

The Fiduciary Playbook: A Board-Level Guide to Managing Retirement Plan Fiduciary Responsibilities



How Banks Can Strengthen Governance, Reduce Risk,
and Enhance Retirement Plan Confidence

The Growing Complexity of Retirement Plan Fiduciary Oversight

In an era of heightened regulation, risk sensitivity, and reputational exposure, managing a bank sponsored retirement plan is more than an administrative task—it's a board-level responsibility.

With increased DOL and IRS scrutiny, even a single compliance misstep can create significant reputational and operational risk for your institution.

For banks and financial institutions, fiduciary oversight carries added weight. Federal and state regulators demand precision, transparency, and accountability at every step. The smallest misstep in plan governance can trigger costly penalties, operational inefficiencies, or reputational damage. As regulatory scrutiny intensifies, the cost of a compliance failure—for your reputation and operations—has never been higher.



Pentegra's 2025 Study on Bank Attitudes Toward Retirement Plan Fiduciary Outsourcing revealed that more than 80% of banks are concerned about fiduciary responsibility and compliance risk—underscoring the urgency for institutions to strengthen their fiduciary frameworks and protect their boards.



Banks view retirement plan fiduciary compliance as a top priority, understanding its crucial role in mitigating risk and protecting the best interests of the plan and its participants.



Navigating the Complexities of Retirement Plan Compliance

Today, managing retirement plans has become increasingly complex, demanding that retirement plan sponsors balance a wide array of responsibilities while navigating a landscape of constantly evolving regulations and requirements.



The regulatory environment surrounding retirement plans is particularly challenging. Keeping up with changing regulations, interpreting their nuances, and ensuring adherence can be a daunting task. In addition, the potential for litigation or penalties in the event of non-compliance makes compliance even more critical.



For many banks, striking a balance between fulfilling fiduciary responsibilities, optimizing resource management, and navigating an ever-evolving regulatory landscape has amplified the demand for outsourced fiduciary service providers.



These challenges are further magnified by the increasing complexity of certain plan features, such as automatic enrollment, age-based investment strategies, and other plan design changes necessitated by the Setting Every Community Up for Retirement Enhancement (SECURE) Act and other regulations.



As fiduciaries and plan sponsors, banks recognize that a well-structured, compliant, and competitive retirement plan is crucial for attracting, rewarding, and retaining top talent.



The Hidden Burden of Internal Administration

Administering a retirement plan internally places a significant and often underestimated strain on bank resources. Compliance management, reporting, and day-to-day plan operations can consume dozens of staff hours each year across HR, Finance, and Operations—time that could otherwise be directed toward strategic initiatives and customer service excellence.

Pentegra's research reveals that:

- A majority of banks view retirement plan administration as a major drain on time and internal resources
- Most institutions identify compliance oversight and plan design as their most persistent challenges
- Four in five banks now partner with an external administrative fiduciary to ensure accuracy, efficiency, and compliance

