

401(k) Plan Roles and Responsibilities

Many parties are involved in establishing and maintaining a 401(k) plan, and each serves an integral part in making sure the plan works effectively for participants. Review the roles below to better understand who these parties are and how they relate to the plan sponsor's fiduciary responsibility.



PLAN SPONSOR

A plan sponsor is the employer or company that establishes and maintains a retirement plan. They are responsible for every facet of the qualified plan, including the design, investment selection, administration, and reporting requirements. To help manage these responsibilities, most plan sponsors often use third parties with more knowledge to help manage these responsibilities and may sometimes delegate the associate fiduciary duties to them.



FINANCIAL ADVISOR

A financial advisor is an investment professional that helps individuals and businesses with their short- and long-term financial goals. A financial advisor can provide their services and experience to help the plan sponsor design an investment policy, the select and monitor of the plan investments, and/or provide educational services to plan participants and plan fiduciaries.



THIRD-PARTY ADMINISTRATOR (TPA)

A TPA provides ongoing, comprehensive administrative services with the purpose of helping the plan sponsor remain compliant with the complex tax laws that govern plan operations. They delve into all the technical aspects of administration, including the facilitation of plan compliance testing, assisting with plan notices and information returns, and helping employers with questions that come up. The TPA remains closely involved and active on the plan, allowing the plan sponsor to focus on their business rather than on the time-consuming task of administering the company's 401(k) plan.



RECORDKEEPER

The recordkeeper is responsible for keeping track of participant accounts and allocating new contributions to the proper participant, according to their investment directions. The recordkeeper also provides plan participants and plan sponsors with access to their retirement account via online services, phone, and account statements.

Other Important Roles

There are some additional roles to consider when deciding on a 401(k) plan and service provider. These roles may be optional and vary depending on the service offering or the plan sponsor's preferences.

INVESTMENT FIDUCIARY

The plan sponsor can delegate responsibility for plan investment policies to another party through naming an investment fiduciary in the plan document. The investment fiduciary, rather than the plan sponsor, would select and monitor an investment manager.

3(38) INVESTMENT MANAGER

The plan sponsor or designated investment fiduciary can name a 3(38) investment manager to select, monitor, and manage investments for the plan. The investment manager has discretion over the funds in the plan and is accountable to the investment fiduciary.

TRUSTEE

A trustee has exclusive authority and discretion over the management and control of plan assets. This will usually be the plan sponsor or someone from a trust company.

CUSTODIAN

The custodian holds plan assets on behalf of the plan sponsor or administrator and the plan's participants. Under the direction of the trustee, a custodian can buy, sell, or move assets. The custodian is not a fiduciary on the plan and is typically overseen by the trustee.

3(16) FIDUCIARY

The 3(16) fiduciary is responsible for day-to-day plan administration which includes reviewing and approving rollovers, plan loans and distributions, distributing participant notices, and signing and filing the annual form 5500. The plan sponsor can delegate their 3(16) fiduciary responsibilities to another party such as a financial advisor or TPA.

POOLED PLAN PROVIDER (PPP)

Specific to a pooled employer plan (PEP), the PPP may delegate certain responsibilities to other service providers like the plan's plan administrator, recordkeeper, named trustee, investment fiduciary, and/or 3(38) investment manager.

When choosing to work with any provider, it is important to fully understand the coverage you'll receive. To learn more, review the additional information on [3\(16\) administrative fiduciary services](#) and our [plan sponsor fiduciary playbook](#).