Float: Out of Sight, But Not Out of Mind – A Quiet Source of Income in Retirement Plan Dollars

Typical Areas Where Float Accumulates

- Contribution Processing
- Distribution Windows
- Investment Exchanges
- Loan Repayments

Who is Responsible for Float Oversight?

Service Providers

- Accurately describing float practices in disclosures
- Applying contract terms consistently
- Providing information necessary for fiduciaries to evaluate compensation

Plan Sponsors

Work with a retirement plan advisor or consultant:

- Identify where float exists
- Quantify its potential impact
- Compare it to alternative pricing models
- Integrate float into total compensation analysis

Why Float Became a Litigation Issue

Most recent float-related lawsuits share common themes:

- Allegations that float was undisclosed or poorly disclosed
- Claims that plan sponsors failed to understand or monitor it
- Arguments that providers retained excessive compensation
- Assertions that participants were harmed through lost earnings

Action Items for Plan Sponsors

Review service agreements and fee disclosures to identify where float may be earned.

Ask your advisor and recordkeeper for a clear explanation of float practices. Ask explicit questions: Where does float occur? Who earns it? Under what conditions?

Evaluate float as part of total compensation, not in isolation. Benchmark total compensation by comparing arrangements against alternatives.

Document fiduciary decisions regarding compensation structures.

Reassess arrangements periodically, especially as market conditions change and as service providers may make updates to agreements.