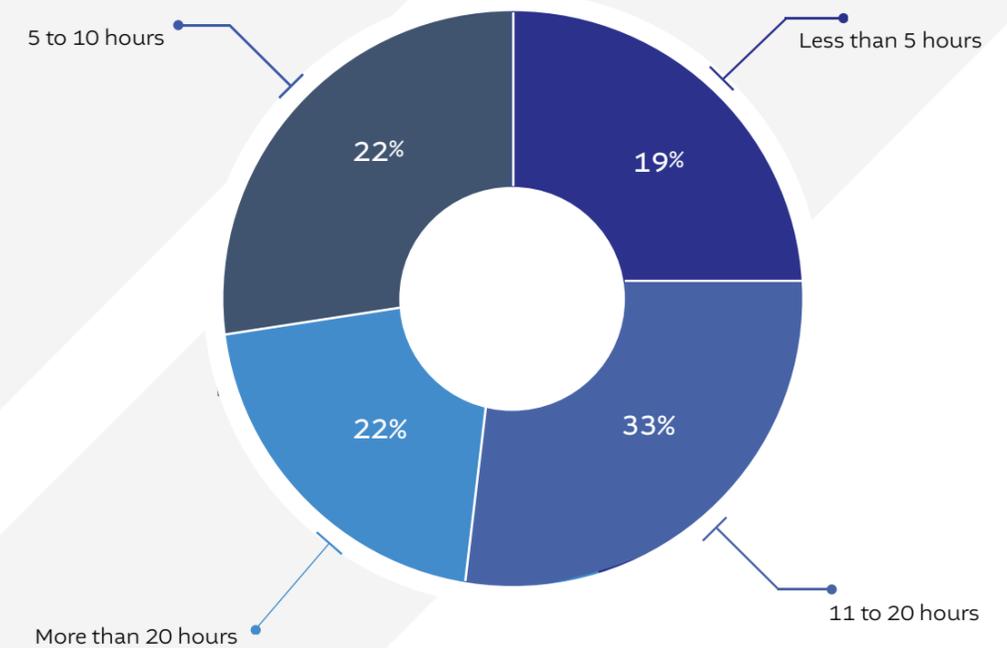
Without the support of a professional administrative fiduciary, banks risk overextending internal teams, increasing exposure to errors, missed deadlines, and costly compliance failures.

Outsourcing fiduciary oversight allows institutions to reclaim valuable time, strengthen governance, and protect against operational and reputational risks.

Source: 2025 Pentegra Study on Bank Attitudes Toward Retirement Plan Fiduciary Outsourcing

Banks Identify Retirement Plan Administration as a Time-Consuming Challenge

Approximately, how much time does your team spend each year on retirement plan compliance-related tasks?



Managing complex retirement plans requires significant time and effort. This can divert attention from core business activities, making it difficult to allocate enough resources to retirement plan administration.



Why Fiduciary Risk Matters More in Banking

Banks operate under a level of scrutiny few other plan sponsors face. Oversight from the OCC, FDIC, and Federal Reserve creates a demanding compliance environment—where fiduciary risk doesn't just affect the plan; it affects the institution's reputation.

Because of this, banks and their boards approach fiduciary responsibility with a distinct and strategic perspective, viewing these responsibilities through a unique lens because they operate within a highly regulated financial environment that demands the highest levels of compliance, risk management, and accountability.

Key Risk Factors for Financial Institutions:

- Exposure to ERISA violations and DOL audits
- Increased reputational and regulatory risk
- Heightened accountability to shareholders, regulators, and employees
- Complexity of plan administration and design under evolving legislation

A single compliance lapse can result in financial penalties, reputational harm, and potential liability for board members. For that reason, more banks are shifting from “doing it themselves” to partnering with independent fiduciary experts.



Retirement plan compliance is paramount for banks, given their highly regulated environment, stringent fiduciary obligations, and heightened exposure to reputational risk.



