



CASE STUDY: GRS Retirement plan review and benchmarking reveals significant plan expense savings

Industry: Manufacturing

Employees: 325

Type of Plan(s): Union and Non-Union 401(k)

Challenge: A manufacturing company with approximately 325 employees hired Gallagher Retirement Services (GRS) to review their 401(k) retirement programs. This client was a long tenured client of the current retirement plan vendor and was satisfied overall with the services provided by the vendor.

Scope: GRS was engaged to review the union and non-union 401(k) programs and conduct a Request for Proposal (RFP) to benchmark the current vendor's services and expense levels.

Results:

PHASE 1: GRS began the RFP process and notified the current vendor that GRS was hired to benchmark the current expenses. GRS immediately was able to renegotiate the plan's expense structure. The current vendor agreed to eliminate the plan's Participant Fee and Wrap Fee, which resulted in an estimated reduction of annual plan expenses of \$30,135.

PHASE 2: The result of the RFP/Benchmarking process showed that the overall expenses being charged by the current vendor (even after the elimination of the Participant Fee and Wrap Fee as negotiated in Phase 1 above) were still above the market rate. The current vendor's net revenue requirement to provide recordkeeping and administrative services to both plans was 80bps (0.80%). The RFP indicated that the current market rate to provide these services was 60bps. GRS was able to negotiate with the current vendor to implement a fund offering Share Class change. This change afforded a lower mutual fund expense ratio for the investments offered under the Plans – resulting in an estimated annual savings of \$13,080.

PHASE 3: GRS conducted a thorough Plan Design review, which explored the option to combine the Union and Non-Union Plans. Each plan had more than 100 participants; therefore, each plan was required to provide an annual plan audit. Upon consultation with the client and the recordkeeping vendor, it was determined that both plans could effectively be administered as a single plan, which would require a single annual plan audit. The elimination of one of the plan audits resulted in an estimated annual hard dollar expense reduction of \$10,000.

Total Estimated Annual Plan Expense Savings: \$53,215

Recommendations:

- Remain with the current vendor as the client is satisfied with the services provided.
- Merge the Union and Non-Union Plan.
- Retain the professionals of GRS as independent, trusted advisors to continue to monitor the plan expenses and service levels to help ensure that the plan costs are reasonable.

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