SUCCESSFUL PLAN OUTCOMES

Fiduciary Responsibilities

What you need to know

In order to manage your fiduciary responsibilities, there are a few things you need to know.

Duties of a Fiduciary

According to ERISA, a fiduciary has the following duties:

- Act prudently
- Act with loyalty to plan participants
- Diversify plan investments
- Adhere to the plan terms, ERISA, and Internal Revenue Code

Who is a Fiduciary?

Generally, a fiduciary is anyone who exercises discretionary authority or control over the plan or plan assets. The most common individuals serving as a plan fiduciary are:

- Employer (plan sponsor)
- Corporate officer
- Committee member
- Trustee
- Investment advisor

Types of Fiduciaries

Named Fiduciary:	A person identified as a fiduciary in the plan document.
Functional Fiduciary:	A person (named or not) who performs fiduciary functions for the plan. ERISA
3(16) Fiduciary:	A person designated as the official plan administrator.
ERISA 3(21) Fiduciary:	A person/entity hired to render investment advice to the plan.
ERISA 3(38) Fiduciary:	A person/entity with full discretion for investment selection and monitoring for the plan.

Documented Process

An important step in managing your fiduciary risk is to follow a well-documented process that includes policies, procedures and a periodic review of the process.

Common Fiduciary Terms

The back of this page lists some common terms you may hear during a fiduciary discussion.

Common Fiduciary Terms

404(c) Regulations:	A regulation that relieves a fiduciary of liability for investment decisions made by plan participants who have the ability to make individual investment selections.
ERISA:	An acronym for Employee Retirement Income Security Act of 1974, a federal law that governs qualified plans.
ERISA 3(16) Fiduciary:	A person/entity designated as the named plan administrator with responsibility for adherence to the terms of the plan document and compliance with governmental regulations and reporting.
ERISA 3(21) Fiduciary:	A person/entity providing non-discretionary investment advice to plan sponsors or participants for a fee. The plan sponsor or other named fiduciary retains discretion over investment selection/monitoring duties and liability to act upon the advice received.
ERISA 3(38) Fiduciary:	A person/entity providing fully discretionary investment advice to plan sponsors or participants for a fee. The plan sponsor or other named fiduciary may transfer significant responsibility and liability to the 3(38) fiduciary for investment selection/monitoring duties under the plan.
Fidelity Bond:	A bond designated to protect retirement plan participants in the event a fiduciary or other responsible person mishandles plan assets.
Fiduciary:	Generally, a fiduciary is anyone who exercises discretionary authority or control over the plan or plan assets.
Fiduciary Liability Insurance:	Insurance that protects plan fiduciaries in the event that they are found liable for a breach of fiduciary responsibility.
Multiple Employer Plan:	A plan structure allowing plan sponsors to transfer control of most plan decisions to an independent administrator.
Named Fiduciary:	A person identified as a fiduciary in the plan document.
Prudent Expert Rule:	A fiduciary duty under ERISA that requires a fiduciary discharge their duties to a plan with the care, skill, prudence and diligence that a prudent expert would use in a similar situation.
QDIA:	Acronym for qualified default investment alternative that provides relief from fiduciary liability with respect to automatic enrollment programs.
Warranty:	A contract offered by certain firms that indemnifies the process regarding the selection, monitoring, and oversight of the investment menu.