T.RowePrice

Fiduciary 101 Training

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Agenda

Fiduciary basics

Fiduciary responsibilities

ERISA litigation themes

Best practices

Why are fiduciaries important?
(or why should you care?)

Who is a fiduciary?

An individual who:

- Exercises discretion or has discretionary authority over plan administration, assets, or investments
- Receives compensation for providing investment advice

Named fiduciary

- ERISA requirement
- Responsible for overall administration of the plan

What is a fiduciary?

An individual who:

- Is subject to ERISA standards of conduct
- Exercises discretion over plan administration or investments or provides investment advice for a fee
- Must act in the best interest of the plan's participants

What are fiduciary activities?

- The selection and monitoring of:
  - Service providers
  - Plan investment options
  - Other plan fiduciaries
- Interpreting plan provisions
- Exercising discretion in approving or denying benefit claims

So what are nonfiduciary activities?

Nonfiduciary activities:

Day-to-day operations that don't require the exercise of discretion

- Settlor decisions:
  - Establishing the plan
  - Determining the plan's design
  - Amending the plan
  - Terminating the plan

GAME TIME

Fiduciary or Nonfiduciary?

Joe suspends the company match.

FIDUCIARY

NONFIDUCIARY

Joe suspends the company match.

FIDUCIARY

NONFIDUCIARY

Alex adds distribution options.

FIDUCIARY

NONFIDUCIARY

Alex adds distribution options.

FIDUCIARY

NONFIDUCIARY

Blake decides to approve procedures not permissible in the plan document.

