

SERVICE MODEL STRATEGIES & FEE SCHEDULE



SERVICE MODEL *strategies*

SERVICE MODEL strategies

SERVICE STRATEGIES CONTENTS:

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OVERVIEW

Regardless of plan size, every retirement plan should have, at a minimum, these basic elements in place in order to demonstrate a sound fiduciary process:

- Goals & objectives clearly defined
- Fiduciary responsibilities defined, understood, and acknowledged in writing
- Written, formalized plan to manage the investments (Investment Policy Statement)
- Periodic investment monitoring documented
- Periodic review & benchmarking of service providers documented (services and fees)
- Participant success program in place
- Plan compliance file centralized
- Proactive service model in place

Depending on the market you're in, you might implement a service model that looks like this:

Small Plan Market (under 3m)	Mid-Market (3-20m)	Large Plan Market (20m+)
<ul style="list-style-type: none"> <input type="checkbox"/> INVESTMENTS: Quarterly Packet emailed, Annual Review Face-2-Face (F2F) <input type="checkbox"/> FIDUCIARY QUARTER: Link emailed to relevant article <input type="checkbox"/> DUE DILIGENCE QUARTER: Include Deloitte's benchmarking study with cover letter, Plan Benchmarking every 3 years <input type="checkbox"/> PARTICIPANT QUARTER: Employee meeting and option to meet with individuals, 404(c)/QDIA Notice Distribution <input type="checkbox"/> COMPLIANCE: Internal Electronic File set up by scanning and saving 	<ul style="list-style-type: none"> <input type="checkbox"/> INVESTMENTS: Email or Mail report w/Quarterly Conference Calls <input type="checkbox"/> FIDUCIARY QUARTER: Fiduciary Document Pack that includes Appointment /Acknowledgement letters, recommended reading form <input type="checkbox"/> DUE DILIGENCE QUARTER: Service Provider checklist and contract review annually, Plan Benchmarking every 3 years <input type="checkbox"/> PARTICIPANT QUARTER: Employee meeting and option to meet with individuals, 404(c)/QDIA Notice Distribution, Annual Participant retirement Readiness Report and targeted mailings <input type="checkbox"/> COMPLIANCE: Memory stick with files given annually or fiduciary binder 	<ul style="list-style-type: none"> <input type="checkbox"/> INVESTMENTS: Email or Mail report w/Quarterly F2F <input type="checkbox"/> FIDUCIARY QUARTER: Fiduciary Document Pack that includes Appointment /Acknowledgement letters, recommended reading form, bylaws, code of ethics, conflict of interest policy <input type="checkbox"/> DUE DILIGENCE QUARTER: Service Provider checklist and contract review annually, Plan Benchmarking every 3 years <input type="checkbox"/> PARTICIPANT QUARTER: Employee meeting and option to meet with individuals, 404(c)/QDIA Notice Distribution, Annual Participant retirement Readiness Report and targeted mailings, Education Policy Statement <input type="checkbox"/> COMPLIANCE: Memory stick with files given annually, optional online access to files

GETTING STARTED

There is no right or wrong or one size fits all service process. Depending on your experience, resources, background, capabilities and market, your service model might be simple or comprehensive, normal or unique. What matters is that you're able to provide services that help plan sponsors and participants run a successful and compliant plan, at a fee that is reasonable. The following pages provide examples of how to structure a service model to accommodate the size market you're in. Feel free to modify the examples to suit your personal process and capabilities/resources.

Begin by defining a minimum level of service, regardless of client size, that helps plan sponsors demonstrate their efforts of managing their plan to a minimum required standard. Such as:

QUARTERLY: *(can be emailed, mailed or presented in person)*

- ☐ Investment Performance/Monitoring Report
- ☐ Fiduciary Education Piece
- ☐ Participant Communication Piece to be copied and distributed or posted

ANNUALLY:

- ☐ Investment Performance/Monitoring Report
- ☐ Investment Policy Statement review checklist
- ☐ Service schedule/calendar
- ☐ Participant communications schedule/calendar
- ☐ Fiduciary file checklist (identify missing or items to update)

NEW CLIENT PACKETS MIGHT INCLUDE:

- ☐ Compliance File Support: List of documents to centralize and organize
- ☐ Help Identifying Fiduciaries: Internal Fiduciary Worksheet
- ☐ Defining Plan/Investment Goals and Objectives: IPS with check off boxes for goals and objectives and fiduciary acknowledgement signatures
- ☐ Fiduciary Education: *Meeting your Fiduciary Responsibilities* by the DOL (www.dol.gov/ebsa)
- ☐ Setting Expectations and Implementing a Proactive Service Model: Service schedule or 12-month calendar *(should vary by plan size)*

On the following pages, you'll find several sample strategies and examples for you to consider. We've identified additional "market sizes", but you'll be able to determine the best way to segment your clients based on your business model. You're welcome to incorporate and/or modify any of the examples that follow to best fit your style and process.

EXPANDED SAMPLE SERVICE STRATEGIES

PLANS UNDER 3 MILLION

- Meet once/year with committee and participants, conference call to discuss performance reports quarterly
 - **FIDUCIARY QUARTER:** Email/mail link to fiduciary document (Prudent Practices for Investment Stewards, DOL Meeting Your Fiduciary Responsibilities, article on PLANSPONSOR.com, etc.
 - **DUE DILIGENCE:** Plan Benchmarking every 3 years
 - **DUE DILIGENCE:** Include Deloitte's benchmarking study with cover letter
 - **PARTICIPANT QUARTER:** 404(c)/QDIA Notice Distribution
 - **PARTICIPANT QUARTER:** Employee meeting and option to meet with individuals
 - **INVESTMENTS:** Quarterly Packet emailed
 - **COMPLIANCE:** Internal Electronic File set up by scanning and saving

PLANS BETWEEN 3 AND 10 MILLION

- Meet 4x/year with committee and schedule participant meetings in conjunction with committee/group meetings
 - **FIDUCIARY TRAINING:** Fiduciary Essentials by fi360 live webinar series
 - **FIDUCIARY QUARTER:** Fiduciary Document Pack that includes Appointment/Acknowledgement letters, recommended reading form
 - **DUE DILIGENCE:** Service Provider checklist and contract review annually
 - **DUE DILIGENCE:** Plan Benchmarking every 3 years
 - **DUE DILIGENCE:** Include Deloitte's benchmarking study with cover letter
 - **PARTICIPANT QUARTER:** 404(c)/QDIA Notice Distribution
 - **PARTICIPANT QUARTER:** Employee meeting and option to meet with individuals
 - **PARTICIPANT QUARTER:** Annual Participant retirement Readiness Report and targeted mailings
 - **INVESTMENTS:** Quarterly Conference Calls
 - **COMPLIANCE:** Memory stick with files given annually or provide Fiduciary Binder

