



Benefit Consultants Group

"Celebrating Service Excellence for Over 50 Years"

June Newsletter

Reducing the Cost of Your 401(k) Plan

In the current economic climate, it is more important than ever to know your options for reducing the employer-funded cost of your retirement plan. While the largest cost is usually the matching contributions, the expenses of operating a plan are next. Many plan operating expenses can be paid from the plan, but some must be paid by the plan sponsor.

Expenses are divided into two categories: settlor expenses and administrative or fiduciary expenses. The former, settlor expenses, must be paid by the plan sponsor as the creator of the plan. The second category, administrative or fiduciary, are obligations of the plan and may be paid with plan assets.

The following is a partial list of expenses that may be paid from a plan:

- Fees for administration or recordkeeping.
- Fees for amending the plan for law changes.
- Fees for submitting the plan to the IRS for a favorable determination letter.
- Fees for investment advice.
- Fees for audited financial statements of "large" plans (that is, plans with 100 or more participants).
- Fees for participant services, including education, investment advice, investment management, and enrollment.
- Fees for provider searches.
- Fees for reviewing and implementing domestic relation orders (QDROs).
- Fees for legal advice, for example, concerning plan operation, fiduciary responsibilities, or plan interpretation.

Examples of expenses that cannot be paid from the plan include:

- Fees for advice on the adoption or design of a plan.
- Fees for a feasibility study for a new plan or change in plan design.
- Fees related to the preparation of the plan sponsor's corporate financial statements (even though part of those statements may be related to the plan).

These are examples of when plan assets may and may not be used

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Get to Know BCG



Stephen E. Sokolic,
*Executive Vice President
and General Legal
Counsel*

Steve is a member of the executive management team at BCG. He has been with BCG for over 11 years, and has served as their legal counsel for over

to pay plan expenses. There are other, more complicated, situations. For example, a plan may reimburse a plan sponsor for certain expenses, but only under very limited circumstances; legal advice is needed to avoid a prohibited transaction for payments to a plan sponsor. Also, while fees to study plan design changes may not be paid from plan assets, the costs of implementing those changes may be paid by the plan.

A related issue is how to allocate the payments among the participant accounts. In most cases, the best approach is to allocate pro rata to all account balances. That would apply, for example, to expenses for plan compliance work. In some cases, though, it may be better to allocate the expenses on an equal basis to all participants. Some types of expenses, such as specific transaction fees, may be allocated to the specific participants who request those transactions. These include loan, distribution, and QDRO review fees. These allocation decisions are fiduciary decisions; as a result, the plan fiduciaries—for example, the plan committee—should carefully consider the reasonableness of any allocation method and should make a formal decision that is reasonably connected to the fairness and logic of the analysis. Legal advice should be sought if the fiduciaries are not knowledgeable about the issues or comfortable with making the decision.

Please contact your Plan Account Manager if you are interested in authorizing payment of some or all plan administrative expenses from the plan.

BCG Employees Highlighted

Robert Paglione, CEO, has just become a member of the ASPPA College of Pension Actuaries (ACOPA). ACOPA is an operating unit within ASPPA to represent the needs of the combined group of pension actuaries.

Beau Adams, Executive Vice President of Business

Development, recently spoke at the Pershing Conference in Florida on the future of the 401(k) system. The conference had 4,000 brokers in attendance.

Steve Sokolic, Executive Vice President and General Counsel, recently presented a program updating Merrill Lynch financial advisors on new retirement plan legislation & regulations as part of Merrill's Retirement University. Also on the program was Fred Reish, a nationally-known ERISA attorney.

Steve Sokolic will be speaking to a group of Vistage members on June 16th regarding their fiduciary responsibilities in 2009. Vistage is the worldwide leader in helping chief executives take their careers—and their companies—to a higher level.

Reed Cline, QPA, QKA, is a **Technical Consultant at BCG**, and serves as the plan administration columnist for the Journal of Pension

25 years.

He has a Juris Doctor degree from George Washington University and a Master of Law degree in Taxation from Georgetown University. He is also a member of the Pennsylvania Bar.

Steve has worked for both the United States Department of Justice and Internal Revenue Service in the field of federal taxation. He was a practicing attorney for over 20 years before joining BCG as a tax and retirement plan consultant.

He has written and lectured extensively in the areas of tax, compensation and retirement planning.

How can Steve assist you?

- Conducts seminars for financial advisors and clients to educate them on best practices and latest retirement plan developments.
- Consults with clients on sophisticated retirement plan designs.
- Helps clients correct plan operating deficiencies using the IRS and DOL correction programs
- Represents clients in IRS and DOL retirement plan examinations.

If you would like to talk to Steve about any of these

Benefits. In the Spring issue of the Journal of Pension Benefits, his article was entitled "Is Education and Certification Really Necessary?"



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For more information about our services, please call 1-800-524-401k, or visit our website at www.bcgbenefits.com.

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