Pentegra 2025 Study Banks Attitudes Toward Retirement Plan Fiduciary Outsourcing

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Pentegra 2025 Study on Banks and Retirement Plan Fiduciary Outsourcing

In February 2025, Pentegra conducted a survey of more than 50 bankers nationwide on attitudes toward retirement plan fiduciary outsourcing and the benefits it can offer banks and their boards. The survey measured how bankers are using fiduciary outsourcing to help better manage their retirement plans and how it helps reduce risk for their banks and boards.

Survey Highlights

Banks View Retirement Plan Compliance
and Ensuring Plan Design is Optimized as Top Challenges

More than 80%
of Banks Surveyed are Concerned About Fiduciary Responsibility

Banks Identify Retirement Plan Administration
as a Time-Consuming Challenge for Their Internal Staff

Banks See Value
in Outsourcing Fiduciary Responsibilities

More than 80%
of Banks Work with a Professional Fiduciary to Manage Retirement Plan Governance and Oversight

Banks Cite Reducing Administrative Burdens,
Mitigating Risk and Ensuring Compliance as Key Reasons to Outsource the Plan Administrator Role

Banks' Unique Perspective Elevates Fiduciary Responsibility
Given Their Highly Regulated Environment and Heightened Exposure to Reputational Risk

Navigating the Complexities of Retirement Plan Administration and Compliance

Today, managing retirement plans has become increasingly complex, demanding that retirement plan sponsors balance a wide array of responsibilities while navigating a landscape of constantly evolving regulations and requirements.

As fiduciaries and plan sponsors, banks recognize that a well-structured, compliant, and competitive retirement plan is crucial for attracting, rewarding, and retaining top talent.

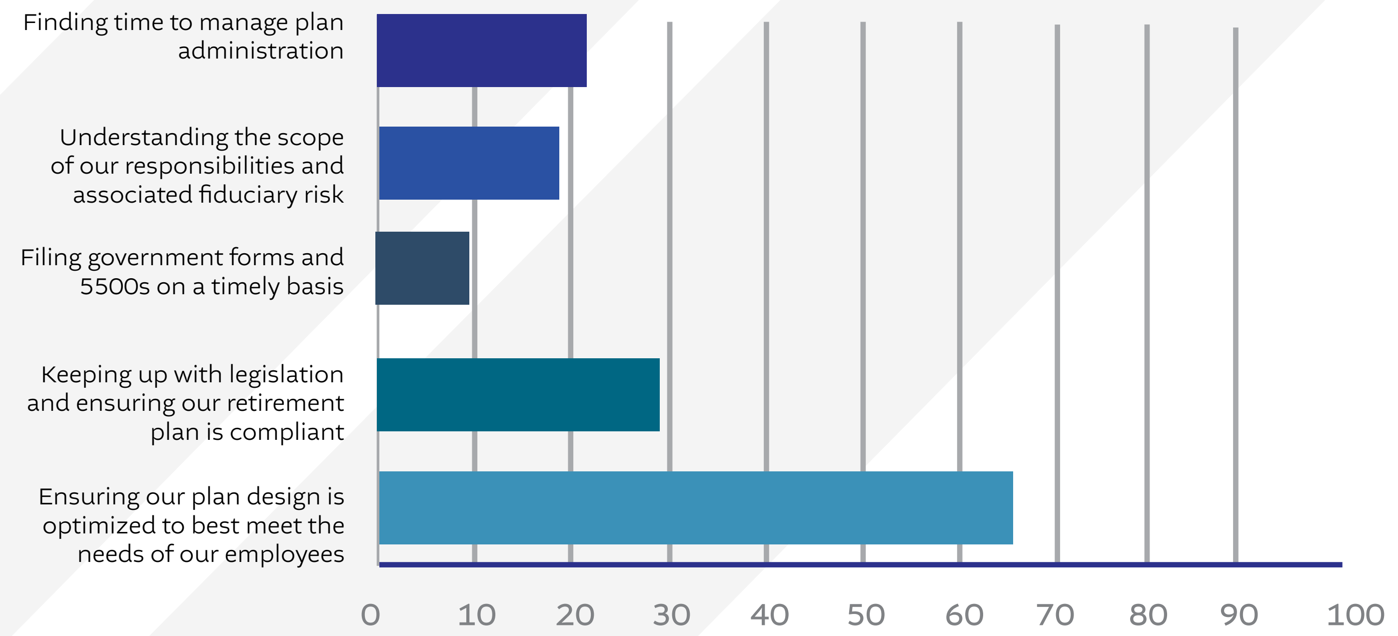
The regulatory environment surrounding retirement plans is particularly challenging. Keeping up with changing regulations, interpreting their nuances, and ensuring adherence can be a daunting task. In addition, the potential for litigation or penalties in the event of non-compliance makes compliance even more critical.

