

Request for Information

What to Ask a 3(16) Service Provider

Finding the right 3(16) plan administration for your retirement plan can be challenging—especially since service offerings often vary from provider to provider. This questionnaire is designed to help you obtain the right information from a 3(16) administrator quickly so that you have more time to focus on your business. Here are a few items to consider when evaluating a provider.

Ask for a Description of Their Services.

1. Clearly state and explain what services you provide (or attach your service agreement with a detailed list).

2. Clearly define who is responsible for each task. List out the required duties of the plan sponsor as well as the 3(16) plan administrator and any other responsible parties (recordkeeper, payroll provider).

3. What software tools do you use in providing the service?

4. What aspects of eligibility do you handle?

Determination

Reviewing

Do you create and distribute enrollment kits within required timing?

5. How do you determine eligibility, what data do you use, and how do you obtain it?

6. Do you provide flexibility for plan sponsors to choose which task(s) they want to outsource?

What is included in these options? (if not clearly defined above)

Ask About Their Data Review Process and Timing.

1. How do you receive the necessary data required for 3(16) services?

What file format do you require for submission?

What payroll service providers and recordkeepers do you work with? Are there partners you don't work with?

2. What is the correction process for participant errors resulting from incorrect payroll data used by the recordkeeper or 3(16) administrators?

3. Are there data integrity checks performed by the 3(16) plan administrator on the data used?

If so, define the data integrity checks performed.

How often are data integrity checks performed on payroll data?

Is this frequency clearly stated in the service agreement? How is this worded?

4. What is your largest client by employee and asset size? Do you have the capability to handle clients of all sizes?

Find out About Their Reporting Process.

1. How do you document your actions? Do you provide reporting to showcase what actions you've taken?

How Do Liability and Credibility Matter?

1. Do you take responsibility and fiduciary liability for your 3(16) plan administrator services?

Does your service agreement outline that you are liable as a fiduciary for various aspects of the plan?
If so, please detail here.

Do you sign the annual IRS Form 5500 (or 5500-SF)?

2. What credentials and experience do those supporting your 3(16) services have?

3. Will you represent and support the plan sponsor in the event of an audit to the IRS or DOL?

Find Out About Their Cybersecurity Practices.

1. Do you utilize multi-factor authentication to access email and your network?

2. Are you prepared with cyber insurance in case of a security breach?

If so, what does this insurance include?

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