

THE ASPPA Journal

ASPPA's Quarterly Journal for Actuaries, Consultants, Administrators and Other Retirement Plan Professionals



FEATURE ISSUE

Looking Back— and Poised for the Future



by *Chris L. Stroud, MSPA*

Just a little more than one year ago, we were celebrating ASPPA's 40th birthday and the passage of the Pension Protection Act of 2006 (PPA). As we look back at some of our recent accomplishments, it is easy to see that ASPPA is well poised for the future. As a result, we can all look forward with confidence to the next 40 years.

The successes that we are enjoying today could not have happened without the commitment and leadership of many people—our Executive Director/CEO, Brian Graff, our Executive Committee, our Board of Directors, our staff, our volunteers and our Past Presidents, whose forward thinking set the wheels in motion for many of today's successes. All of these forces remain strong within ASPPA. We have many guardians watching over our organization, helping to set our future direction and ensure future successes.

Continued on page 3

In This Issue:

Washington Update

Inside ASPPA's Self-regulation Program for Recordkeeping Firms

Fiduciary Governance of a Qualified Plan

Emerging Trends for PPA Fiduciary Advisers

Education with IMPACT—The Edu-tainment Experience™

Fewer 401(k) Savers Would be Facing Inadequate Nest Eggs



Give us your Autorollover business, and we'll throw you a bone!

TPAs are paid \$25* for every account that
is rolled into the AutoRollover Program!

Could it be any simpler?

\$ 136,150

TPAs have earned over \$136,150 to date



In addition to paying you \$25 for each IRA account*,
signing up for AUTOROLLOVERS provides
Plan Sponsors with the following benefits:

Participants enjoy:

- Low-cost IRA account
 - No account set-up fee
 - Low annual maintenance fees
- High yielding default investment
 - Eleven additional mutual fund offerings
for account diversification
- A fully compliant Safe Harbor rollover solution*
- Reduced Plan expenses
- Easy to sign up: one contract covers all rollovers
- No cost to Plan Sponsor nor to TPA
- Eliminate need to track former employees
- Avoid lost participants upon Plan termination

* \$25 paid for rollovers that exceed \$200

AUTO ROLLOVERS
by BPA-HARBIDGE

Roth 401(k) accounts accepted
with no additional costs

AutoRollovers by BPA-Harbridge
6 Rhoads Drive, Suite 7
Utica, NY 13502-6374
1-866-401-5272

www.autorollovers.com



CONTINUED FROM PAGE 1

Editor in Chief

Brian H. Graff, Esq., APM

The ASPPA Journal CommitteeWilliam G. Karbon, MSPA, CPC,
QPA, Co-chair

Teresa T. Bloom, APM, Co-chair

Kimberly A. Flett, QKA, Vice Chair

Amy L. Cavanaugh, CPC, QPA, QKA

Stacey D. Hall, QPA, QKA

Barry Kozak, MSPA

Michelle C. Miller, QKA

Mary L. Patch, QKA, QPFC

Paul J. Shortier, CPC, QPA, QKA

Chris L. Stroud, MSPA

Peter K. Swisher, CPC, QPA

Editor

Chris L. Stroud, MSPA

Associate Editor

Troy L. Cornett

Production Manager

Troy L. Cornett

Technical Review Board

Michael Cohen-Greenberg

Barry Kozak, MSPA

Marjorie R. Martin, MSPA

Robert M. Richter, APM

Nicholas L. Saakvitne, APM

Advertising Sales

Dawn Bancroft

Design and Layout

Lynn A. Lema

**ASPPA OFFICERS****President**

Sal L. Tripodi, APM

President-ElectStephen L. Dobrow, CPC, QPA, QKA,
QPFC**Senior Vice President/Treasurer**

Sheldon H. Smith, APM

Vice Presidents

Ilene H. Ferenczy, CPC

Thomas J. Finnegan, MSPA, CPC, QPA

Secretary

Robert M. Richter, APM

Immediate Past President

Chris L. Stroud, MSPA

Ex-Officio Member of the Executive Committee

David M. Lipkin, MSPA

Over the past few years, ASPPA has taken many steps to strengthen the organization. We have recognized that ASPPA is a big business now. We have developed a strong strategic plan, and we have institutionalized the process to keep it fresh and maintained from year to year. We have business plans for all of our departments—and we have just approved our first \$10 million budget for 2008. Amazing! This past year, we have updated our bylaws and governance structure to make us a more nimble organization. Our staff chiefs are very effective at leading the staff, and they have been working diligently to strengthen our internal operations and procedures.

We enjoy a growing membership, which exceeded 6,000 members during 2007. We are breathing new life into our education and examination programs. While we retool our programs to anticipate the impact of the Enrolled Retirement Plan Agent, we are also developing new ways to deliver education in order to meet the dynamic needs of today's rapidly changing environment. We have recently announced a new education partnership with Indiana University-Purdue University Fort Wayne to offer distance learning for ASPPA's education programs. (see "Institute for Pension Plan Management" on page 40)

Our presence on the Hill is stronger than ever, thanks to the hard work of the Government Affairs Committee and the PAC. Our Marketing department is committed to continue to brand ASPPA and to communicate the value of ASPPA credentials. Our new Professional Services Directory will offer a means for advisers and plan sponsors to easily find service providers in their areas. There are many exciting new initiatives underway that will yield added benefits to ASPPA members over the coming years.

Each area of ASPPA has enjoyed many successes over the past few years, but we still have work to do. We need to encourage more members to volunteer (www.asppa.org/about/about_vol.htm), and we need to seek ways to get our actuarial membership more involved and more unified.

Most important, we need to ensure that we continue to meet the needs of our diverse membership, especially our younger members. I am confident that our leadership will meet these challenges.

We can all be very proud of where our organization stands today. The future is bright, and we are ready for it. As I step down and Sal Tripodi takes over as President, I know that I am leaving ASPPA in good hands. It has been an honor and a privilege to serve this great organization and watch it grow and prosper. I sincerely thank you for the opportunity. ↗

Chris L. Stroud, MSPA, MAAA, EA, is president of Stroud Consulting Services, Inc., in Marco Island, FL, and a principal of Simoneaux & Stroud Consulting Services. Chris has 29 years of experience in retirement planning, software and management consulting, and sales and marketing. Prior to setting up her own consulting firm seven years ago, she was employed by FDP for 22 years, a pension and insurance software firm that was purchased by SunGard. Chris now offers a variety of consulting services, including continued support to SunGard for all SunGard Relius products. Chris is the Immediate Past President of ASPPA and the Editor of The ASPPA Journal. (chris.stroud@scs-consultants.com)

The Editorial that is regularly featured on this page will return in the next issue.

It has been an honor and a privilege to serve this great organization and watch it grow and prosper.





WASHINGTON UPDATE

401(k) Fee Hearings

by Brian H. Graff, Esq., APM

October 2007 proved to be a very active month on 401(k) fee disclosure issues on Capitol Hill; there were no less than three congressional hearings (two in the House and one in the Senate) examining the need for increased transparency of 401(k) fee disclosure. ASPPA and the Council of Independent 401(k) Recordkeepers (CIKR) testified at all three of these hearings. Issues relating to 401(k) plan fee disclosure continue to remain on the forefront as class action lawsuits, the Department of Labor (DOL) and Congress have increasingly focused their attention to the issue of whether fees being charged to 401(k) plans and plan participants are appropriate and reasonable.

The first hearing on 401(k) fee disclosure was held by the House Education and Labor Committee on October 4, 2007, on H.R. 3185,

fee disclosure legislation introduced by Committee Chairman George Miller (D-CA). Tommy Thomasson, Chair of CIKR, testified on behalf of ASPPA and CIKR at this hearing. The second hearing was held by the Senate Special Committee on Aging on October 24, 2007, and examined how 401(k)

fee transparency can increase the retirement security of American workers. Michael Kiley of Plan Administrators Inc. testified on behalf of ASPPA and CIKR at this hearing. Finally, the House Ways and Means Committee held a hearing on October 30, 2007, on the appropriateness of retirement plan fees, where Tommy Thomasson also testified on behalf of ASPPA and CIKR.

In testimony before Congress, ASPPA and CIKR thoroughly explained the need for uniform fee disclosure requirements to plan fiduciaries, regardless of whether the service provider is “bundled” or “unbundled.” A key issue



contents

4 Washington Update	30 Thank You to All 2007 ASPPA Annual Conference Participants!	40 Institute for Pension Plan Management	53 ABC of Greater Cincinnati—Programming for Success
8 Two Firms Awarded Recordkeepers Certification	32 Fewer 401(k) Savers Would be Facing Inadequate Nest Eggs if Advisers Defined Their Contribution Rate	42 Are You Staying Current with ASPPA's Continuing Education Program?	54 Happy Anniversary ABC of Delaware Valley!
9 Inside ASPPA's Self-regulation Program for Recordkeeping Firms	36 From the President	43 The 2007 Harry T. Eidson Founders Award	56 Welcome New Members and Recent Designees
13 Fiduciary Governance of a Qualified Plan	37 The ASPPA Professional Services Directory	46 New Standards: Implications for EAs	57 ASPPA Calendar of Events/ABC Meetings Calendar
21 Emerging Trends for PPA Fiduciary Advisers	38 Latest Additions to the ASPPA Board of Directors	47 About the ABCD	58 Fun-da-Mentals
24 Education with IMPACT—The Entertainment Experience™		49 Ethics for Pension Professionals	
		52 The ABC of the Great Northwest Wants You!	

under debate is the DOL's interpretation set forward in the 2008 proposed Form 5500 regulations. The DOL's interpretation provided an exemption for "bundled" service providers (who offer all plan services through a single group of affiliated companies) from having to separately disclose the allocation of fees received among affiliates, while requiring "unbundled" service providers (plan services provided by multiple unrelated vendors) to separately disclose the fees received for each service. We are opposed to this interpretation, which would result in *inconsistent* disclosure requirements for bundled versus unbundled service providers and would not allow plan fiduciaries to determine whether services are "reasonable" to accurately compare costs for various plan services. The DOL is expected to issue final Form 5500 regulations very soon.

ASPPA and CIKR have been very effective in disseminating the need for uniform 401(k) fee disclosure to plan fiduciaries to the key members of Congress. ASPPA and CIKR have held more than 60 individual staff meetings with congressional committee members for each hearing. In addition, more than 300 ASPPA members recently visited their Representatives and Senators during the 2007 ASPPA Annual Conference in our biennial Visit to Capitol Hill, where they effectively relayed our message to congressional staff through a series of constituent meetings. Feedback from these Hill visits has been very positive.

Our message is being heard on Capitol Hill. Two bills have been introduced in the House of Representatives that provide an even-handed

application of the new disclosure rules to all service plan providers: H.R. 3185, introduced in July, 2007 by Rep. George Miller (D-CA), chairman of the House Education and Labor Committee, and H.R. 3765, introduced in early October by Ways and Means Committee members Rep. Richard Neal (D-MA)

and cosponsored by this committee's Rep John Larson (D-CT). Senate Special Committee on Aging Chairman Herb Kohl (D-WI) and Senator Tom Harkin (D-IA) are expected to introduce legislation that would also require uniform fee disclosure to plan fiduciaries. ↗



ASPPA and CIKR have been very effective in disseminating the need for uniform 401(k) fee disclosure to plan fiduciaries to the key members of Congress.



Brian H. Graff, Esq., APM, is the Executive Director/CEO of ASPPA. Before joining ASPPA, he was pension and benefits counsel to the US Congress Joint Committee on Taxation. Brian is a nationally recognized leader in retirement policy, frequently speaking at pension conferences throughout the country. He has served as a delegate to the White House/ Congressional Summit on Retirement Savings, and he serves on the employee benefits committee of the US Chamber of Commerce and the board of the Small Business Council of America. (bgraff@asppa.org)

*The ASPPA Journal is produced by The ASPPA Journal Committee and the Executive Director/CEO of ASPPA. Statements of fact and opinion in this publication, including editorials and letters to the editor, are the sole responsibility of the authors and do not necessarily represent the position of ASPPA or the editors of *The ASPPA Journal*.*

The American Society of Pension Professionals & Actuaries (ASPPA), a national organization made up of more than 6,000 retirement plan professionals, is dedicated to the preservation and enhancement of the private retirement plan system in the United States. ASPPA is the only organization comprised exclusively of pension professionals that actively advocates for legislative and regulatory changes to expand and improve the private pension system. In addition, ASPPA offers an extensive credentialing program with a reputation for high quality training that is thorough and specialized. ASPPA credentials are bestowed on administrators, consultants,

actuaries and other professionals associated with the retirement plan industry.

© ASPPA 2008. All rights reserved. Reprints with permission. ASPPA is a not-for-profit professional society. The materials contained herein are intended for instruction only and are not a substitute for professional advice. **ISSN 1544-9769.**

To submit comments or suggestions, send an e-mail to theasppajournal@asppa.org. For information about advertising, send an e-mail to dbancroft@asppa.org.



4245 North Fairfax Drive, Suite 750
Arlington, VA 22203
P 703.516.9300 F 703.516.9308
www.asppa.org

Oral Testimony of Tommy Thomasson, DailyAccess Corporation, before the House Ways and Means Committee on the Appropriateness of Retirement Plan Fees on October 30, 2007.

Good morning. My name is Tommy Thomasson and I am the CEO of DailyAccess Corporation in Mobile, AL. My firm is a leading provider of retirement plan services to small businesses throughout the country.

I currently serve as Chair of the Council of Independent 401(k) Recordkeepers (CIKR). The members of CIKR provide services for more than 70,000 retirement plans covering three million participants with approximately \$130 billion in retirement assets. CIKR is a subsidiary of the American Society of Pension Professionals & Actuaries (ASPPA), which has thousands of members nationwide. As independent service providers, we support and actively practice full fee disclosure.

ASPPA and CIKR strongly support the Committee's interest in "shining the light" on 401(k) fees. We are encouraged by the two currently pending fee disclosure bills in the House of Representatives—including a bill introduced earlier this month by Congressman Neal and cosponsored by Congressman Larson of this Committee. We support both bills' uniform application of new disclosure rules to all plan service providers, and we encourage you to stay on this path.

The 401(k) plan industry delivers investments and services to plan sponsors and their participants using two primary business models—commonly known as "bundled" and "unbundled." Generally, bundled providers are large financial services companies whose primary business is selling investments. They "bundle" their proprietary investment products with affiliate-provided plan services into a package that is sold to plan sponsors. By contrast, "unbundled," or independent, providers are primarily in the business of offering retirement plan services. They will couple such services with a "universe" of unaffiliated, non-proprietary, investment alternatives.

Bundled and unbundled providers have different business models, but for any company choosing a plan, the selection process is exactly the same. The company deals with just one vendor, and one model is just as simple as the other.

Plan sponsors must follow prudent practices and procedures when they are evaluating service providers and investment options. This prudent evaluation should include an "apples to apples" comparison of services provided and the costs associated with those services. The only way to determine whether a fee for a service is reasonable is to compare it to a competitor's fee for that service.

The retirement security of employees is completely dependent upon the business owner's choice of retirement plan service providers. If the fees are unnecessarily high, the workers' retirement income will be severely impacted. It is imperative that the business owner have the best information to make the best choice.

The DOL has proposed rules that would require enhanced disclosures on unbundled or independent service providers while exempting the bundled providers from doing so. While we appreciate the DOL's interest in addressing fee disclosure, we do not believe that any exemption for a specific business model is in the best interests of plan sponsors and participants.

Without uniform disclosure, plan sponsors will have to choose between a single price business model and a fully disclosed business model that will not permit them to appropriately evaluate competing provider's services and fees. Knowing only the total cost will not allow plan sponsors to evaluate whether certain plan services are sensible and reasonably priced.

In addition, if a breakdown of fees is not disclosed, plan sponsors will not be able to evaluate the reasonableness of fees as participant account balances grow. Take a \$1 million plan serviced by a bundled provider that is only required to disclose a total fee of 125 basis points, or \$12,500. If that plan grows to \$2 million, the fee doubles to \$25,000, although the level of plan services and the costs of providing such services have generally remained the same.

The bundled providers want an exemption while demanding that unbundled providers be forced to adhere to disclosure rules and regulations. Simply put, they want to be able to tell plan sponsors that they can offer retirement plan services for free while independents are required to disclose the fees for the same services. Of course there is no "free lunch," and there is no such thing as a free 401(k) plan. In reality, the costs of these "free" plan services are being shifted to participants, in many cases without their knowledge.

The uniform disclosure of fees is the only way that plan sponsors can effectively evaluate the retirement plan they will offer to their workers. To show it can be done, attached to my written testimony is a sample of how a uniform plan sponsor disclosure would look. By breaking down plan fees into only three simple categories—investment management, recordkeeping and administration, and selling costs and advisory fees—we believe plan sponsors will have the information they need to satisfy their ERISA duties.

The retirement system in our country is the best in the world, and competition has fostered innovations in investments and service delivery. However, important changes are still needed to ensure that the retirement system in America remains robust and effective into the future. By enabling competition, and supporting plan sponsors through uniform disclosure of fees and services, American workers will have a better chance at building retirement assets and living the American dream.

Thank you again and I welcome your questions.

Put our
software solutions
to work for you.



 **ftwilliam**
c o m
Innovative Plan Documents & Government Forms

Your life just got easier.

Two Firms Awarded Recordkeepers Certification

Acknowledging the need to support plan sponsors, investment advisors and investment managers in fulfilling their fiduciary obligations, ASPPA spearheaded efforts to create a standards of practice certification for recordkeepers. Two firms have successfully completed the process to obtain the certification: Ingham & Company of Miami, FL, and Pinnacle Financial Services of Lantana, FL.

“We have observed that many recordkeepers exhibit best practices in corporate governance and daily operations. We have assembled a cross-functional team to document these practices and establish a program to promote them, with the intent of raising the bar for performance in our industry,” stated Brian Graff, Executive Director/CEO of the American Society of Pension Professionals & Actuaries (ASPPA).

“Since recordkeepers play an integral role in helping fiduciaries fulfill their obligations, it is appropriate to provide a program where they can demonstrate their adherence to the standard. This certification fulfills that need,” cited Graff.

The program was announced at the 2007 ASPPA Annual Conference in Washington, DC, and the complete program will be formally introduced at The ASPPA 401(k)



(from left to right) Brian H. Graff, Executive Director/CEO, ASPPA; Carlos Panksep, General Manager, CEFEX; Ken Ingham, president, Ingham & Company, Miami, FL; and Ronald E. Hagan, president and CEO of Roland | Criss.

SUMMIT in Orlando, FL in February of 2008. For additional information about ASPPA and this program, please go to www.asppa.org. For further information on CEFEX please go to www.cefex.org.

“An ASPPA task force developed practices against which certification assessments will be conducted. During the development phase, we asked the Center for Fiduciary Excellence (“CEFEX”) to assist us. Initial assessments will be conducted by Roland|Criss, which is qualified to conduct assessments. CEFEX will be the registration body for ASPPA certification.”

Brian H. Graff
Executive Director and CEO
American Society of Pension Professionals & Actuaries

Now, more than ever, retirement plan recordkeepers are under pressure and looking for peace-of-mind. With proposed federal oversight programs enforced by the Securities and Exchange Commission (SEC), recordkeepers are seeking effective ways to mitigate risk and pre-empt intrusive regulations.

The recordkeeper industry is dedicated to pre-empting federal oversight by promoting self-regulation and conforming to the highest standard of practices through the ASPPA Recordkeeper Certification.

Roland|Criss is the leading provider of ASPPA certification assessments. Roland|Criss uses the CEFEX process. It is based on the seventeen critical practices that define fiduciary support competencies for the retirement plan industry. The certification process mirrors the ISO 19011 audit methodology for testing quality management systems. The practices are approved by ASPPA. Sanctioned by CEFEX and fi360, this is the only process that strives to obtain the highest level of recordkeeper excellence.

Contact Roland|Criss today to learn how you can join other recordkeepers already operating with the peace-of-mind that only comes from ASPPA certification.

800-440-3457

admin@rolandcriss.com • www.rolandcriss.com



ASPPA™

WORKING FOR AMERICA'S RETIREMENT

fi360*

Inside ASPPA's Self-regulation Program for Recordkeeping Firms

by Ronald E. Hagan

ASPPA's self-regulation program for recordkeepers embraces each of the three business models that dominate the industry. These models include firms that bundle recordkeeping services along with their proprietary investment products, firms that offer recordkeeping independent of investment products and firms that perform third party administration and compliance services only.

As I reported in my article in the last issue of *The ASPPA Journal*, the US Securities and Exchange Commission ("SEC") has already fired a warning shot across the bow of the recordkeeping industry. In 2005 it considered a proposal to start regulating independent recordkeepers. ASPPA responded on behalf of the industry with the design of a self-regulation program. If joined by the industry's providers, it would eliminate the need for federal oversight on a provider by provider basis. In order to qualify for "self-regulated status," however, ASPPA knew that providers would need to meet certain crucial benchmarks. Federal regulators revealed strong opinions to ASPPA's leadership on such issues as fee disclosure, conflicts of interest, competency of personnel and business continuity.

Consequently, ASPPA formed a task force in order to develop a standard against which recordkeepers who desire admission to a self-regulatory program would be judged. Participants on the task force included senior executives and operations officers of recordkeepers drawn from each of the types of business models described above.

