

Questions to Ask a Plan Recordkeeper



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Questions to Ask a Plan Recordkeeper



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This is Part I in a series on issues to consider when contemplating a change in plan vendors and what to expect during the conversion...



The decision to move a company's retirement plan to a new recordkeeper involves careful analysis and is not something that should be approached lightly.

There are many reasons that a plan sponsor may consider changing vendors – poor customer service, inaccurate or late compliance reporting or Form 5500 filings, high fees, a desire for a more robust investment platform, etc.

However, before a plan “jumps ship” to a new provider, the plan sponsor needs to be sure that it has a basic understanding of the processes and procedures used at the new recordkeeper. If there are particular areas of concern with the current recordkeeper, the plan sponsor will want to be sure that the new recordkeeper has the systems and processes in place to provide a better plan experience. Otherwise, the transfer to the new vendor will result in the same frustrations as the plan was experiencing before the transfer, or will create new frustrations that weren't there before. In addition to asking the potential new recordkeeper to explain how it will address the problems that the plan is experiencing with the current provider, the plan sponsor should ask to be shown a comprehensive overview of the new recordkeeper's plan sponsor website so that it knows exactly what the screens will look like and what types of on-line reporting functions are available.



When evaluating a potential new recordkeeper, the plan administrator should ask for detailed responses to the following questions:

- How will the payroll file be transmitted? Can the recordkeeper work directly with the payroll provider? Is there a charge to have the payroll information transmitted directly from the payroll provider to the recordkeeper? If the plan sponsor will be uploading the payroll file, ask to be shown an on-line demonstration of exactly what the file looks like, how to populate the data needed in the file and the steps that are taken to upload the file to the recordkeeper. What happens if there are participants on the payroll file who aren't in the recordkeeping system?

- Does the recordkeeper gather census information on all employees; OR only eligible employees; OR only participating employees?
- If the employer has more than one payroll location or pay code, can each location submit a separate payroll file or must all the payroll files be consolidated and submitted as one upload?
- If needed, is the recordkeeper able to ACH from separate employer bank accounts for the contribution funding transfers?
- Does the recordkeeping system track multiple location codes or pay codes and can plan reports be generated by location, in instances where the employer needs to separately account for multiple profit centers?
- Will the recordkeeper prepare the annual Participant Fee and Qualified Default Investment Alternative (QDIA) notices? If so, will they mail those directly to participants or provide them to the employer to give to the participants? Will they be posted on the plan sponsor website? If so, how and when will the plan sponsor be notified that the notices are ready?
- Will the Third Party Administrator (TPA) be able to add its fees to the Participant Fee Notice produced by the recordkeeping system or will a supplemental notice be required?
- For plans that are subject to an annual audit, will an audit package be provided? How soon after plan year-end will it be available?
- Does the plan sponsor want employees to be able to enroll in the plan or make deferral changes via the recordkeeper's website? If so, how will those changes be communicated back to the employer or fed into the payroll system? If newly eligible employees can enroll on-line, is a feedback file sent to the plan sponsor? How often is the feedback file generated? Will it be emailed to the plan sponsor or will the plan sponsor need to go on-line to the website and pull down the file?
- What does the plan participant website look like? Ask to see a demonstration of the tools and functions available to employees on the plan's website. What kinds of calculators and/or retirement planning tools are available to participants? Is the participant website intuitive and easy to navigate?
- Will the recordkeeper provide an enrollment specialist to come to the employer's location(s) during the meetings to introduce and explain the conversion? What if the employer has multiple locations and works multiple shifts?
- Does the recordkeeper track returned mail and perform lost/missing participant searches?
- If the plan provides for mandatory cash-outs, how is that handled on the recordkeeping system? Does the recordkeeper offer a rollover solution for employees that are cashed out?
- What is the flow of distribution requests? Can the participant make the request on-line? Does the TPA review the request? Is it paperless? How long will it take before the employee gets his money?



- Does the recordkeeping system track hardship available amounts for participants? Can that amount be seen by the plan sponsor and the TPA on the website?
- Does the recordkeeping system track employees that need required minimum distributions? Will the system automatically calculate and process those distributions or does the plan sponsor initiate them?
- What is the flow of loan requests? How does the plan sponsor know that a participant has requested or taken a loan? Does the plan sponsor get an amortization schedule? Is the process paperless?
- Does the recordkeeping system track plan loans? If so, is the loan activity included on the trust report and added to the participant account information or is it a separate report that is not included in the plan balances? Are loans reported on the participant statements as a separate line item or is the loan balance incorporated into the other assets on the statement and not identified separately?
- What happens if a participant goes into default on a loan? Does the employer have to initiate the default with the recordkeeper or will the recordkeeping system automatically assume a default after a certain period of nonpayment? Will a Form 1099 automatically be produced? Does the outstanding loan amount still continue to be tracked, in the event the participant ever requests another loan or decides to repay the defaulted loan?
- If the plan contains less common money types, like Prevailing Wage contributions, does the recordkeeping system and the Plan Manager at the recordkeeper have expertise in tracking and administering those accounts?
- How is the forfeiture balance tracked and reported? Is the forfeiture account included in total plan assets, or is it tracked separately which requires it to be manually added to the other assets in the plan for 5500 reporting?
- Will the recordkeeper track eligibility and send out participant enrollment materials? If so, exactly how does this process work?
- For plans that use auto enrollment (and possibly auto escalation), exactly how does that process work? Will the recordkeeper track employees who don't respond, and automatically feed the default contribution percentage into the payroll system? For plans with auto escalation, when will the increase take effect? Are these procedures consistent with the terms of the plan's legal document?
- What will the participant statements look like? If the plan has many different sources of money, how many sources can fit on the statement? Will any of the sources be consolidated?
- If the plan utilizes an integrated contribution formula and/or self-directed brokerage accounts, will the participant statements contain required disclosures about those options?
- If a participant calls the call center, exactly where is he calling? What are the qualifications of the individuals who will be answering participant questions?



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- Will the plan sponsor have a dedicated Plan Manager or team of Plan Specialists at the recordkeeper?
- Does the recordkeeper track vesting? If so, make sure it is gathering correct and timely information from the payroll uploads to do this accurately. For example, if vesting service should be updated after a participant works 1,000 hours, and the employer is not submitting hours information for ALL employees, the vesting will not be correct.
- If the plan imposes a waiting period before employees can request a distribution, who tracks that?
- If the plan has outside investment accounts, can that information be imported into the recordkeeping system for annual trust reports?
- Does the recordkeeper set up an ERISA expense account for plan fees? How will the plan sponsor and TPA know the available balance in that account?

Deciding to transfer the assets and recordkeeping files of the retirement plan to a new recordkeeper is a plan fiduciary function that requires due diligence by the Plan Administrator or Plan Committee. The plan's financial advisor and TPA can offer assistance in evaluating various recordkeepers and helping the Administrator or Committee understand the services and fees of specific providers. Having a thorough understanding of how the recordkeeping system works and how data will flow between the plan sponsor, the TPA, the Financial Advisor and the recordkeeper BEFORE the commitment is made to switch vendors will go a long way toward ensuring that the new recordkeeper is the right fit for the plan. Hopefully, once the conversion is complete, the new recordkeeper will provide exceptional service to the plan for many years!

