Retirement Plan

News and Information for Employers

FIDUCIARY FOUNDATIONS EDITION

Q3

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Fiduciary Excellence Depends on These 3 Things

53% of plan sponsors don't realize that they're fiduciaries, so it's no surprise that expectations around that role aren't always clear.

> Fiduciary responsibility isn't about perfection. It's about clarity, consistency, and a process you can stand behind. That's exactly why many organizations rely on experienced advisors (like us) to help bring confidence to their process.
>
> Day-to-day priorities often center around running the business, supporting employees, and managing growth. The 401(k) plan is just one important piece of the broader picture.

However, without a clear framework, fiduciary responsibilities can become harder to manage consistently. Defining what "**fiduciary excellence**" looks like within your organization helps create alignment, reduce ambiguity, and support better decision-making over time.

Under ERISA Section 404(a)(1)(B), fiduciaries must act with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use under similar circumstances. This "Prudent Expert Standard" evaluates fiduciaries based on a prudent process, including investigation, decision-making, monitoring, and documentation, rather than investment outcomes alone.

At its core, fiduciary excellence depends on three things: who is responsible, what they are responsible for, and how decisions are made.

WHO: Establishing clear accountability

Fiduciary responsibility is tied to actions, not just titles.

However, in most organizations, the people taking those actions may include the business owner, executives, HR leaders, committee members, and external advisors.

The goal isn't to limit 401(k) plan involvement; it's to gain clarity. When roles and responsibilities are clearly defined:

- **decision-making becomes more efficient**
- **oversight is more consistent**
- **accountability is easier to maintain**

Many plan sponsors find value in formalizing a committee with defined roles, a charter, and a regular meeting cadence, such as 4x per year. This clarity creates a strong foundation for managing fiduciary responsibilities thoughtfully and effectively.

WHAT: Understanding the scope of responsibility

Once roles are defined, the next step is understanding what fiduciaries are responsible for.

At a high level, this includes:

- **acting in the best interests of participants**
- **making informed, prudent decisions**
- **maintaining a diversified investment lineup**
- **following the plan document**
- **monitoring fees and service providers**

These responsibilities are designed to support participant outcomes while providing a clear framework for decision-making.

HOW: Turning responsibility into a repeatable process

Fiduciary excellence is not a one-time effort; it's an ongoing process.

In practice, this often includes:

- **establishing a regular committee meeting schedule**
- **using frameworks like an Investment Policy Statement (IPS), Committee Charter, Agendas and, of course, taking Meeting Minutes (because if it isn't documented, it didn't happen)**
- **reviewing investments, fees, and providers periodically**
- **keeping records of key decisions (7 years is a common best practice)**
- **staying informed through ongoing fiduciary education**

The objective is not to create unnecessary administrative work but to build a process that supports consistency over time.

Setting the fiduciary foundation

In real life, fiduciary responsibility rarely shows up as a big, dramatic decision. It's usually much more subtle.

It's the act of reviewing your investment lineup and someone asking, "Do we know how these fees compare?" It's a quick pause before reviewing the next agenda item. It's documenting decisions and clarifying next steps.

Those small moments are what define fiduciary oversight in practice.

We often see plans where everyone is well-intentioned, but no one is quite sure who is supposed to be asking these questions. That's not a failure; it's simply a sign that the process hasn't been fully defined yet.

Think of it this way: a well-run 401(k) plan isn't built on having all the right answers at the moment. It's built on having a repeatable process so that the right questions get asked on a regular basis.

This is where working with a knowledgeable advisor can make a meaningful difference. A good advisor doesn't just provide recommendations; they help facilitate discussions, document decisions, and keep the process moving forward to align with fiduciary best practices.

And, importantly, they help you avoid the all-too-common scenario of looking back and saying, "We meant to review that..."

If you're unsure whether your current process reflects fiduciary excellence or you'd like a second pair of eyes, it may be a good time to connect with our team and walk through your framework together.

5 ERISA Fiduciary Duties Made Simple

A clear look at 5 essential plan sponsor responsibilities to support plan oversight through market turbulence and shifting headlines.

> Most 401(k) fiduciary decisions don't feel risky in the moment; they feel routine. Committees aren't questioned because of one bad decision. More often, it's because a consistent process wasn't clearly demonstrated.

That's why it's smart to regularly ask, "Can we show how that decision was made?"

Scrutiny continues to increase. Lawsuits alleging excessive fees are becoming more frequent and costly. In 2025, the average excessive fee settlement reached $4.42 million.[1]

Recent headlines may make it feel like the rules are constantly changing. You may have read that the Department of Labor (DOL) has returned to the 5-part fiduciary test. The DOL aims to renew focus on alternative assets like private equity, private credit, real estate, and "asset neutral" investment selection frameworks.

To get technical for a moment:

- The **five-part test** defines *who* is considered a fiduciary when providing investment advice.
- The **five fiduciary duties** outlined here define *how* fiduciaries are expected to act once they gain responsibility.

They are two different frameworks, and both are important when overseeing your 401(k) plan. While regulatory definitions may evolve, the expectations around fiduciary behavior have remained remarkably consistent over time. Let's look at what they are and how they show up within your retirement plan.

