



# RETIREMENTSOLUTIONS

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## MAKING THE MOST OF PLAN COMMITTEE MEETINGS

“Too many cooks spoil the broth” may be true in the kitchen. But when it comes to qualified retirement plan governance, having the right team helps plan sponsors manage their plan and meet their fiduciary responsibilities. A strong team typically includes an internal plan committee and outside experts such as recordkeepers, third party administrators and financial advisors. Financial advisors can differentiate their services by helping the team create a recipe for success. Regularly scheduled committee meetings are an important component of most successful recipes. Most plan committees find it beneficial to meet quarterly or semi-annually. In addition to making sure the team is focusing on critical plan tasks, committee meetings provide advisors an opportunity to demonstrate their leadership and expertise and deepen their relationships with plan sponsors.

### Plan Committee Set Up

Because procedural prudence is key to satisfying ERISA fiduciary responsibilities,<sup>1</sup> many plan sponsors establish a plan committee and adopt procedures and systems to make certain that plan assets are handled properly, decisions are made prudently, and records of due diligence activities are maintained. Establishing a plan committee with regularly scheduled meetings and consistent agendas can create the framework needed to formalize and document the decision-making process for managing the plan. The role of the committee and each of its members should be clearly defined, specifying the scope of authority to make decisions on behalf of the plan. A formal committee charter should be considered as a way to outline and document the responsibilities of the committee and its members.

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### ERISA Fiduciary Education

The fiduciary rules under ERISA are designed to ensure that individuals with authority to manage retirement plans act in the best interests of plan participants (and beneficiaries) and handle plan assets properly. A plan committee shares these fiduciary responsibilities with the plan sponsor. Some plans will establish one committee to manage plan investments and a separate committee to oversee plan administration. Many plans will use a single committee to manage both sets of responsibilities.

Committee members must understand their fiduciary responsibilities to adequately perform them. Financial advisors are usually the best resource for providing fiduciary education to committee members and helping them understand the five cornerstone rules:<sup>2</sup>

- Act solely in the best interests of plan participants (and beneficiaries)
- Carry out duties prudently
- Diversify investments to reduce the risk of large investment losses
- Follow the terms of the plan document
- Pay only reasonable expenses from the plan

<sup>1</sup> Department of Labor, *Meeting Your Fiduciary Responsibilities*, February 2012, [dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/meetingyourfiduciaryresponsibilities.pdf](http://dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/meetingyourfiduciaryresponsibilities.pdf).  
<sup>2</sup> ERISA 404(a).

Committee members should receive fiduciary education to ensure they have the knowledge they need to fulfill their fiduciary obligations. Ongoing fiduciary education should be provided to make sure they are aware of evolving rules and trends. As new members join the committee, financial advisors may need to repeat basic fiduciary education in addition to providing legislative, regulatory and litigation updates.

The Department of Labor (DOL) has compiled an online library of its resources to help plan fiduciaries understand and fulfill their role. You may want to incorporate some of these publications in your fiduciary education (dol.gov):

- Meeting Your Fiduciary Responsibilities
- Understanding Retirement Plan Fees and Expenses
- Tips for Selecting and Monitoring Service Providers for Your Employee Benefit Plan

Committee members should be made aware of the consequences of not meeting the fiduciary standards. Under ERISA, fiduciaries are personally liable for plan losses caused by a breach of their fiduciary responsibilities. Participants and other plan fiduciaries have the right to initiate lawsuits to correct breaches of fiduciary responsibility. The DOL also has authority to enforce the rules through civil and criminal actions.

### The Agenda

As you guide plan sponsors and their plan committees in their fiduciary roles, get the most out of your committee meetings by having a formal agenda and driving it toward topics necessary to ensure that the due diligence processes for managing the plan are being performed. Be sure to extend agenda items beyond investment selection and monitoring to make sure the committee is reviewing the full spectrum of its fiduciary responsibilities, including plan administration oversight and fee management.

### Committee Discussions

In addition to helping identify agenda topics for each meeting, advisors can take an active role helping the plan sponsor determine if service providers or other retirement plan experts should be at the table for certain meetings, such as a third party administrator to discuss an operational issue, the plan auditor to present plan audit results, or a plan design expert to explain plan amendments. As you prepare for committee meetings, make certain committee members will have access to the key documents that will be discussed or referenced. This may include performance reports, the Investment Policy Statement (IPS), and any other governing document for the plan or the committee. You may also want to make sure meeting minutes are drafted, approved, and retained in the plan file to document the discussion and decision-making process.

### Advisor Opportunity

Differentiate yourself and your services by making the most of plan committee meetings. These meetings provide you with an opportunity to strengthen your value proposition by demonstrating your technical expertise and deepening your relationships beyond investment oversight.

SAMPLE TOPICS FOR QUARTERLY COMMITTEE MEETINGS
<p><b>REGULATORY AND MARKET CHANGES</b></p> <ul style="list-style-type: none"> <li>• Legislative and regulatory developments</li> <li>• Litigation trends and lessons learned</li> <li>• New products and industry trends</li> </ul>
<p><b>INVESTMENT REVIEW</b></p> <ul style="list-style-type: none"> <li>• High level review of the market and economy</li> <li>• Performance of current investment alternatives against IPS criteria</li> <li>• Participant allocations among investment options</li> <li>• Investment expenses</li> </ul>
<p><b>PLAN ADMINISTRATION REVIEW</b></p> <ul style="list-style-type: none"> <li>• Plan activity—outstanding loans, contributions, distributions, etc.</li> <li>• Operational issues or testing results</li> <li>• Participant complaints/concerns</li> <li>• Upcoming deadlines</li> <li>• Plan reporting responsibilities</li> </ul>
SAMPLE TOPICS FOR ANNUAL COMMITTEE MEETINGS
<p><b>BUSINESS CHANGES</b></p> <ul style="list-style-type: none"> <li>• Plan objectives</li> <li>• Changes in business or employee demographics</li> </ul>
<p><b>IPS CRITERIA</b></p> <ul style="list-style-type: none"> <li>• Types of investments</li> <li>• Investment expenses</li> <li>• Changes to plan document, business, financial industry</li> </ul>
<p><b>YEAR-OVER-YEAR PLAN METRICS</b></p> <ul style="list-style-type: none"> <li>• Plan participation rate, average deferral rate, average account balance</li> <li>• Nondiscrimination testing results</li> <li>• New loans and loan default rates</li> <li>• Hardship distribution rates</li> </ul>
<p><b>PLAN FEATURES AND POTENTIAL AMENDMENTS</b></p> <ul style="list-style-type: none"> <li>• Automatic deferrals</li> <li>• Automatic deferral increases</li> <li>• Safe harbor 401(k) plan</li> <li>• Re-enrollment</li> </ul>
<p><b>SERVICE PROVIDERS</b></p> <ul style="list-style-type: none"> <li>• Fee reviews and benchmarking</li> <li>• Service standards and performance issues</li> </ul>
<p><b>FIDELITY BOND AMOUNT</b></p> <ul style="list-style-type: none"> <li>• New committee members</li> <li>• Increased plan assets</li> </ul>

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