Bellwether CONSULTING

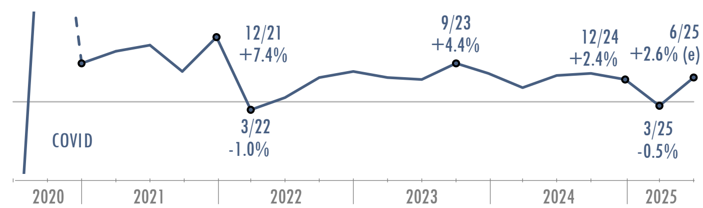
Your Quarterly Update on the Financial Markets
June 30, 2025

MARKET Recap

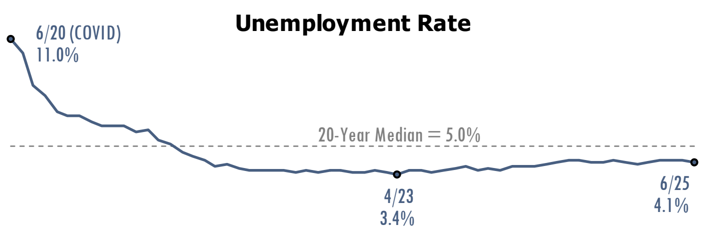
The US Economy: "Wait a Minute"

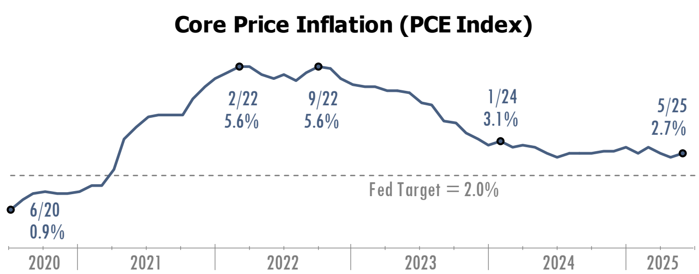
As expected, growth stalled in Q1 due to the initial impact of tariffs. Supply chain managers accelerated orders for foreign goods and services to get them in ahead of tariff implementation, causing a surge in imports which are subtracted from GDP. Consumer and government spending also detracted compared to the prior quarter. Imports dropped sharply in April, reversing the trend for Q2.

Annualized Real GDP Growth



Considering the dramatic news in Q2 on both the trade and geopolitical fronts, consumer prices and economic activity remained relatively steady. We believe this is largely the calm before the storm, as businesses are still in the process of adapting to the new anti-trade environment. This is best illustrated by the Institute for Supply Management's "Report on Business" for manufacturing. While the headline PMI index held steady for the quarter, ISM's report is filled with negative anecdotal comments from supply managers, both due to the level of tariffs and the chaotic nature of the rollout.





Businesses can only use inventories and other techniques for so long to delay the impact; eventually, someone will have to pay the tariff. Chairman Powell discussed the outlook at length following the June 18th Federal Open Markets Committee meeting, where the Fed left interest rates unchanged.

The Fed clearly plans to lower rates this year, probably twice, and will continue to ease for the next few years if economic conditions unfold as expected. However, the outlook for economic growth, employment, and inflation have all worsened as judged by Fed policymakers. Worse, it is unclear the degree to which tariffs will ultimately be paid by customers through higher prices, by customers through foregone purchases, or by business owners and stockholders through lower earnings. The market will decide that, not the Fed nor the Administration, and the market will take its time.

That uncertainty puts policymakers in a bind. The Fed has a dual mandate of maintaining price stability and full employment. Both inflation and unemployment are near the Fed's target or expectation, yet we know these are lagging economic indicators and there is a slow-moving tariff shock on the way. Chairman Powell's solution is to wait and watch for greater clarity on the market's allocation of the tax, in order to avoid worsening the ultimate outcome. President Trump, in contrast, is increasingly public in his criticism of Mr. Powell, insisting on dramatic rate cuts now.

If businesses are unable to pass along the impact of tariffs, one expects a decline in business activity and employment. Restrictive monetary policy would worsen the recession. If they can pass through the impact, the result will be inflation of unknown duration.

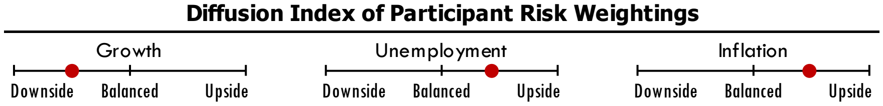
Mr. Powell has made clear in subsequent comments that he believes current rates are restrictive, and the Fed would have eased more by now were it not for the tariffs. But to his credit, he understands the limits of the Fed's knowledge. Merely declaring a future outcome to be true does not make it so.

