

Benefits Resource Group

Case Study: 403(b) & 457 Multiple Plan Audit



403(b) & 457 Multiple Plan Audit

Background

- A Plan Sponsor offers three different retirement programs to their employees and wanted to minimize their fiduciary risk by identifying plan defects from an investment, expense and administrative standpoint.

Issue

- The Plan Sponsor was not clear on the services being provided by each vendor on their retirement plans and was concerned about their fiduciary risk and responsibilities.

Solution

- Benefits Resource Group (“BRG”) analyzed each retirement plan offered by the plan sponsor in order to identify and minimize their fiduciary risk and discovered the following:
 - Plan sponsor administrative inconsistencies with payroll and terminated employees.
 - Plan sponsor risk included multiple layered expenses and varied expenses along with varied fund performances in each plan.

Investments/Expenses	Plan 1	Plan 2	Plan 3
Average Investment Expense	.54%	.95%	.88%
Wrap Charge	.0%	.10%	.94%
Total Expenses	.54%	1.05%	1.82%

Fund Performance Analysis	Plan 1	Plan 2	Plan 3
Number of funds available	21	32	94
Average Peer Percentile of Funds (1=best, 100=worst)	49 1-yr 36 3-yr 33 5-yr	38 1-yr 38 3-yr 33 5-yr	60 1-yr 56 3-yr 60 5-yr

Results

- BRG alerted company on several processes that the vendors were not completing and mitigated future risk by identifying all fiduciaries and providing education on their obligations.
- BRG recommended an investment committee be established for the plan.
- BRG recommended implementing an Investment Policy Statement.
- Documented communication process to participants regarding the various share class charges and associated surrender periods.
- BRG recommended a consolidation to a single vendor.
- Potential savings to participants:
 - Year 1 \$47,415
 - Year 5 \$272,671
 - Year 10 \$665,107

6480 Rockside Woods Blvd. South | Suite 210 | Independence, OH 44131

Phone: 216-520-5000 | Fax: 216-520-5001 | www.benefitsrg.com