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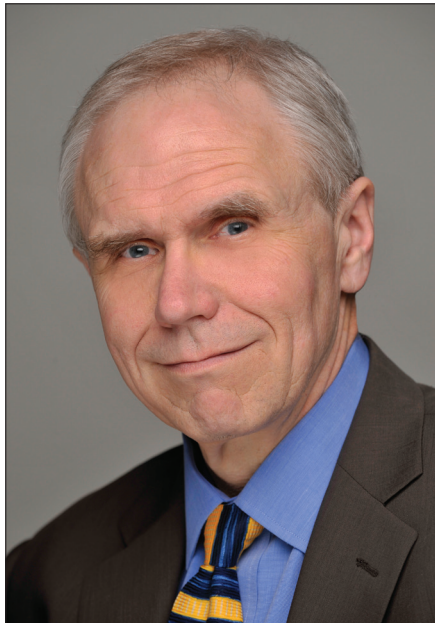
*Articles, Interviews and Statistics for the Healthcare Executive*

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## DB Retirement Plan Management Part 3: How Do You Measure Success?

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### HAVE A PLAN

Retirement laws and prudent investor regulations require that plan sponsors, investment committees and advisors (all legally defined as “fiduciaries”) act with the skill, care and diligence of a “prudent expert.” Many legal and investment observers interpret this to mean that, at a minimum, the organization and supporting professionals adopt a defined and documented process, based upon an investment policy that lays out the objectives, constraints, preferences, procedures and practices that will be uti-

lized in the fulfillment of the plan’s investment mission.

These standards apply not only to pension plans which directly impact the balance sheet and income statement of the organization (including net worth and profitability in some years), but also defined contribution retirement plans such as 401(k), 403(b), 457 arrangements and even foundation and endowment accounts.

With the written investment policy or “recipe” in place, plan fiduciaries can then implement the plan subject to the business issues that the investment marketplace and vendor service issues may impose.

### BENCHMARKING: RETURN, RISK & EXPENSE

The investment committee needs to be able to prove that it did the right thing, in the right way, for the right reasons, at the right time, with the right manager, vendor or advisor. The issues that the regulators or plaintiff’s counsel will seek to discover won’t deal with results as much as your attempts to “do the right thing.”

If you start with an investment policy that says: “We want investments that produce above average returns, with below average risk,

and we want to pay no more than average expenses,” then you have defined your investment selection and monitoring standards.

You can then benchmark your investment return, risk and expense results period by period, compared to various peer groups – other investment alternatives and other plan sponsors of a similar size and plan.

Benchmarking services should be delivered by an objective third party; a professional other than the guy or gal who sold you the products that are being measured and reported upon.

Such reports typically include a narrative review of the market environment to help apply the current investment performance back to economic, political and investment forces in the marketplace.

### PAY-OFF

The quarterly benchmark report is used to review and compare the plan’s investment results in the context of general and plan-specific issues. At the end of the process, the committee is able to adapt and adjust its investment plan to enhance its investment results, for the benefit of the retirement plan, its participants and the plan spon-

sor. Everyone wins.

To receive a sample copy of an effective plan benchmark report, call or email the author of this column. See how risk, return and expense tie together, based upon minimum standards

and peer comparison.

**Next Month: “Retirement Plan Management: OK, We Have a Report, Now What?”**

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**Does your staff  
retirement plan need  
some help?**

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second opinion.**

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- Even if you have an existing brokerage or advisory relationship, our **benchmarking** services can help ensure that your policies and practices are both **effective** and **efficient**

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