FIRST HILL TRUST COMPANY

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Retirement Plan Resources Series

The 401(k) Plan Scorecard

A ten-point diagnostic your committee can complete in one meeting, scoring the plan on design, cost, and asset retention and turning every unchecked item into an assigned action

Why this matters

ERISA judges a plan committee on process, not perfection: whether design, costs, and outflows were examined on purpose and the review was documented. A completed copy of this scorecard, kept in your plan files, is that record.

Plan Name: **Date:** **Completed by:**

Before You Score

01

Bring this workbook to your next committee meeting and work through the ten questions in order. Each Yes is one point. For every No or Don't Know, use the action page at the end to assign an owner and a deadline. The whole exercise takes about an hour, and most answers come from documents you already have: your recordkeeper's plan review, your 408(b)(2) fee disclosures, and your plan document.

The best 401(k) plans come down to outcomes you can measure: almost everyone participates, savings run in double digits, costs are at or below benchmark, and money stays invested until retirement. Three decisions drive all four, and this scorecard tests each one. The data behind the questions comes from Vanguard's How America Saves and Morningstar's Retirement Plan Landscape Report, both updated annually.

The numbers behind this scorecard	
Participation	Plans with automatic enrollment consistently run roughly 30 points higher than voluntary plans (Vanguard)
Cost	Small plans typically pay about three times what the largest plans pay (Morningstar)
Outflows	Hundreds of billions of dollars leave workplace retirement plans every year (Morningstar)

Scoring guide	
9 to 10	Well-run plan. Keep the review on an annual schedule and keep documenting.
6 to 8	Solid foundation with gaps. Assign the unchecked items and set deadlines today.
0 to 5	The plan needs attention. Start with Section 02. Plan design moves outcomes most.

Plan Design

02

Answer Yes or No for each question and note the source you checked. Each Yes is one point.

Questions 1 to 4 · Plan design	
1. Does the plan have automatic enrollment? Vanguard's How America Saves consistently finds participation roughly 30 points higher in automatic enrollment plans than in voluntary ones. *Where to look: Plan document or adoption agreement. Your recordkeeper can confirm in minutes.*	Yes / No
2. Is the default deferral rate at least 4 percent? Most automatic enrollment plans default at 4 percent or higher. A low default can leave much of a typical match unclaimed. *Where to look: Plan document, automatic enrollment provision.*	Yes / No
3. Does the plan have automatic annual increases? Most automatic enrollment plans now escalate deferrals annually. Savings grow every year without any employee action. *Where to look: Plan document. Confirm the cap and the annual increase amount.*	Yes / No
4. Do employees who stay at the default capture the full employer match? If your default deferral sits below the match threshold, defaulted employees leave employer money on the table every year. *Where to look: Compare the default rate to the match formula in your plan document.*	Yes / No

** Note: Under SECURE 2.0, 401(k) plans established after December 29, 2022 are generally required to include automatic enrollment (3% to 10% default) with annual increases to at least 10%. For these plans, Questions 1 through 3 are a compliance check, not a design choice.*

Cost

03

One number matters most here: your all-in cost, combining recordkeeping, administration, investments, and advisory fees.

Questions 5 to 7 · Cost	
5. Can the committee state the plan's all-in cost as one number, in basis points? Per Morningstar, small plans typically pay about three times what the largest plans pay, and a meaningful share pay over 100 basis points all-in. *Where to look: Your 408(b)(2) fee disclosures plus fund expense ratios. Your advisor can assemble it.*	Yes / No
6. Has that number been benchmarked against plans your size within the last two years? Morningstar finds wide dispersion at every plan size. The small plans that pay less than far larger ones are usually the ones that benchmarked. *Where to look: Your last benchmarking report. If you cannot find one, the answer is No.*	Yes / No
7. Is the fee review documented in committee minutes? Fee reasonableness under ERISA is judged by process. A review that is not in the minutes is a review you cannot prove happened. *Where to look: Committee meeting minutes from the last two years.*	Yes / No

Asset Retention

04

Hundreds of billions of dollars leave workplace retirement plans every year. These three questions test whether your plan is set up to keep money invested.

Questions 8 to 10 · Asset retention	
8. Has the committee seen a report showing how much money left the plan last year, and through which channels? Most committees have never seen their plan's own outflow number. *Where to look: Ask your recordkeeper for a distribution or outflow report. It is a standard request.*	Yes / No
9. Can retirees take partial withdrawals instead of all-or-nothing? Retirees are more likely to keep money in the plan when a partial option exists (Vanguard, How America Retires). *Where to look: Plan document, distribution provisions.*	Yes / No
10. Can terminated employees keep repaying plan loans, and are small balances moved rather than cashed out? Continued loan repayment prevents taxable defaults. Automatic portability, available across major recordkeepers, moves small balances to the new employer's plan. *Where to look: Plan document loan provisions. Ask your recordkeeper about automatic portability.*	Yes / No
Total score (count the Yes answers above, 10 maximum)	

From Score to Action

05

Every No or Don't Know becomes a row below. Assign one owner and one deadline per item, then put the follow-up on the next meeting agenda. This page, completed and filed with your minutes, is the documentation.

Action items	
Item 1: Question # ____ Action, owner, and deadline	
Item 2: Question # ____ Action, owner, and deadline	
Item 3: Question # ____ Action, owner, and deadline	
Item 4: Question # ____ Action, owner, and deadline	
Item 5: Question # ____ Action, owner, and deadline	
Item 6: Question # ____ Action, owner, and deadline	

Which fix first. If any Plan Design items are unchecked, begin there. Plan design has a greater effect on participation and savings rates than any other decision within a sponsor's control. Address Cost next: a documented fee review process is central to how ERISA measures fiduciary prudence. Asset Retention follows.

About First Hill Trust

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We work behind the scenes to support plans that value clarity, consistency, and confidence in how they are managed. If you'd like more information or a high-level review of how your retirement plan is governed today, click the link to schedule a brief review, or contact us (206) 625-1800.

Schedule a Brief Review

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