A RESOURCE FOR PLAN SPONSORS AND ADMINISTRATORS

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Shared Responsibility, Stronger Governance

Understanding Your Ongoing Role When Outsourcing Investment Fiduciary Services

Many plan sponsors choose to outsource investment fiduciary responsibilities to an experienced registered investment advisor. Doing so can improve governance, provide specialized expertise and reduce the internal burden of overseeing plan investments. However, it's important to note that while outsourcing investment fiduciary responsibilities reduces a plan sponsor's fiduciary burden, it does not eliminate it.

Understanding 3(21) and 3(38) Services

Under an Employee Retirement Income Security Act of 1974 (ERISA) Section 3(21) arrangement, the investment advisor acts as a co-fiduciary, providing recommendations on the plan's investment lineup. The plan sponsor retains final decision-making authority and is responsible for accepting or rejecting those recommendations.

Under an ERISA Section 3(38) arrangement, the advisor assumes discretionary authority to select, monitor and replace investment options on the plan's behalf. Because the advisor makes the investment decisions, the plan sponsor transfers a greater degree of investment fiduciary responsibility than under a 3(21) arrangement.

Your Responsibilities Don't End

Whether your plan uses a 3(21) or 3(38) fiduciary, ERISA requires plan sponsors to prudently select and monitor their service providers. In other words, fiduciary oversight shifts — it doesn't disappear. Sponsors should periodically evaluate whether the advisor continues to provide quality service, appropriate investment oversight, timely communication and documentation of its fiduciary process. Reviewing service agreements, understanding the advisor's scope of responsibility and confirming appropriate fiduciary acknowledgments are also important governance practices.

Best Practices for Ongoing Oversight

Effective monitoring doesn't have to be complicated, but it should be consistent. Consider scheduling regular review meetings, documenting discussions in committee minutes, reviewing investment reports and benchmarking data, evaluating responsiveness to participant and sponsor needs and periodically confirming that fees remain reasonable for the services provided. If your organization has an investment committee, ensure members understand the advisor's responsibilities as well as the committee's own ongoing oversight obligations.

Outsourcing investment fiduciary services is an effective way to strengthen a retirement plan's governance framework. By selecting qualified fiduciary partners — and continuing to monitor their performance — plan sponsors can fulfill their own fiduciary responsibilities while benefiting from professional investment expertise.

Informational Resources: U.S. Department of Labor: "Working With Service Providers" (accessed July 8, 2026); U.S. Department of Labor: "Meeting Your Fiduciary Responsibilities" (accessed July 8, 2026); Retirement Learning Center: "Plan Sponsor's Duty to Select and Monitor 3(21) or 3(38) Fiduciary" (June 4, 2024).

Making Retirement Affordable

Helping Your Employees Retire on Time Is Good for Them and Good for Your Business

When employees postpone retirement because they don't feel financially prepared, the impact extends well beyond the individual. Delayed retirements can increase healthcare and compensation costs, slow career advancement opportunities for younger employees and make recruitment and retention more complicated. Helping employees become retirement-ready isn't simply a valuable benefit — it's a smart business strategy. The good news is that plan sponsors have significant influence over retirement outcomes through thoughtful plan design and employee support.

Auto Features Are Working Better Than Ever

Automatic enrollment and escalation remain two of the most effective ways to improve retirement outcomes. According to Vanguard's How America Saves 2026, 61% of retirement plans now feature automatic enrollment, with a participation rate of 94% (versus 64% participation among plans without auto enrollment). In addition, 45% of auto-enrolled participants increased their deferral rate during the year — either on their own or through automatic escalation. Vanguard also found that longer-tenured employees in plans with automatic enrollment save roughly 65% more than those in voluntary enrollment plans.

Supplementary Employee Support is Essential

Plan design, however, is only part of the solution. The 2026 EBRI Retirement Confidence Survey found that just 64% of Americans say they feel confident they have enough money to live comfortably throughout retirement. In addition, the 2025 Schwab Participant Outcomes Survey found that while 90% of participants say being on track for retirement is a priority, only 57% believe they are. And that number is more than double the 26% who are actually on track, based on retirement readiness modeling. Ongoing retirement income planning, budgeting assistance, debt management resources, emergency savings programs and access to personalized financial guidance can all help improve employees' retirement confidence.

The Plan Advisor's Role

Many retirement plan advisors now offer retirement readiness analyses that use participant data — including age, salary, account balances, savings rates, projected Social Security benefits and other factors — to estimate whether employees are on track to replace enough income in retirement. These reports can identify at-risk individuals or cohorts and model how changes such as automatic escalation, increased employer contributions or enhanced financial wellness programs could improve overall retirement outcomes.

Ultimately, the most successful retirement plans are best measured by outcomes. When employees have the confidence and financial resources to retire on time, everyone benefits.

Pension Plan Limitations for 2026

401(k) Maximum Elective Deferral ($32,500 for those age 50 or older, $35,750 for those age 60-63 — if plan permits)*	$24,500
Defined Contribution Maximum Annual Addition	$72,000
Highly Compensated Employee Threshold	$160,000
Annual Compensation Limit	$360,000

* For 2026, the catch-up contribution is $8,000 for those age 50 or older. Under a change made in SECURE ACT 2.0, a higher catch-up contribution limit applies for employees aged 60–63. For 2026, this higher catch-up contribution limit is $11,250.