For many banks, striking a balance between fulfilling fiduciary responsibilities, optimizing resource management, and navigating an ever-evolving regulatory landscape has amplified the demand for outsourced fiduciary service providers.

Limited resources only compound these demands, which can often lead to errors or oversights. These challenges are further magnified by the increasing complexity of plan features, such as automatic enrollment, age-based investment strategies, and other plan design changes necessitated by the SECURE Act and other regulations.

Banks View Retirement Plan Compliance and Ensuring Plan Design is Optimized as Top Challenges

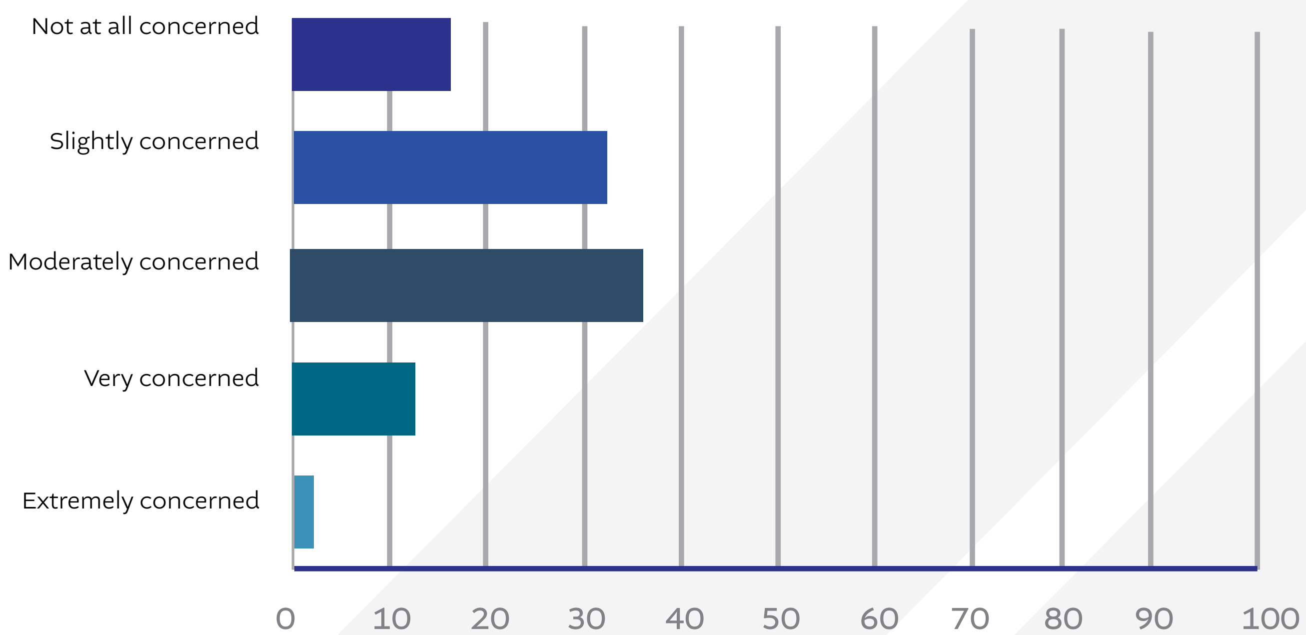
What are the biggest challenges you face in managing your retirement plan? Select all that apply.



For many banks, striking the right balance between fulfilling fiduciary duties, managing resources effectively, and remaining compliant is a continuous challenge.

