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Plan Sponsor Worksheet

TPA or 3(16)?

A Task-by-Task Comparison

What a third-party administrator does, what a 3(16) plan administrator may accept, and a place to record who handles each task at your plan and where the agreement says so

Prepared by First Hill Trust

The Difference in One Line

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The Department of Labor says fiduciary status is based on the functions performed for the plan, not just on a person's title. That is the whole distinction.

A TPA and a 3(16) often touch the same task. The difference is which part of it they do. The DOL treats preparing, calculating, and processing as ministerial work, which does not make someone a fiduciary. Deciding and approving is the fiduciary act.

How to use this worksheet

Read the first three columns to see where the line falls on each task. Then fill in the last two from your own service agreements, not from memory or from how the relationship feels. A blank in the final column is the finding.

Task by Task

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Task	What a TPA does	What a 3(16) may accept	Who does this at our plan	Where the agreement says so
Eligibility	Applies the plan's rules to your census	Decides eligibility where the rules leave room for judgment		
Form 5500	Prepares the filing	Signs and files it, where named as plan administrator		
Participant notices	Prepares the notices	Approves them and answers for delivery on time		
Distributions and hardships	Processes the request	Decides whether it meets the plan's terms		
Loans	Calculates and documents the loan	Approves it under the plan's loan policy		
QDROs	Prepares the paperwork	Decides whether the order qualifies		
Benefit claims	Processes the claim	Decides the claim and hears the appeal		
Plan document	Follows the terms as written	Interprets what a term means when a case is unclear		
Correcting a failed test	Runs the test and calculates the correction	Varies by agreement. Ask about this one by name		

Read across any row and the pattern is the same. The TPA does the work. Someone still has to make the call, and that someone is the plan administrator.

Four Questions for the Provider

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Ask these in writing. The answers tell you how much of the role the provider has actually taken on.

Question	Answer received, and where it is documented
Will the provider be named as plan administrator in our plan document?	
Will it sign the Form 5500 in that capacity?	
What happens if payroll, census, or compensation data arrives late or wrong?	
Who pays IRS or DOL penalties, correction contributions, and professional fees if an error occurs?	
What liability caps, exclusions, or indemnification terms apply?	

A provider that does not run your payroll will reasonably condition its obligations on getting good data on time. That is fair. It is also the difference between a service and a shield.

What You Keep, Whatever You Hire

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These four stay with you no matter what a provider accepts in its agreement. Check the ones that are true at your plan today. Anything unchecked has a next step beside it.

Check if true today	If it is not, this is the next step
☐ Our plan document sets out a procedure for designating fiduciary responsibilities to someone else	Ask your TPA or ERISA counsel what amending the document involves. Until the document says so, an agreement does not move the liability
☐ We have a record of how this provider was selected	Write down what you compared, who decided, and when. A file with nothing in it looks the same as no process
☐ We review the provider's performance on a set schedule	Put it on the committee agenda and pick an interval. A defensible interval you follow beats none at all
☐ Someone owns getting complete payroll and census data to the provider on time	Name the person. A provider can only work from what you send it

Not sure what your plan document permits? We will read the administration provision with you and tell you what it allows, what it leaves to your judgment, and what belongs in the record. First Hill Trust Company, 601 Union St, Suite 1450, Seattle, WA 98101, (206) 625-1800.

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We work behind the scenes to support plans that value clarity, consistency, and confidence in how they are managed. If you'd like more information or a high-level review of how your retirement plan is structured today, click the link to schedule a brief review, or contact us (206) 625-1800.

Schedule a Brief Review

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