



# Price check

Factors to consider for effective  
fee management

## Pay only reasonable plan expenses

This simple statement reflects one of your core and most complex responsibilities as a plan fiduciary. How do you know if the fees are reasonable? It starts by understanding the connections between plan services, price, participants and outcomes.



This guide is designed to help you make these connections. It provides an overview of the key issues that impact fee management as well as TIAA's pricing capabilities to help you:

- Understand how plan services and design affect pricing
- Determine the most effective and equitable way to pay your plan's price
- Evaluate your price relative to the plan services being provided

Please note, the TIAA group of companies does not provide legal or tax advice. Please consult your legal or tax advisor.

## Variety of pricing factors

When it comes to retirement plans, it's all about choice. And the choices you make impact the price you pay. Things that influence a plan's price include:

- Market for comparable retirement services
- Plan design
- Number of employees and locations
- Administrative services
- Participant services

For example, a plan with multiple locations or a more complex plan design, such as unlimited loans or a manual enrollment process, will generally have a higher price because it costs more to service it effectively. Our pricing approach is designed to provide a price that reflects your unique needs.

## Three types of fees

Because of the many pricing variables, you may want to break down your fees into the following categories to understand what services are included and their related cost drivers.

<b>1</b> Administrative services	<b>2</b> Individual services	<b>3</b> Investment services
<b>Services necessary to keep the plan running:</b> <ul style="list-style-type: none"><li>• Recordkeeping</li><li>• Legal and trustee services</li><li>• Website</li><li>• Customer service phone center</li><li>• Participant communications</li></ul>	<b>Specific services and transactions used by employees:</b> <ul style="list-style-type: none"><li>• Loans</li><li>• Wire transfers</li><li>• Individual advice and counseling</li></ul>	<b>Services necessary to manage your plan's investment options:</b> <ul style="list-style-type: none"><li>• Expense ratios</li><li>• Other services that vary based on type of investment, investment manager and the level of plan assets</li></ul>

## Flexible payment methods

Once you've negotiated your administrative and recordkeeping fee, the next step is to decide how you will cover the cost (fee structure). When it comes to choosing a fee structure, there's one-size-fits-all approach. The payment option or combination of options used varies based on an institution's objectives. You can use one or more of the following to pay for your administrative services:

- Revenue generated from your plan's investment options (also known as plan services expense or revenue sharing)
- Plan participant fees
- Direct payments from you as the plan sponsor

The goal is to select a fee structure that not only covers your costs but is also effective and equitable.

## Evaluating the effectiveness of a fee structure

As you evaluate or re-evaluate your fee structure, it can be helpful to align with three main goals. Answering the following questions can help you determine whether or not your structure is right for your plan—or if changes may be needed.

<b>1</b> Cover plan costs	<b>2</b> Simple to administer and understand	<b>3</b> Fair and equitable
<ul style="list-style-type: none"><li>• What costs and services should participant fees cover?</li><li>• How should a revenue shortfall be handled?</li><li>• Do you need additional money to cover fees? (Would your plan benefit from adopting a Revenue Credit Account?)</li></ul>	<ul style="list-style-type: none"><li>• How will fee leveling work with existing or new investment options?</li><li>• Do assets in individual annuity contracts need to be considered?</li><li>• How should small-sum balances be handled?</li><li>• What are the administrative capabilities for collecting fees from participants?</li><li>• Is the structure you're considering easy to understand and document? (Information about how fees cover plan costs should be clear, readily available and simple to find.)</li></ul>	<ul style="list-style-type: none"><li>• Is there an existing or proposed philosophy on how fees should be assessed? (How are fees charged for other benefits, such as health insurance?)</li></ul>

## Balancing effectiveness with fairness

If you decide to assess participant fees to cover all or some of your plan’s costs, it’s important to make sure that the fees don’t place an unfair burden on some employees over others simply because of the investments they use or their account balance.

There are ways you can allocate administrative and recordkeeping fees to participants.

Pro rata	Per capita
Asset-based fees charged as a percentage of assets	Fixed-dollar amount charged per participant

Selecting the most equitable way to assess participant fees using one of these options requires careful consideration. What may seem like a fair approach for all may benefit some employees over others. The comparison below may help you visualize the potential impact of using each option. You’ll need to define the level of fee sharing that is acceptable for your plan. Also, be sure to document the process you used to make your decision so you can show you acted prudently.

## Comparing participant fee options

	Pro rata		Per capita		
	\$ amount paid	% of account balance	\$ amount paid	% of account balance	
<b>John</b> , early-career account balance <b>\$10,000</b>	\$10	.10%	\$120	1.2%	<b>Fee equity: a two-pronged approach</b> <ul style="list-style-type: none"> <li>• <b>Horizontal equity:</b> similar fees for similar account balances</li> <li>• <b>Vertical equity:</b> same proportion of fees charged against all account balances</li> </ul>
<b>Sue</b> , midcareer account balance <b>\$100,000</b>	\$100	.10%	\$120	.12%	
<b>Mary</b> , late-career account balance <b>\$250,000</b>	\$250	.10%	\$120	.05%	

## Setting a cap on fees

If you choose to assess plan-level fees to your participants on a pro rata basis, you have the option of setting a limit—or cap—on the dollar amount charged to your participants. With this option, we will collect fees from a participant only up to the cap. While this capability is intended to address fee fairness issues affecting participants with high account balances, a minimum threshold may also be established to exclude fee collection from accounts with smaller balances. An amendment to the recordkeeping agreement is required.

