FEE ANALYSIS: MAPPING FOR A BETTER FUTURE

OVERVIEW

High fees can eat away at an investor's total return, disadvantaging retirement plan participants and creating potential legal risk for plan sponsors. Studies have shown that lower fee funds have often outperformed higher fee funds[1], which can provide substantial benefits to participants over long holding periods. Over the last several years, plan sponsors and participants have become wary of revenue-sharing fee models, which can lead to high fee fund options and some investors paying more than their fair share of a plan's cost.

As part of our services, Angeles works with clients to identify sources of high fees in an effort to reduce the overall management costs of a plan and create a more equitable arrangement for all plan participants.

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[1] https://investor.vanguard.com/investing/how-to-invest/impact-of-costs

The Goal

Reorganize our clients' retirement plan fee structure to create a more equitable arrangement for participants, while utilizing the new structure to create a more streamlined, lower cost, and better performing fund lineup for participants.

The Collaboration Process

As part of this service offering, Angeles works alongside a retirement plan's record keeper to better understand the current plan fee structure. Leveraging Angeles' defined-contribution plan knowledge, Angeles effectively identifies sources of high fees across various plan fund options.

Oftentimes, participants in retirement plans pay fees indirectly through the revenue share of each fund option. All else equal, revenue share funds have higher fees than non-revenue share funds because a portion of the fee is allocated towards the costs to administer and service the retirement plan. With a revenue share fee structure, fees are based on the revenue share percentage of each participant's investment in each fund.

To remedy this, Angeles works with the recordkeeper to perform a holistic fee leveling analysis to propose a reorganized fee structure where participants pay retirement plan fees directly based on a percentage of assets invested. The new pro-rata structure allows the retirement plan to receive the same amount of revenue from participants, while each participant pays only their pro-rata share of retirement plan fees.

The Results

Transitioning from a revenue share fee model to a fee leveling model is often a more equitable arrangement for participants. Additionally, plans no longer need to rely on high fee revenue share funds. With the new fee structure in place and a clearer picture, Angeles is able to revamp the fund lineup into low-cost funds, which is known to provide substantial return benefits to participants over long holding periods.

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About Angeles Investments

When Angeles Investments ("Angeles") was founded in 2001, we set out to create an investment organization and decision-making process modeled after the in-house investment offices found at leading institutions. We work with our institutional clients to structure customized portfolios that take advantage of their status as long-term investors while balancing the spending, mission-related interests, and liquidity needs of the organizations they support.

Angeles maintains an asset base large enough to gain access to best-in-class managers and support an experienced team that performs all of the sophisticated functions required to evaluate and manage complex global portfolios. We are deliberate in our service, structure, and size, and we view this as a distinction from what we see in the marketplace, which is large firms organized to maximize the number of clients and assets under management.

As patient, long-term investors with a selective client base, we are able to focus on truly unique and often capacity-constrained investment opportunities. Our size allows us to build long-term partnerships focused on client satisfaction and client objectives. When our co-founders set out to start Angeles from their previous firm, they were able to do so through our clients' support, most of which are still clients of Angeles today.

Since the firm's inception, Angeles has been an independent, employee-owned firm with only one line of business: providing comprehensive portfolio solutions to institutional investors. 100% of our revenue comes from direct fees paid by our clients for our services. We do not earn or accept other sources of revenue, which enables us to minimize conflicts of interest that could distract us from the primacy of our clients' interests.

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