Advisors to the task force included CEFEX. CEFEX had earlier developed certification programs for Investment Fiduciaries, which include investment managers, investment advisors and investment stewards (*e.g.*, plan sponsors). Roland|Criss, which is the leading audit firm in the US for CEFEX's certification programs, guided the development of the practices and produced the



audit methodology to be used in ASPPA's Assessments. Fi360, which trains investment advisors and conveys to graduates its AIF® and AIFA® designations, provided insights to the task force on the support needs of fiduciary organizations.

Over a ten-month period that started in early 2007, the task force developed the qualifications for admission to its self-regulation program. Organized into 17 major practices, including detailed criteria for each, an admission standard eventually emerged. (A copy of the practices, along with their related criteria, can be obtained upon request at no charge by e-mail at admin@rolandcriss.com). The 17 practice group headings are shown on the following page.

Practice Standards for Admission into ASPPA's Self-regulation Program for Recordkeeping Firms

- Practice 1.1 Senior management demonstrates expertise in their field, and there is a clear succession plan in place.
- Practice 1.2 There are clear lines of authority and accountability, and the mission, operations and resources operate in a coherent manner.
- Practice 1.3 The organization has the capacity to service its client base.
- Practice 1.4 Information systems and technology have a strong infrastructure, staff support and are adequately secured.
- Practice 1.5 The organization has developed programs to attract, retain, train and motivate employees.
- Practice 1.6 There is a formal structure supporting effective procedural and operational oversight.
- Practice 1.7 There is an effective risk-management process to manage the organization's business risk.
- Practice 2.1 The organization provides disclosures which demonstrate that there are adequate resources to sustain operations.
- Practice 2.2 The organization maintains defined business strategies which support its competitive positioning.
- Practice 2.3 There is an effective process for allocating and managing both internal and external resources and vendors.
- Practice 2.4 There is adequate and appropriate disclosure and delineation of the cost of services provided to each client serviced.
- Practice 2.5 The organization has responsible and ethical reporting, marketing and sales practices.
- Practice 3.1 Trading and cashiering systems, processes and procedures are defined and documented. (*Administration only firms are exempt from this practice.*)
- Practice 3.2 Trade processing and cashiering are done in a timely and accurate manner. (*Administration only firms are exempt from this practice.*)
- Practice 3.3 Recordkeeping and administrative information is readily available, disclosed and accessible to authorized parties for prudent selection and monitoring of the service provider.
- Practice 3.4 Administration activities are performed in a timely and accurate manner.
- Practice 4.1 There is a process to review periodically the organization's effectiveness in meeting its client responsibilities.

How an Assessment Works

In order to gain admission to ASPPA's program, recordkeeping firms undergo a certification *Assessment* that is performed by Roland|Criss. At the conclusion of the Assessment, Roland|Criss prepares a report and presents it to the Certification Registration Committee (the "CRC"). In order to maintain complete independence during the admission decision process, ASPPA asked CEFEX to manage the CRC, just as it does for its Investment Fiduciary programs.

The Assessment methodology developed by Roland|Criss adheres to the audit standard for quality management systems defined in ISO 19011. Incidentally, this standard is the very same method used to determine the qualifications of candidates for ISO 9001 certification. A major advantage in using the ISO approach is the undisputed independence that it applies to Assessments. In addition, its rigid structure ensures that every Assessment is conducted without deviation. In other words, every candidate gets the same treatment within its business model type. The methodology used in an Assessment is the independent, standardized and well-tested system that federal regulators want. It is customized for each of the industry's three types of business models.

Candidates for admission to ASPPA's program participate in a four step evaluation. The first step is the *pre-Assessment*. In this phase, Roland|Criss obtains documents and information from the candidate and constructs an Assessment profile. Next, Roland|Criss conducts an *onsite inspection* that includes interviews with the recordkeeper's senior officials, a sampling of the candidate's quality management system, analysis of its key personnel and their qualifications and a review of the candidate's financial history.

Subsequent to the completion of the onsite inspection, Roland|Criss prepares a report of its findings and conclusions for the CRC.

If the auditor conducting the Assessment finds that the candidate's alignment with one or more of the 17 practices defined in the ASPPA standard needs noticeable improvement, Roland|Criss publishes an Opportunity for Improvement report (the "OFI"). OFIs are submitted as they occur to the candidate. OFIs are also included in the auditor's report to the CRC. OFIs serve as useful tools for maintaining ongoing improvements in a recordkeeper's quality management system. The reporting of an OFI does not enter the CRC's certification decision.

On the other hand, if the Assessment auditor finds that the candidate is in substantial non-conformance in one or more practices in the ASPPA standard, then Roland|Criss publishes a Non-conformity Report (the "NCR"). This decision results in a suspension of the candidate's Assessment until the NCR is cured. The timeframe allotted by the CRC for candidates to cure NCRs is 90 days. If not resolved to Roland|Criss' and the CRC's satisfaction within 90 days, then the Assessment is terminated without certification.

Preparing Your Firm for ASPPA's Certification

Now that the initial certifications under ASPPA's standard for recordkeeping firms are finished, insights into how an Assessment actually works, the identity of pitfalls that recordkeepers should avoid in order to qualify and what to do to prepare for the assessment can be revealed.

Since a description of the process by which Assessments are conducted was discussed earlier in this article, I thought it would be useful to share

with you the pitfalls that have emerged, and what to do about them, before you launch your firm on the pathway to ASPPA's certification. Based on the Assessments completed thus far, the most likely practices that will produce NCRs include the following:

Lack of evidence of business planning by a candidate's senior management

The task force was unanimous in its view that a firm deserving ASPPA's certification would need to be guided by a thoughtfully prepared road map for its business. Whether called a business plan, strategic plan or other such name, it should be in writing and updated periodically. The Assessment does not test the format of the business planning document. A document containing reasonable detail and scope will, however, need to be presented that defines the key forces that drive the candidate's business. The auditor conducting the Assessment is given a fair amount of latitude in judging the relevancy and appropriateness of the candidate's guidelines that its management uses to steer the business.

Insufficient or non-existent succession planning

In order to ensure that certified recordkeepers have the ability to sustain their operations, the task force requires the auditor to confirm the existence of a defined succession plan for senior management in order to deal with sudden, unexpected disruptions. Such disruptions would include events like the death or disability of a key executive or a natural disaster. A succession plan is not

New Department of Labor regulations target small company 401(K) plans with increased ERISA bonding requirements. While providing ERISA bonds is not compulsory for TPAs, ignoring these new regulations can have a significant financial impact on the administration of a 401(K) plan. The DOL now requires annual independent audits for virtually all 401(K) plans that are without complying ERISA bonds on the first day of their fiscal year.

The Employee Retirement Income Security Act (ERISA) of 1974 was initially enacted to protect employees from being defrauded of their pension funds. While instances of fraud have been rare, the Department of Labor has moved to make all company pension plans more closely

LIABILITY

**Even if you're not a plan sponsor,
you could get burned!**

Protect yourself from the real threat of fiduciary liability. Visit www.eflp.colonialsurety.com to find out how you can get covered today.

Colonial Surety Company  Since 1930

50 Chestnut Ridge Road • Montvale, NJ 07645
888.383.3313 • <http://www.colonialsurety.com>

ASPPA's mark of excellence stamps a recordkeeper with proof of conformity to an independent attestation of trustworthiness.

required to appear in any prescribed form. It should, however, define the steps that would be immediately taken by the candidate in connection with the disruption scenarios contained in its succession plan.

Incomplete disclosure of fees charged to a recordkeeping firm's "administered vehicle," which includes retirement plans, public pensions, endowments and other charitable organizations

The Assessment evaluates whether there exists adequate and appropriate disclosure and delineation of the cost of services provided to each client serviced by the certification candidate. The candidate must show that it has a process to identify and disclose to its fiduciary clients all fees and expenses associated with its programs, including investment products in the program, internal expenses of the investments products, as well as expenses of any accompanying vehicles such as group annuity contracts.

The way in which the Assessment methodology permits candidates to have opportunities for improvement against the ASPPA standard shows that recordkeeping firms need not be in perfect conformity to the standard prior to applying for certification. The task force developed a self-regulatory program that seeks to admit any recordkeeping firm that is managed by trained, experienced and ethical executives that employ a management system that proves it.


How to Start the Certification Process for Your Firm

You may request a planning kit from Roland|Criss that describes the activities needed to apply for ASPPA's certification. Among other things, the kit includes a sample certificate. You may request your kit by e-mail at admin@rolandcriss.com or by phone toll free at 800.440.3457.

Aware that "audit fatigue" permeates the recordkeeping industry, the audit process was purposely designed to utilize the work produced by candidates in order to satisfy the demands of other regulatory and financial audits in which they participate. Assessments typically take four to six weeks to complete.

The Competitive Advantage

Organizations that sponsor corporate 401(k), defined benefit and public pension plans are seeking recordkeepers that have achieved ASPPA's certification. Trustees and administrators of retirement plans are increasingly uneasy about the conflicts of interest that permeate the industry. ASPPA's mark of excellence stamps a recordkeeper with proof of conformity to an independent attestation of trustworthiness. This accreditation is an important benefit to certified firms. It gives them a competitive advantage over non-certified recordkeepers.

Regardless of how the industry's executives perceive the competitive advantage of gaining admission to ASPPA's program, they should not allow the window of opportunity to close that ASPPA has opened. ASPPA's leadership has done an excellent job of helping the industry gain a reprieve from onerous federal government oversight. Senior executives at recordkeeping firms must not let ASPPA's work be in vain. Take advantage of this opportunity to distinguish your firm and find out more about the certification process today. For information about ASPPA's certification program, you may contact the author at ronhagan@rolandcriss.com or visit the ASPPA Web site at www.asppa.org. 



Ronald E. Hagan is president and CEO of Roland|Criss. He has a lengthy career in developing retirement plan governance systems and advising fiduciary committees on governance practices. Prior to joining the Roland|Criss team, Ron was a senior vice president with the First National Bank of Commerce and a fiduciary on its Asset Liability Management Committee. Subsequently, Ron was a principal with Booz, Allen & Hamilton. He serves as an advisor on the ASPPA task force that is working on the development of industry practices for a recordkeeper certification program. He is also Chairman of the Board of the Investment Fiduciary Leadership Council. (ronhagan@rolandcriss.com)

**ADVERTISE WITH
ASPPA
AND REACH MORE THAN
6,000
POTENTIAL CLIENTS**

Contact Dawn Bancroft, Sales Manager, 703.516.9300 ext 113 for details.



www.asppa.org

Fiduciary Governance of a Qualified Plan

by Pete Swisher, CPC, QPA

Governance of a qualified plan encompasses every detail of setting up, running and terminating a plan, and doing it right means establishing a comprehensive written governance process appropriate to the plan size. Most sponsors are ill equipped to devise and implement such a process; they need help from a new breed of elite pension consultants. ASPPA's Qualified Plan Financial Consultant (QPFC) education and credentialing program is aimed at developing this new breed of consultant.

A 401(k) or other retirement plan is a business necessity to the typical plan sponsor, but often not a business priority. Yet the sponsor's status as a fiduciary gives it a nearly unprecedented level of authority and responsibility, the "punctilio of an honor the most sensitive," and rare is the sponsor who thoroughly understands this responsibility, consistently fulfills it and can prove through documentation that it has done so.

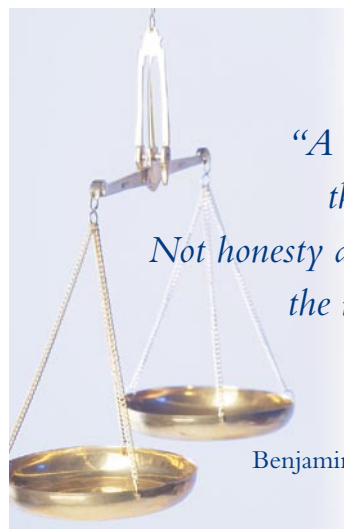
Total Plan Governance

Plan governance is a holistic exercise covering every aspect of running a successful retirement plan. It has many faces, represented by the industry's many specialists: TPA, attorney, accountant, auditor, investment advisor and others. A plan sponsor is lucky if it can handle even its own roles effectively; the rest must be outsourced. Sponsors understand this fact and have no reluctance to outsource, but they rarely know enough to ensure *effective* and *compliant* outsourcing. The sponsor's needs can be summarized in this two-part plea for help:

- What needs to be done?
- Do it.

The Difficulty of Knowing What Needs to Be Done

Simply *knowing what must be done* can be difficult; building a process to *ensure it gets done* even more so. Consider the example of the Summary Plan Description (SPD), a disclosure mandated by ERISA §102:



"A trustee is held to something stricter than the morals of the market place. Not honesty alone, but the punctilio of an honor the most sensitive, is then the standard of behavior."

Benjamin Cardozo, Supreme Court Justice, 1932-1938

Example: "What's an SPD?"

A company hires a new human resources manager with minimal 401(k) experience. The company employs a large number of Hispanic workers, and 15% of the employee population speaks only Spanish. After one month on the job she receives an e-mail from the plan's 401(k) recordkeeper:

"Subject: New SPD

Dear HR Manager:

Attached is the new SPD—we worked on this with your predecessor. Please call if you have any questions."

The HR manager replies,

"Dear Recordkeeper:

What's an SPD?"

The pension system is second only to Social Security in impact on national retirement security and is a major policy issue.

This e-mail exchange raises many questions:

- How is the HR manager supposed to know what an SPD is, much less what all of the company's other responsibilities are with respect to the plan?
- How is the HR manager supposed to know that the SPD must be distributed to participants within specific time frames, and what those time frames are? Or that posting a copy or leaving a stack in the break room is not sufficient? Or that e-mailing is only okay if certain conditions are met, and what those conditions are? Or that a version of the SPD must be available in Spanish based on the ERISA §102(c) rules?
- Whose job is it to teach her?

The SPD is a good example of something that must be done that often fails to get done. Most sponsors receive the SPD by e-mail or hard copy with instructions for distribution but don't follow the instructions. The SPD is also a good example of how sponsors can misunderstand the allocation and delegation of responsibilities. Most sponsors perceive the SPD to be a responsibility they have outsourced, not retained, when the reality is they remain responsible for almost every aspect of SPD creation, updating and distribution.

Is All This Complexity Fair?

The rules governing qualified plans are complex beyond the comprehension, or approval, of most business people, but put this complexity in perspective:

The tax breaks associated with qualified plans represent approximately *\$400 billion per year of lost tax revenue* for the United States—the single largest set of tax breaks in the Code.¹

Retirement plans are the largest financial assets for the majority of Americans, representing more than *\$16 trillion in assets*², more than the entire Gross Domestic Product of the US (\$13.1 trillion in 2006³). The pension system is second only to Social Security in impact on national retirement security and is a major policy issue.

Before ERISA, ordinary people had few protections. In some cases workers lost everything when a company went under—such as Studebaker, whose collapse was one of the triggering events leading to ERISA.

2008 ASPPA Educator's Award Call for Nominations

Submit nominations by **June 1, 2008** for the **2008 ASPPA Educator's Award**.

ASPPA's Educator's Award recognizes outstanding educators from ASPPA's membership who have made significant contributions to retirement plan education.

Visit www.asppa.org/educatorsaward to submit a nomination for this prestigious award.

The government therefore looks at the world of qualified plans as one that **requires** extensive regulation and oversight.

The Purpose of Plan Governance

Compliance is *not* the purpose of plan governance; *success* is the purpose. Compliance is simply the environment in which this purpose is achieved. Similarly, liability protection is not the purpose; protection is merely a side effect of good governance. Compliance and liability protection are therefore part of plan governance but not its *primary purpose*, which is:

- **Participant Success.** To help employees and their families achieve a successful retirement; and
- **Organizational Success.** To help the plan sponsor achieve its organizational objectives, such as recruiting, rewarding and retaining good people, controlling costs and funding owners' benefits.

The Fatal Flaw

My experience is that the overwhelming majority of plan sponsors cannot correctly identify who the plan fiduciaries are or what they do. I call this

problem the *fatal flaw of a fiduciary governance process*, since a process without a leader is an invitation to failure. Common sense dictates that, to supervise something, one must:

- Identify who is in charge;
- If multiple parties share responsibilities, spell out how those responsibilities are divided;
- Set clear expectations; and
- Hold the leaders accountable.

These steps provide the basic framework for overseeing anything, from getting kids to clean their rooms to running companies and winning wars. Failing to follow them is a fatal misstep.

Is it hyperbole to say that the *overwhelming majority* of sponsors cannot correctly identify the plan fiduciaries or how duties are divided among them? Matt Hutcheson, CPC, says, "In my experience, most 401(k) plans are operated on an ad hoc basis. Many fiduciaries admit that they are neither well informed nor organized; those responsible for day-to-day operations of the plan are usually left to make up procedures as they go along."⁴

Compliance is not the purpose of plan governance; success is the purpose.



we make it seem

easy
(even if it isn't)

Our new latest addition to our services
is designed to alleviate your burdens.

Roth Distributions

We can process Roth distributions as well as accept Roth balances in the Default/Missing Participant IRA program

Stop wasting company resources on red tape.

Turn your distribution worries over to PenChecks, Inc.



Call Today: 800.541.3938

Knowledge • Advocacy • Credibility • Leadership



The ASPPA Professional Services Directory is here!

Be a part of this new directory resource that will soon become the industry standard for those looking for qualified retirement plan professionals.

Free Basic listing for all credentialed members

Choose up to four practice areas for your listing

Enhanced listing options including descriptions and logos, state, regional and national exposure

Search options include practice areas, city/state, zip, name and mile radius

Sign up today and be one of the first to have your qualifications marketed to those who require credentialed professionals to handle their retirement plan needs.

Example: At a meeting with the investment committee for a large company’s retirement plan, the advisor asks, “Who is the Plan Administrator?” The committee chairman responds, “ABC Insurance Company.” But ABC is the plan recordkeeper and contract administrator, not the Administrator as defined by ERISA §3(16)(A). A few more questions reveal that the committee members do not know that the Administrator role is one of the primary fiduciary roles in the plan, what the Administrator is responsible for under ERISA or who the Administrator is for their plan (it turns out to be *them*).

In the wake of Enron, WorldCom and the recent rash of 401(k) class actions, sponsors are concerned about fiduciary issues, so naturally vendors are eager to be seen as curing the sponsor’s fiduciary woes. Nearly every vendor in the US now has the term “co-fiduciary” appearing somewhere in its marketing materials, and sales pitches tend to foster an impression of risk transfer. “My vendor is a fiduciary; I have outsourced fiduciary oversight to them” is a common misperception, and an example of the fatal flaw at work.

Scott Simon of Prudent Investment Advisors, LLC pulled no punches on this topic in his *Fiduciary Focus* columns on Morningstar.com in 2006, where he discussed “phantom” fiduciaries who supply plan sponsors “with deceptive contracts that are legally toothless against the consultant”:

“And that, folks, is a clinic on how to gut from a fiduciary-consultant contract...fiduciary duties so that the consultant can claim that it is an ‘ERISA fiduciary’ while bearing no real fiduciary responsibility... In such situations, many plan fiduciaries are misled because they see (assuming they read their contracts) and hear ...the magical word fiduciary.”⁵

In the box below, see how the fatal flaw manifests itself in a common service arrangement, which includes:

- An investment and recordkeeping product with 300 fund options;
- A non-fiduciary broker who sells the product to the sponsor and provides ongoing service for the product at plan and participant level;
- An advisory service sold by the product vendor as an add-on whereby an independent RIA chosen by the vendor recommends a fund menu from among the 300 funds available in the vendor’s product; and
- A bank, chosen by the vendor, providing directed trustee services for a \$500 fee.

This arrangement is a common, viable service arrangement. The point is not that there is anything wrong with the arrangement itself, but that sponsors routinely misperceive who is responsible for what.

Client Perception	Reality
“Our broker said he’s a co-fiduciary; he’s the one responsible for the investments.”	The broker is a non-fiduciary and his contract says so. What he actually said was, “This service is a co-fiduciary service,” referring to the product’s add-on advisory service, not himself.
“We have a bank trustee in addition to the advisor; we’ve outsourced the trustee function.”	The trustee has many functions, only one of which has been outsourced—custody—because the bank is trustee in name only; it is a passive, directed trustee, accepting the directions of a named fiduciary rather than exercising discretion itself, and chosen by the recordkeeper as a product (non-fiduciary) decision to provide this add-on service. The client remains the named fiduciary for all other investment purposes, which means that the bulk of the trustee role has not been outsourced—only the title.
“Our vendor is a fiduciary, too.”	The recordkeeper sells an add-on service whereby an independent RIA chosen by the recordkeeper will provide investment advice with respect to which of the 300 funds available in the recordkeeper’s product are prudent choices for the final fund menu. The named fiduciary—the client—must still choose the final fund menu. The recordkeeper claims non-fiduciary status.
“The Plan Administrator? That’s ABC Recordkeeping, our vendor.”	Clients routinely confuse the Plan Administrator, one of the two main fiduciaries in a qualified plan (the other is the trustee), with the contract administrator or TPA, a non-fiduciary service provider who executes ministerial tasks for the Administrator.
“We’ve outsourced everything.”	The sponsor has outsourced not one single fiduciary duty besides custody. It has outsourced the performance of ministerial tasks and hired a fiduciary advisor who provides a very limited scope of advice. There is nothing wrong with the arrangement; the fatal flaw lies in the sponsor not understanding what the arrangement actually is.

Today's 401(k) marketplace has many experts but few or no quarterbacks: there is a market vacuum waiting to be filled by a new breed of pension consultant.

