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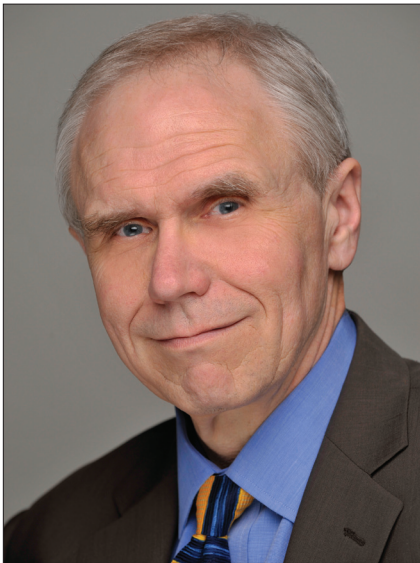
Articles, Interviews and Statistics for the Healthcare Executive

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Retirement Plan Management Part 4: We Have a Report, Now What?

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Compare to Plan

The concept of benchmarks should be very familiar to healthcare professionals whether they are in medical, financial or operational functions. In managing a retirement plan, benchmarking your expenses and risk adjusted results can provide similar benefits as in other healthcare practice areas.

Last month, we talked about a retirement plan's written investment policy as a "recipe" to help plan fiduciaries manage the assets of the retirement program. We also introduced the concept of an objective, standards-based analytic report that compares the investment results of the plan's assets relative to the returns produced, risks taken and expenses incurred.

Some readers asked about the best way to create such a report and in those conversations, we suggested that there are three options available to plan trustees: 1) "Borrow" the reporting system of your broker or vendor and rely upon that perspective to ensure that you are meeting your objectives; 2) "Build" your own data collection and reporting process using Morningstar, Excel or some other tool; or 3) "Buy" the services of an objective third party who has no "dog in the fight" and is not selling you something other than an objective professional opinion – like your doctor.

Each of the three options involves some degree of effort and expense, but the results of a diligent and objective analysis of your plan can be significant. These results include better decisions, improved investment returns and lower expenses. In our experience, the nominal effort and expense of an objective benchmarking program for employee retirement plans often provides an immediate return on investment (ROI) equal to the cost of the benchmarking program – several times over.

Standards-Based

A written investment policy provides minimum standards for consideration, selection and retention of investment products for use in your 401(k), 403(b), 457 or other

retirement plan.

Let's also assume that the written objectives for risk, return and expense of plan investments can be referred to as the "Lake Wobegone Standard" where all of the measures are "better than average."

With a formal policy in place and a quarterly benchmarking report in hand, you can compare 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.

Reviewing the Report

The most important part of the report is the summary of exceptions for the current and prior periods. Did any of your managers fail to meet all standards? Is the failure part of a continuing trend? What is the cost of the failure? These are all the questions to be asked and answered in reviewing the report and managing your fiduciary responsibilities.

The next step is to monitor any exceptions and develop procedures for escalation, remediation and possible replacement of investment options.

To receive a model investment policy statement (IPS) and a sample of a standards-based quarterly report for your use in

managing plan investment operations, call or email the author of this column.

Next Month: "Retirement Plan Management: Exception Manage-

ment & Replacement"

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retirement plan need
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