

The Top Retirement Plan Administrator Fiduciary Errors



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How an ERISA 3(16) Partner Can Strengthen Retirement Plans

When it comes to retirement plans, the most common fiduciary errors aren't about investments—they're about compliance and administration. These mistakes can be costly for sponsors and create unnecessary stress for advisors who are left managing fallout.

That's where 3(16) fiduciary oversight can make a difference. By assuming key administrative and compliance responsibilities, an experienced 3(16) partner helps plans run more smoothly, reduces costly risks, and ensures day-to-day governance is handled with consistency and care. The result? Stronger plans, and greater peace of mind for everyone involved.

This guide reviews the top compliance challenges facing retirement plans—and highlights the issues that most often lead to errors, added risk, and extra work for sponsors. By understanding where these challenges occur, you'll see how 3(16) fiduciary outsourcing delivers the greatest value in protecting plans, improving outcomes, and freeing time to focus on growth.

Pentegra delivers end-to-end fiduciary oversight that transforms complex plan administration into a smoother process. By assuming 3(16) administrative fiduciary responsibilities, Pentegra reduces operational risk, improves plan integrity, and gives bank boards confidence that every compliance detail is handled.



1

Failure to Keep Plans Current

How it happens:

- Sponsors miss amendment deadlines or fail to update plan documents for regulatory changes.

The risk:

- Outdated documents can disqualify a plan or trigger IRS penalties.

How a 3(16) fiduciary helps:

- Pentegra reviews plan documents to ensure they are up to date with regulatory requirements and compliant.



Pentegra ensures plans remain compliant with regulatory and legislative updates and keeps sponsors abreast of changes that impact their plans.

2

Misdefining Compensation

How it happens:

- Payroll and plan documents use different definitions, leading to incorrect contributions.

The risk:

- Failed testing, IRS penalties, and participant dissatisfaction.

How a 3(16) fiduciary helps:

- Pentegra reconciles payroll data with plan terms to help ensure accuracy.



Today, 3(16) fiduciary oversight is a retirement plan best practice—helping sponsors minimize risk, reduce work and improve plan and participant outcomes.



3

Eligibility & Enrollment Errors

- How it happens:**
- Eligible employees aren't enrolled on time, or ineligible employees are mistakenly included in the plan.
- The risk:**
- Corrective contributions and potential fiduciary liability.
- How a 3(16) fiduciary helps:**
- Pentegra oversees eligibility tracking and enrollment.



As a 3(16) fiduciary, Pentegra assumes responsibility for ensuring that eligibility is monitored, tracked, and documented correctly, and delivers peace of mind that every plan responsibility is managed with precision.

4

Late or Inaccurate Contributions

- How it happens:**
- Deferrals are not deposited "as soon as reasonably possible," or deposits are inaccurate.
- The risk:**
- Prohibited transaction penalties, DOL scrutiny, and even lawsuits.
- How a 3(16) fiduciary helps:**
- Pentegra monitors for timely, accurate contribution deposits.



Pentegra's proactive oversight ensures employees are enrolled correctly and contributions are deposited accurately and on time.



5

Loan & Withdrawal Violations

How it happens:

- Loans exceed limits, repayments aren't tracked, or in-service withdrawals are allowed improperly.

The risk:

- Taxable distributions, participant frustration, and plan compliance failures.

How a 3(16) fiduciary helps:

- Pentegra reviews loan requests and verifies compliance with plan rules.

6

Compliance Testing Failures

How it happens:

- Missed deadlines, incorrect calculations, or untimely corrections.

The risk:

- IRS sanctions and excise taxes.

How a 3(16) fiduciary helps:

- Pentegra manages compliance testing and processes timely corrections.



Pentegra's operational expertise minimizes costly testing failures and loan processing errors. By managing day-to-day plan compliance, Pentegra helps banks avoid corrective action while strengthening examiner and auditor confidence.



Pentegra's 3(16) fiduciary solution gives banks measurable compliance confidence and helps ensure a defensible governance process.

7

Required Minimum Distribution (RMD) Errors

How it happens: • Notices aren't sent or distributions are miscalculated.

The risk: • IRS excise taxes and unhappy participants.

How a 3(16) fiduciary helps: • Pentegra monitors participant ages, sends notices, and processes RMDs accurately.



Through detailed monitoring of participant data and contribution limits, Pentegra ensures accurate RMD processing and compliance with IRS thresholds—protecting participants and preserving plan qualification.

8

Excess Contributions & Limits Issues

How it happens: • Sponsors allow contributions that exceed IRS annual limits or miss correction deadlines.

The risk: • Tax penalties for participants and fiduciary liability for the sponsor.

How a 3(16) fiduciary helps: • Pentegra monitors contributions and processes timely corrections.



Preventing these issues frees your team to focus on guiding overall plan strategy rather than cleaning up compliance errors.



9

Inadequate Documentation & Governance

How it happens:

- Committees fail to document fiduciary decisions or oversight records are incomplete.

The risk:

- In investigations or lawsuits, lack of documentation is treated as lack of process.

How a 3(16) fiduciary helps:

- Pentegra maintains governance records and provides a complete audit trail.

10

Failure to Monitor Service Providers

How it happens:

- Sponsors neglect to benchmark fees or review provider performance.

The risk:

- Overpayment, potential for fiduciary breach claims, and even participant lawsuits.

How a 3(16) fiduciary helps:

- Pentegra assumes much of the oversight responsibility, benchmarks services, and ensures accountability.



Pentegra provides the governance structure financial institutions need—maintaining audit-ready documentation and monitoring service providers to confirm performance and fee reasonableness. The result is stronger oversight, clearer accountability, and demonstrable fiduciary prudence.



Outsourcing 3(16) administrative responsibilities allows you to focus on your client's priorities and business retention strategy while Pentegra handles day-to-day provider monitoring.

Why It Matters

In 2024, the Department of Labor reported:

- 729 civil investigations of retirement plans,
- 71% resulted in corrective action,
- nearly \$1.4 billion was restored to plans and participants.

The evidence is clear: fiduciary errors are common—and costly.

The Pentegra Advantage

By serving as a 3(16) administrative fiduciary, Pentegra:

- Helps shoulder compliance responsibility so you don't have to
- Reduces risk exposure for banks and boards
- Documents action steps to build a defensible process
- Frees you and your team to focus on strategy and participant outcomes

Partnering with a 3(16) fiduciary doesn't just reduce risk—it elevates your plan and delivers greater compliance confidence.

Elevate Your Plan with a Fiduciary Partner

Fewer fiduciary burdens. More time for your clients. That's the power of partnering with Pentegra.

Next Steps:

- Schedule a call with Pentegra
- Explore how our fiduciary and specialized solutions can elevate your plan.

Contact a Pentegra Regional Director today.

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