BRIAN D. ALLEN, CFP®, has been an advocate for professionalism and a quiet pioneer in the qualified retirement plan industry for more than twenty-five years. He is founder and chairman of Pension Consultants Inc. (PCI), based in Springfield, Missouri. PCI is a fee-only plan adviser on a mission to improve the financial security of American workers. Consistently ranked among top industry leaders, PCI embraces plan management based on transparent results for participants, with the goal of putting a Rewarding Retirement within reach for all. Allen also was an early mover to a business model that eliminates incentives and inducements that can influence recommendations to clients. His entire career has been dedicated to helping plan committees deliver meaningful results for their participants.

IS MY RETIREMENT PLAN ANY GOOD?

Millions of Americans are counting on 401(k) and related defined-contribution plans to fulfill their retirement dreams—that is, if their plan is a good one. Though some plans perform superbly, many others suffer from questionable investments and poor management that leave them vulnerable to litigation and federal sanctions. How can you tell the difference?

In *Rewarding Retirement*, Brian D. Allen gets rid of the guesswork for the fiduciaries who operate those plans. Fascinating and informative with a wealth of insights, it is an insider's guide that finally equips fiduciaries with the tools that they need to feel confident and proud of a job well done.

★ ★ ★ ★ ★

"Organizations that have a formal retirement committee are more likely to have a better retirement plan, and those committees that have training, knowledge, and access to trusted experts are more likely to have an effective retirement plan that benefits workers and the organization. Brian Allen's seminal book, *Rewarding Retirement*, provides thoughtful and simple guidance for retirement committee members based on his decades of experience as a trusted fiduciary retirement plan adviser. A necessary and easy read for all retirement committees regardless of the size of the organization."

FRED BARSTEIN *Founder and CEO, the Retirement Advisor University, the Plan Sponsor University, and 401kTV*

"*Rewarding Retirement* takes the fundamental retirement plan concepts and incorporates them into an easy-to-understand format for plan fiduciaries. Brian Allen is a trusted source, and this book is a perfect summary of an often-complicated topic. I highly recommend it!"

BRANDON LONG *Shareholder and practice group leader, McAfee & Taft; past president, Southwest Benefits Association*

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BRIAN D. ALLEN, CFP®

REWARDING RETIREMENT

HOW FIDUCIARY COMMITTEES CAN ELEVATE WORKERS, COMPANIES, AND COMMUNITIES

Rewarding Retirement is an indispensable guidebook for the millions of fiduciaries who operate retirement plans at companies and nonprofits across America. It is their legal and ethical duty to watch out for the employees who invest in those plans and to stand up against anyone or anything trying to take advantage of them. By doing a good job of overseeing high-quality plans, the fiduciaries can strengthen families, communities, and society—but whether they are doing a good job has long been anyone's guess. Brian D. Allen has a better way. In his new book, he introduces objective and measurable standards for assessing the quality of retirement plans. He dispels the confusion of reports that create the illusion of expertise. In short, *Rewarding Retirement* gives plan fiduciaries the tools to serve well as the watchdogs and advocates entrusted with protecting their colleagues' retirement dreams.

REWARDING RETIREMENT

BRIAN D. ALLEN, CFP®

REWARDING RETIREMENT

HOW FIDUCIARY COMMITTEES CAN ELEVATE WORKERS, COMPANIES, AND COMMUNITIES

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"Do to others as you would have them do to you."
—Luke 6:31 (NIV)

Please note that unless data is provided with a cited reference, this book solely represents the thoughts and opinions of Brian D. Allen, CFP®, Founder and Chairman of Pension Consultants Inc. of Springfield, Missouri. Although the opinions enclosed are a result of an extensive background in the investment and plan adviser industries, there are no guarantees that the investment strategies outlined in this book will result in successful outcomes. This book does not contain any legal advice and should not take the place of an attorney. Please consult with an investment adviser before implementing any of the investment ideas written in this book. Please also note that the regulations and laws mentioned in this book may become dated and are subject to change over time.

