

Key Roles in a Retirement Plan

As with most industries, terminology in the retirement plan industry is unique and getting used to it can take some time. Understanding these terms can help employers as they administer their retirement plans. One note, not all of the below terms will apply to your current retirement plan situation; however, you may run across them at some point in the future as you continue to offer a retirement plan to your employees.

Plan Sponsor

The plan sponsor is typically the employer or organization that establishes and oversees the retirement plan for employees. They are responsible for selecting service providers, ensuring compliance, and managing the plan's operation.

Third-Party Administrator (TPA)

A third-party administrator (TPA) handles administrative tasks such as regulatory compliance, document preparation, and nondiscrimination testing. This service reduces the plan sponsor's workload.

Recordkeeper

Recordkeepers track contributions, investment activity, and distributions for individual participant accounts. They also provide account statements and online portals, making it easy for participants to monitor their balances and transactions.

Financial Advisor

A financial advisor is a financial professional hired to guide the plan sponsor in areas like plan design, investment selection, and participant education. Advisors help ensure the plan is efficient, cost-effective, and meets regulatory standards.

Bundled/Full-Service Plans

Bundled or full-service plans combine multiple services—such as recordkeeping, administration, and investment management—into a single package provided by one vendor.

Fiduciary

A fiduciary is legally responsible for acting in the best interest of plan participants. Fiduciaries oversee the plan's management and investments, ensuring decisions align with participants' needs and comply with regulations. The primary fiduciary of a retirement plan is the plan sponsor. However, plan sponsors are able to delegate some of this responsibility and liability to outside third parties. (Examples - 3(16) and 3(38) fiduciaries)

3(16) Fiduciary

A 3(16) fiduciary takes over administrative duties such as filing regulatory forms, managing participant communications (plan notices), and ensuring timely contributions. Hiring a 3(16) fiduciary reduces the administrative burden and fiduciary responsibility of the plan sponsor.

3(38) Fiduciary

A 3(38) fiduciary takes full responsibility for the plan's investment lineup. They have discretion over selecting, monitoring, and updating investments. A 3(38) fiduciary takes on the liability for these decisions.

Participant

A participant is an employee or individual who is enrolled in the retirement plan. They may be a current or former employee and even a beneficiary of a deceased employee's account.

Terminated Participants

Terminated participants are employees who have left the company, either voluntarily or involuntarily.