6/25 Survey of Fed Board Members & Bank Presidents

	Median				Range			
	2025	2026	2027	Longer Run	2025	2026	2027	Longer Run
Change in Real GDP	1.4 ↓	1.6 ↓	1.8	1.8	1.1-2.1	0.6-2.5	0.6-2.5	1.5-2.5
Unemployment	4.5 ↑	4.5 ↑	4.4 ↑	4.2	4.3-4.6	4.3-4.7	4.0-4.7	3.5-4.5
PCE Inflation	3.0 ↑	2.4 ↑	2.1 ↑	2.0	2.5-3.3	2.1-3.1	2.0-2.8	2.0
Fed Funds Rate	3.9	3.6 ↑	3.4 ↑	3.0	3.6-4.4	2.6-4.1	2.6-3.9	2.5-3.9

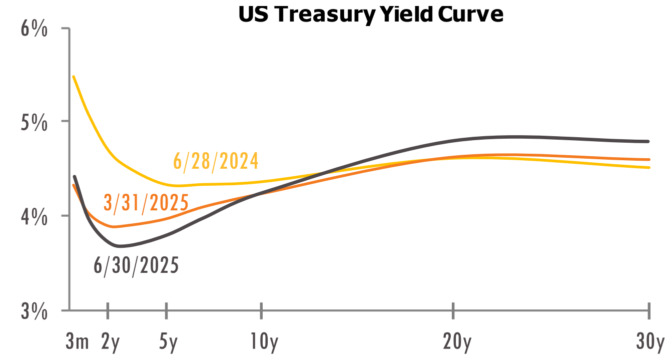
Arrows = change from March

Diffusion Index of Participant Risk Weightings



The US Bond Market

Mr. Trump is known to double-down in the face of criticism. And, should that fail, he often makes an abrupt about-turn. Investors spent the second quarter weighing bold presidential policies against a mounting reputation that Trump always chickens out (the "TACO" trade). The second quarter is book-ended by two major policy events: "Liberation Day" and the "Big, Beautiful Bill."



The former presents a headwind for economic growth and the latter undermines the balance of supply and demand for US Treasuries. The net effect imputed by the yield curve is lower rates for intermediate maturities on a weaker economic outlook and higher rates for long-term bonds on a weaker fiscal outlook.

Immediately following the tariff announcements on April 2nd, Treasury yields retreated. The 5-year rate moved lower by 20 bps. By April 11th, the yield had climbed 40 bps. For the remainder of the quarter, the 5-year bounced around in this range, roughly between 3.75% and 4.15%. It ended the quarter near the low end, at 3.79%.

US Bond Index Returns	
Bloomberg Idx	**2Q25**
Aggregate	1.21%
Short Gov't	1.03%
Interm. Gov't	1.45%
Long Gov't	-1.51%
TIPS	0.48%
Municipal	-0.12%
Interm. Credit	2.09%
Long Credit	1.25%
High Yield	3.53%
(MStr) Lev Loan	2.32%
MBS	1.14%

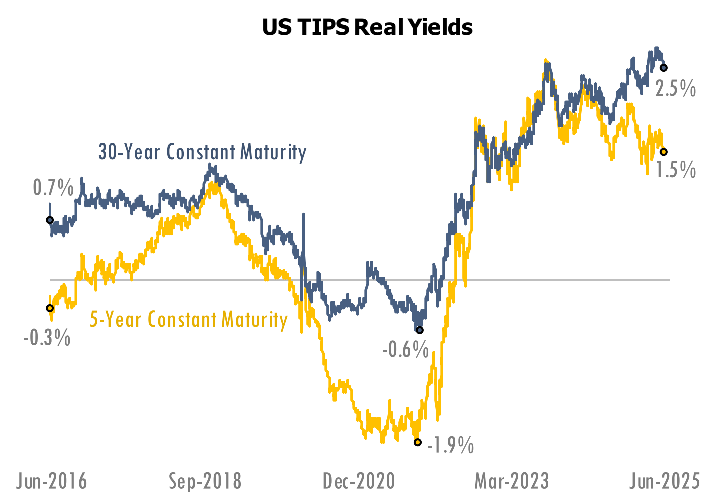
The decline in intermediate base rates supported moderate total returns in most US bond sectors. High yield led returns as spreads moved below 300 bps after ending Q1 at 355 bps. The tariff announcement provided an attractive entry point for any well-timed dry powder, with high yield spreads peaking around 460 bps on April 7th. Year-to-date returns were productive across the board, apart from Municipal bonds.

Bond issuance remains at a healthy pace; however, long maturities have fallen out of favor with corporations this year as yields steepen. In contrast, the higher yields at the tail end of the curve have yet to curtail US Treasury activity as it finances record levels of debt. The yield advantage of the 30-year US Treasury and Treasury Inflation-Protected Security ("TIPS") ended the quarter about 100 bps above the respective 5-year nominal and real key rates.

Markets, and the Fed, are at an impasse in attempting to discern the greater menace: unemployment or inflation. As unemployment appears the more immediate threat, downward pressure on rates is evident at the front end and upward pressure overtakes this at longer maturities. The upward sloping "normal" yield curve that graced the start of 2025 signaled a soft landing. Although the shape of the yield curve did not dramatically change during the first or second quarter, it has twisted to reflect increasing uncertainty.

