FIG. 2: PLAN SPONSORS' AND OUTSOURCED PLAN ADMINISTRATORS' ROLES

Plan Sponsor	Outsourced Plan Administrator
Prudently hire and monitor the plan administrator	Determine eligibility
Provide accurate data to the plan administrator	Enroll employees
Make timely contributions to the plan	Calculate plan contributions
	Provide all notices timely to participants
	Approve all distributions from the plan
	File annual Form 5500
	Maintain all plan documents and plan records

take place within the plan and who is involved in the transactions.

A sound way to meet the five requirements is to follow a documented process in decision making and act with expertise in both operating the plan and managing plan assets. Lacking expertise or a process, the fiduciaries can hire a knowledgeable expert to help. Here are three ways a fiduciary can hire help:

1. Hire a non-fiduciary consultant to help educate current fiduciaries and help develop processes.
2. Hire a fiduciary consultant who acts as a fiduciary to the plan along with the current fiduciaries when the consultant functionally takes on fiduciary responsibilities.
3. Outsource fiduciary responsibility to a professional fiduciary.

For example, if the plan sponsor hires out an outside fiduciary to act as plan administrator, the plan sponsor will still be responsible for at least monitoring and prudently hiring the plan administrator. In reality, the breakdown of roles may be distributed as illustrated in Fig. 2.

All three ways are means to manage the fiduciary responsibilities of the plan. The best way will depend on the particular circumstances of the employer and the complexity and size of the plan.

PART 3: STRUCTURING THE FIDUCIARY GOVERNANCE OF THE PLAN

Once the plan sponsor understands the basics, the current fiduciary governance structure of their plan is illustrated. For a new plan, I draw a blank chart, using a three-line box format. An example is provided in Fig. 3.

There are countless ways this can look. The important thing is that once you understand Parts 1 and 2, you can always draw out the

