

Managing a retirement plan well goes beyond mere compliance — it's about mitigating risk, enhancing operational efficiency, and safeguarding both your organization and your employees. Increasingly, banks are recognizing 3(16) plan administrator fiduciary outsourcing as a strategic approach to strengthen plan governance and ensure long-term plan and participant success.

This month's blog explores why 3(16) fiduciary outsourcing isn't just an option — it's a true best practice.

### **What Does “Best Practice” Really Mean?**

In the retirement plan space, a best practice is an approach that reduces fiduciary risk, improves participant outcomes, enhances compliance, and aligns with the expectations of regulators and auditors.

For banks, rising regulatory scrutiny and growing legal exposure make adopting best practices essential. Managing a retirement plan has become increasingly complex, requiring sponsors to navigate evolving regulatory requirements, administrative responsibilities, and fiduciary obligations — all while managing limited staff and resources.

Outsourcing to a 3(16) fiduciary brings specialized expertise in handling the administrative complexities of a retirement plan, ensuring your plan runs smoothly and remains compliant.

### **Why 3(16) Fiduciary Outsourcing Makes Strategic Sense for Banks**

#### **1. Focus on Fiduciary Duty**

A 3(16) fiduciary assumes full responsibility for key administrative tasks — and the associated fiduciary liability. This ensures your plan is managed in the best interests of employees and in compliance with ERISA.

✅ **Best Practice:** Delegate administrative responsibilities to reduce exposure to personal liability.

#### **2. Risk Management at Its Core**

Even minor administrative errors — like late contributions or missed disclosures — can result in costly penalties or even lawsuits. A 3(16) fiduciary proactively manages these risks, helping your bank avoid operational missteps.

✅ **Best Practice:** Minimize operational and legal risk through specialized oversight.

#### **3. Operational Efficiency**

Bank staff are often managing multiple priorities, and plan administration can easily fall to the bottom of the list. A 3(16) fiduciary brings process discipline, ensuring tasks are completed accurately and on time.

✅ **Best Practice:** Streamline plan operations by leveraging external support.

#### **4. Improved Plan Oversight**

Reputable 3(16) fiduciaries provide transparent reporting and regular updates, empowering plan sponsors to monitor plan health without micromanaging day-to-day operations.

✓ **Best Practice:** Maintain strong oversight through reporting and documentation — without increasing administrative burden.

5. **Better Participant Outcomes**

When plans are managed efficiently and compliantly, employees benefit. Contributions are processed on time, distributions are handled properly, and disclosures are delivered promptly — all contributing to a better retirement plan experience for your workforce.

✓ **Best Practice:** Support participants with a well-managed, compliant plan structure.

**Aligning with the Department of Labor's Expectations**

The DOL expects fiduciaries to act prudently and in the best interests of plan participants and beneficiaries. Partnering with a qualified 3(16) fiduciary demonstrates that your bank takes its fiduciary responsibilities seriously and manages the plan responsibly and prudently.

**A 3(16) Fiduciary Partner Is an Investment in Long-Term Plan Success**

Outsourcing 3(16) plan administrator fiduciary duties to a firm like Pentegra is more than a compliance solution — it's a strategic decision. By transferring administrative responsibilities to a trusted partner, banks can reduce risk, streamline operations, and enhance overall plan effectiveness.

For banks seeking to simplify plan management while maintaining strong oversight, partnering with a trusted 3(16) fiduciary provider is a smart investment in the long-term success of their retirement plan. For additional information on how Pentegra can help, contact John Schafer, National Leader, Financial Institutions Channel at [john.schafer@pentegra.com](mailto:john.schafer@pentegra.com) or (914) 821-9534.