PLANS BETWEEN 10 AND 50 MILLION

- Meet 4x/year with committee and schedule participant meetings in conjunction with committee/group meetings
 - **FIDUCIARY TRAINING:** Plan Management Training & Certification Program Workshop
 - **FIDUCIARY QUARTER:** Fiduciary Document Pack that includes Appointment/Acknowledgement letters, recommended reading form, bylaws, code of ethics, conflict of interest
 - **DUE DILIGENCE:** Service Provider checklist and contract review annually
 - **DUE DILIGENCE:** Plan Benchmarking every 3 years
 - **DUE DILIGENCE:** Include Deloitte's benchmarking study with cover letter

- **PARTICIPANT QUARTER:** 404(c)/QDIA Notice Distribution
- **PARTICIPANT QUARTER:** Employee meeting and option to meet with individuals
- **PARTICIPANT QUARTER:** Participant Education Policy Statement
- **PARTICIPANT QUARTER:** Annual Participant Retirement Readiness Report
- **PARTICIPANT QUARTER:** Plan Optimization Report (Yr2)
- **INVESTMENTS:** Quarterly Face-to-Face Review Meetings followed by option to meet with individuals
- **COMPLIANCE:** Memory stick with files given annually
- **COMPLIANCE:** Online File Access

PLANS IN EXCESS OF 50 MILLION

- Meet 4x/year with committee and schedule participant meetings in conjunction with committee/group meetings, more often as needed
 - **FIDUCIARY TRAINING:** Plan Management Training & Certification Program Workshop
 - **FIDUCIARY QUARTER:** Fiduciary Document Pack that includes Appointment/Acknowledgement letters, recommended reading form, bylaws, code of ethics, conflict of interest policy
 - **DUE DILIGENCE:** Service Provider checklist and contract review annually with specific checklists by provider
 - **DUE DILIGENCE:** Industry Reports annually for comparison
 - **DUE DILIGENCE:** Plan Benchmarking annually
 - **PARTICIPANT QUARTER:** 404(c)/QDIA Notice Distribution
 - **PARTICIPANT QUARTER:** Employee meeting and option to meet with individuals
 - **PARTICIPANT QUARTER:** Participant Education Policy Statement
 - **PARTICIPANT QUARTER:** Annual Participant Retirement Readiness Report
 - **PARTICIPANT QUARTER:** Plan Optimization Report
 - **INVESTMENTS:** Quarterly Face-to-Face Review Meetings followed by option to meet with individuals
 - **INVESTMENTS:** Additional Market Commentary included with reports
 - **COMPLIANCE:** Memory stick with files given annually
 - **COMPLIANCE:** Online File Access
 - **COMPLIANCE:** Independent CAFÉ conducted (Yr3)

GRAPHIC EXAMPLES OF SERVICE MODEL STRATEGIES APPLIED

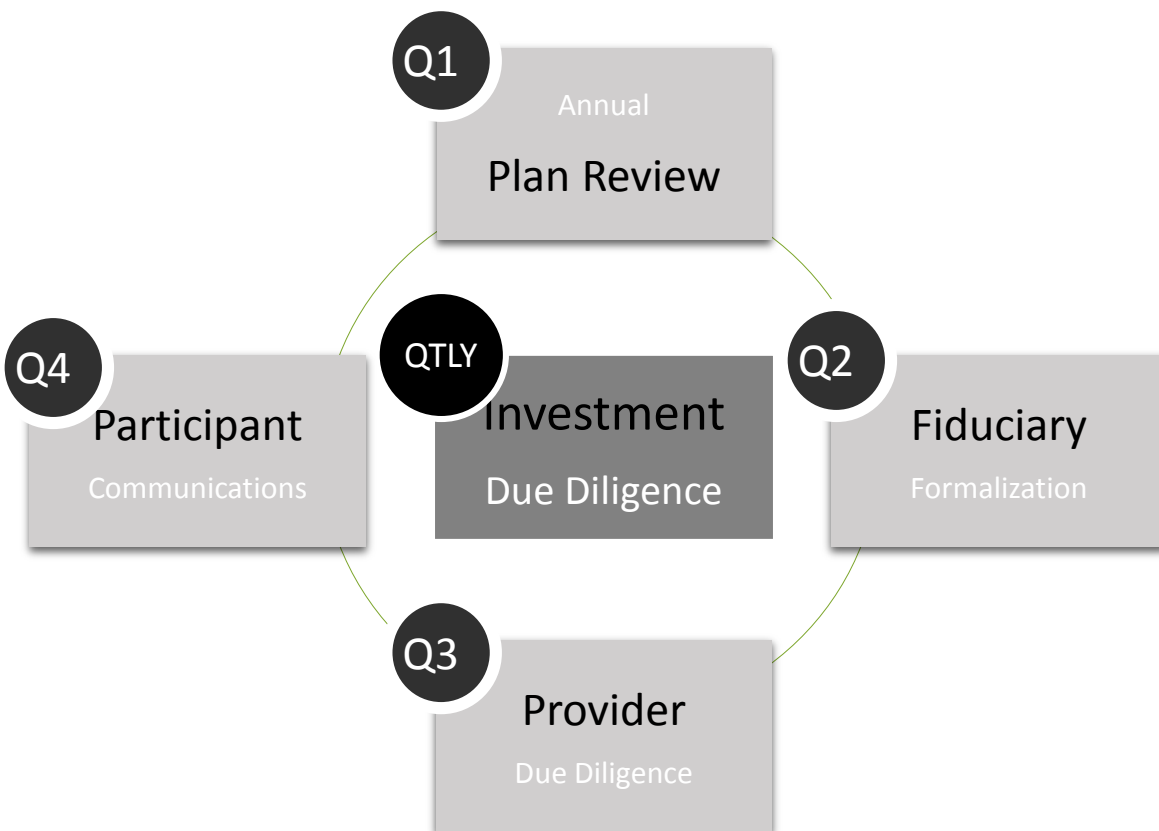
The following pages show graphic examples of applying a consistent service model that covers all key plan management issues and can be implemented across the board for every client receiving the same value-added topic every quarter. You are welcome to modify and integrate the graphics that follow to fit your business model.

