plan administration costs will be the responsibility of the participant, determine whether the payments will be made:
  - ☐ Pro rata (based on a participant's account value)
  - ☐ Per capita (equal amount per participant regardless of account values)
  - ☐ A combination of both pro rata and per capita

- ☐ Ensure plan fiduciaries have a clear understanding of revenue sharing and have defined the role that revenue sharing, if any, will serve in the payments of plan fees and providers. If necessary, create a plan expense account (See Plan Expense Account section on the next page).

INVESTMENTS AND QUALIFIED DEFAULT INVESTMENT ALTERNATIVE (QDIA)

- ☐ Using an objective process, evaluate and determine the following related to all plan investments, with special attention to the QDIA:
  - ☐ In accordance with your investment policy statement, determine the role of active and passive investments within the plan, including their related fees and expenses
  - ☐ Consider whether each plan investment is utilizing the most appropriate share classes and vehicles for the plan in light of revenue sharing and plan expense account policies
  - ☐ Determine if the fees and expenses of plan investments are reasonable compared to similar investment options

PLAN EXPENSE ACCOUNT/ERISA BUDGET (IF APPLICABLE)

- ☐ Evaluate and determine the need for a plan expense account
- ☐ Institute a process with the record keeper for the establishment and funding of a plan expense account through applicable revenue share
- ☐ Define the list of vendors that may receive payments from the plan expense account
- ☐ Establish which payments will be made from the plan expense account
- ☐ Determine a policy for unused funds:
  - ☐ Return funds to participants on a pro rata basis
  - ☐ Return funds to participants on a per capita basis
  - ☐ Other
- ☐ Create and implement a policy for the ongoing monitoring of the Plan Expense Account

PARTICIPANT COMMUNICATION

- ☐ Prepare and implement a participant communication strategy focusing on:
  - ☐ Making information clear and comprehensible
  - ☐ Reporting items related to fees in a meaningful and timely way
- ☐ Review current fee disclosures to participants, ensuring a process for proper distribution of 408(b)(2) and 404(a)(5) notices going forward
- ☐ Confirm compliance with current regulatory requirements and continuously monitor legal and regulatory developments regarding cost management and fee disclosure

For more information, call the Retirement Investment Solutions team at (877) 275-9786 or visit pgiminvestments.com/DCIO.

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Speak with an experienced investment professional regarding your qualified plan. A financial advisor can also be a valuable resource in helping you run a successful and compliant plan, developing a strong communications program, and maximizing employee participation.

Please consult with your tax and legal advisor regarding your personal circumstances. Investing involves risk, and some investments are riskier than others. The investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than the original cost. Past performance is no guarantee of future results.

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