

Retirement Plan Fiduciary Duties



What is a Fiduciary?

A fiduciary is “a person who owes a duty of care and trust to another and must act primarily for the benefit of the other in a particular activity¹.” A retirement plan’s fiduciary is responsible for operating the plan in the employees’ best interests.

Types of Fiduciaries

Named Fiduciary

The go-to person or plan “CEO.” He or she is responsible for choosing and monitoring other plan fiduciaries. This is usually the employer or owner of the company.

Trustee

The person responsible for holding and managing the assets of the plan. Trustees are either designated in the plan document or appointed by another fiduciary, typically the employer who sponsors the plan. They usually have exclusive authority and discretion over the management and control of plan assets unless the plan document provides otherwise.

3(16) Plan Administrator

The person/company who manages the day-to-day decisions and operation of the plan. This is usually a hired service provider. Some of these duties include:

- Filing Form 5500
- Monitoring plan operations
- Distributing annual notices
- Approving distributions and loans

3(21) Investment Advisor Fiduciary

A financial advisor who shares responsibility with the named fiduciary/plan sponsor for choosing investment options. They will monitor and suggest changes to the investments. The plan sponsor maintains the decision making for the investments.

3(38) Investment Manager Fiduciary

A financial advisor who has the full responsibility to choose, manage, and remove investments from the plan.

¹ [IRS Retirement Plan Fiduciary Responsibilities](#)

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Main Fiduciary Duties

Loyalty

The plan sponsor must operate the plan in the best interest of the participants and beneficiaries.

Prudence

Management of the retirement plan must be done with care, prudence, skill, and diligence. If a company cannot carry out their fiduciary duties, they must hire someone to fulfill those duties.

Reasonable Basis

We will make every effort to understand your circumstances so that our recommendations are suitable for you and based on your unique goals, objectives, and situation.

Diversification

The investments offered in a retirement plan must give participants enough investment options to diversify their holdings in order to minimize the risk of large losses.

Following the Plan Document

A fiduciary has the duty to follow the standards and rules of the official plan document unless inconsistent with ERISA.

Specific Responsibilities

- Documenting plan operations
- Holding plan assets
- Providing documents to employees and government
- Acting for the exclusive purpose of providing benefits to workers participating in the plan and their beneficiaries, and defraying reasonable expenses of the plan (best interest of participants)
- Following plan documents
- Maintaining and operating a record keeping system to track money flow
- Diversifying plan investments
- Overseeing other fiduciaries
- Ensuring reasonableness of expenses and fees

Liability

A reminder from Paychex.com: "Fiduciary responsibility also comes with liability. If an organization cannot adhere to the basic rules of fiduciary responsibility, the organization along with the individual fiduciaries can become liable for losses to the plan. Organizations and individual fiduciaries can also be held accountable for any assets gained through improper implementation of the plan. For these reasons it becomes incredibly important to establish a strong plan, meticulously document the process you've established, and continue to check in frequently to ensure the accuracy of your reporting²."

This information is not intended as authoritative guidance or tax or legal advice.

² [Paychex - Offering a 401\(k\)? Know Your Fiduciary Responsibility](#)

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