

Leadership Letter

The Dark Side of Good News

Will we let DC plans start down the path of the dinosaur?

By Tony Verheyen

Congress' creation of Cash or Deferred Arrangements (CODAs) in the Internal Revenue Code nearly four decades ago symbolized a pivotal change in our nation's benefits, retirement, and tax philosophy. While few predicted the magnitude of the resulting shift from defined benefit (DB) plans to defined contribution (DC) plans, the introduction of CODAs hastened the decline of DB plans and nudged them down the path of the dinosaur.

Concurrent with the introduction of CODAs, other macro-transformations indirectly facilitated the shift from DB to DC and shaped today's retirement plan landscape.

- The Global Revolution enabled organizations to expand management, financing, operations, and distribution beyond national borders and to every corner of the globe.
- The Data Revolution enabled organizations to collect, store, mine, and report data and information at micro and macro levels to support better decisions.
- The Communication Revolution enabled organizations to communicate and transfer information and knowledge to anyone in the world in the blink of an eye.

As a result of macro-transformations, today's organizational leaders are better equipped to identify problems, trends, opportunities, and risks, than their predecessors. They can see and



manage outliers, errors, barriers, and inefficiency, in ways never imagined.

While the decision-maker's world has become faster, cheaper, deeper, and more transparent, a dark side to the good news has evolved:

Internal and external scrutiny and expectations have never been greater.

While plan administration, compliance, communications, etc., should theoretically be a "cake walk" relative to the past, the same macro-transformations create an environment in which regulators and litigators can demand access, identify errors, and cast doubt on judgment with precise proficiency. Expectations are elevated. Errors are unacceptable. Excuses are dismissed.

The scrutiny of DC plans is not new, but the volume and velocity of lawsuits recently filed against plan sponsors is unprecedented. It promises to get worse as regulators and plaintiffs' attorneys succeed in prosecuting fiduciaries in the courts and in the public square.

If the DC plan is to avoid the path of the dinosaur, we must help DC plan

managers identify, confront, and overcome the obstacles created by higher internal and external expectations, and support them in becoming the system's most persuasive defenders.

As reluctant as some C-Suite leaders are to recognize the dark side of the good news, we must equip DC plan managers so they can convince organizational leaders that sound DC plan governance is worthwhile and essential to protect their organization.

For PSCA's members, this means reading PSCA's publications, attending its events, completing the fiduciary training program, getting involved with the committees, telling leadership how you feel, sharing your stories, and getting others to become members.

For PSCA's leadership, it means listening to members, creating opportunities for dialogue, investing capital in deliverables that will create the greatest member value, and ensuring all stakeholders on the DC plan landscape — including legislators, regulators, academics, and media — hear your voice.

If we ignore the dark side of the good news and fail to convince organizational leaders that the recent spate of litigation is a serious threat to the future of DC retirement plans, it is possible other innovations (such as payroll-deduct IRAs) could begin taking DC plans down the path of the dinosaur. ➤

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