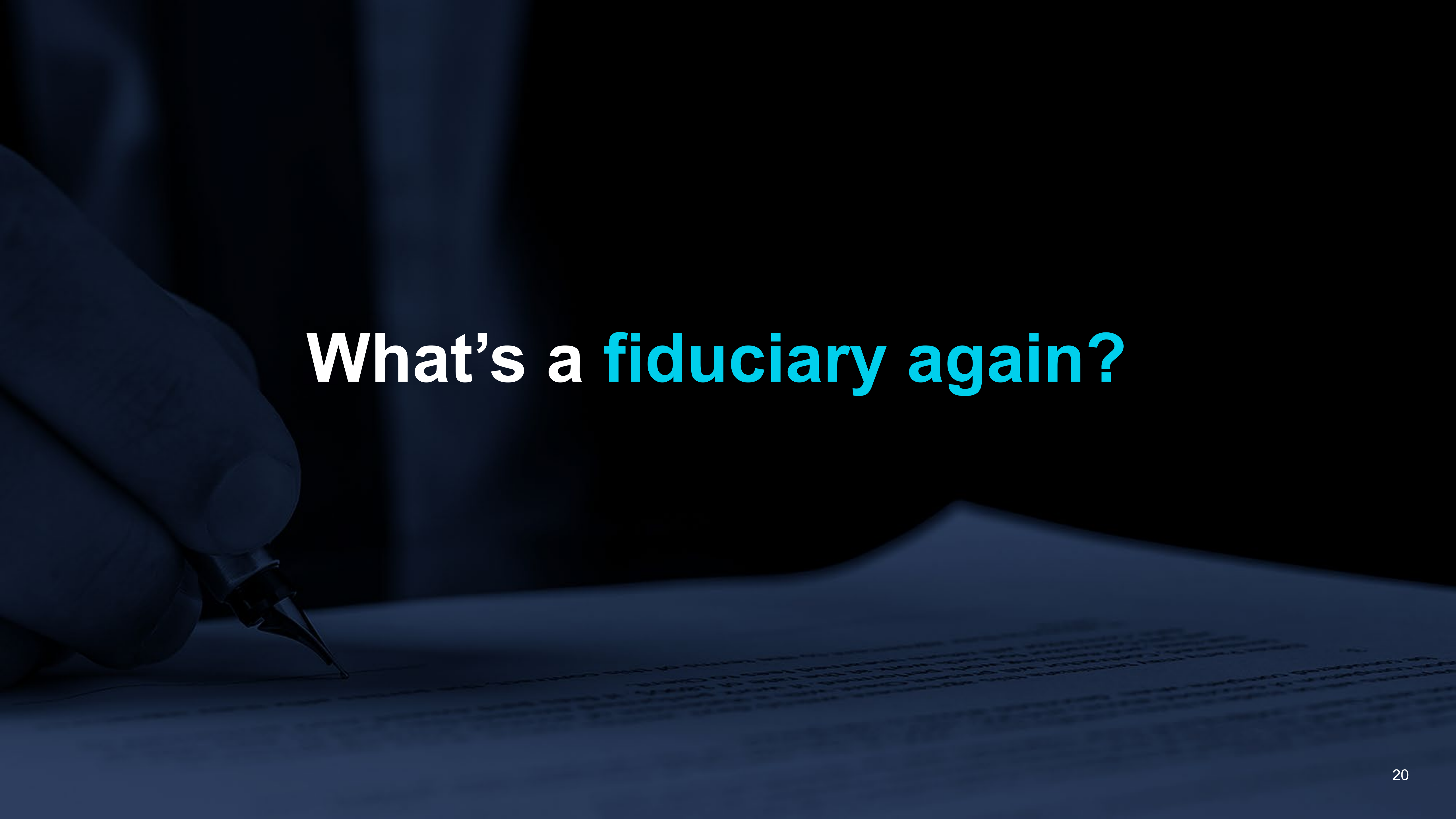
FIDUCIARY

NONFIDUCIARY

Blake decides to approve procedures not permissible in the plan document.

FIDUCIARY

NONFIDUCIARY



What’s a fiduciary again?

Subject to ERISA standards of conduct

Exercises discretion or provides investment advice

Must act in participants' best interest

What are my four fiduciary responsibilities?

Prudence

Loyalty

Diversification

Following terms of plan document

GAME TIME

Which fiduciary responsibility most risks not being followed?

Excessive plan fees

PRUDENCE

LOYALTY

DIVERSIFICATION

FOLLOWING TERMS OF PLAN DOCUMENT

Excessive plan fees

PRUDENCE

LOYALTY

DIVERSIFICATION

FOLLOWING TERMS OF PLAN DOCUMENT

Inappropriate use of the forfeiture account

- PRUDENCE
- LOYALTY
- DIVERSIFICATION
- FOLLOWING TERMS OF PLAN DOCUMENT

Inappropriate use of the forfeiture account

PRUDENCE

LOYALTY

DIVERSIFICATION

FOLLOWING TERMS OF PLAN DOCUMENT

ERISA litigation

Anatomy of a lawsuit:
How lawsuits start

Anatomy of a lawsuit: How lawsuits start

Lawyer searches Form 5500 database for opportunities

Anatomy of a lawsuit: How lawsuits start

Lawyer advertises on social media

Anatomy of a lawsuit: How lawsuits start

Employees or former employees respond

Anatomy of a lawsuit: How lawsuits start

Lawyer signs
them up

Anatomy of a lawsuit: How lawsuits start

Information request letter sent to plan

Anatomy of a lawsuit: How lawsuits start

Plan provides documents

Anatomy of a lawsuit: How lawsuits start

Lawyer files lawsuit

Anatomy of a lawsuit: How employers respond

Anatomy of a lawsuit: How employers respond

Plan fiduciaries hire lawyer

Anatomy of a lawsuit: How employers respond

Plan fiduciaries try for early dismissal

Anatomy of a lawsuit: How employers respond

Case settles

What was the dollar amount of 2024 litigation settlements?

$203m

Source: Aronowitz, Daniel. “401(k) Excessive Fee Litigation Spiked to ‘Near Record Pace’ in ’24.’” PLANADVISER, January 13, 2025, www.planadviser.com/401k-litigation-continues-fever-pitch/.

