The 15-Point Fiduciary Health Check

A practical guide for plan sponsors to identify hidden risks, reduce fees, and strengthen compliance.

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How to Use This Guide

This 15-Point Fiduciary Health Check is designed to help plan sponsors like you evaluate the strength of your 401(k) plan across four critical areas: fee transparency, investment oversight, regulatory compliance, and vendor management.

Each checkpoint includes a plain-language explanation of why it matters, a key question to ask your team or service providers, and specific action items you can use to identify gaps and drive improvement. You don’t need to be an ERISA attorney to use this guide—just a plan sponsor who takes fiduciary duty seriously.

Scoring Your Plan

As you work through each of the 15 checkpoints, give yourself an honest assessment. Then use the interactive scorecard at the end of this guide to rate each item and see your total score calculated automatically.

✓ **Compliant (2 pts)**	You’ve addressed this area and have documentation to support it.
■ **Needs Review (1 pt)**	You’re partially compliant or haven’t reviewed this area recently.
✗ **At Risk (0 pts)**	This area has not been addressed, or you’re unsure of your status.

Scoring Guide: 25–30 points = Strong fiduciary standing. 18–24 points = Solid foundation with room to improve. Below 18 = Significant gaps that should be addressed promptly.

Ready? Let’s get started.

Section A: Fee Benchmarking & Transparency

Plan fees have a compounding effect on participant outcomes. Even a small difference in fees—as little as 0.50%—can reduce a participant's retirement savings by tens of thousands of dollars over a career. As a fiduciary, you have a legal obligation to ensure fees are reasonable relative to the services provided.

1 Total Plan Cost Analysis

Understanding the total cost of your retirement plan requires looking beyond the expense ratios of the investments. Total plan cost includes recordkeeping fees, advisory fees, administrative costs, and any revenue sharing arrangements. Many plan sponsors are surprised to discover costs they didn't know existed.

Key Question:

"Can you identify every fee your plan pays—and who receives each dollar?"

Action Items:

- Request a complete fee disclosure from your recordkeeper
- Document all direct and indirect compensation paid to service providers
- Compare total plan cost as a percentage of assets to industry benchmarks
- Review fee structure annually for reasonableness

Red Flag: If you cannot clearly identify all fees, or if your recordkeeper resists providing a full breakdown, this is a significant fiduciary concern.

2 12b-1 Fee Review

12b-1 fees are marketing and distribution fees embedded within mutual fund expense ratios. These fees are often used to compensate brokers or offset recordkeeping costs through revenue sharing. While not inherently bad, they can significantly increase participant costs and may indicate conflicts of interest.

Key Question:

"Are any funds in your lineup charging 12b-1 fees, and if so, where is that money going?"

Action Items:

- Identify all funds in the lineup that charge 12b-1 fees
- Determine if lower-cost share classes are available for the same funds
- Document how 12b-1 revenue is being used (recordkeeper offset, advisor comp, etc.)
- Evaluate whether zero-revenue share classes or institutional shares would reduce costs

Red Flag: Plans paying 12b-1 fees without understanding where the money flows are exposed to potential prohibited transaction risk.

3 Revenue Sharing Transparency

Revenue sharing occurs when fund companies pay a portion of fund fees to the recordkeeper to offset plan administration costs. While this can be a legitimate way to pay for services, it can also obscure true costs and create cross-subsidization where participants in certain funds effectively pay for others' recordkeeping.

Key Question:

"Do you have a clear picture of all revenue sharing in your plan, and is it equitably distributed?"

Action Items:

- Obtain a revenue sharing report from your recordkeeper
- Evaluate if revenue sharing creates unequal cost burdens across participants
- Consider an ERISA fee recapture (revenue credit) account to return excess revenue to participants
- Compare revenue sharing arrangements to a flat per-participant fee model

Red Flag: If revenue sharing subsidies flow disproportionately or are not credited back to participants, you may have an equalization issue.

