



401(K) FEES:

ARE PLAN SPONSORS PAYING TOO MUCH?

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Under the Employee Retirement Security Act (“ERISA”), plan sponsors have a fiduciary obligation to ensure they are paying fair and reasonable fees for their 401(k) plan’s management, and are required to disclose most direct and indirect payments to plan providers—including record keepers, consultants, third-party administrators, and advisors—on the Plan’s Form 5500 return.

Yet most busy HR directors and CFOs are unaware of their Plan’s expenses and would be thoroughly unprepared to discuss or justify them.

The average CFO is solicited twice each month for a third party “plan review,” and while most of these offers are justly viewed with a fair amount of skepticism, there is significant value to be found in bringing in the right independent consultant capable of presenting access to premier plan management abilities and a virtually unlimited choice of investment options. The combination of more fund choices and lower investment expenses (and not limiting the plan’s investment lineup to high-cost proprietary mutual funds) typically results in lower overall fees for plan sponsors and better retirement results for participants.

Independent firms such as Chernoff Diamond have the expertise to advise plan sponsors on their obligations and to help them determine whether fees, including investment expenses, are reasonable. They have attorneys specializing in ERISA and investment advisors on staff, providing a virtual “one stop shop” for effective plan management.

“Chernoff Diamond helped us to put in a superior investment lineup, met individually with our employees to educate them on investment choices, and recovered significant revenues from mutual funds to effectively reduce plan expenses”, said Nicholas T. Pattakos, Senior Vice President, Finance for Lippe Taylor, Inc.

To learn more about how ERISA and other legislation impacts the administration of 401(k) plans, or to learn more about how Chernoff Diamond can help navigate the associated rules and regulations, contact John Grace at (516) 247-3426, or via e-mail at jgrace@chernoffdiamond.com.