What litigation themes are emerging?

Excessive fees

Share classes

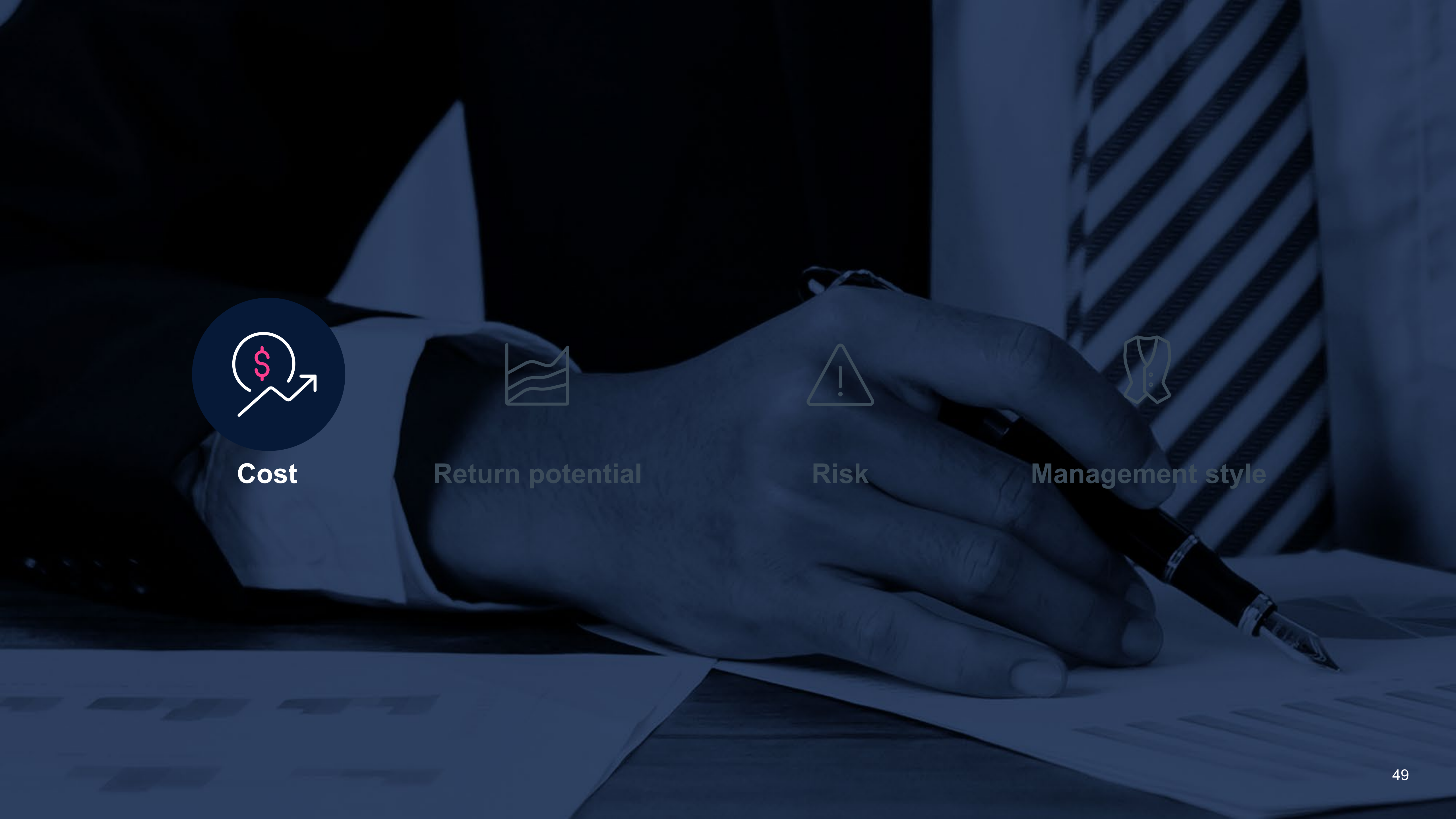
