



# Fee Structure and Evaluation in 403(b) Plans

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# Acknowledgements

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Thank you to Principal® for sponsoring this survey.



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# Executive Summary

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PSCA's 2017 403(b) Snapshot Survey reflects responses from 250 not-for-profit organizations that currently sponsor a 403(b) plan. The survey was conducted online in October/November 2017 and asks sponsors questions regarding how plans fees are structured, administered, and evaluated. The results show that sponsors could benefit from some education around key terms.

## Key Definitions

*Revenue Sharing* - Some or all of the fees built into the product are used toward the payment of fees for the provision of administrative services.

*Fee Levelization* - equitable allocation of retirement plan expenses with all participants

*Fee Policy Statement* - A formal written document that sets forth the plan's objectives with regard to the fees it pays.

*3(38) Advisor* – one who acts as a plan fiduciary and makes investments decisions independently

*3(21) Advisor* – one who may act as a co-fiduciary and advises plan sponsor on investments, but does not have sole discretion in managing them

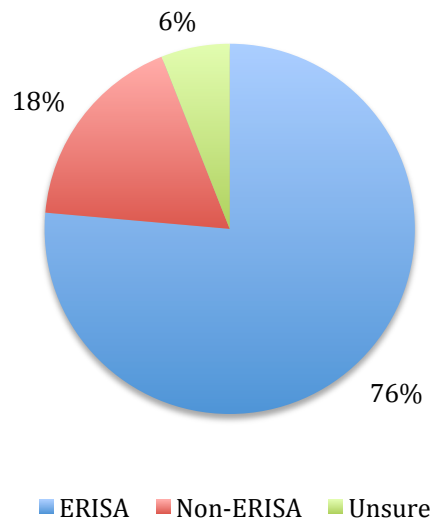
## Key Findings

- One-third of respondents are unsure if their plan uses revenue sharing to pay expenses, including 50 percent of small plans.
- One-fourth of plans reallocate revenue sharing among all participants while one-fourth of respondents are unsure.
- The majority of plan sponsors that use an advisor use a 3(21) advisor (nearly 80 percent).
- About one-fourth of respondents are not aware of formal fee policy statements.
- Half of respondents are unfamiliar with fee levelization.

# Demographics

**Table 1: Respondent Demographics by Organization Size and ERISA Status**

ERISA Status	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000+	All Plans
ERISA	74.7%	82.2%	81.0%	67.9%	76.4%
Non-ERISA	11.4%	12.3%	19.0%	32.1%	17.6%
Unsure	13.9%	5.5%	0.0%	0.0%	6.0%
All Plans	33.1%	31.3%	21.4%	14.2%	100.0%

