

# PLANSPONSOR®

## The Measure of a Plan

Defined contribution (DC) plans are challenged by overwhelming change—never before have plan sponsors faced so many decisions and options about plan designs, and never before have their decisions been so critical and subject to scrutiny. In this environment, it is vitally important that plan sponsors and their retirement plan specialists have access to the very best information about the competitive environment, so that plan sponsors can understand, benchmark, and analyze their own plans against those of their peers and competition. *PLANSPONSOR* interviewed two defined contribution specialists—Ben Applebaum<sup>1</sup>, with Vertical Financial, Inc., based in Chicago, and Karl Nelson<sup>2</sup> (yes, that Karl Nelson, the former right tackle for the New York Giants!) of Integrity Financial Partners/Gitterman and Sacks, based in Montvale, New Jersey—to understand better how they help plan sponsors create the best plans within their own competitive environment. Also participating were ING's Lou Bachetti, head of institutional markets; Bill Elmslie, general manager, institutional markets; and Jim Pedrick, chief marketing officer.

<sup>1</sup> Ben is a registered representative of First Heartland Capital, Inc., member NASD/SIPC, which is not affiliated with ING or any of its member companies.

<sup>2</sup> Karl is a registered representative of ING Financial Advisers, LLC, member SIPC. Integrity Financial Partners/Gitterman and Sacks are independent firms and are not corporate affiliates of ING Financial Advisers.

From left: Ben Applebaum, Karl Nelson, Bill Elmslie, Jim Pedrick, and Lou Bachetti



## Breakthrough strategies and solutions for DC sponsors

**PS:** In a time of flux like this, plan sponsors can't be working in a vacuum when they make plan design changes or review their plans. What do they need to understand about what's happening in their overall competitive marketplace?

**Bachetti:** To have a well-rounded view of how their particular plan is functioning, plan sponsors need to take both an internal and external view. From an internal perspective, how are their participants investing? What are contribution patterns looking like, and are different demographic segments within the plan taking advantage of or ignoring opportunities more than others? With regard to external information, viewing what other plans in similar industries and of similar size are doing in their relative plan design and experiences can be helpful. What are true trends emerging in their plan and other similar plans and are they trends or just an aberration specific to their own plan? Once a sponsor has this type of internal and external information, they can better size up their plan on a relative basis and take action steps to incorporate best practices to maximize their plan's value. This type of data gathering and analysis is what the best specialists and plan sponsors are doing to keep their plans on the cutting edge.

**PS:** How do you get good and usable data?

**Pedrick:** First of all, you have to be able to put together a high quality in depth benchmarking database drawing from a variety of sources—there is no one place to go where all the necessary information resides. We have put a lot of effort into combining the best of our own proprietary research with industry data sources to create a unique set of information resources. The real trick, though, is to make that information actionable by creating an easy to use reporting

and decision support tool that highlights the relevant context-specific information for decisionmakers as well as providing them with recommended action steps based on the data.

**Bachetti:** In our model, the ultimate client is the plan sponsor but, at ING, we have long believed that plan sponsors in our target market are best served by a close partnership with knowledgeable retirement plan specialists. Much of our thinking around these new data-driven tools has been driven by this retirement plan specialist community, as they tend to have a fairly broad perspective as to what plan sponsors are asking for in various environments. Our challenge is to deliver all this comparative data in a manner that allows the specialist to understand both prospects and existing clients better. If we are successful, our model provides the specialist the tools to win more business and deliver more cost-effective plan design solutions to clients. If an adviser can recommend a plan-design change and demonstrate to clients through objective data that certain specific results can be anticipated, the chances for positive results at the participant and plan sponsor level increase dramatically.

