

THE EXCELLENT FIDUCIARY

How Technology Is Transforming the Fiduciary Role

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While compliance pressures continue to rise for executives charged with overseeing their organizations' employee benefit plans that are qualified under the Employee Retirement Income Security Act ("ERISA"), sophisticated technology solutions are beginning to offer a reassuring light at the end of a seemingly endless regulatory tunnel. Trusted technology platforms can now systematize the complex ERISA plan management process to reduce human error, lessen hands-on management time, and increase fiduciary security. Effective retirement plan management historically has relied on significant employee hours, staff training, outsourced expertise, and reliance on third-party vendors to make deci-

sions in the best interest of an organization's employees. Technology is ushering in a new era of fiduciary duty, however, that is defined by improved processes, security, risk management, and peace of mind.

THE RISE IN TECHNOLOGY INNOVATION

Technological innovation is constantly changing the way we experience the world around us, both in our personal and professional lives. Technology has transformed the way businesses conduct commerce and revolutionized the way managers, employees, and customers engage. Just a few of the technological advances that have changed the way we operate include:

- **The first personal computer**—The *Altair* was introduced in 1975 and it was quickly followed by the introduction of *VisiCalc* in 1978 by Apple II.
- **The first spreadsheet application**—VisciCalc was the precursory to *Lotus 1-2-3* in 1983 and eventually *Excel* in 1985.
- **The first iPhone**—Steve Jobs "reinvented the phone" in 2007 with the debut of the first-generation *iPhone*. By doing so, Apple transformed how people and businesses communicate.

While technology has made our business lives easier, it has

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also introduced new, dynamic problems into the corporate arena that has led to more stringent oversight and regulation at multiple levels in the corporate ecosystem. Industry and government bodies have instituted a variety of regulations promoting transparency and accountability in the spirit of protecting key stakeholders.

Technological innovation has undoubtedly transformed the regulatory world. New compliance directives intrinsically require the implementation of controls and collaboration across corporate units, functionalities, and geographies. The need for uniform, scalable, real-time transparency has never been more urgent than it is today.

Within the employee benefit plan management arena, new government regulations are redefining the risks and responsibilities of administrators and human resources managers. The role of the fiduciary is changing in ways that requires broader controls, data acquisition, auditing, and reporting for compliance with the changing dynamics in the regulatory space. Compensation and labor specialists along with the managers and boards of directors are adjusting to these new roles and legal requirements in real-time, often with limited resources.

While spreadsheets may have been an early solution to sharpening internal controls and compliance processes, they are not the final answer. Human error is still too prevalent a possibility in compromising the integrity of even the most meticulously designed spreadsheet. File version control and collaboration management has become critical to effective risk management. Technology has filled this void—combining an organization and management system with a dynamic engagement platform that secures the integrity of information and ensures ease of use among multiple users. The question now becomes, “How do we integrate technology successfully into the space defined by ERISA’s fiduciary mandates?”

SELECTING THE RIGHT TECHNOLOGY

Given the myriad of compliance issues and stakeholders, finding the appropriate ERISA risk governance, risk management, and controls (“GRC”) solution can be challenging. This conclusion is particularly pertinent in the worlds of compliance tools for the Sarbanes-Oxley Act (“SOX”) as well as for those for managing the fiduciary risks and responsibilities governed by ERISA. In both cases, whereas the ultimate responsibility for compli-

ance might rest in a single department or with an individual manager, the ultimate success of compliance is dependent on transparency, collaboration, and accountability across the entire organization.

Few of those solutions offer a combination of both file management and collaboration, and even fewer offer truly disruptive solutions that eliminate the need for some of the basic components of compliance such as reliance on spreadsheets. One such solution is FiduciaryGRC^(tm) offered by Roland!Criss that delivers internal controls substantiated by ERISA and case law. FiduciaryGRC uses a GRC technology platform developed by Comensure GRC, which was created and is managed by accountants, auditors, and professional risk managers.¹ FiduciaryGRC addresses the problems of reliance on spreadsheets, real-time scaling and performance testing through a simple, intuitive platform that can be deployed across an enterprise on personal computers, tablets, and smartphones.

CONVERGENCE OF RISK

For many years, risk and compliance was synonymous with operational functions within organizations. However, with growing government regu-

latory reach, compliance issues are impacting almost all levels of business activities and employee engagement. The siloed, “lily pad” approach to risk management and compliance is inefficient and is quickly becoming obsolete. Hence, compensation managers, benefits administrators, and compliance officers in public and private companies, as well as those managing higher education and healthcare institutions, are increasingly considering the value of solutions like FiduciaryGRC and its tech applications. Such solutions have the capability to transform an organization and create organization-level value and peace of mind.

THE FOUR KEY ATTRIBUTES (4-A) APPROACH

Deciding which technology system works best for a given ERISA plan is daunting, even for the most experienced fiduciary. Four key attributes (4-A’s) can be useful in selecting what’s best for a particular organization’s fiduciary risk management and compliance needs. These attributes (the “4-As”) include:

- 1. Applicability
- 2. Aggregation
- 3. Accountability
- 4. Assurance

A brief overview of these four evaluative factors is provided below.

