

## **Fulfilling Your Fiduciary Responsibility**

If your company sponsors a retirement or welfare benefit plan such as a 401(k) plan, it is important to be aware of the fiduciary responsibilities involved with the administration of your plan. As a fiduciary, understanding the compliance requirements is critical to ensure employees participating in your company's plan are protected. You should also be aware of steps you can take to limit fiduciary responsibility with respect to diminishing returns.

The plan sponsor's fiduciary responsibility begins with selecting an investment provider and investment options. Along with this, the plan fiduciary should keep a due diligence file for fiduciary decisions, appoint others within the company to help carry out fiduciary tasks, evaluate plan needs, and develop an investment policy.

Next, you have a responsibility to communicate information about the plan to your employees. To help fulfill this responsibility, the employer should provide participants with investment related material and a Summary Plan Description (SPD). Third, you are required to monitor investment options and plan operations. This can be satisfied by gathering information to analyze and compare investment options; reviewing the materials; assessing the appropriateness of an investment option; and maintaining all relevant notes and minutes in your due diligence file.

Section 404(c) of the Employee Retirement Security Act (ERISA) of 1974 sets forth requirements that a plan sponsor must adhere to in order to limit fiduciary liability for investment decisions. This is important given the recent economic downturn because it helps to limit liability with respect to disappointing returns on plan investments. Some steps that can be taken include: permitting participants to direct their investments; offering a broad range of investment options; providing participants with the ability to make independent investment choices; and supplying participants with the information needed to make informed investment decisions.

The steps mentioned above are not comprehensive and you should refer to ERISA for all requirements. However, by incorporating the above activities into the administration of your plan, you are well on your way to fulfilling your fiduciary responsibility.