

# Why Are Administrative Policies Important?



RETIREMENT MANAGEMENT SERVICES, LLC  
*Plan Consulting • Administration • Design*

# Why Are Retirement Administrative Policies Important?

*Leisha Gosling, MBA, CEBS, QKA*

Once a plan sponsor sets up a retirement plan for their company they are subject to the Employee Retirement Income Security Act of 1974 (ERISA). This law was put in place to protect American workers by ensuring that retirement plans are not discriminatory in favor of owners and highly compensation employees. These laws can be intimidating and confusing but a well thought out administrative policy can relieve some of the anxiety of plan administration by aiding the plan sponsor in making decisions that are in compliance with ERISA rules and regulations.

An Administrative policy should include the following:

- Define the Plan's objective of acting solely in the interest of plan participants and their beneficiaries.
- Define the roles of those responsible for the Plan's administration and related services.
- Establish provider selection procedures and criteria, and monitoring procedures.
- Describe procedures for replacing service providers that fail to satisfy established objectives.
- Define how conflicts of interest will be addressed by understanding when and where a conflict might arise.
- Follow the plan documents (unless inconsistent with ERISA), making plan decisions in full compliance with the guidelines established by the plan documents.

The administrative policy and procedures should be an objective set of rules by which the plan is administered and decisions are made. They also help establish the legitimacy of management action by ensuring the application of retirement committee rules and ensure that decisions are made in an objective, fair, and consistent manner. Finally, they help ensure that the people making these decisions are held accountable for decisions that may deviate from the procedures and the best interest of the participants.

Your plan document may also provide you with flexibility to set administrative policies related to plan operations. For example:

- When participants are allowed to make changes to their deferral elections.
- How forfeiture dollars may be used.
- Define the types of money the plan will accept as a rollover into the plan.

Not all plan documents provide this level of flexibility, so it is important to understand what your document allows prior to creating the administrative policy. Please contact us at 502-429-0767 if you have any questions.



Retirement Management Services, LLC  
905 Lily Creek Road  
Louisville, KY 40243

**[www.consultRMS.com](http://www.consultRMS.com)** Phone: 502-429-0767