Applicability

Before beginning the GRC solution selection process, all stakeholders should be given the opportunity to express their needs and concerns. This process should be replicated across the organization because that is how relevant internal controls emerge. At the very core of every control are three fundamental things—a requirement, a control, and a test. Companies need to know: 1. What they have to comply with; 2. How they can establish a control to comply; and 3. How can they test to assure compliance.

As such, applicability is the first attribute to address. Within the applicability attribute is also the importance of scalability. Plan sponsors must identify what are the key features and benefits that will make a technology based GRC solution applicable across their enterprise. In addition, the technology platform should have the appropriate flexibility and scalability required for the changing regulatory and compliance environment. It should be relatively easy to upload new regulatory requirements, risks, and controls in an efficient, timely manner.

Aggregation

The ability to aggregate data for analysis and reporting is at the core of why spreadsheets exist. As such, the selection team should define the most important components of data aggregation and manipulation for the organization. The technology should be able to securely aggregate ERISA plan data with reliability and confidence.

Also, within a plan sponsor’s aggregation considerations should be an evaluation of the technology’s ability to present summary information and performance metrics in a clear, concise format. Ideally, the aggregation features and functionality should move the organization’s compliance program away from being comprised of a collection of multitudes of spreadsheets to a more unified system that promotes collaboration.

Increasingly, dashboard views are becoming an essential tool for executive boards and leaders. Thus, a selected GRC solution must be able to collect, analyze, and present the appropriate amount of data for an organization’s risk management and compliance initiatives. The aggregation evaluation should also seek to identify which technology platforms best collect, store, and disseminate

institutional knowledge critical to business operations. Such functionality allows for widespread knowledge transfer that can promote collaboration and efficiencies across the entire fiduciary team.

Accountability

Within the compliance and risk management realm, technology applications should support accountability through transparency across the compliance infrastructure. The platform should drive accountability across all users and managers. Transparency allows for well-defined accountability that when combined with data analytics can help managers evaluate discrete controls, processes, individual employees, and organization groups.

Moreover, the ability to both create and evaluate layers of accountability within a fiduciary compliance framework can ultimately encourage behavioral

changes that thereby reinforce key cultural values and organizational principles—across all of the key players including an ERISA plan’s vendor supply chain.

Assurance

Finally, the GRC solution should provide assurance for all stakeholders. This is particularly important in the realm of employee benefits. The selection team should once again consider the compliance needs across the firm’s operations and risk environment. The technology platform’s functionality should have automated monitoring, testing, and reporting capabilities for the level of assurance necessary for the overall GRC program. The assurance features should be consistent and scalable relative to the changing needs of the business.

Effective risk management tools should have an inherently

simple graphic user interface (“GUI”) that promotes assurance across all operational levels of the organization. For instance, for employee benefits compliance, the application should be designed such that all plan managers can easily access and utilize information. Finally, the technology platform should be robust and have testing and reporting functionality that measures assurance, quantitatively and qualitatively, across the key areas of fiduciary compliance.

SAMPLE 4-A SCORECARD

Administrators and managers can use a scorecard based on the four key GRC solution attributes to evaluate technology options and encourage conversations across potential users. The collected input can help ensure a solution selection that adds value to the ERISA plan management process. A sample report card is provided below.

<p>APPLICABILITY</p> <ol style="list-style-type: none"> 1. Is this GRC solution applicable to our compliance and risk management needs? 2. Is it applicable across our retirement plan management process? 3. Can it easily scale to address changes in fiduciary risk/compliance? 	<p>AGGREGATION</p> <ol style="list-style-type: none"> 1. How does the technology aggregate data and manage information sharing? 2. Does it have functionality for establishing controls and data security? 3. Does it use automation to aggregate information and perform data analytics?
<p>ACCOUNTABILITY</p> <ol style="list-style-type: none"> 1. How will the solution measure and test accountability within our fiduciary management process? 2. Does the technology have flexible reporting functionality for the needs of managers and directors? 3. Will the accountability functions help us improve our fiduciary oversight? 	<p>ASSURANCE</p> <ol style="list-style-type: none"> 1. Can the solution provide fiduciary assurance and compliance? 2. Are the assurance features consistent with our overall fiduciary compliance programs? 3. Do the auditing and reporting features align with our ERISA plan management strategy?

Innovation, the drive for solving problems in a unique way, is the entrepreneurial essence of why most companies exist. It's also what empowers managers to improve business processes and to continually promote efficiencies. Successful businesses and managers know how to encourage and promote innovation to create value for all stakeholders. For compensation managers and benefits administrators, new cloud-based solutions offer the opportunity to aggregate data from across the organization, implement and test controls in real-time, and encourage an

organizational culture that aligns with strategic and risk management objectives.

Over the past four decades, we have witnessed exponential ways that technology has changed the way organizations engage with stakeholders and deliver value. It's a certainty that this trend will continue at increasing speed in the years to come particularly in the labor, compensation, and benefits space. As ERISA plan sponsors begin evaluating technology solutions that can address their fiduciary risk management and compliance

needs, keeping in mind the 4-A's and evaluating best-in-class models (such as FiduciaryGRC and others) will help inform and guide this process.

For more information on automating your ERISA plan's fiduciary controls, visit <http://rolandcriss.com/automating-fiduciary-controls/>.

FiduciaryGRC is a trademark of Roland Criss

NOTES:

¹Comensure GRC (formerly Ignite, LLC) was developed by Houston, Texas-based AXIA Resources.