More than 80% of Banks Surveyed are Concerned About Fiduciary Responsibility

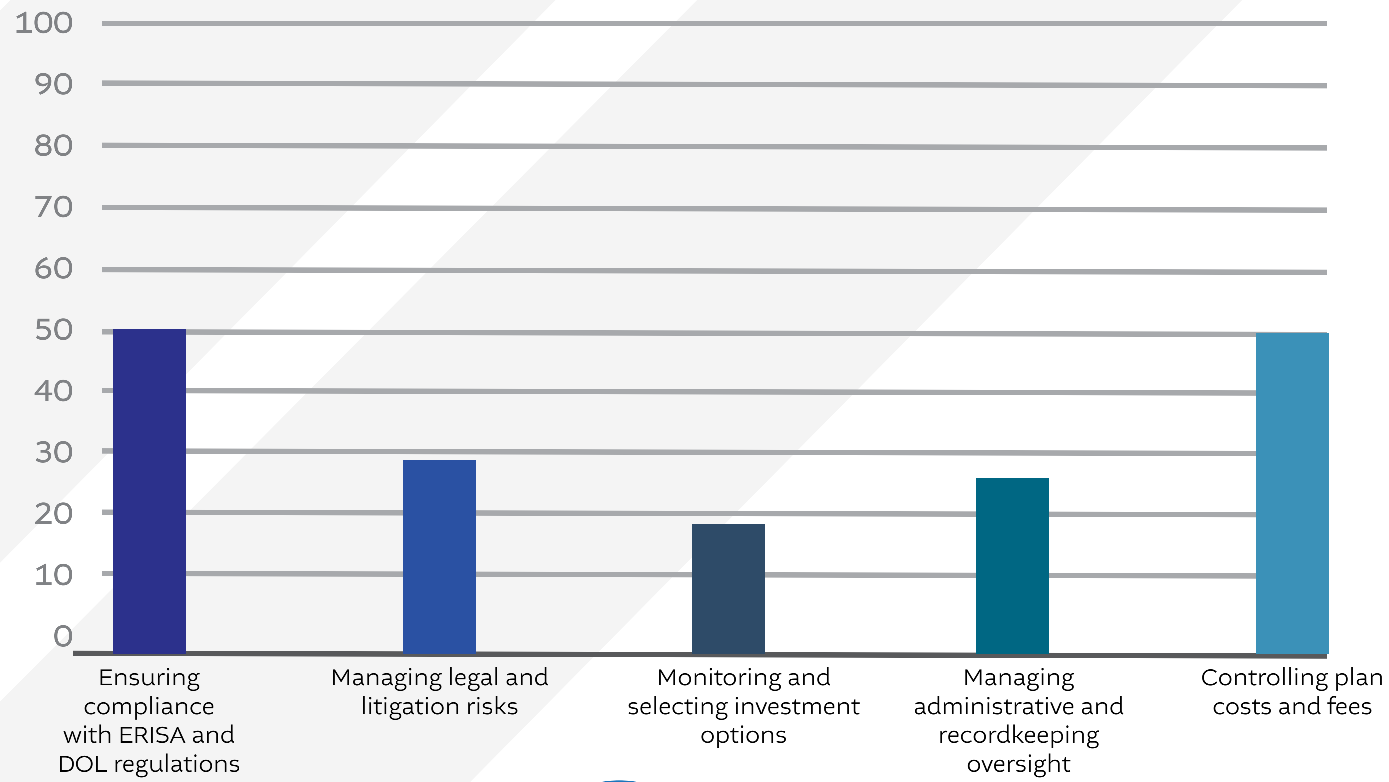
Fiduciary responsibilities are a chief concern for banks and their boards. How would you describe your level of concern in this area?



Banks view retirement plan fiduciary compliance as a top priority, understanding its crucial role in mitigating risk and protecting the best interests of the plan and its participants.