## Helping you find the balance

TIAA can work with you to design a strategy that meets the needs of your institution. We provide the flexibility to design a fee strategy that is equitable to participants and we offer different ways to allocate the fees across your participants. You can consider options such as:

- Investment-level fees
- Investment-level credits
- Plan-level fees (fixed-dollar amount or percentage of assets)
- A combination of the above

Your objective and investment menu may influence the participant fee strategy you choose. Click on the “Participant fees—understand your options” thumbnail to learn more.

## Fee leveling

If you decide that participants should help cover plan costs, we offer several fee-leveling strategies to help you allocate costs equitably among plan participants. These fee-leveling strategies can be implemented with your plan’s philosophy and investment options in mind, and can help you to meet your fiduciary responsibility to prudently allocate costs.

## Plan reconciliation: your checks and balances

Once you understand your plan’s price and have chosen your fee structure, you’ll need to monitor it. Why? To address changes in the revenue generated by your plan due to market fluctuations, participant transactions and more.

To help you, we’ll periodically compare your price (expected revenue) listed in your Recordkeeping Services Agreement to the fees collected during the reconciliation period (actual revenue) to make sure they are in balance. Once completed, you’ll receive a Plan Economics Reconciliation Report that shows the calculations and results so you’ll know where you stand, and if any action is required.

<b>In balance</b> Actual revenue—Expected revenue	<b>Excess</b> Actual revenue > Expected revenue	<b>Shortfall</b> Actual revenue < Expected revenue
No action is required.	Action is required to manage the excess. <b>Possible solutions:</b> <ul style="list-style-type: none"><li>• Put it in a Revenue Credit Account</li><li>• Expand participant services</li><li>• Make changes to investment lineup</li></ul>	Action is required to eliminate the shortfall. <b>Possible solutions:</b> <ul style="list-style-type: none"><li>• Assess participant fees</li><li>• Make changes to investment lineup or services offered</li><li>• Pay it directly</li></ul>

## The ultimate test for fees: better outcomes

While you have a fiduciary duty to pay only reasonable plan expenses, reasonable doesn't always mean choosing the lowest-cost option. It means what's prudent for your plan and your participants.

At TIAA, our competitive total cost reflects the services we provide to help you optimize four key drivers of retirement readiness. Here's a sampling of what we offer.

Retirement readiness category	Highlights
Plan design	<ul style="list-style-type: none"><li>• Online plan review and report with detailed analytics</li><li>• Education and thought leadership</li></ul>
Employee engagement	<ul style="list-style-type: none"><li>• Communications, education and advice (CE&amp;A) delivered through multiple channels</li><li>• Woman2Woman and Gen Y tool kits</li></ul>
Investment solutions	<ul style="list-style-type: none"><li>• Lower cost investment alternatives: 91% of TIAA-CREF mutual funds have expense ratios below the median of their respective Morningstar categories<sup>1</sup></li><li>• Open architecture platform; ability to select investments from most mutual fund companies</li></ul>
Plan management	<ul style="list-style-type: none"><li>• PlanFocus<sup>®</sup>, ranked #1 among participant and life insurance/annuity consumer websites<sup>3</sup></li><li>• Governance tool kit and regulatory updates</li><li>• Compliance monitoring and reporting</li></ul>

### Learn more

Managing your plan fees is an important responsibility that involves many factors. Contact your TIAA representative or call the Administrator Telephone Center at 888-842-7782, weekdays, 8 a.m. to 8 p.m. (ET) for more information.



1. Based on Morningstar Direct (as of June 30, 2023) expense comparisons by category, excluding Money Market products. Actual percentage is 91.03%. TIAA-CREF mutual funds are subject to various fees and expenses, including but not limited to management, administrative, and distribution fees. Excludes the class W shares, which are not available for purchase by retail investors. [www.tiaa.org/public/about-tiaa/why-tiaa/why-we-are-different](http://www.tiaa.org/public/about-tiaa/why-tiaa/why-we-are-different)
2. DALBAR's WebMonitor program continuously analyzes financial services websites to evaluate their effectiveness in maximizing their online presence by incorporating content and functionality in a consistent, appealing and user-friendly manner. DALBAR regularly publishes key findings of competitive intelligence and benchmarking data, spotlighting notable trends, best practices and industry leaders, as of end of Q1 2022. [dalbar.com/Awards/WebMonitorRankings](http://dalbar.com/Awards/WebMonitorRankings).

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