In January 2001, the yield curve bore a fair resemblance to the bumpy curve we see today. The internet tech stock bubble popped in 2000, but the damage became more extensive through 2001 and 2002. The wider sell-off can be attributed to the Twin Towers attack and events subsequent to 9/11, but it was exacerbated by an economy on false footing.

Other examples of this shape can be seen at points in time proceeded by relatively better times; however, heightened caution appears well-warranted. Investors who have overlooked or neglected their bond allocation may want to take a beat to consider the potential benefits of long duration bonds. Long-dated fixed coupon Treasury bonds and inflation-indexed TIPS are trading at attractive yields relative to where they have spent the past two decades.



This steepening has helped vault the 30-year TIPS to its highest real yield since the security's introduction in 2010. In May, TIPS buyers briefly had the opportunity to lock in a real yield of 2.75% for 30 years. In recent months, the Treasury has expanded its inflation-linked issuance as the US Treasury targets a higher TIPS composition on outstanding debt. In January, TIPS represented only 7.0% of outstanding Treasury securities, down from 9.2% in 2017. An analysis performed by the Treasury Borrowing Advisory Committee in 2021 found that the TIPS program had saved the Treasury $17 billion over the preceding 15 years, in place of nominal issuance.

The US Stock Market

Riding a wave of optimism as the President announced he was pausing new tariffs, an exuberant US stock market made a V-shaped recovery and overcame lingering inflation worries and tensions in the Middle East. All major benchmark indices posted positive returns, bringing year-to-date performance into the black everywhere except small caps. By the end of the quarter, the S&P 500 and Nasdaq had made it back to record territory, with each successive announcement of a tariff delay acting like an adrenaline shot to returns.

US Stock Indices - Total Returns

Largecaps	2Q25	Midcaps	2Q25
S&P 500	10.94%	S&P Midcap 400	6.71%
Russell 1000	11.11%	Russell Midcap	8.53%
Growth	17.84%	Growth	18.20%
Value	3.79%	Value	5.35%
Broad Markets		**Smallcaps**	
S&P 1500	10.57%	S&P Smallcap 600	4.90%
Russell 3000	10.99%	Russell 2000	8.50%
Growth	17.55%	Growth	11.97%
Value	3.84%	Value	4.97%

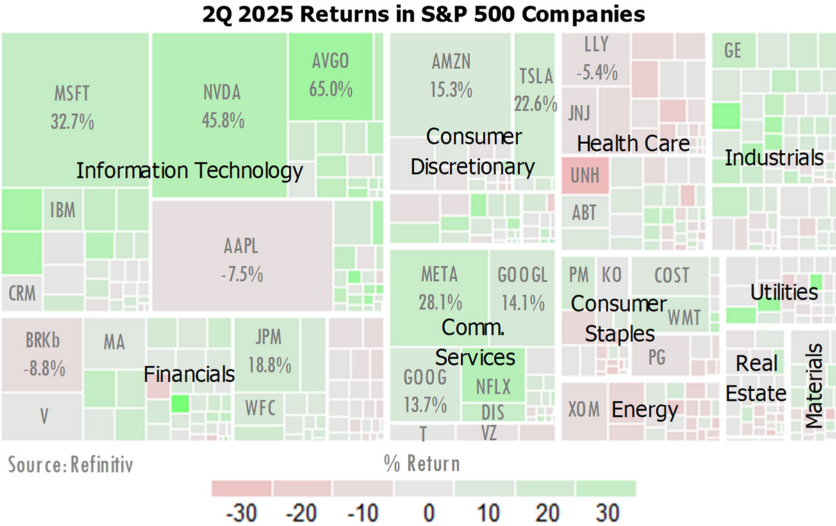
The Q1 value rotation became a distant memory as growth stocks roared back, driven by a sharp recovery in tech. The Russell 3000 Growth Index outperformed its value counterpart by almost 14%. Large caps benefitted the most from the stall in tariffs, not surprising considering more than 40% of revenue in S&P 500 companies comes from outside the US [FactSet].

S&P 500 Sector Components - Total Returns

Sector	2Q25	Sector	2Q25
Info Tech	23.71%	Materials	3.13%
Comm Services	18.49%	Consumer Stpls	1.11%
Industrials	12.94%	Real Estate	-0.07%
Consumer Discr	11.52%	Health Care	-7.18%
Financials	5.52%	Energy	-8.56%
Utilities	4.26%		

Dispersion across market sectors topped 32% (versus 24% in Q1). With the exception of Apple, returns in the Magnificent 7 were solidly double-digit, ranging from 14.1% for Alphabet to 45.8% for NVIDIA. Concern that Apple is falling behind its rivals on the AI front has been a consistent weight on its stock price. Reports are that Apple is considering shelving its in-house AI model for Siri to instead partner with an outside firm. An AI-upgraded version of Siri is now expected to launch in the spring of 2026, a year after the original plan.