KEY ITEMS TO ADDRESS APPLIED TO VARIOUS MARKET SEGMENTS

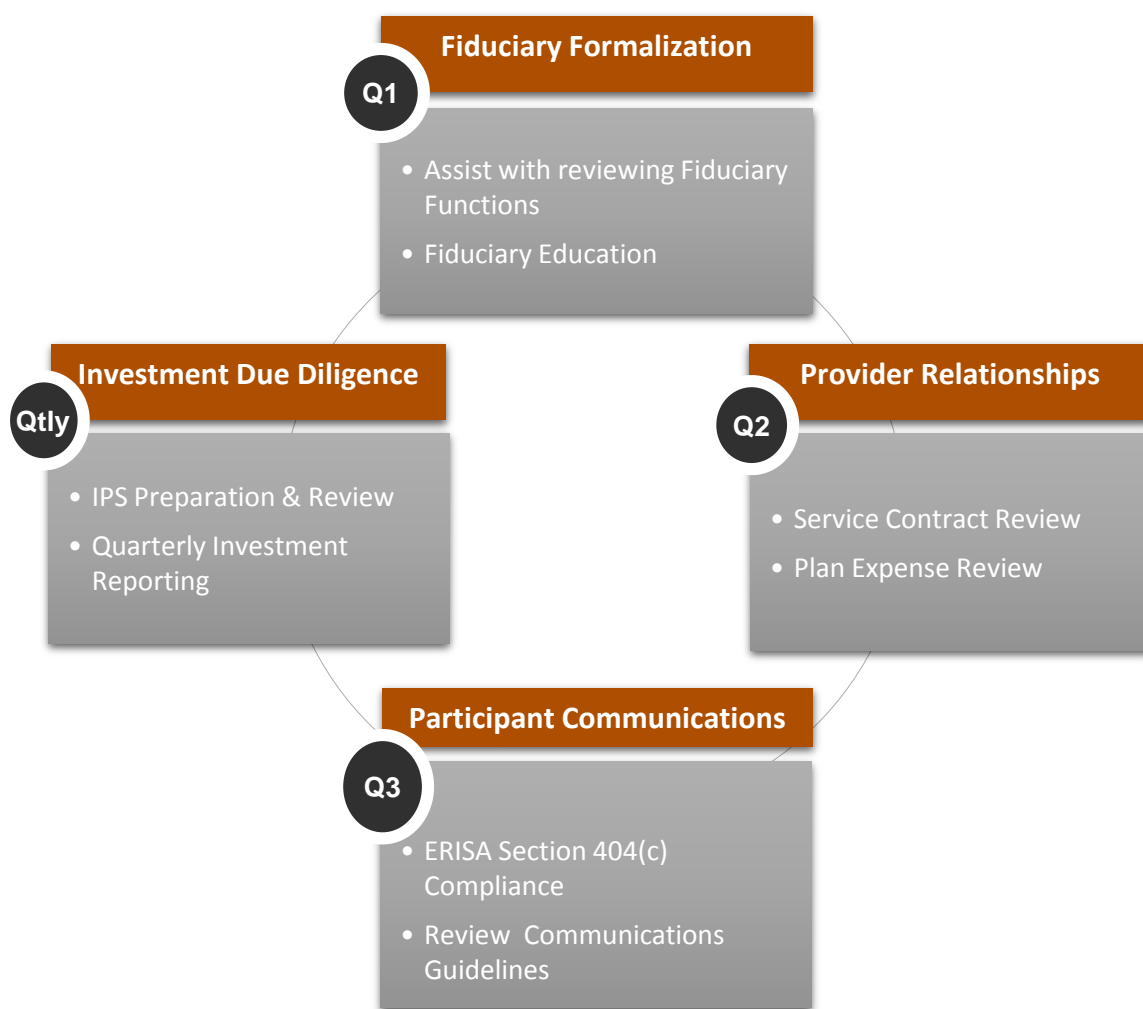
	SMALL <3	MEDIUM 3-10	LARGE 10-50	SUPER-SIZE 50+
Defining Plan Success	Goals & Objectives In IPS	Goals & Objectives Worksheet	Goals & Objectives Worksheet	Goals & Objectives Worksheet
Fiduciary Roles & Functions	Internal Fiduciary Worksheet DOL Fiduciary Responsibilities Guide	Internal Fiduciary Worksheet fi360 Fiduciary Essentials Webinars	Fiduciary Training Workshop Committee Formalization Docs	Formal Training w/Speaker Committee Formalization Docs
Investment Selection & Monitoring	SAMPLE IPS Quarterly Reports Emailed	Custom IPS Quarterly Reports Emailed w/Conference Call	Custom IPS Quarterly Reports Reviewed in Person	Custom IPS Quarterly Reports Reviewed in Person w/additional Market Commentary
Provider Due Diligence	Agreements On File Deloitte's Survey emailed annually Benchmarking (3yr)	Agreements On File Service Provider Review Annually Benchmarking (3yr)	Agreements On File Service Provider Review Annually Benchmarking (3yr)	Agreements On File Specific Provider Review Annually Industry Reports Benchmarking (3yr)
Employee Education	Employee Education Calendar 404(c) Notice Annual Group/Individual Meetings	Employee Ed. Calendar 404(c) Notice Annual Group/Ind. Meetings Annual Readiness Report	Employee Ed. Calendar 404(c) Notice Annual Group/Ind. Meetings Annual Readiness Report Ed. Policy Statement Plan Optimization Rep.(yr2)	Employee Ed. Calendar 404(c) Notice Annual Group/Ind. Meetings Annual Readiness Report Ed. Policy Statement Plan Optimization Rep.(yr2)
Plan Administration	Admin Calendar Plan Doc File Set-up Internally Annual Plan Review	Admin Calendar Plan Doc File Set-up w/Binder or Flash Drive Annual Plan Review	Admin Calendar Plan Doc File Set-up w/Binder and Online File Access Annual Plan Review	Admin Calendar Plan Doc File Set-up w/Binder and Online File Access Annual Plan Review Independent CAFÉ (3yr)

