

June 23, 2021

Is Your 401(k) Plan on Course? Follow this Checklist

Keeping your 401(k) plan on course requires vigilance, and a good plan sponsor navigates more than just the investment climate and daily maintenance of the plan. Tracking a 401(k) plan includes thorough reviews throughout the year, with employers focused on fees and performance, compliance, and participant communication. Here is a concise checklist to keep your 401(k) plan on course.



Fees and Performance

Routine reviews offer an opportunity to monitor fees and expenses related to the 401(k) plan, as well as identifying new features that may be incorporated into the plan. When examining the performance and fees of the plan:

1. Consider the purpose and goals of the 401(k) plan

An assessment of the plan's objectives is important to recognize whether the plan is meeting those goals for the sponsor and the participants. Achieving the objectives may include:

- Determining if the original purpose of the plan remains relevant. If priorities have changed, the plan's design may need to be revised
- Measuring the success of the plan by setting specific goals and reviewing

results, such as improving certain internal processes

- Gathering feedback from participants through surveys and focus groups

2. Review service provider fee disclosure requirements (and expense monitoring)

Monitoring expenses is one of the many duties of a plan sponsor and your review of provider's service fees should include:

- Reading their disclosures
- Comparing fees to similar plans through a bench-marking study provided by a trusted consultant
- Being prepared to explain the expenses paid and why they are reasonable and suitable options for your plan participants
- Discussing concerns with service providers

3. Review required participant fee disclosure regulations

Sponsors are responsible for reading and evaluating the materials the plan providers send to participants. As you review the information, consider:

- Are the fees reasonable?
- Is all of the required information included in the disclosure?
- Can participants easily understand the information?
- Are there other ways to present the information that would make statements more useful?

4. Revisit plan administrative procedures and implement best practices

An administrative manual provides an organized method of documenting specific processes and procedures for administering the 401(k) plan. The contents can include:

- Procedures for reconciling plan contributions
- Details for calculating employer contributions
- Process for funding contributions

- Explanation of services provided by various providers, such as nondiscrimination testing, Form 5500 preparation, or plan document maintenance
- A list of decisions made related to the interpretation of the plan document

Compliance

With the assistance of your legal counsel and 401(k) service provider, you can ensure your plan complies with federal regulations by:

1. **Conducting a compliance review** to identify potential issues
Compliance reviews can uncover issues and administrative gaps, including:
 - Services that should be provided but are currently not being performed
 - Changes in ownership, acquisitions or mergers
 - Changes to the plan's controlled group status
 - Nondiscrimination tests and who performs the testing
2. **Assessing plan documents** to ensure the plan complies with current regulations
Key reasons for this review include:
 - Ensuring the tax-qualified status of the 401(k) plan, which could be at risk if the plan document does not comply with current regulations
 - Conducting a document review annually also helps confirm restatement cycles are met and various administrative procedures are being performed as outlined in the plan document
 - Determining that all safe harbor requirements are met each plan year (for safe harbor plan designs)
 - Updating the plan's summary plan description (SPD), if necessary. The SPD should be updated once every five years if the plan has been amended within the five-year period, and every

10 years if the plan has not been amended

3. **Confirming that your plan's fiduciaries understand** their responsibilities
The plan sponsor must know – and document – those who are considered fiduciaries for the plan. The fiduciaries should:
 - Receive appropriate training for their role and how to document the duties they perform
 - Adhere to the U.S. Department of Labor's (DOL's) fiduciary regulations
4. **Staying alert to legislative changes** that may affect the 401(k)
Changes in legislation and regulations may affect your plan. Consider these methods for keeping abreast of updates and revisions:
 - Request that your 401(k) provider shares updates promptly
 - Assign an internal team to track legislation and guidance on existing regulations
 - Set action plans with your legal counsel and 401(k) provider for implementing changes that occur
 - Subscribe and review publications offered by professional organizations such as [Findley](#)

Communication

A myriad of communications is required to meet fiduciary obligations each year. Fee disclosures, safe harbor notices, automatic enrollment notices and summary annual reports are just a few of the communication requirements. Additional communications may be needed to promote features of the plan or changes to the plan. Your review of the communications should include:

1. **Evaluating the plan's required communications** to determine if they meet fiduciary obligations by:
 - Creating a list of the notices that are required, delivery options and the timing for each
 - Reviewing each communication piece for accuracy and readability



2. **Developing new communications** for the plan to:

- Target messages to groups of participants based on age, contributions rate, employment classification, compensation or other factors that affect participant behavior
- Promote the idea of preparing for retirement through communication and education about saving and investment

- Expand the ways messages are delivered by introducing smartphone applications and interactive websites

Questions regarding this checklist and your 401(k) plan? Contact Lauren Schlueter at Lauren.Schlueter@Findley.com or (615) 665-5348.

Copyright © 2021 by Findley, a Division of USI. All rights reserved.