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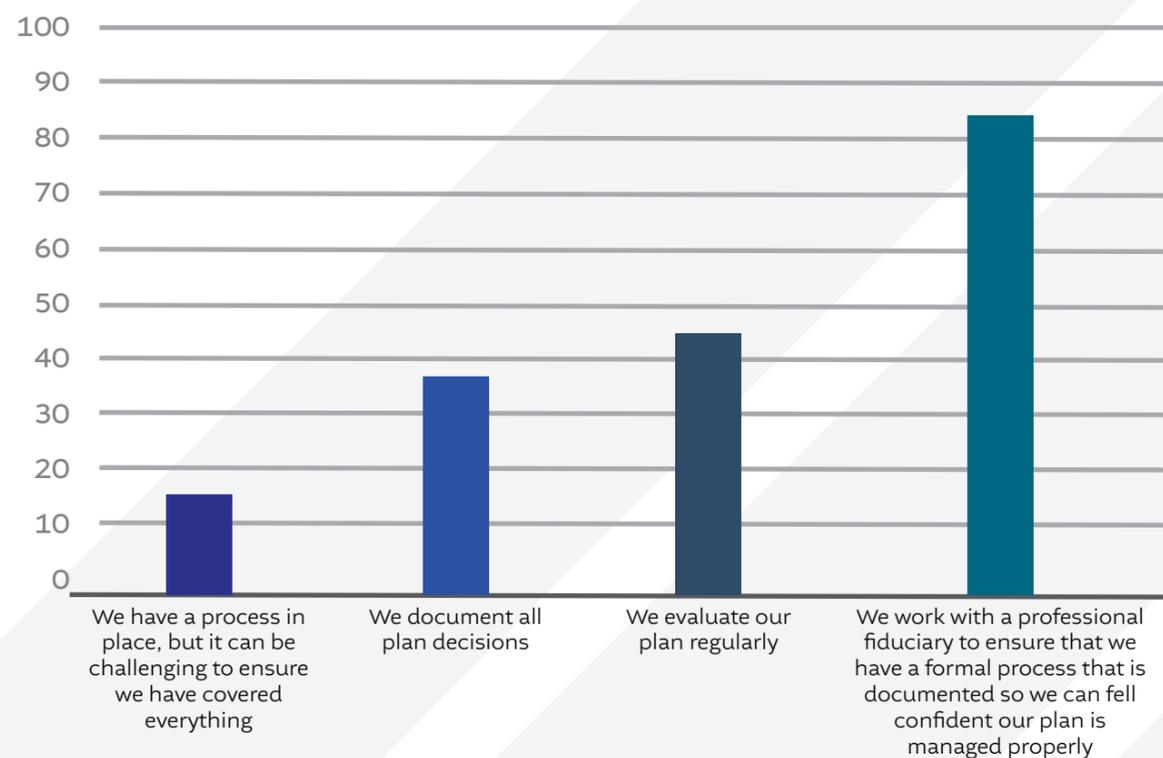


Outsourcing Retirement Plan Fiduciary Responsibilities Presents a Strategic Advantage for Banks

Today, outsourcing 3(16) administrative fiduciary duties isn't just about compliance—it is a strategic decision that benefits both banks and their boards. By shifting these responsibilities to experienced professionals, banks can mitigate risk, streamline operations, and improve the overall effectiveness of their retirement plans.

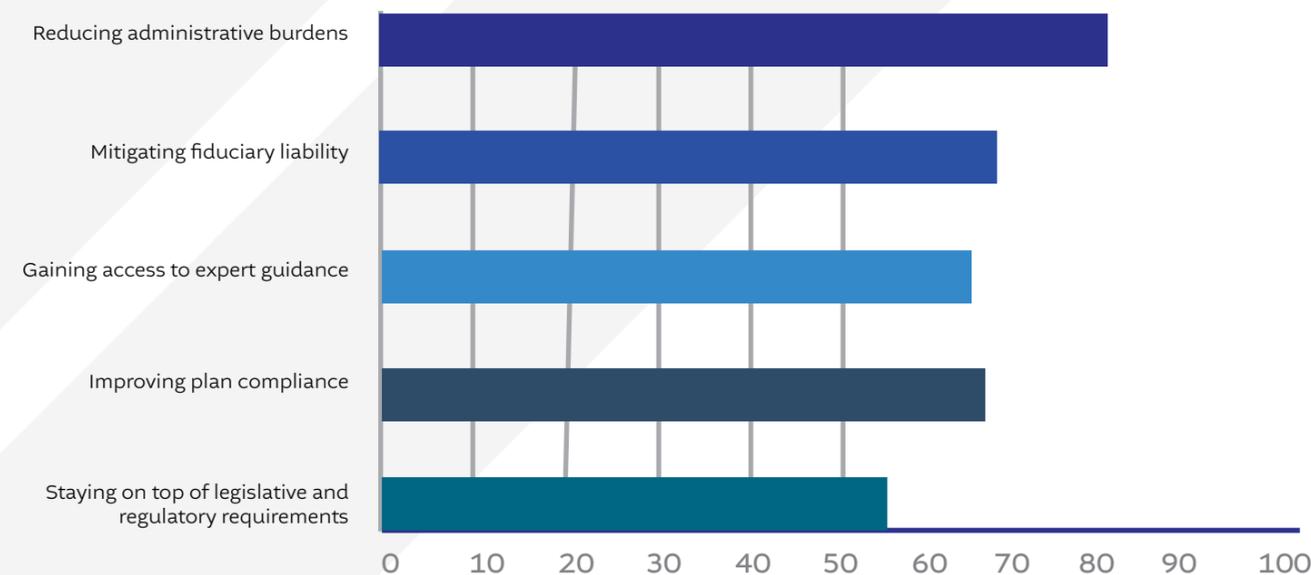
More than 80% of Banks Work with a Professional Fiduciary to Manage Retirement Plan Governance and Oversight