Sponsors and Fiduciaries Must Know the Answers to These Questions

The cure for the fatal flaw is to correctly identify every person who is a fiduciary and clearly delineate the responsibilities of each. A sponsor or fiduciary should therefore be able to answer these questions readily:

- Who are the plan fiduciaries (all of them)?
- Who is the Plan Administrator?
- If the Plan Administrator is the plan sponsor or a committee, which specific individuals fill this role?
- Who is/are the trustee(s)?
- Is the trustee fully discretionary or have some duties of the trustee been retained by a named fiduciary who directs the trustee? If so, who is that named fiduciary, and which specific duties are allocated to each party?
- Is there an investment advisor [*i.e.*, as defined by ERISA §3(21) and Labor Reg. §2510.3-21(c), not an RIA or broker that the sponsor *describes* as an investment advisor]? If so, what is the specific scope of the advice to be rendered? Will the advisor have any discretion? If so, over what?
- Is there an investment manager [*i.e.*, as defined and discussed in ERISA §§3(38), 403(a)(2), 405(d)(1) and the associated Labor Regs, not a manager of investments as the term is commonly used]? If so, over what assets does the manager have discretion? Have any limitations been placed on that discretion? If so, by whom?
- Who is/are the fiduciary or fiduciaries responsible for appointing and/or monitoring each of the other fiduciaries?
- What fiduciary responsibilities have been retained by the plan sponsor? Who fills that fiduciary role on behalf of the sponsor (*e.g.*, the owner or board of directors)?
- Do the contracts for all fiduciary service providers correctly identify them as fiduciaries and correctly delineate their responsibilities (*e.g.*, if a broker whose contract identifies him as a non-fiduciary provides services that meet the functional definition of investment advice—not an uncommon scenario—there is a disconnect; the documents should reflect the reality)?
- What fiduciary decisions are made by the board of directors? Are all of the directors involved in fiduciary decisions, or only certain directors? Are all directors who make fiduciary decisions aware of their status and responsibilities?
- Are all other fiduciaries aware of their status and responsibilities?

- Can you prove it (*i.e.*, by producing signed appointment forms on which each fiduciary acknowledges the specific duties delegated or allocated to it and the general responsibilities of a fiduciary under ERISA)?

The fatal flaw of plan governance can be described simply as an inability to answer these questions—a failure to identify *who is in charge of what*.

The Role of the Advisor

Sponsors are ill equipped to devise and implement a comprehensive governance process. They need a quarterback—someone who knows what must be done and can help the sponsor oversee the parties tasked with doing it. Today's 401(k) marketplace has many experts but few or no quarterbacks: there is a market vacuum waiting to be filled by a new breed of pension consultant.

The Elite 401(k) Advisor and the Five Disciplines

The elite advisor is a specialist who blends expertise in five bodies of knowledge to form a new specialty of comprehensive plan governance:

- Plan design and administration;
- Fiduciary and legal issues;
- ERISA-specific investing;
- Plan and participant level service; and
- Education and advice for owners, executives and employees.

Execution: The Five Disciplines in Action

Execution means being able to combine the five disciplines to create opportunities and solve problems. Above all, execution means being able to *communicate in a way that causes the client to take appropriate action*. Good consulting is an act of leadership, and the role of the elite advisor is to lead the governance process to deliver successful outcomes.

The elite advisor's two most important functions in the governance process are to help *draw the lines and fill the gaps*. The advisor helps identify who the fiduciaries are and draw clear lines between them, identifying who is responsible for what. The advisor then helps the client fill the gaps between service providers; those functions that remain the responsibility of the client alone, such as new hire processing and payroll.

How many of today's retirement plan advisors, most of whom are investment salespeople and investment advisors, can realistically be expected to become "elite advisors" as described here? Not many. And how realistic to expect any but

the largest plans to follow detailed governance processes? Not very (not yet, anyway). But the fact remains that clients need the help, creating a market vacuum waiting to be filled. After all, plan qualification and fiduciary prudence are not optional—nor is effective overall governance—and the advisor who can deliver it better, for large plans and small, can corner the market.

Building a Fiduciary Governance Process—Principles to Follow in Building a Governance Process

Large Plans Call for More Detail than Small Plans

As a general rule, more money and more participants call for more oversight. How much is enough? Think in terms of expense: fiduciaries are obligated to ensure plan costs are reasonable; therefore the amount of oversight that is appropriate must be determined in part by cost—it would be inappropriate for a \$2 million plan to hire an army of attorneys and consultants like a \$2 billion plan must.

If the Process is Not in Writing, There is No Process

My boss the physician has a rule borrowed from medicine; if it's not in the chart, it didn't get done. Attorneys will tell you that the three keys to winning in court are “documentation, documentation, documentation.” It's tough to document following a process that is not itself documented. The need to document one's procedural prudence, however, must be balanced against the need to avoid documenting one's failures.

Balance the Need for Written Process against the Risk of Building a “Roadmap for the Plaintiff's Lawyer”

My co-speaker at the 2007 Western Benefits Conference, ERISA defense attorney and then-current ASPPA Vice President Sheldon H. Smith, APM, cautioned sponsors and advisors on the danger of failing to follow one's own process: “If your client is...not about to follow what you've put down in writing for them to follow, all you're doing is creating a roadmap for the plaintiff's lawyer.” Having a written process that is not followed is, therefore, worse than not having a written process, because “the plaintiff's lawyer can just walk right through you.”⁶ You can't get away from the need for written process, but whatever process you establish must operate on something close to auto-pilot; it must get done.

Skeleton of a Fiduciary Governance Process

The process should include the following:

- Identification of fiduciaries, including a process for selecting and monitoring them;
- Allocation and delegation of fiduciary duties:
 - “Allocation” is the term for division of responsibilities among named fiduciaries (generally done in the plan document);
 - “Delegation” is when named fiduciaries delegate to other fiduciaries (who are not named fiduciaries); and
 - Both allocation and delegation should be done in writing and in accordance with ERISA, DOL Regulations and the plan document;
- Governance structure: It is helpful to establish a general overview or flowchart of how the plan will run. (*Refer to the organization chart that follows for an example of a sample oversight structure.*)
- Process for selection and oversight of service providers;
- Process for oversight of employees involved in operating the plan, such as internal fiduciaries, HR employees and the payroll department;
- Investment process and policy;
- Process for fulfilling the plan administrator's responsibilities, such as handling SPDs, SMMs, SARs, qualification compliance, audits, SAS 70

The elite advisor's two most important functions in the governance process are to help draw the lines and fill the gaps.



One Retirement Plan System to Meet All Your Needs

- Software – DC/401(k), DB, compliance testing & more
- Plan documents – web based document generation & management system
- 5500 Forms – web based forms generation & management system
- ERISA support
- World class technical support

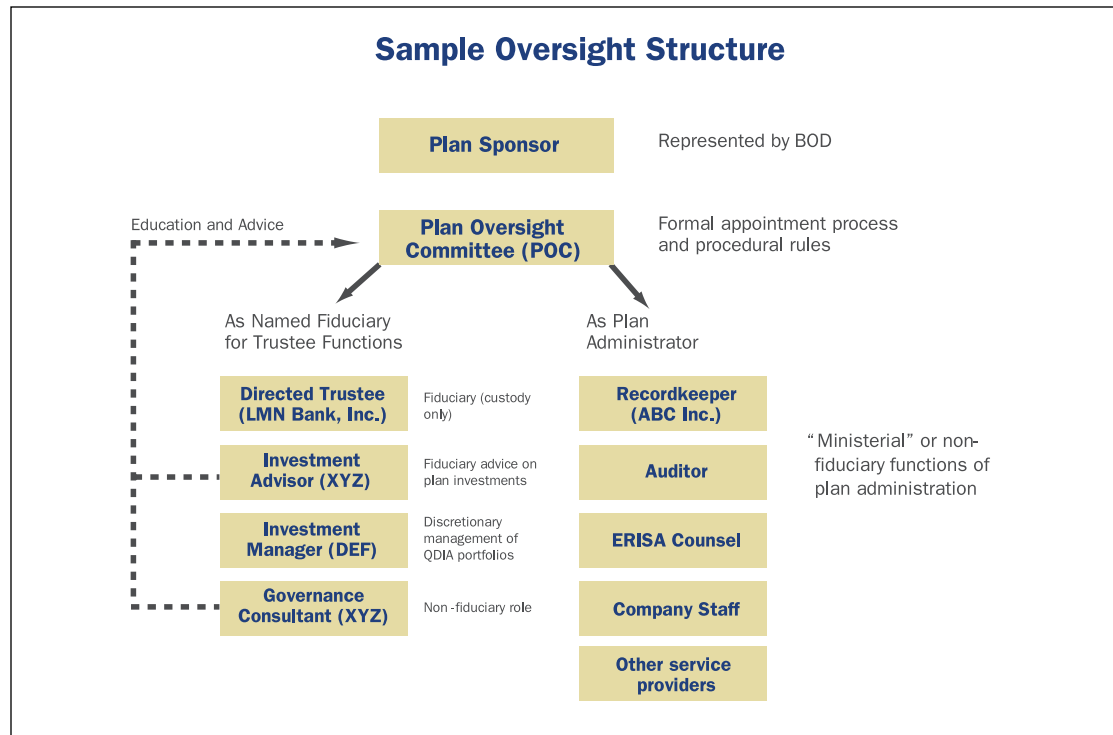
Helping you with your retirement plan business

Learn more!

Email: sales@asc-net.com

Phone: (800) 950-2082 x295

Visit: www.asc-net.com



reviews, the “practices and procedures” so critical in EPCRS, etc.¹;

- Oversight of settlor functions, such as plan design (who will get what benefits?), plan provisions (the details of eligibility, entry, vesting, etc.) and who pays plan expenses (generally a non-fiduciary decision);
- The participant communications program, which has three distinct purposes:
 - To maximize participant success rates;
 - To generate employee goodwill toward the employer by taking credit for the good things the plan does; and
 - Compliance; and
- The checklist—a document of surpassing importance.

Organizational Chart for Plan Governance

It helps everyone to understand fiduciary relationships if they have a chart like the sample above.

Conclusion

Sponsors need help creating and running effective governance processes; they need a quarterback. And the best person for the job is a new breed of elite pension consultant or advisor who blends expertise in multiple disciplines to form a new discipline—comprehensive plan governance. If your goal is to become an elite advisor, ASPPA’s QPFC credential is the place to start.

Editor’s Note: This article is an abridged version of the Introduction to 401(k) Fiduciary Governance: An Advisor’s Guide, the 2008 textbook for the PFC-2 course of ASPPA’s QPFC credential.



Pete Swisher, CPC, QPA, is vice president and senior institutional consultant for Unified Trust Company, NA, in Lexington, KY. He serves as a pension consultant and external wholesaler representing Unified’s services through independent 401(k) advisors. Pete serves on The ASPPA Journal Committee, and is also a CFP®. (pete.swisher@unifiedtrust.com)

- ▲ 1 From the IRS Q&A session at the 2007 Western Benefits Conference.
- ▲ 2 The US Retirement Market, 2006, The Investment Company Institute.
- ▲ 3 Bureau of Economic Analysis, August 30, 2007.
- 4 “How to Structure, Organize, and Operate an Investment Committee for Your 401(k) Plan,” Matt Hutcheson, Legal Management News, Spring 2004.
- 5 “Non-Fiduciary Investment Consultants” Parts 1 and 2, W. Scott Simon, from the Fiduciary Focus column on www.Morningstar.com, May 4, 2006 and June 1, 2006.
- 6 “Old Demons and Recent Developments in ERISA §404(c),” Session 19 at the 2007 Western Benefits Conference.
- 7 SPD (Summary Plan Description); SMM (Summary of Material Modifications); SAR (Summary Annual Report); SAS 70 (Statement of Accounting Standards Number 70); EPCRS (Employee Plans Compliance Resolution System, or “Ep-kers”)—the Administrator’s list is long and fraught with peril.

Emerging Trends for PPA Fiduciary Advisers

by Jason C. Roberts

Recognizing the need for professional investment advice for participants and beneficiaries of defined contribution plans, the Pension Protection Act of 2006 (PPA) fashioned a new category of investment specialist—the fiduciary adviser. If an adviser adheres to certain enumerated procedures relative to compensation and disclosures, he or she can now deliver individualized investment advice to plan participants.

Since the passage of PPA in 2006, broker-dealers and registered investment advisers have been scrambling to synthesize PPA's investment advice provisions and determine how best to execute and support the fiduciary adviser business model. This article provides a brief overview of the investment advice provisions of PPA and examines the emerging business structures being implemented by broker-dealers and registered investment adviser firms in response thereto.

Overview

In examining the various approaches undertaken thus far, it is clear that these firms view the PPA fiduciary adviser as a conduit by which to maintain and grow their assets under management through capturing participants' household assets and rollovers. Firms are able to access participants' assets held outside of the plan by offering a comprehensive financial planning option as part of the initial client assessment and engagement. In addition to receiving recommendations on contributions and allocations within the plan, participant assets held outside of the plan are placed into a wrap account where the adviser's compensation is level.

With respect to rollovers, 401(k) plans perpetually lose participants with the highest balances as they retire and withdraw these assets. By becoming or partnering with a fiduciary adviser, registered representatives and investment adviser representatives are hoping to be in the best position to offer guidance to participants who are seeking to consolidate investments and/or rollover assets into an IRA.



Pursuant to ERISA Section 3(21)(A)(ii), any person who renders investment advice for a fee or other compensation, direct or indirect, with respect to any moneys or other property of a plan, or has any authority or responsibility to do so, is a “fiduciary.” The prohibited transaction provisions of ERISA and the Code prohibit an investment advice fiduciary from using the authority, control or responsibility that makes it a fiduciary to cause itself, or a party in which it has an interest that may affect its best judgment as a fiduciary, to receive additional fees. As such, in the absence of a statutory or administrative exemption, fiduciaries are prohibited from rendering investment advice to plan participants regarding investments that result in the payment of additional advisory and other fees to the fiduciaries or their affiliates. Section 601 of PPA added a statutory exemption under Section 408(b)(14) of ERISA [and Section 4975(d)(17) of the Code] for investment advice rendered pursuant to an “eligible investment advice arrangement” (EIAA). An EIAA is a contract between the fiduciary adviser and the plan sponsor that guarantees that the adviser's compensation will not vary on the basis of any investment option selected.¹

An estimated one in ten employees who will use a fiduciary adviser has household assets averaging \$150,000, and one in 20 will be in a position to rollover plan assets averaging \$500,000.

The fiduciary adviser must acknowledge his or her fiduciary status in writing and can only be held civilly liable for losses caused by a breach thereof on those accounts where he or she has delivered investment advice. Such breaches are also subject to civil and criminal penalties by the DOL and the IRS.

Plan sponsors, on the other hand, are relieved from liability on those accounts as long as they can demonstrate prudent selection, monitoring and compliance² of the fiduciary adviser. PPA does not require plan sponsors or co-fiduciaries to monitor the specific investment advice given by a fiduciary adviser to any particular recipient of the advice.

PPA allows fiduciary advisers to charge reasonable fees, which based upon the extent of the services offered, are ranging from \$300 - \$1,500 per participant. Many firms are allowing these fees to be deducted from plan assets or paid from participant accounts, depending upon the desired usage. For example, in plans where the majority of employees are making substantial contributions (*i.e.*, hospitals, law firms, etc.) fiduciary adviser firms are seeking to have fees deducted from the plan, thereby encouraging more participants to opt for individual advice. In plans with low average balances, where the majority of participants are invested in qualified default investment alternatives (“QDIAs”), firms are encouraging the plan to deduct advisory fees from participant accounts. The belief is that only those with significant assets are likely to engage the fiduciary adviser, leaving the fiduciary adviser with more time to service senior employees with higher balances.

As discussed, many firms are using fiduciary advisers to reach participants’ household and rollover assets. An estimated one in ten employees who will use a fiduciary adviser has household assets averaging \$150,000, and one in 20 will be in a position to rollover plan assets averaging \$500,000. In order to issue a suitable recommendation, a fiduciary adviser will need to review and consider the participant’s overall financial situation including assets and investments held outside of the plan. By offering a comprehensive financial planning option to participants, some firms are betting that participants will seek to consolidate their finances *and* deal with a single investment professional.

According to an August 2007 study by Spectrem Group, 67 percent of individuals who completed a rollover during the two-year period through April did so with the help of a

professional adviser. The same study showed that the higher the balance, the more likely there’s an adviser involved in the decision. With nearly \$500 billion now eligible for rollovers, and that amount is expected to increase 10 to 12 percent annually over the next five years, firms are looking to their fiduciary advisers to be in the best position to capture their participants’ rollovers.

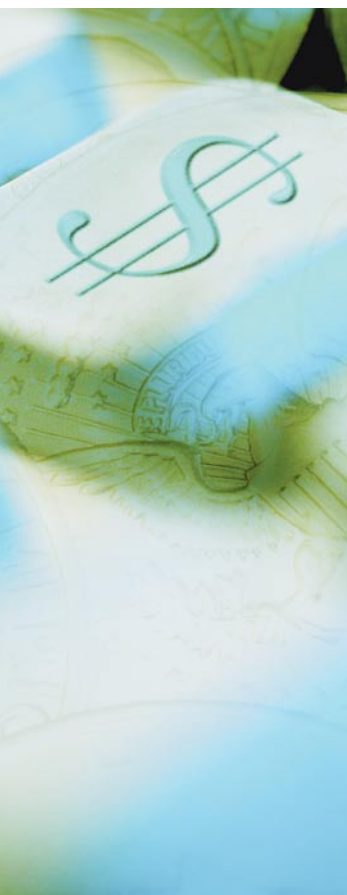
Emerging Trends

There are three basic business structures emerging to facilitate such relationships: (1) stand alone; (2) full service team; and (3) partnerships. The pros and cons of each arrangement is being determined by the relative expertise of the individual advisers, their average plan size (both in terms of participants and assets), preexisting affiliations and considerations relating to revenue distribution.

PPA does not prohibit advisers from acting as both plan-level and participant-level fiduciary advisers as long as their compensation is unaffected by the investments recommended by the fiduciary adviser. Under the stand alone model, the unconflicted plan-level adviser is, therefore, permitted to act as both an adviser to the plan and as a fiduciary adviser to plan participants. Given the obvious limitations on the adviser’s time, this arrangement is being employed by advisers with a book of business consisting primarily of plans with high average balances.


Alternatively, groups of advisers who are able to meet the level compensation and other requirements are seeking to capitalize on their collective strengths by forming full service teams. Under this arrangement, the plan adviser practice employs one or more fiduciary advisers and/or associate advisers. Associate advisers are not parties to the EIAA with the plan sponsors but provide the administrative services under the supervision of the named fiduciary adviser. This arrangement permits the full service team to scale their business by hiring and replacing associate advisers without altering the EIAA. Because there are no restrictions on how fiduciary adviser revenue is distributed, the full service team can determine how each member is compensated and are free to dedicate their revenue towards external expenditures.

Under the partnership arrangement, a plan adviser practice has an exclusive arrangement with a fiduciary adviser practice, and each partner participates in the revenue of the other. The level compensation requirements are not violated so long as the fiduciary adviser does not recommend plan related services to participants for which a



partner is paid (*i.e.*, recommending investments to participants that are not in the current lineup that would trigger a vendor search).

Conclusion

By implementing any of the aforementioned arrangements, broker-dealers and registered investment advisers are looking to grow assets by building meaningful personal relationships with participants through fiduciary advisers. While nothing in PPA prohibits fiduciary advisers from managing a participant's household assets, DOL Advisory Opinion 2005-23A (the "Deseret Letter") cautions plan fiduciaries with respect to advising participants to take a distribution and invest the proceeds in an IRA account managed by the fiduciary. Given that PPA requires fiduciary advisers to acknowledge their fiduciary status in writing, fiduciary advisers and their respective firms should determine whether such arrangements would be in violation of ERISA Section 406(b)(1), which prohibits a plan fiduciary from using plan assets in his or her own interest. 



Jason C. Roberts, Esq., heads the retirement plan and investment adviser consulting group of Edgerton & Weaver, LLP in Hermosa Beach, CA and New York, NY. His practice focuses primarily on Pension Protection Act compliance and risk assessment, as well as regulatory defense matters. Since joining the firm in 2003, Jason has represented clients in federal and state court at the trial and appellate level (including the United States Supreme Court) and in arbitrations before the Financial Industry Regulatory Authority (FINRA) and the New York Stock Exchange (NYSE). He has also counseled clients involved in government enforcement proceedings and employment disputes. Jason regularly speaks on fiduciary adviser standards and Pension Protection Act compliance. (jroberts@edgertonweaver.com)



- 1 PPA also includes provisions for parties in conflict to provide advice through a computer model. This second conflicted advice program is not discussed in this article.
- 2 PPA requires that an independent expert conduct an audit of the fiduciary adviser to determine compliance with the provisions of Section 601 of PPA.

we make it seem

easy
(even if it isn't)

Our latest addition to our services is designed to alleviate your burdens.

Roth Distributions

We can process Roth distributions as well as accept Roth balances in the Default/Missing Participant IRA program

Stop wasting company resources on red tape.

Turn your distribution worries over to PenChecks, Inc.



Call Today: 800.541.3938



Education with IMPACT—The Edu-tainment Experience™

by Charles D. Epstein and Sue Ellen Lovejoy

Education is a creative act. Advice is a fiduciary act. This distinction is not only critical to understanding the role you play in moving America’s workers to take action towards creating a successful retirement outcome for themselves, but also in how you play that role!

