The Plight of the Plan Sponsor Fiduciary

BY STEFF C. CHALK

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

Sponsors of qualified retirement plans accept favorable tax treatment as they simultaneously accept responsibility for the oversight of plan assets, plan-related procedures and the plan participants' retirement security. Whether knowingly or cloaked within a shroud of ignorance, the plan administrator accepts the task of performing to a standard of care that is the highest level defined by law — the fiduciary standard of care under ERISA. The benchmark measurement today is that of a prudent expert — a tall order for any individual in any situation.

The spectrum of knowledge required of retirement plan committee members is wide, encompassing law, regulation, asset allocation, investment theory, human behavior and actuarial concepts. Moving beyond the breadth of the knowledge spectrum, the discussion becomes one of the depth of knowledge that a plan committee member possesses in each of the topics. Investment advisors and pension consultants benefit by having access to proven and relevant options for obtaining qualified and appropriate training or education. Options available to advisors and consultants make each of the programs stronger than if there were only a single source.

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Plan Sponsor Education

There are few choices available to plan sponsors when seeking a comprehensive education program along the spectrum of qualified plan topics. Surface-level education does exist; however, plan sponsor fiduciaries have limited options for acquiring in-depth fiduciary training or education.

Contrast the education opportunities available to the plan sponsor to those available to the plan advisor, where curriculums are mature, programs are credentialed and results are proven. You'll find that corresponding content-rich training and certifications available to plan sponsor fiduciaries are limited. The programs are limited, the content is limited and the depth levels of the education are inconsistent. If the plan sponsor fiduciary desires a deep dive into any of the spectrum topics, they must seek multiple sources and are often forced to cobble together their own programs.

Typical Talent-pool Development

With the exception of large to mega plans (those plans with assets in excess of $750 million), most retirement plan oversight duties fall to a small core of employees who accept fiduciary responsibility for the company retirement plan but are often completely lacking any formalized training or education. In many cases, a new retirement committee member is appointed by virtue of either his or her job title or the departure of a colleague who had served on the committee, irrespective of the knowledge base or ability of the incoming committee member.

Newly appointed committee members are often advised by fiduciaries — who should know better — to "come to a few meetings; you'll get an idea of what this committee is all about after about six to nine months." (Such advice cannot be comforting when *Forbes* is publishing an article, "4 Reasons to Sue Your 401(k) Plan Administrator" (Forbes.com, Oct. 7, 2013), that concentrates on fees, prudence of decisions, conflicts of providers and conflicts of fund administrators.)

The Development of the Professional Plan Sponsor Fiduciary

Data from the Employee Benefit Research Institute and Greenwald and Associates, Inc. (from prior studies and the 2013 Health and Voluntary Workplace Benefits Survey) reflect employees' perceived value of health care coverage as a company benefit and the waning perceived value of the 401(k) as a company benefit over the last 15 years.

That presents a challenge for the plan sponsor fiduciary to address the 401(k) savings plan as the important benefit structure that it has become, when plan participants are distracted from the significance and value that such a self-funded retirement plan delivers.

Where will the next generation of plan sponsor fiduciaries be developed? Is it sufficient to have new fiduciaries spawned from the ranks on an "as-needed" basis? Why is the role of plan sponsor fiduciary perceived as something of an inconvenience? Why is it treated as a hardship by some?

The plan sponsor fiduciary position is one of respect, trust and service. Corporate America needs to commit the time, attention and resources to permit the position to develop and flourish.

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