Informational Sources: Vanguard: "How America Saves 2026 (25th Edition)" (June 2026); Employee Benefit Research Institute (EBRI): "2026 Retirement Confidence Survey" (April 2026); Schwab: "2025 Participant Outcome Survey" (September 29, 2025); CapTrust: "Plan For a Smarter Plan" (September 26, 2025).

Plan Sponsors Ask...

Q: As a result of a recent educational campaign, we've seen an increase in employee usage of our Roth account option — especially among our younger workers. Can you provide any recent industry trends or data regarding Roth account uptake among this cohort?

A: According to Fidelity data shared in a recent *PLANADVISER* article, 21.4% of Gen Z participants now contribute to a Roth 401(k), up from approximately 12% five years ago. Principal Financial Group shared that overall Roth participation rose to 16% over the past year with Gen X (13.9%) and Millennials (15.5%) leading the way. It's good that you are educating employees on the potential benefit of using a Roth account option. According to the article, despite Roth's growing popularity, most workers still save through traditional pretax 401(k) contributions.

Q: Our plan committee, working closely with our plan advisor, is considering adding retirement income products to our employee offering starting next year. Are you aware of any current industry resources for us to learn about the products, features and benefits currently availble?

A: Earlier this year, the Institutional Retirement Income Council and the Society of Professional Asset Managers and Recordkeepers announced the launch of the Defined Contribution Retirement Income Solutions Framework, a document intended to help plan sponsors, advisers, consultants and fiduciaries compare retirement income products. The resource offers standardized, side-by-side profiles of the products and covers the main categories of retirement income products currently available to defined contribution plan sponsors (such as deferred income annuities and qualifying longevity annuity contracts).

Q: What are the latest industry trends related to automatic enrollment default contribution rates? We currently have it set at 4% but are contemplating increasing it.

A: According to Vanguard's "How America Saves 2026," 62% of plans chose a default of 4% or higher in the 2025 plan year, up from 27% of plans in 2005. If you are contemplating increasing your rate, Vanguard reports that 31% of plans chose a default of 6% or more in the 2025 plan year — an increase of more than 50% since 2016.

You may also be interested to know that 40% of plans with automatic enrollment and automatic annual increases capped the annual increases at 10%. In addition, one in three plans implemented caps between 11% and 15%, whereas 5% had no cap. The survey recommends that plan sponsors set the cap at a level in which participants are saving 15% or more, including employer contributions.

Web Resources for Plan Sponsors

Internal Revenue Service, Retirement Plans
www.irs.gov/ep

U.S. Department of Labor,
Employee Benefits Security Administration
www.dol.gov/ebsa

PLANSPONSOR Magazine
www.plansponsor.com

BenefitsLink
www.benefitslink.com

Plan Sponsor Council of America
www.psca.org

Employee Benefit Research Institute
www.ebri.org

Informational Sources: PLANADVISER: "Why Does Gen Z Like Roth Plans?" (June 30, 2026); PLANSPONSOR: "IRIC, SPARK Launch Evaluation Framework for DC Retirement Income Solutions" (April 22, 2026); Vanguard: "How America Saves 2026 (25th Edition)" (June 2026).

Plan Sponsor's Quarterly Calendar

OCTOBER

- Audit third-quarter payroll and plan deposit dates to ensure compliance with the U.S. Department of Labor's rules regarding timely deposit of participant contributions and loan repayments.
- Verify that employees who became eligible for the plan between July 1 and September 30 received and returned an enrollment form. Follow up on forms that were not returned.
- For calendar-year safe harbor plans, issue the required notice to employees during October or November (within 30–90 days of the beginning of the plan year to which the safe harbor is to apply). Also, within the same period, distribute the appropriate notice if the plan features an Eligible Automatic Contribution Agreement, Qualified Automatic Contribution Agreement and/or Qualified Default Investment Alternative.

NOVEMBER

- Prepare to issue an announcement to employees to publicize the plan's advantages and benefits, and any plan changes becoming effective in January.
- Conduct a campaign to encourage participants to review and, if necessary, update their mailing addresses to ensure their receipt of Form 1099-R, to be mailed in January for reportable plan transactions in the current year.
- Check current editions of enrollment materials, fund prospectuses and other plan information that are available to employees to ensure they are up to date.
- Provide a quarterly benefit/disclosure statement and statement of plan fees and expenses actually charged to individual plan accounts during the prior quarter, within 45 days of the end of the last quarter.
- Prepare and distribute annual plan notices, such as the 401(k) safe harbor for safe harbor plans with a match, Qualified Default Investment Alternative annual notice, and automatic enrollment and default investment notices, at least 30 days before the plan year-end.

DECEMBER

- Prepare to send year-end payroll and updated census data to the plan's recordkeeper in January for year-end compliance testing (calendar-year plans).
- Verify that participants who terminated during the second half of the year selected a distribution option for their account balance and returned the necessary form.
- Review plan operations to determine if any Employee Retirement Income Security Act of 1974 or tax-qualification violations occurred during the year and if using an Internal Revenue Service or U.S. Department of Labor self-correction program would be appropriate.

Consult your plan's financial, legal or tax advisor regarding these and other items that may apply to your plan.

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