

Continuous Improvement Through Investment Menu Review

BACKGROUND

Investment menu design is a key fiduciary responsibility that each retirement plan committee will undertake. Committees and their advisors combine investment theory with behavioral finance to develop a set of investment options used by a diverse group of participants with varying levels of investment knowledge, interest, and time to dedicate toward developing their personal investment strategy. Each committee should establish a fundamental set of beliefs relative to the construction of an investment menu.

At Multnomah Group we believe: **less is more**, **costs matter** & **not all participants are the same**.

We suggest investment menus be reviewed periodically, typically bi-annually. Regular reviews of a client's investment menu design ensure that committees are continuously working to improve and challenge their process and incorporate current research. This case study examines the investment menu design work Multnomah Group completed in late 2020 and early 2021.

PROCESS

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While this project was specific to a firmwide initiative to review investment positions and menu design, we began by having a member of our internal Investment Committee review a team member's client portfolios during the fourth quarter. This step allowed for a discussion of client positions to better understand the deliberative process each client took to arrive at the investment menu and individual funds currently offered to their participants.

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As the second step in this project, our Investment Committee reviewed and challenged our current view of investment menu design and how best to communicate our views to clients. The resulting guiding principles balance both simplicity and participant choice to encourage participant engagement. The updated investment menu recognizes that investment costs impact retirement outcomes. We seek to help clients align their investment menu construction with participant communications programs. In coordination with a plan's recordkeeper, aligning the investment menu in their communication materials can help participants more readily turn investment products into a portfolio that will help them reach their goals based on their desired involvement and interest.

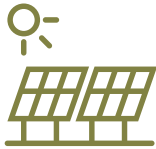
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During the first quarter, the final stage occurred as our consultants and clients met to review the gap analysis.

RESULT

As a result of our client investment menu and position review process, our consultants were prepared to have substantive discussions with our clients about investment menu construction and individual fund offerings.

During 2021, 36 clients underwent meaningful changes to their investment menus. These changes included:



Adding Environmental Social Governance (ESG) funds, allowing participants to construct their portfolios to align with their social values.



Adding additional index fund options that allow participants to establish highly diversified portfolios at low costs.



Recognizing the complexity of their investment menus, some clients responded by seeking to consolidate assets to a single vendor or simplify their investment menus by reducing the number of funds offered to participants. Taking this action results in lower costs to participants and greater flexibility for committees when selecting funds and more straightforward employee communication programs.

At Multnomah Group, we have a continuous growth mindset. The investment menu review process is just one piece of evidence that highlights the value of a rigorous monitoring program and a willingness to challenge the current thinking.