BY STEFF C. CHALK

How Plan Sponsors Begin to Change Plan Outcomes

To effect positive change, plan sponsors must come to grips with their new three-part role: visionary, leader and responsible party.

There is a continuous shaping and re-shaping of what a group of plan sponsors will communicate and learn during a classroom session when the goals of the attendees are aligned. Not all education sessions are created equal; because of that, learners can become the best instructors on the issue of what ails the private pension system.

Corporate America continues to progress along the path of supporting millions of American workers in their quest for a respectable retirement — on their own terms. Over the last 30 years, CEOs, HR directors, CFOs and risk managers have accepted an ever-morphing, and at times thankless, role in assisting employees in securing their own retirement via the corporate retirement plan.

Today, plan trustees are faced with the compelling influence of behavioral finance. Anyone who oversees a corporate retirement plan serves their plan participants well by incorporating the concepts and practices of both psychology and finance. However, the forward-looking plan sponsor/plan trustee does not stop there. Plan sponsors today are looking for more than the low hanging fruit afforded by behavioral finance. Very similar to the '80s and '90s, education remains a front-burner topic — although this time it is the plan sponsor who is seeking education.

Plan sponsors have come to realize that during recent years their role has progressed to one of visionary, leadership and responsible party.

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Visionary

As the plan visionary, responsible trustees are asking of colleagues, plan advisors and industry practitioners, "What does the ideal retirement plan look like?" Few companies have on staff more than a single visionary; however, it requires only a single visionary to make a difference in a company retirement plan. In turn this can result in an impact on thousands of plan participants within that company.

The visionary must be in the position to understand "what can be" and to recognize "what *delta* exists" between his or her own plan and what others might perceive to be the ideal plan. Comprehending the gap is the initial step in effecting the needed change. Most plans today have a visionary — most companies have someone on-staff who "gets it" when it comes to what should be delivered to plan participants. However, a visionary alone is not sufficient. A visionary must be accompanied by a leader.

Leadership

Leadership has moved to the forefront concerning the oversight of company retirement plans, and for more than one reason. Significant change will be required in most qualified retirement plans. In the absence of a strong leader, little can be communicated and even less will be accomplished. An advocate must be present in-house for communicating the change that needs to take place. The leader must communicate the plan needs and what the plan is intending to change, revise or update. However, since the leader will normally be a strong voice within the company (meaning they will have other corporate duties), there must be an individual present who is willing to own and carry out the charge. There is a need for a responsible party.

Responsible Party

The responsible party does not need to be separate from the visionary and/or the leader — although in most cases it will be.

The responsible party will need to work tirelessly at making the retirement plan everything that that the visionary had described. The leader will need regular updates from the responsible party — both progress reports and awareness of impediments or obstacles. The responsible party is the owner of the successful outcomes of the plan.

Conclusion

Few plan sponsors are able to envision the team requirements that are necessary to successfully design and implement a better retirement plan. Many firms are reluctant to make a change if nothing is broken internally. In the absence of some significant pain being experienced on the part of the sponsoring organization, management will normally assume that no change is warranted. That may or may not be an accurate self-assessment.

The above is a framework for delivering positive change to the retirement plan. This framework can be effective in large or small organizations. Bear in mind, though, that what is described above is a starting point, not a destination.

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