PLAN SPONSOR CHECKLIST

Evaluating your fee practices

What should plan sponsors consider when assessing plan fees?

You have a responsibility to ensure that plan fees are reasonable. Choosing the right participant fee strategy requires careful consideration. What at first may seem like a fair approach for all employees may benefit some over others.

With ongoing industry focus on fee fairness, it's a good idea to be familiar with the topic and the implications it may have for your organization. This checklist can help guide your plan's fee practices review.

Review your plan profile and demographics

Consider how fees may affect different employee segments and how your employee population may change over time.

Identify how recordkeeping offsets (revenue sharing) are accounted for and allocated

Some employees may be investing in funds that pay a significantly greater share of the plan's administrative and recordkeeping expenses than others, especially when the plan's default investment provides little to no offset.

Understand the methods plans typically use to assess participant fees and how each can be classified

Recognize that each fee approach may or may not align with your organization's philosophy towards fee allocation.

Determine if you are following the best approach for the plan and your employees

Your retirement provider or advisor can help you understand your options or implement changes if needed.

Make sure your fee practices are transparent

Your fee practices should be easy to communicate to both regulators and your employees. Clear, transparent communication about fees can help enhance employee understanding and perception of your plan's value.

Additional resources on this topic are available:

- Four questions to guide your fee evaluation process
- Assessing fee fairness: Characteristics of an effective plan fee structure

Methods to assess participant fees

Type of fee	Implication for participants
1. Per participant—fixed dollar amounts charged per participant	• For example, with a $500 per participant fee, a participant with a $10,000 balance will pay 5% in fees while a participant with a $100,000 balance will pay 0.5%[1] • Participants with small account balances pay a larger proportion of their assets in fees
2. Pro rata—asset-based fees charged as a percentage of assets	• For example, a 0.10% pro rata fee on each participant's assets means each will pay the same share of fees[1] • Participants with similar balances pay similar fees • The dollar amount of pro rata fees increases as balances rise—setting a dollar limit or "fee cap" can ensure participants with larger balances do not pay more than a specified limit[2]

TIAA is committed to helping you understand your fiduciary obligations and the options available to help align your fee strategy with your plan's objectives. Please contact your TIAA plan representative if you have any questions.

TIAA

1. Fee examples are for illustrative purposes only and do not represent actual numbers.
2. Restrictions apply. 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.

Please note that fee structure classification does not imply one approach is better than the other.

This material is for informational or educational purposes only and does not constitute investment advice under ERISA. This material does not take into account any specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on the investor's own objectives and circumstances.

The TIAA group of companies cannot and does not provide legal advice, and we recommend that you consult your own legal counsel for such advice.

GFS-3096670PP-E0923X (09/23)