Banks Cite Plan Compliance as a Key Retirement Plan Concern

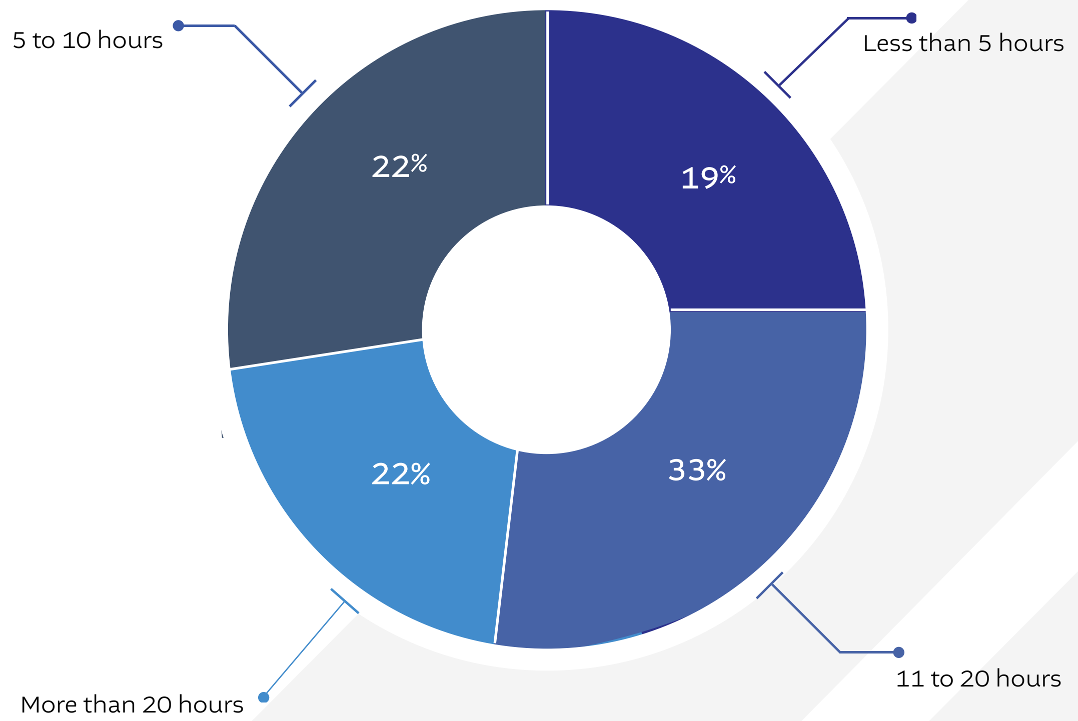
Which aspects of fiduciary responsibility are the most concerning for your bank?



Retirement plan compliance is paramount for banks, given their highly regulated environment, stringent fiduciary obligations, and heightened exposure to reputational risk.

