



Innovative

MYTH SERIES

**#11 AS A PLAN
SPONSOR, I SHOULDN'T
CONSIDER ADDING A 3(16)
SERVICE TO MY PLAN.**

MYTH #11: AS A PLAN SPONSOR, I SHOULDN'T CONSIDER ADDING A 3(16) SERVICE TO MY PLAN.

THE PROBLEM:

An existing client had experienced problems with their 401(k) plan audit for several consecutive years due to internal operational issues. Their bundled TPA/recordkeeper introduced a new 3(16) service, where the external vendor performs many plan administration duties and acts as an administrative fiduciary to the plan. However, these services can be costly. The client requested our help in determining whether they should spend the money for a 3(16) service to help improve efficiencies and eliminate some of the operational errors they were experiencing.

THE SOLUTION:

We conducted a thorough review of their plan operations, their internal processes, historical auditing issues, and the costs of previous errors to both the plan and the company. After determining what operational improvements and internal resources were needed going forward, the client realized that they would benefit from having their TPA/Recordkeeper provide this service. In addition, the client was spending significant time and money in preparing and mailing participants notices; the 3(16) service would take over the preparation and absorb the notification costs.

Between the auditor costs, internal costs, and operational issues, it made sense for this client to use the 3(16) service.

However, no two scenarios are the same. Another client (a for-profit with 75 employees and \$8 million in plan assets) also approached us on the same issue. We reviewed their history: they were efficient, with no administrative issues and no costs associated with plan corrections. We recommended they continue to manage

their plan, as the costs of the 3(16) services were greater than the expected benefits.

If you are considering a 3(16) service, always work with an expert who knows what to look for and how to review your specific situation for the most cost-effective solution.

FAST FACTS

- For-profit company
- 1,500 employees, \$30 million in plan assets
- Provided consultative services on whether should use a 3(16) administrative service

HOW WE HELPED THE CLIENT



Reviewed plan operations and audit history



Recommended appropriate solution for moving to 3(16) service



Reduced their audit error rates



Lowered their costs



Innovative
BENEFIT PLANNING

PARTNERING WITH YOU TO PROVIDE SOLUTIONS

Employee Benefits | Retirement Plans | Wellness | HR Consulting

Visit us online at ibpllc.com | Call us at 888.427.7383