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401K Service Plan

“Out of sight out of mind” is not how you treat an important piece of equipment. Regularly scheduled maintenance ensures vital machinery and tools perform at optimal levels. The same principles apply to your 401k. Putting in place a Service Plan that addresses the essential elements of your plan can work the same way.

The Service Plan should focus on the main objectives of addressing the fiduciary needs of the 401k sponsor and by extension address the needs of both the sponsor and the participants. A well run plan serves everyone’s best interests.

Service Plan

- I. Fiduciary Investment Review: This process should include a Market Review, an Investment Policy Review, an Investment Scorecard Methodology with Funds Scores and Recommendations.
- II. Fiduciary Plan Review: This process should include a Report Card covering Fiduciary Education, a Plan Design Review, Fiduciary Best Practices and an administrative compliance review.
- III. Provider Analysis: This process should include an analysis of the incumbent provider costs, services and investments compared to other service providers.
- IV. Employee Education: This process should review group employee education meetings and individual employee education meetings.
- V. Newsletters, memos and tools: This process should review client newsletters for the Retirement Committee and employee memos and planning and investment tools for Plan Participants.
- VI. General Investment Advice: This process reviews general investment advice.

Written investment policies are not required by ERISA but they are recommended and should include standards for choosing investments, how they are monitored and a watch list and replacement triggers. The Department of Labor judges fiduciaries on the process they follow not the results. Your process should be flexible and adaptable to changing conditions.

When drafting an Investment Policy Statement, it does not include directions about the purchase or sale of specific investments but sets guidelines and general instructions about various types or categories of investment management decisions. Regular documentation of the process should include investment reviews and relevant plan fees. Utilizing an independent third party expert is a way to meet “prudent expert” standards if internal expertise is not available.



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In Conclusion:

- ERISA law does not require written Investment Policy Statements, however they are recommended.
- The DOL judges process not performance.
- The analytics must be quantitative and qualitative.
- Fees and expenses must be fair and reasonable.
- Independent third party experts are recommended.

Just as in the operation of every other aspect of your business, a good plan and a well-executed process can go a long way to helping assure your plan is well run and keeping your organization and employees on the road to a successful retirement.