FIDUCIARY TYPES

TPC
401(K)
THE PAYROLL COMPANY

The roles and responsibilities of a retirement plan "fiduciary" are defined by the Employee Retirement Income Security Act (ERISA). But if you're searching for which type might be most suitable for you and your particular plan, it can be somewhat confusing for those who aren't in the "business". Below we outline the key features of the three fiduciary types: 3(16), 3(21), an 3(38) so you can have a better understanding of how each one works, and the differences between them.

3(16)

- THE "plan administrator" – (Typically the third party administrator or "TPA").
- Responsible for managing the day to day operations of the plan which are set by ERISA and the plan document.
- Responsibilities include (but not limited to):
    - Determine eligibility of employees
    - File 5500
    - Provide materials and/or required notices to participants
    - Maintain necessary records
    - Provide participant statements

3(21)

- Can be described as a "Co-fiduciary role" between plan trustee and investment advisor.
- Fiduciary has discretionary authority or control with respect to the management of the plan or the disposition of plan assets.
- Fiduciary will provide investment advice for a stated fee…but plans sponsors/trustees will still need to make the final decisions…aka they can take or leave the advice they are given.
- The appointed fiduciary and the plan sponsor/trustee share the responsibility of making investment decisions for the plan.
- Two types of 3(21) arrangements:
    - **LIMITED SCOPE** (most common)– hired by the plan sponsor to provide investment advice for a fee including recommending, monitoring, and making suggestions for replacements when appropriate. Can also help to create the investment policy statement, advise the plan sponsor on other related / applicable fiduciary responsibilities, and provide participant education.
    - **FULL SCOPE** – assumes same responsibilities as listed above, but in addition, is also responsible for hiring and monitoring all service providers, record keeping, operations, and management of the plan.

FIDUCIARY TYPES

TPC
401(K)
THE PAYROLL COMPANY

3(38)

- Highest level of fiduciary responsibility/protection available (typically for a fee).
- The only entities who can assume this level are registered investment advisors, banks, or insurance companies.
- Fiduciary is appointed by the plan sponsor to manage the investment process of the plan.
- Agreement must be in writing – the investment manager accepts/acknowledge fiduciary responsibility for the plan.
- Fiduciary is responsible for:
    - Making all of the investment decisions, including selecting, monitoring, and changing/replacing investment choices as appropriate.
    - Drafting and/or executing the investment policy statement.
- Plan sponsor is responsible for :
    - Selecting the 338 fiduciary and making sure it's fulfilling contractual obligations.

So to sum it up...Retirement plan "fiduciaries" manage the plan and its assets. The type of fiduciary you choose will determine your level of protection/responsibilities. Keep in mind, the same five standards of conduct apply to all fiduciaries: act in the sole interest of plan participants and beneficiaries, use plan assets exclusively for paying benefits and defraying reasonable costs of administration, act prudently, diversify investments, and act in line with the plan document. If you want to learn more, contact TPC 401(k) today. Our employees have years of experience in this area and would be happy to answer any questions you may have.

6405 Century Avenue, Ste 101 | Middleton, WI 53562

P: 888-505-4484 | **E:** 401k@payrollcompany.biz | **W:** payrollcompany.biz