2Q 2025 Returns in S&P 500 Companies

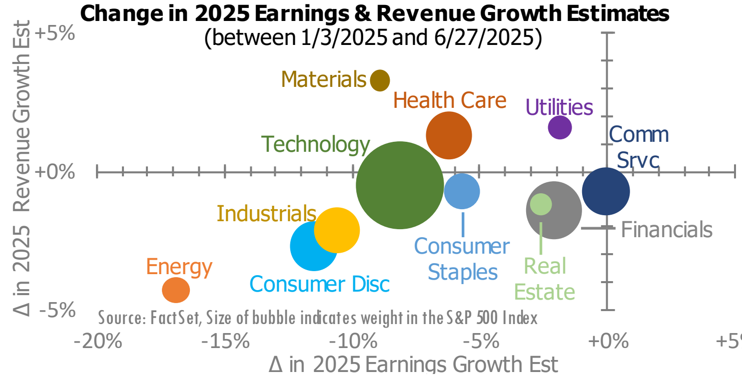


The price paid by Apple for its Siri misstep demonstrates just how fundamental the AI theme has become to tech companies and the broader tech rally. At the beginning of the year, many strategists were predicting the AI trade would expand convincingly beyond the Magnificent 7 in 2025, and this has come to pass in the recent recovery. While NVIDIA outpaced all its Mag 7 counterparts, so did Broadcom, Palantir Technologies, Micron Technology, Advanced Micro Devices, and Dell. In addition, the AI-trade has extended into utilities with Vistra Corp and NRG Energy, which power data centers, and the cloud with Oracle, which delivers AI-powered features and services. These firms also bested the Mag 7, including NVIDIA.

It was possible to find negative returns in Q2. Notably, last quarter's chart-topping sector – energy – was this quarter's laggard. Energy stocks declined on weak demand and rising supply, as another large OPEC+ production increase seemed likely to add to global inventories and the ceasefire between Israel and Iran reduced the risk of supply disruptions. Slowing growth in China continued to impact demand.

More broadly, the outlook for corporate earnings is not so rosy. The Q2 earnings season should give some data points to help assess the impact of months of tariff uncertainty. But even without that, expectations for full-year earnings growth in S&P 500 companies already have declined since the start of the year. The energy sector was hit the hardest, with a reduction of almost 17% bringing it to an estimated earnings growth rate of -13.2% for 2025. Bright spots appear in revenue growth where the defensive healthcare and utilities sectors and inflation-hedging materials sector saw an increase in revenue growth estimates for the year [FactSet].

Change in 2025 Earnings & Revenue Growth Estimates
(between 1/3/2025 and 6/27/2025)



International Markets

Global markets performed well in Q2 despite continued volatility arising from global trade issues (US tariffs) and geopolitical impacts from Ukraine to the Middle East. As investors looked outside of US markets, developed European markets posted gains buoyed by a weaker dollar, improving economic data and an ECB rate cut. Emerging markets also proved resilient as commodity strength, currency tailwinds and improving growth prospects attracted investors to the Pacific and LatAm regions.

Unhedged Foreign Markets Indices - Total Returns

MSCI Stocks	2Q25	Bloomberg Bonds	2Q25
ACWI ex-US	12.03%	Global Aggregate	4.52%
EAFE (Developed)	11.78%	Pan-Euro	10.26%
Emerging Markets	11.99%	Asian-Pacific	3.92%
Europe	11.38%	Eurodollar	1.58%
Japan	11.36%	Other Currencies	10.20%
China	2.01%		
Latin America	15.22%		

Asia

China's economy grew 5.4% in the first quarter of 2025, lifted by a surge in exports to the US. However, signs of a slowdown emerged in April as trade tensions escalated. Following the US announcement of new tariffs on April 2nd, China retaliated with increased tariffs on US imports, heightening trade frictions and unsettling financial markets. The MSCI China Index dropped roughly 13% on April 7, reflecting investor concerns over the deepening trade conflict. Broader challenges, including subdued industrial activity, weak demand, and deflationary pressures, likely compounded the reaction.

Economic data from April indicated a deceleration in momentum. Industrial production rose 6.1% year-over-year, down from 7.7% in March, as factories faced heightened uncertainty. Retail sales increased 5.1%, compared to 5.9% the previous month, signaling a modest slowdown in consumer activity. The manufacturing purchasing managers' index (PMI) fell to 49 in April, down sharply from March's 50.5, marking the weakest reading since December 2023. Meanwhile, the new export orders sub-index declined to 44, its lowest since December 2022. This early warning sign that US-China trade may be contracting came as American importers delayed or canceled orders following an earlier stockpiling rush.