Funds vs. trusts

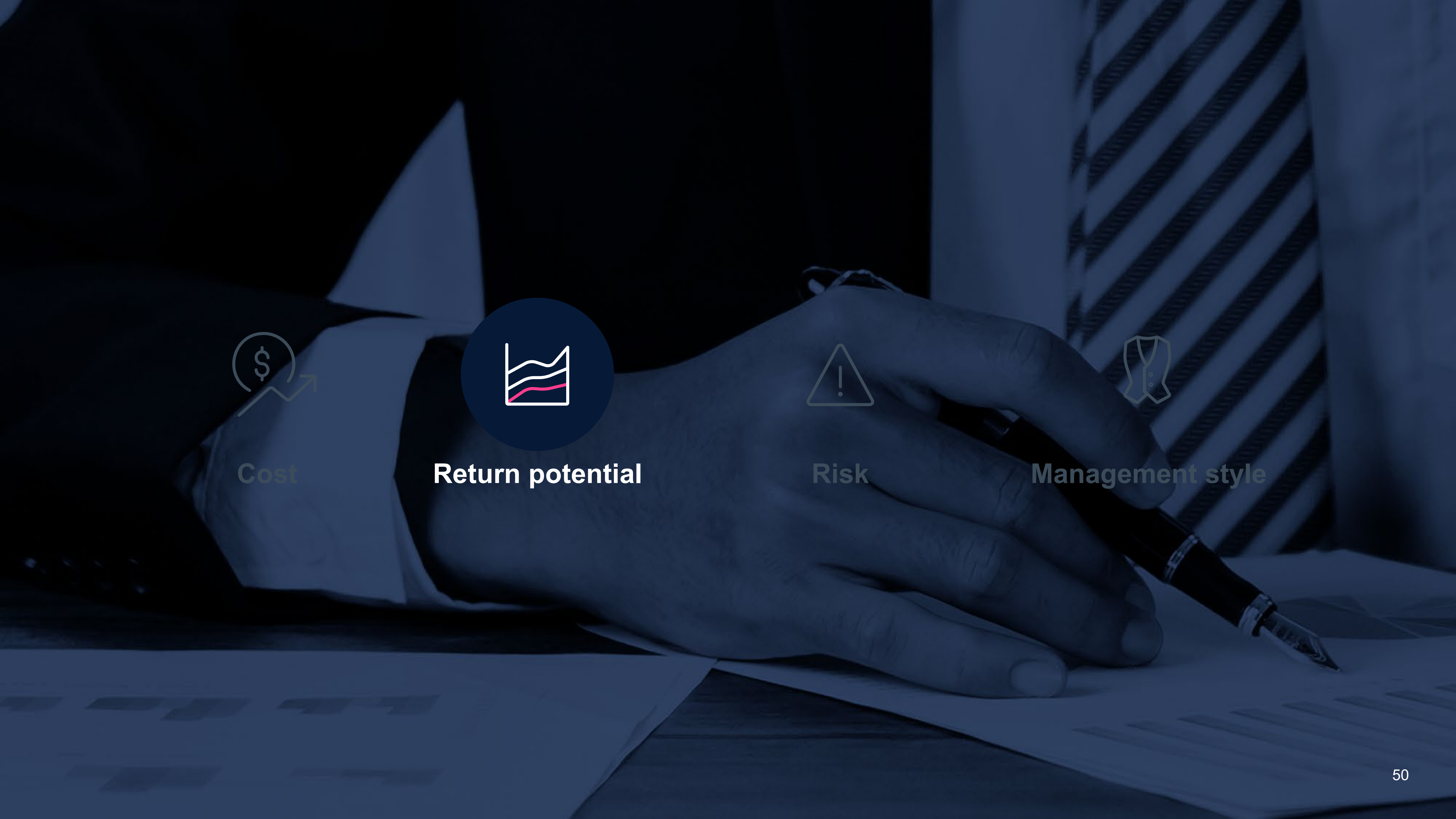
Use of forfeitures

What about selecting investments?

