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DOL Communicates Importance of Retirement Plan Fiduciary Responsibilities

ERISA
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The Department of Labor (DOL) has continued to communicate the importance of fiduciary responsibilities of plan sponsors. The DOL's Fiduciary Education Campaign has provided seminars around the U.S. in addition to providing various tools and publications. If you are responsible for administering your organization's 401(k) plan or other company-sponsored employee benefit plan, it is important to keep certain essential duties in mind. Some of the most important duties to adhere to in order to meet these fiduciary responsibilities include the following:

Diversification of Investments

Plan sponsors should select and monitor plan investments. For example, in the case of Tibble v Edison International, the U.S. Supreme Court confirmed that fiduciary responsibility does not stop at fund selection, but that they should be monitored regularly and replaced if needed. In this case, current and former participants claimed that the company offered more expensive retail class mutual funds when less expensive institutional class shares were available.

Plan Expenses

Only reasonable plan expenses should be charged to the plan. The DOL provides guidance that plan sponsors should ensure fees paid to service providers and other expenses of the plan are reasonable in light of the level and quality of services provided.[1]

Following Plan Document and IRS Regulations

The plan document dictates how a plan should operate. The most common issues that are in violation of the plan document include issues with the plan's determination of eligible compensation. An example of this would be if bonuses are not included in determination of compensation when the plan document states they should.

Performing Duties Prudently and in Best Interest of Plan Participants

There are a myriad of duties that should be completed, but certain areas continue to be problems. This would include timely remittance of employee contributions, which continues to be a common error among 401(k) plans. Other issues may be mitigated if plan sponsors are hiring qualified and competent service providers. This would include engaging a large and well-respected company to serve as custodian and recordkeeper. In addition, hiring a qualified auditor is an important fiduciary responsibility, if your plan meets the requirement for a financial statement audit.

Overall, it is important to keep these essential duties in mind when administering a plan or hiring a qualified person to administer your company's plan.

Contact us with questions about employee benefit plans and visit our Employee Benefit Plans Industry Group page to learn more about our service offerings.

[1] U.S. Department of Labor online publication, "A Look at 401(k) Plan Fees"

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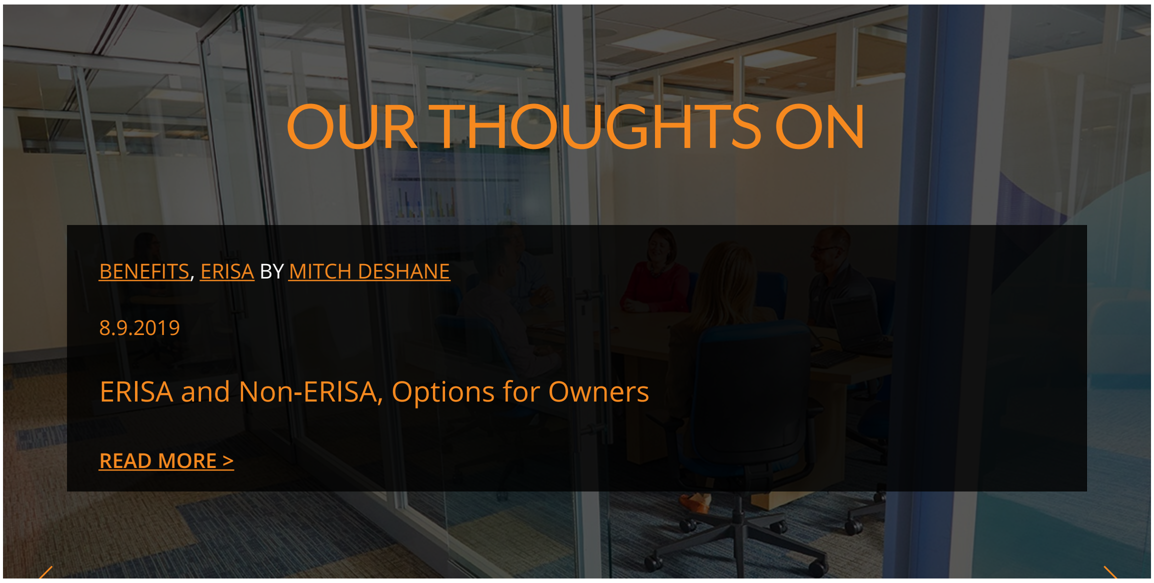

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