



INCREASING VENDOR ACCOUNTABILITY WHILE IMPROVING CURRENT RELATIONSHIPS

CASE STUDY

CHALLENGE

A client, a large university, continually sought to adopt new initiatives, products, and services in pursuit of improving plan performance and participant satisfaction. This client had maintained a particular vendor relationship for over 90 years; despite work from both parties the relationship had become stale, leaving the client in search of new ideas. The client was also not eager to potentially cause disruption to a Plan that had operated without any major problems for nine decades.

In 2011, this client retained Multnomah Group to evaluate the plan from top to bottom and develop a strategy through which the vendor could meet the unique needs and goals of the institution. Additionally, Multnomah Group would create a process for the institution to implement, measure, and enforce that discipline. At the outset of the engagement the client outlined the following goals:

1. Develop the necessary documentation and processes to manage the client's responsibility as fiduciary to the Plan;
2. Evaluate the current design of the plan to see what changes might be made to simplify operation and improve participant retirement readiness; and
3. Renegotiate the service contract and fees to create greater accountability from vendor to client.

The goals were ambitious, but the constraints perhaps more so. The client wanted to change how the plan looked, felt, and operated, but also maintain vendor relationships that were woven into the fabric of the university.

PROCESS

Coming up to speed on a new plan, sponsor, and committee is a top priority when evaluating how a plan operates and determining opportunities for enhancements. We began our engagement with a top to bottom plan review, including:

- Current Governance Structure and "Ownership" for Plan Operation
- Plan Design
- Vendor Costs and Services
- Investment Performance
- Participant Behavior

Multnomah Group was able to identify a number of areas where restructuring could lead to increased efficiency, cost and ease in administering the Plan.

First, with the goal of simplifying the Summary Plan Descriptions provided to participants, the sponsor had been maintaining two separate plans. This structure resulted in increased administrative costs due to separate mailings, annual audits, and legal costs associated with the maintenance of two separate plans.

Second, the service contract was vague in terms of articulating the vendor's role in ensuring compliance with various rules and regulations under ERISA, as well as identifying what those services would cost. In order to comply with specific rules under ERISA as well as its fiduciary duty, the client needed assistance to help determine whether the fees being paid were reasonable.

Finally, the Plan document dictated that fiduciary responsibility for the plan lay with the Board of Directors. Meaning, the Board was responsible to (for example) evaluate services and investment products, and determine whether the features of the Plan were in fact helping participants reach their retirement goals. The Board wanted guidance to help them understand their duties and to develop methods to effectively and competently meet their duties.

RESULT

Multnomah Group provided guidance and recommendations to the client in order to implement the following changes to the Plan and its administration:

Overhaul of the Plan Structure

- The Client was able to reduce operational overhead by merging the separate plans
- A custom SPD was drafted to efficiently and effectively explain the client's comprehensive retirement plan design

Renegotiation of the Service Agreement

- Multnomah Group worked with both client and vendor to renegotiate terms and clarify expectations under the service contract
 - The new service agreement more clearly articulates accountability, and includes remedies if services guarantees are not met
 - The new service agreement more clearly articulates the cost for administrative services

Creation of a Retirement Plan Committee Charter and Development of Fiduciary Responsibility Procedures

- Multnomah Group recommended the creation of a Charter to delegate responsibility from Board of Directors to a Retirement Plan Committee (RPC)
 - These members could provide focused attention to and appropriate oversight of the plan
- Multnomah Group provided educational materials and procedures designed to assist the RPC to understand and satisfy their duties and responsibilities under the complex requirements of ERISA
- An acknowledgment and nomination process was developed for RPC members
- A fee policy statement was developed to articulate how plan expenses should be managed
- A feedback policy was developed and implemented for participants to express opinions and thoughts on the plan and its operation to the RPC

Development of an Investment Policy Statement and New Investment Philosophy

- Multnomah Group provided improved diversification by developing a tiered array of investments which included:
 - target-date defaults
 - broad lowest cost index funds
 - actively managed investment mandates
 - fixed and variable annuities
 - a limited mutual fund window (for sophisticated investors)
- Multnomah Group evaluated each investment product to determine suitability as defined within the new investment policy, and recommended removal of redundant products and replacement of underperforming products
- Multnomah Group provided assistance in drafting communications and developing an education plan to help participants understand the new investment structure
- Revisions to the fund lineup reduced the average cost of investments by more than 15%

Developed an Education Policy to Improve Plan Understanding

- Multnomah Group performed benchmarking in order to evaluate
 - how well the Plan contributed to retirement readiness for participants
 - how industry “best practices” could improve services and performance without changing the vendor structure
- An annual client improvement plan was developed with the vendor including measurable criteria for evaluation of effectiveness in meeting plan goals

- A communication project was implemented to show how accumulated balances convert to retirement income in order to educate participants on whether they are saving enough for retirement
- Supplemental Plan participation is projected to improve due to the changes in plan design and reduced burdens in the enrollment process

To find out how the Multnomah Group can help your organization achieve its goals please feel free to contact one of our consultants.

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