Fiduciary misperceptions about investment selection and monitoring

Discover the truths behind these myths.

An evolving fiduciary landscape

Plan sponsors face an increasingly complex fiduciary landscape, as well as pressure to provide an optimal plan experience for participants at a reasonable cost. Making investment decisions under these conditions can prove challenging.

In a litigation-prone environment, a fiduciary's thoughtful, logical investment selection and oversight process should guard against misperceptions that are driven by fear of litigation.

We want to help fiduciaries separate the "news from the noise." On the back, we have identified five misperceptions of fiduciary risk that fiduciaries may want to consider, with an eye to avoiding common pitfalls and popular myths regarding fiduciary actions.

Insights for success

Many fiduciaries employ a very thoughtful, thorough process when it comes to selecting and monitoring plan investments. Let us help you understand the realities behind common misperceptions around investment selection.

Or, to explore ways to strengthen your plans and help participants get on a better path to retirement, call us at **800-371-4613**, and visit **troweprice.com/TDF**.

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T. Rowe Price Investment Services, Inc.

Myth #1
Fiduciary imprudence is demonstrated by poor investment performance.

Reality
It's about the process.

- Actions are judged on the quality of decision making and circumstances at decision time
- Fiduciaries should not be judged solely on results
- Decisions do not have to be perfect, but the process must be prudent

Myth #2
The lower cost option is always the safer (and better) option.

Reality
Fiduciaries should focus on the value-for-cost proposition.

- Consider available alternatives, and understand key dimensions such as investment type, asset class, management strategy, and cost
- Fees cannot be evaluated in a vacuum
- ERISA does not require fiduciaries to "scour the market" for the cheapest option available

Myth #3
One way to protect participants is to limit investment options.

Reality
Range of choice and strategies can be appropriate.

- Participant choice is a core attribute of defined contribution plans
- Safe Harbor guidelines help to encourage making available a broad range of investment options
- Safe Harbor guidelines encourage use of investments with different risk and return characteristics

Myth #4
There's one right method to select investments for all plans.

Reality
There is no one-size-fits-all approach to investment menus.

- Fiduciaries are entitled to consider participant preferences
- Consideration may be given to participant age and level of investment sophistication
- Fiduciaries may consider whether certain investments may encourage participation or higher savings levels

Myth #5
Follow the herd to limit liability.

Reality
Fear-based decisions fall short of prudence.

- Fiduciaries are required to act with an "eye single" to the interests of the plan's participants and their beneficiaries
- An ERISA fiduciary's loyalty is to their clients, not to following the crowd or acting out of self-interest
- Nothing can immunize a plan sponsor from litigation risk

TO LEARN MORE

Contact your financial professional for more information.

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