IMPLEMENTING AND ARTICULATING A QUARTERLY SERVICE PROCESS

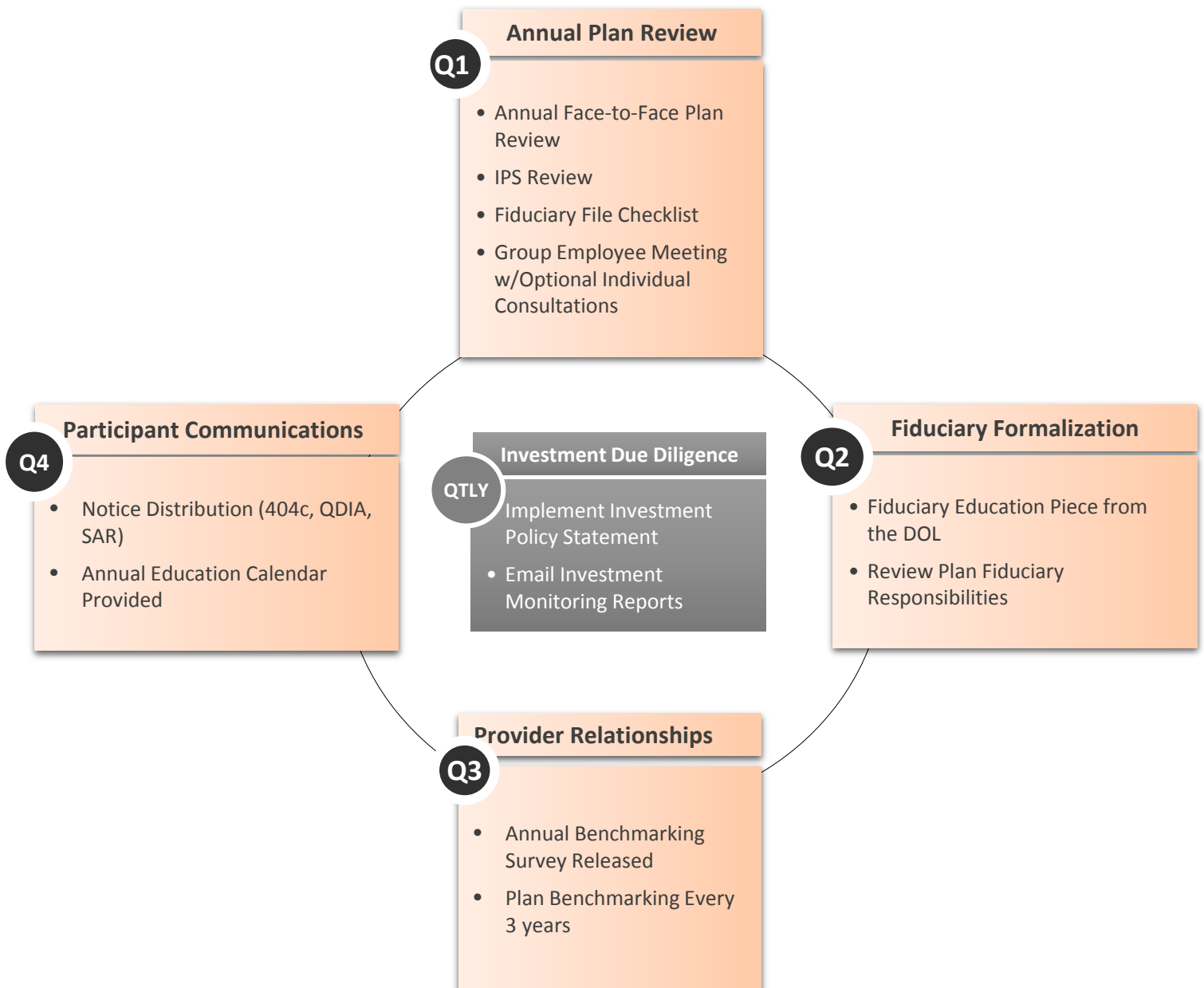
To simplify and scale your business, you should consider implementing a service strategy that puts all clients on a quarterly service schedule (regardless of plan size). You should add one value-added fiduciary component to your service model each quarter and delivery to your clients so over the course of the year, all key issues are addressed. When you cover the same quarterly fiduciary topic with all clients, you create efficiencies and reduce the possibility that gaps can be found in some of your plans.