Banks Identify Retirement Plan Administration as a Time-Consuming Challenge

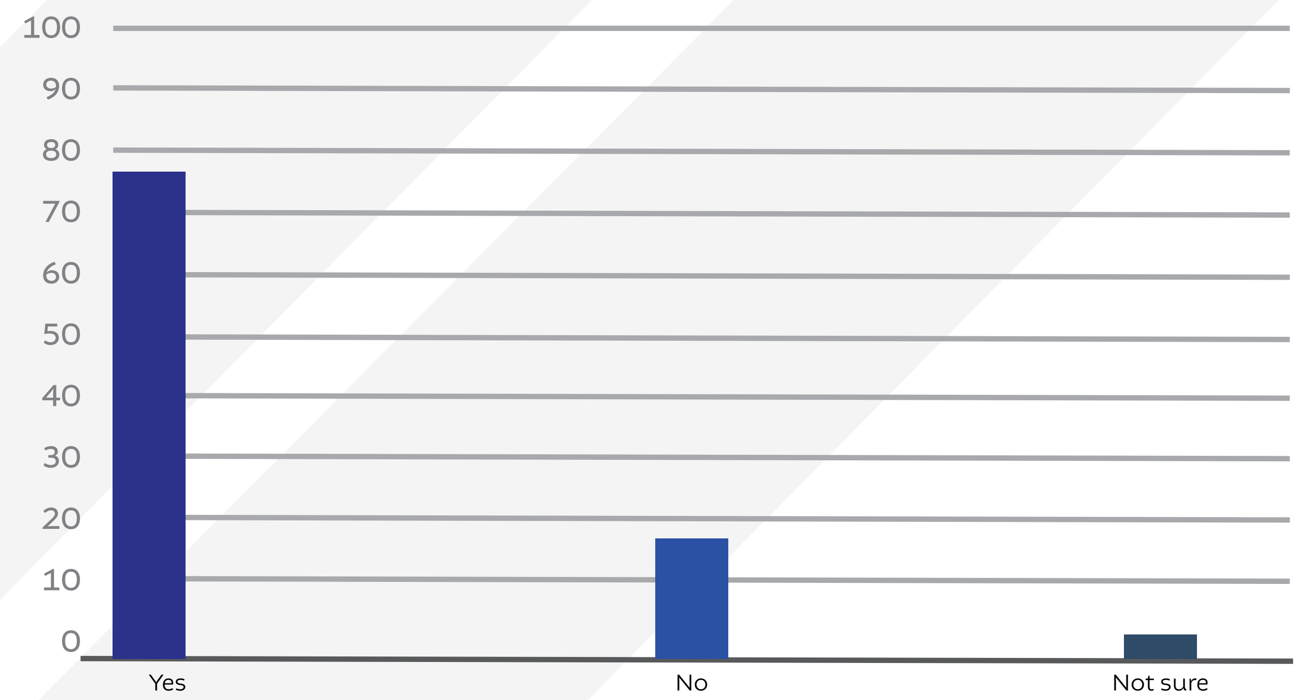
Approximately, how much time does your team spend each year on retirement plan compliance-related tasks?



Managing complex retirement plans requires significant time and effort. This can divert attention from core business activities, making it difficult to allocate enough resources to retirement plan administration.

Banks See Value in Outsourcing Fiduciary Responsibilities

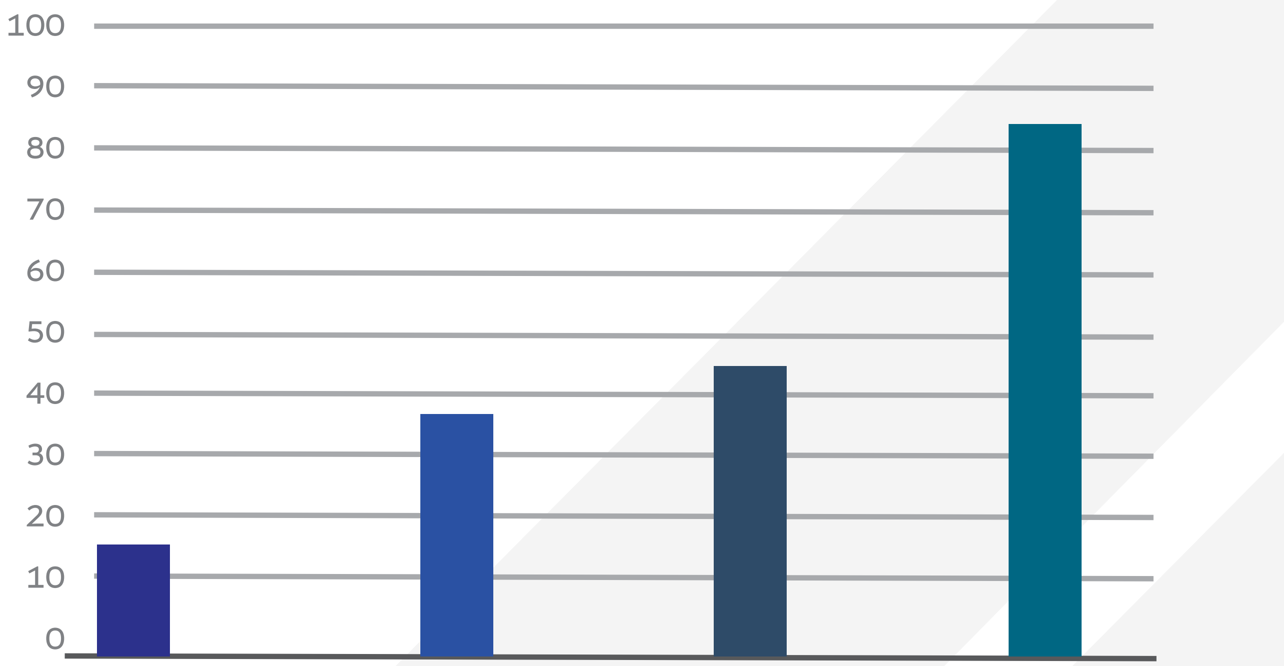
Have you outsourced fiduciary responsibilities for your 401(k) plan to a third-party provider in the past or currently?



