benefit basics | using committees effectively

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The following is an excerpt from the recently released International Foundation publication, *Trustee Handbook: A Guide to Labor-Management Employee Benefit Plans,* Eighth Edition, edited by Lawrence R. Beebe. The text appears in Chapter 9, "Using Committees Effectively," written by Beebe. The book is available at www.ifebp.org/trusteehandbook.

A multiemployer employee benefit plan is managed by a board of trustees. In pursuing their fiduciary responsibilities, trustees must consider many issues—including:

- Collection of employer contributions
- Investment of plan assets
- Administration of the plan
- Payment of benefits
- Payment of ordinary and necessary plan expenses.

Trustees may designate day-to-day operation of the plan to an administrator, but ultimately the trustees are responsible for all decisions made. This responsibility can lead to lengthy trustee meetings that, in turn, lead to rushed decisions because there just isn't time to do everything.

What can trustees do to facilitate the decision-making process? One solution is to appoint committees to handle some of the deliberations. Among the standing committees that trustees appoint are:

- Administrative and finance committee
- Audit committee
- Benefits and appeals committee
- Collections committee
- Communications committee
- Information technology committee
- Investment committee
- Legal committee
- Withdrawal liability committee.

Committees may also be established for special purposes over the short or long term.

What Are the Advantages of Committees?

There are a number of benefits to assigning particular tasks to committees. Committees have the potential to reduce the length of trustee meetings. Many of the routine decisions typically made by a board as a whole can be made by committee. A summary of the decisions made at the committee level is presented to the full board for adoption. With committees handling routine matters, the full board can spend its time on issues that may be more complex or controversial or break new ground.

Another benefit of committees is that a smaller group of board members can typically spend more time interacting with service providers. Committees have more time to ask the probing questions that should always be asked of service providers. Consider a meeting of a full board of trustees—An auditor might be allowed only 15 minutes to present the audited financial statements. If an audit committee is used, the auditor and committee can spend the time needed to ensure the audited financial statements are fully understood. Committees submit their findings and recommendations to the full board.

What Are the Disadvantages of Committees?

Committees are not for every benefit plan nor should plans have every committee listed in this chapter. Some plans are small, and plan business can be effectively conducted by a full board. Other plans use a limited number of committees to decide matters that need significant time.

While the use of committees may result in less time being spent in full board meetings, it may result in much more time spent in committee meetings. The use of committees may result in more time being spent by trustees on plan business. Even when board and committee meetings achieve maximum efficiency, trustees may find the overall time they spend on plan business has increased. This may indicate trustees were not spending as much time on plan business as they should have.

Committees must be given authority to make routine decisions. If a board appoints committees but still insists on making all decisions at the full board level, committees may be a waste of time.

Who Should Serve on Committees?

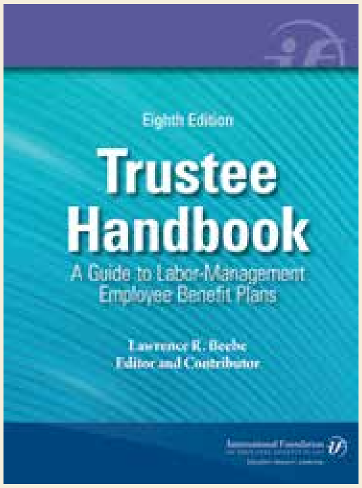
At a minimum, each committee should include at least one management trustee and one labor trustee. Plan administrators often serve on some or all of the committees. Appropriate plan professionals may also be selected to serve on committees or report to the committees. Committees should not be overburdened with members. Each committee should only have enough members to get its job done effectively.

Care in appointing trustees to a committee has the potential to enhance the value of the committee. Trustees often have knowledge and experience in specific areas (e.g., investments, collection of contributions, plan administration). Appointing trustees to committees based on their strengths can maximize their value to plan governance. On the other hand, service on a committee is an opportunity for a trustee to gain additional knowledge and expertise concerning a specific issue that will provide a longer term benefit to the plan.

What Are Some Common Committees and Their Roles?

Administrative and Finance Committee

The administrative and finance committee meets regularly with the plan administrator. This committee also discusses and approves a plan's annual budget and reviews the monthly internal financial statements.



Audit Committee

An audit committee's primary job is to meet with a plan's external auditors. There should be at least two meetings a year. The first meeting is to plan the upcoming year's annual audit. The auditors describe, in general terms, their plan for the upcoming audit. This meeting gives committee members an opportunity to advise where the auditors should concentrate during the audit. This meeting is also an opportunity for a candid discussion as to where fraud is most likely to be found.

The second meeting should be at the conclusion of the audit. The auditors present the audited financial statements and discuss any significant concerns regarding the statements. The auditors also discuss any communications (e.g., management letter) with the board regarding internal control weaknesses and suggestions for operational improvements. At some point in this meeting, the plan administrator is excused from the meeting and trustees ask the auditors if they received full cooperation from the administrator and staff during the audit.

The audit committee should also be charged with managing the plan's internal auditor, if the plan has one.

Benefits and Appeals Committee

This committee normally approves the recommendations made by the plan administrator regarding benefit payments approved and denied, and it hears appeals when benefits have been denied. It is also the responsibility of the benefits and appeals committee to meet with the plan's benefit consultant and to decide which benefit decisions should be made by the full board of trustees.

Collections Committee

A collections committee is charged with ensuring trustees are fulfilling their fiduciary responsibility to collect all contributions due to the plan. This committee should meet regularly with the plan's collection attorney and payroll auditor. The plan administrator should provide the committee with an update on how the plan's collection process is working and the status of delinquent employers. The collections committee normally hears appeals from employers asking for forgiveness of late charges and disputes concerning the results of payroll audits.

Communications Committee

Trustees must communicate effectively with plan participants and beneficiaries, contributing employers and the community. Some of this communication is required by reporting and disclosure regulations. It is essential that trustees devote appropriate time and attention to this area and appoint a committee to accomplish this undertaking.

Information Technology Committee

To be effective, the trustees appointed to the information technology (IT) committee should have expertise in this area. This committee meets with a plan's internal (and/or external) information technology experts and determines how to address the IT needs of the plan.

Investment Committee

A plan's investment committee should meet regularly with the plan's investment consultant. Matters that should be discussed with the investment consultant include adoption and revision of the plan's investment policy, asset allocation, investment manager selection and investment performance evaluation.

Normally, investment managers meet face to face with a plan's investment committee on an annual basis. The purpose of this meeting should be to present the results of their performance. Having investment managers report to the investment committee, rather than the full board, can save the full board considerable time.

Legal Committee

A plan can be sued for a variety of reasons, and the plan itself can be the party initiating litigation in such matters as employer contributions. A plan's legal committee meets regularly with the plan attorney to discuss any ongoing litigation involving the plan. This committee also discusses what actions can be taken to avoid litigation. While key decisions regarding litigation can only be decided by the full board of trustees, the legal committee deals with the preliminary matters before decisions are necessary.

Withdrawal Liability Committee

If a plan is constantly dealing with withdrawal liability issues, the use of a committee may take the burden off of the full board of trustees. This committee works with (1) the plan attorney to determine when to assess withdrawal liability and (2) the plan actuary to calculate the amount due. Often these are complex decisions that are better dealt with at the committee level.

Special Purpose Committee

Sometimes trustees appoint a special committee to deal with a specific issue; examples include contemplating a merger with another plan, hiring a new plan administrator or changing service providers. A committee of this type is appointed to perform a specific task. Once that task is accomplished, the committee is disbanded.