Despite April's turbulence, the MSCI China Index rebounded in subsequent weeks, driven by government intervention, improving economic data, and easing geopolitical tensions. A temporary truce between Washington and Beijing led to a significant reduction in tariffs and a 90-day freeze on further increases while the sides negotiate a broader agreement.

May data offered some reassurance. Manufacturing PMI ticked up modestly from April, while retail sales rose 6.4% year-over-year. Bolstered by a government-backed trade-in program, this was the fastest pace since 2023. The better-than-expected retail figures were a bright spot, suggesting that policy support is beginning to filter through the economy. However, a sustained recovery in consumption will likely depend on a rebound in consumer confidence, which remains historically weak due to lingering wealth effects and corporate cost-cutting.

Improved sentiment helped lift the MSCI China Index by 2.0% for the quarter and 17.3% year to date. The recovery was also driven by attractive equity valuations, rising shareholder returns through dividends and buybacks, and a deflationary backdrop that made equities more appealing. A slight improvement in manufacturing, government intervention, and easing US-China trade tensions also supported the rebound.

Japan's economy expanded at a faster-than-expected pace in Q2, posting a 0.6% quarter-over-quarter growth rate and improving from a 0.2% contraction in Q1. Private consumption rose by 0.5%, supported by steady employment and wage growth. An expansion in household spending also served to offset concerns over inflationary pressures. Businesses expressed cautious optimism, with capital spending rising 0.7% as services and retail fueled growth. However, net exports were a drag, contracting 0.3% over the prior quarter as exports of machinery and auto parts declined. Both US tariff policies and the yen's recent appreciation versus major currencies further challenged export competitiveness.

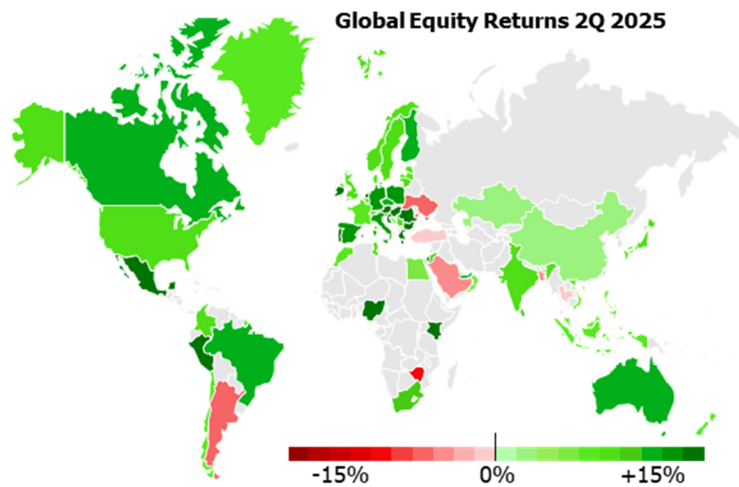
Japanese equity markets proved resilient as well, shrugging off heightened volatility and sweeping tariff announcements on Asia-Pacific imports by the US. A late-June rally propelled the MSCI Japan Index to an 11.4% gain. A surge in technology issues as Japanese semiconductor firms Tokyo Electron, Advantest and Renesas benefited from strong orders and AI infrastructure demand along with a softening US stance on tariffs drove the recovery.

Europe

European markets are navigating a period of uncertainty, with economic growth facing headwinds from geopolitical tensions and trade policy. After a strong start to the year, European stocks corrected sharply in April following the US administration's announcement of tariffs. The MSCI Europe Index dropped 17% from its March high, but rebounded 5% in April after a partial tariff rollback.

While inflation has moderated, future monetary policy decisions and market performance will largely depend on how external factors evolve (a "data dependent" approach). However, domestic demand, supported by stable labor markets, rising real incomes and interest rate cuts are expected to help drive growth. The Conference Board revised its 2025 GDP growth forecast for the Eurozone slightly upward to 1%.

Inflation in the Eurozone dipped to 1.9% in May, falling below the ECB's 2.0% target, primarily driven by a decline in services inflation. However, the June flash estimate for inflation indicated a slight increase in the annual inflation rate to 2.2% due to rising fuel prices and higher costs for food and non-alcoholic beverages. In June, the ECB signaled that it is nearing the end of its rate-cutting cycle as it lowered borrowing costs to 2% in response to uncertainty over the impact of US trade policies. ECB president Christine Lagarde said the central bank had "nearly concluded" the latest monetary policy cycle, which saw borrowing rates fall from a peak of 4% in June of 2024. Markets are currently pricing in one to two more interest rate cuts for the remainder of 2025.



In the Eurozone's two largest economies, Germany and France, equity market dynamics drove performance in Q2. German equities were hard-hit in April by US tariff escalations, particularly in export-heavy sectors including autos and machinery. However, the market saw a rebound in late April and May, buoyed by an announced €500 billion infrastructure stimulus and defense spending commitments. Investors favored Germany's industrial equities, especially amid tariff-induced volatility. Within industrials, Siemens Energy was a top contributor to performance, rising around 97% in the quarter. Defense contractor Rheinmetall, a strong contributor in Q1, was up over 48% in Q2. The MSCI Germany Index rose 16.7%.