FIG. 3: ROLE, RESPONSIBILITY AND FIDUCIARY STATUS

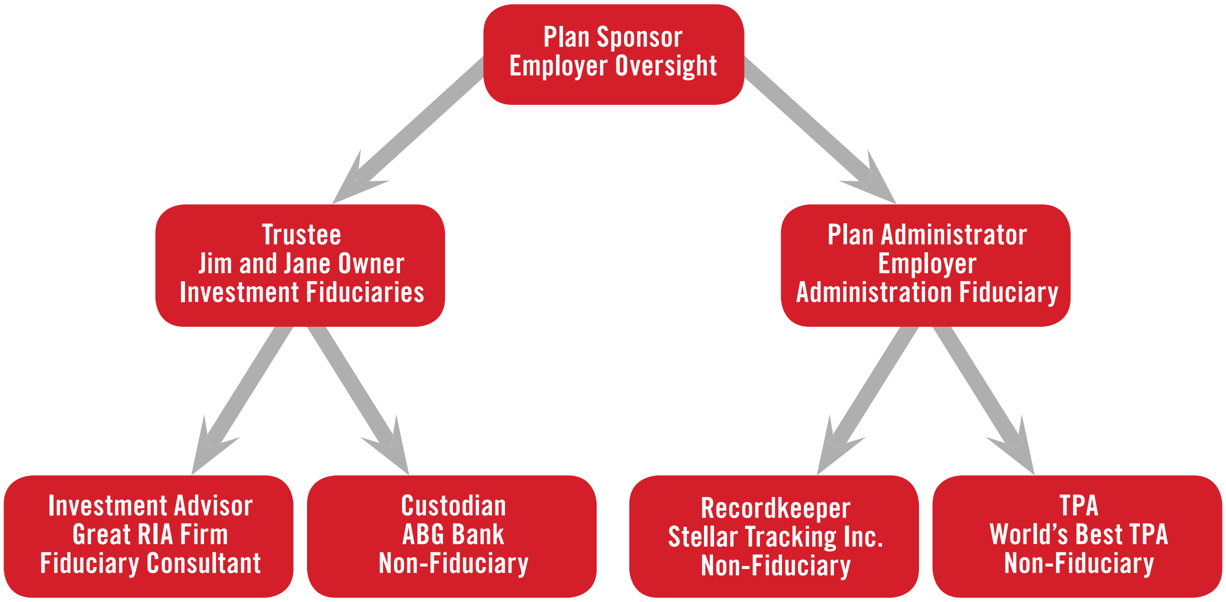
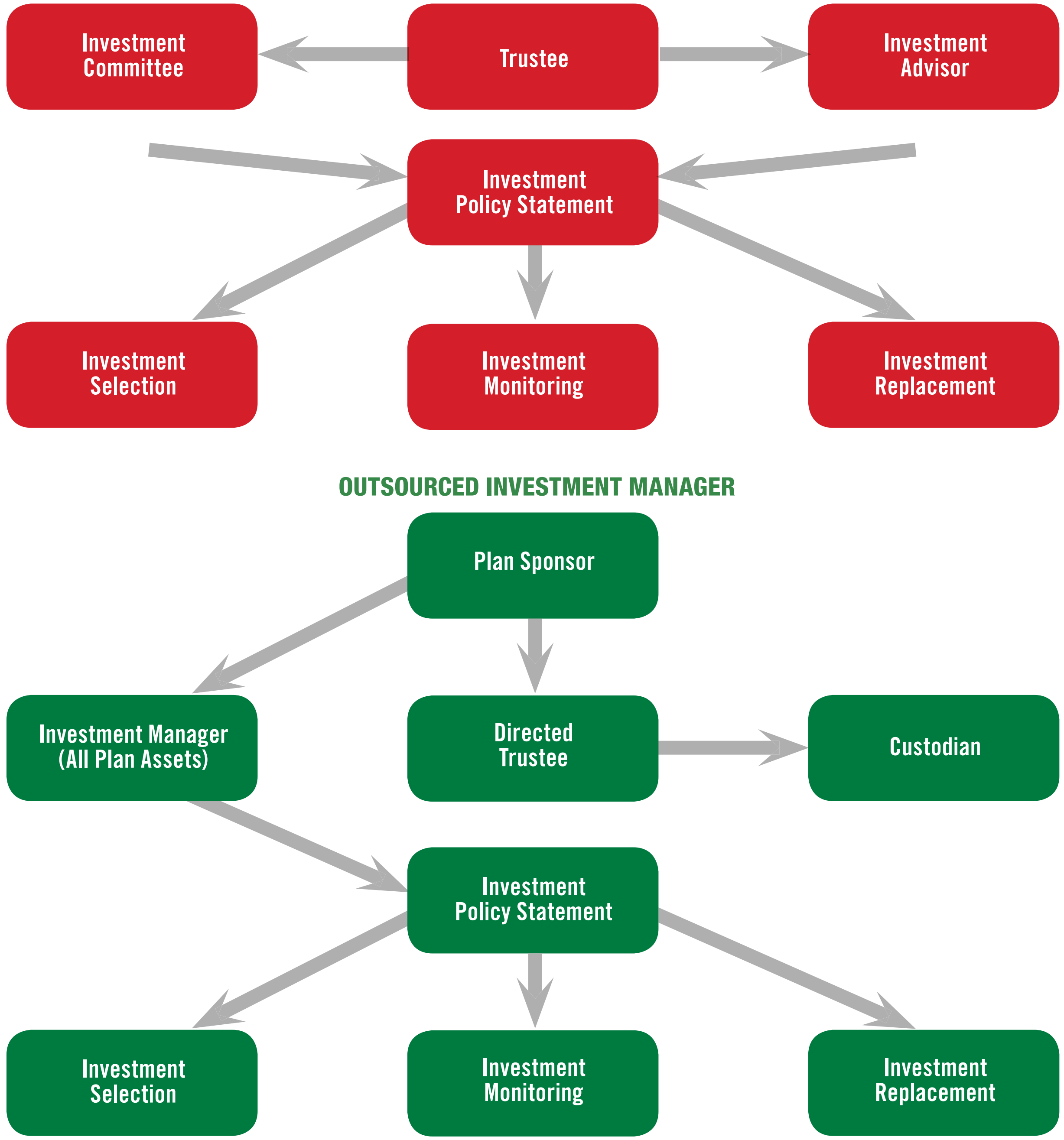


FIG.4: DUTIES AND RESPONSIBILITIES IN MAKING INVESTMENT DECISIONS



governance structure of a plan no matter what it looks like. Once it is drawn out, the plan sponsor can see what they are responsible for and the discussion can begin on who should be responsible for what, where help should be hired and which functions should be outsourced.

Once the overall governance structure is decided, particular duties and responsibilities can be discussed. Fig. 4 provides two examples of how investment decisions can be made in a plan.

CONCLUSION

Once the employer understands the basics of ERISA fiduciaries, they are able to make informed decisions to structure the fiduciary governance of their plans. Naturally, plans will run better when all parties clearly understand what their responsibilities are. PC

Jake Linney, QPA, QPFC, ERPA, is part of the Solutions Center at Pentegra Retirement Services, Inc. He designs qualified plans and consults with clients on a variety of plan topics. In addition, Jake is an advocate for pension education and has led education programs ranging from retirement plan fundamentals to advanced consulting practices.