Retirement plan governance and oversight are challenges for banks today. Which of the following do you do to manage this process?



Banks Cite Reducing Administrative Burdens, Mitigating Risk and Ensuring Compliance as Key Reasons to Outsource the Plan Administrator Role

What factors influenced your decision to outsource fiduciary duties?



Source: 2025 Pentegra Study on Bank Attitudes Toward Retirement Plan Fiduciary Outsourcing



How a 3(16) Fiduciary Partner Helps

One of the most demanding and often overlooked roles under the Employee Retirement Income Security Act (ERISA) is that of the 3(16) Plan Administrator, who is responsible for overseeing plan operations, regulatory compliance, and participant communications. A “3(16) fiduciary” brings expertise in handling the complex administrative tasks associated with managing a retirement plan, ensuring the plan runs smoothly. A 3(16) fiduciary goes above and beyond the role of a traditional Third-Party Administrator (TPA).

A true 3(16) fiduciary:

- Assumes legal responsibility for plan administration
- Manages filings, documentation, and DOL/IRS audits
- Oversees plan operations, vendor coordination, and participant communications
- Ensures adherence to evolving legislation and deadlines

This model moves the fiduciary risk off the bank’s boardroom table—and places it with an expert who is contractually and legally accountable for compliance performance.

By shifting these burdens to a dedicated expert, banks can mitigate risks associated with non-compliance, penalties, and potential litigation—while freeing their teams to focus on core competencies and institutional growth. Outsourcing 3(16) fiduciary responsibilities offers a proven way to reduce administrative burden and strengthen compliance oversight.

The Advantages of Outsourcing to a Professional 3(16) Fiduciary

Regulatory Compliance Expertise



As retirement plan regulations continue to evolve, many plan sponsors find it challenging to stay compliant. Outsourcing to experts help mitigate the risk of non-compliance and potential penalties.

Expertise and Efficiency



Specialized 3(16) fiduciaries bring deep expertise and robust systems to manage plan administration with accuracy and efficiency. Their knowledge of best practices minimizes errors and ensures seamless execution of administrative tasks.

Improved Participant Experience



Professional 3(16) administrators also ensure timely and accurate participant communications, such as SPDs and fee disclosures, contributing to a positive plan experience for plan participants. Ultimately, this can help to foster greater employee retirement plan satisfaction.

Cost-Effectiveness



While outsourcing comes at a cost, it can often be more cost-effective than managing fiduciary duties in-house—especially when considering the cost of errors, legal fees, or penalties associated with administering a retirement plan.

Risk Mitigation



A strong fiduciary takes legal responsibility for plan administration to reduce the sponsor’s liability.

Audit Support



In the event of a plan audit by the Department of Labor (“DOL”) or Internal Revenue Service (“IRS”), a professional fiduciary takes the lead in managing documentation and responding to regulatory inquiries.

Time Savings and Resource Efficiency



Managing retirement plans internally can be time-consuming. Outsourcing allows Human Resource and Finance teams to focus on core business operations while professionals handle plan administration.

Selecting the Right 3(16) Fiduciary Partner

When choosing a provider, advisors and their clients should consider the following qualities:

Regulatory Compliance Expertise



Ensure they have deep knowledge of ERISA regulations and can keep the plan in full compliance.

Transparent Pricing



Understand the provider's fee structure and any additional costs.

Vendor Management



Partner with a provider that fulfills vendor risk management requirements and undergoes annual third-party audits.