4 Fee Disclosure Compliance (ERISA §404a-5)

ERISA requires that plan sponsors provide participants with clear, comparative fee information annually. This includes investment-level fee disclosures and plan-level administrative fee disclosures. Failure to provide these disclosures on time—or providing incomplete information—is a fiduciary breach.

Key Question:

"Are your participant fee disclosures delivered on time and in full compliance with 404a-5 requirements?"

Action Items:

- Confirm annual participant fee disclosures are distributed within required timeframes
- Verify disclosures include all required comparative chart information
- Ensure new participants receive disclosures upon eligibility
- Document the delivery method and dates for audit trail purposes

Red Flag: Missing or late fee disclosures are one of the most common—and most easily avoidable—fiduciary failures found in DOL audits.

Section B: Investment Policy & Monitoring

Your Investment Policy Statement (IPS) is the governance backbone of your retirement plan. It defines how investment decisions are made, monitored, and documented. Without a well-maintained IPS and a disciplined monitoring process, fiduciaries are making decisions without a framework—leaving themselves exposed to liability.

5 Investment Policy Statement (IPS) Review

The IPS should be a living document that guides all investment-related decisions for your plan. It should define the criteria for selecting and removing investments, establish benchmarks, and outline the roles and responsibilities of all parties involved. An outdated IPS is almost as risky as not having one at all.

Key Question:

"Has your IPS been reviewed and updated in the last 12 months to reflect current plan structure and goals?"

Action Items:

- Review IPS for accuracy against current fund lineup and plan design
- Ensure IPS defines clear criteria for placing funds on a watch list or removing them
- Verify IPS reflects current fiduciary roles and responsibilities
- Document the date and participants of the most recent IPS review

Red Flag: An IPS that hasn't been reviewed in over two years may not reflect your current investment lineup or regulatory requirements.

6 Fund Performance Benchmarking

Each investment option in your plan should be regularly evaluated against appropriate benchmarks and peer groups. This isn't just about returns—it includes risk-adjusted performance, consistency, expense ratios, and manager tenure. Consistent underperformance relative to benchmarks is a signal that warrants action.

Key Question:

"Are all investment options evaluated quarterly against their stated benchmarks and peer groups?"

Action Items:

- Conduct quarterly performance reviews comparing funds to relevant benchmarks
- Evaluate risk-adjusted returns (Sharpe ratio, alpha, standard deviation)
- Review manager tenure, fund size, and organizational stability
- Document all findings and decisions in meeting minutes

Red Flag: Funds consistently underperforming their benchmark over 3- and 5-year periods without documented review or action expose fiduciaries to liability.

7 Watch List & Replacement Procedures

A formal watch list process demonstrates that your committee takes a disciplined, documented approach to investment oversight. When a fund triggers watch list criteria (underperformance, manager change, fee increase), there should be a defined process for monitoring, escalating, and ultimately replacing the fund if needed.

Key Question:

"Do you have a formal, documented process for placing funds on watch and replacing underperformers?"

Action Items:

- Define specific, quantitative criteria that trigger watch list placement
- Establish a timeline for watch list review (typically 2–4 quarters)
- Document the decision-making process for fund replacements
- Ensure replacement fund selection follows IPS criteria

Red Flag: Removing or replacing funds without a documented process—or keeping underperformers without formal review—are both fiduciary risk areas.

8 Asset Class Diversification & Lineup Design

Your plan’s investment menu should offer a broad range of asset classes that allow participants to build diversified portfolios appropriate for their age, risk tolerance, and retirement timeline. This includes evaluating whether you offer target-date funds, a self-directed brokerage window, and appropriate fixed income options.

Key Question:

"Does your fund lineup provide sufficient diversification across asset classes, styles, and risk levels?"

Action Items:

- Map your fund lineup against a diversification framework (domestic, international, fixed income, etc.)
- Evaluate the suitability and glide path of your target-date fund series
- Assess whether a stable value fund or money market option is appropriate
- Review if the number of options creates decision paralysis for participants

Red Flag: Offering too many overlapping funds or missing key asset classes (e.g., international exposure) may not serve participants’ best interests.

