The Case for Professional Retirement Plan Fiduciary Services

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Remember when managing a retirement plan was simpler? Ah, the good old days. Today's retirement plan sponsors face an increasingly complex web of ERISA requirements, cybersecurity protocols, and administrative responsibilities. But as author, speaker, and journalist Chris Carosa, CTFA pointed out in a recent Fiduciary News article, there's good news: you don't have to navigate these challenges alone.

A little-known fact highlights why the current situation feels so overwhelming. As Kathleen McBride, ERISA 402(a) specialist at Fiduciary Wise, pointed out in the article, ERISA wasn't originally designed with today's retirement landscape in mind. When created, most employees had defined benefit pensions, and 401(k) plans were merely "sidecars" for additional savings. More importantly, the system wasn't intended for plan sponsors to shoulder the primary responsibility of running these plans – that role was meant for pension professionals.

Today, the regulatory burden continues to get heftier, thanks to landmark retirement plan legislation such the SECURE Act and SECURE 2.0. Plan sponsors now must tackle cybersecurity due diligence, adapt to changing definitions for long-term part-time eligibility, track missing participants, and prepare for paper benefit statements by 2026. For every simplification in one area, multiple new complexities arise in others.

The solution? Consider professional fiduciary service providers. Carosa suggested that larger plans can hire a "Named Fiduciary" to handle plan oversight, administration, and provider due diligence. He also noted that smaller plans might find Pooled Employer Plans (PEPs) a cost-effective way to outsource these responsibilities, as the PEP's Pooled Plan Provider serves as the Named Fiduciary.

However, before making any changes, awareness and education are crucial first steps. As Matt Zokai, director of Retirement Solutions at Avantax, emphasized, "The most critical task for any plan fiduciary is to document, document, document!" Creating a comprehensive fiduciary file containing all plan documents, disclosures, notices, meeting notes, and vendor due diligence can help ensure compliance with prudent practices as defined by ERISA.

For those maintaining internal oversight, Marcia S. Wagner of The Wagner Law Group noted that meeting fiduciary responsibilities isn't just a box-checking exercise. It requires dedicated time and a thorough understanding of the plan's investment program. Regular committee meetings with detailed minutes explaining decision rationales are a critical component of achieving these goals.

The regulatory landscape may keep evolving, but with professional support and proper documentation, plan sponsors can navigate these changes effectively while ensuring they continue to act in their participants' best interests.

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