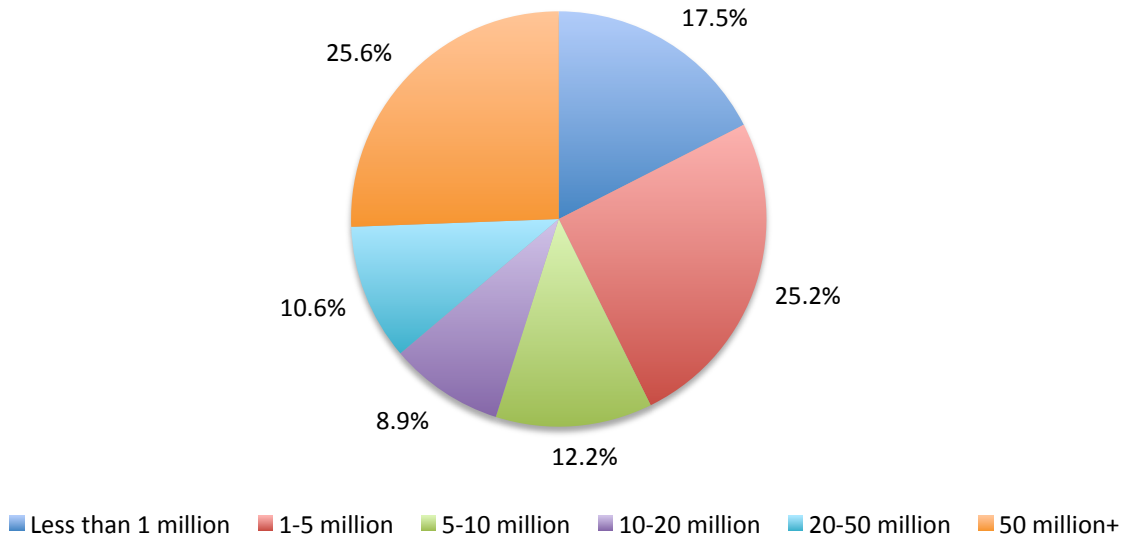


**Table 2: Respondents by Industry Type**

Industry	# of Plans	Percentage of Plans
Arts/Cultural	11	4.4%
Association	8	3.2%
Foundation	11	4.4%
Healthcare (other than hospitals)	11	4.4%
Higher Education (including faith-based)	57	22.8%
Hospitals & Hospital Systems (including faith-based)	12	4.8%
K-12 Education	54	21.6%
Library/Museum	14	5.6%
Other Education	12	4.8%
Religious Intuition (i.e. Churches)	5	2.0%
Research, Science, or Environmental	16	6.4%
Social/Community Services	28	11.2%
Other	11	4.4%
<b>Total</b>	<b>250</b>	<b>100.0%</b>

**Table 3: Approximate Plan Asset Size of Respondents**

Total Assets	All Plans
Less than \$1 million	17.5%
\$1-5 million	25.2%
\$5-10 million	12.2%
\$10-20 million	8.9%
\$20-50 million	10.6%
\$50 million+	25.6%
<b>Total</b>	<b>100.0%</b>



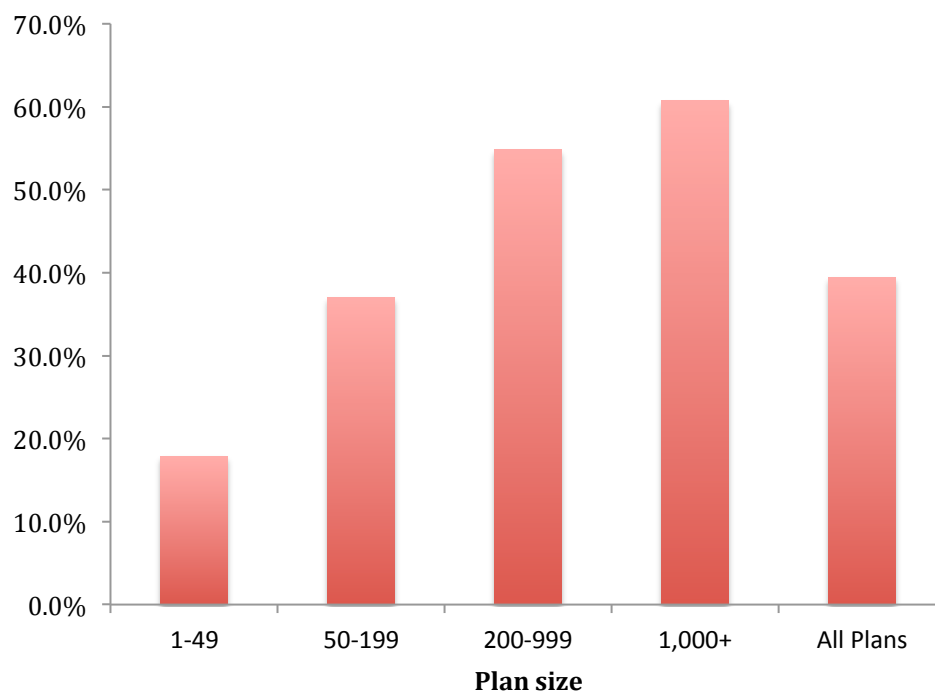
# Plan Fee Allocation

**Table 4. Payer of the Plan Recordkeeping/Administration Fees**

Payer	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000+	All Plans
The Organization	36.7%	15.1%	19.0%	7.1%	20.8%
The Plan/Participants	44.3%	58.9%	42.9%	64.3%	52.8%
Both	5.1%	16.4%	33.3%	26.8%	18.0%
Unsure	13.9%	9.6%	4.8%	1.8%	8.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

