

SAMPLE QUESTIONS TO GUIDE THE SELECTION OF POTENTIAL 403(b) SERVICE PROVIDERS

A school has multiple options for implementing the requirements of the final 403(b) regulations, some but not all of which are new. Decisions will generally be based on several factors, which are likely to include compliance efficiency and cost, as well as financial soundness of the proposed providers and the adequacy of privacy protections. Some schools will choose to centralize certain plan-level compliance functions, either within the offices of the school or with an outside party (such as a third party administrator (TPA) or an investment provider offering similar plan-level administrative services). Other schools may choose to leave the functions decentralized, requiring ongoing coordination among investment providers to apply certain plan-level limitations, such as those on loans and financial hardship withdrawals.

PLAN-LEVEL CENTRALIZED ADMINISTRATION

If a school has chosen to centralize certain plan-level functions outside of the school's own offices, they will want to assess which functions they want provided, the ability of the organization(s) to provide those functions, and the cost of those functions. To do that, a school should ask a wide range of questions of each service provider under consideration. The following list provides some sample requests for information to initially submit to a 403(b) service provider under consideration by the school. One or more of these requests may be included in a Request for Procurement (RFP) if desired.

Sample Information Requests to Submit to Potential 403(b) Service Providers when Considering Plan-Level Centralized Administration:

1. Can you provide a sample 403(b) plan document for review by the school and its legal counsel? If yes, to what extent does it reflect (and differ from) the IRS model plan language in IRS Revenue Procedure 2007-71?
2. Will you assist the school in the process of obtaining service agreements, information sharing agreements, hold harmless agreements, or other similar agreements from 403(b) investment providers? If yes, please describe your procedures.
3. Will you assist the school in determining employee eligibility for the 403(b) plan, notifying eligible employees of their eligibility to participate, and reviewing and identifying any eligibility determination errors? If so, please describe your procedures.
4. Will you agree to impose reasonable privacy limitations on the release of information provided at the plan-level and to not share such data with an investment provider (or its agents or representatives) with whom the employee does not have a relationship? Please describe your procedures for such restrictions.
5. Describe your administrative process for annual employee plan enrollment and deferral changes in a 403(b) plan.
6. Describe if and how you will educate employees about the 403(b) plan.

7. Do you offer consolidated billing and common remitting services? If so,
 - a. What is your current periodic dollar volume for such services today (monthly, quarterly, annually, etc.)?
 - b. What is the standard time for remittance of the contributions to providers once received in good order from the school?
 - c. Is your process automated or manual?
 - d. What verification steps do your procedures include to ensure transmission to and receipt by the providers?
 - e. How is the process audited?
8. Describe how you will monitor employees participating in the 403(b) plan to confirm that they are staying within annual contribution limits.
9. How will you obtain information needed for compliance monitoring from investment providers working with the school? Please describe when and how you would propose to obtain such information.
10. For 403(b) plans with multiple investment providers, including deselected providers that are incorporated into the plan's procedures, describe your administrative procedures for review and approval of: (a) distributions, (b) participant loans, (c) hardship withdrawals, (d) contract exchanges, and (e) plan-to-plan transfers.
11. Describe the types and frequency of reports that you provide to the school.
12. Describe how plan errors are identified to the school and corrected.
13. What are the fees that your organization would charge for the plan services described in your response? Identify who would be expected to pay these fees (e.g., the school, participants, etc.).
14. Describe any ownership or affiliation relationship or agreement that you have with any 403(b) investment provider. If there is such a relationship, please describe the measures in place to ensure that plan administrative services information is not shared with the investment provider other than on a "need to know" basis for effective plan administration.
15. Describe any fees, commissions, or other types of payments that you receive from any 403(b) investment provider.
16. How many years have you been providing schools nationwide with 403(b) plan administration, including some or all of the services described in your previous responses?
17. Describe your policy regarding the school's ownership of the 403(b) plan data. How often and in what format is plan data transferred to the school?
18. What software or systems do you maintain? Are your software or systems privately owned or do you utilize another firm's software or systems? Please describe in detail.

19. Describe what makes your services unique to any other 403(b) service provider in the industry.
20. Please provide a copy of your standard 403(b) plan service agreement.
21. Do you maintain errors and omissions or similar insurance covering the services proposed in your responses above? If so, will you provide documentation of such coverage upon request?

This document is provided by ASBO International solely for the use of its members and is not intended, nor should it be used, as a substitute for legal advice. You should consult with your counsel. Further, this document is not intended, nor should it be construed as tax advice. You should consult with your tax advisor. Members may also consult the model language issued by the Internal Revenue Service, which can be found at Revenue Procedure 2007-71 on the IRS Website www.irs.gov. This information is general only and is not intended to provide a comprehensive description of services offered by any particular service provider. The school is cautioned to ask questions and carefully review a potential service provider's agreement in order to determine specific services provided under the agreement. Further, the school should consult with legal counsel when reviewing and negotiating an agreement with a service provider.