As highly regulated institutions, banks demand the highest levels of compliance, risk management, and retirement plan accountability.

More than 80% of Banks Work with a Professional Fiduciary to Manage Retirement Plan Governance and Oversight

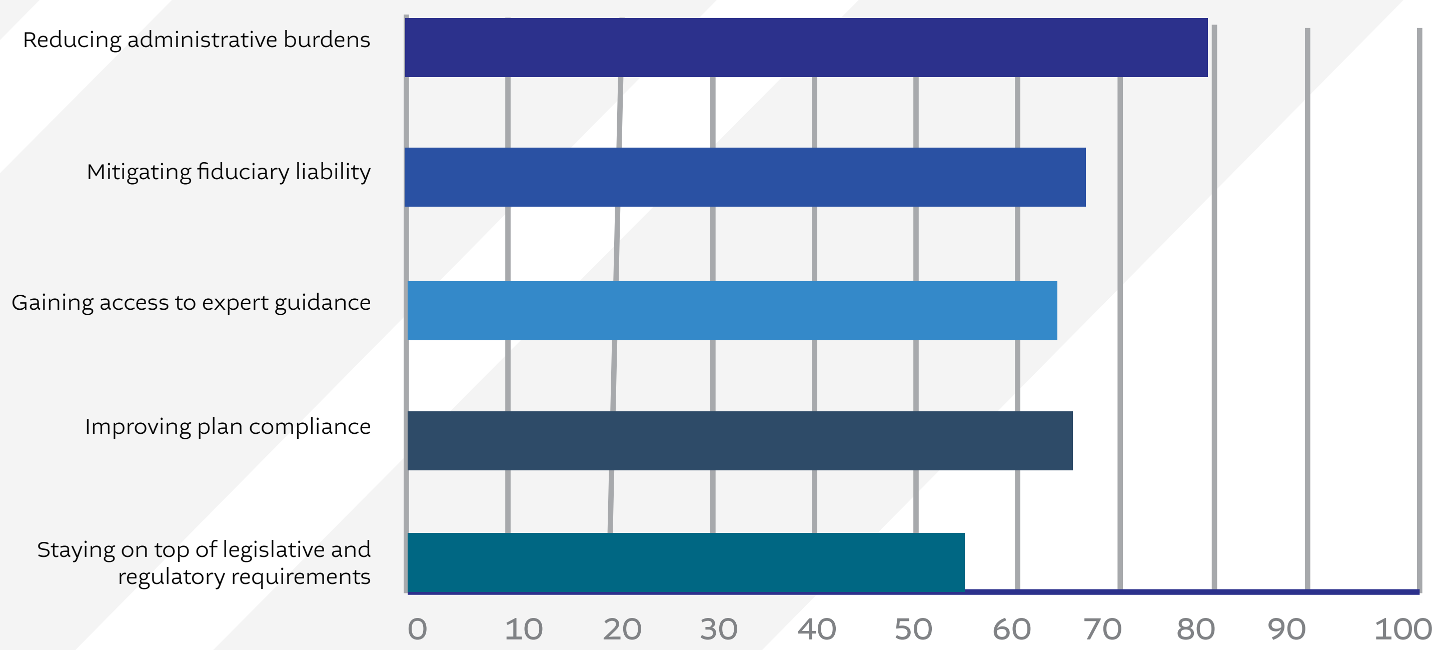
Retirement plan governance and oversight are challenges for banks today. Which of the following do you do to manage this process?



Banks manage retirement plan governance and oversight with a structured, risk-aware, and compliance-driven approach.

Banks Cite Reducing Administrative Burdens, Mitigating Risk and Ensuring Compliance as Key Reasons to Outsource the Plan Administrator Role

What factors influenced your decision to outsource fiduciary duties?