1. Loyalty: Keeping participants at the center

The duty of loyalty requires that decisions be made in the best interest of your plan's participants and their beneficiaries.

In practice, this shows up in questions like:

- Are fees aligned with participant value?
- Are investment options selected based on merit, not familiarity?
- Are conflicts identified and managed appropriately?

A quick pro tip: If a decision is difficult to explain to a participant, it's probably worth revisiting and well documenting.

2. Prudence: Supporting thoughtful decision-making

Prudence is less about being right and more about having a sound process.

1 "Retirement Outlook 2026." MFS. Jan 2026.

Fiduciaries are expected to approach decisions with care, using available information, comparing options, and seeking expertise when appropriate.

This often includes:

— reviewing performance and fee data

— considering alternative options

— monitoring decisions over time

In fiduciary governance, the question isn't just "What did you decide?" Rather, it's "How did you get there?"

3. Diversification: Providing balanced investment options

Diversification is about managing risk and not predicting the next bull market.

For plan sponsors, this typically means offering a range of investment options across asset classes and risk levels, allowing participants to build portfolios aligned with their needs.

A few practical checks:

— Does it cover major asset classes?

— Does it provide appropriate risk levels?

— Does it avoid unnecessary overlap?

Too few options can limit choices, but too many create decision paralysis. The goal is balance.

4. Following plan documents: Maintaining operational alignment

The plan document outlines how the plan is designed to operate.

Fiduciaries are expected to follow these provisions consistently, including areas such as eligibility, contributions, and distributions.

In reality, this is where small misalignments can creep in:

— "We've always done it this way…"

— "I think that's how the plan is set up…"

— "What's our definition of compensation again…"

Those are usually signs that it's time for a review.

With Cycle 4 restatements on the horizon, this is a natural opportunity to revisit plan design and confirm that operations align with both the document and your broader workplace goals.

5. Fee reasonableness: Monitoring costs and services

Fiduciaries are responsible for reviewing plan fees and determining reasonableness in relation to the services provided.

This involves:

— understanding the full scope of plan-related fees

— reviewing service levels and deliverables

— comparing costs to similar plans when appropriate

Fee oversight is not a one-time exercise; it's an ongoing responsibility. Regular reviews help confirm that your plan remains competitive and aligned with your participants' needs.

Fiduciary oversight in action

In practice, these duties don't show up as big, dramatic decisions. They show up in small, consistent actions.

— It's the moment someone asks, "When was the last time we benchmarked this?"

— It's pausing before approving a change and saying, "Do we have documentation for this?"

— It's revisiting something that's been on autopilot a little too long.

Individually, moments like these seem minor.

Collectively, they define fiduciary oversight. In essence, they provide stability, even when everything else feels uncertain.

Markets will fluctuate and headlines will change, but a disciplined fiduciary process creates consistency through it all.

If you'd like to evaluate how your current process aligns with these fiduciary duties, we are here as your support. Connect with our team and we can walk through it together.

3 Practical Ways to Strengthen Your Fiduciary Process

How consistent habits can help reduce risk and improve retirement outcomes.

> As a business leader, you're doing more than "managing a retirement plan". You're helping your employees save for the future and offering a meaningful workplace benefit. A strong fiduciary process factors in by supporting your employees and your business.

A strong 401(k) plan can help you:

- attract and keep great employees
- show your team that you care about their future
- stay competitive with other employers
- create tax advantages for both you and your employees

In real life, it rarely feels like managing risk. It feels like running a benefit that matters.

When your process is clear and consistent, everything gets easier. Meetings stay focused. Decisions feel more straightforward. You can feel confident your 401(k) plan is doing its job: helping your people prepare for retirement while supporting your business goals.

Fiduciary oversight works best with consistency. A few well-established practices reinforce your process, support long-term governance, and help everyone move closer to reaching their retirement goals.

1. Follow your IPS

An Investment Policy Statement (IPS) serves as a guide for how investments are selected and monitored.

Around 1 out of 4 of plans are "unsure" if they have IPS[1]. If this makes you shrug your shoulders, let's set up a call.

1 OUT OF 4 plans are "**unsure**" if they have an IPS.

1 "2026 PLANADVISER Adviser Value Survey." PlanAdviser. 3 March 2026.

When used consistently, it helps:

- align investment decisions with predefined criteria
- support objective evaluation of investments
- provide standards across your core menu, QDIA, and alternative investments

Periodic review of the IPS can help confirm that your plan's investment lineup aligns with your plan goals and current market conditions, which ultimately supports a well-structured, competitive investment lineup for all.

2. Document key decisions

Documentation supports clarity, especially when someone asks six months later, "Why did we make that change?"

Maintaining records of committee discussions and decisions – such as investment reviews, fee evaluations, and provider changes – provides a helpful reference point and supports transparency.

Effective documentation typically includes:

- what was reviewed
- what options were considered
- the rationale behind decisions (both actions and inactions)

Over time, this creates a consistent historical record of plan oversight, so that you're not relying on memory or piecing together old emails before your next meeting.

