

Challenge

The investment committee of a foundation came to Allodium for help with their employee retirement plan. They had many questions about their plan such as “What are the fees we are paying and are they reasonable? Are our investment offerings competitive?” and “Are we meeting our fiduciary obligations?” The fund lineup for their employee plan consisted mainly of proprietary funds by the retirement plan provider. They were looking for an objective, third party view.

Recommendation

Allodium agreed to complete a fiduciary review. We spoke with the plan sponsor and plan provider several times to learn about the history of the plan and to decipher their multi-layered fee arrangement. We also wanted to dig deeper to find the “pain points.” We used F360’s Prudent Investment Practices to evaluate whether they were meeting their fiduciary obligations and following best practices. Next, we used the F360 Toolkit to evaluate their funds and determine if their current fund lineup was competitive. We also checked to see if there were any apparent gaps and if we could help them to lower their fees. Lastly, we used benchmarking studies to compare how the servicing and investment expenses of their plan contrasted with other plans of the same size. Allodium completed a written fiduciary review and presented our findings to the investment committee.



First, we confirmed that they were doing a good job of meeting their fiduciary obligations. They were consistently adhering to the Prudent Investment Practices and we did not find any major gaps in this area. Second, we addressed the plan. We discovered several potential improvements for the investment committee to consider. We recommended revising their investment lineup to take advantage of the many fund choices available in an “open architecture” environment. These funds generally have lower costs and higher fiduciary scores. We also suggested adding asset classes that they did not currently have in their portfolio. We also learned in our discussions that they would like to add a socially responsible investment (SRI) option for their employees. Lastly, we provided additional recommendations such as considering other approaches for paying their plan servicing fees and adding a Roth deferral option.

Result

The investment committee accepted Allodium’s recommendations. A fortunate outcome of the project was that foundation’s retirement plan provider offered to reduce their plan’s servicing fee—saving their plan thousands of dollars every year. After we completed the project, their employees benefitted from an updated retirement plan with a more competitive, lower cost lineup. This will save the average employee costs from fees and provide their employees with the ability to defer some of their savings into a Roth account. In the end, the investment committee gained peace of mind in knowing that they had met their fiduciary duty in doing what was best for their employees.

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