



# MAXIMIZING RETURNS ON YOUR RETIREMENT PLAN

Are you concerned that fees are reducing your plan participants' investment returns?

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# INTRODUCTION

Are you concerned that fees are reducing your plan participants' investment returns? Could a review of your retirement plan's vendors and their fees lead to significantly better outcomes for you and your plan participants? If you have not conducted a formal review of your retirement plan fees within the past five years, then there is likely an opportunity to negotiate significant cost savings.

**Note:** When referencing “*vendors*” in this paper, we are referring to companies, such as AIG/Valic, AXA, MetLife, Voya, and third-party administrators who provide retirement plan recordkeeping, administrative and participant services, and in some cases investment and annuity offerings.

For many **public schools**, we have discovered these factors that can **drive up their retirement plan costs**:

- » **Fees have not been negotiated for a number of years**
- » **Having a multiple vendor arrangement**
- » **Participants don't realize the amount of fees they are paying**

# 01

## VENDOR FEES

### HAVE NOT BEEN NEGOTIATED FOR A NUMBER OF YEARS

Vendor fees are generally charged on a percent of assets basis. Under this arrangement, if your plan doubles in size due to contributions and market gains, then your vendor's fees are also doubled. This increase in fees is likely not justified.

Furthermore, **market competition has driven down vendor pricing in recent years**. Even if your total plan assets have not grown significantly since you last negotiated fees with your vendor(s), there may still be a substantial cost savings opportunity. Competition has increased due to new market entrants, increased utilization of technology, and efficiencies gained by the vendors.

# 02

## MULTIPLE VENDORS

### HAVING A MULTIPLE VENDOR ARRANGEMENT

While offering multiple choices is often a good thing, it can carry a substantial cost when it comes to your retirement plan vendors. In the past, many vendors' investment options were only available through their own platforms. This limitation, among other factors, led many plan sponsors to offer multiple vendor options to their plan participants. **Today, vendors can offer other providers' investments, eliminating one of the key factors for offering multiple vendor options.**

More importantly, with vendor pricing being largely determined by asset levels, **offering multiple vendors can drive your plan fees significantly higher.** For example, if plan assets are divided amongst three vendors, each vendor is likely charging significantly higher fees (as a percent of assets) than they would charge if they were holding all of your plan's assets.

# 03

## PARTICIPANT FEES

### PARTICIPANTS DON'T REALIZE THE AMOUNT OF FEES THEY ARE PAYING

We often hear that sponsors are reluctant to either change vendors or reduce the number of vendors that participants currently have available to them. However, **most participants are not aware of the costs they are paying their current vendor, nor are they aware of the increased cost associated with having multiple vendor options.**

We believe that most participants would welcome a change or consolidation of vendors, if they fully understood the following:

- » They can retain access to most, if not all, of their available investment options under a different (or consolidated) vendor arrangement;
- » They can retain their current (or similar) service offerings; and
- » Their costs could be substantially reduced (and their investment returns increased) through either a vendor change or consolidation to a single vendor



# PARTICIPANT FEES

## **PARTICIPANTS DON'T REALIZE THE AMOUNT OF FEES THEY ARE PAYING**

We believe that relationships are important, and we can appreciate participants' preference for a particular vendor. However, we also believe that **many vendor relationships would be viewed differently given a full understanding of the associated fees.**

By conducting a formal vendor review, plan sponsors can accomplish the following:

- » Satisfy their fiduciary responsibility to ensure plan fees are reasonable for the services being provided;
- » Compile fee and service information to help their participants understand the potential benefits associated with a vendor change or consolidation; and
- » In most cases, provide their participants with significant cost savings – whether through a vendor consolidation or change, or through negotiating fee reductions with the current vendor(s)



**PlanPILOT is an independent retirement plan consulting firm. We assist retirement plan sponsors with assessing their plan fees and services, and we have negotiated significant fee savings and service enhancements for our clients. We welcome the opportunity to begin a conversation with you, and we can be reached at (312) 973-4911.**

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