Fiduciary Education

November 13, 2025

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Goals

“Fiduciary duty is not about perfection—it’s about process.”

Our goals for today’s presentation are to help you:

- Define fiduciary responsibilities
- Understand the legal framework
- Apply best practices to protect you and the Council

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Fiduciary Basics

A fiduciary is anyone who exercises discretion over plan administration or **assets** and is named as such in statute.

FUNCTION

DISCRETION OVER PLAN OR ASSETS

DESIGNATION

NAMED IN PLAN, TRUST DOCUMENT, OR STATUTES

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Legal Framework

Your fiduciary duties come from four places:

- Federal Law
- State Law
- Common Law (General Legal Principles)
- Plan Documents (Policies, Procedures, and Governance Manual)

Each layer reinforces your responsibility to act in the best interest of the State.

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Key Fiduciary Duties

These are your three core duties. If you remember nothing else from today, remember these:

- LOYALTY
- PRUDENCE
- FOLLOW THE PLAN

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Duty of Loyalty

Loyalty means acting exclusively for the State.

- Serve the State
- Set aside personal or appointing interests
- Avoid conflicts and self-dealing
- Ensure reasonable plan expenses

“You’re not here to represent a group—you’re here to serve the system as a whole.”

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Duty of Prudence

“A prudent fiduciary acts with the same care, skill, and caution they would use in managing their own affairs—because they are entrusted with someone else’s future.”

- Attend meetings and prepare
- Ask questions
- Rely on experts—but verify
- Document decisions

The duty of prudence is about process, not outcomes; it is a test of the fiduciary’s conduct, not the result of that conduct.

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Delegation and Oversight

You can, and should, delegate to staff and experts—but you must:

- Document the delegation
- Monitor the performance
- Retain reasonable oversight

DOCUMENT

MONITOR THE PERFORMANCE

RETAIN OVERSIGHT

Duty to Follow Plan Documents

You must follow the State's written terms—statutes, rules, and policies. That includes interpreting them consistently, updating them when required, and correcting errors promptly.

- Administer "by the book"
- Includes statutes, rules, and policies
- Interpret consistently and update as needed
- Document decisions

Burden is on the fiduciary to understand the State's governing documents and the context in which the plan exists.

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Risk and Liability

Breaching fiduciary duty can lead to personal liability, removal, loss of immunity, and reputational harm. Breach consequences include:

- Personal liability
- Removal
- Loss of immunity
- Reputational harm

Remember: Co-fiduciaries can be held liable if they knowingly ignore a breach. Silence is not protection.

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Managing Risk

- Governance manual
- Conflict and ethics policies
- Documentation
- Periodic audits
- Fiduciary insurance

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Key Takeaways

Let’s recap the three pillars of fiduciary responsibility:

- **Loyalty** (always act in the best interest of the State)
- **Prudence** (focus on the process, not perfection)
- **Follow the Plan** (administer according to the rules and documents)

Keeping these principles in mind will guide you through even the most complex decisions.

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Thank You