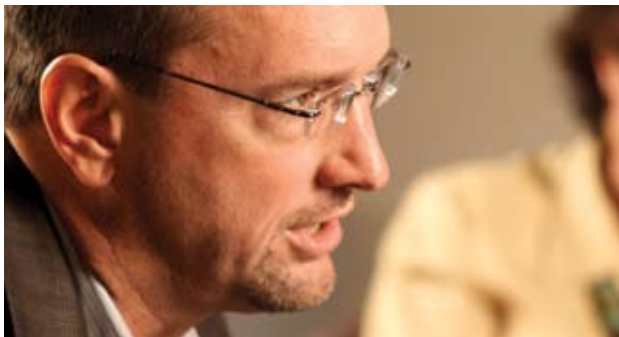
**Elmslie:** Yes, plan sponsors like certainty, and the suite of tools that we're delivering allows representatives to suggest the right choices and to anticipate accurately what those choices will deliver to the plan sponsor and to participants. These are tools that make sense both for the most specialized practitioners—after all, no matter how focused your business practice is on 401(k) plans, you simply won't have access to the breadth and depth of plan information that we've gathered—as well as for those who are not necessarily specialists. The key is that our tools are simple for anyone to use, but allow an expert to drill down into exceptional granularity. The net result is that the

plan sponsor is going to be given an unparalleled level of information that will allow it to make plan design changes in a fully informed manner—and, considering the heightened attention now being paid to fiduciary issues, this is exactly what sponsors need.

**PS: We're fortunate enough to be talking specifically to two professionals who do focus on the defined contribution space. What are your plan prospects and clients focused on now, and how can well-designed benchmarking tools help your clients and your practice?**

**Applebaum:** Vertical Financial is a Chicago-based practice with a distinct defined benefit and defined contribution focus. We're a very hands-on firm: We believe in getting involved with our clients from top to bottom, from the creation of plan documents to enrollment meetings through ongoing plan monitoring. To do that well, you have to have real support from your chosen partners, and we've always felt that the support we get from ING is an important part of our success. The more tools and models we have, the better we can serve our clients, and this latest generation of tools seems to be really valuable. We've also had a lot of success in the past using ING's Income Wizard, which helps us in enrollment meetings to help demonstrate to participants the possible future value of the dollars that they're now saving.

**Nelson:** My focus is on the small- to mid-size plan sponsor and, like Ben, I really believe in the hands-on model. Most of my clients don't have a full-time HR staffer, and I tell them that I can help fill the gap for issues relating to interactions with the 401(k) provider: I go to all the enrollment meetings, and I'll give every single participant my phone number and make it clear that I will take any and all calls on any questions—if someone is looking for a distribution form or wants to take a loan, I'll connect him with the right person. At a base minimum, I will see all my plan sponsors at least once every six months—and I want to be in daily



contact with participants because, in my experience, the more value I deliver to participants, the better my relationship is with the plan sponsor. As far as the plan sponsor is concerned, the more I can benchmark the plan, and the more I can frame changes to the plan in terms of what other similar plans are doing, the more value I am delivering. In that regard, the ING Plan Review and Benchmark Wizard package clearly is a differentiator for me. Every single client I work with has the same basic concern about its plan: that it stays in compliance and is competitive in the marketplace. The TPA's job is to keep it legal. My job is to make sure the plan is one that the plan sponsor and its employees



can be happy with and proud of.

**PS: What are your guiding principles in developing tools such as this, for both retirement plan specialists and plan sponsors?**

**Elmslie:** We very much believe that tools that help inform the plan sponsor are key to a representative's success. Of course, we also offer services that can help representatives concentrate on where they add value and not on non-client activities, but we feel that, if we can deliver something distinctive that helps plan sponsors more effectively manage their plans, everyone is a winner.

**Nelson:** What I also like about the ING Plan Review and Benchmark Wizard is that they clearly have an application in the more sophisticated plan market but, while small-plan sponsors haven't yet been asking for this proactively, they absolutely resonate in terms of application once they see it. The very fact that we can sit in front of plans and tell them where they are behind and where they are ahead of their peers sets us apart. At the very least, it tells me and my clients where we have to concentrate our efforts—and it's not some sort of intuitive judgment, but it is driven by objective data. I really think it is going to be a big hit.

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**Bachetti:** We have a long history at ING of trying to take benefits and solutions that typically would be offered to the Fortune 500 market and to bring them into the small and mid-size market. If an approach or product is cutting-edge and appealing in the large-plan market, then it should have similar appeal and benefits across a broader range of plan sizes. The retirement plan business is not as segmented as it once was. Our commitment at ING is that, regardless of plan size, our whole distribution strategy is oriented toward the specialist—all these deliverables and plan solutions are designed with the plan sponsor in mind as the end-consumer, but with the specialist as the intermediary to deliver value-added services.

