



# Fiduciary Fitness Program

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Education Module #3:  
Selecting and Monitoring Service Providers

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## Module 3: Selecting and Monitoring Service Providers

The selection and monitoring of service providers is a fiduciary duty. This module describes the various service providers typically engaged by a plan to assist with plan administration. It also describes suggested best practices to ensure that such service providers are independent and objective professionals.

### Plan Fiduciary Responsibilities with Respect to Service Providers

- Prudently select and monitor all plan advisers, providers, auditors and all other service providers
- Must have a documented process
- Monitor service providers by conducting plan benchmarks every three to four years
- Ensure all parties' fees are fair and reasonable

### Department of Labor (DOL) Guidance

- The DOL published a recommended list of specific questions plan fiduciaries should ask and have answered by these parties
- The DOL, in its audit process, requests information from plan fiduciaries about these providers including:

- ✓ their name, organization and location;
- ✓ copies of all engagement agreements;
- ✓ copies of any management letters; and all parties' fee schedules.

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### Procedural Best Practices

- First focus on the service provider's ability to provide the necessary services to support the plan
- Next focus on the service provider's experience and expertise
- Focus conversation around how to engage the service provider
- Ensure plan expenses are "fair and reasonable" this does not mean the cheapest, but is interpreted to mean competitive to market

### Financial Professionals

- Financial professionals hired by the plan fiduciary to assist with the management of the plan
- Typically they perform fiduciary services around:
  - Investment due diligence and selection
  - Provider selection and plan benchmarking
  - Committee meetings
- Financial professionals are generally financial registered representatives or investment professionals
- Services vary greatly from firm to firm. Make certain comparisons are accurate.

#### Action Step

Review and complete the Selecting and Monitoring Plan Consultants documentation module

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### Providers

- Providers are individuals or entities hired to provide administrative services to the plan
- Typically these providers are:
  - Recordkeepers
  - Third party administrators
  - Investment management companies
- Depending on services provided, these providers may or may not function as a fiduciary

#### Action Step

Review and complete the Selecting and Monitoring Providers documentation module and periodically conduct a Provider Analysis

### Auditors

- Employee benefit plans with 100 or more participants are required to have an audit as part of their obligation to file an annual return/report (Form 5500)
  - Small plan exception if less than 120 participants and filed as a small plan the previous year
- Plan sponsor, in conjunction with the plan administrator, should hire an independent qualified public accountant
- Audit helps protect the assets and the financial integrity of the employee benefit plan and ensure the necessary funds will be available to pay for retirement benefits

#### Action Step

- Review the Selecting and Monitoring Auditors documentation module
- Implement and complete a documented process to select and monitor all plan service providers



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