



WHAT'S REASONABLE?

“RULE OF THUMB” BENCHMARK FOR 401K ADVISORY FEES

Plan sponsors are increasingly aware of their fiduciary responsibility to ensure that their plan only pay “**reasonable fees**” to their service providers. While commonly used benchmarks on recordkeeping and investment data are readily available, there is far less information on the fees plan sponsors pay to their advisors.

The best way for a plan sponsor to benchmark the reasonableness of their advisory fees is to issue a Request for Proposal (RFP). As a quick check, we’ve developed the following grid to help plan sponsors with some quick guidelines on advisory fee data.

ADVISORY FEE BENCHMARK

Assets (Millions)	Low Range	High Range
\$ 10 MM	\$20,000	\$35,000
\$ 30 MM	\$31,000	\$60,000
\$ 50 MM	\$32,000	\$70,000
\$ 70 MM to 90 MM	\$40,000	\$100,000
\$ 100 MM to 150 MM	\$45,500	\$105,000
\$ 150 MM to 200 MM	\$47,000	\$125,000

Another point for sponsors to consider is whether the advisory fees they’re paying are flat dollar or asset based. Under an asset based model, fees tend to increase as the plan size grows, creating potential fiduciary exposure on any “excessive compensation” that is generated for the advisor. Because of this, many larger plans have moved to flat-dollar fee arrangements.

It’s also important for a plan sponsor to consider the services offered by their advisor to determine if the value they receive is reasonable for the fees paid. For your convenience, we have listed key services that top-tier retirement consulting firms provide their clients on the next page.



Top 12 Core Services Offered by Leading Retirement Consulting Firms
1. Accepts fiduciary responsibility as a ERISA 3(21) and/or 3(38) advisor.
2. Selects and monitors investment options and provide investment monitoring reports to the Investment Committee on a quarterly/semi-annual basis.
3. Recommends changes to the plan's investment options when needed and oversee applicable participant notices.
4. Prepares a customized Investment Policy Statement and Retirement Plan Charter for the plan.
5. Benchmarks total plan costs and services annually and compares them against industry averages for competitiveness.
6. Provides a due diligence process for selecting and monitoring the plan's default (QDIA) for prudent fiduciary protection.
7. Provides advice on plan design options to maximize the retirement readiness of the employee base.
8. Provides a service agreement clearly outlining services, expenses, fiduciary status and conflicts of interest.
9. Provides timely regulatory updates.
10. Provides and maintains a fiduciary file & compliance system.
11. Frequently assist the Plan Sponsor by overseeing plan management and mandatory compliance requirements.
12. Provide fiduciary training to Retirement Plan Committee on an annual basis.

If you would like to learn more about Blue Prairie Group's comprehensive advisor benchmarking services, please contact Ty Parrish at 813-330-3377 or ty@blueprairiegroup.com

