



DWC
THE 401K EXPERTS

TPA Due Diligence Checklist

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TPA Due Diligence Checklist

Investment advisors and plan sponsors tasked with engaging a third-party service provider (TPA) for plan document, compliance, and government reporting services need to do their due diligence. This means asking candidates more than just “Hey, what’s your fee schedule?”

This isn’t to say that cost is not a factor. It’s quite the contrary, but cost is about more than just the fee schedule. Are there hidden charges? Does that “all-in” fee schedule mean you are indirectly paying for services you will never need?

TPA errors can also be extremely costly in terms of actual dollars as well as time and negative PR with employees. If plan compliance is jeopardized by a TPA’s mistake, neither the investment advisor nor the plan sponsor will want it known that price was the primary (or only) selection criteria.

Asking the right questions to select a TPA makes the most financial sense now and in the long run. We’ve put together this list of must-ask questions to help anyone involved in the TPA selection process. You can use this checklist as a guide when vetting candidates as a way to document that you followed a prudent process in making your selection.

Services: Commitment, Process, & Model

What are your communication response times and when do you guarantee we will receive response to any communication?

Emails:

Phone Calls:

What is your promised turnaround time on deliverables from receipt of the accurate and complete information?

Compliance Tests (full report with details and required action steps)	Contribution Calculations	Preparation of the Form 5500	Distribution Reviews	Plan Amendments
BUSINESS DAYS				

Service Delivery Model

Do you provide us with a main contact for all inquiries, or is it a general email/call center service approach?

- Main Contact
- General Email / Call Center
- Other

If other, please explain.

(If main contact approach) Does the main contact perform our compliance and company contribution calculations?

Yes

No

If no, please explain.

Does the same person perform the compliance tests and company calculations each year?

Yes

No

If no, please explain.

Provide a list of all standard compliance tests and reviews that you perform automatically as part of your service contract.

What other services do you provide on an ad-hoc basis that we should consider as part of your services?

Do you provide formal correction services? (Check all that apply)

Self-correction without formal government approval

IRS Voluntary Correction Program submissions

DOL Voluntary Fiduciary Correction Program submissions

DOL Delinquent Filer Voluntary Correction Program submissions

None of the above

If you provide formal correction submission via VCP, VFCP, and/or DFVCP: How many of each type of submission has your firm prepared in each of the last three years?

	VCP	VFCP	DFVCP
YEAR 1 (most recent)			
YEAR 2			
YEAR 3			

Did the IRS/DOL reject or require major corrections for any of the above submissions?

Yes

No

If yes, please explain.

Plan Document Preparation

What is our required involvement as a plan sponsor?

Start-up Plans:

Existing Plans (Restatement):

Do you map/transcribe provisions from the existing plan document and/or other plan setup paperwork or do you review plan design and suggest plan provisions?

Service Contract & Fees

Please make sure all service providers are provided, at minimum, the number of eligible participants, total assets, and profit sharing allocation method (age-weighted, cross tested, integrated, and pro-rata).

Service Contract

Does your firm provide a service guarantee related to accuracy or timing?

Yes

No

If yes, please explain.

Will your firm make the plan whole for all errors that you caused?

Yes

No

If yes, do you have a limited recovery window such as 30 or 90 days?

If yes, do you cap your liability (e.g. at the fee we paid for the service in question)?

What are the limits of liability on your E&O insurance?

Per claim:

Overall:

Has your firm ever made an E&O claim?

Yes

No

If yes, please explain.

Does your service contract have all-in pricing (as in, we will never get charged for amendments, re-runs, or other ancillary services)?

Yes

No

Revenue Sharing (revenue not directly paid by the plan sponsor)

Does your firm accept any revenue from the recordkeeping service provider or investment firms?

Yes

No

If yes, is this additional revenue for your firm or is it used to offset your fees?

Additional revenue

Offset

If yes AND revenue sharing is used to offset your fees, what do you do with revenue sharing that exceeds our regular fees?

Do you charge an administrative processing fee to account for the revenue sharing payments?

What is your estimated revenue for the first, second, and third years based on your service contract not including distribution reviews? (Please provide total revenue, not just the amount from your fee schedule.)

Year 1 (do not include conversion or plan document revenue):

Year 2:

Year 3:

One-Time Fees

Plan document fee?

Conversion or Set-up fee?

Deconversion fee?

3(16) services

Does your firm provide administrative fiduciary/ERISA 3(16) services?

What specific additional services are you providing as compared to your standard, non-3(16) services?

What are your fees for these additional services (provide in basis points and estimated annual revenue)?

How much additional time per year do you anticipate to provide 3(16) services for our plan as compared to your traditional services?

What additional training or qualifications do you require of your employees who perform 3(16) services as compared to those who perform non-3(16) services?

If we are sued or audited by the IRS or DOL, does our 3(16) fee cover all legal fees, losses, required corrections, and penalties?

Yes

No

Industry Accreditation & Professional Development

Does the firm have the CEFEX certification?

- Yes
- No

If you do not have the CEFEX certification, what is your process for auditing your internal controls, processes, and business continuity plan?

What steps do you take to protect our sensitive data from unauthorized access?

Do any representatives from your firm serve on any national or regional industry boards or committees?

- Yes
- No

List boards here:

Experience

How many of your employees have industry credentials?

Number:

Percentage:

How many of your employees are able to provide formal representation with the IRS for plan audits or plan corrections?

TYPE	NUMBER	PERCENTAGE
Attorneys		
CPAs		
ERPAs		
Enrolled Actuaries		
Enrolled Agents		

What are your minimum credentialing requirements and/or years of experience for the following services?

Plan Document:

Account Management:

Compliance Services:

Distribution Processing:

Other

What differentiates your firm from your competitors?

Request samples of key reports

Ask for three references

If you're wondering where the answers fall on the scale of low- to high-end service providers, check out [The Guide to TPA Due Diligence](#). This guide details the kinds of answers you can expect at both ends of the TPA spectrum and notes how they compare to DWC's service model.

Remember, what you don't know can definitely financially impact you—and your client. Prepare yourself with information.

[GET THE GUIDE TO TPA DUE DILIGENCE →](#)

Connect With Us

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Have a question?

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