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FINANCIAL

3 Ways Recordkeeping Arrangements May Vary

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Recordkeeping for an employer-sponsored qualified retirement plan is pretty much just as it sounds; an outside provider is hired to literally keep a record of participant accounts. This includes everything from accounting for how much money each participant has in her account, to the number of investment shares held, to the source of money deposited. On the surface, recordkeepers seem fairly similar, but get into the fine print and there are significant differences in contracts and services offered. Here is a list of some of those differences I have seen in my history of working with various recordkeepers.

1. Termination Clauses – When things are good, they're good, but should your company need to terminate your relationship with your recordkeeper, there is a good chance that some fee will apply to end the relationship. Fees may vary. Also, recordkeepers have different arrangements when it comes to the services they will complete once they have been handed their pink slip. I recently came across a situation where the recordkeeper refused to complete the annual testing or Form 5500 if the plan transferred assets prior to the calendar year end.

2. Available Investments – The universe of investment options is slowly but surely become more available thanks in part to the Department of Labor's Fiduciary Rule, but there remains some noteworthy discrepancies in the accessibility of investments across various recordkeepers. In some cases, recordkeepers offer sub-advised or sub-managed investments which includes the investment arm of the recordkeeper offering additional oversight on traditional investments, usually for an additional fee. There are also differences in the share classes offered. Share class matters because it often dictates the overall cost of investing in an investment option along with the amount that various parties, such as the financial adviser and recordkeeper, receive in compensation from the investment.

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3. Third-Party Administration Services – Often recordkeepers will also offer third-party administration (TPA) services in what the industry calls a “bundled” service arrangement. In many cases, this arrangement makes sense because much of the data that a recordkeeper collects is also used by a TPA and therefore, having them work together is a win-win for the client and the provider. However, TPA services are another area with vastly different capabilities, costs, and proficiencies. Before you enter into a bundled agreement it is important to assess what the compliance and administrative needs of your plan are and whether or not the bundled TPA can meet those needs.

Although all recordkeepers may seem the same on the surface, there are several differences that can be found in the details and operation. Please contact us if you would like help reviewing your recordkeeping arrangement.

About the Author

Jamie serves as the Strategic Retirement Plan Coordinator for Grinkmeyer Leonard Financial. She works with company presidents, CEOs, CFOs, and human resources professionals to design, implement, and manage a total benefit strategy, including 401(k) plans and group health and welfare plans. Jamie holds the Qualified 401(k) Administrator (QKA) designation as awarded by the American Society of Pension Professionals and Actuaries, which signifies her qualifications as they pertain to the complex issues of qualified plan design, testing, and administration. She also holds the Accredited Investment Fiduciary® (AIF®) designation as awarded by Fi360 and the Certified Plan Fiduciary Advisor (CPFA) designation as awarded by the National Association of Plan Advisors.

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