



B E N E F I T S B R I E F

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Multnomah Group Develops 401(k) Fee Measurement and Assessment Tool

The Multnomah Group has just completed design and testing on a diagnostic report for 401(k) plan sponsors on their current fee burden. This report segregates and correctly identifies and categorizes the costs of administration and recordkeeping, investment management, investment consulting, and sales commissions. This report is the first of its kind in providing a comprehensive and detailed allocation of the entire fee burden endured by a qualified retirement plan. Plan sponsors can use the report to quickly benchmark their fee burden to other similarly-sized plans without going through the time-consuming and costly effort to conduct a full search.

Morningstar Associates Explain Their Consulting Business

In recent articles we have discussed the revenue models of retirement plan administration and recordkeeping firms and their increasing reliance on mutual fund soft-dollar compensation to pay the costs of servicing. Most often firms are developing lists of funds from which sponsors may select that provide revenue sharing to the vendor sufficient to meet the income requirements of the recordkeeper. The lists of "eligible funds" (funds with sufficient revenue sharing) are then reviewed by an independent agency for recommendation to clients. Clients are often led to believe that the funds recommended by a rating service are included from the entire universe rather than the much smaller universe of fee paying funds. In response from inquiries by the New York Attorney General and Securities and Exchange Commission, Morningstar felt it was necessary to issue the following explanation as to how their select lists are created for client use. This letter further validates our contention that the universe from which funds are selected is at least as important as the final recommendations. [Click here to read the open letter from Morningstar's CEO.](#)

Multnomah Group Develops Proprietary Performance Measurement System to Assist Sponsors in Reviewing Active Managers Funds

To enhance our ability to provide value in the evaluation of separate account and mutual fund products in the marketplace, the Multnomah Group has augmented investment reporting systems to isolate the impact of managers on returns through their changes in asset allocation (market timing) and their security selection. Active managers are paid a hefty premium to add to the returns of their investors through the allocation decisions they make every day and through their ability to identify and purchase superior stocks for their portfolios. However, the consulting profession has failed to do the work necessary to separate these two factors under the control of the manager from the performance of the market which is beyond their control. This new tool will measure excess return by category and prove instrumental in evaluating lifestyle investments for which no reliable benchmarks exist.

109th Congress. The Wheels of Change Keep Turning.

While slower than in either 2003 or 2004 the 109th Congress has started their year with two new pension bills for consideration. The first, National Employee Savings and Trust Equity Guarantee (NESTEG) as introduced by Charles Grassley from Iowa seeks to improve the economic position of participants in defined benefit plans and seeks to make permanent a change from the 30 year treasury rate to high grade corporate bonds for the purposes of calculating liabilities. The second seeks to improve the ability of reservists to tap retirement savings when they are called up, eliminating the IRS penalties on withdrawals before retirement age. [Click here for a tracking chart by Towers Perrin on current congressional activity.](#)

[The Multnomah Group](#) is the region's leading provider of comprehensive qualified plan management solutions and investment consulting to businesses in the Pacific Northwest. To subscribe to this newsletter please email us at newsletter@multnomahgroup.com

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