§ 2550.403b–1 Exemptions from trust requirement.

(a) Statutory exemptions. The requirements of section 403(a) of the Act and section 403a–1 shall not apply—

(1) To any assets of a plan which consist of insurance contracts or policies issued by an insurance company qualified to do business in a State;
(2) To any assets of such an insurance company or any assets of a plan which are held by such an insurance company;
(3) To a plan—
   (i) Some or all of the participants of which are employees described in section 401(c)(1) of the Internal Revenue Code of 1954; or
   (ii) Which consists of one or more individual retirement accounts described in section 408 of the Internal Revenue Code of 1954. To the extent that such plan’s assets are held in one or more custodial accounts which qualify under section 401(f) or 408(h) of such Code, whichever is applicable;
(4) To a contract established and maintained under section 403(b) of the Internal Revenue Code of 1954 to the extent that the assets of the contract are held in one or more custodial accounts pursuant to section 403(b)(7) of such Code.

(b) Investment duties. (1) With regard to an investment or investment course of action taken by a fiduciary of an employee benefit plan pursuant to his investment duties, the requirements of section 404(a)(1)(B) of the Act set forth in subsection (a) of this section are satisfied if the fiduciary:
   (i) Has given appropriate consideration to those facts and circumstances that, given the scope of such fiduciary’s investment duties, the fiduciary knows or should know are relevant to the particular investment or investment course of action involved, including the role the investment or investment course of action plays in that portion of the plan’s investment portfolio with respect to which the fiduciary has investment duties; and
   (ii) Has acted accordingly.

(2) For purposes of paragraph (b)(1) of this section, “appropriate consideration” shall include, but is not necessarily limited to,
   (i) A determination by the fiduciary that the particular investment or investment course of action is reasonably designed, as part of the portfolio (or, where applicable, that portion of the plan portfolio with respect to which the fiduciary has investment duties), to further the purposes of the plan, taking into consideration the risk of loss and the opportunity for gain (or other return) associated with the investment or investment course of action, and
   (ii) Consideration of the following factors as they relate to such portion of the portfolio:
      (A) The composition of the portfolio with regard to diversification;
      (B) The liquidity and current return of the portfolio relative to the anticipated cash flow requirements of the plan; and
      (C) The projected return of the portfolio relative to the funding objectives of the plan.