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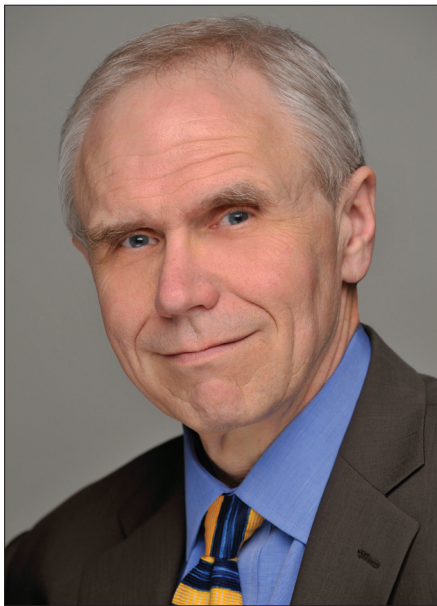
Articles, Interviews and Statistics for the Healthcare Executive

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Current Topics & Trends in Retirement Plan Management: Five Things to Avoid

By **Ward M. Harris**
Managing Director
McHenry Partners



Review

Last month, we discussed key issues related to challenges in defined benefit retirement plan management. The skills, perspectives and business agendas of consultants, advisors and service providers were suggested as potential conflict fulcrums, along with the distraction of the markets and the challenges of running the core business of the plan sponsor.

We also addressed the challenges of a traditional DB decision model which may fail to align business, liability and asset issues into a combined and integrated strategic

plan. The result? Lost opportunities to better manage the employer/sponsor's risks while pursuing the objectives of the plan.

Top 5 Pension Mistakes

With the help of many contributors from the "buy-side" (plan sponsors and professional staff) and from the "sell-side" (consultants, advisors, vendors and related professionals), here is our list of most often seen risks to plan and sponsor health:

- 1. Sponsor Inertia:** Many DB programs predate the current management, staff and business realities of healthcare plan sponsors and their participants. How do you keep your plan aligned with your organization's current business objectives?
- 2. Poor Strategic Planning:** Inertia can lead to complacency and failure to "keep it fresh." How can you efficiently and effectively stay focused on the long game?
- 3. Overreliance on Trusted Advisors:** No one is good at everything. Are you asking your professional advisors or vendors to perform in roles outside of their core competencies or business models?

4. Resource Misallocation: We believe that 80% of the expense, effort and time invested by plan sponsors and their staff produce (at best) only 20% of the risk adjusted return available to the plan. How can you get the "best" risk-adjusted return on your investment of time, money and effort?

5. Failure to Execute: Example: Two years ago, many plans were over funded. Today the reverse is true. How do you walk the line between strategic and operational decisions to take advantage of opportunities and circumstances?

Next Month: "Retirement Plan Management: Part 3 – "How Do You Measure Success?"

Ward Harris is Managing Director with McHenry Partners, a national investment consulting firm. He has over 30 years experience in investments for corporate and not-for-profit organizations, Ward has served clients in consulting and management roles at Union Bank of California, Schwab Institutional and Rogerscasey, Inc. He can be reached at 1-800-638-8121 or ward.harris@mchenrypartners.com.

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