While cost is important, the court has recognized that picking the lowest-cost option is not everything.

Core investment factors


Cost
Return potential
Risk
Management style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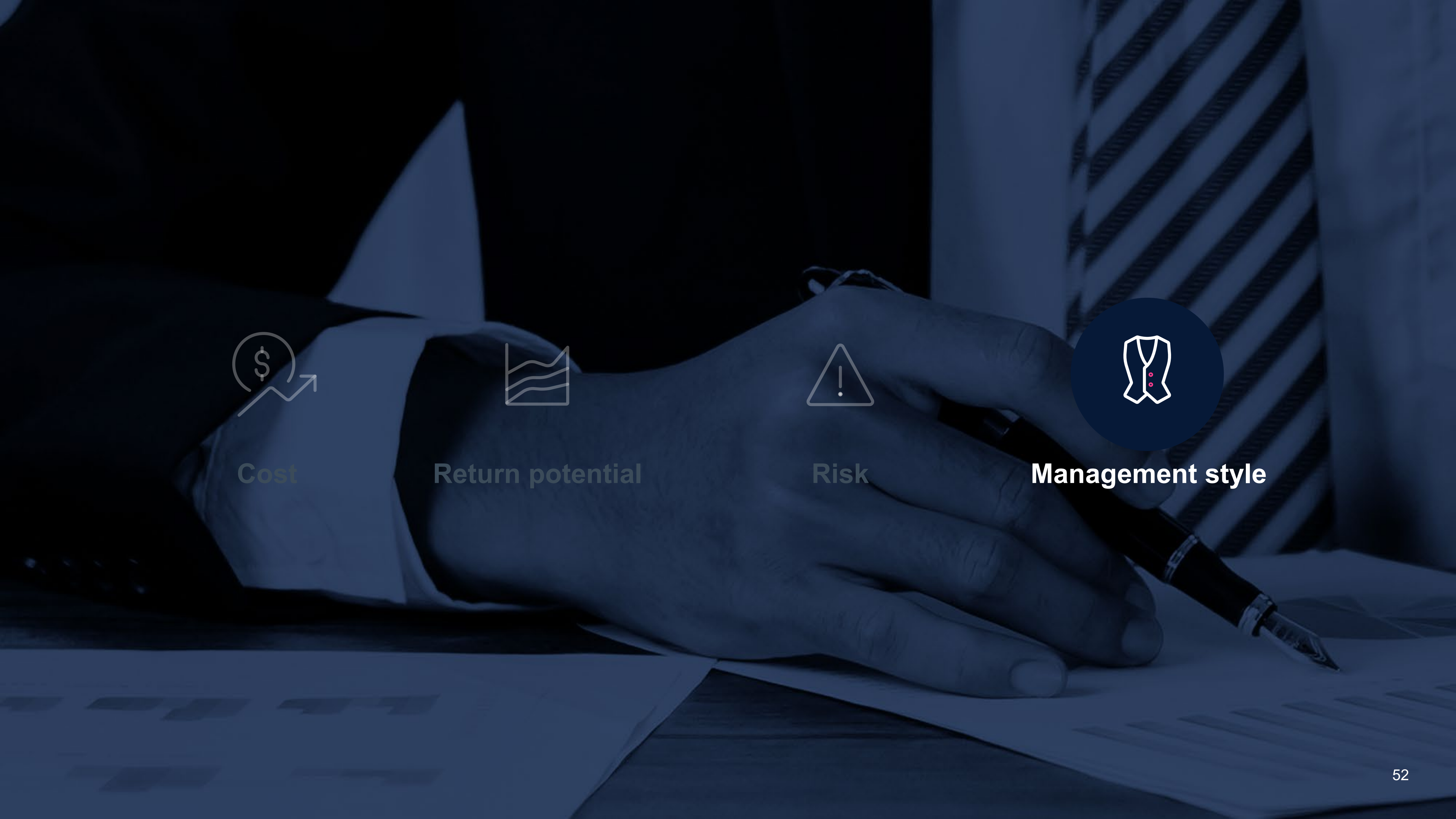
Cost
Return potential
Risk
Management style