EXAMPLE OF PLAN SERVICE OVERVIEW TO INCLUDE IN ANNUAL REVIEW PACKET OR POINT OF SALE MATERIAL



SERVICE MODEL APPLIED TO QUARTERLY SCHEDULE FOR PLANS UNDER 3 MILLION



SERVICE MODEL APPLIED TO QUARTERLY SCHEDULE FOR PLANS 3-10 MILLION



SERVICE MODEL APPLIED TO QUARTERLY SCHEDULE FOR PLANS 10-50 MILLION

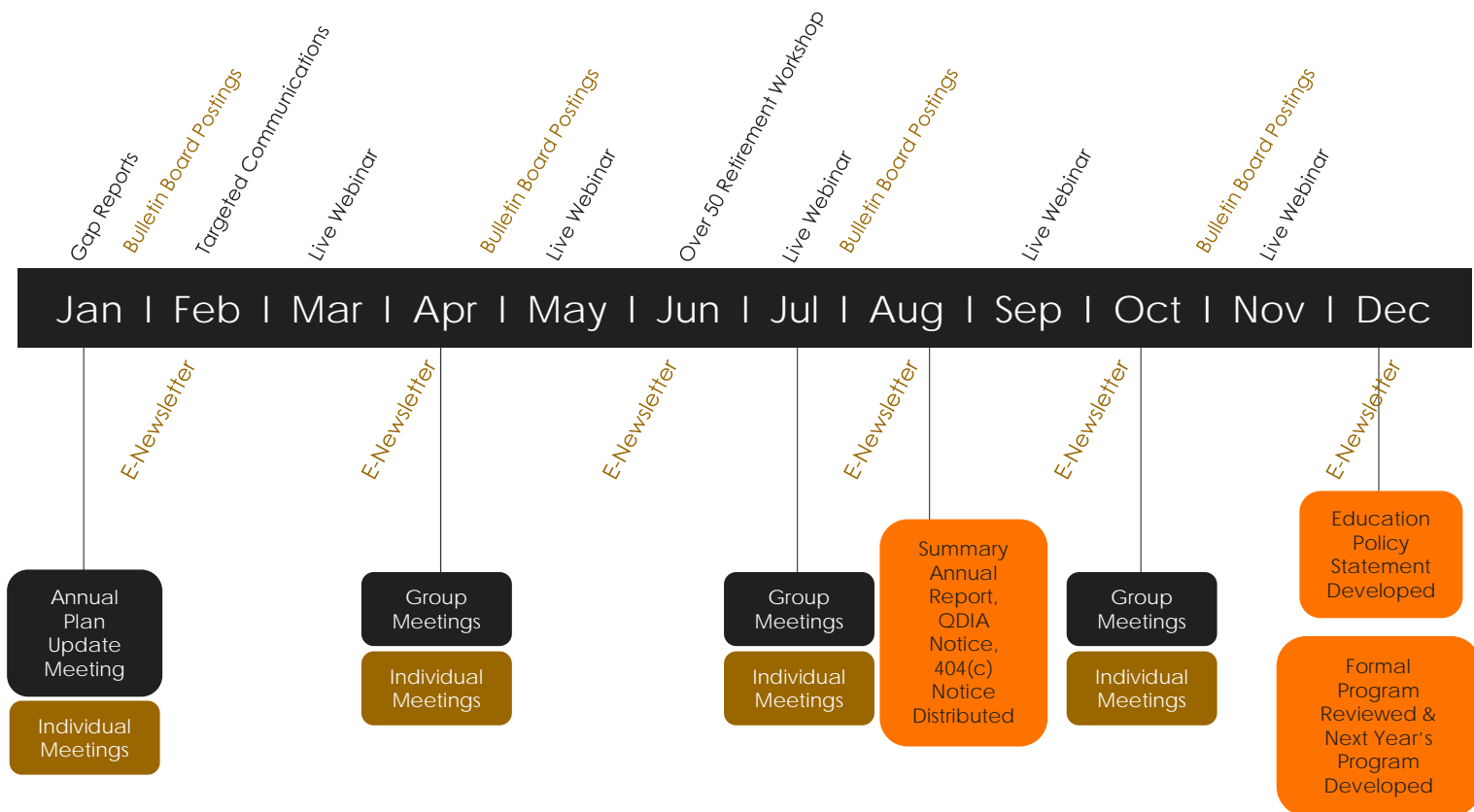


SERVICE MODEL APPLIED TO QUARTERLY SCHEDULE FOR PLANS OVER 50 MILLION



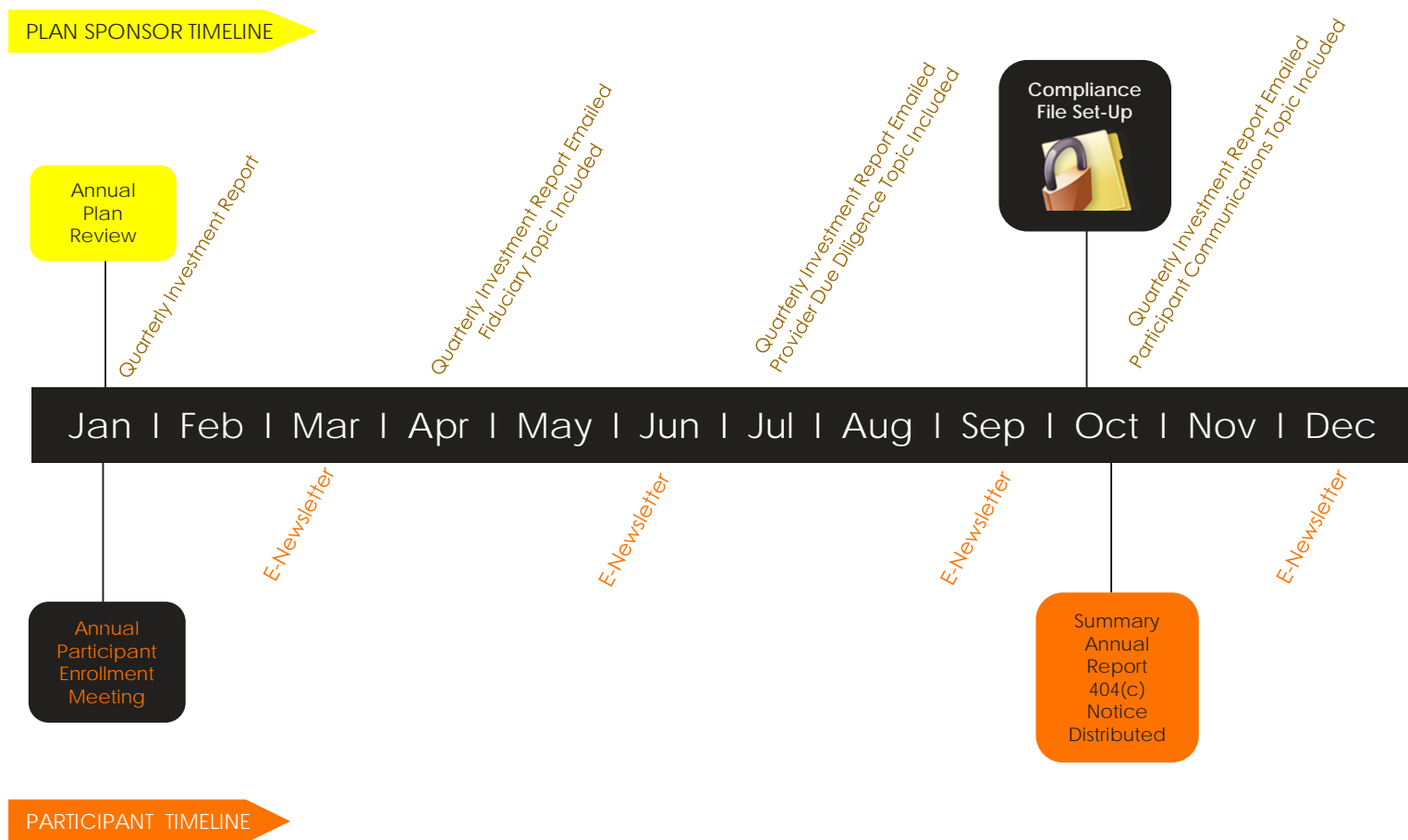
SAMPLE PARTICIPANT SUCCESS TIMELINE

(Mid-Large)