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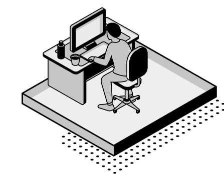

INTRODUCTION

AN HONOR AND A CHALLENGE

At critical times in our lives, we count on others. We rely on medical professionals to take good care of us. In emergencies we rely on police, firefighters, and other first responders. Legal issues? We look for a good attorney. Time after time, we depend on those whose jobs are to put us first. These are the people who keep us healthy, safe, and secure.

Looking out for our financial security is another group of committed souls who are virtually never in the limelight but who nonetheless play a critical role. Across the nation, at companies and nonprofits small and large, countless individuals serve on committees that oversee the 401(k) and 403(b) plans on which most Americans today base their retirement dreams. The vigilance of those committees is critical in this post-pension era in which employees must determine how much to accumulate for their retirement and try their hand at the investments that companies once undertook on their behalf.

It is for those dedicated servants that I write this book—and because you are reading it, you likely are one of them. The United States has hundreds of thousands of these employer-sponsored retirement plans, which means that millions of people like you have taken a turn as a committee member.[1] Your mission is to look out solely for the best interests of your colleagues, who tuck away their hard-earned pay, week after week, year after year. Yes, you are helping your organization, too, by ensuring that it is offering an attractive and effective retirement plan, but helping the boss is not why you have been chosen for this role. Your foremost duty is to do what is best for the participants, above anyone else. You are a true fiduciary.

Serving on a fiduciary committee is a sobering responsibility. Your coworkers are counting on your good judgment and skills to ensure their retirement success. Their spouses and families are relying on you too. If you do a poor job, people will get hurt. When people get hurt, they often look for something or someone to blame—and you will become very aware of the pitfalls of doing a bad job. Much industry news has focused on what those hurt people do to get even, and the media have been quick to report on a flood of litigation.

As a result, many fiduciary committees take a protective stance rather than a progressive one. When they meet, they devote much of their time to the topic of how to fend off lawsuits—an understandable perspective, perhaps, but unfortunate. Think of it this way: would you want your doctor to focus on how to keep you in the best of health or on whatever it takes to keep you from filing a lawsuit? The latter

1 "Private Pension Plan Bulletin: Abstract of 2016 Form 5500 Annual Reports," DOL Employee Benefits Security Administration, December 2018.

is not most people's idea of preventive medicine. Likewise, a good teacher concentrates on challenging every pupil, not on appeasing every parent. A well-trained police officer uses handcuffs, not just kid gloves. Should professionals be aware of potential legal issues? Yes. Obsessed with them? No.

Fiduciary committee members, when they are at their best, focus on those whom they serve, the plan's participants. If you do your job well, people will benefit in many ways. By helping individuals and their families, you also are improving communities, and better communities make for a better nation. In short, you are doing your part to build a stronger society, which is a supremely rewarding endeavor. That's not a job for the timid. Sure, you need to avoid trouble, and this book will teach you how. More importantly, however, this book will show you how to know that you are doing your job well.

No need to guess. As a member of a fiduciary committee, you can be confident that you are keeping your commitment to assure your colleagues of a good retirement plan. In the chapters ahead, I will outline three tests that committees can use to measure and quantify whether a plan is performing well. Until now, many just didn't know. They based their assessments on the opinions of their advisers and consultants, who told them just what you might expect. Those advisers were not inclined to say, "Hey, we've been doing a terrible job for you here, folks, so you'd better look for someone else!"

When you have finished this book, you no longer will be in the dark when it comes to what is terrible and what is terrific. I will explain specifically what I believe constitutes a good plan so that those involved in its operation do not need to wonder whether they have succeeded. I will lay out for you key measurements needed to accurately assess the quality of a plan.