Fiduciary status attaches to a person who gives “investment advice” for a fee.

- The DOL has issued guidance in the form of Interpretive Bulletin 964 that permits a person to provide participants with “investment education” without any fiduciary liability attaching to such action.
- Under Interpretive Bulletin, the following types of “investment education” can be provided without incurring fiduciary liability:
 - plan information;
 - general information;
 - investment information;
 - asset allocation models; and
 - interactive investment materials.

The broad nature of the bulletin allows practitioners the ability to educate participants without becoming a fiduciary advisor as defined by the Pension Protection Act. Once you are clear on the role you will play in educating participants, you need to understand how to make your message(s) to move American workers to a call to action: that action is to save for their futures.

Again, education is a creative art. Whether teaching Chaucer’s *Canterbury Tales* or a 401(k) plan’s provisions, the unique dynamic of conveying knowledge and observing the consequent action, whether it’s delving into *The Knight’s Tale* with gusto or enrolling in a 401(k) plan with confidence, brings value to both teacher and student. With that said, let’s turn our attention to 401(k) education. Why isn’t this dynamic working as it should in our industry? Where are we missing the mark? Alicia Munnell, in *Coming Up Short*, cites the following staggering statistics evidencing that employees are making mistakes at every step along



the way: 26% of employees don’t participate in their plan, more than 50% do not diversify appropriately for their age and risk tolerance, 48% simply cash out when changing jobs, and a mere 10% contribute the maximum amount allowed under their plan’s provisions.

What then is the character of current 401(k) education? Mainly, it seems to be about excess. Voluminous enrollment kits with charts, graphs, workbooks, calculators, glossy photographs of euphoric couples romping on beaches and an enrollment form (the one essential page) hidden in a back pocket behind more pages of investment choices. PowerPoint presentations—30 to 50 slides of charts and graphs detailing how long we’re going to live and how poor we’ll be if we don’t mend our irresponsible ways. An educator speaking like Barrons reads, in betas, alphas, standard deviations and sector funds. In short, 401(k) education has deteriorated into a stiffly presented format in which employees are drowned in an infinite amount of information and instruction, much of which is inscrutable. To follow out our linguistic pattern, employees often respond by feeling intimidated, irritable and indecisive.

How do we fix it? By first recognizing that all successful education is interactive by its very definition. All great entertainers and entertainment enterprises, like Disney, MGM and Madison Avenue, understand that the

“message” is the mantra. If you want to get shelf-space in the minds of your audience, to move them to action, you must:

- Know your audience better than they know themselves.
- Keep your message “simple and distinct.”
- Entertain rather than enroll or educate!

We live in a YouTube society (MTV rules) where 15- and 30-second sound bites carry more impact than *The New York Times* Sunday Edition. Translation: *less is more!*

So how do you, as the Intelligent 401(k) Professional of the 21st Century, provide education with impact and create a memorable experience that moves participants to listen, learn and act?

We believe (and our combined 50 years of experience and quantifiable results prove) that it starts with having a well-defined education process, what we call The Edu-tainment Experience™. There are six steps to this creative process:

Step One: The Plan Evaluator

Preparation is an integral part of a successful education effort. We begin by scheduling a

meeting or conversation with the plan sponsor or human resources manager to obtain details about the plan with a view toward determining *specific* objectives for our presentation. A new plan has the straightforward objectives of assisting employees in understanding the tax advantages and plan features, explaining mapping and blackout periods if appropriate and encouraging participation. In existing plans, however, and let's be clear that education should be regular and ongoing even with older plans, objectives should be unique to that plan. Some of our questions to the plan sponsor will be “What is the participation rate? What is the average deferral rate? How well are assets spread among investment choices?” We also want to know about loan behavior, how many participants rebalance, if terminated employees are rolling assets over to IRAs or cashing out. Is the company interested in making changes to its plan? With a thorough overview of the plan, we are taking an important step in narrowing our educational focus to the several most important issues of that company based on its demographics and employee behaviors.

Preparation is an integral part of a successful education effort.

The ERISA Outline Book 2008 Edition

by Sal L. Tripodi, J.D., LL.M.
A vital tool for success.

This five-volume resource will tell you what you need to know, including:

- Interim and discretionary amendment guidance, including guidelines for adopting PPA 2006 amendments.
- Final regulations on IRC §415 limits, 403(b) plans, QDIAs, Roth 401(k) and IRC §409A.
- Automatic enrollment guidance, including rules for qualified automatic contribution arrangements (QACAs) and eligible automatic contribution arrangements (EACAs).
- New rules under IRC §417(e), latest guidance on cash balance plans, PPA funding rules and on benefit restrictions under new IRC §436.
- Revisions to the Form 5500 series and the determination letter procedures.
- Information on hundreds of new cases, rulings, and informal guidance from the courts, Treasury, IRS, DOL and PBGC

Order **The ERISA Outline Book, 2008 Edition** today:
<http://store.asppa.org> or contact ASPPA's Education
Services Department at educasppa@asppa.org or
call us at 703.516.9300.

Segmenting different populations of employees allows us to convey to each group the message most important to them.

Step Two: The Participant Evaluator

We now consider the plan from the employee's perspective allowing us to hone our focus even more sharply. What kind of company is this and who are its employees? Is there an executive management team as well as a group of hourly wage employees? Are employees highly educated and technical? Or is this a manufacturing company or nursing home with many lower-income employees? What questions are participants asking, what is their level of financial sophistication, why are employees not participating in the plan and how well do they understand their plan? Are there company decisions that have negatively impacted participation (*i.e.*, recent layoffs, absence of a match and change in ownership)?

With the collection of both plan-specific data and employee composition and behavior data, we have a strong indication of the direction our 401(k) education should take. Now we are ready to customize and target—two more essential ingredients in a successful education campaign.

Step Three: The Customizer

Taking what we have learned from the plan sponsor, what actions do we want to move employees toward and/or what information do employees need to more fully understand their plan? These are some actions/issues we might concentrate on:

- Increase participation rates;
- Increase deferral rates;
- Impact investment diversification;
- Revisit loan issue—discussion of consequences and costs;
- Discuss importance of rebalancing;
- Communicate plan changes: investment additions or deletions, safe harbor match, Roth 401(k) provision; and
- Distribution behaviors of terminated employees.

Step Four: Program Targeting

Every great TV station programmer understands their job is to provide the best programming to their targeted audience to increase their chances of capturing a large percent of the viewing audience. The same approach works when creating your 401(k) programming.

Segmenting different populations of employees allows us to

convey to each group the message most important to them. After all, why bore current participants with the tax advantages and entry dates for their plan. Conversely, why deconstruct investments and explain growth and value strategies to a newly eligible 25-year-old employee who just wants to enroll? Focus the message. Optimal learning occurs when relevant information is offered in small, digestible bites. Here are some examples of targeting:

- New and non-participating employees;
- Current participants;
- Participants with low deferral rates;
- Participants with 30% of assets in GIC and/or money market funds;
- Participants with diversification in fewer than three funds;
- Participants with multiple loans;
- Participants age 55 and older; and
- Female participants—research has shown significant gender issues with regard to longevity, salary discrepancies and saving/investing behaviors.

Step Five: The Edu-tainment™ Phase

Let's circle back to the Chaucer analogy for a moment. Where did most of us initially hear of Chaucer, the Wife of Bath, Middle English? A classroom setting (most likely in college, where many of us sat glassy-eyed or napping)? And how are we presenting 401(k) education to adults today? In a replication of that structured academic environment. We've labeled this the Formal Fallacy, the assumption that employees learn best if the educator wears a pinstripe suit and stands in front of a lectern for an hour.

Those 40-page enrollment kits will probably wind up in the trash and the bar charts from the 50-slide PowerPoint presentation will never be the topic of dinner conversations, but you as a personality have the ability to leave employees with a memorable moment or two.

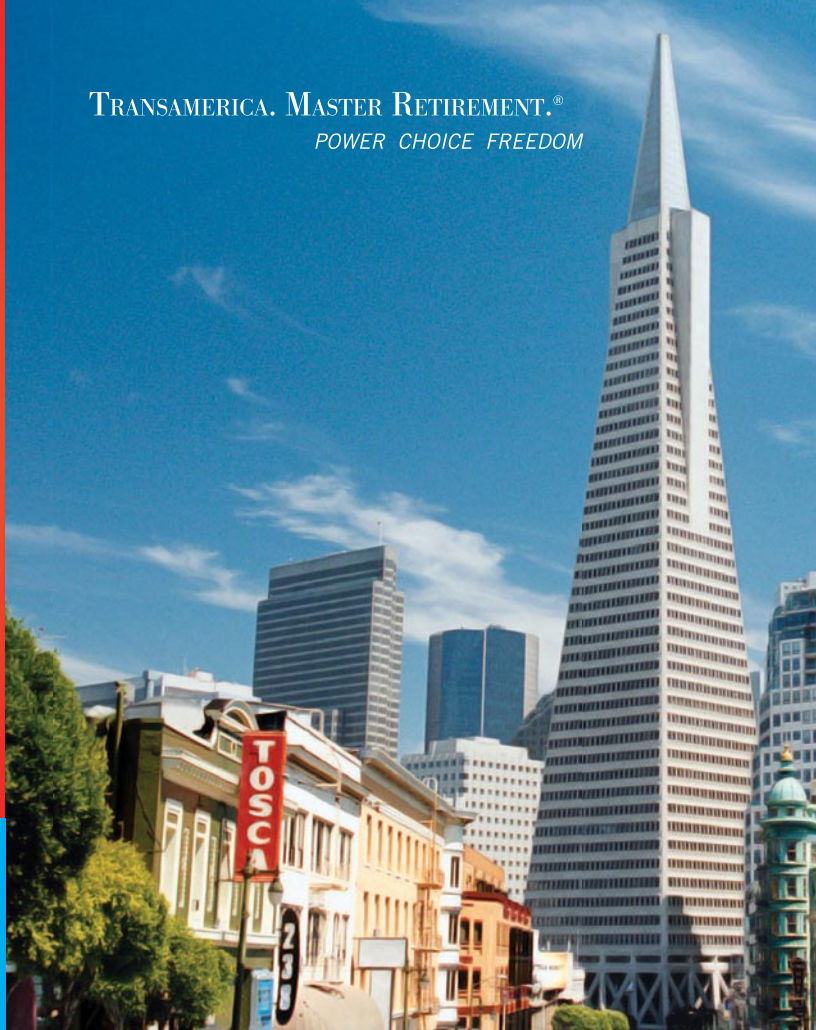
Louis Rukeyser's successful Public Television program was based on three principles: know what you're talking about, speak English and develop some flair. You have to bring them to the tent. Flair can reveal itself in a powerful anecdote, a creative demonstration and an innovative approach. Bring yourself to each presentation. Be resourceful.

Here is one strategy that works for us, and one that may foster your own imaginative exercises. First, create an inviting environment for America's





TRANSAMERICA. MASTER RETIREMENT.[®]
POWER CHOICE FREEDOM



Say goodbye to the old way of doing things.

An “i”deal product to reduce paperwork and save trees

Transamerica Retirement Services¹ (“Transamerica”) has created a new retirement plan product, the Partner *i*Series, for third party administrators (TPAs).

With the seamless integration of data, Partner *i*Series enables TPAs to process virtually everything via the Web, providing them with a paperless system to more effectively service their clients.

The features of Partner *i*Series:

Access

Individualized IDs and passwords let you assign different levels of access to plans for each member of your firm — based on location and responsibility.

Communications

Imagine a virtual assistant who lets you know when an action is required on a client's plan. Automatic email notification is sent to the TPA team assigned whenever action is required.

Installation

It's as easy as 1-2-3. Partner *i*Series lets you do almost everything online, from plan design to participant uploads to outstanding loans uploads.

Distribution and Loans

Comprehensive information and processing capability regarding distributions and withdrawals is just a few keystrokes away. Everything can be done on the Web — saving you from having to do all of that “paperwork.”

**See how “i”opening the Partner *i*Series will be.
Call 888-401-5826 now.**

¹Transamerica Retirement Services (“Transamerica”), a marketing unit of Transamerica Financial Life Insurance Company (“TFLIC”), 4 Manhattanville Road, Purchase, New York 10577, and other of its affiliates, specializes in the promotion of retirement plan products and services. This product is available from Transamerica Retirement Services under contract form number TA-AP-2001-CONT, a group variable annuity contract underwritten by TFLIC. TFLIC is not authorized and does not do business in the following jurisdictions: Guam, Puerto Rico, and the U.S. Virgin Islands. Fees and charges may apply. For complete information, contact your Transamerica representative.


Research shows that on-site presentations are the most effective form of 401(k) education.

worker. Remember the majority of working America, when notified of a 401(k) meeting, arrive prepared to “nap” for the next hour, as they have already been lulled to sleep by the past presenter who turned out the lights for 60 minutes and droned on with dull slides about the 401(k) plan’s 50 investment options! Your job is to break participants out of the “old mold” and wow them. In the moment, you do this first by creating a space that sets the “rock” stage. Arrive early. Prep the room. We actually play music and dress up the cafeteria or factory warehouse with eye-catching scenery and artwork. The immediate impact is that employees walk into a “space” where their senses tell them “something new and different” is about to happen so “listen up!” Next, spend a few minutes getting in a relationship with an employee or two with some casual conversation (many will engage you about the music you’ve chosen to play.) Remember the name of one of those employees, let’s say it’s Stan, and jot it down on an envelope. Inside the envelope, insert a facsimile check written to this individual in the amount of \$1,500. Sign the company name and seal the envelope. You have done your homework on this plan and know that the company match is 50% of the first 6% of deferral. You also know that most employees in Stan’s position are making in the range of \$50,000 a year. So during the presentation, while reviewing the plan features, actually present this envelope to Stan and ask him to open it (this act is most effective if handled with a certain aplomb). As he stares at the check in disbelief, this point is where we caution you not to make the facsimile look too real, ask Stan how often he receives a check for \$1,500 made out to him. Stan will undoubtedly reply, “Never!” You and Stan are now interacting in a mini-drama that has the rapt attention of everyone in the room. This moment is the perfect moment to make the case for a 6% participation rate in order to receive the company match AND you are doing it in a way that will not easily be forgotten.

The entertainment phase embraces both the message and the messenger. Make it real—the check exercise. Make it fun—turn it into a game in which participants are asked questions about their plan and rewarded with chocolates for correct answers. Make it memorable—we all remember a favorite teacher.

Step Six: The Valuator

Develop a timeline of employee meetings — quarterly, semi-annually, annually—and a schedule of the issues to be addressed and the actions to be achieved. Are we striving to increase participation by 10%, increase deferral rates to 6%, see a reduction in loan applications? Clarify objectives with the plan sponsor and encourage measurement. Perhaps a six-month look-back at plan demographics. This phase enables the educator and the plan sponsor to continue and celebrate a mutually beneficial collaboration. Create a flow chart and Excel spreadsheet categorizing those specific results you and HR will target and produce over a three-year period of time; increase deferral rates, participation rates (or percentages), increase utilization of asset allocation or target funds and decrease money market utilization.

Research shows that on-site presentations are the most effective form of 401(k) education. But just being on site is not enough. Preparation and creativity are essential. We must be knowledgeable and approachable; we must understand our audience and focus our objectives. Only then can we give employees the gift of appreciating a difficult topic and one that can change their lives forever. 



Charles D. Epstein, CLU, ChFC, AIF[®], is the founder of The 401k Coach[®] Program, www.the401kcoach.com. (cdepstein@finsvcs.com)



Sue Ellen Lovejoy is the principal of Lovejoy Associates, provider of educational services nationwide for 401(k) participants. (lovejoyassociates@comcast.net)

- ▲ ▲ ▲
1. ERISA & 3(21)(A)(ii)
 2. 29C.F.R. & 2509.96-1
 3. 29C.F.R. & 2509.96-1(d)(1)
 4. 29C.F.R. & 2509.96-1(d)(2)
 5. 29C.F.R. & 2509.96-1(d)(3)
 6. 29C.F.R. & 2509.96-1(d)(4)

equal to
drama ● n.
an exciting or
- ORIGIN C18
- 18c

Maximize your time!

**DOL Speaks:
The 2008 Employee Benefits Conference**

The Capital Hilton | Washington, DC

May 21-22, 2008

Co-sponsored by:

www.asppa.org/dol



Mid-Atlantic Benefits Conference

The Capital Hilton | Washington, DC

May 22-23, 2008

Co-sponsored by:

www.asppa.org/mabc



Knowledge • Advocacy • Credibility • Leadership



Thank You to All 2007 ASPPA Annual Conference Participants!

Sponsors & Exhibitors

Tier 1

ING
John Hancock Financial Services
Nationwide Financial
SunGard
Transamerica

BCG Terminal Funding
Benefit Insights, Inc.
BenefitStreet, Inc.
BLAZE SSI Corporation
BNA
CEFEX
Colonial Surety Company
Conference of Consulting Actuaries (CCA)

Tier 2

ASC
DATAIR Employee Benefit Systems, Inc.
Ivy Funds
Newkirk/McKay Hochman
Reish Luftman Reicher & Cohen
T. Rowe Price Retirement Plan Services, Inc.

CyberData
DailyAccess Corporation
Dietrich & Associates, Inc.
Digiscribe
Envisage Information Systems, LLC
Ernst & Young
ExpertPlan

Tier 3

AutoRollovers by BPA-Harbridge
Dorsa Consulting
EBG Systems, Inc./Retirement Planning Center
Great-West Retirement Services
PenChecks, Inc.
RAM Pension Consultants, Inc.
State Street Bank and Trust Company
The Hartford
TPA Navigator presented by Okeanos
Vanguard
Wolters Kluwer Law & Business
Wystar Global Retirement Solutions

Fidelity Investments
First Mercantile
FlexSoft, Inc./Pension Online.com
ftwilliam.com
International Foundation of Employee Benefit Plans
InvestLink
IRS-TE/GE Employee Plans
Lincoln Financial Group
MassMutual
Matrix Settlement & Clearing Services
Motif
National Registry of Unclaimed Benefits
NexusTPA
NIPA

At-Large

Bisys Retirement Services
National Investment Managers, Inc.

OneAmerica, AUL Retirement Services
Pay Plus Solutions/Insight e-Tools
Payroll Network, Inc.
PBGC
Pen-Cal

Exhibitors

401(k) ASP
AccuDraft, Inc.
ADP
AICPA
American Beacon Funds
ASPPA

Sun Life Retirement Services (US), Inc.
TD Ameritrade
The Principal Financial Group
Thompson Hine, LLP
Trust Builders, Inc. (TRAK Software)



Leslie A. Whitten, QKA, accepting the Martin Rosenberg Academic Achievement Award from Robert L. Long, APM.



Leaders of ASPPA, including Executive Director Graff, Esq., APM; 2008 President Sal L. Th... Board member Martella Joseph, MSPA, enjoying other members at the Texas County Fair



Members Liz T. Hallam, CPC; Rich A. Hochman, APM; and Past President Stephen H. Rosen, MSPA, CPC, enjoying a moment together as they champion ASPPA's Visit to the Hill.



2007 ASPPA President Chris L. Stroud, MSPA, and husband Ken get into the spirit at the "Texas County Fair" reception.



Board Member Ilene H. Ferenczy, CPC, speaking at the first General Session Monday morning.



Director/CEO Brian H. Cipodi, APM; and new toy line dancing with Tuesday night.



President-Elect Stephen L. Dobrow, CPC, QPA, QKA, QPFC, and wife Donna, attending the Visit to the Hill.



General Session attendees listen intently during the conference.

Speakers

- | | |
|--|--------------------------------------|
| Nevin E. Adams | Donald J. Kieffer, Esq. |
| John S. Agatston, MSPA | Charles J. Klose, FSPA, CPC |
| Robert J. Architect | Yannis P. Koumantaros |
| Laura R. Arnold, CPC, QPA, QKA | Virginia Krieger Sutton, QKA |
| Harold J. Ashner, Esq., APM | Theresa Lensander, CPC, QPA |
| Bruce L. Ashton, Esq., APM | Norman Levinrad, FSPA, CPC |
| Michael L. Bain, MSPA | James J. McKinney, IV, CPC, QPA, QKA |
| Raymond D. Berry, MSPA | Pamela C. Means, MSPA, QPA, QKA |
| Mary Virginia Boggs, QPA, QKA, QPFC | Kevin E. Merrill, JD |
| William K. Bortz | Barry R. Milberg |
| Kerry M. Boyce, CPC, QPA | Charles E. F. Millard |
| Alex M. Brucker, Esq., APM | Diane S. Morstein |
| Bradford P. Campbell | Richard A. Nelson, Esq., APM |
| John A. Carnevale | Gwen S. O'Connell, CPC, QPA |
| Amy L. Cavanaugh, CPC, QPA, QKA | Kurt F. Piper, MSPA |
| Mark A. Davis | Thomas E. Poje, CPC, QPA, QKA |
| Lawrence Deutsch, MSPA | Adam C. Pozek, QKA, QPFC |
| Stephen L. Dobrow, CPC, QPA, QKA, QPFC | Michael B. Preston, MSPA |
| Kevin J. Donovan, MSPA | W. Thomas Reeder, Esq. |
| Lorraine Dorsa, MSPA | C. Frederick Reish, Esq., APM |
| David B. Farber, MSPA | George J. Revoir |
| Ilene H. Ferenczy, Esq., CPC | Robert M. Richter, Esq., APM |
| Andrew W. Ferguson | Michael J. Roach |
| Thomas J. Finnegan, MSPA, CPC, QPA | Stephen H. Rosen, MSPA, CPC |
| Brian H. Graff, Esq., APM | Stuart A. Sirkin |
| Joseph H. Grant, Esq. | Sheldon H. Smith, Esq., APM |
| Cynthia A. Groszkiewicz, MSPA, QPA | Virginia C. Smith, Esq. |
| Joan A. Gucciardi, MSPA, CPC | Lawrence C. Starr, CPC, QPFC |
| Richard A. Hochman, Esq., APM | Peter K. Swisher, CPC, QPA |
| Craig P. Hoffman, Esq., APM | Monika A. Templeman, Esq. |
| James E. Holland, Jr. | Martin P. Tierney |
| R. Bradford Huss, Esq., APM | S. Derrin Watson, Esq., APM |
| Karen A. Jordan, CPC, QPA, QKA | Janice M. Wegesin, CPC, QPA |
| Robert M. Kaplan, CPC, QPA | Elizabeth White |
| | Andrew E. Zuckerman |



Fewer 401(k) Savers Would be Facing Inadequate Nest Eggs if Advisers Defined Their Contribution Rate

by James E. Turpin, MSPA, and Jane White

The conventional thinking about America's current retirement picture is that affluent Americans will be fine—it's the poor and uncovered that need help.

