



How Many Retirement Plan Committees Does Your Organization Need?

Retirement plan committees can help plans function more efficiently and effectively. They aren't a requirement under ERISA, though many organizations choose to establish committees for the many advantages they offer.

A Host of Benefits

Committees can assist retirement plans in any number of ways, including:

- Delegation of plan responsibilities.
- Providing greater clarity about fiduciary roles and responsibilities.
- Promoting accountability.
- Allowing more diverse voices to weigh in on plan management.
- Establishing transparent procedures to maintain appropriate oversight and strengthen plan governance.
- Monitoring for ERISA compliance and providing documentation in the event of an audit.
- Helping ensure the plan benefits all participants.
- Serving as a vehicle for members to gather employee feedback to aid in decision-making.



None, One — or Some?

According to Voya, 94% of plans with more than 5,000 participants have a retirement plan committee — but that number drops to only 53% for plans with less than 200 participants. Most committees have 5 to 10 members, which often includes representation from the finance, legal, HR, benefits and/or payroll departments.

Committee functions are occasionally divided up, with various areas of responsibility assigned to different groups. For example, an investment committee will provide ongoing management of the plan's lineup. Sometimes you may also find an oversight committee charged with monitoring the plan's service providers and advisors. And somewhat less common are settlor committees, which handle business-related decisions that don't fall under the usual rules of fiduciary duty.

But how many committees should your organization have? When it comes to ensuring the right amount of oversight and guidance, should it be one and done — or is more better?



More Does Not Mean Better

While committees can help you run your plan more efficiently, too many can overcomplicate processes and produce the opposite effect. If you have employees or board members serving on several committees, it could become more challenging for them to meet all of their responsibilities.

Small companies with fewer resources likely won't have the time or personnel necessary to staff and run multiple committees. And while it might seem that having several committees might especially benefit larger plans, too many cooks in the kitchen can hinder committee productivity and coordination. Communication may begin to break down, and it can take extra time and resources to ensure decisions coming out of multiple committees are consistent and mesh with organizational objectives. For the majority of organizations, one committee is often enough.

Your Advisor as a Resource

Your advisor, often in consultation with an experienced ERISA attorney, can be invaluable in assisting plan sponsors with the setup and operation of your retirement plan committee. They can make recommendations regarding the size of the committee, and the staff and members of your workforce who should serve on it. They can also help draft the retirement plan charter and provide the necessary fiduciary training to committee members.

In the end, when it comes to how many retirement plan committees is best — one done right is usually all you need.

Sources:

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