

For Your Information...

# The Fiduciary Duties

Legal Responsibilities and Common Tools of Stewardship for Employee Benefit Funds

## Fiduciary Duties

- ▶ **Prudence**  
Duty to carry out responsibilities with skill, care, and diligence, as a prudent expert would do.
- ▶ **Loyalty**  
Duty to act solely in the interest of participants and beneficiaries, for the exclusive purpose of providing benefits.
- ▶ **Effectuation**  
Duty to comply with applicable laws and plan documents in administering the plan.
- ▶ **Diversification**  
Duty to invest broadly to minimize the risk of large losses, or provide participants with sufficient choice and information to do so.

## Stewardship Tools

- ❑ Decision-making committee
- ❑ Record of minutes for committee meetings
- ❑ Written investment policy statement
- ❑ Updated asset allocation and asset-liability studies
- ❑ Benchmarks for investment performance and fees
- ❑ Periodic performance reviews
- ❑ 404(c) compliant education and/or advice for participant-directed plans



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Managing money for the benefit of others is an awesome responsibility. It is helpful to occasionally reflect on the major principles of fiduciary responsibility, especially when charged with these duties on a part-time basis. The details are complex, but the principles of prudence, loyalty, effectuation, and diversification appeal to common sense.

Stewardship tools help keep a benefits plan running smoothly, maximize employee satisfaction, and reduce the need for dramatic, expensive, time-consuming changes.

Bellwether Consulting is an independent investment advisor serving the needs of retirement plan sponsors and other institutional investors.

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