



## Should we have a retirement plan committee?

If you are an employer or employee who has decision-making authority over your company's retirement plan, there is a strong chance that you are a 401(k) **plan fiduciary**. You have a legal obligation to operate the plan solely in the interests of the plan participants (people with retirement account balances) and their beneficiaries (people who may inherit those retirement account balances). Additionally, two other primary responsibilities are to manage the plan for the exclusive purpose of providing benefits and paying reasonable plan expenses.<sup>1</sup>

Many HR representatives, Controllers, CEOs, CFOs, and Presidents are unfamiliar with the significant amount of liability to which they are exposed with their duties regarding their company's 401(k) plan. Establishing a retirement plan committee might be a resourceful cornerstone for the oversight of your company's retirement plan.

### Questions to begin

When considering if a retirement plan committee could be beneficial for your organization, start by asking a few questions:

- When was the last time your company's plan was formally discussed?
- Who makes your company's retirement plan decisions?
- Is it one person?
  - o If one person, do they have the care, skill, and expertise to make well-informed, documented decisions?
- Is it a group of people?
  - o Is it a formal or informal group?

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<sup>1</sup> ["Health Plans & Benefits: Fiduciary Responsibly." United States Department of Labor. 7 Feb 2018](#)

- Does the group meet regularly? If so, is there a designated person who takes meeting minutes? If not, how would the committee defend their decisions in a court of law to prove they were acting in the best interests of the participants?

Plan fiduciaries have a continual and ongoing responsibility to monitor the plan.<sup>2</sup> Therefore, if there was any hesitation over these questions, maybe it's time to speak with a professional to learn more.

### **Setting up a committee**

If you believe a committee might be a good way to establish plan accountability, reduce liability exposure, and share the task work responsibility of plan management, here are some next steps to consider.

- **Create** a written charter that clearly defines the roles of committee members.
- **Establish** an investment policy statement (IPS). While an IPS is not required, it is highly encouraged.
- **Form** criteria for the selection of committee members. It is best not to include names within the charter; however, it is common to include job titles of personal expected to be involved with plan decisions (e.g. CEO, CFO, and President).
- **Keep and Maintain** documentation of all meetings. Store information in a central location for accessibility. If there is a change of committee members, these files should be easily located. A friendly reminder: plan data should be kept on file for **7 years**.<sup>3</sup>
- **Meet** regularly and discuss plan information such as investments, expenses, services, and purpose.

Helping govern your company's retirement plan is a big responsibility: you have the power to directly impact future retirement outcomes. It is important to take this role seriously. By establishing a committee, it might be another way that your company can strive to increase the preparedness of your workforce and place them on the path to a secure retirement!

**We are the premier 401k plan specialist in Arizona, providing state of the art plan design, management and employee education to assure maximum employee participation and satisfaction. We believe all employees should have the opportunity to secure a financially sound retirement and we manage the plan solely for the participants so they may achieve their goals.**

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<sup>2</sup> ["Tibble et al v. Edison International." Supreme Court of the United States. 18 May 2015.](#)

<sup>3</sup> ["29 U.S. Code § 1027 - Retention of records." U.S. Code.](#)

Process Design Capital Management, LLC. does not provide legal or tax advice.

This information was developed as a general guide to educate plan sponsors and is not intended as authoritative guidance or tax/legal advice. Each plan has unique requirements and you should consult your attorney or tax advisor for guidance on your specific situation.