In France, US tariff hikes and retaliatory risks also weighed on sentiment in export-heavy sectors while domestic uncertainty and fiscal tightening plans dampened investor confidence. According to economic data from France's national statistics institute, GDP is not expected to grow by more than 0.6% in 2025. The luxury and consumer discretionary sectors faced headwinds due to valuation pressures and weaker Chinese demand. Luxury names including LVMH, down 13%, and Dior, also down 13% have been impacted by a decline in household consumption even with falling inflation. However, positive performance within financials and technology helped. The MSCI France Index rose 9.3%.

Bonds in the Eurozone generally performed well, particularly in the periphery (Spain, Greece) where declining sovereign spreads indicated improved creditworthiness and reduced risk. Monetary easing by the ECB, a partial rollback of tariffs and Germany's aggressive spending plan saw a rotation into European debt. The 10-year Bund closed the quarter yielding 2.61%, down 15bps over the quarter.

Americas

Brazil's equity markets climbed in early Q2, with the BOVESPA reaching an all-time high in mid-May. Early in the quarter, financial names drove performance with Itau and Bradesco rallying on strong income and credit growth and improved cost management. Commodity-linked names such as Petrobras and Ambev also helped with improving earnings and export strength. However, markets pulled back slightly in late June due to a combination of elevated interest rates, fiscal concerns and global volatility. The MSCI Brazil Index was up 13.3%.

GDP expanded modestly in Mexico, driven by a rebound in agriculture and modest gains in industrial production. Real GDP growth forecasts for the year remain low with growth expected to come in below 1%. The Bank of Mexico cut interest rates by 50 bps in late June to 8%, despite inflation running ahead of the central bank's 3% target at 4.4%. Mexico's equity markets shrugged off mixed economic data and performed well on strength in the materials, industrials and consumer discretionary sectors. The MSCI Mexico Index finished up over 20%.

Focus On: Forming and Maintaining a Retirement Plan Committee

In many ways, a retirement plan committee functions like a specialized board of directors for the plan, providing focused oversight and guidance. Just as a corporate board brings together complementary viewpoints and skill sets to best represent shareholder interests, a plan's committee seeks to understand and effectuate what is best for plan participants. While the scope of the board is wider and more sophisticated to deal with every aspect of the company's business, their decisions often boil down to what will raise the stock share price. Yet, there is no single metric that can directly measure the success of a retirement plan committee. Instead, the hallmark of a well-run committee is adherence to fiduciary principles.

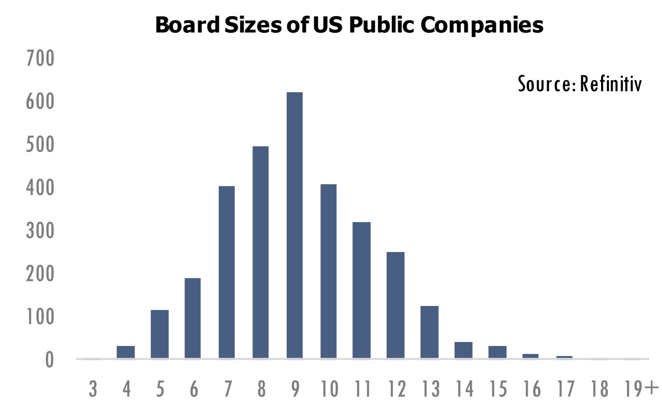
ERISA never uses the word "committee," but the statute demands a centralized fiduciary process. A multi-disciplinary committee combines different areas of expertise, distributes workload, and creates an audit trail. Without that body, one executive may end up juggling vendor contracts, fee benchmarking, default fund reviews, and signing Form 5500s. Institutionalizing these tasks and making them traceable for future committees and other interested and affiliated parties is a best practice for managing responsibility and accountability.

Fiduciary oversight is not about having the right answers; it is about asking the right questions. Committee members are allowed and expected to hire experts to fill in the gaps, where they exist. Sometimes, this goes too far and the experts are given carte blanche with a minimal formality of oversight. However, this is the rare exception, not the norm. At any company, there are people who care deeply about the financial wellness of their coworkers and are willing to devote a few hours every quarter to engaging in decisions and asking good questions.

Size and Structure matter

When determining membership, it's essential to consider how the makeup of the group will shape its focus and priorities. A committee dominated by a single field of expertise (e.g., human resources, finance, investments, legal) will naturally approach decisions differently than one where members have a wide range of backgrounds. A skew toward HR expertise may be well-suited for administrative oversight, while financial acumen may be valuable for discussing investments. However, in all cases, a diversity of expertise adds value.