In a recent article, *Los Angeles Times* columnist Kathy Kristof quoted an Investment Company Institute spokeswoman celebrating "the power of persistence," on the fact that the average account balance for people who have been in their 401(k) plan for six years topped \$100,000 for the first time in 2006. In reality, a six-figure nest egg isn't a windfall to be enjoyed by affluent Americans; it should be the minimum goal for all but the poorest, the bulk of whose retirement comes from Social Security.

A typical formula used by pension actuaries to determine an appropriate savings amount to provide an adequate retirement benefit for people without a traditional company pension, a home (that is fully paid for) or other savings is the accumulation of 10 to 12 times their annual salary right before they reach retirement at age 65—that is, "final pay." As Profit Sharing Council president David Wray has been quoted, "Ten times final pay gets it done... The issue is the 40 years of saving. You've got to start (contributing) at 25 to retire at 65." If you don't start at age 25 (or it's too late because you are already well beyond age 25), you've got to ratchet up your efforts to make up for lost time by contributing a substantially higher percentage of your pay, depending on how long you've procrastinated and how long you want to wait until you can fully retire. What participants need is specific numbers on the percentage of their salary they need to save now to achieve their goal—depending on when they start saving and how well they invest their money. For this purpose, we would like to discuss the concept of retirement sufficiency, which is defined as the nest egg that one needs to accumulate in order to maintain his or her pre-retirement standard of living after retirement.



Currently, if plan participants are allowed to direct the investment of their accounts, a fiduciary's duty is limited to providing diversified plan investment options, prudently selecting those options and periodically evaluating the performance of those options. The information that ERISA requires in a Summary Plan Description (for defined contribution plans) includes how contributions are determined or allocated, who makes those contributions, any limitations on those contributions, vesting of the participant's account balances and how investment earnings are allocated or determined for each account, as well as brief descriptions of any death benefits, loans and other features of the plan. There is no requirement that the SPD or other disclosures provide a participant with information on the appropriate level of contribution based on a participant's time horizon, current savings and other expected income, needed to achieve "retirement sufficiency."

Surveys of median 401(k) account balances by age groups show that most Americans are not on target to retire comfortably, especially those who rely wholly on their 401(k) account assets for retirement. Vanguard's 2006 study of the participants in the plans sponsored by its 1,800 employer clients showed a median account balance of only about \$60,000 for those age 55 and over.

We're not saying there is a one-size-fits-all formula to determine retirement sufficiency, since some folks don't rely entirely on their 401(k) plan account for their retirement income; some will also have benefits from a defined benefit plan, rollover and regular IRAs and retiree medical coverage as well as home equity to meet their retirement needs. Still others may be able to keep working after retirement age.

However, many won't have these additional resources, especially in the defined benefit arena. From 1974 to 2004 the percentage of Americans covered by a defined benefit plan shrunk from 44% of the workforce to 17% of it, according to the Employee Benefit Research Institute. And the perhaps unfortunately named Pension Protection Act (PPA), which makes funding requirements more costly because it phases in tighter funding rules, among other strictures, may protect pensions for some but will shrink them for many others. Roughly 20-25% of the nation's \$2.3 trillion in DB assets have been frozen—meaning that some or all of the participants stop earning benefits—and still other plans are closed to new hires. As Robert

Pozen, chairman of MFS Investment Management, was recently quoted, "The Pension Protection Act effectively sounds the death knell for defined benefit pension plans."

We should at least give participants a sense of how much money needs to be in their nest egg to achieve retirement sufficiency—rather than offering them vague generalities such as "you'll need to replace anywhere from 50 to 75% of your income at retirement."

Our Findings

Our findings, which were presented to the ERISA Advisory Council Working Group on Financial Literacy and the Role of the Employer last September, show that even those who start saving at age 25 have to contribute 10% of their salary to save enough by age 65 for their plan account to equal ten times their projected annual salary. And this contribution rate assumes an employer matching contribution of 50% of pay on the first 6% of salary the participant contributes—*i.e.*, a maximum contribution of 3% of pay. (This scenario assumes the participant's salary goes up 4% each year until age 65 and investments average a 7% annual rate of return.)

If the participants wait until age 35 to start contributing to their 401(k) plan, they will have to increase their contribution rate from 10% to more than 17%, to accumulate ten times their projected salary at age 65. For those participants without an employer matching contribution, their contributions would need to increase by almost 60%—from 13% to more than 20% to



July 13-16, 2008 • Seattle, WA • Sheraton Seattle Hotel and Washington State Convention & Trade Center

have the same retirement nest egg at age 65. Waiting until age 40 requires the participant to increase his/her contribution rate of 10% to more than 23% of pay to accumulate the same retirement nest egg (assuming there is an employer matching contribution).

Finally, waiting until age 50 requires nearly a five-fold increase from the rate at age 25 to 48% of pay. Even with an annual wage increase of more than 4%, digging that deep wouldn't simply be a challenge, it would be virtually impossible for most households, plus the dollar amount of this contribution is substantially greater than the maximum permitted employee contribution.

As long as we're on the subject of the "cost" of waiting to contribute, we also need to convey to participants that the current limit on "catch-up" contributions for folks over age 50 will enable very few participants to actually catch up.

Unfortunately, most participants over the age of 50 are not in a position to take advantage of this provision. In 2004, only 13 percent of those age 50 or older made catch-up contributions, socking away an average of \$2,207 more than they did before they were eligible. The small percentage is not because of lack of opportunity; 80 percent of 401(k) plan sponsors offer catch-up contributions. The reason for the lack of interest is that the only folks WHO CAN AFFORD to make catch-up contributions are those who already contribute the maximum—\$15,500 in 2007. For the most part, the people who are making catch-up contributions are earning at least \$100,000 a year or have spouses with substantial incomes.

PPA Attempts to Address Savings Crisis Through Auto-enrollment

We would like to point out that PPA does attempt to address the 401(k) savings shortfall—not through participant education but by making it easier for plan sponsors to automatically enroll their employees in the plan. PPA has delineated a new safe harbor automatic enrollment provision effective in 2008 that starts the automatic deferral at 3%, raising it by at least 1% of salary per year until it reaches 6%. In addition, under the new safe harbor scheme, both new AND existing employees can be auto-enrolled—resulting in recruiting the one in four employees of any given company who never join their employer's plan.

The problem with auto-enrollment is two-fold:

- **First, a 3% starting contribution rate is too low for everybody.** As we've demonstrated in our examples, the default contribution rate of 3% not only fails the vast majority of Americans who postpone saving for retirement until their 30s or 40s—it's insufficient for the tiny minority who participate as soon as they enter the workforce. It's less than one-third of that required by a participant who starts contributing at age 25, less than one-fifth of what would be required if the participant waited to start at age 35 and less than one-seventh of that required for a participant who postponed saving until age 40—and these scenarios assume an employer match!
- **Secondly, auto-enrollment keeps the default rate artificially low for job-changers.** If the average American switches jobs every four years, that auto-enrolled participant will be defaulted to a starting contribution rate of 3% regardless of his or her age when joining an employer plan. For example, an individual who changed jobs every seven years who is automatically enrolled at each new employer at a 3% rate, with an annual 1% escalation up to a ceiling of 6%, would accumulate a nest egg of approximately four times his or her salary at retirement—less than half of what's recommended. If that same job-changer happened to work for a company that didn't match his or her contributions, he or she would only accumulate less than one-third of what would be needed at retirement. And both scenarios assume that the job-changer did not "cash out" of his or her vested account balances when changing jobs; the ability to do that exposes another flaw in the 401(k) system that needs addressing in another venue (and is probably the reason why IRA rollover balances are so low.)

Summary

- **Define the nest egg.** We would like to see plan sponsors and advisers communicate how large a nest egg employees need to accumulate compared to their salary just prior to retirement, as a multiple of that salary, in order for the employees to achieve retirement sufficiency.
- **Define the contribution rate required to achieve the nest egg and disclose the "investment cost" of waiting.** We'd like to see examples of how much participants need to save based on their time horizon, employer matching contributions and reasonable investment rates of return.
- **Disclose that "catch-up" contributions don't "cut the mustard."** We'd like to see disclosure of the fact that catch-up contributions for those over age 50 may help close the gap, but it will not enable most people to make up for lost time and lost investment return if they start contributing too late in life.



Proposed Disclosure Defining a Target Nest Egg

Most 401(k) Savers Need a Nest Egg that Equals Ten Times Their Salary

Many Americans without access to a pension that is paid for by their employer will need a retirement nest egg that is around 10 to 12 times their annual salary immediately before they retire. So, if you are very likely to earn \$60,000 when you reach your mid-60s, you will need at least \$600,000 in retirement savings in addition to your Social Security benefit.

It's impossible to predict exactly how much you will be earning when you are close to retirement. But we know that the more you earn in the future, the more you will need to save to "replace" a big portion of that income when you retire.

For example, if you are earning \$35,000 at age 25 and get a raise of 4% each year, you would be earning nearly \$170,000 at age 65 or about five times the original salary at age 25. Even if you only got an annual raise of about 1.50% each year, your annual salary would still be about \$63,500 at age 65, or nearly twice what you were making more than 40 years earlier.

Proposed Disclosure on the "Costs of Waiting"

Your Age When You Start Investing Matters More Than Where You Invest: The Longer You Wait, the More You'll Have to Save—and Vice Versa

Once you start saving in your 401(k) account, how old you are when you start saving and how much you save is more important than what investments you choose for your account. Why? The younger you are when you start saving, the less money you'll have to spend in later years to bankroll your retirement nest egg. This fact is due to compound interest, which describes investment growth not just on the amount contributed but on the earnings from those contributions. It's like a snowball that grows by rolling down a long hill versus a short hill.

For example, if at age 25 you save 10% of a \$35,000 annual salary, with an employer match of 50% of your contribution up to 6% of pay, you could end up with a retirement nest egg that is ten times your expected salary at age 65, assuming an average investment return of 7% and annual increases in salary of 4%. However, the longer you put off contributing to your account, the more you will have to contribute, as the chart below shows.


Proposed Disclosure on Catch-up Contribution: All employees have the right to know that over 50 catch-up contributions don't cut the mustard.

Warning: Catch-up Contributions for 401(k) Savers Over Age 50 Won't Enable Most to Catch Up

If you do not expect to receive pension income from any other source and have waited to start saving for retirement until you are in your 40s or later, you will have to save much more than the federal limits to "catch up" to your nest egg goal of ten times final pay.

It's true that when you reach age 50 you can make an additional catch-up contribution of \$5,000 per year. But, if you waited to start contributing until you are age 50, the additional catch-up contribution would not come close to making up for lost time.

For example, if you wait until age 40 to start contributing to your 401(k) account, you will need to contribute 23.25% of your salary (assuming a 3% employer match), to reach your ten-times-salary-goal at age 65. If you wait until age 45 to start contributing, you would need to increase your contribution rate to 32.50% of your pay. Unfortunately, even if you could afford to contribute that much, that level of contribution exceeds the current \$15,500 limit on salary deferrals by more than 60%.

That's not to say that you shouldn't make catch-up contributions. They can make up some of the earlier shortfall. But you should assume that you will have to rely on other sources of income or keep working after age 65 to build an adequate nest egg. 



Jane White is the president of Retirement Solutions Foundation, a Madison, NJ-based 501(c)3 organization dedicated to retirement security for all Americans. (jane@retirementsolutions.org)



James E. Turpin, MSPA, FSA, MAAA, FCA, EA, is president of The Turpin Consulting Group Inc. of Albuquerque, NM. (jtandme@aol.com)

Why contribution rates must be increased if participants postpone contributing until their 30s, 40s and 50s:

Starting Age for Contributions	Annual Pay	Employee Contribution Rate Required*	Increase in Contribution Rate
25	\$35,000	10.00%	None
30	\$42,583	13.00%	30%
35	\$51,808	17.25%	73%
40	\$63,031	23.25%	133%
45	\$76,686	32.50%	225%
50	\$93,299	48.00%	380%

Assumptions: Contribution is matched 50% up to 6% of pay. A salary of \$35,000 at age 25 is increased 4% per year with projected annual pay at 65 of \$168,024; contributions are made semi-monthly with a 7% annual return.

*Individual does not have access to other pension benefits.



“Pension Pal” Looks Forward

by Sal L. Tripodi, APM

Sal, the Pension Pal, has been my mantra over the years, as I have come to know many of the ASPPA members through feedback on *The ERISA Outline Book* and through seminars, conferences and other presentations. For some of you, it's like we have known each other since “childhood.” The ASPPA Annual Conference sometimes seems like a family reunion!

ASPPA has honored me with the opportunity to serve as your President for the coming year. It's my chance to give back to the pension community for all of those years that so many of you have supported me. I am excited to work with the members of the Executive Committee, the Board of Directors and the ASPPA staff over the next year to continue the good work that ASPPA does.

Moving ASPPA's Strategic Plan Forward

ASPPA has experienced tremendous growth and key successes in the past several years, and I believe we are poised to take these advances to new heights. ASPPA's envisioned future, as stated in its strategic plan, is that ASPPA will be the premier educator of all retirement plan professionals and the preeminent voice and advocate for the employer-based retirement system, and that retirement plan professionals will view ASPPA membership as essential to their success. We have come a long way toward attaining this goal. This coming year brings new opportunities and new initiatives that will build on past successes and help us get that much closer to this envisioned future.

IPFW. As announced at the 2007 ASPPA Annual Conference, ASPPA has teamed up with the University of Indiana-Purdue at the Fort Wayne campus (IPFW), to launch online education in the retirement area and to provide pension administration education at the college level that will prepare students for ASPPA credentials. This partnership is another important step towards our goal to be the premier educator of retirement plan professionals.

ERPA. The Enrolled Retirement Plan Agent, or ERPA, is a new category of practitioners permitted to practice before the Internal Revenue Service. By

the time this article is published, the IRS should have issued an RFP to solicit bids from contractors for the administration of the ERPA course materials and examinations. ASPPA is teaming up with the National Institute of Pension Administrators (NIPA) to bid on this contract. We hope to land this contract, which will provide many new opportunities for ASPPA's education and credentialing programs.

Recordkeeper Certification. Continuing with the “partnering” theme, ASPPA has entered into an arrangement with the Centre for Fiduciary Excellence (CEFEX) to provide best practice standards for recordkeepers. We are confident this initiative will bring a higher standard of practice to firms that provide recordkeeping services, benefiting the retirement community as a whole and strengthening the industry's self-regulation criteria.

Here Come the Baby Boomers. On January 1, 2008, the first of the Baby Boomer generation turned age 62 and thus become eligible for Social Security benefits. The coming onslaught of retirees is ushering in an important shift in our industry. With more than 30 years since ERISA, we have seen many options available for retirement savings, and the focus of much of our industry has been on the accumulation phase. But there is an equally important component—the distribution phase—and ASPPA and its members need to be in the forefront in addressing the attendant issues. Over the next few years, you will be seeing new initiatives from ASPPA to respond to the distribution side of retirement planning, while remaining focused on ensuring sufficient retirement accumulation through employer-sponsored retirement plans.


My Goals for the Coming Year

Communication. One of my goals over the next year is to increase ASPPA's communication with and responsiveness to its members. While ASPPA expands its influence in the retirement industry, we must make sure that it stays focused on the professional needs of its members and meets its obligations as a professional

association. We are close to launching MAX, ASPPA's Membership Analysis and eXpectations Committee, that will run under the auspices of our Marketing department. MAX's goal is to assure that ASPPA continues to meet and exceed the expectations and needs of its diverse membership base. MAX will be putting together standing survey groups of ASPPA members who will be representative of the various disciplines that comprise our membership. Individuals will serve staggered two-year terms, during which time they will be called upon periodically to answer survey questions. With MAX, we will be able to evaluate member needs, get a read on member views on various issues affecting the retirement plan industry and assess member benefits from various initiatives. We will have the capacity to get a general view on certain topics or to survey a particular subset of membership, such as by profession, job classification, region, etc.

Web Chats with the MC. We also will be launching periodic Web chats with the Management Council (MC), which consists of the President, President-Elect and the Executive Director/CEO, to have discussions on various topics available only to members. We hope to have the first one early next year and will provide you more information through the monthly *ASPPA eNEWS*.

Mining Our Resources. We also need to take advantage of the diverse resources we have represented within our membership. Unique in our organization is that we have brought together professionals in the retirement plan industry with very different expertise and focuses. Through our conferences, our educational opportunities and our government affairs activities, we are able to bring this mix together for a more interdisciplinary approach. We plan to focus more on this approach in our planning for the future.

Let's keep the lines of communication open over the next year. I welcome your suggestions of how we keep moving forward toward our lofty goals as an organization. Sal, your "Presidential" Pension Pal, is at your service! 

.....
Sal L. Tripodi, APM, JD, LLM, is the principal of TRI Pension Services, a nationally-based consulting firm in Highlands Ranch, CO. He is the author of The ERISA Outline Book. Sal is also the President of ASPPA.

TRI Pension Services provides numerous in-house seminars for financial institutions, administration firms and other pension service providers throughout the country, and also publishes a quarterly newsletter (ERISA Views). For more information about TRI Pension Services, visit www.cyberERISA.com. (cyberERISA@aol.com)

The ASPPA Professional Services Directory

The Latest Benefit for Credentialed Members Only

Imagine a way for plan sponsors, CPAs, investment advisors and the general public to access, at their fingertips, service and contact information for credentialed ASPPA members. That is exactly what the ASPPA Professional Services Directory will provide, and it is here now. Developed by ASPPA as a way to highlight credentialed members and their professional capabilities in our industry, the ASPPA Professional Services Directory will soon become known as the "go to" directory for retirement professionals.


As an ASPPA credentialed member, it is as simple as logging into the ASPPA Web site to place a listing in this new directory. Listings range from simple rolodex and practice area information, which are included in the Basic Listing, free of charge, to complete organizational descriptions with logo inclusion and national exposure within the search engine database.

Practice areas to choose from fall into four major categories: Actuarial and Defined Benefit Services, 401(k)/Defined Contribution Services, Compliance and Fiduciary Services and Investment Services. Members listing their information in the directory can choose one or a combination of all four areas to highlight specific service offerings.

In addition to the Basic listing, which is free of charge, members can choose from a variety of additional fee-based listing options for more complete exposure to those who will utilize the directory to find qualified retirement professionals. Fee-based options available include: individual state listings, regional listings with expanded exposure defined in four selected areas segmenting the US, national exposure that provides member inclusion in every search completed by anyone using the directory and an enhanced listing option which includes additional corporate descriptive data as well as logo/branding images that will appear within the listing online.

Once a listing has been placed, your information is available to the search engine capabilities of the directory. The search function of the directory is based on mile radius from either an entered Zip code or a city/state combination. If someone knows the name of a professional they may have been referred to, a search option based on last name also exists. If additional fee-based listing options have been added, that information is taken into consideration in the search results and assists in the refinement of how the listings appear to those seeking information.

How will the outside world know about this exciting tool? The ASPPA Professional Services Directory will be marketed throughout 2008 and beyond to those seeking the services of retirement professionals in the plan sponsor, CPA, insurance and retirement planning areas of our industry.

Let ASPPA help market you, your credential and your firm's capabilities with this exciting new directory. Don't wait—place your listing today and take full advantage of this remarkable tool available only to ASPPA credentialed members. If you have any questions, please contact ASPPA's Membership department at members@asppa.org. 

Latest Additions to the ASPPA Board of Directors

by Troy L. Cornett

Richard A. Hochman, APM, Martella A. Joseph, MSPA, Robert L. Long, APM, and Marcy L. Supovitz, CPC, QPA, have been elected to ASPPA's Board of Directors and will each serve a first full term expiring in 2010.



Richard A. Hochman, APM, is an attorney with extensive background in the tax and employee benefits field. In his role as president and COO at McKay Hochman Company, Inc., in Butler, NJ, Rich supervises a team of attorneys

and consultants in the design, drafting and support of prototype and custom documents for financial institutions, brokerage firms, insurance companies, pension consultants and plan sponsors. As a member of the firm's training faculty, he regularly participates as an instructor in continuing education programs sponsored by the firm, including in-house programs and at a variety of pension industry forums such as ASPPA, Enrolled Actuaries (EA), National Institute of Pension Administrators (NIPA), Federal Financial Institutions Examination Council (FFIEC), trust schools and numerous state banking associations.