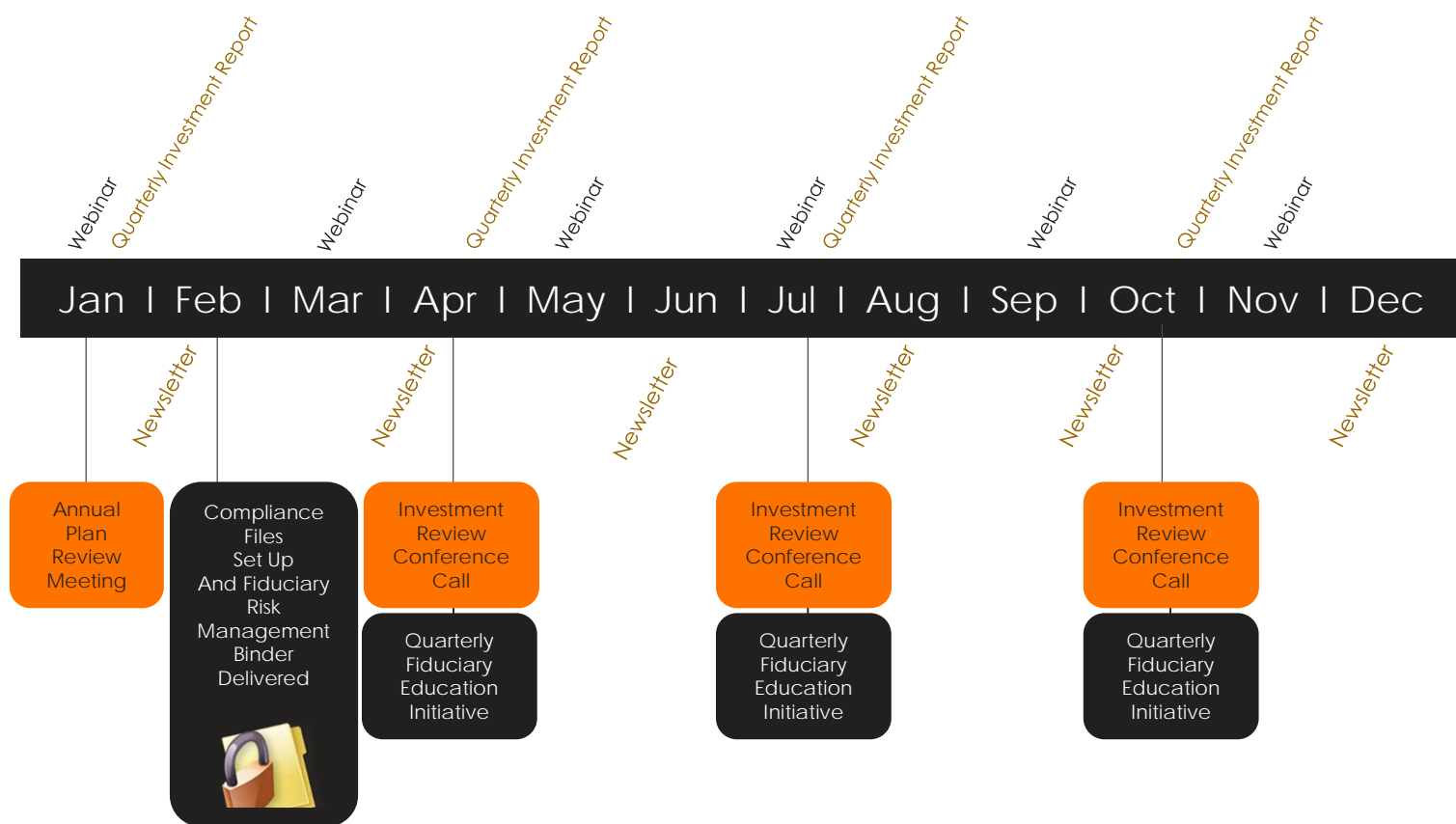
SAMPLE PARTICIPANT AND PLAN SUCCESS TIMELINE

(Small)



