



## Essential Resources for Winning New Plans

Webcast Q & A, April 17<sup>th</sup> 2014

- 1. How are employee disclosures distributed - via physical docs through mail, electronic and sent through employer or direct to participant?**

*In most cases notices are physically mailed. It depends on client's technology and employee accessibility to their platform, i.e. company email, company intranet, etc.*

- 2. Do you ever use a 3(38)? Is it necessary?**

*Yes, primarily for the QDIA. Use of a 3(38) is not mandatory with our service. A 3(21) can be used for both the core line up and QDIA.*

- 3. Can I customize the funds and/or ETFs in the plan?**

*Yes, to the extent the parameters of 3(21) are maintained.*

- 4. What was the size limit for small plan again?**

*There's no specific size limit, however there is a baseline cost, regardless of plan size and participants, so pricing is more attractive for plans over \$500,000 in assets.*

- 5. If a plan sponsor likes the idea, how do we bring you in and what is the process?**

*We will support you via conference call for initial review. Call us to discuss the process in more detail at 888-401-5723.*

- 6. Lee, can your plan manage a split ticket plan with less than 100 participants allowing for fixed indexed annuities in the plan? I have a few Life Insurance carriers that will allow for index annuities inside by amending the plan document. Can you service a plan with securities as well as fixed indexed annuities?**

*On the surface, this would not be a fit for 401k Safe.*

- 7. Would 401k Safe would be responsible for Annual and Fee Disclosures?**

*Yes. 401k Safe reviews the notices for the client and utilizes our TPA partners to disseminate the notices to the participants.*

- 8. Is 401k Safe available across all vendor platforms, bundled/unbundled, TPA?**

*No, we do not currently work with any platforms in a bundled arrangement. We do not work with all vendor platforms, but we do work with most of the major provider, record keeper platforms that can work with our TPA partners.*



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**9. If a plan uses a 3(16) plan administrator and a 3(21) advisor, what responsibilities are left for the plan sponsor to fulfill?**

*The plan sponsor still maintains fiduciary responsibility to provide timely and accurate payroll data to 401k Safe and our TPA partner, fund the contributions to the plan, and conduct an annual review of 401k Safe services with the advisor.*

**10. Where are assets based?**

*All plan assets are held by the custodian.*

**11. What are the criteria for being considered a "Small Plan." Is it # of Participants, Assets, etc?**

*We define a small plan as having less than 100 eligible participant, and exempt from conducting an annual plan audit.*

**12. Does this require amending or redoing the plan's adoption agreement?**

*It does require amending the plan documents to recognize 401k Safe as the Plan Administrator and Trustee. It does not require amending plan provisions. Our TPA partners work with the client and the advisor to review current provisions and make any desired amendments to the provisions or plan design.*

**13. Do you eliminate sponsors liability or share it?**

*It is a shared liability. There is no mechanism for a plan sponsor to completely absolve their fiduciary status. We integrate fiduciary liability insurance coverage for our clients through Great American Insurance Co., and A+ rated carrier. It extends fiduciary liability coverage to both their plan and their individual fiduciaries, and provides a duty to defend clause, which defends our client fiduciaries from any claims brought against their plan.*

**14. How many plans does 401(k) Safe currently act as a 3(16), what is the average plan size, and do all of their plans have advisors on them currently?**

*401k Safe has approximately 300 plans. The average plan is approximately \$2.2M in assets. All of our plans come to 401k Safe through financial advisors.*

**15. So what is the best combination for a plan sponsor if they use a 3(16)? A 3(21) or a 3(38) advisor?**

*Depends on how much residual liability the plan sponsor wants. The 401k Safe option is unique because we integrate the 3(16), 3(21), 3(38), and trustee roles to provide a comprehensive, global fiduciary oversight solution.*

**16. Does 401k SAFE serve as the investment Committee and select the investment menu?**

*401k Safe serves as the investment committee for the plan and works with the 3(21) and the client in the selection of the investment menu.*



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**17. Are you talking about the Plan Document of the service agreement that becomes part of plan document?**

*Not sure of the reference here. The plan document and the service agreement are separate documents.*

**18. If you are the 3(16), does the fiduciary agree to allow you to hire/fire advisors, attorneys, etc.?**

*The client hires the advisor and agrees on the compensation when the plan is initiated. The only instance where an advisor has been changed is when the plan sponsor requested the change. Yes, technically we have the authority to change the plan vendors. Practically, no changes would be made to a service provider without significant merit and extensive review with the client. There have been situations where we have changed the TPA due to specific issues with the client and TPA that could not be resolved.*

**19. Can employee benefit consultants be held liable?**

*Yes, if they identify themselves as a fiduciary or have discretion over operations of plan.*

**20. How large a plan can you handle?**

*We currently have plans in \$40M asset range, but we have vendors we work with handling plans in the billion dollar asset range.*

**21. I agree with the approach, but how to you get the point across without scaring the plan sponsor to making a settlor decision to terminate the plan?**

*We are sensitive to this and don't take an approach to scare sponsors, but rather to make them aware of the requirements and the potential pitfalls of overseeing their plan to keep it in compliance. The advisors we work use our resources to educate them to make them aware of the things they "don't know, they don't know." We have an advisor portal on our website with material you can use to present this as an educational sell to the plan sponsor. Go to [www.401ksafe.com](http://www.401ksafe.com).*

**22. Has anyone ever gone to jail for not sending out a SPD? I saw this in an email you sent but couldn't find a single case where this happened.**

*We are not saying people are in jail, we are saying that ERISA has clearly stated that going to jail is one of the punishments for not executing. Our point is to make it clear to plan sponsors how serious the government is about compliance and the huge burden plan sponsors have related to the liability of their 401k plan.*

**23. Do you ever use a 3(38)? Is it necessary?**

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**24. Can I customize the funds and/or ETFs in the plan?**

*Yes, to the extent the parameters of 3(21) are maintained.*

**25. So how do you respond to a sponsor/CEO if they don't really care about whether or not their employees are saving enough thru their 401k? (This is common in small market)**

*If the prospect doesn't care about their employees and they don't care about their liability, they are not prospects for 401k Safe and in most cases, ANY fiduciary solution.*



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