Risk Mitigation



A strong fiduciary should take legal responsibility for plan administration to reduce the sponsor's liability.

Industry Experience & Reputation



Prioritize firms with a proven track record in managing 3(16) fiduciary duties.

Service & Technology Integration



They should have secure systems for payroll integration, automated compliance checks, and real-time reporting.

Comprehensive Services



Look for a partner offering end-to-end plan administration support.

Commitment to Compliance



Verify the provider's processes for ensuring compliance with regulatory and legislative changes.

Insurance Protection



Verify the provider has the financial strength and insurance to withstand potential IRS and DOL fines and penalties.

Audit & Reporting Capabilities



Look for robust recordkeeping, error correction processes, and audit support.

Plan Sponsor Support



A good 3(16) fiduciary provides clear communication, ongoing education, and responsive support.



Outsourcing 3(16) fiduciary responsibilities to a professional provider can be a strategic decision that delivers significant benefits to banks and their boards.

Differentiating 3(16) Fiduciary Providers

A true 3(16) fiduciary stands in front of the client and not only does the work, but assumes responsibility for doing it correctly. How can you differentiate? Ask these questions:

- Will your 3(16) provider act as the ERISA Named Plan Administrator? Are they named in the plan document? To what extent do they relieve you of fiduciary responsibility and potential liability?
- Will they sign and file the 5500 as a fiduciary?
- Will they act as your partner and support you in examinations and discussions with the DOL/IRS?
- What is their financial strength? Do they have the resources to stand behind their fiduciary services?
- Do they have fiduciary liability insurance that is sufficient to cover the claims of their clients?
- How long have they been providing 3(16) fiduciary services?
- Will they be responsible for approving and overseeing participant transactions? Do they monitor the timeliness of depositing voluntary employee contributions and proactively identify corrections and coordinate any needed actions?
- Do they hire the plan auditors and manage the audit process?
- If they make an error, will the provider make good on any losses such as earnings, fines, penalties, etc. that arise due to errors? What is the “statute of limitations” on how long you are covered?
- Do they complete a due diligence review of the plan’s recordkeeper to ensure the promised services coordinate correctly? Can they produce a document evidencing that review?



Outsourcing 3(16) fiduciary services is a growing trend. Professional, independent fiduciary administration can lead to better efficiency, fewer errors, and a smoother participant experience.

Strategic Benefits to Banks and Their Boards

Partnering with a professional fiduciary offers more than compliance relief—it delivers measurable strategic value for banks and their boards.

Risk Mitigation and Regulatory Confidence

Independent fiduciary oversight provides a powerful safeguard against penalties, compliance lapses, and operational errors. By complying with ERISA, DOL, and IRS requirements, banks gain confidence that their plans meet the same high standards applied across their broader regulatory framework.

Stronger Governance

Expert-driven fiduciary management reinforces the bank’s governance foundation. Comprehensive documentation and consistent oversight demonstrate diligence to examiners, auditors, and stakeholders, validating the board’s commitment to sound stewardship and prudent oversight.

Operational Efficiency

By transferring the complexities of plan administration to an experienced fiduciary partner, banks can reduce workloads and administrative strain on HR, Finance, and Compliance teams—redirecting time and expertise to strategic priorities that drive institutional performance.

Reputational Protection

A trusted fiduciary partner helps safeguard the institution’s reputation by ensuring accuracy, compliance, and transparency at every step. Boards can stand confidently behind their plans, reinforcing stakeholder trust, institutional integrity, and accountability.

Turn Risk into Institutional Advantage

For financial institutions, fiduciary outsourcing is no longer just a compliance solution—it's a strategic investment.

With more than eight decades of fiduciary leadership, Pentegra helps banks transform complex regulatory responsibilities into opportunities for stronger governance and peace of mind.

**Learn more about the Pentegra 3(16) Fiduciary Outsourcing Advantage.
Contact the Pentegra Solutions Center at solutions@pentegra.com or 855-549-6689.**

www.pentegra.com

<http://316fiduciaryday.com>