**Table 5. Percentage of Plans That Use Revenue Sharing to Pay Plan Expenses**

Percentage	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000+	All Plans
Yes	17.9%	37.0%	54.8%	60.7%	39.4%
No	34.6%	30.1%	19.0%	30.4%	29.7%
Unsure	47.4%	32.9%	26.2%	8.9%	30.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%



**Table 6. Percentage of Plans That Use Revenue Sharing to Pay Plan Expenses That are Considering Moving to a Zero Share Platform Within the Next 12 Months**

Percentage	Plan Size (# of Participants)				
	1-49*	50-199	200-999	1,000+	All Plans
Yes	7.1%	12.5%	9.1%	20.6%	13.8%
No	71.4%	62.5%	59.1%	47.1%	57.4%
Undecided	21.4%	25.0%	31.8%	32.4%	28.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

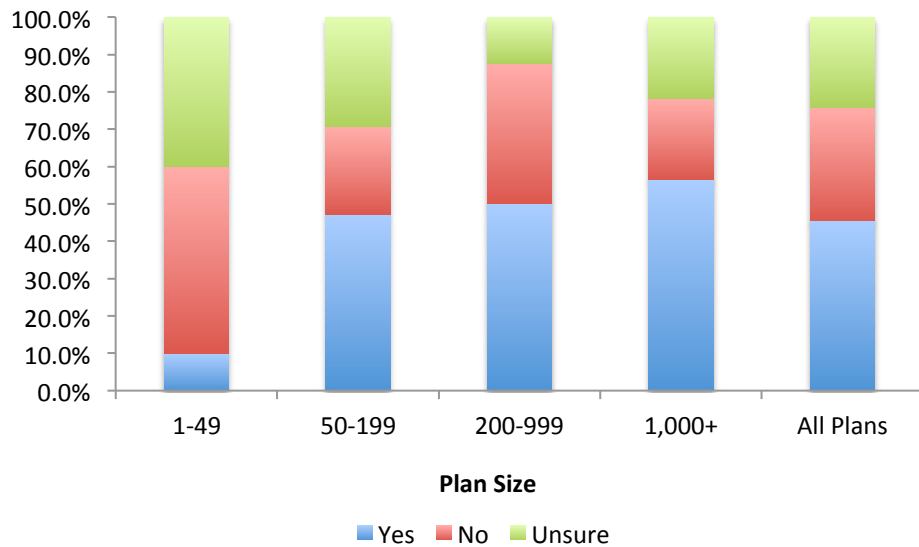
\* Small sample size.

Note: 13.9 percent of plans that do not currently use revenue sharing did at some point in the past and switched.

**Table 7. Percentage of Plans That Reallocate Revenue Sharing Among all Participants**

Percentage	Plan Size (# of Participants)				
	1-49*	50-199	200-999	1,000+	All Plans
Yes	10.0%	47.1%	50.0%	56.5%	45.5%
No	50.0%	23.5%	37.5%	21.7%	30.3%
Unsure	40.0%	29.4%	12.5%	21.7%	24.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