Section C: Compliance & Regulatory (ERISA)

ERISA compliance is not optional—it is the legal foundation of your fiduciary duty. Regulatory requirements evolve, and even well-intentioned plan sponsors can fall behind on plan document updates, testing, and operational procedures. Non-compliance can result in penalties, plan disqualification, and personal liability for fiduciaries.

9 Plan Document & Amendment Review

Your plan document is the legal contract that governs how the plan operates. It must be kept current with all required legislative and regulatory amendments. Operating the plan inconsistently with the plan document is an operational failure that can jeopardize the plan's tax-qualified status.

Key Question:

"Is your plan document up to date with all required amendments, including SECURE 2.0 provisions?"

Action Items:

- Confirm all required amendments (SECURE Act, SECURE 2.0, CARES Act) have been adopted
- Review the plan document restatement cycle with your TPA
- Verify plan operations match document provisions (eligibility, vesting, matching formula)
- Establish a process for timely adoption of future amendments

Red Flag: Operating a plan that hasn't been amended for SECURE 2.0 provisions could result in disqualification or correction filing requirements.

10 Eligibility & Enrollment Audit

Incorrect eligibility determinations and enrollment failures are among the most common plan operational errors. These can include failing to enroll eligible employees on time, applying incorrect waiting periods, or miscalculating hours of service for part-time employees.

Key Question:

"Are all eligible employees being enrolled in the plan on time and with correct deferral rates?"

Action Items:

- Audit payroll against plan records to identify any missed eligible employees
- Verify auto-enrollment provisions are being applied correctly
- Confirm auto-escalation features are functioning as designed
- Review eligibility tracking for part-time and seasonal employees

Red Flag: Missed enrollments can require corrective contributions and may need to be reported through the DOL's Voluntary Correction Program (VCP).

11 Loan & Hardship Distribution Procedures

Plan loans and hardship distributions are heavily regulated. Errors in processing—such as exceeding loan limits, improperly documenting hardship need, or failing to suspend contributions when required—can result in prohibited transactions and adverse tax consequences for participants.

Key Question:

"Are your loan and hardship distribution processes documented, consistent, and compliant with plan terms?"

Action Items:

- Review loan policy for compliance with IRC §72(p) limits and terms
- Verify hardship distribution procedures reflect current safe harbor rules
- Confirm consistent application of policies across all participants
- Audit recent loan and hardship transactions for procedural compliance

Red Flag: Inconsistent application of loan or hardship rules across participants is a discrimination issue and potential ERISA violation.

12 Form 5500 & Annual Compliance Review

The Form 5500 is the primary reporting document for your plan with the DOL and IRS. It must be filed accurately and on time each year. Beyond the filing itself, the annual compliance review should include nondiscrimination testing (ADP/ACP, top-heavy), coverage testing, and a review of plan operations.

Key Question:

"Is your Form 5500 filed accurately and on time, and are all annual compliance tests passing?"

Action Items:

- Confirm timely filing of Form 5500 (or extension if needed)
- Review ADP/ACP nondiscrimination test results with your TPA
- Evaluate top-heavy testing status and implications
- Ensure the plan audit (if required for 100+ participants) is completed by a qualified auditor

Red Flag: Late or inaccurate 5500 filings can trigger DOL penalties. Repeatedly failing nondiscrimination tests may indicate a plan design issue.

Section D: Vendor & Recordkeeper Evaluation

Your plan's service providers—recordkeeper, TPA, advisor, and custodian—are partners in delivering retirement outcomes for your employees. Regularly benchmarking their performance, fees, and service quality is a core fiduciary responsibility. Loyalty to a long-standing vendor should never override the duty to act in participants' best interests.

13 Service Level Benchmarking

As plans grow, the level of service required from a recordkeeper evolves. What worked for a 50-person plan may not be adequate for a 500-person plan. Regular benchmarking ensures your provider's capabilities, technology, and pricing remain competitive and aligned with your plan's needs.