**PS: Let's talk about the plan sponsor: With the passage of the Pension Protection Act, what are plan sponsors going to be looking for from their retirement plan specialists and providers?**

**Applebaum:** It seems to me that the key issue—and perhaps it has been the key issue for some time—is the question of fiduciary liability. Trustees and plan sponsors increasingly are aware in this environment that they need protection, and that the people they choose and rely on as advisers really need to know what they're doing. As far as most representatives who say that they want to take on 401(k) clients, I just don't know how they are going to compete with specialists who actually do understand the defined contribution marketplace. An interest in participant rollovers, after all, is hardly an indication that you know what you're talking about. There are real liabilities out there, and the PPA only makes those liabilities more real. If you're going to tell plan sponsors that they have 404(c) or fiduciary protection, you had better be right.

**PS: With all this attention on plan design, should a plan sponsor be looking for a different sort of direction than the traditional focus on funds and investments?**

**Applebaum:** In the run-up to 2001, it was all investments, all the time. Now, it's not about funds, as you almost work on the assumption that we're in an open-architecture world and that every plan sponsor has access to good funds. Now, it's about plan design and it's about delivering quality service day in and day out.

**Nelson:** Service and expertise are the keys today. Of course, you need to monitor fund selection, but that's a given. Plan design matters greatly, particularly at this time of change, but, at the end of the day, it's about credible service and execution. When you're dealing with people's money, you had better get problems



solved very quickly and make sure those problems don't happen again. That's why we need to be very comfortable that the home-office people at the record-keeper respond quickly and, in my experience, that is one of the strengths of ING: When you call them up on a plan, they respond with real immediacy.

**Pedrick:** This need for more robust analysis of a plan's design characteristics is where the kind of plan benchmarking tools that we've been talking about provide a real benefit for retirement specialists and plan sponsors. It's more than simply providing data. The information we provide comes from many industry sources—we didn't want to narrow our focus by only looking at our own client base—and it can be sorted and spun, in a matter of seconds, to give a comparison with the specifics of a given plan. The tools provide meaningful context to start the plan review process.

**Elmslie:** Then, through our Plan Review process, we're even able to take the next step with our plan sponsors. The retirement plan specialist or ING's client relations manager is able to take that comparison, analyze the specific plan, and come up with specific solutions and action steps the customer can use to address any gaps...on the investment *and* plan design fronts.

**PS: Let's return to the tools that you need to serve your plan sponsor clients better. Jim, we've talked a lot about your plan benchmarking capabilities. Tell us more about what your broader Plan Review package actually delivers.**

**Pedrick:** It starts with the basics by providing a fiduciary check list that would help the plan sponsor with oversight responsibilities. Some of the review is focused on fund selection and monitoring, of course, but there is also a real focus—accompanied by detailed reporting—on what participants are doing in the plan, and where they are investing. In addi-

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tion, it highlights any discrepancies between what is happening and what the investment policy statement is saying. For example, do the fund menus continue to reflect the sophistication, or lack of, and demographics of the employee population? In addition, a very important part of our plan review system is that it can provide a set of prepackaged solutions to help a plan counteract some of the common problems that may be highlighted in the review, such as low plan participa-

tion rates or poorly diversified participant investments. Finally, it extends all the way to the meetings with participants and, after the fact, it provides sponsors with documentation that shows that the right things were done at the right time, with the right action steps taken. Some of this review comes back to Ben's point about the fiduciary concern that plan sponsors have in this environment, and it also reflects the plan design questions and issues sponsors are faced with. Enabling the specialist or ING client relations manager to easily maintain a written record of the programs they are pursuing to improve the effectiveness of the plan provides the plan sponsor a lot of comfort and, more importantly, protection. That's why we feel ING has such a competitive advantage in this space.

**Applebaum:** I very much like the centrality of the investment policy statement in the example that Jim has just given. That statement is, in my view, the building block for any 404(c) consideration, and it has to be in place and it has to be followed. Any process that has at its core the investment policy statement is a real positive, in my view.

## The ING Plan Review Process and Benchmark Wizard

### *Data, comparison, context*

Today's plan sponsors need more from their financial professionals and providers than ever before. They are challenged with a host of responsibilities to their participants and their plans—and they need meaningful data, context, and clear actions to manage a successful plan.

