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# Advisers Can Spearhead Retirement Plan Committee Setup and Training

Plan sponsors can trust advisers to help with committee decisions and training and expect input from ERISA attorneys.

Reported by [LEE BARNEY](#)

When it comes to fiduciary training for retirement plan committees, experts generally say a plan adviser can take the lead and use the occasional help of an ERISA [Employee Retirement Income Security Act] attorney.

“The first step in setting up a highly efficient committee is to work with a retirement plan adviser specialist or consultant,” says Brendan McCarthy, national sales director of defined contribution investment only (DCIO) at Nuveen. “They can help guide the plan sponsor through the entire process, including the critical fiduciary training.”

Before addressing the training of the committee, the adviser should determine whether the plan should have both an administrative committee and an investment committee or just a single retirement plan committee that covers everything, McCarthy says. In general, only the largest companies that have in-house finance capabilities form two committees, McCarthy says.

The second big determination is deciding how large the committee should be. “They typically range from three to seven, with five being the ideal number,” McCarthy says. “It is very important to have an odd number, so that in the event of a vote, you don’t have a tie.”

The third major area to determine at the outset of forming a committee is “to look at the demographics of the workforce and ensure they are represented on the committee,” he says. “Perhaps the company has a high percentage of Millennials. If so, there should be at least one Millennial on the committee. They can help with ideas on plan design and communication to appeal more to their like demographics. Studies have shown that [diverse committees achieve better decisions](#). A Callan study, for instance, found that committees that invoke diversity have stronger governance practices and have a better understanding of their audiences—thus increasing employee engagement and improving outcomes.”

Dannae Delano, a partner with The Wagner Law Group, agrees that paying attention to the diversity of a plan’s workforce can improve the effectiveness of the committee and the experience of participants. “Age-old statistics show that understanding the retirement plan and how it works is difficult for participants but it increases exponentially when there is someone of their demographic group represented on the committee, because they can convey information to people in a way they understand,” Delano says.

There are staple positions many committees turn to when they recruit members, McCarthy says. Most committees first draw from in-house legal or finance, human resources (HR) and benefits departments.



retirement plan committee is an expert group, and it is not worth sacrificing knowledge,” Irvin says. Members of the committee are charged with making prudent and loyal decisions on behalf of plan participants and their beneficiaries, so, first and foremost, they need to be capable.”

In addition to the positions McCarthy suggests as being a good fit for the retirement plan committee, Irvin says having someone from payroll who is familiar with the workforce data can be very helpful.

Once the committee is established, it is important to draft “a plan committee charter, a governing document that outlines fiduciary responsibilities and roles, as well as the goals and objectives of the committee,” McCarthy says. In line with that, another best practice is to have each member of the committee sign a fiduciary acknowledgement outlining their duties, including the risks of serving on the committee, he says.

The last step is to appoint one member of the committee to act as secretary, responsible for documenting the meetings and retaining all documentation. “For instance, they should thoroughly document not just the selection of investments but all of the thoughts, logic and due diligence that went into making that decision,” McCarthy says.

As to how long committee members should serve, Irvin says, “We tend to see them serving two to three terms lasting two to three years apiece. What you don’t want is for someone to serve a single term, because then you will lack continuity of institutional knowledge. If at all possible, stagger the terms. Then, you continually get new ideas from fresh blood.”

## Basics of Fiduciary Training

Once the committee and its responsibilities are established, it is critical to train the members on their fiduciary responsibilities, advisers say. The first step can be explaining how the plan works at a high level, Irvin says—“its provision, match, eligibility and plan economics, like revenue sharing, fee leveling or other ways services in the plan get paid for. They should also understand not only their own role and responsibilities, but also those of the vendors and the consultant.”

Delano says she believes the most important concept retirement plan committee members need to understand, as outlined in ERISA, is the standard of prudence and loyalty they must uphold. “If they lack the capacity to make a decision, they have a duty to find an expert to help educate them on the matter,” she says.

Irvin suggests that the next item of business should be reviewing plan documents, including the investment policy statement (IPS), with new committee members. He says committees should do that as a refresher every year for existing members.

At Cammack, the consultant assigned to the plan handles all this training, sometimes bringing in an ERISA attorney, Irvin says. Furthermore, Cammack often has ERISA attorneys attend retirement plan committee meetings to add their insights, he says.

Delano says she steadfastly believes it is important for advisers to bring in ERISA attorneys. “At some point, an ERISA attorney needs to get involved because of the integral role they play in managing a plan,” Delano says. “That is why they can be helpful, especially with ongoing training. Laws and governing documents for the plan change all of the time. These are fluid things they have to be on top of and thoroughly understand. Even case law regarding fiduciary



As to what type of insurance committee members should have, Delano says ERISA requires them to be bonded, and it is a best practice to provide them with errors and omissions (E&O), indemnification and/or directors and officer (D&O) liability insurance. Smaller plans that don't want to take on the expense of this specialized insurance can put an indemnification provision in their plan document, she says.

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[ERISA fiduciary responsibilities](#), [retirement plan committees](#)

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