MV FINANCIAL

CASE STUDY: Non-Profit Association

Background:

MV Financial was introduced to the executive director of a non-profit association based in the suburbs of Washington, DC. The executive was disappointed with the performance of the investment options in his plan and concerned about his fiduciary responsibility. The association worked with an investment consultant, but given the consultant only served as an ERISA 3(21) co-fiduciary, the liability remained with the executive director. The association had two plans (401(k) and 457(b)) with 95 participants and combined assets of $15,000,000.

Issues Identified:

We uncovered the following deficiencies and concerns during the benchmark and subsequent review with the plan's administrators/sponsors:

- Lack of Fiduciary Protection
  - The sponsor was responsible for investment selection and therefore personally liable for plan performance despite working with an investment consultant.
- Lack of Education
  - Employees had access to vast resources through the employee website but no individualized education.
- Underperformance
  - Investment options underperformed their respective benchmarks over all periods.

MVF Solution:

Based on the benchmark results, MVF offered the following recommendations:

- Delegate fiduciary responsibility to MVF as a 3(38) Fiduciary Investment Manager.
- Shift the plan from proprietary funds and potential conflicts of interest.
- Provide risk-based actively managed portfolios utilizing a combination of exchange traded funds (ETFs) and institutionally priced mutual funds.
- Make MVF responsible for individualized employee education and support through on-site meetings, webinars, and phone calls.

Conclusion:

The Executive Director and management team were thrilled to delegate their fiduciary responsibility to MV Financial as a 3(38) Fiduciary Investment Manager. We were able to provide high quality investment options while offering a specialized education program to the employees that allowed for one-on-one support. As a result, 85% of employees deferred their investments to MVF's managed portfolios and roughly 81% of total plan assets are held in the managed portfolios. The managed portfolios have also outperformed their respective benchmarks over relevant periods.