3. Benchmark regularly

Benchmarking helps you understand what you're paying and how your plan compares.

By comparing your plan to others of similar size, you can see if you're aligned with market practices, especially as your plan grows or hits a new milestone (for example, $5M).

Interestingly, about 7 out of 10 plan sponsors aren't sure what they're paying in total fees.[2]

Fee conversations may include:

- reviewing investment expenses
- evaluating recordkeeping and administrative costs
- assessing service levels

A regular cadence – such as annual fee reviews with periodic deeper analysis – can help maintain alignment and reduce the risk of overpaying for the retirement plan.

Strengthening your fiduciary process

If fiduciary responsibility came with a "perfect plan" button, most committees would press it and call it a day. Unfortunately, great outcomes don't happen like that. Instead, they're built on hundreds of small, reliable decisions, often guided by an experienced advisor who's seen this movie before.

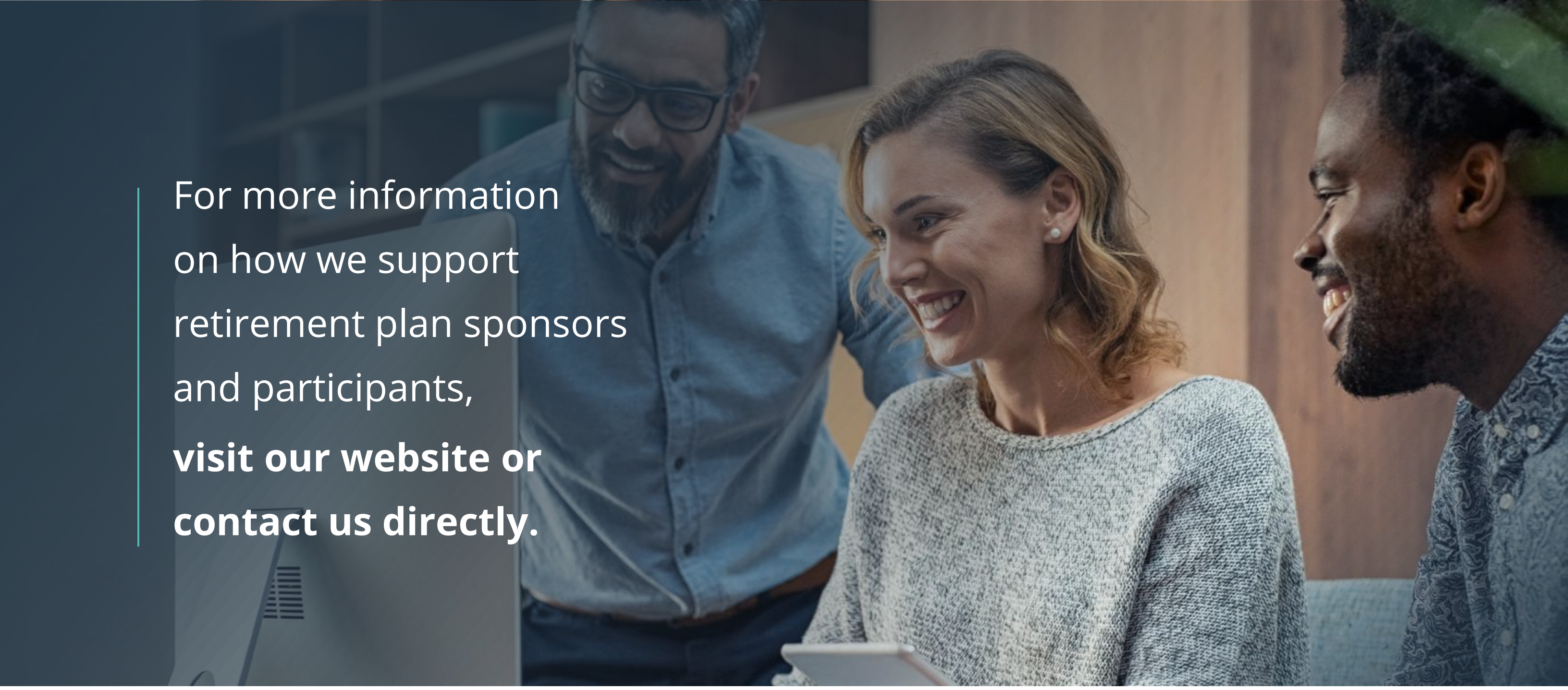
Strengthening your fiduciary process doesn't require reinventing the wheel or adding layers of complexity. In fact, the most effective committees tend to focus on a few core habits done well, consistently, and with (documented) intention.

When regularly following your IPS, documenting decisions, and benchmarking your plan, you create a powerful system – one that supports better decisions, reduces risk over time, and helps employees stay on track for retirement.

Remember, you don't have to manage this alone. A knowledgeable 401(k) advisor can bring structure to the process by guiding conversations and providing perspective.

If you're not sure where your plan stands today, or if any of these areas feel like something you should revisit, it may be a good time to connect with our team. We can walk through it together.

2 "2026 PLANADVISER Adviser Value Survey." PlanAdviser. 3 March 2026.



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