It is of questionable—if any—value for the sponsor of a 100-participant plan to compare design characteristics with that of a Fortune 500 plan. In what sort of universe does the plan exist from a business / competitive standpoint? What is the industry doing in terms of plan design features? What about other employers of similar size? Are participants' activities within the plan appropriate? How does an employer understand, analyze, and

act on this information?

ING's new Benchmarking and Plan Review processes represent a breakthrough for plan sponsors who want to review their plan, plan demographics, and performance against a larger universe of like plans on a number of dimensions: industry, size, and number of participants. ING helps sponsors review their plans, and gives them the information and context they need to create clearly actionable plans to overcome any gaps and continue to meet participants' and employers' needs—all in a meaningful, competitive context of comparison with like plans.

Drawing on data from a number of respected industry sources, including *PLANSPONSOR*'s own extensive

surveys, the Benchmark Wizard helps a retirement plan professional to create a "comparison" of an existing plan to the relevant larger universe.

"Another unique aspect of this process is that it doesn't simply compare within ING's own customer base," says Jim Pedrick, chief marketing officer at ING. "It draws on a wide range of third-party sources, including *PLANSPONSOR*'s own database, to create a truly meaningful and representative universe of data for comparison. This information can help a sponsor review a plan in a bid situation, but we also use it extensively with our own customers, to help them review their plans—and keep them on track with specific solutions—in a meaningful universe."

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**PS: How much time can you save specialists and sponsors with these sorts of tools?**

**Bachetti:** What we're trying to do for specialists and sponsors is solve a problem that is no different from what most of us experience in our own daily life. There is simply too much information out there to channel and manage effectively. The challenge is finding one's way to the right data and organizing it in a way that can be acted upon to support a winning strategy. What we've done is round up the data that a retirement plan specialist and sponsor need, put it into an actionable database, and then partner with the specialist to provide optimal solutions to the client. It's more than a time saver, it's a business transformer.

**PS: We've talked a lot about how these tools help with your existing customers. How can you use them with a sponsor whose plan may be in the bid process?**

**Nelson:** When you're in front of a potential client, the key thing you're selling is yourself. That said, the more I know about the client and the more information I have about where that plan stands relative to similar companies of similar size helps me to present a much wider range of potential value to that client. So, the tools help position me to the plan sponsor.

**Applebaum:** That's absolutely right—they buy you, and everything else comes second. These tools help you more effectively establish your credibility and then, once you've won the client, the tools allow you to provide even more value.

**Pedrick:** There is no question that the financial professional relationship comes first and we feel, as Karl noted, that we can add value even in that prospecting stage. The key to this is that we have created these tools through ongoing partnership with the representatives we work with, and that's a process that continues—these are not static products, but ones that we continue to add to and refine as we get feedback



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from our best representatives who are using them in the field. That's how our Plan Review package came into being, by responding to retirement plan specialists asking us to give them tools to help add value when they are talking to sponsors who are considering a plan change.

**PS: The Plan Review package is brand new: What's the response to it thus far?**

**Pedrick:** So far, so good, very good, I would say. We've only just unveiled it to our 60 key specialists and TPA relationships, and the ability to be able to compare and contrast various plan characteristics against companies in similar industries or geographic locales or of similar sizes seems to have been embraced by pretty much everyone we have talked to. They tell us that they have never had such a simple-to-use format, certainly never with the ability to customize in order to create alike-plan benchmarks for a plan sponsor. The result from our standpoint has been a record number of new proposals from representatives, so that seems like a pretty good validation of what we are doing right there. However, as with any new approach, there is a learning curve for us, and we will continue to refine the package to make it even more useful as we receive additional feedback.

**Bachetti:** Retirement plan specialists and plan sponsors alike seem to love it! It fits nicely with ING's strategy of providing simple-to-use and meaningful tools to the small to mid-size markets. We really can make a difference with the delivery of this type of tool and process that can be invaluable to retirement plan specialists as they build their books of business. It will never be static, because the industry itself, and what plan sponsors want, is changing so much, and the PPA is the latest manifestation of that. What won't change is our commitment to making a difference for the advisers—and through them, the plan sponsors—that we partner with.

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