With a few exceptions that I will explain, the tools and tips in this book apply both to the 401(k)—the type of plan that serves employees in the private, for-profit world—and the 403(b), which serves certain employees of nonprofits. In this book, I will refer to them collectively as "retirement plans," with the understanding that I am not referring to the old-style, defined-benefit pension plans, which the defined-contribution plans largely have replaced since the 1980s. For both 401(k) and 403(b) plans, I will be assuming that these plans are subject to the general provisions of the Employee Retirement Income Security Act (ERISA). Not all plans are subject to ERISA. Much of this book will not apply to these exempt plans.

Throughout, I will emphasize the honor and privilege of your role on a fiduciary committee. Yes, your responsibility is a serious one and caution is always wise—but remember that the mission of any good plan is to help people attain a fulfilling retirement. You should proceed not in fear of doing something wrong but instead determined to do it right—and to do right. You have been chosen to help your colleagues prosper in life. Your duty is to look out for them. If you keep that top of mind, and if you remain focused on my three tests of a retirement plan's excellence, the risks that come from doing a poor job will largely melt away.

A PLACE OF CONFIDENCE

Your role as a retirement plan committee member is a significant one. You have been entrusted to help provide employees with a good plan, one that successfully prepares them for retirement. As you oversee the management of the plan, the decisions that you and your fellow members make will impact its expenses and the investment choices offered. The service providers you choose will have much to do with how well or how poorly the plan is run.

As a fiduciary, you have personal and legal responsibilities to make reasonable decisions on behalf of everyone who participates in the plan and their beneficiaries. It is your duty to make all decisions with their best interests in mind. That is the essence of being a fiduciary. It is considered the highest standard of care under the law. Fiduciaries are required to put the interests of those they serve ahead of their own.

You have been entrusted to help provide employees with a good plan, one that successfully prepares them for retirement.

In recent years, more people than ever have become familiar with the fiduciary concept: it became a frequent topic of news reports with the coming and going of the Department of Labor's Fiduciary Rule, which would have significantly influenced the operation of retirement plans. In early 2017, the government began phasing in the long-debated rule, which expanded the fiduciary standard to anyone, including representatives of brokerages and insurance companies, who offered investment advice to plan sponsors and participants. The Fiduciary Rule was one of the most hotly debated topics in finance, with many brokers and investment firms doing all they could to halt it from being enacted. Seeking to hold all retirement plan investment advisers accountable, the regulation was expected to impact those that sold products for commissions the most. With the changing of the political guard, however, the Fiduciary Rule quickly fell out of favor, and by the spring of 2018 it was dead. A federal court ruled that the Department of Labor had overreached its authority.

Despite the demise of the Fiduciary Rule, the publicity that it generated served to raise public awareness of the fact that not all plan advisers are equal—that is, they are not necessarily fiduciaries. Before the Fiduciary Rule, many advisers needed only suggest suitable investments, which very well could suit themselves, too, in the form of big commissions. If the new rule had stood, it would have eliminated many commission structures that define the industry.

For the record, I am a fiduciary. My company, Pension Consultants Inc., which I founded in 1994, operates solely under that standard. We are what is known as a 3(38) fiduciary with discretion to manage the investment lineups in our clients' plans. In effect, those clients transfer to us the responsibility to serve the participants' best interests. More on that in chapter 5, which will examine the varying roles of plan advisers and what you, as a fiduciary committee member, should consider in evaluating your teammates.

In your role as a fiduciary, you may be experiencing feelings of both pride and hesitancy. Of course, you want to do a good job, but at this point you probably are unsure how to do that or even how you would know. This is unfamiliar territory. You find yourself on a committee that consists, typically, of five to a dozen members. Some are serving by virtue of their title—your organization's chief financial officer, for example, or the director of human resources, or the director of benefits. The presumption is that those executives have the background and knowledge to serve the committee well, though their allegiance to the employer must never stand in the way of their duty to put the plan's participants' interests first. Others have been chosen to serve because of their long tenure or senior position, or perhaps they simply are known around the office to have an interest in finances and investments.