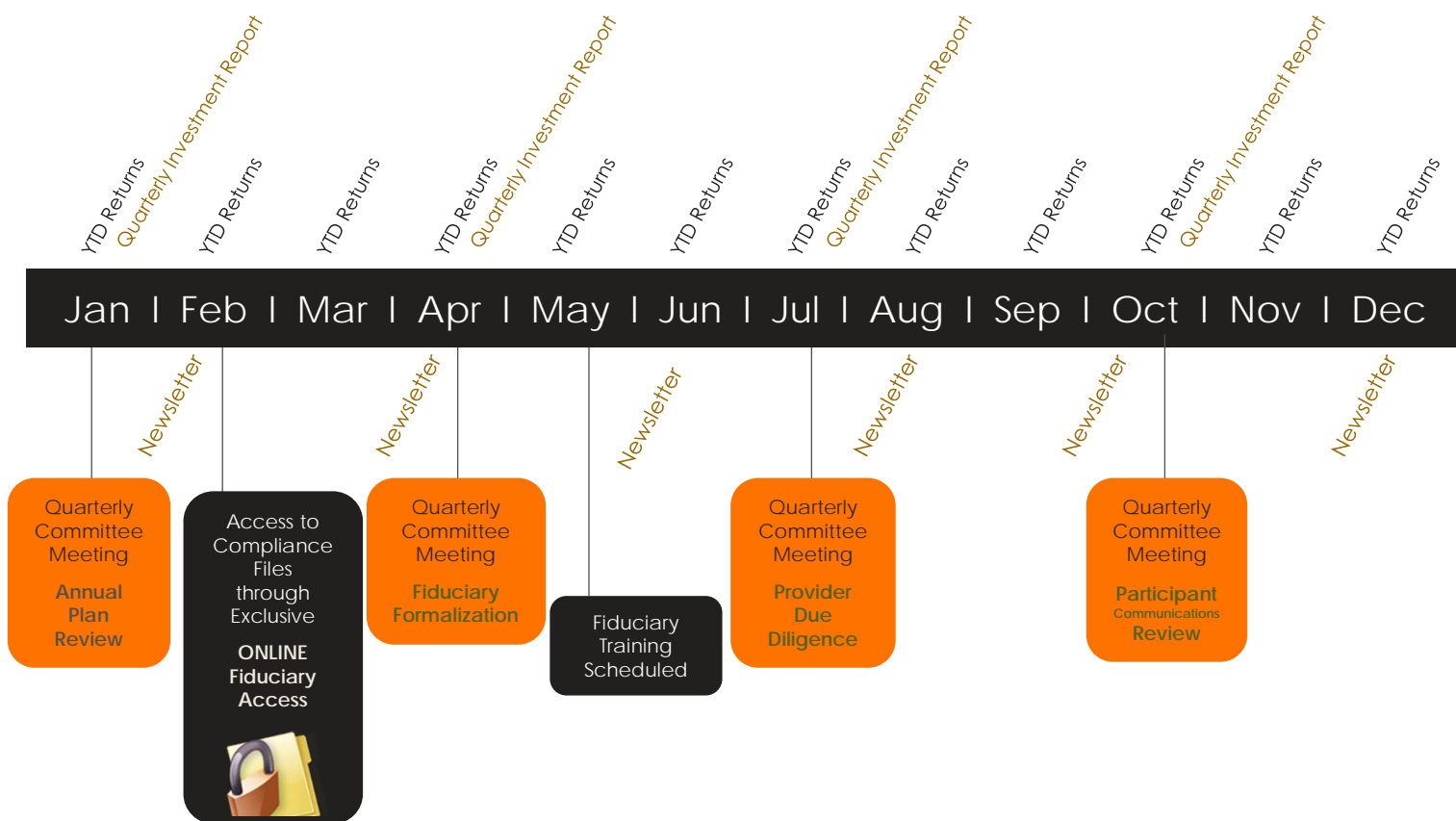
SAMPLE PLAN SUCCESS TIMELINE

(Medium)



SAMPLE PLAN SUCCESS TIMELINE

(Large & Supersize)



SAMPLE SERVICE & FEE SCHEDULE

Services Provided as Part of our Annual Fee (*with optional Project Pricing listed*):

Plan Risk Assessment & Analysis

- *The purpose of this assessment is to: (1) assist you in analyzing how well your organization is managing defined investment fiduciary practices; and (2) identify ways to improve the decision-making process of your organization.*
- Documents are requested pertaining to plan set-up and management.
- A personal interview will be conducted to answer questions pertaining to plan governance practices.
- All requested documents are analyzed to identify how the plan is fulfilling the fiduciary duties required by the pertinent investment legislation, case law, and regulatory opinion letters for the management of an employer sponsored plan.
- A Summary of Findings is prepared and presented that identifies what areas are in conformity to the prevailing standards and legislation as well as opportunities for improvement for those areas that are not in compliance.

Baseline Assessment

Project Work: \$ 3,000 - \$5,000 depending on type

Plan Benchmarking & Analysis

- *Identifies if the plan is competitive on several levels. Satisfies ERISA's guidance for measuring the performance of plan providers and ensuring plan fees are appropriate and reasonable.*
- Data is collected to identify key plan features, services, and expenses.
- Data is then analyzed and compared to similar plans and a comprehensive report is prepared that provides an apples-to-apples comparison of the plan to other peer plans to identify how the services you receive and the fees you are paying on the plan compare to industry averages.
- A Report of Findings is included to provide an objective third-party opinion of the benchmarking results including recommended changes (if any).
- We can facilitate any recommendations including negotiating a reduction in plan expenses (if warranted), provider search assistance if any of your current providers are not competitive or meeting the needs of your plan, etc.

Project Work: \$ 3,000

Plan Provider Selection & Due Diligence

- *The Department of Labor makes it clear that a plan fiduciary must conduct a thorough and diligent investigation and a rigorous analysis of relevant information when selecting and reviewing plan providers.*
- *It is important to have a documented process to show that service providers are being monitored and are meeting the requirements in order to demonstrate procedural prudence.*
- Plan goals and objectives are first defined then we help you identify potential service providers that have service capabilities to address your requirements.
- Specific criteria are chosen on which to base the comparison.
- Based on the best-fit providers and the specific criteria selected, a comprehensive comparison report is developed so each provider can be reviewed on a level playing field.
- Once a provider has been selected, we implement an ongoing review process to periodically review service contracts against services offered and fees charged to ensure they continue to be the most appropriate choice for the plan.

Project Work: \$ 5,000 – 30,000 depending on plan size
and number of providers selected for comparison

Fiduciary Risk Management File Set-Up

- *Helps satisfy ERISA's guidance for documenting the decisions made on your plan.*
- *Provides an audit trail when asked to substantiate plan decisions in the case of an IRS or ERISA audit, or participant lawsuit.*
- *Consolidates and organizes documents pertinent to plan set-up and management*
- Existing plan documents are collected and scanned.
- Audit File Checklist is used to identify missing or outdated documents.
- Filing system set up covering five key areas of plan compliance.
- File set-up is provided both in hard copy format and electronically.
- Helps ensure documents on file are accurate and current.
- Missing documents are identified, reviewed, formalized and added to complete the file (such as Investment Policy Statement, By-laws, Conflict of Interest Policy, etc.)

Project Work: \$ 2,500 – 5,000 depending on plan size

Participant Success Analysis and Reporting (Financial Soundings)

Retirement Readiness Report enables fiduciaries to objectively judge how successful they have been at getting employees to embrace retirement planning.

This comprehensive analysis report helps plan sponsors evaluate employee participation and behavior statistics and make improvements that affect participant success.

Data is collected and analyzed and a report is prepared that allows you to answer the following questions in a quantitative manner:

1. Which aspects of plan design have fulfilled our expectations and which haven't?
 2. How much value are the participants getting for the fees they pay?
 3. How many of our employees are "not on track" for a comfortable retirement, and what do the terms "on track" and "comfortable retirement" mean?
- Report summary includes improvement recommendations in the areas of education and plan design that can increase the plan's and the participants' success.