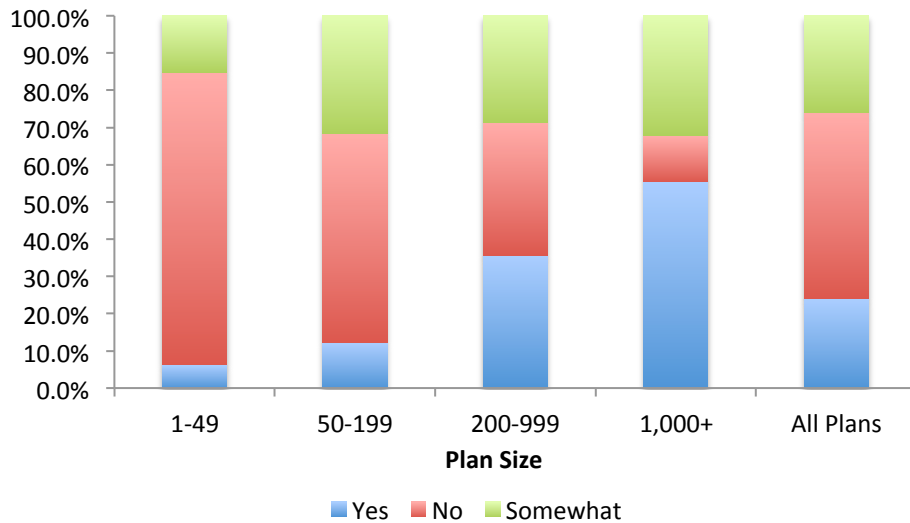
\* Small sample size.





**Table 8. Percentage of Respondents Who Are Familiar With Fee Levelization**

Percentage	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000+	All Plans
Yes	6.3%	12.3%	35.7%	55.4%	24.0%
No	78.5%	56.2%	35.7%	12.5%	50.0%
Somewhat	15.2%	31.5%	28.6%	32.1%	26.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%



**Table 9. Investment Products Available in the Plan**

Investment Product	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000+	All Plans
Both Annuities and Mutual Funds	58.4%	62.5%	81.0%	71.4%	66.4%
Exclusively Annuities	9.1%	6.9%	0.0%	3.6%	5.7%
Exclusively Mutual Funds	16.9%	22.2%	19.0%	25.0%	20.6%
Unsure	15.6%	8.3%	0.0%	0.0%	7.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

# Plan Fee Evaluation

**Table 10. Person Responsible for Reviewing Plan Fees**

Reviewer	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000+	All Plans
Plan Sponsor Only	60.5%	47.9%	25.0%	28.6%	43.6%
An Advisor Affiliated With the Plan Provider	9.2%	11.3%	12.5%	5.4%	9.5%
An Independent Advisor	22.4%	33.8%	50.0%	46.4%	35.8%
Both Sponsor and Advisor	1.3%	7.0%	10.0%	19.6%	8.6%
No one	6.6%	0.0%	2.5%	0.0%	2.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

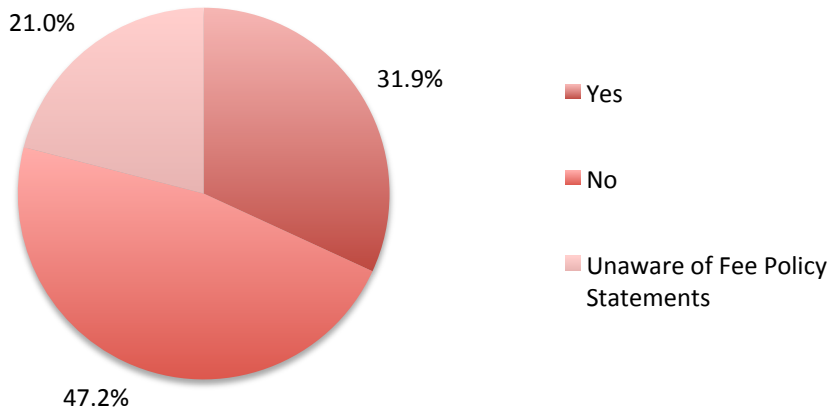
**Table 11. Type of Advisor Used, for Plans That Use One**

Reviewer	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000+	All Plans
A 3(21) Advisor	78.3%	78.1%	80.0%	78.6%	78.7%
A 3(38) Advisor	13.0%	15.6%	16.0%	17.9%	15.7%
Unsure	8.7%	6.3%	4.0%	3.6%	5.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

