

Annual Plan Check-Up

Proactive check-ups and preventive care are the keys to identifying and addressing health issues early, before they become catastrophic. The same principles can be applied to the management of a 401(k) plan. Many plan sponsors find that a thorough annual plan review is the best way to make sure their plan is both operating in compliance and providing strong, valued employee savings benefits.

Plan sponsors rely on the plan's financial advisor to identify the appropriate metrics that are part of an annual plan review. No check-up is complete without an analysis of how the plan's metrics compare to other companies. Financial advisors are the best resource for this critical benchmarking information.

Following is worksheet that lists some of the topics that may be appropriate to include in an annual plan check-up.

Participation and Contributions	
Participation Rate	<ul style="list-style-type: none"> Percentage of eligible employees participating Participation rates across different employee demographics (e.g., age, wage)
Automatic Enrollment	<ul style="list-style-type: none"> Percentage of employees automatically enrolled Opt out rate Percentage who increase deferrals above default rate Percentage of employees re-enrolled
Employee Contributions	<ul style="list-style-type: none"> Percentage of eligible employees making contributions Average deferral percentage Deferral percentage across different employee demographics (e.g., age, wage)
Employer Contributions	<ul style="list-style-type: none"> Contribution costs year over year Percentage of employees receiving maximum match
Plan Limits and Nondiscrimination Testing	<ul style="list-style-type: none"> Types of excess contributions (if applicable) Confirm timely correction (if applicable)

Distribution and Loans	
Loans	<ul style="list-style-type: none"> Number and dollar amount of outstanding loans Percentage of participants with loans Number and dollar amount of defaulted loans
Hardship Distribution	<ul style="list-style-type: none"> Number and dollar amount of hardship distributions Percentage of participants who took a hardship distribution
Required Minimum Distributions (RMDs)	<ul style="list-style-type: none"> Identify participants subject to RMD rules Confirm all RMDs are timely distributed
Terminated Participants	<ul style="list-style-type: none"> Review list of terminated participants Confirm cashouts of small balances (per plan document)

This list of suggested topics to address in an annual plan review is designed as an educational resource and identifies some of the issues that plan fiduciaries may want to monitor. It is not intended to be all-inclusive and should not be used as a substitute for competent ERISA counsel and other plan administration and investment support.

Investments	
Number and Types of Investments	<ul style="list-style-type: none"> • Confirm number is appropriate given participant level of investment expertise • Consistent with current Investment Policy Statement (IPS) • Identify any appropriate changes to IPS • Aligned with plan investment objectives
Investment Fees	<ul style="list-style-type: none"> • Average expense ratio • Reasonableness of fees (benchmarks)
Investment Allocations	<ul style="list-style-type: none"> • Percentage of assets in each investment alternative • Level of diversification, by participant
Default Investment	<ul style="list-style-type: none"> • Qualified Default Investment Alternative (QDIA) eligible • Percentage of participants defaulted (no investment election)
Investment Education	<ul style="list-style-type: none"> • Topics and dates • Delivery methods (e.g., live, online) • Costs • Additional training needs
Participant Investment Advice	<ul style="list-style-type: none"> • Level of usage by participants • Fees • Satisfaction with service provider

Fiduciary Considerations	
Timely Deposits	<ul style="list-style-type: none"> • Confirm employee deferrals and loan repayment deposited timely • Corrective actions for any late deposits
Education for Plan Fiduciaries	<ul style="list-style-type: none"> • Dates and topics addressed • Vendor satisfaction • Costs • Additional training needs
Fiduciary Meetings	<ul style="list-style-type: none"> • Dates and agenda • Minutes
Fee Oversight	<ul style="list-style-type: none"> • Received all required service provider fee disclosures • Reviewed and benchmarked all plan service fees
Participant Concerns	<ul style="list-style-type: none"> • Addressed all plan participant questions, concerns • IRS or DOL corrective actions outstanding
Fidelity Bond	<ul style="list-style-type: none"> • Bond provides required level of coverage

Plan Design Benchmarking

One of the most important components of an annual plan check-up is benchmarking plan metrics to determine how well it measures up to other plans. Regular benchmarking will identify potential weaknesses in the plan and provide financial advisors an opportunity to introduce enhancements that will drive stronger plan performance. Virtus has developed two resources, the Fee Comparison Tool and the Plan Design Tool, to provide advisors a platform to conduct a comprehensive, detailed analysis of fees, plan features, and fiduciary best practices against plans of a similar size. Virtus ensures that the information is current and relevant through continuous updates to the database supporting the Plan Design Tool. The information Virtus provides in its fee and plan design benchmarking reports will enable you to help your clients evaluate the effectiveness of their plan and make certain their plan is competitive and drives strong participant savings.

To learn more about the Plan Design Tool or other advisor resources available from Virtus Investment Partners, visit planadvisortools.com.

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