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Retirement Plan Management: A Brave New World of Compliance

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Healthcare employers have faced significant challenges over the last few years. These take the form of new rules and regulations, new risks and economic issues that impact employee retirement accounts and employer budgets.

Many healthcare employers are responding effectively to newly mandated regulatory burdens. But there is more to be done as business managers seek to recruit, motivate and retain valued workers – while managing personal, professional and organizational risks.

Key compliance obligations cover written plan documentation and ERISA fiduciary responsibilities of the plan sponsor.

Two major issues for larger plans are third party audits and Federal reporting under Form 5500. As a result, we may end up with government-mandated compliance reporting similar to food labeling - another form of disclosure with which we are all familiar. See our playful prototype plan “nutrition” label at right.

A recent study from the TIAA -

CREF Institute found that 63% of healthcare or hospital plan administrators surveyed believe that they are fully compliant with all new retirement plan regulations. Good news so far, but many of the

plan sponsor’s challenges go beyond the written regulations, and many long-accepted standards of practice for 403(b) plan management don’t necessarily carry over well to the world of ERISA. Here

Retirement Plan Expense Data		
Lafayette Clinic	As of	12/31/2009
Serving Size (Average Plan Account/Participant)	\$	20,000
Servings Per Plan (Number of Participants)		100
Total Plan Assets	\$	2,000,000
Summary		
Total Plan Expense	\$ 59,020	% of Reasonable Cost 154%
Detail		
Prospectus Expenses		Comments *
Fund Management Fee	\$ 23,020	Within Range
Distribution Fee (0.25% of assets)	\$ 5,000	Questionable Value
Administration Fee (0.25% of assets)	\$ 5,000	Some Value
Asset-Based Fees		
Insurance Contract Fee **	\$ 24,000	Not Recommended
Asset Wrap Fee	\$ 7,000	Not Recommended
Administration Fees/Charges	\$ -	Buried in Contract/Wrap Fee
Other Plan Expenses		
Broker/Rep "Advisor" Commissions	\$ -	Included in Contract Fee Above
Co-Fiduciary Advisory Fee (not offered) ***	NA	Optional ERISA Reimbursement
Plan Audit Fee	\$ 5,000	Optional ERISA Reimbursement
Total Plan Costs (as \$)		
Current Plan Costs	\$ 59,020	Based Upon Industry Data
Estimated "Reasonable" Costs ****	\$ 38,310	Advisor's Opinion
Estimated Excess Costs	\$ 20,710	
Total Plan Costs (as % of assets)		
Current Costs	2.95%	Based Upon Document Review
Estimated Reasonable Costs	1.92%	Based Upon Industry Data
Personal Impact of Expense Structure		
Per-Participant Cost / Year	\$ 590	
Excess Cost Per-Participant	\$ 207	
* Based upon industry research and advisor experience with comparable plans, without brokerage loads / commissions.		
** Includes credit for fee-splitting and revenue sharing from fund managers.		
*** The broker/registered rep in this case is not a fiduciary advisor , but is paid by commission.		
**** Includes services of co-fiduciary SEC-registered investment advisor ("RIA").		

are the key regulatory mandates and business issues flowing from the new regulations:

1. **Reporting:** Plan documentation, ERISA standards of care, tax reporting under Form 5500 and third party audits for larger plans.
2. **Risk Management:** Process documentation and objective advice at both plan and participant levels; supported by plan benchmarking and rating standards.
3. **Economics:** Fee and expense transparency, along with competitive vendor price through negotiation and ERISA spending/reimbursement accounts for cost recovery.

Auditors, administrators and advisors have responded. Some examples:

TIAA - CREF has partnered with

Deloitte Tax, LLP to provide a signature-ready Form 5500 preparation service. Principal Financial Group has released an updated Form 5500 data collection tool to make the review and reporting of investment expenses easier, faster and more accurate.

At the same time, many CPAs providing plan audit services have focused their educational and outreach efforts to help healthcare plan managers satisfy audit requirements effectively and efficiently.

Perhaps the most exciting trend is the adoption of non-brokerage service and advisory models that provide open architecture, fee transparency and cost recovery and expense reimbursement mechanisms to reduce employer plan costs under a co-fiduciary risk management model.

Healthcare employers have sig-

nificant opportunities and to help share the good news, the authors will host a national webcast on challenges and opportunities in healthcare retirement plans.

Healthcare News readers are invited to attend this free event on May 11th at 11am Eastern, 8am Pacific.

Our one-hour webcast will feature recognized experts on healthcare plan design, administration and investment. Our objective is to help webinar attendees to make better decisions through better information to deliver better results. Let us show you how.

Attendance is complimentary, but registration is required. To reserve your seat email ward.harris@mchenrypartners.com.

Ward Harris, managing director with McHenry Partners, is a

<p>Better Retirement Results</p>	
<p>Performance Service Price</p>	
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