During his benefits career, Rich has been responsible for designing and implementing prototype and individually designed plans. He has also published tax analysis for use by attorneys, accountants and consultants on a broad range of topics. Rich provides written commentary and testimony in Washington, DC on regulatory issues on matters relating to qualified retirement plans on behalf of clients. He earned a BA degree in Political Science, a BS degree in Business Administration, an MBA and a JD degree from the State University of New York at Buffalo.



Martella A. Joseph, MSPA, is a partner of Joseph & Turner Consulting Actuaries, LLC, a pension consulting firm in Manhattan, NY that she co-founded with her husband, Eugene. Martella has a BS degree in Mathematics

from the City College of New York. Martella is an Enrolled Actuary with more than 20 years of experience in the actuarial profession, and holds the Member, Society of Pension Actuaries (MSPA) credential with ASPPA. Martella served as Chair of the Actuarial Resource Group of the Government Affairs Committee of ASPPA. In 2002, Martella was a delegate to the 2002 National Summit on Retirement Savings.



Robert L. Long, APM, is product manager for Actuarial Systems Corporation. Working from his virtual office in the Minneapolis/St. Paul area, Bob is involved with systems development, training, support and sales, primarily focusing

on the daily trading aspects of DC/401(k) plans. As a 30-year industry veteran, Bob entered the pension industry right after receiving his BS in Business Administration from Manchester College in North Manchester, IN.

As a Chartered Financial Consultant and Chartered Life Underwriter, Bob managed a variety of pension administration operations within the insurance industry before becoming involved with systems development. He's been involved with ASPPA's Education and Examination Committee for six years and currently serves as its Co-chair. Bob is also very involved with the expected roll out of the new Enrolled Retirement Plan Agent designation as well as ASPPA's new relationship with Indiana University – Purdue University at their Fort Wayne, IN campus.



Marcy L. Supovitz, CPC, QPA, is a principal with Boulay Donnelly & Supovitz Consulting Group, Inc., a benefits consulting, actuarial and administration practice in Worcester, MA. A 30-year veteran of the retirement industry, she previously


held senior executive positions at major mutual fund and insurance companies and is also a past lecturer on retirement plan topics at Purdue University.

A Certified Pension Consultant and Qualified Pension Administrator with ASPPA, Marcy is a three-time recipient of the Martin Rosenberg Academic Achievement Award for attaining the highest nationwide score on ASPPA exams. She currently serves as Co-chair of The ASPPA 401(k) SUMMIT Committee and is a member of the ASPPA Benefits Council of New England. Marcy is also a Chartered Financial Consultant, Chartered Life Underwriter, Fellow of the Life Management Institute and past president of the National Pension Directors. She graduated summa cum laude in Mathematics from Clark University.

An award-winning author for her contributions to the *Journal of Financial Service Professionals*, Marcy has also authored numerous articles for such other publications as *The Small Business Controller*, *Research Magazine* and the American Bar Association's *Property and Probate*. She is a past recipient of The New England Marketing Association's top award for best creative execution in retirement plans literature.

Marcy is a frequent speaker on retirement issues at industry conferences and has been a

featured guest on the syndicated TV programs *Inside Money* and *Money Matters*. She has been widely quoted in *The Wall Street Journal*, *Newsweek*, *Business Week*, *CBS MarketWatch* and other financial publications.

In addition to the four new members on ASPPA's Board of Directors, David M. Lipkin, MSPA, has been elected to serve his first full term on the Board after completing an initial partial term, and Barry Max Levy, QKA, has been elected to serve a second term. 



Troy L. Cornett is the Office Manager for ASPPA and is the liaison to the ASPPA Executive Committee, Board of Directors and ASPPA Management Team. He also manages ASPPA's Data Services department and is the Production Manager and Associate Editor of The ASPPA Journal. Troy has been an ASPPA employee since July 2000. In his time away from the ASPPA office, Troy enjoys seeing the latest movie releases, driving his VW Beetle and sipping lattes with his friends at Starbucks. (tcornett@asppa.org)

GAC Corner

ASPPA Government Affairs Committee Congressional Testimony from October 2007

October 30

Tommy Thomasson testified on behalf of ASPPA and CIKR before the House Way and Means Committee on the appropriateness of retirement plan fees.

www.asppa.org/pdf_files/103007ThomassonTestmony.pdf

October 24

ASPPA President Sal L. Tripodi, APM, testified on behalf of ASPPA before the House Committee on Small Business Subcommittee on Finance and Tax on ways to increase small business pension coverage.

www.asppa.org/pdf_files/1024Tripodi_testimony.pdf

October 24

Michael Kiley testified on behalf of ASPPA and CIKR before the Senate Special Committee on Aging on the need for 401(k) fee transparency.

www.asppa.org/pdf_files/1024SenAging_Kiley.pdf

October 4

Tommy Thomasson testified on behalf of ASPPA and CIKR before the House Education and Labor Committee on the proposed fee disclosure rules in H.R. 3185.

www.asppa.org/pdf_files/1004HouseEL_fees_ThomassonFIN.pdf

For all GAC filed comments, visit www.asppa.org/government/gov_comment.htm.

Institute for Pension Plan Management

by GERALYN M. MILLER and KIM L. SZATKOWSKI, CPC, QPA, QKA

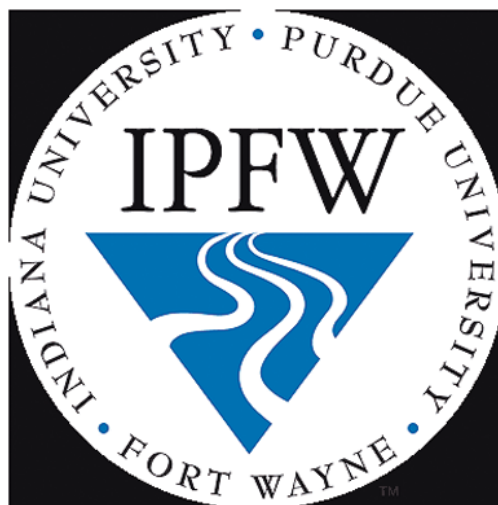
An exciting new partnership with Indiana University–Purdue University Fort Wayne (IPFW) resulting in the creation of the **Institute for Pension Plan Management** was announced by Brian H. Graff, Esq., APM, ASPPA Executive Director/CEO, at the 2007 ASPPA Annual Conference held in Washington, DC.

This public-private partnership, the first of its kind in North America, has a three-pronged focus and is a collaborative effort that meets vital needs within the industry:

- Train existing industry personnel;
- Create new talent pipeline; and
- Research.

First, the Institute will be working with ASPPA's Education and Examination Committee to develop supplemental online education that assists with the training of existing industry personnel. The topical availability feature of this component is important as it allows expansion of educational offerings beyond those interested in pursuing a credential. The industry has huge training needs in addition to plan administration, including pension plan sales, call center and recordkeeping environments. Using the latest distance learning technologies, education can be delivered in a variety of formats including interactive instructors and podcast file formats, supplemented with downloadable text versions of those presentations. The multiple formats offered will enable individuals to choose the format or formats that best suit their individual learning and lifestyle needs, as well as accommodate their hectic daily lives as they work to meet the ever-changing demands of their clients and/or employers in the retirement plan arena.

Second, the Institute will begin to build a talent pool so that employers have access to individuals who have familiarity and basic training in pension plan management upon graduating from college. Industry employers have begun to increase their requirements for qualifications of the individuals they hire into entry levels over the past several years. Yet, paradoxically, they are facing



The industry has huge training needs in addition to plan administration, including pension plan sales, call center and recordkeeping environments.

a shortage of qualified applicants for the positions they seek to fill. Growing an existing stable of pre-trained candidates will help those employers identify potential hires more easily and will cut down on their long-term training expenditures. On the flip side of this, college graduates will gain marketability and competitive edge over their fellow college graduates seeking to enter the workforce. The goal is for students to graduate from the business school with enough knowledge to obtain ASPPA's QKA credential.

Third, for quite some time, scholarly research activity in the area of pension plan distribution has been lacking. There are currently only a handful of academic researchers who engage in studies designed to inform public policy in this area. Objective research is vitally necessary for all parties in the pension planning process in order to ensure that the vitality of this industry and the work accomplished by its professionals continues to soar at optimal levels. We need to continue to build our knowledge base in this arena so that we can form a solid foundation on which to grow the future of our industry. The Institute for Pension Plan Management is the ideal venue for this type of research, particularly as we head into the distribution phase of the baby boomer retirement savings plans. Before we can meet the needs of this and future generations of retirees, we need to more fully understand the trends,

market conditions and other factors taking place in the present that point toward the types of plans, products and services that will need to be developed.

Corporate memberships are available and include discounted training fees, first access to graduating students, membership on the Advisory board and input into research agendas. For additional information on corporate sponsorship, please contact Geri Miller at millergm@ipfw.edu.

This partnership, which was originally conceived by members of the ABC of Northern Indiana, is an exciting opportunity for everyone in the retirement planning field. It represents recognition of and a dedication to the important work that must be accomplished on behalf of this industry and its professionals. Indiana University–Purdue University Fort Wayne is a shared campus that brings together the resources of two academic giants. Given this, the delivery of online education through this partnership adds a heightened level of awareness and prestige to the important work that ASPPA and its members perform. The Institute for Pension Plan Management is destined to be a huge success based on the fact that it was developed by and on behalf of ASPPA's members, a group of extraordinarily passionate and

dedicated professionals who will pave the way toward a bright and prosperous future for the retirement industry.

Additional information about the Institute for Pension Plan Management at IPFW can be found at www.asppa.org/education/ed_ipfw.htm.



Dr. GERALYN M. MILLER is the Executive Director of the Institute for Pension Plan Management. She holds an MA in Governmental Relations from De Paul University and a Ph.D. in Public Policy Analysis from the University of Illinois Chicago. Her early career was spent with the

Illinois Department of Insurance where she started as a market conduct examiner and became a legislative liaison before entering the academic field. (millergm@ipfw.edu)



Kim L. SZATKOWSKI, CPC, QPA, QKA, is the Chief of Pension Education and Co-chair of ASPPA's Education and Examination Committee. She holds a BS in Mathematics from St. Norbert College in De Pere, WI, and spent her early career at FDP in Miami, FL. Kim has held various

sales, plan administration and management positions at SunTrust Banks, Lebonson Actuarial Services and ASC prior to joining ASPPA. (kszatkowski@asppa.org)

ASPPA Spring 2008

EA-2B Review Courses

For review course dates and locations or to register, visit www.asppa.org/education/ed_ea_course.htm

E-mail any questions regarding EA courses to educasppa@asppa.org.

www.asppa.org

Knowledge • Advocacy • Credibility • Leadership



Are You Staying Current with ASPPA's Continuing Education Program?

by Denise E. Calvert

ASPPA's current continuing education (CE) program cycle began on January 1, 2007, and continues through December 31, 2008. All ASPPA credentialed members must participate in a mandatory continuing education program.

Who, What and When

CPCs, QPAs, QKAs, QPFCs and APMs:

In order to keep your ASPPA credential in good standing, you must earn 40 pension, investment or employee benefit related continuing education credits during this cycle (and in future two-year cycles). For newly credentialed members and those reinstating a credential, the number of CE credits required is pro-rated based on the date of admittance or reinstatement within the two-year CE cycle.

FSPAs and MSPAs:

Effective March 19, 2005, the ASPPA Board of Directors passed a resolution establishing a new continuing education requirement for FSPAs and MSPAs to coincide with the requirements and three-year continuing education cycle that the Joint Board for the Enrollment of Actuaries currently adheres to. ASPPA will verify Enrolled Actuary status with the JBEA for all FSPA and MSPA members at the end of each three-year JBEA CE cycle. FSPAs and MSPAs **do not** need to file an ASPPA CE Reporting Form.

If a credentialed member fails to comply with the continuing education requirements, his or her credentials will be suspended. Members may reinstate the suspended credential by earning 40 CE credits and paying a \$50.00 reinstatement fee.

Access, View and Report Your Continuing Education Credits Online

This convenient service allows credentialed members to log on to the ASPPA Web site and view their ASPPA CE credits for the current CE cycle, as well as complete and submit their ASPPA Continuing Education Reporting Form online. Additional entry space has been added this year to the in-house training section.


How to Use the Online Service

Log on to the ASPPA Web site using your member login and password. From there, select the CE Reporting Form link on the left hand side of the page to access the online CE reporting form.

The form will outline the number of CE credits required for the current cycle, the number of ASPPA-sponsored credits already earned and the balance of credits still required. Continue scrolling down to view additional credit details and to complete and submit your reporting form. Please note that your reporting form cannot be submitted online unless the total number of CE credits required for the cycle has been recorded.

All CPCs, QPAs, QKAs, QPFCs and APMs are required to submit an ASPPA Continuing Education Reporting Form in order to retain credentials.

• • •

For a full explanation of ASPPA's CE program requirements and qualifying CE activities, refer to the *2007-2008 CE Guidelines & Forms* brochure inserted in this issue of *The ASPPA Journal* or visit the ASPPA Web site at www.asppa.org/education/ed_conted_faq.htm. 



Denise E. Calvert is ASPPA's Director of Membership. At ASPPA, she directs membership projects, maintains, develops and implements membership benefits and services and assists the Membership Committee in marketing ASPPA membership and benefits. Denise also serves as the liaison to the Membership and CE committees and oversees the coordination of the ASPPA Benefits Councils program. Denise joined ASPPA in 2002 and has worked in association management since 1988. (dcalvert@asppa.org)

The 2007 Harry T. Eidson Founders Award

by Denise E. Calvert

One of this year's Harry T. Eidson Founders Award recipients, honored for her significant contributions to the pension industry, is Evelyn A. Petschek. Evelyn was selected for this award for her numerous industry contributions including the key role she played in the development and continued enhancement of the Tax Exempt and Government Entities Division (TE/GE) of the Internal Revenue Service (IRS); a major part of the reorganization of the entire agency that has led to a more efficient and user friendly entity.



Evelyn A. Petschek and C. Frederick Reish, APM.

Evelyn started her career with J.D. and LL.M. Taxation degrees from New York University School of Law, an A.B. from Smith College and earned her Masters in Tax Law. In her first position at the law firm of Alexander and Green, she received her first pension case and found that she really loved it.

Three years later, Evelyn went to work for Bristol Meyers and was spending about half her time doing pension work. She took a position with the law firm of Patterson, Belknap, Webb & Tyler and began working exclusively in pensions. Evelyn found this most rewarding because her job involved assisting employers in providing quality employee benefits.

In 1990, Evelyn joined the US Treasury Department as Deputy Benefits Tax Counsel. Later she joined the IRS and served in a variety of positions including Assistant Commissioner (Employee Plans and Exempt Organizations), Director of Employee Plans Division, and then, of course, as the IRS's first Commissioner of the Tax Exempt and Government Entities Division. Before retiring in 2006, she served as the Chief of Staff to the Commissioner of the IRS.

Evelyn notes that her two most significant professional achievements were realized while working for the government. The first being the open and solid

working relationship that she helped create between the IRS and the private sector. The second was leading the IRS reorganization team and heading up the newly created TE/GE Division that moved the ball forward in positioning the IRS to better serve the regulated community.

Personally, Evelyn considers her most rewarding accomplishments being surrounded by an extremely loving and supportive family and crossing the finish line of her first running marathon. She takes great satisfaction in the fact that her teenage nephews and niece still love being a big part of her life. Evelyn ran her sixth Marine Corps Marathon in late October 2007. She attributes her marathon training to life lessons learned about discipline and leadership which she has applied to all aspects of her life.

Now enjoying her retirement, Evelyn also has interests in designing needlework to share with others, hiking, gardening, photography and travel. Though retired, she stays connected and volunteers her time to the pension community through her service as Assistant Secretary and a member of the Board of Governors of the American College of Employee Benefits Council. She also serves on several other boards in a volunteer capacity.

When asked where she expects the pension industry to be in the next five to ten years, Evelyn predicts with some chagrin, the progression away from defined benefit plans and the continued increase of defined contribution plans. She warns that this progression should be watched with some concern. Rightfully so, when considering what is required to plan adequately for retirement today. Evelyn notes "It's scary to know that many people don't have defined benefit plans as a base retirement source." "The challenge will be to make sure America's youngest workers realize from the very onset of their working careers, the importance of saving for retirement."

Evelyn is very honored in receiving the Harry T. Eidson Founders Award; it has meant a great deal to her. During her first meetings with ASPPA's first Executive Director, Chet Salkind, and then Government Affairs Committee member, Fred Reish, it was hard to envision ASPPA ever recognizing her or anyone else from the government. We've come a long way, and we will be ever grateful to Evelyn A. Petschek for the crucial part that she has played in the betterment of the pension industry.



Michael E. Callahan, FSPA, CPC, and George J. Taylor, MSPA.

The other Harry T. Eidson Founders Award recipient this year, honored for his significant contributions to ASPPA, is Michael E. Callahan, FSPA, CPC. Over the years, Mike has made immeasurable contributions to ASPPA. To mention a few, he was instrumental in the

formation of ASPPA's Government Affairs Committee, wrote many of ASPPA's first white papers, was the founder of the ASPPA Political Action Committee, served as a Board member and chaired many other ASPPA committees, and also served as the President of ASPPA in 1996. On behalf of ASPPA, Mike has many times provided expert witness testimony to the Pension Advisory Council of the Department of Labor, the House Ways and Means Committee, the Senate Finance Committee and the Internal Revenue Service. He was also the visionary responsible for the formation of the ASPPA Benefits Councils.

Mike chose a career in the actuarial profession based upon a project assigned by a college professor. The professor asked him to interview people in various industries to determine what career options were available for math majors. Mike interviewed people who built bridges for engineering firms, worked toll booths to design traffic control systems, tested engine performance and consistency, etc. His report suggested that an actuary would be the best career choice for a math major. Twenty years later, his professor called to congratulate Mike on becoming President of ASPPA and let on that Mike's research project had actually been done on behalf of the professor who was looking for a different career path. The professor took his advice and became an actuary.

Mike's wife, Marjorie, was responsible for getting Mike his first job. Mike wanted to have a real job before settling down, so Marjorie, a flight attendant at the time, would meet passengers in the insurance business and set up interviews for Mike. By chance, he got an interview with Preston Bassett, who later became the President of the Society of Actuaries and Mercer Consulting. Bassett told Mike about a new pension bill coming out, the likes of ERISA, and explained that as a result of this new bill all existing and new actuaries would be on a level playing field. Mike decided to get into the pension field.

Mike's first job was with Connecticut Mutual where he worked in the Pension Valuation Department. His next position was in Aetna's Systems Department. He then joined a small consulting firm and eventually became a partner. In 1981 he spun off from that firm and built Pentec. When his business partner passed away in 1987, he bought the other half of the business. Pentec continued to grow into the largest independent firm in the state of Connecticut.


Mike joined ASPPA as an MSPA in 1983. In 1986 he completed his Fellowship exams. Shortly after becoming a Fellow, Mike got involved in setting up a Fellows Luncheon, which ultimately resulted in his direct involvement in ASPPA leadership.

When asked about his fondest ASPPA memory, Mike noted the excitement surrounding the search for a new ASPPA Executive Director and the direction and growth of the organization. While Mike was President, the task of finding a replacement for Chet Salkind, ASPPA's first Executive Director, occurred. One candidate interviewing for the position would have a dramatic impact on the future direction of ASPPA. When discussing the position, the candidate inquired if the pension industry was expanding or contracting and did ASPPA leadership see the organization having greater, same or lesser market share of the expanding industry. It was then that ASPPA leadership realized that it needed to change and to expand and develop new programs to remain viable. As a result of this inquiry and realization, ASPPA set out to develop new programs and credentials to attract greater industry participation.

Mike notes teaching and training others to serve in the leadership roles of this industry as his most significant professional achievement. He has enjoyed working with his ASPPA colleagues that were or became presidents, Board members, Eidson Award recipients and Executive Committee members. His message to those in the industry: "Get involved and stay involved." "This profession is a very rewarding one that allows you to work with successful profitable people who are delivering benefits to employees."

Mike's most important personal achievement was realized by becoming President of ASPPA in 1996. He is also very proud of his involvement working with some great partners and SunGard Corbel building cutting edge systems and developing innovative programs that revolutionized the 401(k) marketplace. He also notes co-authoring of the *Defined Benefit Answer Book*, and of course balancing his professional and personal life during all of his business pursuits.

When asked about where he sees himself over the next five to ten years, Mike indicated that he would like to focus on retirement education; that there is a long way to go to getting people to prepare for retirement. He is now part of a new group called National Investment Managers, which will provide him the venue to participate in a national forum.

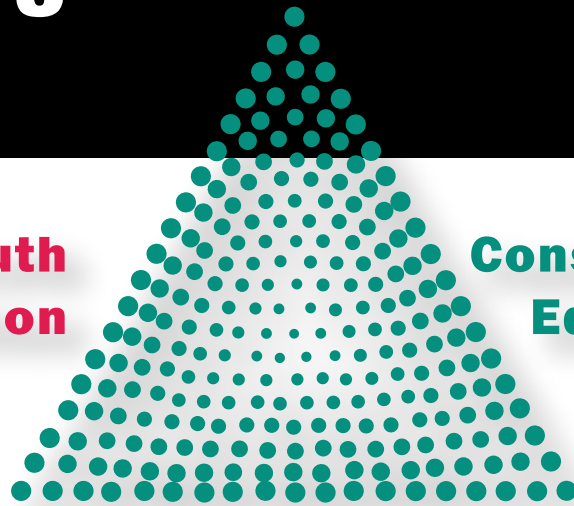
In closing, Mike noted that none of his accomplishments could have been realized without the dedication, passion and excitement of the other people in his personal and professional life. ASPPA certainly would not be where it is today without the strong commitment and passionate leadership of Mike Callahan. 



