8 Simple Steps to a Great Retirement Plan Committee

A well-organized and effective retirement plan committee is the cornerstone of successful fiduciary decision-making and organizational risk management for plans of any size. However, great committees do not happen by accident – they are the product of a “best practices” approach to design and implementation. Listed below are eight simple steps any plan sponsor can implement to make their committee more effective.

1. **Choose the Right Number of Members**
   The most effective committees typically have between three and seven members. Too few members limit diversity of thought and the ability to achieve a quorum. Too many members can lead to ineffectiveness because it is difficult to gain consensus with “too many cooks in the kitchen.” Contrary to popular opinion, members do not need to be investment or retirement plan experts but they should be committed to the task, engaged in the process, and have a reputation for making good decisions. Typically, finance and HR are represented on the committee and a member from legal may be included, depending on the size of the organization.

2. **Appoint a Chairman and a Secretary**
   Strong committees have strong leadership. The Chairman's job is to ensure the committee meets on a regular basis and to facilitate those meetings. The Secretary's job is to ensure all relevant information is distributed to members and that committee business is documented (e.g. meeting minutes.)

3. **Utilize a Committee Charter**
   Many committees suffer from a misunderstanding of the group's roles and responsibilities. A committee charter is a short document that serves as a “mission statement” for the committee and clearly outlines what the group is accountable for and identifies procedures for removing or replacing members. Each person on the committee should sign this document.

4. **Execute “Fiduciary Acceptance Letters”**
   Serving as a committee member is a fiduciary function and should not be entered into lightly by members. Each letter is a two-part document which should be sent from the Chairman to the member and outline the fact that the member is being appointed as a fiduciary and fully understands their responsibilities. The second page should be signed by the committee member and acknowledge that he/she understands and accepts the appointment.
5 **Provide Fiduciary Training**

One of the primary weaknesses of most committees is that members are not fully educated on their fiduciary duties and, therefore, ill-equipped to serve in an effective manner. Courts have made it clear that appointed fiduciaries must understand their responsibilities and be equipped to serve. Fiduciary training should be conducted for new members and reviewed annually. Key areas to cover should include the definition of a fiduciary under ERISA, the basic duties and responsibilities that are required, fiduciary best practices, investment considerations and prudent process, and provide an overview of current legal and regulatory trends. Since fiduciary expertise is generally not an in-house resource it is typically best provided by a knowledgeable 3rd party expert.

6 **Meet 2 to 4 times per year (but no less than annually)**

Formal meetings should occur on a regular basis and should not take more than 1-2 hours if well-organized. This, of course, depends upon what needs to be covered. For instance, certain topics may not need to involve the entire committee and can be handled offline by 1-2 key members with an update being provided to remaining members. Using an “accountability calendar” to break up and map out the key deliverables to cover throughout the year (e.g. annual fee assessment, investment monitoring, plan benchmark, bonding review, etc.) is a great way to organize your efforts and ensure all bases are being covered in the most efficient way possible. Also, it is usually a good idea to schedule meetings at the beginning of the year and get the dates on each person's calendar or meetings tend not to happen.

7 **Keep Meeting Minutes**

One of the simplest ways to demonstrate sound decision-making is to keep diligent minutes of each committee meeting. Though simple in theory, studies have shown that the majority of plan sponsors fail to do so consistently. Effective minutes should identify which members were present, what information was reviewed and discussed, any decisions that were made and the resulting actions to be accomplished along with a timeframe and the parties responsible. As an order of business, minutes from the previous meeting should be reviewed to ensure any outstanding items have been completed.

8 **Maintain a “Fiduciary File”**

The key to minimizing fiduciary liability is to demonstrate “prudent process.” Creating and maintaining a fiduciary file is a critical step to being a well-organized plan fiduciary and/or Committee. It serves as the central location for all plan-related information, takes the guess work out of managing the plan and helps ensure you are documenting all processes and meeting ERISA standards. While hard copies of information are sufficient, leveraging technology to manage the fiduciary process can yield significant benefits for committees in terms of time management and consistency of execution.

Investing the time to effectively organize a retirement plan committee and equip members is not simply smart in terms of managing risk but also promotes the management of a successful plan. Over time, implementing these best practices should enhance the consistency and quality of decision-making, drive successful outcomes and increase the probability that plan participants will retire with sufficient benefits.