



Fee Equalization/ Levelization

Have you conducted a fee equalization/levelization?

Fees in defined contribution (DC) plans can be complicated. Historically, fees have not been fully and simply disclosed, but the industry is changing towards greater and more understandable disclosure.

Simply put, there are two basic types of fees: administrative and investment related. The investment-related fees are deducted from earnings on participant accounts and will vary from one investment to the next. These fees are paid to the firms that are making decisions about how the various funds are invested in the market. Participants will pay different investment-related fees, as the fees are based on where the participant chooses to invest their assets.

Administrative fees are also deducted from participant accounts. If the plan has not implemented a fee equalization (also known as fee levelization), administrative fees will also vary from one investment to the next. Administrative fees are designed to pay for administrative-related activities associated with recordkeeping participant accounts. Such activities can include marketing, statements, education, processing contributions and withdrawals, issuing required tax forms and meetings with local representatives.

Fee equalization addresses the equity of the administrative fees being charged to participants. Unlike the duties associated with investment management, duties associated with administering participant accounts do not change depending on where a participant has directed his or her investments. Arguments can easily be made that administrative fees should be the same for all participants because they have the same recordkeeping requirements. In our experience, regardless of investment selection, account value, contribution level – the administrative duties are equal for all participants, so the administrative fees should also be equal.

We believe that every plan sponsor should consider a fee equalization structure in their plans, so participants share equally in the cost of administering this important benefit.

For more information, contact us at [\[PHONE\]](#) or [\[EMAIL\]](#).

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