

# Case Study No. 2

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## **Overhauling a 401(k) Portfolio Drives Down the Total Cost of the Plan for the Benefit of Participants**

Blue Prairie Group completed a project for a large public company based in the northern suburbs of Chicago and helped them to revamp their 401(k) investment lineup and significantly drive down the total cost of their plan.

### **Project Approach:**

After deciding to move to an open architecture 401(k) recordkeeping system as part of a larger move to outsource certain HR functions, the client asked Blue Prairie Group to create a due diligent process for sifting through all available fund options (approximately 18,000) and create a new portfolio.

### **Solution:**

Blue Prairie Group's Institutional Retirement and Investment Consultants walked the client through a formal, due diligent investment selection process and 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:**

After changing providers, the following results were achieved:

- The average expense ratio of the new portfolio declined from 99 basis points to 68 basis points – a 31 percent reduction. Based on the current size of the plan (excluding company stock), annual participant savings are estimated at \$1,114,364.
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- Even more importantly, the asset-weighted cost of the portfolio declined from 75 basis points to 43 basis points -- a 43 percent reduction. Based on the current size of the plan (excluding company stock), annual participant savings are estimated at \$1,152,000.
  - The new portfolio consists of 16 separate funds from 11 different money management firms.
  - Blue Prairie Group also introduced two new asset classes – Real Estate and Emerging Markets – to the lineup, thus increasing the chance for meaningful diversification for participants.
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