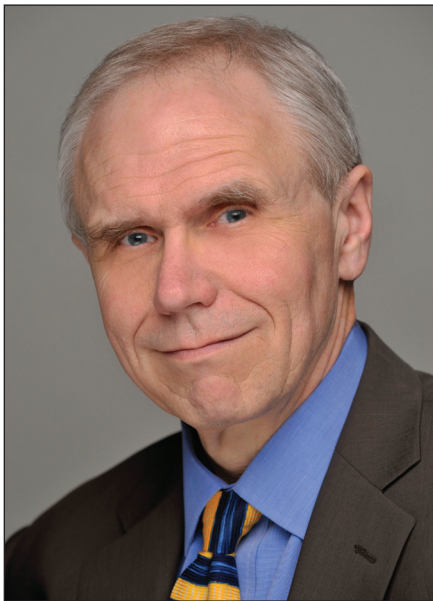


Current Topics & Trends in DB Retirement Plan Management: Part 1 - Fund It, Fix It or Forget About It?

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Background

Defined benefit plans were designed to provide certainty and stability in the delivery of retirement income for workers. The impact of the Pension Protection Act along with the recent market melt-down have combined to place incredible pressures on the entire pension system. Many plans have gone from over-funded to under-funded status. Strategies and tactics long recommended and considered safe no longer seem to perform as advertised.

Mid-market pension plans face many challenges, among them: 1)

Actuarial and investment professionals often don't understand or fully appreciate the full impact of their counsel to clients; 2) Advisors and brokers may receive compensation that is inconsistent with best practices and good advice; and 3) Investment and administration vendors' business models and financial interests may not be well-aligned with the best interests of their corporate customers.

The primary issue for most employers is how the DB plan can help build and grow the employer's primary business. Successful DB consulting relationships begin with the business needs of the employer. Actuarial and investment consulting can follow to meet the critical business objectives, but success is more likely if there is a coordinated, collaborative strategic plan.

Decision Model

In trying times like these, many options are available to plan sponsors. You can fund, fix, freeze or even terminate your plan. Each decision path carries both risk and opportunity. The skill, care, diligence and objectivity of your advisors can have significant and long-lasting effects upon your plan, your corporation and even your own professional and personal success.

The first step in an orderly approach to weighing your decisions is to decide who you want to rely upon and in what roles or areas of expertise. There are basically three perspectives on any pension plan decisions: business issues, liability issues and asset issues.

Business Issues: These are the C-Level topics tied to business survival and success. These deal directly with P&L and balance sheet impacts of pension plan decisions. The employer's own staff, legal counsel and consulting generalists are the most important resources for this area of effort.

Liability Issues: The actuarial professional has historically played a prominent role in this arena, related to plan design, administration and operation, including calculations and regulatory reporting. In today's environment, specialty-consulting support for DB plan design and liability management are critical elements in plan sponsors' ability to make informed decisions.

Asset Issues: Investment services in a DB environment call for skills, experiences and tools very different from the typical 401(k) or retail investment advisor or consultant. Relatively few professionals have the requisite resources to support

DB business and liability issues from the investment perspective.

In an ideal world, the administration and investment professionals you use would be full partners able to understand and help address business issues. Is that the world you live in?

Next Month: “DB Plan Manage-

ment: Part 2 – Ward’s Top Five List of Pension SNAFUS”

Coming in June: National Webinar on Health Care DB Plan Crisis Management

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