

Plan Sponsors Need to Be More Aware of Administrative Fees

January 10, 2012 (PLANSPONSOR.com) – Plan sponsors are not fully knowledgeable of their plan administrative fees.

According to Callan's 2012 Defined Contribution Trends Survey: Where Have We Come From and What Lies Ahead, approximately 13% of plan sponsors do not know what types of administrative fees are applied to their company stock fund. In addition, 19.4% of plan sponsor that have funds with revenue sharing do not know what proportion of their funds pay revenue sharing.

Lori Lucas, DC practice leader at Callan Associates told PLANSPONSOR that based on the survey results, high numbers of plan sponsors are unaware of how their feeds are being paid. "Direct contribution plans have a lot of moving pieces that can be relatively complex. They need to get their arms around these fees. They need to know how they are paying these fees," said Lucas. The plan sponsor also needs to be able to explain why some are paying fees and some are not.

Other results from the survey show 37.5% of sponsors that credit revenue sharing back to plan participants do not know how this happens. Also, over 16% of plan sponsors are uncertain if their plan offers an ERISA (expense reimbursement) account.

The survey also found the leading compliance concern among plan sponsors was the lack of clarity on how to comply with the U.S. Department of Labor's 408(b)2 fee disclosure regulations; however, coming in a strong second was no concerns at all about compliance. Lucas said she is under the impression that plan sponsors who lack concern in this matter are looking to their recordkeepers to ensure compliance.

Lucas added based on the survey results, plan

sponsors need to keep on top of their use of automatic features. "We are seeing plan sponsors adapting at a slower rate in regards to automatic enrollment and automatic contribution," said Lucas. "As the economy improves, it might be a good opportunity for those not offering these features to reconsider. It's tough to do in a challenging economy. As the economy improves they might want to reconsider."

Lucas also mentioned plan sponsors have been making changes to their target-date-funds. "The one change is plan sponsors have been looking at different share classes in the target-date-fund. However, they still use those offered by their recordkeeper," said Lucas. "The target-date-fund landscape has changed a lot over the past few years, and if they have not looked again, it might be a good opportunity to look at a broader field of target-date-funds."

Other results from survey include:

- One in three (31.5%) plan sponsors replaced a fund or manager last year due to performance. Most affected were large cap domestic equity funds.
- TIPS/real return was the most added fund type in 2011, but TIPS were added at three times the rate of real return funds.
- Plan sponsors that changed their active/passive mix of funds increased their use of passive funds by 44.8%—far more than active funds in 2011 at 6.9%.

Callan's 2012 DC Trends Survey was conducted in the fall of 2011, and includes responses from nearly 100 U.S.-based companies with more than \$85 billion in assets.

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