

BLUE PRAIRIE

— Group —

CASE STUDY: Excess Revenue—A New Paradigm for Driving Down Total Plan Costs

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Challenge:

A Chicago-based telecommunications company asked Blue Prairie Group to assist them in a due diligent search to select a new service provider. The client wanted to reduce total plan costs.

Project Approach:

Once the bundled, open investment architecture provider was selected, Blue Prairie Group also assisted the client in sifting through all available ERISA appropriate mutual fund options (approximately 12,000) to create a new investment portfolio.

Strategy:

Blue Prairie Group's Institutional Retirement and Investment Consultants walked the client through a formal, due diligent investment selection process that was documented each step of the way. Blue Prairie Group came up with 2 – 3 options for each asset and sub asset class and worked with the Committee in designing a portfolio that increased diversification, reduced the total number of funds offered and significantly decreased the cost of the portfolio.

Results:

The client changed its plan provider and revamped the investment line-up. The total cost of the client's plan was significantly reduced.

1. Introduced several new asset classes to allow for greater participant diversification: diversified emerging markets, real estate, stable value and custom-designed (age and risk-weighted) "retirement age" funds.
2. Reduced the asset-weighted cost of the portfolio from 71 to 60 basis points – a decline of 16 percent. At \$331mm in total plan assets, this represents annual participant savings of \$367,292 per year and projected five-year savings of \$2.5mm.
3. Assisted the client in negotiating a contract with the new service provider whereby "excess" revenue (i.e., revenue received by the recordkeeper in excess of the cost to provide its services) is returned back to the plan. Over time, any revenue received by the recordkeeper over and above 15 basis points of total plan assets will be returned to participants in the form of lower-cost funds, lower-cost share classes and in the form of an expense credit to pay for "ERISA-eligible" plan expenses. This ensures that the cost of the plan will decline over time and participants will directly benefit from the lower cost structure.