Most feel honored to be appointed, but many quickly begin to feel as if they are in over their heads. The legal and investment lingo can feel intimidating to the uninitiated. As a newbie on a committee, you likely will hear words that are unfamiliar to you and conclude

that your colleagues know a lot more than you do. Perhaps some do, but that doesn't mean that they are smarter or better suited to serve than you. You also likely will hear a lot of talk about the risks of noncompliance and daunting descriptions of things that can go wrong if everything isn't done to the letter. You may begin to doubt whether you should be in this role.

At such times, remember again why you are serving. You have been chosen for a reason—to see that everyone involved, including each of your fellow committee members, keeps the focus squarely on serving the best interests of the participants. Your duty is to provide a good retirement plan for them that can make a profound difference in the quality of their lives. You should take pride in that role. Even if you don't yet know the lingo or all the protocol, you certainly can ask the right questions to ensure that everyone is playing by the rules. I am writing this book so you can know what those questions should be.

Whether your committee has a formal or informal structure, and no matter how often it meets, it is imperative that you pay close attention. A few organizations, generally those that sponsor larger plans with over $1 billion in assets, divide the responsibilities into two committees, one to oversee the investment lineup and the other to oversee compliance. Most organizations, though, have one committee that deals with both, and I have written this book from that perspective. Either way, you still are a fiduciary. You are an advocate for your fellow employees, and it is your duty and privilege to remain vigilant and to speak up on their behalf during meetings.

Your voice matters. These chapters will help you to fill in the blanks in your knowledge so that you can contribute meaningfully to the proceedings. Often, newly appointed fiduciaries don't feel that they belong until they have served two or three years. What you will learn in this book will help get you up to speed much sooner. In short, my goal is to take you from a place of uncertainty to a place of confidence.

A DIFFERENT APPROACH

By and large, whether a retirement plan is good or bad has been anyone's guess. In my three decades in this industry, I have often observed how investment advisers and managers have benefited from that subjective assessment. Let's say a manager proudly informed you that one of your investments made a 10 percent return last year. Sound good? Now suppose you could have bought into an index fund and earned 16 percent. Still happy? Because of a lack of transparency, too many investment advisers and managers have been able to spin their poor performance to give the impression that they are shining. The unsophisticated consumers of their advice are mostly left to judge their competence on their personality, not their actual value.

That has been the case in many industries and professions. For example, if you ask most patients whether they have a good doctor, my guess is that they will say they do. Why? Because the doctor listens to them and explains things carefully—and those are good traits in a doctor, for sure. What gets lost, however, is that the true value of a doctor is to diagnose injuries and disease and to prescribe the right treatments. Because patients lack objective information on the doctor's performance, they base their assessment on personality and image.

In this age of big data, however, that is changing. Poor performers are finding it increasingly difficult to hide. Transparency is becoming the norm in our society, and professionals can either resist that change or welcome it. It's easy to see why some would resist, but the better performers have nothing to fear. To remove a cloak of confusion

should be good for all concerned—and it is good business too. In my industry, the data shine a light on just how well a retirement plan is performing. You can take precise measurements: it's either a good plan, or it's not. The greater transparency promotes objectivity—and that is the approach that my company has chosen to embrace.

My colleagues and I are privileged to be at the forefront of this new way of looking at the retirement plans that are bringing financial freedom to countless Americans. The business world has long intrigued me. I enjoy the teamwork of putting together a successful enterprise, knowing that "we made this." I also enjoy the complexity of economics and the markets, which have fascinated me since my high school days. At Pension Consultants, where our mission is to improve the financial security of American workers, I consider what we have made to be more than a business. It's a calling. All those people and their families are counting on us to take good care of them, and we must not let them down.