Other considerations

Hiring an expert

Consider employee demographics

Benchmark and evaluate options

Monitor investments on an ongoing basis

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Hiring an expert
Consider employee demographics
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Monitor investments on an ongoing basis

How do I evaluate recordkeepers?

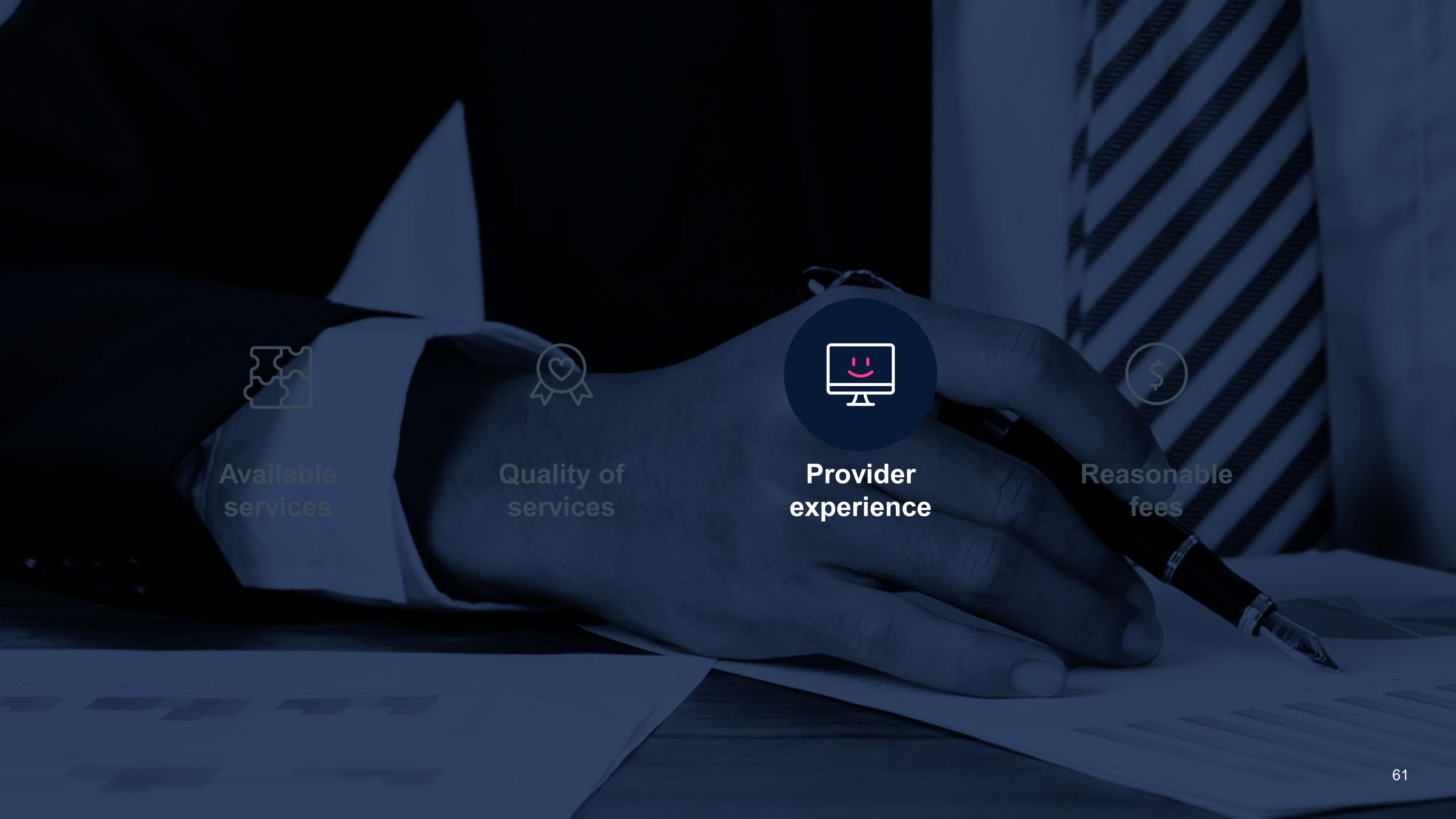

Available services
Quality of services
Provider experience
Reasonable fees

Available services

Quality of services

Provider experience

Reasonable fees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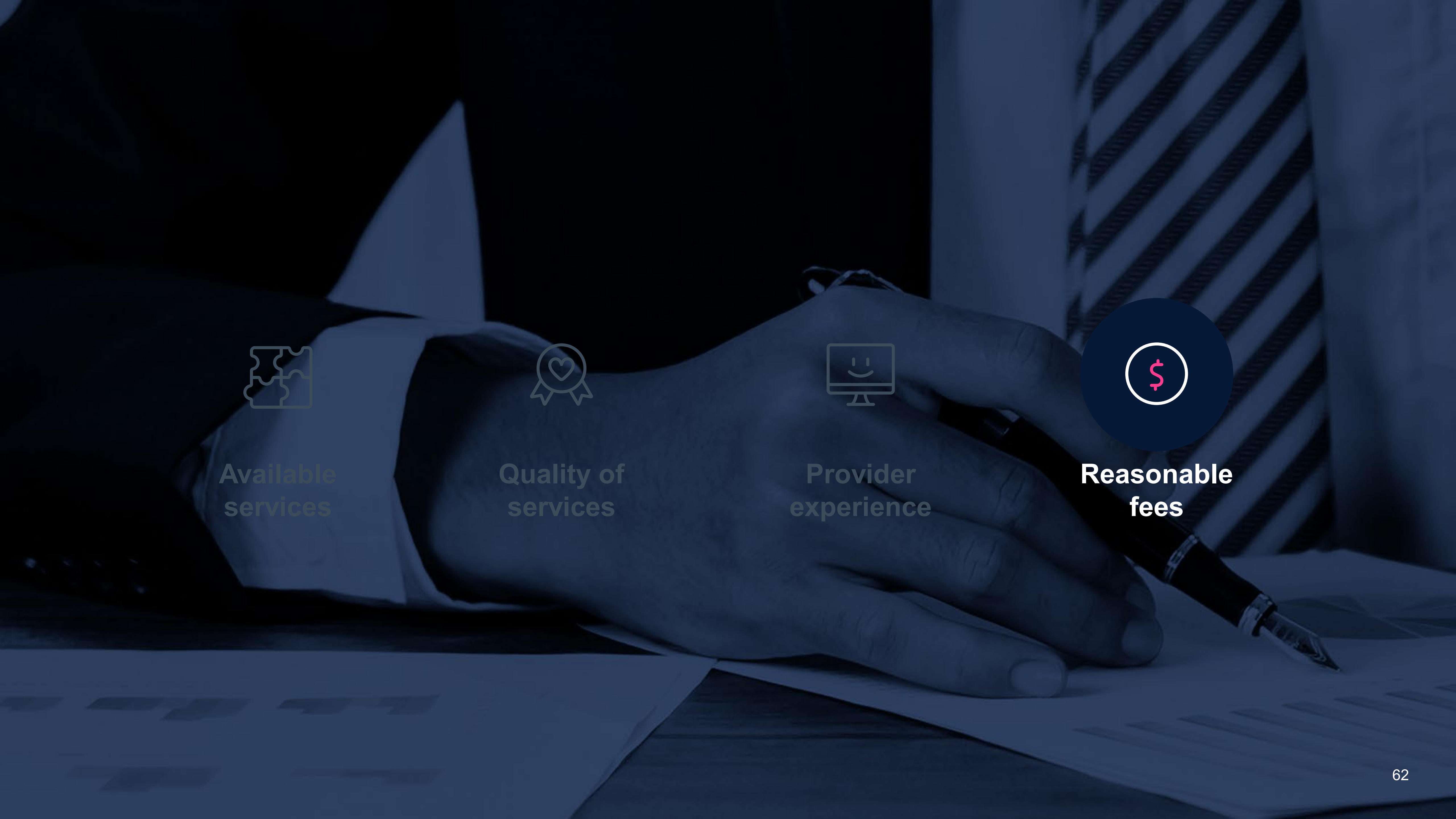
Quality of services
Provider experience
Reasonable fees


