



Case Study

Doctors' Group Retirement Plan Receives Makeover

Physicians' Group

Number of employees: 250

Assets in the plan: \$57 million



The Situation

A mid-sized doctors' group's retirement plan needed a makeover. The group had been advised by its previous retirement plan advisor to close its 403(b) plan and start a new 401(k) plan with a different recordkeeper. Numerous problems arose, including poor employee communications, inaccurate advice, and general mismanagement of the transition by the plan provider. Additionally, employees felt pressured to act before they had all the information.

Instead of being transferred, the plan was terminated and a new one begun. This created the risk of taxable withdrawals by participants and drove fees higher. The overall confusion caused some participants to lose confidence in the plan, the employer, and the prior advisor.

The Solution

The new CFO at the doctors' group selected SRP as the new advisor through an RFP process.

"Once engaged, we reviewed the plan and recognized there were many problems—not only with how it had been managed, but also with its plan design," said Jamie Worrell, Managing Director of SRP. Jamie holds a law degree, in addition to his financial credentials, so he knew the situation required him to introduce the client to an ERISA attorney to mitigate the client's risks. He also introduced an experienced third party administrator (TPA) to work through the client's issues and round out the team.

SWAT team triaged the plan

"The ERISA attorney, TPA and SRP team triaged the situation like a SWAT team to address all the issues," he said. "We retraced the entire sequence of events to see what, if any, previous decisions needed correcting. The TPA and attorney led the client through the IRS's Voluntary Correction Program (VCP) to resolve their issues prudently."

On top of all of this, the U.S. Department of Labor subsequently audited the plan.

"SRP helped the client quickly gather and organize the audit information requested by the DOL so the client could accurately respond before the DOL's deadline. SRP even spoke with the DOL auditor. This quick and organized response helped bring the DOL audit to a quick, orderly and favorable close."

After straightening out the tangled legalities and technicalities surrounding the plan transfer, SRP began a thorough employee education program to rebuild trust and help employees save and invest. SRP established a formal fiduciary governance plan and oversight process, and overhauled the plan's redundant and confusing investment lineup. A short while later, the client acquired another physician's group, and SRP helped the client integrate that physician's group's plan into the client's plan.



Applying behavioral economics to help participants

“At SRP, we are students of behavioral economics. We’ve witnessed dangerous patterns of poorly informed investors following the herd... withdrawing money after the market drops, and then investing after the market rises. Volatile asset classes, in a retirement plan, such as emerging markets, commodities, or highly concentrated funds (such as a China fund) could create the risk of participants misusing them, and suffering significant losses.”

SRP reviewed and streamlined the client’s 52-fund lineup, which had included multiple global equity funds, global fixed income funds, emerging market bond funds, natural resources funds, energy funds, gold funds, a real estate fund and a commodities fund.

“It’s possible for a well-educated doctor, who has a level of financial savvy and works with a financial advisor, to use those specialty asset class investments wisely and well, but for a novice investor with no guidance, it could be confusing, or, worse, could result in significant losses,” Jamie commented.

“Philosophically, when it comes to designing an investment lineup for a plan, we like to have a straightforward and simple core investment menu,” Jamie said. “At the base of the menu are target-date funds, and then a core set of index and actively managed funds covering the major asset classes. We believe there’s value in both active management and low-cost index funds that track the market, so we leave room for both.”

The Results

The plan now has a broad, but simplified investment lineup of 25 funds to choose from, with plenty of diversification and no duplication. Plan fees were reduced, bringing them well below the industry averages. Assets have grown 88% in 2½ years, Usage of target-date funds and index funds has also increased. (See: *Before and After* table for details). With SRP’s help, the plan successfully emerged from a DOL audit, an IRS Voluntary Correction Program, and an acquisition.

The plan now has a formal Fiduciary Committee and follows a formal oversight process. And SRP hosts regular group and one-on-one employee education meetings.

	Before	After
Formal Fiduciary process	No	Yes
Number of funds in menu	52	25
Assets	\$30.4 million	\$57 million
Target-date funds as a percentage of assets	40%	47%
Index funds as a percentage of assets	7.5%	11.3%
Fees as a percentage of assets	Average	Below Average
Employee education sessions	Sporadic	Semi-annual

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Jamie Worrell, Strategic Retirement Partners



About Jamie Worrell and Strategic Retirement Partners

Jamie Worrell is a co-founder of Strategic Retirement Partners, a dedicated national team of retirement plan consultants. In 2011, he was named “Retirement Plan Adviser of the Year” by *PlanSponsor* magazine, which has also named him one of the “Top 100 Retirement Plan Advisers” several times. He’s been listed on *401kwire*’s “300 Most Influential” retirement plan advisors and the “Top 401 Retirement Advisors” by *Financial Times*. Adding to his retirement plan and investment background, Jamie also holds a law degree and is FINRA licensed with Series 6, 7, 63, 24 and 65.

About the Retirement Advisor Council

The Council advocates for successful qualified plan and participant retirement outcomes through the collaborative efforts of experienced, qualified Retirement Plan Advisors, investment firms and asset managers, and defined contribution plan service providers. The Council accomplishes this mission by its focus on:

- Identifying duties, responsibilities and attributes of the Professional Retirement Plan Advisor
- Sharing our professional standards with plan sponsors
- Providing collective thought capital to decision makers, product providers, legislators and the public
- Giving voice to the Retirement Plan Advisor community
- Providing tools to evaluate Advisors, helpful in promoting successful retirement outcomes.



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61 Rainbow Road
East Granby, CT 06026

www.retirementadvisor.us