Smaller companies will have fewer people to choose from. However, even when many qualified candidates exist, it may be productive to limit membership. Smaller committees may excel at faster decisions, obtaining a quorum, and finding time to meet for urgent matters. However, this may come with the drawback of fewer opinions voiced at the table. This is also reflected within board dynamics of US public companies. No board reports fewer than 3 members and 9 is the most common number. The latter is a reasonable upper limit for the size of retirement plan committee, due to the narrower scope. In our experience 3-5 members is typical for investment committees, trending larger if the committee's responsibilities also include plan administration.



Boards and plan committees require strong corporate governance, leadership, and effective communication. Individual members must understand their fiduciary duties. These are obvious requirements. What separates a highly effective board or committee is the level of commitment, engagement, and cohesion. Board composition is very selective. Public companies seek out complementary skills relevant to the field, ethical integrity, leadership experience, and strategic thinking.

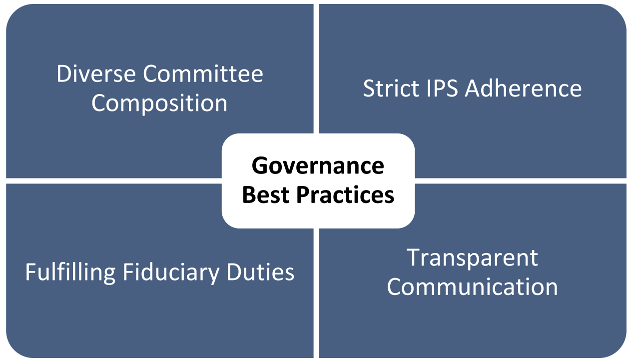
Like corporate boards, retirement plan committees often operate by consensus, with most decisions settled in discussion before any formal vote. As such, tie votes and voting procedures are less of a concern than ensuring all members are engaged in their fiduciary roles and responsibilities. Rather than focusing on hitting a specific headcount, committees should look at the realities of their organization. This leads to debate over having one large committee or multiple committees administrating different plans. A split may allow for more specialized expertise and focused discussions. However, multiple committees can put unnecessary strain on resources (e.g., more charters, more documentation, more oversight) and risk duplicating some efforts without clear and substantive benefits.

A productive compromise between having one or multiple committees is a layered model where senior voting members are joined by junior specialists attending as non-voting participants. This preserves decision-making authority while supplementing technical depth. Non-voting participants contribute vital information and counsel while keeping motions moving.

Governance Layers: Board Oversight Versus Committee Authority

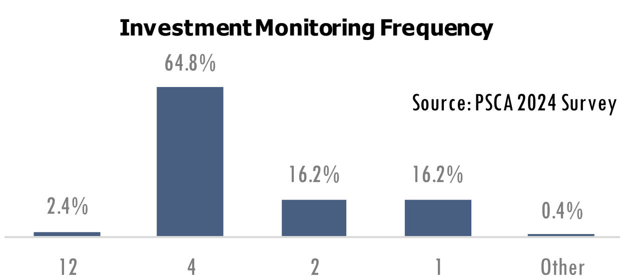
Retirement plan fiduciaries are charged with a strict duty of loyalty, as if they work for the plan's participants rather than the plan sponsor. The authority for a plan committee to act comes from the plan sponsor's board of directors, which delegates this through the plan document and charter. The retirement committee is concerned solely with the retirement plan's design, investments, administration, and operations. This delegation is a method for managing workload, not liability.

The Institute of Directors writes "The Board remains accountable for ensuring that delegated tasks are performed in compliance with legal and fiduciary duties and must maintain oversight of those to whom authority is entrusted." Charters should reflect this as they layout the retirement plan committee's operating structure. Setting the cadence of committee-to-board reporting and identifying which issues require board escalation are important clarifications for proper governance. Requirements for fiduciary training and documentation of meetings should be defined as well. The board should receive meeting minutes and regular briefings. While not mandated by law, routine fiduciary training and board reviews demonstrate prudent oversight.



Ground Rules and Road Maps

Thinking of the charter as the committee's flight plan can simplify things. The charter guides the committee to their goal but cannot (and should not try) to contemplate every eventuality. Successful navigation is about constant adjustment to the current environment back toward a route that reaches the desired destination. Clearly laying out responsibilities without being overly prescriptive makes for a robust document that does not need frequent revision for minor updates or to clear up ambiguities. Consider these defining questions: What qualifications are needed to serve? How are appointments made? How long do members serve? What is the process for removal or succession?



Quarterly meetings are the standard, but are not the only option. The charter should allow for special meetings in response to major market events, regulatory updates, or changes within the company. The charter should be reviewed when milestone laws like SECURE 2.0 roll out new requirements. A short, readable charter, in plain English is far easier to maintain, update, and follow than a dense legal document that few may read and fewer may comprehend. While a charter must lay an adequate foundation for the committee to build upon, one that is too long and detailed becomes burdensome to follow and increases the risk that a provision is overlooked.

