



What to Look For in an Automatic 403(b) Plan Service Provider

You've read all about automatic 403(b) plans. You've considered the implications of adding automatic features, and have come to the decision that it's the way to go. You've made a strong business case to management, and they've agreed that it's time to move forward. So now what?

Your next step is finding the right service provider. Chances are your current plan vendor supports automatic features. Alternatively, you may choose or need to work with a separate vendor. For small and mid-size employers it's important to find a provider that will offer a turnkey approach. Like most employers of this size, you may have only a few people handling all human resources and benefits functions. Your provider needs to do the heavy lifting, and many of them are equipped to do just that. The challenge you have is finding the right one.

Take note that choosing a service provider for your plan is a fiduciary action, so you need to undertake any provider-related decision with great care. This publication focuses mainly on assessing a provider's ability to administer automatic plan features. The fiduciary decisions regarding selection, retention or replacement of plan service providers involve many other important considerations not covered in this publication—such as quality, accuracy and reliability of recordkeeping and other administrative services; ability to assist with participant communications and respond to participant questions; assistance with legal and regulatory compliance; level of fees and expenses; and other considerations.⁹

Sizing It Up

Large plans have led the way in adopting automatic plan features. Their plan service providers typically have ample staff and technological capability to manage the transition and ongoing administration. Plus, large employers often have dedicated in-house benefits professionals to manage the plan.

This isn't usually the case with small- and mid-size plans. The service teams may be smaller and the organization's investment in technology may be less than that of large providers. Plus, you may be a staff of one on your side of things. So, put time and effort into finding a provider that can meet your needs with minimal input from you. It will save you time and effort in the long run.

Checking Them Out

Here are some questions to ask when interviewing potential automatic 403(b) plan service providers, whether it's your existing provider or one you haven't yet worked with:

- 1. Is your plan in the provider's core market?**

If the provider mostly works with smaller employers, make sure it has the experience and the staff to serve your plan's needs. If the provider works mostly for very large organizations and devotes most of its staff time and resources to the large plans, make sure you won't be short-changed.

⁹ U.S. Department of Labor. *Meeting Your Fiduciary Responsibilities*. September 2006: www.dol.gov/ebsa/pdf/fiduciaryresponsibility.pdf



2. **What has the provider's experience been with automatic 403(b) implementation?**

Ask how many plans they have experience with in implementing automatic features, which features in particular, and ask about outcomes to date. Look for things like participation rate increases and nondiscrimination testing outcomes. Find out if they have experience in enrolling existing employees, and their process for it. Ask if they can support automatic deferral increases.
3. **How does the provider handle specific administrative functions?**

Look for technology capabilities to streamline the auto-enrollment process, to return contributions to employees who opt-out within the 90-day window allowed by the Pension Protection Act of 2006 (if you choose to give employees that option) and to automatically enroll existing employees who are not participating.
4. **What audit procedures exist to ensure accuracy of the automatic features?**

Find out their process for ensuring they are automatically enrolling the right employee groups at the right levels.
5. **What specific procedures does the provider have in place to ensure compliance with the Pension Protection Act of 2006 and related regulations?**

Ask about the provider's approach to updating plan documents and receiving regulatory approvals. Find out if the provider manages the notification requirements related to automatic enrollment. Ask what process the provider will undertake to return contributions to employees who opt out within the allowable timeframe.
6. **What assurances can the provider offer that its team will do most of the heavy lifting?**

If your resources are limited, you want to hear from the provider that the work they take on will be tasks you cannot or do not want to assume. In other words, be sure you get the most effective bang for your buck.
7. **Can you talk to their existing clients?**

Ask current clients of your size if they are satisfied with the provider. Find out if their workloads have increased. Ask if they feel they have a reliable point of contact with the provider.

Summing It Up

By their nature, automatic plans are not difficult to administer. In fact, they can greatly reduce the administrative headaches that come with failing nondiscrimination tests, returning contributions to highly compensated employees and chasing down non-participants to focus them on enrolling in the plan. However, to make sure automatic features will be easy to administer, you need to find a service provider that is well-equipped to manage the changes and the ongoing administration with little involvement from you. By asking these questions, you'll be well on your way to finding a provider that will meet your needs.