Key Question:

"When was the last time you formally benchmarked your recordkeeper's fees and services against competitors?"

Action Items:

- Conduct a formal RFP or benchmarking study every 3–5 years
- Compare recordkeeping fees, technology, and service models
- Evaluate the quality and responsiveness of the dedicated service team
- Document the benchmarking process and rationale for staying or switching

Red Flag: Never benchmarking your recordkeeper—or staying with one simply due to inertia—fails to meet your fiduciary duty of prudence.

14 Participant Experience & Engagement

A plan is only as effective as the degree to which participants engage with it. Evaluating participant experience includes assessing the enrollment process, online tools, mobile access, education resources, and the availability of personalized advice or managed accounts. Low participation or poor deferral rates often indicate a participant experience problem.

Key Question:

"Are participants actively engaging with the plan, and does the recordkeeper provide effective education and tools?"

Action Items:

- Review plan participation rate, average deferral rate, and opt-out rates
- Evaluate the quality of online/mobile tools and participant portal
- Assess the frequency and effectiveness of financial education programs
- Determine whether participants have access to personalized advice or managed accounts

Red Flag: Participation rates significantly below industry benchmarks (typically 80%+ for auto-enrollment plans) suggest the plan isn't effectively reaching employees.

15 Cybersecurity & Data Protection Practices

Retirement plans hold sensitive personal and financial data for every participant. The DOL has issued cybersecurity guidance making it clear that fiduciaries must evaluate their service providers' cybersecurity practices. A data breach can expose the plan sponsor to significant liability and harm participants.

Key Question:

"Has your recordkeeper provided documentation of their cybersecurity policies, and do they carry cyber liability insurance?"

Action Items:

- Request your recordkeeper's SOC 2 report or equivalent security audit
- Verify the recordkeeper carries adequate cyber liability insurance
- Review the recordkeeper's data breach notification and response procedures
- Confirm multi-factor authentication is enabled for participant accounts

Red Flag: If your recordkeeper cannot produce a SOC 2 report or articulate their cybersecurity practices, consider this a serious risk exposure.

Your Fiduciary Health Score

Select one rating per checkpoint. Your score calculates automatically at the bottom.

Compliant = 2 pts **Needs Review = 1 pt** **At Risk = 0 pts**

Checkpoint	✓ (2 pts)	■ (1 pt)	✗ (0 pts)
1. Total Plan Cost Analysis	☐	☐	☑
2. 12b-1 Fee Review	☐	☐	☑
3. Revenue Sharing Transparency	☐	☐	☑
4. Fee Disclosure Compliance (ERISA §404a-5)	☐	☐	☑
5. Investment Policy Statement (IPS) Review	☐	☐	☑
6. Fund Performance Benchmarking	☐	☐	☑
7. Watch List & Replacement Procedures	☐	☐	☑
8. Asset Class Diversification & Lineup Design	☐	☐	☑
9. Plan Document & Amendment Review	☐	☐	☑
10. Eligibility & Enrollment Audit	☐	☐	☑
11. Loan & Hardship Distribution Procedures	☐	☐	☑
12. Form 5500 & Annual Compliance Review	☐	☐	☑
13. Service Level Benchmarking	☐	☐	☑
14. Participant Experience & Engagement	☐	☐	☑
15. Cybersecurity & Data Protection Practices	☐	☐	☑
TOTAL SCORE	0	**/ 30**	

25–30 pts: Strong fiduciary standing. You're well-positioned. Keep monitoring annually.

18–24 pts: Solid foundation. Address yellow and red areas to strengthen your position.

Below 18: Action needed. Consider a professional fiduciary review to close gaps.

What's Your Plan's Score?

If you identified gaps—or if you're not sure where you stand—you're not alone.
Most plan sponsors uncover at least 3–5 areas for improvement during their first review.

At Retirement Impact, we help mid-market plan sponsors turn fiduciary risk into
a competitive advantage—with independent, conflict-free guidance built around your plan.

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