DETERMINING THE TRUE ~~COST~~ VALUE OF YOUR RETIREMENT PLAN

An interview with Lee Topley, Managing Director of the Retirement Plan Consulting Group at Unified Trust Company. Unified Trust is a national trust company and one of the only discretionary trustees in the country.

Q. Your firm argues that the current retirement system is largely dysfunctional in that it doesn't succeed in doing what it's intended to do. Can you elaborate on that?

TOPLEY. Sure. A retirement plan should be considered a success when participating employees are able to retire with enough money to last them the rest of their lives. However, research shows that, on average, only one in four plan participants are on track to retire successfully. Think about that number. There's something fundamentally wrong with how the industry is delivering retirement plan services to participants nationwide. Part of the problem has been that, historically, our industry has only worried about the asset portion of the retirement equation and not the total equation. It has generally ignored the liability portion or, in other words, how much is needed for retirement.

Participants, employers/plan sponsors, and plan advisors all pay the price of the current system's dysfunction.

Q. What's the price they pay?

TOPLEY. Obviously, if only one in four participants is on track for an adequate benefit at retirement, that is a significant price in and of itself. Participants are being asked to become investment managers of their own retirement plans and, for a majority of them, it's a role for which they have no training (30 to 40 minutes in an employee communication meeting doesn't suffice). They are confused, often make bad investment choices, don't contribute enough, and lose heart. And many employers, who are fiduciaries for the plans they offer, do not have the expertise necessary to fulfill their obligation as fiduciaries. Fiduciaries have important responsibilities and are subject to high standards of conduct because they must act on behalf of the participants in the plan and their beneficiaries. In addition, many employers don't feel they have the expertise to make prudent investment decisions for their plans. Finally, plan advisors are required to review as many providers as necessary to determine which providers are best suited to meet their needs for servicing plans as well as what providers are best for their clients.

Q. Is there a solution?

TOPLEY. Yes. At Unified Trust, we decided that we needed to change the conversation in our industry, so we have spent a lot of time determining what works and what doesn't work. Our goals have been to increase the percentage of participants who are on track for a successful retirement (improving outcomes!), to assist plan sponsors fulfill their fiduciary responsibilities, and finally help plan advisors affirm their value proposition, justify their fees, and maximize and leverage their skills.

Imagine an advisor that has the ability to walk into a company and tell the owner, CFO, or HR director that by working with me, we can improve the outcomes of your participants by three fold, and I have the data to prove it.

Q. How do you achieve this?

TOPLEY. It's a multi-layered approach, one that combines our innovative solutions with the expertise, professionalism, and support of plan advisors. Our partnership with an elite group of plan advisors—we refer to them as our Advisor Partners—is absolutely critical to the success of our approach since they are on the retirement plan front lines every day and want participants and sponsors to succeed as much as we do.

Our new value proposition with our Advisor Partners is designed to do several things. It gives our advisors a template for the holistic governance of their clients' retirement plans, and it facilitates a step-by-step process for increasing the percentage of plan participants who are fully funded (in the actuarial sense) from 25% to over 70%.

Q. Specifically, what's so different about your approach?

TOPLEY. Our approach focuses on improving outcomes. Essentially, we do several extremely important things very different from current industry practices.

First, we are one of the few institutional trustees nationwide that functions as an active, discretionary trustee, taking full fiduciary responsibility for the assets of the plans we serve. What that means in practical terms is that Unified Trust gives employers peace of mind by providing the highest level of fiduciary protection available to them under ERISA.

Next, working with our Advisor Partners, we focus on participant enrollment, education, and retention. With our Unified Success Pathway® model, we recommend that eligible employees are automatically enrolled in the plan, that the participant's savings rate is set at a default rate, hopefully 4% or greater, and that the savings rate is increased each year, automatically, by a specified increment, such as two percentage points, thereby doubling or tripling the savings rate in a few years. The default investment is a professionally managed portfolio with automatic rebalancing.

Our UnifiedPlan® platform is another innovative approach that significantly increases the adoption rates for participants because the inertia that hurts participants with the elective services helps many participants stay in the plan at the default levels. The UnifiedPlan® also provides tools for plan advisors to work with sponsors and participants. The standard quarterly reporting for this service gives each participant a "status" of where they stand each quarter—are they on track (fully funded) or off track (under funded)? Our enhanced dashboard reporting helps advisors focus on those participants who aren't on track for retirement success.

The enrollment process is radically different as well. Our Advisor Partners are able to give every participant a specific retirement goal: replace 70% of preretirement income (to include social security) with the least amount of risk as close to social security normal retirement age as possible. Our Advisor Partners then are able to create a highly personalized plan to improve the likelihood that the participant will reach that goal. Each participant's situation is reviewed quarterly and adjustments are made automatically when necessary. Essentially, all the right things are done for participants unless they opt out.

Q. And the Advisor Partner is always at the center of this process, correct?

TOPLEY. Always. We absolutely value the Advisor Partner relationship—all interaction with the sponsor is channeled through the advisor. Our policy has always been 100% fee transparency with full disclosure and this puts the advisor in a very solid position when dealing with plan sponsors or investment committees. Most important, with measurable improved outcomes for participants, our Advisor Partners can easily justify their value proposition for current clients and enhance their potential opportunities with prospective clients. Imagine an advisor that has the ability to walk into a company and tell the owner, CFO, or HR director that by working with me, we can improve the outcomes of your participants by three fold, and I have the data to prove it.

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