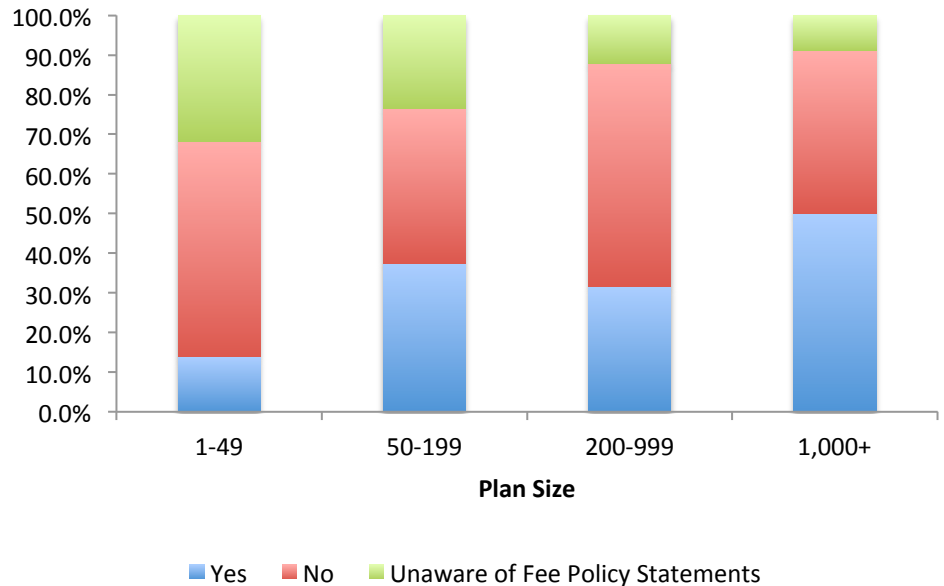
**Table 12. Percentage of Plans That Have a Formal Fee Policy Statement**

	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000+	All Plans
Yes	13.9%	37.5%	31.7%	50.0%	31.9%
No	54.4%	38.9%	56.1%	41.1%	47.2%
Unaware of Fee Policy Statements	31.6%	23.6%	12.2%	8.9%	21.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

**Percentage of All Plans With a Fee Policy Statement**



**Percentage of Plans With a Fee Policy Statement, By Plan Size**



# Appendix I – Questionnaire

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The following questions were posed to respondents online.

1. Who pays the plan recordkeeping/administration fees?

- The organization
- The plan/participants
- Both
- Unsure

2. Does your 403(b) plan use revenue sharing to pay plan expenses?

Yes No

a. If yes, are you considering getting rid of revenue sharing (moving to a zero revenue share platform; within the next 12 months?)

Yes No unsure

b. If yes, do you reallocate revenue sharing among all parties?

Yes No

c. If no, did the plan use revenue sharing to pay expenses in the past?

Yes No

If yes, when did the plan stop using revenue sharing?

- In the last year.
- In the last 2-5 years.
- More than 5 years ago.

3. What investment products are available in your plan(s)?

- Exclusively annuities.
- Exclusively mutual funds.
- Both annuities and mutual funds.
- Other: \_\_\_\_\_

4. Who is responsible for reviewing the fees?

- plan sponsor only (committee, board, etc. – no help from an outside financial services professional is used)
- an independent advisor
- an advisor affiliated with the plan provider
- Other: \_\_\_\_\_

If an advisor is used, is it a:

- 3(38) advisor – one who acts as a plan fiduciary and makes investments decisions independently
- a 3(21) advisor – one who may act as a co-fiduciary and advises plan sponsor on investments, but does not have sole discretion in managing them
- unsure
- Other: \_\_\_\_\_

5. Do you have a formal Fee Policy Statement to monitor the reasonableness of plan fees and services?
  - Yes
  - No
  - Not aware of what a fee policy statement is.
  
6. Are you familiar with fee levelization (equitable allocation of retirement plan expenses with all participants)?
  - Yes
  - No
  - Somewhat