

BEYOND BENCHMARKING:

Rethinking what “reasonable” retirement plan fees really mean



Fee benchmarking has become a standard part of retirement plan oversight. Annual reviews, peer comparisons and periodic requests for proposal are now widely accepted as fiduciary best practices. Yet many plan sponsors still approach benchmarking as a question of timing: How often should we review fees? When should we go to market?

These are important considerations, but they point to a narrower interpretation of a much broader responsibility, and a more fundamental question for plan sponsors: What does it actually mean for fees to be reasonable?

Cost alone doesn't define reasonableness

Under ERISA, plan fiduciaries are required to ensure that fees are "reasonable." What's notable is that the Department of Labor does not define this standard with specific thresholds or limits. Instead, reasonableness is determined based on the services provided and the value delivered to participants.

As the Department of Labor notes, fiduciaries must "monitor plan fees and expenses to determine whether they continue to be reasonable in light of the services provided."¹ This reinforces an important point: reasonableness isn't defined by cost alone, but by the broader context in which those costs are evaluated.

Fee benchmarking isn't simply about identifying lower-cost options. It's about demonstrating that plan expenses are appropriate in light of the services, support and outcomes the plan provides, and that those decisions can be clearly supported within a prudent fiduciary process.

A lower fee may appear favorable in isolation, but without context, it provides limited insight into whether a plan is effectively supporting its participants.

Looking beyond a single number

Many benchmarking discussions focus on total plan cost. While this can be a useful starting point, it doesn't fully capture how a plan is structured.

Retirement plan fees typically fall into several categories, including:

- Investment-related expenses embedded within plan options
- Advisory or consulting fees for oversight and governance
- Recordkeeping and administrative costs

These components can vary independently, which can obscure what's really happening beneath the surface. A plan may have competitive total costs while still carrying higher-than-expected expenses in a specific category. Alternatively, one fee may appear elevated while another offsets it, masking underlying inefficiencies.

Evaluating fees effectively requires understanding both the total cost and how each component contributes to it. Without this level of detail, benchmarking can lead to incomplete or misleading conclusions.

Structure matters as much as price

Even within a single fee category, complexity exists.

Investment options, for example, often have multiple share classes with different fee structures. In some cases, higher-cost share classes may include revenue-sharing components that are returned to the plan, reducing the net cost to participants.

Without accounting for these dynamics, comparisons based solely on stated expense ratios can distort the true picture. This is where benchmarking moves beyond surface-level analysis. It requires evaluating how fees are structured, how costs are allocated and where value is ultimately delivered.



When lower cost isn't better

It can be tempting to treat benchmarking as a cost-reduction exercise. But focusing exclusively on minimizing fees can overlook what those fees are supporting.

Services such as participant education, plan design consulting, communication strategies and digital engagement tools all carry costs. Yet these elements often play a meaningful role in shaping participant behavior.

Two plans may look similar from a cost perspective. One may even appear more expensive. But if that plan is driving higher participation, stronger deferral rates and improved retirement readiness, the conversation changes.

The question is no longer simply what the plan costs; it becomes what the plan enables participants to achieve. Outcomes—how participants engage, save and prepare for retirement—are a critical dimension of value, and often the clearest indicator of whether a plan is working as intended. When benchmarking does not account for these factors, it risks prioritizing efficiency over effectiveness.

The role of ongoing evaluation

If benchmarking is about more than comparison, frequency becomes part of a broader process rather than the defining objective.

Regular reviews play an important role in maintaining awareness. Annual benchmarking allows plan sponsors to monitor trends, identify changes in the market and confirm that fees remain aligned with comparable plans. At the same time, periodic market validation provides a different level of insight.

Conducting a formal RFP every three to five years offers a clearer view of how providers are pricing services in a competitive environment. While reviewing fees annually provides useful context, it remains an estimate; bringing your plan to market through an RFP is what ultimately confirms how it's valued. Both perspectives are necessary, together providing a more complete understanding of where your plan stands.

From benchmarking to decision-making

Fee benchmarking remains an essential fiduciary practice. But its role is not simply to compare numbers or establish a cadence of review.

At its core, benchmarking is a decision-making tool. It provides the context needed to evaluate whether plan costs are appropriate, whether services are aligned with participant needs and whether the plan is positioned to deliver meaningful outcomes. That requires moving beyond a narrow focus on cost and toward a more integrated view of value.

Evaluating what matters

Strong plans are not defined by how little they spend. They're defined by how effectively they support participants in achieving long-term financial outcomes. That requires a broader perspective: one that considers cost, services, structure and results together, rather than in isolation.

Strong plans don't just benchmark fees. They evaluate value. Because fiduciary responsibility isn't defined by cost alone, but by what those costs ultimately deliver.

For more information visit: [mariner.com](https://www.mariner.com)

¹ U.S. Department of Labor, "[Understanding Retirement Plan Fees and Expenses](#)"

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