Baseline & Yr 1 Analysis

Project Work: \$ 2,800

Custom Employee Education Program Development

- *Provides a communications program designed to help participants have successful retirement outcomes. It is set up around the needs of your employees and in a way that can be monitored for its effectiveness.*
- Begins with an evaluation of current employee participation and behavior statistics.
- Employee Education Policy Statement is developed identifying program goals and success measurement factors.
- Participants are polled to elicit their input in education program development.
- After analyzing the information, a program is then developed and tailored to your participants' unique needs in a way that focuses on engaging, educating, and motivating your employees to get on the road to a successful retirement.
- Custom Program includes a Participant Success Timeline and Annual Education Calendar laying out twelve months in advance.
- May include retirement gap reports and targeted communications to specific demographics, custom workshops targeting specific employee groups (e.g. individuals nearing retirement, over 50, etc) as well as webinars and printed or electronic newsletters.

Additional locations may require additional fees contingent on complexity of program. Always included are Initial Enrollment and Annual Employee Meetings.

Project Work: Initial Eval & Set-up: \$7,500

\$2,500 Materials, \$1,200 per Location

Investment Policy Statement Development & Implementation (Monitoring)

- *A fiduciary is required to manage investment decisions with a reasonable level of detail. Be reducing that detail to writing, preparing a written Investment Policy Statement, the fiduciary can: (1) avoid unnecessary differences of opinion and the resulting conflicts; (2) minimize the possibility of missteps due to a lack of clear guidelines; (3) establish a reasoned basis for measuring their compliance; and (4) establish and communicate reasonable and clear expectations with participants, beneficiaries and investors.*

- A personal interview and completion of a questionnaire will facilitate the development of the IPS which includes:
 - Executive summary and objectives of the plan and portfolio
 - Roles and responsibilities of fiduciaries and non-fiduciaries supporting the portfolio
 - Diversification and rebalancing guidelines
 - Due diligence criteria for selecting investment options
 - Monitoring criteria for investment options and service providers
 - Procedures for controlling and accounting for expenses.
 - The IPS is then developed, reviewed by counsel, and executed.
- Implementing the IPS then involves conducting investment analysis reports that are designed to facilitate three key fiduciary investment obligations:
 - To determine whether each investment is meeting the objectives stated in the IPS
 - To document the analysis, and any decisions or actions arising as a result of the review, and
 - To facilitate regularly scheduled formal reviews and timely decision making on a quarterly basis.

Project Work: \$ 2,500 – 10,000 depending on plan complexity

Retirement Plan Management Training & Certification Program

- *Provides a comprehensive understanding of the key plan-management issues, where the liability traps lie, and how to avoid them.*
- Recommended for all plan fiduciaries and key decision makers (investment committee members, board of directors, etc.)
- Training Workshop is six hours in length.
- Two delivery formats: live one day workshop or multiple sessions.
- Interactive worksheets used in training provide for plan self-assessment.
- Curriculum is based on ERISA regulations and industry best practices for the management of an employer-sponsored plan.
- Training Certificate of Completion award upon meeting program requirements (includes multiple-choice exam).

Project Work: \$ 350/person classroom, \$1,200 custom group training

SCHEDULE OF FEES:

1. The annual consulting fee shall be prorated and paid quarterly, in advance, based on the market value of the assets on the last business day of the previous quarter.
2. Schedule dependent on plan complexity and number of locations. Additional travel expenses may also be invoiced separately.
3. In the event the Plan and/or Sponsor requires services not provided under this consulting agreement (to be determined in the sole discretion of the Consultant), the Consultant may charge the Plan and/or Sponsor for additional services, the dollar amount of which shall be set forth in a separate written notice to the Sponsor.

Asset Fee		(%)
	\$1 - \$20,000,000	.20
	Above \$20,000,001	Negotiable

----- END OF SERVICE SCHEDULE -----

ALTERNATE SCHEDULE OF FEES:

Base Fee	\$15,000	(%)
Variable Asset Fee	\$1 - \$10,000,000	.20
	\$10,000,001 - \$20,000,000	.15
	Above \$20,000,001	.10
	Above \$25,000,001	Negotiable

ALTERNATE SCHEDULE OF FEES CONTINUED:

Plan Assets (\$)	Base Rate (\$)	Variable Rate @ .20 (\$)	Variable Rate @ .15 (\$)	Variable Rate @ .10 (\$)	Total Fee (\$)	Effective Rate (%)
1,000,000	15,000	+2,000			17,000	1.70
2,000,000	15,000	+4,000			19,000	.95
3,000,000	15,000	+6,000			21,000	.70
4,000,000	15,000	+8,000			23,000	.575
5,000,000	15,000	+10,000			25,000	.50
6,000,000	15,000	+12,000			27,000	.45
7,000,000	15,000	+14,000			29,000	.41
8,000,000	15,000	+16,000			31,000	.387
9,000,000	15,000	+18,000			33,000	.366
10,000,000	15,000	+20,000			35,000	.35
11,000,000	15,000	+20,000	+1,500		36,500	.33
12,000,000	15,000	+20,000	+3,000		38,000	.316
13,000,000	15,000	+20,000	+4,500		39,500	.303
14,000,000	15,000	+20,000	+6,000		41,000	.292
15,000,000	15,000	+20,000	+7,500		42,500	.283
16,000,000	15,000	+20,000	+9,000		44,000	.275
17,000,000	15,000	+20,000	+10,500		45,500	.267
18,000,000	15,000	+20,000	+12,000		47,000	.261
19,000,000	15,000	+20,000	+13,500		48,500	.255
20,000,000	15,000	+20,000	+15,000		50,000	.25
21,000,000	15,000	+20,000	+15,000	+1,000	51,000	.242
22,000,000	15,000	+20,000	+15,000	+2,000	52,000	.236
23,000,000	15,000	+20,000	+15,000	+3,000	53,000	.23
24,000,000	15,000	+20,000	+15,000	+4,000	54,000	.225
25,000,000	15,000	+20,000	+15,000	+5,000	55,000	.22

----- END OF SERVICE SCHEDULE -----

Learn How to Implement a Solid Service Model

To learn how to service your plans to a higher standard. Attend the 401k Service Training Program. Learn more at:

<http://www.401kservicetraining.com>

Access a Turn-Key Document Library to Make Implementing a Solid Service Model Simple

Leverage proven resources and buy the turn-key 401k Service Solution Sales and Service Document Kits at:

<http://www.401kservicesolution.com>

Get More FREE Resources

Get MORE resources, strategies & best practices for growing and protecting your 401k business at:

<http://www.401kbestpractices.com>

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