



Getting Professional Help in an Advisor Search

Engaging an expert third party can be a boon to the advisor search process.

BY JOHN IEKEL

Enrollment. Fiduciary duties. Ever-changing laws and regulations. The complexity of plan administration. Reasons aplenty for a plan sponsor to seek an outside vendor to serve their retirement plan — and, most important — the participants.

Plan sponsors like OB-GYN Associates, P.C. of Cedar Rapids, Iowa. It's the largest OB-GYN office in the Cedar Rapids area, which means many things, including that the practice must have a large enough workforce to serve its many clients. That, in turn, means that their Practice Administrator, Tom Kaloupek, is one busy fellow — even without his retirement plan responsibilities.

Kaloupek is a generalist who manages all aspects of the business, he says, adding that he is “certainly not an expert in financial planning” and

“certainly not up to speed as to the changes that have been made and those potential changes currently sitting in or expecting to be reviewed/discussed through the legislative process.”

Most would agree with Kaloupek when he observes that “the rules, regulations and opportunities continue to evolve and change at an ever increasing rate. It is difficult to keep up with and have an understanding at a level necessary to make sound decisions.”

That came into sharp relief when OB-GYN Associates was due to bid out their plan. “We were actually happy with our retirement plan for the most part. It was fairly flexible and offered a wide variety of investment options,” Kaloupek recalls. However, he says, “So much has changed in the past few years and we just felt it was time to ensure expenses were still in line with industry standards, etc.”

In addition to a custodian/recordkeeper, OB-GYN Associates also was looking for an advisor. “The first thing we look for in an advisor is a company who is willing to assume as much fiduciary responsibility/liability as the law will allow,” Kaloupek says. “Companies who are willing to assume this level of risk have a significant stake in the relationship. With that said, we trust they will then manage and scrutinize investment options and in a timely manner make the necessary changes in the best interest of our most precious assets, our employees and retirees. We look for an advisor that is willing to spend the necessary time to keep our board up to date on our plan, education, recommendations, etc. It is also very important that our advisor is available at any time to discuss and/or meet with our employees not only during the initial registration once they become eligible for the plan but also be willing to meet with our employees and their spouse at a convenient time and place to educate and advise not only on the assets the employee may have in our plan but also assets they may have in other plans/accounts.”

A HELPING HAND

Kaloupek decided to seek assistance with the advisor search process. He says he “needed an expert in the field to develop a meaningful RFP, set up the interviews, moderate each of the interviews, summarize the information, list the pros and cons and offer an unbiased opinion,” adding that he wanted someone “to seek clarification when necessary, ask probing questions and ‘call BS’ when needed.”

Kaloupek engaged Mary Patch, managing director with Dubuque’s Williams Group, whom he had met a decade earlier. “It’s helpful for the client to have someone on their side of the table,” says Patch, adding, “He just wanted to do what was right.”

Patch started by doing a needs analysis with Kaloupek, and used it

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as the basis for an RFP that was “all customized from start to finish,” he reports. “The client would never get to the right place without a customized process,” she said.

Patch prepared spreadsheets for Kaloupek on each advisor, and made sure she was present and took notes at each interview. They “stepped up their game” because she was there, she said, noting that only one advisor objected to her being present. “It was eye-opening for him,” Patch recalls. There were many problems with the firms that responded to the RFP, she said, concerning fee structure, who does what, lack of ERISA knowledge and bad retirement readiness reports. “Many were woefully unprepared,” she recalls, adding, “even the client noticed.”

This kind of involvement is “going to be a trend in the industry,” Patch predicts, because of the need to get the help of someone familiar with the investment side. “There’s a big hole in this industry — trying to pair the employer with the right recordkeeper.”

The advisor they chose, Kaloupek reports, assumes a significant amount of the fiduciary responsibility and risk. “They manage our assets and the various investment options making the necessary changes per the criteria they have set and have shared with our Board. They are available to our employees for one-on-one

counsel. Additionally, they continue to monitor and advise based on past, current and future legislative action.”

Even better, Kaloupek says that their advisor and the vendor they chose “were willing to work together and allow for a ‘hybrid’ model of sorts.” They also run semi-annual employee meetings together as a joint venture.

PROOF IS IN THE PUDDING

“Our profit sharing/401K plan is a major benefit to our employees and provides a competitive advantage while recruiting and certainly plays a role in our long-standing record of long-term employee retention,” Kaloupek reports. “We have 100% plan participation in our profit sharing plan and approximately 85% of our employees contribute in to the 401(k) plan as well, he adds. He says that their goal is to increase 401(k) participation to 98% through the use of the educational materials and planning tools the vendor offers.

Kaloupek said that he considers the effort to have been worth it. “I would consider our recent evaluation process and ultimate decision to make some changes a success. I feel we have a very cost-effective, user-friendly platform that offers a wide range of investment options supported by two very good partners.”

Kaloupek has some suggestions for other employers that may be considering making such changes. “It is a lot of work, but I would recommend putting your plan out to bid every five years. If you are not a resident expert in financial planning and understanding in detail plan options, I would not hesitate to pull in an unbiased third party to help establish your RFP, set up and direct the interview process, summarize the information, cull out the pros and cons of each proposal and seek their unbiased opinion prior to making your decision,” he recommends. **PC**