Available services
Quality of services
Provider experience
Reasonable fees

Fiduciary best practices (or tips to help you avoid lawsuits)

FIRST:

Take your fiduciary role seriously and ask questions.

Establish and follow routines

Consider reasonably available alternatives

Know when to consult an expert

Document, document, document

Revisit decisions periodically

Establish and follow routines

Consider reasonably available alternatives

Know when to consult an expert

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How do I get started?

Review 408(b)(2) disclosures

Maintain a process for decision-making

Conduct periodic reviews

Benchmark fees and services

Consider an investment policy statement

Consider liability insurance

What’s a fiduciary again?

Subject to ERISA standards

Exercises discretion or provides investment advice

Must act in participants' best interest

What are my four fiduciary responsibilities?

Prudence

Loyalty

Diversification

Following terms of plan document

Can’t wait to learn more?

FiduciarySource®
checklist and guide

T.RowePrice

FiduciarySource® Guide

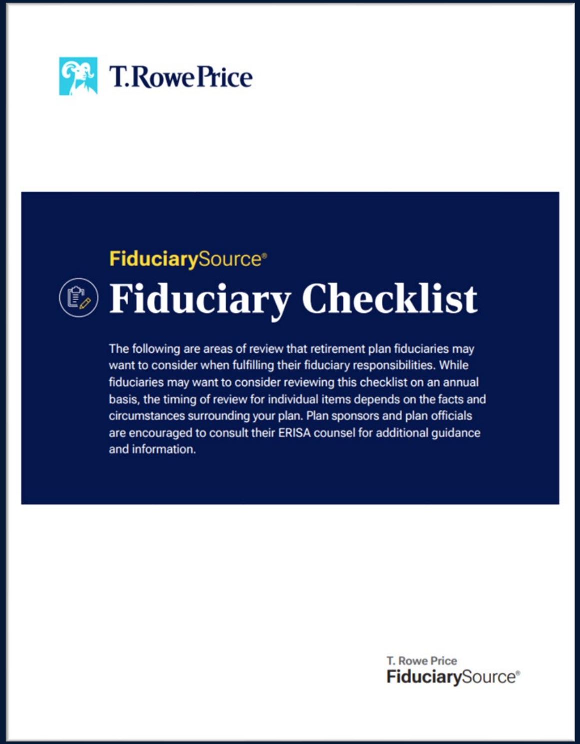
Helping plan sponsors understand their fiduciary duties

T. ROWE PRICE
FiduciarySource®

INVEST WITH CONFIDENCE®

Fiduciary Guide

A 57-page
resource guide



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Fiduciary Checklist

The following are areas of review that retirement plan fiduciaries may want to consider when fulfilling their fiduciary responsibilities. While fiduciaries may want to consider reviewing this checklist on an annual basis, the timing of review for individual items depends on the facts and circumstances surrounding your plan. Plan sponsors and plan officials are encouraged to consult their ERISA counsel for additional guidance and information.

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Fiduciary Checklist

A 5-page checklist
and calendar tool

Thank You

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