Access to expert oversight ensures plans remain compliant with evolving retirement plan regulations, reducing risk exposure for banks and their boards.

How a 3(16) Administrative Fiduciary Can Help

One of the most demanding and often overlooked roles under the Employee Retirement income Security Act (ERISA) is that of the 3(16) Plan Administrator, who is responsible for overseeing plan operations, regulatory compliance, and participant communications. A "3(16) fiduciary" brings expertise in handling the complex administrative tasks associated with managing a retirement plan, ensuring the plan runs smoothly. A full-service 3(16) fiduciary goes above and beyond the role of a traditional Third-Party Administrator (TPA).

Outsourcing 3(16) fiduciary responsibilities to a professional provider can be a strategic decision that delivers significant benefits to banks and their boards. By shifting these burdens to a dedicated expert, banks can mitigate risks associated with non-compliance, penalties, and potential litigation—while freeing their teams to focus on core competencies and institutional growth.

The Advantages of Outsourcing to a Professional 3(16) Fiduciary

Outsourcing3(16) fiduciary responsibilities to a professional provider offers key benefits:

Regulatory Compliance Expertise

As retirement plan regulations continue to evolve, many plan sponsors find it challenging to stay compliant. Outsourcing to experts help mitigate the risk of non-compliance and potential penalties.

Risk Mitigation

A strong fiduciary takes legal responsibility for plan administration to reduce the sponsor's liability.

Expertise and Efficiency

Specialized 3(16) fiduciaries bring deep expertise and robust systems to manage plan administration with accuracy and efficiency. Their knowledge of best practices minimizes errors and ensures seamless execution of administrative tasks.

Audit Support

In the event of a plan audit by the Department of Labor ("DOL") or Internal Revenue Service ("IRS"), a professional fiduciary takes the lead in managing documentation and responding to regulatory inquiries.

Improved Participant Outcomes

Professional 3(16) administrators also ensure timely and accurate participant communications, such as SPDs and fee disclosures, contributing to a positive plan experience for plan participants. Ultimately, this can help to foster greater employee retirement plan satisfaction.

Time Savings and Resource Efficiency

Managing retirement plans internally can be time-consuming. Outsourcing allows Human Resource and Finance teams to focus on core business operations while professionals handle plan administration.

Cost-Effectiveness

While outsourcing comes at a cost, it can often be more cost-effective than managing fiduciary duties in-house—especially when considering the cost of errors, legal fees, or penalties.

Banks' Unique Perspective Elevates Fiduciary Responsibility

Banks and their boards approach fiduciary responsibility with a distinct and strategic perspective, viewing these responsibilities through a unique lens because they operate within a highly regulated financial environment that demands the highest levels of compliance, risk management, and accountability.

Regulatory Scrutiny

Banks are subject to stringent oversight from federal and state regulators, including the OCC, FDIC, and Federal Reserve. This heightened regulatory environment influences how they manage fiduciary duties, prioritizing that every decision aligns with strict compliance standards.

Risk Management Expertise

Banks have deep expertise in risk assessment and mitigation. This expertise shapes their approach to fiduciary responsibilities, as they a re highly attuned to market volatility, investment performance, and financial sustainability.

Stakeholder Accountability

Banks must answer to multiple stakeholders, including shareholders, customers, regulators, and employees. This broad accountability means they often take a more conservative and strategic approach to managing retirement plans, prioritizing both compliance and long-term financial health.

Trust and Reputation

As financial institutions, banks are built on trust. Mishandling of fiduciary responsibilities could undermine confidence among clients and regulators. This emphasis on trust and reputation drives a culture of meticulous oversight and disciplined decision-making regarding retirement plan management.

When it comes to choosing a fiduciary partner, banks and their boards tend to go beyond basic fiduciary compliance, applying a sophisticated, risk-aware, and regulatory-focused approach to managing retirement plans.

Selecting the Right 3(16) Fiduciary Partner

When choosing a provider, advisors and their clients should consider the following qualities:

Regulatory Compliance Expertise

Ensure they have deep knowledge of ERISA regulations and can keep the plan in full compliance.

