

Sharing the Burden

Four Key Ways That Plan Sponsors Can Outsource Fiduciary Responsibility

Running a workplace retirement plan includes shouldering a heavy fiduciary burden. Plan sponsors are held to strict standards of prudence and loyalty under the Employee Retirement Income Security Act of 1974 (ERISA) — and the risk of missteps is real. Many sponsors reduce both workload and liability exposure by outsourcing specific fiduciary functions to qualified third parties. According to Mercer’s 2025 [Voice of the Plan Sponsor](#) survey, eight out of ten survey respondents retain an external advisor or consultant in a fiduciary role. Here are four key ways plan sponsors can outsource fiduciary responsibilities:

- **ERISA 3(21) co-fiduciary advisors.** An ERISA 3(21) investment advisor provides recommendations on investment selection and monitoring but leaves final decision-making authority with the plan sponsor. This option keeps the sponsor involved in key choices while ensuring professional guidance and documentation of the decision process — a critical defense in the event of a U.S. Department of Labor audit or participant complaint.
- **ERISA 3(38) investment managers.** Sponsors looking for more relief can delegate full investment discretion to an ERISA 3(38) fiduciary. In this model, the outside advisor, often a Registered Investment Adviser (RIA), assumes responsibility for selecting, monitoring and replacing plan investments. The sponsor’s duty is limited to vetting and monitoring the 3(38) firm — a much narrower, more manageable obligation.
- **ERISA 3(16) administrative fiduciaries.** Some sponsors also outsource administrative functions, such as approving loans, handling distributions or ensuring Form 5500 filings are accurate, to an

ERISA 3(16) fiduciary. This approach can dramatically reduce administrative errors and missed deadlines, which are common triggers for regulatory penalties.

- **Pooled employer plans.** Joining a pooled employer plan is another way to offload fiduciary responsibility. A pooled employer plan provider assumes most fiduciary and administrative duties, including investment oversight, compliance and audit coordination. For small or mid-sized employers, this type of plan can be a cost-effective way to simplify plan management and reduce risk.

The Bottom Line

Outsourcing fiduciary functions doesn’t eliminate all responsibility, as sponsors must prudently select, monitor and document their choice of fiduciaries. But the right partnerships can substantially limit liability, improve plan governance and free internal staff to focus on broader organizational priorities.

