

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 and 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. Allodium also wanted to dig deeper to find the “pain points.” They used F360’s *Prudent Investment Practices*[®] to evaluate whether the organization was meeting their fiduciary obligations and following best practices. Next, Allodium used the F360 Toolkit[™] to evaluate the funds and determine if the current fund lineup was competitive. Allodium also checked to see if there were any apparent gaps and if the fees could be lowered. Lastly, Allodium 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 the findings to the investment committee.



First, Allodium confirmed that the investment committee was doing a good job of meeting their fiduciary obligations. They were consistently adhering to the *Prudent Investment Practices*[®] and no major gaps were found in this area. Second, Allodium addressed the plan. Several potential improvements were discovered for the investment committee to consider. Allodium 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. Allodium also suggested adding asset classes that they did not currently have in their portfolio. In their discussions, the investment committee also shared that they would like to add a socially responsible investment (SRI) option for their employees. Lastly, Allodium 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 the project was completed, their employees benefited 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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