Comprehensive Services

Look for a partner offering end-to-end plan administration support.

Transparent Pricing

Understand the provider's fee structure and any additional costs.

Commitment to Compliance

Verify the provider's processes for ensuring compliance with regulatory and legislative changes.

Vendor Management

Partner with a provider that fulfills vendor risk management requirements and undergoes annual third-party audits.

Insurance Protection

Verify the provider has the financial strength and insurance to withstand potential IRS and DOL fines and penalties.

Risk Mitigation

A strong fiduciary should take legal responsibility for plan administration to reduce the sponsor's liability.

Audit & Reporting Capabilities

Look for robust recordkeeping, error correction processes, and audit support.

Industry Experience & Reputation

Prioritize firms with a proven track record in managing 3(16) fiduciary duties.

Plan Sponsor Support

A good 3(16) fiduciary provides clear communication, ongoing education, and responsive support.

Service & Technology Integration

They should have secure systems for payroll integration, automated compliance checks, and real-time reporting.

Differentiating 3(16) Fiduciary Providers

A true 3(16) fiduciary stands in front of t he client and not only does the work, but assumes responsibility for doing it correctly. how can you differentiate? Ask these questions:

- Will your 3(16) provider act as the ERISA Named Plan Administrator? Are they named in the plan document? To what extent do they relieve you of fiduciary responsibility and potential liability?
- Will the sign and file the 5500 as a fiduciary?
- Will they act as your partner and support you in examinations and discussions with the DOL/IRS?
- What is their financial strength? Do they have “deep pockets” to stand behind their fiduciary services?
- Do they have fiduciary liability insurance that is sufficient to cover the claims of their clients?
- How long have they been providing 3(16) fiduciary services?
- Will they be responsible for approving and overseeing participant transactions? Do they monitor the timeliness of depositing voluntary employee contributions and proactively identify corrections and coordinate any needed actions?
- Do they hire the plan auditors and manage the audit process?
- If they make an error, will the provider make good on any losses such as earnings, fines, penalties, etc. that arise due to errors? What is the “statute of limitations” on how long you are covered?
- Do they complete a due diligence review of the plan’s recordkeeper to ensure the promised services coordinate correctly? Can the produce a document evidencing that review?

Outsourcing 3(16) fiduciary services is a growing trend. Professional, independent fiduciary administration can lead to better efficiency, fewer errors, and a smoother participant experience.

Outsourcing Retirement Plan Fiduciary Responsibilities Presents a Strategic Advantage for Banks

Today, outsourcing 3(16) administrative fiduciary duties isn’t just about compliance—it is a strategic decision that benefits both banks and their boards. By shifting these responsibilities to experienced professionals, banks can mitigate risk, streamline operations, and improve the overall effectiveness of their retirement plans.

For banks seeking to minimize administrative challenges, reduce workloads, and enhance compliance confidence, partnering with a trusted 3(16) fiduciary provider is a smart investment.

About Pentegra

Pentegra is a leading provider of retirement plan and fiduciary outsourcing solutions to clients nationwide. With every opportunity, our goal is to create retirement plans that run with less risk, greater efficiency and improved outcomes.

A Fiduciary First

We were founded more than 80 years ago as a Named Plan fiduciary—long before the role formally existed under ERISA.

Uncompromised Oversight

As one of America's oldest independent fiduciaries, our clients enjoy the confidence that comes from uncompromised and objective oversight.

An Independent Approach

We always put your best interests first and avoid conflicts of interest at all costs. Administering your retirement plan is our priority.

A Higher Level of Responsibility

As a fiduciary, we provide expert oversight and in-depth knowledge, shouldering much of the work and legal responsibility for managing a retirement plan.

Clients have the assurance of knowing their plan is well designed, well managed, and compliant—and enjoy the confidence the peace of mind that having a professional on board delivers.

As a bank retirement plan expert for more than eight decades, Pentegra can help banks better manage retirement plan fiduciary responsibility.

Learn more about the Pentegra 3(16) Fiduciary Outsourcing Advantage.
Contact the Pentegra Solutions Center at solutions@pentegra.com or 855-549-6689.

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