What do retirement plan sponsors need to know about fiduciary responsibilities?

Meeting your fiduciary responsibilities

Employer-sponsored retirement plans serve two important goals: attracting and retaining skilled employees, and providing a platform to help them saved for a timely and dignified retirement. If employees are prepared for retirement they are more likely to retire on time and incur less financial stress, which may decrease employment and health care costs. Administering a plan and managing its assets requires certain actions and involves specific responsibilities. It is important that you understand your fiduciary responsibilities and obligations under the Employee Retirement Income Security Act (ERISA) and how an investment professional could help mitigate your fiduciary liability.

What is the significance of being a fiduciary?

Fiduciaries are subject to standards of conduct and have important responsibilities that include:

- Acting solely in the interest of plan participants and their beneficiaries and with the exclusive purpose of providing benefits to them
- Carrying out their duties prudently
- Following the plan documents (unless inconsistent with ERISA)
- Diversifying plan investments
- Paying only reasonable plan expenses

Acting prudently is one of a fiduciary's central responsibilities under ERISA and requires expertise in a variety of areas, including investments. If a plan fiduciary lacks the time or expertise to select and diversify plan investments it may be prudent to hire someone with professional knowledge to assist in fulfilling your fiduciary responsibilities.

What is a 3(21) Investment advisor?

- A 3(21) investment advisor provides customized investment recommendations to the plan and can provide general financial planning and asset allocation recommendations to participants to help them achieve their retirement goals
- Typical services include selecting plan investments and presenting them to you or the plan committee on a regular basis
- You still maintain the control to decide which investments to include as options for participants

What is a 3(38) Investment Manager?

- A 3(38) investment manager has discretion and control over the plan's assets and management
- You can delegate the significant responsibility (and liability) of selecting, monitoring, and replacing of investments to the 3(38) investment manager
- A 3(38) investment manager assumes legal responsibility and liability for individual investments selected, allowing you to better manage and mitigate your fiduciary risk

Mitigating fiduciary responsibility

Your advisor is knowledgeable about fiduciary responsibilities under ERISA and is available to assist you with prudently selecting investments offered to your participants. In addition to offering investment advice, your advisor is available to provide support with other fiduciary responsibilities such as reviewing service provider disclosures and expenses, providing periodic benchmarking of fees and services for reasonableness, and documenting results in a fiduciary file. Your advisor is available to provide you with fiduciary education and will relay best practices to you or your committee.

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