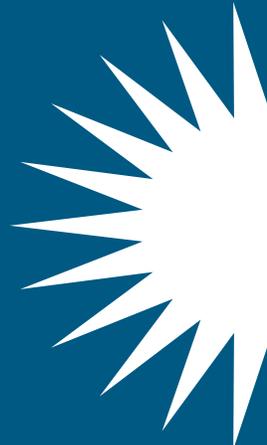


Strategies and Tips for a Well-Run Retirement Plan Committee

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“A good process produces good results.” – Nick Saban

An organized and effective retirement plan committee forms the essential foundation for a sound fiduciary process – meaning a process that plan fiduciaries can be proud of and that will stand up to scrutiny. While we cannot emphasize enough how important it is to regularly review the plan’s investments, fees, services, legal matters, and the like, I want to focus this discussion instead on other best practices and tips that can help improve how a committee functions.

Over many years of attending retirement plan committee meetings at companies of all sizes, we have noticed that the most effective committees commit to an approach that emphasizes both committee engagement and adherence to a disciplined process.

The good news is that following such a process does not have to be difficult or complicated. Below are some best practices we have seen that consistently lead to high functioning retirement plan committees.

1. Effective committees are thoughtfully structured.

While it is helpful for committee members to have retirement plan or investment knowledge, it is not a requirement. A committee should be comprised of members who are thoughtful decision makers, who are committed to being engaged in the process, and who understand what it means to be a fiduciary and are willing to become one (more on that later). At a minimum, it is a good practice to include representatives from the Finance and Human Resources departments. Larger organizations often include a representative from Legal as well. A smaller number of members is generally considered better – five is about right, and more than seven is probably too large. If the committee is too small, you run the risk of not being able to establish a quorum at each meeting (more on that later too).

Tip: Utilize a Committee Charter to define the committee’s mission, authority, composition, responsibilities, and meeting procedures. Ensure that committee members read and understand the charter.

2. Effective committees conduct regular fiduciary training for members.

While fiduciary training is not a legal requirement, it is a sound risk management practice. Recent court decisions have emphasized that plan fiduciaries must understand their responsibilities and obligations as fiduciaries and be equipped to serve in their roles. To wit, in the article, “Fred Reish: 401k Sponsors in

Serious Need of Fiduciary Training” in *401(k) Specialist Magazine*¹, attorney Reish emphasizes the importance of understanding the basics. He recommends that committee members read the Summary Plan Description and Investment Policy Statement once a year and ask questions about what they don’t understand. According to Reish, one of the techniques plaintiffs’ attorneys use is to ask committee members about plan provisions and the roles and responsibilities of committee members.

Reish also recommends that committee members be up to speed on the Department of Labor’s (DOL) areas of focus. Current hot topics for the DOL include: late deposits of deferrals, keeping track of missing participants, and excessive plan fees.

Tip: The DOL publishes a helpful booklet entitled, “Meeting Your Fiduciary Responsibilities.” It’s written in easy-to-understand language, which makes it a great resource to share with committee members of all backgrounds. Don’t forget to give the booklet to new committee members who come on board too.

3. Effective committees have a strong chairperson.

The Committee Chair should ensure that the committee meets regularly. The Chair should also work with the plan’s advisor and record keeper, as appropriate, to develop the meeting agenda. A good committee leader will organize and communicate priorities, guide the discussion, keep the committee focused on the topics at hand, and encourage active participation from all members. Meetings should be conducted in a formal enough fashion to ensure that important topics are thoroughly discussed and voting items are put to a formal vote.

Tip: Set expectations for the Committee Chair up front. Make sure the Chair understands and respects the committee philosophy and approach. Also, to smooth chairmanship transitions, provide the new Chair with a thorough orientation with assistance from the outgoing Chair.

4. Effective committees meet regularly.

The Committee should meet formally on a regular basis – two to four times a year is considered a best practice. Confirm attendance in advance of the meeting to make sure a quorum will be present, especially if there will be voting items. Try to anticipate lack of a quorum in advance, so the meeting can be rescheduled if necessary, and the committee won’t be forced to push decisions down the road.

Tip: It can be easier and more efficient in the long run, to schedule the full year of meetings in advance. In fact, make this the last item on the agenda for the final meeting of the year, and ask the committee members to bring their calendars with them. If this method is not a good fit for the committee, at least make a habit of scheduling the next meeting while all the committee members are in the room. It’s easier than chasing them down later.

5. Effective committees formalize an agenda, focusing on fiduciary topics that should be reviewed with regularity.

As a committee, develop a list of the topics that need to be reviewed and discussed, such as investments, fees, investment policy, legal and regulatory matters, fiduciary training, vendor reviews, and participant outreach, among others. Create a schedule to ensure these topics are reviewed regularly and develop the meeting agendas around this schedule.

Tip: Don't forget to include two standing items on the agenda: 1) Approve minutes from the prior meeting; and 2) schedule the next meeting (if you didn't set up a year of meetings in advance).

6. Effective committees keep good meeting minutes.

Appoint a secretary to keep the meeting minutes. Keeping minutes is the best way to demonstrate a sound fiduciary process. Items to include in the minutes are: meeting date, names of attendees, information that was reviewed, discussed and considered, voting items, and items for further follow-up. Minutes should be brief and prescriptive in nature.

Tip: If possible, try to distribute a draft of the minutes to the committee members soon after the meeting while the material is still fresh in everyone's mind.

One of the first things a plan auditor – or DOL auditor! – will ask to see is the meeting minutes.

7. Effective committees maintain an organized Fiduciary Trail®.

The Fiduciary Trail® is how we at FIA describe the evidence trail that validates the decision-making process while justifying the conclusions reached. Supportive documentation includes reports, analysis, policies, meeting minutes, and other materials that are a part of your committee meetings. As a best practice, keep all these materials, along with plan governance documents, well-organized and in one central location electronically. This will help with audit preparation, new committee member orientation, and preservation of institutional knowledge.

Tip: If the organization works with an advisor who offers a secure client portal, use it as a repository for all plan-related documents and materials. Passwords can be customized to allow different levels of access to administrators, committee members, and auditors.

Incorporating these best practices consistently will improve how the retirement plan committee functions, will keep meetings running smoothly and efficiently, and will ultimately lead to better decision-making. If you want to learn more about how to create a Fiduciary Trail® that you can be proud of and that will stand up to scrutiny, please give us a call.

¹Reish, Fred, "401k Sponsors in Serious Need of Fiduciary Training," 401(k) Specialist, November 9, 2018

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