



Benefits  
Administration  
Compliance  
Reviews

## **Why Benefits Administration Compliance Reviews Are Critical for Your Business**

Benefits administration compliance reviews help ensure your administration provider is in fact doing what they were hired to do—provide administration consistent with the terms of service documents and internal procedures. Embedded in this simple statement are many critical elements:

- The plan requirements - which drive all activities - are accurate and current.
- The provider's administrative procedures are consistent with the plan and regulatory requirements, and include appropriate documentation standards, controls, oversight and quality control.
- The provider's operational team is properly staffed, trained and supervised

These reviews help you maximize the return on your investment in benefits and mitigate the risks associated with the administration of complex benefit programs. Benefits administration compliance reviews can be done across all types of plans—health, defined benefit and defined contribution. Our scope of services is tailored to each employer's specific situation. Some reviews are extremely narrow, focused on a few targeted and recurring issues that have become problematic. Other employers choose to demonstrate overall due diligence or have broader scope of concern, which warrants a review of nearly all aspects of administration.

Since the inception of our business in 1997, Curcio Webb's focus and passions have been devoted to the effective administration of all types of benefit programs. Our experience and technical acumen, combined with having an in-house benefits attorney, places us in an ideal position to conduct these reviews. Our complete independence and objectivity, and experience working with every major outsourcing provider, lead to positive outcomes for both the provider and employer.

# What Is a Benefits Administration Compliance Review?

A benefits administration compliance review is an in-depth comparison of actual plan administration delivery versus:

- Service documentation
- Provider's procedures
- Plan documentation
- Provider communications
- Regulatory requirements

To us, compliance means that services are performed consistent with applicable regulatory requirements - even if they're not specifically included in provider documentation. For example, the rules limiting a 401(k)-plan loan or setting deadlines for COBRA notices are applicable even if they are not referenced in a scope of services.

## Administrative Drift is Common - and Correctable

Administrative drift occurs when actual plan operations become out of alignment with the scope of services, plan design or regulations. Over time, turnover of provider staff erodes institutional knowledge regarding plan operations. We see this occur even in clients and providers who have the highest degree of professionalism, work ethic and diligence.

Over the last few years, legal and financial scrutiny have led to an increased interest in undertaking benefits administration compliance reviews. Administrative drift undermines the significant investment that companies make in benefits and benefits administration. As the drift becomes more severe, operational errors create the need for internal benefit resources to spend more time trying to fix problems, instead of focusing on higher value strategic issues.

The benefits administration compliance review identifies the source of the administrative drift, and provide recommendations to address the findings, which reduces the risk of lawsuits, fines and loss of reputation.

## Why Should a Company Undertake a Benefits Administration Compliance Review?

Benefits administration compliance reviews provide employers the opportunity to identify and remediate operational errors before they are discovered by employees, or government regulators, potentially avoiding legal and financial difficulties for the company.

Without benefits administration compliance reviews, operational errors can cost the company plenty, in hidden ways, such as through:

## **Increased costs**

1. Increased contributions - In one large 401(k) plan, we discovered a systems-based error that neither the company nor provider detected that gave hundreds of employees substantially larger matching contributions than they should have received. This occurred because a plan design change was not correctly documented or tested before going live (and it is unclear whether these excess amounts can be recouped).
2. Increased involvement of internal staff - Poorly aligned administration can lead to more participant issue escalations.
3. Professional fees - Error correction may be a legal as well as financial issue, and may require assistance of other professionals, such as actuaries and outside legal counsel.

## **Loss of employee confidence in the plan**

Provider errors can cause plan participants to lose trust in their employer. Employees hold their *employer* (not the provider) responsible for benefit plan administration.

## **Shifting Risk**

Outsourcing allows companies to partially shift risk, but this does not immunize the company from risk. Even where nearly all duties and functions are outsourced, the company that sponsors the plan (or the administrative committee) has ultimate accountability for the correct administration of the plan. However, the provider still maintains some risk as well. The cost of error correction is something most providers are willing to negotiate.

## **How Will Undertaking a Benefits Administration Compliance Review Help Your Company?**

Conducting a benefits administration compliance review mitigates the risks described above. In addition, having a benefits administration compliance review places the company in a better position should the IRS choose to audit the plan. The review helps in the following ways:

- It shows a commitment to compliance that generates a favorable impression.
- Self-audit and correction (or substantial steps toward correction) prevents the IRS from claiming to have discovered the issue and imposing penalties - which can be significant - under its "Audit CAP" program.
- It provides insight into weaknesses and available documentation, which helps employers respond to IRS requests strategically.
- It pre-arranges, organizes and includes a review of much of the data and information that the IRS typically requests, enabling faster responses to IRS requests and creating "halo effect."

