

Understanding the 'HR Gap'

There is a problem in the world of small business. This problem is the absence of good internal administrative processes and owner/executive attention and emphasis for retirement plans.

We are singling out small businesses because larger corporations typically have a dedicated human resources director, whose primary responsibility is the oversight of all HR functions, including employee benefit plans. Small businesses commonly delegate the HR responsibilities to a staff member, usually a CFO or an office manager. This makeshift (non-dedicated) HR director (employee benefit plan administrator) can either be stretched too thin, lack the proper training, resources, and/or time to properly handle and pay adequate attention to the plan, or is simply not the best person to handle the internal administration of the company's retirement plan. As an owner/executive, it is your responsibility to determine whether the employee who is responsible for these duties is diligently managing the plan. Otherwise, this presents a potential problem: as the plan's sponsor, you are a fiduciary and are therefore personally liable for any plan non-compliance.

Your internal plan administrator should have a grasp of the details regarding your plan. This includes plan features, administrative timelines, and plan processes. As a plan sponsor, you should also be aware of these details. An assumption exists that plan information and data can be readily retrieved from the plan administrator through the plan's third party service providers; however, in today's world, this information requires more digging than one may expect.

Regulations have been created in an attempt to make information from service providers more transparent, but in our experience, a certain level of murkiness still exists. More often than not, one has to do some extensive legwork in order to get to the heart of the information. How much of this work has your internal plan administrator done? For a sponsor to fulfill his/her fiduciary responsibility and ensure that the plan is operating with reasonable fees your administrator should be able to answer the following questions fully and with confidence:

- Who are the plan's service providers?
- What services are they providing?
- Are they acting as a fiduciary?
- How much are they getting paid?
- What is the total cost of running the plan?

It is critical that a sponsor ensure that efficient information channels exist, not only with the internal plan administrator, but also with the service providers of the plan. By asking these questions, making certain that key information is understood by all responsible parties and that communication is frequent between these parties, a sponsor can both keep track of the administrator's handle on the plan, as well as ensure that fiduciary risk is being mitigated.

So, how does a plan sponsor effectively manage this *HR Gap*? Ultimately, as the firm's leader, the prioritization and importance you place on your plan is critical. Make it known that you expect your internal administrator to be vigilant and thorough and that you want to have a successful plan that will help your employees retire as comfortably as they can. Set regular meetings with your administrator, review costs and important plan metrics (utilization, investment performance and employee participation) and benchmark those statistics with others in your industry/peer group. Ensure your administrator is in contact with your third party service providers (investment advisers, TPAs, etc.) and emphasize that they provide you with up to date information that helps you and your administrator better keep track of how your plan is faring. These new

practices should not prove overly time consuming and/or expensive. If they do, this is a responsibility your internal plan administrator should seek to correct by working with the plan service providers. Set the expectation, trust and verify, and protect yourself while offering your employees the best plan you can.

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