Denise E. Calvert is ASPPA's Director of Membership. At ASPPA, she directs membership projects, maintains, develops and implements membership benefits and services and assists the Membership Committee in marketing ASPPA membership and benefits. Denise also serves as the liaison to the Membership and CE committees and oversees the coordination of the ASPPA Benefits Councils program. Denise joined ASPPA in 2002 and has worked in association management since 1988.
dcalvert@asppa.org

EDUCATION³

Youth Education



Consumer Education

Introduction

The Actuarial Foundation's mission is to develop, fund and execute education and research programs that serve the public by harnessing the talents of actuaries. We believe that actuaries have a unique opportunity to enhance communities by using their skills, their knowledge and their professional expertise.

Youth Education

Actuaries help inspire and educate millions of students around the country through our math programs:

- **Advancing Student Achievement**, a school based math mentoring program bringing actuaries into classrooms as mentors.
- **Rebuild Math Classrooms!** Answering schools in crisis following hurricane destruction, we were there to ensure the math education of their students remained strong by replacing math resources for their students and classrooms.

Turnkey programs change the way students view math as a real world tool for use in their future.

- **Expect the Unexpected with Math – Shake, Rattle & Roll**, our first major turnkey effort distributed to 40,000 middle school teachers shows “real life” examples of math using a property and casualty focus of hurricanes, earthquakes and floods. **This program received an award from The Association of Education Publishers.**
- **Expect the Unexpected with Math – Lines, Bars & Pies, a graphing program**, our second major turnkey program to reach over 1 million students is scheduled for release in October 2007.
- **Math Academy** lesson plans and activities help students see the relevance of math in real-life contexts teaching probability, patterns & functions and combinatorics.

Research and Actuarial Education

Consumer Education

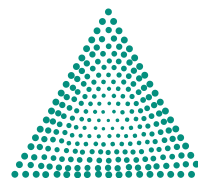
Products contribute to the public understanding of today's most important social issues. Our most recent efforts include:

- Don't Run with Your Retirement Money
- If disaster strikes will you be covered? A homeowner's insurance guide to natural disasters
- Seven Life-Defining Financial Decisions

Research and Actuarial Education

Initiatives advance actuarial knowledge and will continue to play a vital role in the future of the profession.

- Scholarships to college students who show promise in the actuarial field.
- Grants have generated a number of new research projects which have developed some major new releases to the actuarial community.
- Awards and prizes recognize individuals' work contributions to the actuarial profession.



THE ACTUARIAL
FOUNDATION®

Your Support Adds Up to Success!

We need **YOU** to ensure this dynamic and important work is continued. Whether it's reaching more than 1 million students with math programs, providing education materials so consumers can make informed decisions about their financial future, or researching the complex nuances within actuarial practices, **YOUR** gift to The Actuarial Foundation can make a big difference in changing lives in any number of ways.

For program updates and information visit: www.ActuarialFoundation.org or call 847.706.3535
Please make your online donation today at: <http://www.actuarialfoundation.org/donor/donor.htm>
or mail a gift to: **The Actuarial Foundation • 475 N. Martingale Rd., #600 • Schaumburg, IL 60173**

New Standards: Implications for EAs

The Academy Board of Directors has approved revised Qualification Standards, which will take effect January 1, 2008. With broadened scope and strengthened continuing education requirements, they are expected to affect most practicing actuaries in the United States.

The revised Qualification Standards apply to all actuaries who are members of one of the US-based actuarial organizations and who issue Statements of Actuarial Opinion (SAOs) in the United States, as well as members of any actuarial organization that is not US-based but requires its members to meet the standards when practicing in the United States.

Under the revised Qualification Standards, an SAO is an opinion expressed by an actuary in the course of performing actuarial services (as defined in the Code of Professional Conduct) and intended by that actuary to be relied upon by the person or organization to which the opinion is addressed. [The code defines actuarial services as “professional services provided to a Principal (client or employer) by an individual acting in the capacity of an actuary. Such services include the rendering of advice, recommendations, findings or opinions based upon actuarial considerations.”]


While the revised standards apply to all actuaries who issue SAOs in the United States, there are some specific implications for Enrolled Actuaries in the area of continuing education.

- EAs are deemed to meet the basic education and experience requirement of the General Qualification Standard in the pension practice area.
- Beginning in 2009, annual continuing education (CE) requirements are 30 hours per year, of which a minimum of three CE credit hours must cover professionalism topics and a minimum of six must be from organized activities that, as defined in the revised Qualification Standards, involve interaction with actuaries or other professionals working for different organizations. The new CE requirements take effect on January 1, 2008, but are being phased in so that only 24 hours of CE are required in 2008 for actuaries issuing SAOs in 2009.
- Through 2010, EAs who issue SAOs related to retirement plans to which ERISA applies will be exempt from the new CE requirements if they meet the CE requirements of the Joint Board for the Enrollment of Actuaries. However, EAs who issue SAOs not covered by this exemption, such as SAOs related to supplemental retirement plans or post-retirement medical benefits, must meet the CE requirements of the revised Qualification Standards.

- Beginning in 2011, EAs who issue SAOs other than Schedule B (Form 5500) certification and other government-required forms must supplement the Joint Board’s CE requirements with the CE requirements of the Qualification Standards.
- Under the new standards, there is no longer a process for becoming an approved CE provider. It is now up to the individual actuary to determine if attendance and participation in a particular event constitutes an organized activity that is directly relevant to the actuary’s practice area relative to the subject matter of any SAO.

To meet the general qualification requirements under the revised Qualification Standards, an actuary must obtain membership in one of the five US actuarial organizations or be a fully qualified member of another actuarial organization that is a member of the International Actuarial Association; have three years of responsible actuarial experience, defined as work that requires knowledge and skill in solving actuarial problems; and be knowledgeable, through examination or documented professional development, of the laws (as defined in the Code of Professional Conduct) applicable to an SAO.

The revised standards were developed by the Academy’s Committee on Qualifications over the course of several years. Beginning in 2002, the committee began soliciting input from the profession on whether the standards should focus solely on statutory and regulatory work or should be expanded to include all SAOs. A first draft was exposed for comment in May 2004 and a second version was exposed for comment in January 2006. The committee received more than 200 comments on the second exposure draft from various groups and individuals.

Printed copies of the standards were mailed to all Academy members with the August *Actuarial Update*. Copies can also be downloaded from the Academy Web site, www.actuary.org/qualstandards/qual.pdf. 

Editor’s Note: This article, reprinted with permission, originally appeared in the Fall 2007 issue of the Enrolled Actuaries Report, published by the American Academy of Actuaries.

About the ABCD

by Carol R. Sears, FSPA, CPC, MAAA, FCA, EA

The Actuarial Board for Counseling and Discipline (ABCD) was established by the US actuarial organizations to strengthen members' adherence to the recognized standards of ethical and professional conduct.

The ABCD has two primary functions:

- It responds to actuaries' request for guidance¹ on professional issues.
- It considers complaints² about possible violations of the actuarial Code(s) of Professional Conduct.

The ABCD's members³ also conduct educational outreach efforts, which include making oral presentations⁴ and writing magazine articles⁵ to help actuaries, regulators and other stakeholders become more familiar with the ABCD's work.

Participating Organizations

The five main US actuarial organizations have authorized the ABCD to investigate reports of possible professional misconduct by their actuarial members, to recommend counseling or disciplinary action when appropriate and to respond to requests for guidance. The five participating organizations are:

- The American Academy of Actuaries (the Academy)⁶
- The American Society of Pension Professionals & Actuaries (ASPPA)⁷
- The Casualty Actuarial Society (CAS)⁸
- The Conference of Consulting Actuaries (the Conference)⁹
- The Society of Actuaries (SOA)¹⁰

The ABCD's jurisdiction extends to actuarial practice by the five American organizations' members in every country but Canada. The Canadian Institute of Actuaries¹¹ (CIA) has jurisdiction over all actuarial practice in Canada; however, actuarial practice within the United States by CIA members is within the ABCD's jurisdiction.

As part of the outreach efforts, the ABCD has a regular article appearing in *Contingencies*, the American Academy of Actuaries bi-monthly magazine. The articles are in a segment titled "Up to Code". The current "Up to Code" installment is reproduced in this issue of *The ASPPA Journal*. We hope you will find the articles helpful in your everyday career.


If you have topics to suggest for other "Up to Code" articles, please contact the ABCD via our



2007 ABCD Members

From left: front row, Michael L. Toothman (vice chairperson), Lawrence Johansen (chairperson), William Falk (vice chairperson); back row, Linda Bell, Jack Turnquist, Carol Sears, Kurt Piper, Julia Philips. Not pictured: Richard Robertson

newly updated Web site, www.abcdboard.org. The Web site contains posted articles and other educational pieces. There are also links to the Standards of Practice, Code of Conduct and similar professionalism sites. Instructions for when and how to contact the ABCD are also included.

The ABCD is a work in progress. The more ideas and situations we can collect, the better the future of our profession's professionalism will be. We hope to hear from you. 



Carol R. Sears, FSPA, CPC, is a principal of Actuarial Consulting Group, Inc., an employee benefits consulting firm. Carol has more than 27 years of experience in the employee benefits consulting field and is a Fellow of ASPPA (FSPA), a Fellow in the Conference of Consulting Actuaries (FCA), a member of the American Academy of Actuaries (MAAA), a Certified Pension Consultant (CPC) and an Enrolled Actuary (EA). Carol is a Past President of ASPPA. She served on the Education and Examination Committee for 12 years, held the position of General Chair and served as ASPPA's first Technical Education Consultant. Carol was named as the 2005 recipient of ASPPA's Educator's Award. Carol currently serves on ASPPA's Task Forces for Phased Retirement and Women's Issues under the Government Affairs Committee and also on the Actuarial Board for Counseling and Discipline (ABCD). She is a frequent local and national speaker on topics relative to retirement plans and other employee benefit programs. (csears@acg-benefits.com)

- ▲ 1 See www.abcdboard.org/abcd/guidance/.
- ▲ 2 See www.abcdboard.org/abcd/complaints/.
- ▲ 3 See www.abcdboard.org/abcd/about/members.asp.
- 4 See www.abcdboard.org/abcd/speakers/.
- 5 See www.abcdboard.org/abcd/publications/articles.asp.
- 6 See www.actuary.org/.
- 7 See www.asppa.org/.
- 8 See www.casact.org/.
- 9 See www.ccactuaries.org/.
- 10 See www.soa.org/.
- 11 See www.actuaries.ca/.



A Daily Guide for the Consulting Actuary

On the Precepts of the Code of Professional Conduct

The current Code of Professional Conduct was adopted by the five U.S. Actuarial Organizations effective January 1, 2001. The following is a paraphrasing of the 14 Precepts of the Code that govern the professional behavior of all member actuaries.

- 1 Act with honesty, with integrity and competence, and in a manner that fulfills the actuarial profession's responsibility to the public and upholds the profession's reputation.
- 2 Perform actuarial services only when you are qualified to do so on the basis of your basic and continuing education and experience and only when you have satisfied applicable qualification standards.
- 3 Make sure that actuarial services performed by or under your direction satisfy applicable standards of practice.
- 4 Take reasonable steps to make sure that your actuarial communications are clearly appropriate to the circumstances and their intended audience and satisfy applicable standards of practice.
- 5 See to it that your actuarial communications appropriately identify the principals (your clients or employer) or whom they are intended and describe the capacity in which you serve.
- 6 Make appropriate and timely disclosure to a present or prospective principal of the sources of all direct and indirect material compensation that you or your firm receives from another party that relates to any assignment for that principal.
- 7 Do not perform actuarial services involving an actual or potential conflict of interest unless:
 - your ability to act fairly is unimpaired,
 - you have disclosed the conflict to all present and known prospective principals that would be affected by the conflict, and
 - you secure the agreement of all such principals to do so.
- 8 Take reasonable steps to ensure that your services are not used to mislead other parties.
- 9 Do not disclose confidential information to another party unless such disclosure has been authorized by the principal or required by law.
- 10 Perform actuarial services with courtesy and professional respect and cooperate with others in the principal's interest.
- 11 Do not engage in advertising or business solicitation activities that are false or misleading.
- 12 Use your membership titles and designations in recognized actuarial organizations only in conformity with the practices authorized by those organizations.
- 13 If you know of an apparent, unresolved, material violation of the Code by another actuary you should consider discussing the situation with the other actuary and attempt to resolve the violation. If you don't have the discussion or if it is unsuccessful, you should disclose the violation to the appropriate counseling and disciplinary body unless the disclosure would be contrary to law or would divulge confidential information.
- 14 Respond promptly, truthfully, and fully to any request for information made by counseling and disciplinary bodies subject to any restrictions on confidential information and those imposed by law.

CAUTIONARY NOTE: This document is intended as a convenient reference to help consulting actuaries keep in mind the Precepts of our Code of Professional Conduct as we provide actuarial services. It is not intended to serve as a substitute for the Code, which must be read in its entirety. In addition to the Precepts, the Code contains other requirements and information, including Annotations that provide explanatory, educational, and advisory material on how the Precepts are to be interpreted and applied.

For more information and links to the full Code of Professional Conduct and all U.S. Actuarial Standards of Practice and Qualifications, visit the Conference website at www.ccactuaries.org.

Ethics for Pension Professionals

by Kurt F. Piper, MSPA, MAAA, ASA

If the 1980s became known as the Decade of Greed, the 1990s could be called the Decade of Ethics.

Many traditional professions and large corporations began efforts to promote business ethics. The Chicago Board of Trade required all futures traders to take an ethics class. The actuarial profession created a unified body, the Actuarial Board for Counseling and Discipline (ABCD), for the purposes of investigation, counseling and recommendation of disciplinary action to the constituent organizations. ASPPA (then known as ASPA) adopted a new Code of Conduct for its actuaries, which closely followed the recommendations of the Joint Committee on the Uniform Code of Conduct. Further, ASPPA also provided a Code of Conduct for non-actuaries as well.

The creation of the ABCD provided a true opportunity to improve the ethics of our professionals. The opportunity will be wasted if the creation of the ABCD and codes of conduct are the total extent of the effort by our profession. Not only do we, as individual actuaries, have to meet minimums of professional ethics, but we must also strive, as individuals, to do better. We must also strive as a group to do better.

Correct ethical behavior can sometimes be difficult to define precisely. That is because it is not *a priori*. According to Aristotle, there are two kinds of virtue—intellectual and moral. Intellectual virtue owes both its beginning and its growth chiefly to instruction, and for this reason needs time and experience. Moral goodness is the result of habit. There is no natural moral nature. We must be taught our profession. We must learn and practice ethics. Attending an hour-long class on professional conduct is not going to make an actuary ethical without a day-in day-out career of working ethically.

How do we become more ethical in our profession? There are many generalities available as guides. Aristotle himself had three rules. First, avoid the extreme that is farthest from the “correct” position, the mean, since the moral



Not only do we, as individual actuaries, have to meet minimums of professional ethics, but we must also strive, as individuals, to do better.

mean is usually closer to one position than the other. Second, notice the particular natural tendencies into which we ourselves are likely to fall as everyone has his or her own weakness. Third, in judging a situation, we must guard especially against pleasure and pleasant things, because we are not impartial judges of pleasure.

Unfortunately, Aristotle’s rules are difficult for any individual to always apply to professional ethics precisely because of rule number three. It is impossible for one to always be the correct judge of oneself. The worst criminals frequently believe that they are not evil but are only doing what is necessary to survive. When Alfred P. Doolittle is asked in “My Fair Lady,” “Have you no morals, Man?” he replies, “No, I can’t afford them.” An unbridled marketplace can put sufficient pressure on an individual to lead him or her to such rationalizations. Therefore, the individual sometimes needs help.

Extremes of behavior can usually be checked if coerced with sufficient high authority and low force. Indeed, in my opinion, there have been chronic problems within the profession that prove that without discipline of some sort being administered, virtue quickly becomes unaffordable.

The ABCD certainly has the legitimacy to provide significant assistance in enforcing professional ethics. I believe that due to lack of resources and fear of lawsuits, however, the ABCD will only be able to recommend action against the extremes, when the unethical behavior is very clear. I believe that

is for the best. It will keep the ABCD from going too far and becoming a new Inquisition. The best judge and jury of our day-in and day-out ethical behavior is our peer group. In those instances where our individual sense of ethics fails us, our peer group can help us find the mean, or least help us to avoid the wrong extreme.

It is possible to have too insular a peer group. It is possible for a small group to convince themselves that their pleasure is the good of all. This situation can easily happen when professionals of one employer do not sufficiently mingle with those of other employers and engage in unethical cutthroat competition. It can happen when professionals in one geographic area do not communicate sufficiently with professionals nationwide and go off on a peculiar tangent. (National computer discussions groups, such as those sponsored by ASPPA, Benefitslink, COPA and PIX, can help geographically diverse actuaries communicate.)

I find the most useful peer group to be a study group consisting of pension professionals from competing firms. The primary focus of such groups is always to discuss technical topics and new developments. However, membership in any group for a period of time involves the learning of what behavior is ethical and acceptable and what is not.


The most common way to learn is through dialectic, or logical discussion, such as “bouncing” ideas off of others. “Is this a reasonable funding method?” “Would you sign the Schedule B under these circumstances?” “Do I have to provide information to my former client’s new actuary when there is an outstanding bill?” A discussion with the other members of the study group can save an actuary from having to make a solitary decision and, perhaps, a poor decision.

If every pension professional were in a study group, every pension professional would not always engage in ethical behavior. It is necessary to enforce a code of ethics. It is not easy to enforce

a code of ethics. The legal professions has had not only a code of ethics but an enforcement mechanism for a very long time, but is not really perceived by the public as an ethical profession.

It is also possible to receive informal guidance concerning professional matters excluding qualification standards from a member of the ABCD by submitting a request for guidance. While the response would only represent one person’s opinion, it would be an educated and experienced opinion.

In conclusion, our task is of three parts. First, the ABCD must recommend to the constituent organizations that the extremes should be disciplined. Second, through peer pressure we must group ourselves closer to the ethical mean, which will help the ABCD to find the extremes. And third, we must want to practice our profession ethically as individuals so that we have the necessary legitimacy to advise our peers.

None of this will happen through osmosis by holding this article. The nitty-gritty, and sometimes slippery details of everyday ethical choices must be discussed at all three levels; the ABCD, professional groups and with the man or woman in the mirror. There will be times when we disagree, but the dialectic in which we engage will make us a better, more ethical profession, one worthy of public trust. 



Kurt E Piper, MSPA, MAAA, ASA, COPA, is owner and chief actuary of Piper Pension & Profit Sharing, an actuarial consulting and pension and profit sharing administration firm based in Southern California. Kurt has served as member of the Board of Directors of ASPPA and is currently a member of the ABCD. (kurt@piperpension.com)

Editor’s Note: A similar version of this article appeared in Contingencies as an “Up to Code” segment.

Disciplinary Notice

A Discipline Panel of the American Society of Pension Professionals & Actuaries (ASPPA), acting in accordance with ASPPA’s Disciplinary Procedures and under recommendation from the Actuarial Board for Counseling and Discipline, hereby reprimands Ronald F. O’Connell, MSPA, for materially violating Precepts 1, 2 and 14 of ASPPA’s Code of Professional Conduct for Actuaries.

Advanced Actuarial Conference

June 10-11, 2008 | Boston, MA
The Colonnade Hotel



A conference focused solely on practicing pension actuaries and their unique and specialized needs.

Official sponsor:



Official marketing sponsor:

BenefitsLink.com

www.asppa.org/actuarial



June 12, 2008 | Boston, MA
The Colonnade Hotel



Official co-sponsor:



www.asppa.org/nebc

NORTHEAST AREA BENEFITS CONFERENCE

June 13, 2008 | New York, NY
The Millennium Broadway Hotel



The ABC of the Great Northwest Wants You!

by David S. Rowe, CPC, QPA, QKA

Are you or someone you know looking for board experience? Would you like to expand your professional development and network? Need some continuing education credits? Care to share your board experience?

If so, the ASPPA Benefits Council (ABC) of the Great Northwest is seeking candidates interested in joining our board, promoting membership, expanding programming and networking.

Who is on the board today?

President

Greg Rund, G. Russell Knobel & Associates

Treasurer

Jim Huffine, Administrative Services, Inc.

Membership

Jeff Roberts, CPC, ADP Retirement Services

Secretary

Colin Southcote-Want, MSPA, Albion Actuarial Services, Inc.

ABC Liaison

David Rowe, CPC, QPA, QKA, Prudential Retirement

How many programs do we run?

Currently, we organize two to three programs each year. For example, in September of 2007, Ilene H. Ferenczy, CPC, delivered our annual Fall ERISA Update Seminar. Attendees included human resource professionals, third party administrators, actuaries, recordkeepers, investment advisors and investment managers. Continuing education credit was provided to each attendee.

