

# RETIREMENT COMMITTEES

Creating structure and purpose



Creating a retirement committee is fairly simple, right? A group of those involved with the plan gather on a regular basis to discuss the retirement plan and associated issues. But what if you were challenged and asked for documented historical answers for the following questions:

1. Who is a member of the committee?
2. What is the committee's purpose?
3. How are decisions made and what is the voting structure?
4. What level of authority does the committee have to make plan changes?
5. How often does the committee meet?

Creating a retirement committee charter can not only provide answers to all of these questions, but it can prove an invaluable resource for guiding the committee and their outside resources (recordkeepers, advisors, etc.) in running effective committee meetings. The following items provide the broad components of a successful retirement committee charter.



## COMMITTEE PURPOSE, RESPONSIBILITIES, AND AUTHORITY

These sections of your charter will clearly state why the committee exists, what duties they are charged to carry out, and what authority the committee has to effect change.

- Does the committee have the authority to approve plan design changes? Provide changes? Plan funding changes such as profit sharing contributions or matching contributions?
- What is the process to elevate issues that are beyond the scope of the committee?
- Can the committee modify investment policy? Implement recommended investment changes?
- How often will the investment committee meet?

In the end, your committee should look to provide documented decisions and ongoing due diligence with respect to all aspects of the retirement plan.



## VOTING

All retirement plan committees should have a defined structure for deciding how changes are voted upon by committee members. This not only creates a record of decision points, but requires each committee member to actively engage in the discussion and decision in question.

### SIMPLE MAJORITY

This would simply state that the direction with at least 50% of the votes carries the decision.

### UNANIMOUS

This would require that all committee members vote for the same direction.

Ensure that the structure in any voting environment states what constitutes a quorum, or ample meeting attendance for a vote to be taken.



## WHO SHOULD BE ON THE COMMITTEE?

Who is on the committee will vary widely from one organization to another. Typical members include human resources professionals, company executives, division leaders, and anyone involved with the day-to-day operation of the retirement plan. The goal is to have members who are engaged and willing to contribute to the discussion.

### MEMBERS LISTED BY NAME

This removes doubt of specific individuals involved and an amendment is required if the individual leaves the company or committee.

### MEMBERS LISTED BY TITLE

This allows flexibility to accommodate staff changes but needs to be carefully written to avoid confusion.

### WHO SHOULD NOT BE ON THE COMMITTEE?

Members who habitually miss meetings and disengaged executives and other members who either do not contribute or impede the ability to make decisions.

### SHOULD WE HAVE “EMPLOYEE REPRESENTATIVES” AS COMMITTEE MEMBERS?

- There is no requirement to include employee representatives.
- There are three common types of employees who will express interest in becoming committee members:
  - SILENT**—This employee is there to appear important to the company or their fellow employees, but is either afraid or unwilling to contribute in any meaningful way. Avoid this employee.
  - DISRUPTIVE**—This employee is there to further their own agenda or to hear their opinions voiced regardless of whether or not it benefits others. Avoid this employee.
  - ENGAGED**—This employee is there out of genuine interest or willingness to collaboratively help. They may or may not have a knowledge base suited to the committee. This will be your most promising candidate, but will require consideration prior to appointment.
- Before adding employee representatives to your committee, ensure that you consider the goals, benefits, and drawbacks of adding these individuals. You may also look to add defined terms for these types of committee members, which allows for their removal if found to be ineffective.

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For more information contact us at **866.270.4874**  
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