## **What Is the Company's Commitment? Are There Any Important Caveats?**

Regardless of the scope of the project, the company needs to be comfortable uncovering issues, correcting errors that have occurred and re-aligning the benefit administration operations. While this may entail some cost, in our experience the cost of correcting errors and re-aligning administration is

not material. Further, it is always less expensive to self-correct an error prior to an IRS audit than while one is underway.

## **Why Should a Company Engage Curcio Webb to Undertake a Benefits Administration Compliance Review?**

- We are totally independent without any affiliations with benefit administration providers, or consulting or insurance brokerage firms. In addition, Curcio Webb is not part of any larger organization. Our deepest core values are based on independence and objectivity, and as such, we have not and will not accept any compensation—direct or indirect—from anyone other than our clients. As a result, providers are open and willing to allow Curcio Webb access to systems and documentation.
- Compliance and governance reviews are a critical component of our business.
- We have broad and in-depth understanding of how providers function, and we speak their language. We can easily get on their systems and know how to find what we need to see.
- Our chief compliance consultant and benefits attorney has over twenty-five years' experience providing employee benefit plan compliance-related guidance and support across virtually all aspects of benefit plan administration, including in-house within Fortune 500 employers.
- We are trusted by providers as fair, honest and transparent.
- The results of doing a benefits administration compliance review provides the empirical data needed to either renegotiate with the current provider or conduct a search for a new provider once the current contract expires.

## **How Does Curcio Webb Interact with the Provider?**

Providers understand that benefits administration compliance reviews are part of a corporation's overall compliance and due diligence mandates. They understand that operational errors occur and accept a review as an opportunity to fix and remediate their current procedures.

Because we are known and trusted by providers, we are effective at quickly establishing a collaborative process. We share the scope of the review, what we need to test and what data and documentation we need to complete the project.

## **What Can You Expect to Come Out of a Benefits Administration Compliance Review?**

You will receive a detailed report explaining topic-by-topic what data and documentation we examined, the results of our examination, our overall assessment of the issue, specific comments and actionable recommendations.

Inevitably, there will be a few areas with issues, and these give rise to recommendations that may range from specific changes in the provider's procedures to suggestions as to correcting administrative errors.

Our report becomes a roadmap for discussion with internal stakeholders, decision makers and advisers—for example, HR leadership, administrative committees and internal legal support - as well as

for agenda-setting with the provider.

## When Should You Undertake a Benefits Administration Compliance Review?

A review can be conducted at any time; however, we do have a point of view as to when compliance reviews should be conducted:

- Post-Implementation Limited Scope Review: A limited scope review completed twelve to eighteen months post-go-live as preventive maintenance and to troubleshoot any specific challenging areas. The typical scope includes:

### Health & Welfare

- Fees and Funding
- Deduction File Accuracy
- Dependent Verification
- COBRA Administration
- W-2 Benefit Value

### DB

- Plan Expenses
- Rehires, Including Retirees
- QDRO Processing
- Distributions

### DC

- HR Interface Processing
- Enrollment
- Contributions
- Distributions

- Rotating Annual Limited Scope: Each year, through discussion with you, we would select a few specific topics to review, either across all plans or only in a single plan. For example:

### Year Health & Welfare

- | Year | Health & Welfare         | DB                                 | DC                     |
|------|--------------------------|------------------------------------|------------------------|
| 1    | Qualified Status Changes | QDRO Processing                    | Contributions          |
| 2    | COBRA                    | MCO and RMD                        | Plan Loans             |
| 3    | W-2 Benefit Value        | Rehires and suspension of benefits | In-service withdrawals |

### DB



### DC



- Late Phase Broad Scope Review: A broad scope review completed at least eighteen months before the end of the contract term. The typical scope for a Broad Scope Review would include the above-listed items plus:

### Health & Welfare

- HR Interface Processing
- Requirements Changes
- Qualified Status Changes
- Death Process
- Spending Accounts
- Direct Billing

### DB

- HR Interface Processing
- Requirements Changes
- QDRO Processing
- Mandatory Cash-out and Required Minimum Distributions

### DC

- Plan Expenses
- HR Interface Processing
- Requirements Changes
- In-Service Withdrawals
- Participant Loans
- QDRO Processing
- Mandatory Cash-out and Required Minimum Distributions

## Conclusion

By undertaking a Benefits Administration Compliance Review, plan sponsors can:

- Maximize the return on their benefits administration spend
- Mitigate business and compliance risks associated with benefits administration

- Increase employee engagement.

## Do you need help?

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#### Why Benefits Administration Compliance Reviews Are Critical for Your Business

##### Summary

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