In October of 2007, Colin E. Southcote-Want, MSPA, facilitated our Enrolled Actuaries Update Seminar. Primary attendees included actuaries and third party administrators. Continuing education credit was provided to each attendee including credit from the Joint Board for the Enrollment of Actuaries.



How much time will it take?

Not including time spent at our seminars, over the course of a year, two hours per month would be very generous! We enjoy our efficiency and recognize that we all have personal and professional commitments.

What does the future hold?

The current board is considering a number of ideas to expand and diversify our membership, strengthen our programming, enhance our continuing education offering and connect people in our industry and local markets. With so many changes occurring in the retirement services markets, there is a tremendous need to diversify and educate our membership in order to fulfill ASPPA's mission of preserving, shaping and enhancing our nation's employer-sponsored retirement plan system.

For more information, please call David S. Rowe, CPC, QPA, QKA, at 206.340.8018 or e-mail david.rowe@prudential.com.



David S. Rowe, CPC, QPA, QKA, is the Pacific Northwest regional director for Prudential Retirement and is responsible for sustaining the growth of its institutional full-service retirement business. (david.rowe@prudential.com)

ABC of Greater Cincinnati—Programming for Success

by John P. Stebbins, QKA

The ASPPA Benefits Council (ABC) of Greater Cincinnati continues to focus on enhancing ASPPA branding within the Greater Cincinnati business community. Our programming chair, Gina Moore, QKA, has made it easy for our ABC to attract new ASPPA members by already completing a robust 2008 programming calendar.

During 2007, the ABC of Greater Cincinnati reached an all-time high in membership with 213 members. We have been very successful in reaching out to the business community, specifically recordkeeping service companies, to establish ASPPA as the preeminent educator within the Greater Cincinnati area. These companies have adopted ASPPA as their employee education program. Employers now use ASPPA membership as an incentive to their employees who successfully achieve ASPPA certification. As we support these 20 companies in our business community, we build from within a strong reserve of ABC members working toward ASPPA certification and ASPPA membership. As we continue to strengthen these business relationships, we expect to continue increasing ASPPA membership in 2008 and for years to come.

Our Goals for 2008

- Continue increasing ASPPA influence in our business community;
- Increase ABC/ASPPA membership by 10%;
- Enhance ASPPA awareness with new membership programming; and
- Continue providing strong local educational programming for our corporate members.

We are very excited about our ABC and the growth we have enjoyed this last year. If you are interested in attending any of our events in 2008, please feel free to contact us via our Web site at www.asppacincinnati.com. 

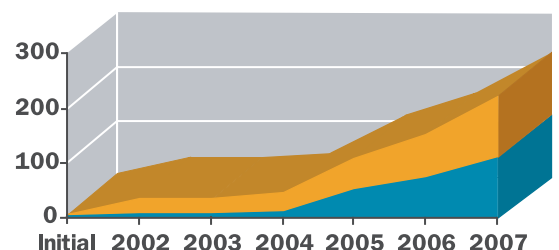


John P. Stebbins, QKA, is presently the director of regulatory analysis and consulting for Fidelity Investments. John is the 2007-2008 president of the ASPPA Benefits Council of Greater Cincinnati and was the vice president in 2006. John serves ASPPA as a member of the Government Affairs Committee IRS Subcommittee and is a contributing member of the ASPPA Public Affairs Committee. (john.stebbins@fnr.com)

ABC of Greater Cincinnati 2008 Programming Calendar

Speaker	Date
Lawrence L. Grudzien, Attorney/ Faculty of John Marshall Law School	Jan 24
Charles D. Lockwood, ASC Institute	Feb 26
Craig P. Hoffman, APM, SunGard Relius	Mar 25
Janice M. Wegesin, CPC, QPA, JMW Consulting	Apr 29
Membership Appreciation	May 27
Cincinnati Employee Benefits Conference	Jun
Brian H. Graff, Esq., APM, ASPPA	Sep
President's Party	Nov 13
Richard A. Hochman, APM, McKay Hochman Company, Inc.	Dec 16

ABC of Greater Cincinnati Membership Growth



■ ABC members only ■ ASPPA & ABC members

Happy Anniversary ABC of Delaware Valley!

by David M. Burns, MSPA, CPC, QPA

Ten years ago, Stephen H. Rosen, MSPA, CPC, president of Stephen H. Rosen and Associates, called together a group of pension professionals and actuaries to establish a regional group affiliated with the American Society of Pension Actuaries. The ASPPA Benefits Council (ABC) of the Delaware Valley was founded in 1997 with the objectives of assisting its members in keeping abreast of laws and regulations affecting employee benefit plans, improving the knowledge of each member, encouraging its members to have as their ultimate goal the rendering of the best professional services to the public, and being the premier retirement benefits organization in the Delaware Valley.

As one of the oldest of the local ASPPA Benefits Councils, the ABC of Delaware Valley is proud to be celebrating its tenth anniversary of existence.

The ABC of Delaware Valley owes its continued success to the efforts of a small group of dedicated professionals who have contributed their time and energy to ensure that the programs provided to our members are plentiful, relevant, varied and timely. The current leadership team consists of:

President

Kenneth Marblestone

Immediate Past President

Stephen H. Rosen, MSPA, CPC

Vice President and Meetings Chair

Arthur Bachman

Treasurer

R. Dennis Vogt

Secretary

David Burns, MSPA, CPC, QPA

Membership Co-chair and Government Relations Chair

Robert A. Bildersee

Membership Co-chair

Marcia L. Hoover, QPA

Program Chair

Miriam G. Matrangola, QPA, QKA

Public Relations Chair

JoAnn Massanova, CPC

Continuing Education Chair

Sandy Uzdavinis

ASPPA Liaison

John Van Buren, MSPA

In addition, we are fortunate to benefit from the invaluable insights and experiences of the following board members: John Bernard, Anthony Dello Russo, Susan DeMinico, Joseph J. Leube, FSPA, CPC, and Mitchell A. Welsch.

Recent Programs

The past year has been very busy. In October 2006, ASPPA Executive Director/CEO Brian H. Graff, Esq., APM, joined us for an extremely informative and entertaining Washington Update. This meeting was co-sponsored with another professional organization in our area, the PENJERDEL Employee Benefits & Compensation Association (PEBA). Both PEBA and ASPPA members were impressed with Brian's insights and his in-depth knowledge of the inner workings of the Washington bureaucracy.

In November 2006, we presented a lively panel discussion to address "The Pension Protection Act of 2006—What You Must Know about Defined Benefit and Cash Balance Plans." Panelists included: Philip Deitch, PriceWaterhouseCoopers LLP; Ellen L. Kleinstuber, MSPA, Aon Consulting; and Brian M. Pinheiro, Ballard Spahr Andrews & Ingersoll, LLP.

After a short break for the holidays, our program resumed in February 2007 with a very interesting presentation by Susan Katz Hoffman, a partner in the law firm of Littler Mendelson, P.C. This session was a terrific discussion of "Best Practices Including Written and Electronic Communications."

On February 28, we featured an excellent discussion on the topic of "Providing Investment Advice after the Pension Protection Act." The speakers were Brian J. Dougherty, a partner in the law firm of Post & Schell, and Sandy Uzdavinis, vice president of Marketing and Communications for the Merrill Lynch Retirement Group.

Our March program featured well known and frequent speaker Alex M. Brucker, APM, with an informative presentation entitled "Practical Issues of Correcting TPA Errors: *Don't make the client's problem your problem!*"

In June, attorney Bruce L. Ashton, APM, joined us to deliver a timely and helpful presentation on the subject of "401(k) Plan Fees, Expenses and Revenue Sharing."

After a summer hiatus, we hit the ground running in September with a half-day seminar featuring Joan A. Gucciardi, MSPA, CPC, who provided an excellent overview of "401(k) Plan Design (And Redesign) After PPA."

We held a special event in October that was open to members only. This program was a unique opportunity for our members to "Ask the Experts." This meeting, which was offered at no cost, provided members with breakfast and the opportunity to ask technical questions of a group

of very experienced actuaries and attorneys. The meeting was well attended and appreciated by all who participated.

All-in-all, our members had the opportunity to pick up 16 hours of continuing education credit just by attending our program meetings over the past 12 months. We are planning an equally aggressive schedule for the coming year and encourage all benefits professionals in the Delaware Valley to take advantage of the outstanding educational opportunities we offer.

Promoting ASPPA and Careers in Pensions

As part of our continuing effort to promote careers in the retirement plan industry, the ABC of Delaware Valley has a long-standing practice of awarding scholarships to deserving students who are pursuing a course of study in actuarial science at Temple University's Fox School of Business and Management. We are pleased to announce that earlier this year, we awarded two \$1,000 scholarships as part of this program.

We're on the Web

Our ABC developed and launched a new Web site last year. Using this site, our members and other interested benefits professionals can find out more about us, join and pay dues, learn about our programs and even register to attend programs while online. If you haven't visited our site yet, please do so at www.asppa-abc-delval.org.



David M. Burns, MSPA, CPC, QPA, is an Enrolled Actuary and senior ERISA consultant at the Vanguard Group in Valley Forge, PA, with more than 30 years of experience in the design and administration of qualified retirement plans. Dave currently serves as a board member and secretary of the ABC of Delaware Valley. (david_burns@vanguard.com)

ASPPA Webcourses

Prepare for examinations this year and earn valuable CE credits with webcourses for the following:
DC-1, DC-2, PFC-1 and PFC-2.

REGISTRATION FEES PER WEBCOURSE

Member rate = \$150

Non-member rate = \$175

Corporate rate = \$1,000 for unlimited number of registrations

The registration fee covers all six sessions of each webcourse. Individual sessions cannot be purchased separately.

For additional information and to register online, visit www.asppa.org/webcourses.

Knowledge • Advocacy • Credibility • Leadership



Welcome New Members and Recent Designees

▲ MSPA

John Garigliano, MSPA

▲ CPC

Lisa A. Bonine, CPC, QPA, QKA
 Therese A. Darmody, CPC, QPA, QKA
 Gregory W. Elnyczky, MSPA, CPC, QPA, QKA
 Joel L. Mee, CPC, QPA, QKA, QPFC
 Nakendra D. Stewart, CPC, QPA, QKA

▲ QPA

Julia J. Anderson, QPA, QKA
 John R. Andresen, QPA, QKA
 Alexander Barthalis, QPA, QKA
 Jennifer L.M. Bluhm, QPA, QKA
 Brooke K. Cozort, QPA, QKA
 Joni Catherine Dement, QPA, QKA
 Lance E. Drummond, QPA, QKA
 Anivette Garcia, QPA, QKA
 Justin S. Ingraham, QPA, QKA
 Troy D. James, QPA, QKA
 Kelly Kilmartin, QPA, QKA
 Jennifer R. Lancello, QPA, QKA
 Jeffrey K. Larsen, QPA, QKA
 Richard L. Mayer, QPA, QKA
 Serena Morse, QPA, QKA
 Michelle G. Murphy, QPA, QKA
 Angela R. Nordstrom, QPA, QKA
 James H. Potter, QPA, QKA
 Rosemary M. Roberts, QPA
 Bryan L. Satterfield, QPA, QKA
 Randy T. Schneider, QPA, QKA
 Brian S. Secrest, QPA, QKA
 Thomas W. Shelton, QPA, QKA
 Jessica E. Sietsema, QPA, QKA
 Kevin Skow, QPA, QKA
 Jennifer R. Sofranko, QPA, QKA
 Georgette R. Stearns, QPA, QKA
 Jonnie L. Steiner, QPA, QKA
 Michelle Tribble, QPA, QKA
 Ronald H. Ulrich, QPA, QKA
 Jack J. Wilson, QPA
 Siranoush S. Wilson, QPA, QKA
 Janice R. Yahola, QPA, QKA

▲ QKA

Kathleen A. Ashford, QKA
 James B. Asplund, QKA
 Svetla A. Baeva, QKA
 Cynthia M. Barber, QKA
 Cynthia J. Barker, QKA
 Joanne Bohrer, QKA

Elizabeth Browne, QKA
 Alan Burton, QKA
 Michael T. Coyne, QKA
 Catherine Curlott, QKA
 Ryan P. Downs, QKA
 Jeffrey Esmond, QKA
 Robert Griffith, QKA
 Kimberly A. Hayes, QKA
 Denise K. Hicks, CPC, QKA, QPFC
 Judy M. Jensen, QKA
 Lori L. Johnson, QKA
 Joel A. Kaul, QKA
 Lisa M. Keckler, CPC, QPA, QKA, QPFC
 David Kim, QKA
 Gail C. Kuhn, QKA
 Ingrid C. Libby, QKA
 Rebecca A. Lindsey, QKA
 Taylor E. Llewellyn, QKA
 Teresa C. Long, QKA
 Kelsey R. Lowe, QKA
 Melody M. Macek, QKA
 Philip E. Maness, QKA
 Joshua E. Meltzer, CPC, QPA, QKA
 Mindy Middleton, QKA
 Bridgette A. Miller, QKA
 Donna M. Murphy, QKA
 Marie Newsham, QKA
 Stephanie Patterson, QKA
 Patricia Perry, QKA
 Rachel M. Peterson, QKA
 Tina G. Pickard, QKA
 Diane M. Renz, QKA
 Jason Schmudlach, QKA
 Wesley M. Schneider, QKA
 Wendy Sierra-Freeburg, QKA
 Wayne S. Slear, QKA
 Jose A. Soler, QKA
 Michael Vanderford, QKA
 Rosie M. VanDerglas, QKA
 Steven M. Williams, QKA
 Janice R. Yahola, QPA, QKA
 Tim Zandstra, QKA
 Christopher A. Zeoli, QKA

▲ QPFC

Jeffrey A. Acheson, QPFC
 Michael D. Adamson, QPFC
 Mark A. Davis, QPFC
 Chris Fleming, QKA, QPFC
 Patricia A. Hargrove, CPC, QPA, QPFC
 Denise K. Hicks, CPC, QKA, QPFC
 M. Diann Johnson, QKA, QPFC
 Lisa M. Keckler, CPC, QPA, QKA, QPFC
 George M. Melkonian, QPA, QKA, QPFC
 Robert G. Miller, QPFC

Christine M. Morelli, QPFC
 Michael R. Nelsen, CPC, QPA, QKA, QPFC
 Karen Marie Rodriguez, QPFC
 Douglas Scott Smith, QPA, QPFC
 Kent N. Thune, QPFC
 Kiley Wood, QPA, QKA, QPFC

▲ APM

Richard Bauer, APM
 Charles M. Lax, APM
 Diane Marie Simpson, APM
 Mark A. Stiebel, APM

▲ AFFILIATE

Christine M. Akimoff
 Donna Allen
 Amanda L. Arthur
 Richard Behr, Jr.
 Rosemarie V. Belfiore
 Aimee M. Caraballo
 Kimberly A. Chavira
 Colin M. Clark
 Christopher Dubie
 Chris J. Easton
 Ginger Flynn
 Deborah A. Gallucci
 Fenwick Grant
 Michael F. Greco
 Brian B. Hill
 Robert House
 Amy M. Jacoby
 Laurie A. Matthews
 James Maulfair
 Janet Mudge
 Karen E. Noel
 John K. Nowiejski
 Daniel P. O'Neil
 Thomas J. O'Neil, Jr.
 Katherine C. Pyle
 Trecia D. Rodgers
 Wendy R. Rodriguez
 Melissa Rogers
 JoAnn Ross
 Diana M. Rydell
 Brenda S. Rynski
 Marc Schoen
 Cecilia M. Sittser
 Jennifer L. Smith
 Deborah P. Snapp
 Stephen A. Tangney
 Maureen A. Verello
 Geoffrey F. Ward
 Ashley Waters
 Ronald K. Weeks
 Jennifer Ziegler

ASPPA Calendar of Events

Date	Description	CE Credits
2008		
Jan 24 - 25	Los Angeles Benefits Conference • Los Angeles, CA	15
Feb 10 - 12	The ASPPA 401(k) SUMMIT • Orlando, FL	15
Apr 3 - 4	Great Lakes Benefit Conference • Chicago, IL	15
Apr 17	Early registration deadline for spring examinations	
May 14	Final registration deadline for spring examinations	
May 15 - Jun 27	Spring 2008 examination window (DB, DC-1, DC-2, DC-3, PFC-1 and PFC-2)	
May 15	Postponement deadline for C-3 examination	
May 21 - 22	DOL Speaks: The 2008 Employee Benefits Conference • Washington, DC	10
May 21	C-3 examination	
May 22 - 23	Mid-Atlantic Benefits Conference • Washington, DC	10
Jun 10 - 11	Advanced Actuarial Conference • Boston, MA	15
Jun 12	Northeast Area Benefits Conference • Boston, MA	8
Jun 13	Northeast Area Benefits Conference • New York, NY	8
Jun 13	Postponement deadline for spring DB, DC-1, DC-2, DC-3, PFC-1 and PFC-2 examinations	
Jul 13 - 16	Western Benefits Conference • Seattle, WA	20
Sep 19	Early registration deadline for fall examinations	
Oct 19 - 22	ASPPA Annual Conference • Washington, DC	20
Oct 31	Final registration deadline for fall examinations	
Nov 3 - Dec 12	Fall 2008 examination window (DB, DC-1, DC-2, DC-3, PFC-1 and PFC-2)	
Nov 6	Postponement deadline for C-4 and A-4 examinations	
Nov 13	C-4 examination	
Nov 14	A-4 examination	
Dec 1	Postponement deadline for fall DB, DC-1, DC-2, DC-3, PFC-1 and PFC-2 examinations	
Dec 15	RPF-1 & RPF-2 examination deadline for 2008 online submission (midnight, EST)	

* Please note that when a deadline date falls on a weekend, the official date shall be the first business day following the weekend.

** Please note that listed CE credit information for 2008 conferences is subject to change.

ABC Meetings Calendar

January 16

ABC of the Texas Gulf Coast
Protecting Retirement Plan Committees from Fiduciary Liability
Sidney H. Sheldon

January 22

ABC of Detroit
Current Issues
Craig P. Hoffman, APM

January 24

ABC of Greater Cincinnati
Topic TBD
Larry Grudzien

February 5

North Florida
Documented Confusion
S. Derrin Watson, APM

February 12

ABC of Cleveland
Topic TBD
Speaker TBD

February 26

ABC of Greater Cincinnati
Topic TBD
Charles D. Lockwood

March 19

ABC of Detroit
5500 Issues & Plan Audits—
1/2 day workshop
Janice M. Wegesin, CPC, QPA

March 25

ABC of Greater Cincinnati
Topic TBD
Craig P. Hoffman, APM

April 17

ABC of Northern Indiana
Lunch with Presentation
David Kolhoff, APM, and
Bob Toth

April 29

ABC of Greater Cincinnati
Topic TBD
Janice M. Wegesin, CPC, QPA

May 1

ABC of New York
ERISA Seminar
Sal L. Tripodi, Esq., APM

June 17

ABC of Cleveland
Topic TBD
Speaker TBD

August TBD

ABC of Northern Indiana
All-day Seminar
Sal L. Tripodi, Esq., APM

September TBD

ABC of Northern Indiana
Lunch with Presentation
Brian H. Graff, Esq., APM

November 13

ABC of Northern Indiana
Annual Board Meeting

Fun-da-Mentals

Sudoku Fun

Every digit from 1 to 9 must appear:

- In each of the columns,
- in each of the rows,
- and in each of the nine mini-boxes

		7			9			
		8						2
		4	1			5		
5								
7			5				9	3
3			9	6		4	8	
	9		6		2	8		
			7		3	6	4	
		1		8	5			

Level = Easy

Answers will be posted on ASPPA's Web site in the Members Only section. Log in. Click on *The ASPPA Journal*. Scroll down to "Answers to Fun-da-Mentals."

MCHUMOR by T. McCracken



Murphy's Lesser Known Laws

A fine is a tax for doing wrong. A tax is a fine for doing well.

Change is inevitable, except from a vending machine.

Word Scramble

Unscramble these four puzzles—one letter to each space—to reveal four pension-related words.

A CUTE CAR _ _ _ _ _ □ □ _ □ □

RIOT SHY □ _ □ _ □ _ □ _

THROW G □ □ _ _ _ _ □

NICE FAN _ □ _ _ _ □ _ □

BONUS: Arrange the boxed letters to form the Mystery Answer as suggested by the cartoon.

Mystery Answer:

He hoped to achieve " _ _ _ _ _ _ _ _ _ _ ."

Answers will be posted on ASPPA's Web site in the Members Only section. Log in. Click on *The ASPPA Journal*. Scroll down to "Answers to Fun-da-Mentals."



Why the investment advisor took up rock climbing.



DATAIR

Employee Benefit Systems, Inc.

401(k), Defined Benefit and Cafeteria Plan Administration Software

**Affordable systems for
valuations, plan documents,
proposals and reporting**

Vista™ Compliant
Updated for PPA06

We are DATAIR

We Plan

Our executives develop the next generation of DATAIR Software and services



We Listen

Our customer support staff communicate requests to our systems analysts



We Improve

Programmers and support staff work together to make updates user friendly



We Help

With systems support, compliance support, software training, and webinars



sales@datair.com

(888) 328-2474

We've
SIMPLIFIED THE PPA
because there are enough sleep aids out there.

LIFE COMES AT YOU FAST®

We took 904 pages of the PPA and made it dramatically easier to understand. Translating the incredibly lengthy into the understandable is just one of the simpler solutions we offer you.

To find out more, call **1-800-626-3112** or visit **nationwide.com**



On Your Side®