

## **ASBO International**

### **Checklist for Selecting a 403(b) Third Party Administrator**

If you have decided that your school will hire a Third Party Administrator (TPA) to coordinate your 403(b) service providers and ensure that your 403(b) plan complies with the new requirements, use this document as a tool to help you select a TPA.

A TPA provides plan administration and compliance services for 403(b) plans. A TPA may be affiliated with a 403(b) service provider or may be an independent entity that does not have an economic arrangement with one or more 403(b) service providers. See **ASBO's 403(b) SERVICES AND SERVICE PROVIDER OPTIONS: REFERENCE GUIDE AND RESPONSIBILITY MATRIX** for additional information.

ASBO has developed the following questions to ask potential TPAs. This checklist is not an exhaustive list of questions and it is not intended to serve as tax or legal advice. As always, seek the assistance of counsel as you deem appropriate.

#### **Checklist and Sample Questions**

Describe your firm's capabilities for the following services. If there are limitations, please include a detailed explanation.

#### **Plan Document**

1. Describe whether a plan document will be provided as part of 403(b) administration services. Provide a sample adoption agreement, plan design questionnaire or other document that the school would use to select optional plan terms.
2. Describe the process for providing updates or amendments to plan document.
3. Describe plans for Internal Revenue Service (IRS) determination letter or prototype approval once a procedure to do so has been provided by the IRS.

#### **Coordination of Contributions**

1. Track contributions by source (employee deferrals, Roth 403(b), employer contributions) across all vendors under the 403(b) plan.
2. Monitor employee deferrals and Roth 403(b) contributions for the IRS annual deferral limit across all vendors under the 403(b) plan.
3. Notify employees of eligibility for applicable IRS catch-up contributions.
4. Monitor for applicable IRS catch-up contributions across all vendors under the 403(b) plan.
5. Monitor total school district and employee contributions (other than age 50<sup>+</sup> contributions) made annually to all vendors under the 403(b) plan under IRC Section 415(c).
6. Notify the school of amounts contributed in excess of the applicable IRS contribution limits.

*This checklist is provided by ASBO International solely for the use of its members for general informational purposes only. This checklist is not intended to provide a comprehensive list of services offered by a third party administrator, but is intended as a guide to assist schools seeking the services of a third party administrator for their 403(b) plans. This document is not intended, nor should it be construed as tax advice. Because state laws may apply to contracts for services rendered to school districts, school business officials should consult legal counsel regarding any modifications that may be required.*

### Authorization of Disbursements

1. Determine and authorize the maximum available loan amount upon submission of a participant's request for a loan. Explain how participant data will be obtained from all 403(b) service providers under the plan, 457 deferred compensation plans, and 401 qualified plans that the school also sponsors in order to determine the maximum amount available for a loan.
2. Assess and authorize hardship withdrawal requests in accordance with the terms of the IRS guidance and the 403(b) plan document. If the 403(b) plan operates under the IRS safe harbor for hardships, describe the process for notifying 403(b) service providers and the school of the participant's suspension of contributions to all voluntary salary reduction plans for the six-month period following the hardship withdrawal.
3. Monitor and authorize contract exchanges among 403(b) service providers.
4. Monitor and authorize plan-to-plan transfers from this 403(b) plan to another school's 403(b) plan.
5. Monitor and authorize plan-to-plan transfers into this 403(b) plan from another school's 403(b) plan.
6. Monitor and authorize rollovers into this 403(b) plan.
7. Monitor and authorize transfers to a governmental retirement system to purchase service credit.
8. Monitor employee commencement date for required minimum distribution.
9. Notify the participant of approved transactions.
10. Notify the 403(b) service provider(s) of approved transactions.

### Administrative Capabilities

1. Maximum number of vendors that can be housed on the administrative system.
2. Access sponsor (school)-level plan-related information, including online capabilities and sponsor reports. How frequently will sponsor reports be provided?
3. Access by a participant to his participant account, including online access and participant notifications (e.g., approvals of disbursement requests, eligibility for catch-up contributions, need to begin minimum distributions, etc.)
4. Identify the frequency for valuing and updating information pertaining to participant accounts.
5. List professional liability insurance and amount of coverage.

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6. Provide a sample service provider agreement that the school would enter into for 403(b) plan administration services.
7. Describe how service providers would interface with the TPA platform and identify any minimum administrative capabilities. Provide a sample agreement that service providers would need to execute.
8. Describe procedures in place to ensure that 403(b) plan administrative services and administrative systems are updated in a timely manner to reflect modifications to federal tax law modifications affecting 403(b) plans.
9. Describe safeguards to protect confidential data. If the TPA is affiliated with a 403(b) service provider, describe the protocols in place to protect data on the TPA administrative system from access by the affiliated 403(b) service provider.
10. Describe the records retention policy for 403(b) plan data.

This document was created by members of the Association of School Business Officials (ASBO) International. For a complete list of the members of the ASBO International 403(b) Retirement Plan Council, visit [www.asbointl.org](http://www.asbointl.org).  
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