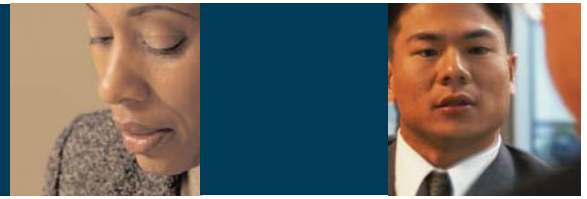


# GETTING IT RIGHT

## Know Your Fiduciary Responsibilities



## TIPS FOR SELECTING AND MONITORING SERVICE PROVIDERS FOR YOUR EMPLOYEE BENEFIT PLAN

*As sponsors of 401(k) and other types of pension plans, business owners generally are responsible for ensuring that their plans comply with Federal law – including the Employee Retirement Income Security Act (ERISA). Many businesses rely on other professionals to advise them and assist them with their employee benefit plan duties. For this reason, selecting competent service providers is one of the most important responsibilities of a plan sponsor. The process of selecting service providers will vary depending on the plan and services to be provided. To assist business owners in carrying out their responsibilities under ERISA to prudently select and monitor plan service providers, the Employee Benefits Security Administration has prepared the following tips which may be a helpful starting point:*

1. Consider what services you need for your plan – legal, accounting, trustee/custodial, recordkeeping, investment management, investment education or advice.
2. Ask service providers about their services, experience with employee benefit plans, fees and expenses, customer references or other information relating to the quality of their services and customer satisfaction with such services.
3. Present each prospective service provider identical and complete information regarding the needs of your plan. You may want to get formal bids from those providers that seem best suited to your needs.
4. You may also wish to consider service providers or alliances of providers who provide multiple services (e.g., custodial trustee, investment management, education, or advice, and recordkeeping) for a single fee. These arrangements are often called “bundled services.”
5. Ask each prospective provider to be specific about which services are covered for the estimated fees and which are not. Compare the information you receive, including fees and expenses to be charged by the various providers for similar services. Note that plan fiduciaries are not always required to pick the least costly provider. Cost is only one factor to be considered in selecting a service provider. More information on pension plan fees and expenses can be found in *Understanding Retirement Plan Fees and Expenses* and the *401(k) Fee Disclosure Form*, located at [www.dol.gov/ebsa](http://www.dol.gov/ebsa).
6. If the service provider will handle plan assets, check to make sure that the provider has a fidelity bond (a type of insurance that protects the plan against loss resulting from fraudulent or dishonest acts).
7. If a service provider must be licensed (attorneys, accountants, investment managers or advisors), check with state or federal licensing authorities to confirm the provider has an up-to-date license and whether there are any complaints pending against the provider.

8. Make sure you understand the terms of any agreements or contracts you sign with service providers and the fees and expenses associated with the contracts. In particular, understand what obligations both you and the service provider have under the agreement and whether the fees and expenses to be charged to you and plan participants are reasonable in light of the services to be provided.
9. Prepare a written record of the process you followed in reviewing potential service providers and the reasons for your selection of a particular provider. This record may be helpful in answering any future questions that may arise concerning your selection.
10. Receive a commitment from your service provider to regularly provide you with information regarding the services it provides.
11. Periodically review the performance of your service providers to ensure that they are providing the services in a manner and at a cost consistent with the agreements.
12. Review plan participant comments or any complaints about the services and periodically ask whether there have been any changes in the information you received from the service provider prior to hiring (e.g. does the provider continue to maintain any required state or Federal licenses).