Armed with a strong charter, operational details can be straightforward. Sending out meeting agendas and background materials ahead of time and including group routine approvals into a consent agenda may save time by streamlining preparation. A consent agenda is a method used in meetings, particularly by boards and committees, to streamline the approval process for routine and non-controversial items. It groups these items together, allowing them to be approved with a single vote rather than individual motions. This approach saves time and allows for more focused discussion on substantive issues. These steps encourage prep work to not take away from meetings and will lead to more engaged discussion.

During meetings, timeboxes (pre-defined time limits for each agenda item) from the chair keep the meeting orderly by laying out a framework for minutes. Encouraging engagement gives more opportunity for opinions to be shared. Silence isn't consent and members should be encouraged to voice their reasoning for decisions on record.

Meeting minutes should capture the core issues discussed, options considered, and the data that supported the final decisions. This is facilitated by having investment monitoring follow a clear, well-documented process laid out by the Investment Policy Statement (IPS). Preserving and reviewing meeting minutes aligns with ERISA's standards for documenting the fiduciary process and provides another layer of legal protection. Noting general topics covered like refresher training on fiduciary responsibilities (e.g., fee reasonableness, QDIA policy, etc.) product updates, or market overviews are also key. Tracking attendance and storing it with the minutes helps to ensure compliance with the duty of prudence.

Common Issues

Retirement plan committees rarely fail because of a single catastrophic error; they fall short when issues compound. Turnover and disengagement are the two most common. When veteran members exit without a documented hand off, institutional memory disappears and new members struggle to catch up. Maintaining a direct onboarding playbook including the charter, recent meeting minutes, and the plan's IPS will improve continuity, while setting staggered three-year terms provides the opportunity to incorporate new perspectives through an orderly and anticipated transition. Relying on the plan's vendors for historical context, if they have been long-standing relationships, will help current members understand, appreciate, and (when appropriate) critique previous decisions made by past members that may or may not remain prudent.

Guarding against conflicts of interest requires periodic disclosures and clear recusal procedures, making sure a member steps out of discussions or votes if they have an interest in a vendor under review or a personal stake in the matter at hand. This keeps the focus on the participants' welfare, always the overarching goal. Meeting materials, agendas, exhibits, and training logs should be securely stored for at least six years to conform with DOL guidance.

Group-think, single-member dominance, lack of engagement and excessive turnover within a plan are all serious and connected problems that undermine the effectiveness of a board or committee. The structure of the committee plays an important role here too. Rotating the chair or assigning a rotating topic forces fresh preparation and encourages valuable collaboration from less vocal attendees. Although retirement plan committee membership may be viewed as an honorary, recognizing leadership within the company, assigning membership to an overloaded executive can be counterproductive.

Every voting member of the committee needs to vote with their own voice, engaging in every decision, critically analyzing every recommendation, and asking the questions they need to arrive at a fully-formed, independent conclusion. Including the head of the company as a voting member or stocking the committee with several employees from human resources or finance may limit discourse and dissent. Subordinates may feel pressured to kowtow to their boss or swayed by firm politics.

What Great Committees Do Well

Great retirement committees do not just meet regulatory expectations, they build a culture of diligence, transparency, and improvement. Every decision they make is grounded in one goal: acting in the best interest of plan participants. This is not just about compliance, it is about fiduciary duty.

Preparation is the precursor to efficiency within meetings. In strong committees, members receive agendas and materials with enough time to prepare for their meetings and come ready to participate. They ask questions, challenge assumptions, and document the logic behind their decisions. Not just "yes men," they are an engaged part of the process.

Donovan v. Mazzola (1984)

In Donovan v. Mazzola the Ninth Circuit reinforced the high standard of care required of fiduciaries under ERISA. The court emphasized that fiduciaries must act with "the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use." In this case, trustees of the Operating Engineers Pension Trust Fund were found to have breached their duties by investing in high-risk, illiquid loans without proper analysis or diversification. ERISA demands non just good intentions, but expert level prudence and documentation.

The last key item is the learning component. Fiduciary training is not something that happens once at onboarding. It is woven into regular and ad hoc meetings to keep members current with the law, litigation trends, and regulatory expectations. A committee that is constantly learning is one that is better prepared for whatever the future holds.

The duty of prudence requires fiduciaries to act with the same level of care, skill, and diligence that a knowledgeable expert would apply under similar circumstances. The emphasis is on process: sound decisions stem from thoughtful and informed work. This means leaning on outside specialists such as ERISA attorneys, investment consultants, and recordkeepers. While these experts may not always attend meetings, their input helps to ensure decisions meet impartial fiduciary standards.

A committee is a living system. Like a board of directors, its strength lies not just in oversight, but in its ability to adapt, guide, and deliver consistent value to those it serves. Purpose directs, process fuels, and documentation proves. By clearly recording the rationale for every design choice, enforcing disciplined process, and embracing continual education, sponsors elevate governance from a compliance burden to an organizational asset, earning participant trust and surviving litigation.

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