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Good afternoon. My name is Greg Middleton, Senior Marketing Director for CAPTRUST, and I'd like to introduce today's roundtable discussion. At CAPTRUST, we have the honor of serving more than 200 of the top hospitals and healthcare systems in the country as their retirement program advisor. Today's discussion will focus on the observations and findings from quarterly reviews which were recently conducted with those clients.

We hope today's discussion will offer an executive summary of the top issues the retirement plan sponsor should be considering. Plus an in depth comparison of what other peers are doing for their retirement programs and strategies. Joining me for today's discussion are Ellen Sher, Danny Lowe, Earl Allen, Jan Resler, and Mike Pratico.

Danny, Earl, Jan, and Mike. Our Senior Financial Advisors and Principals at CAPTRUST. Ellen is a Director and Investment Strategist within the Research Department. Their collective focus for hospitals and healthcare systems represents 43 clients and 24 billion in retirement assets. With clients across the country, Earl and Jan are located in our New York City office, Mike in our Boston, Massachusetts office, Danny in our Raleigh, North Carolina location, and Ellen in our Greenwich, Connecticut location.

Earl, Jan, Mike, Danny, and Ellen, thank you for being part of today's discussion. Ellen, why don't you get things started by discussing our market commentary and topical spotlights. Great. Thanks, Greg. So, I'm going to summarize our market commentary, the CAPTRUST market commentary, and really try to discuss how this went in our reviews with our clients in general, but our clients in the hospital and healthcare system segment.

So, our reviews, no matter when they are, are obviously a look backwards. And then the market dynamics, the general market performance are reflected in the fund lineups that each of our clients have in any defined contribution review that we're giving. So, this is for the fourth quarter. We could turn to the first slide.

Somebody. Um, great. Um, so it's somewhat dated. I know we're on April 10th, but for the full year 2023, we obviously had a massive point to point return, but in absolute terms, really a great year. A banner, um, S& P performance ending quite high at 26, uh, 26. 3 on the far right hand side of the slide. That was a big topic for all of our clients.

Underlying that topic was the issue regarding the relative performance of some, but many of our active managers, and that was largely due to the concentration of the top performing U. S. stocks that most people read about, the Magnificent Seven. So,

I think really challenging to discuss any review or discuss any 2023 review without mentioning this.

So of note for the full year, so all of 2023, these seven stocks were up more than 100 percent and that compares to the overall return that we just discussed of 26%. Obviously, A good return for the S& P, a great return, but really the, the magnificent seven outsized contribution. Um, this return of more than a hundred percent was backed up also by fundamentals, meaning, you know, the earnings, the, the, how the, how the underlying companies did.

So the of those seven stocks grew by 31%. In 2023, and then the growth of the remaining 493 stocks in the index were less than 2 percent at 1. 9%. So really a very concentrated performance, but overall index really high. And if you can really rewind back to 2022 for the full year, which was negative, um, the major tech companies represented in the MAG 7 did not do well at all.

So 2023 has been a complete turnaround from then. Some other points of note that came up, the small caps, so you see the beige, the third from the right hand side, were for the fourth quarter of 2023, the best performers. They benefited from declining interest rates, and that was a decline from the third quarter to the fourth quarter.

and the regional bank's performance. Also on the international side in purple, which represents our developed markets, and then further to the left, uh, the emerging markets. You can see these are all positive, but much less positive. So two things of note of interest to all of our clients and came across in all of their, you know, holdings.

International significantly underperformed the U. S. or domestic, and within the international space. The emerging markets underperformed. So our clients, our clients in the healthcare space, but our clients in general saw this play out with their investments that international investments that had emerging markets allocations or larger emerging outsized emerging markets allocations.

Yes, I would say. What came up in most every review was that every asset class except for commodities. So every asset class was up not only for the quarter, which you see in the hatch lines, but also in the year to date. So everything except commodities, which were down, you know, impacted a lot by the decline in oil prices.

So as a firm and you as plan sponsors and participants as long term investors, obviously, we're always looking over a longer time horizon than just one quarter or even one full year. But the reviews were really focused on how great, how great participants balances were, how great everybody's performance was pretty much across the board.

Fixed income. So the bars entitled U. S. bonds were up and they benefited from the decline in interest rates and expectations at that time of more, so many more to come. That's the green bar. Uh, second from the left hand side. So in the fourth

quarter, rates fell. Lots and lots of discussions about interest rates, what the Fed was going to do.

That continued this week, particularly today, but for different, for different reasons. I'd say one thing that came up, um, One thing that came up a few times was the incredible volatility in the 10 year, which impacted our fixed income. So we started the year on the 10 years, let's say at 3. 88, and then in the first few months, rates declined.

So the 10 year went from almost 3. 9 to 3. 3, and then in the next 6 months, most people will remember that they increased to 5%, because everybody was talking about that. Um, and then in the the final months of the year, declining one, 1. 1 and ending at 3. 88. So beginning the year at 3. 88 and ending the year at 3.

88, but with a lot of movement in between. So today, or the end of 2023, the rates were up at 4. 2 since the end. So the first quarter, and I would say today, the 10 year Probably closer to four or five as we're entering this reality of the higher for longer, certainly far fewer rate cuts anticipated. So, in terms of outlook, I guess I would say for a plan participant, or for from the perspective of a, um, uh, Plan participant, uh, plan sponsor.

There was a lot of discussion from our clients what their participants were doing. Some of the more engaged participants were really dialing into, you know, cash, getting, getting a yield on cash, their fixed income portions, even some of the more sophisticated adding duration and trying to capture some of these rate changes.

So basically a lot of discussion on cash, fixed income, and on rate move, movements. Not surprisingly, and always a lot of discussion on where and how to invest in equities and again, how to try to capture, you know, what happened in 2023 again so this robust movement, and, and that was sort of, you know, weighed down by the awareness of the very narrowness.

So, since 2024, just briefly, we've continued to see increases in most of these sectors led by U. S. large cap up for this first quarter, 10, 10 and a half, 10. 6, developed markets up 5, 000. Almost six percent, small cap up another five. So really continued growth in, in these, in these areas. The biggest change as we entered the year was really though the expectations on, on rate cuts.

So entering the year, we had the expectations of seven rate cuts from the Fed. Federal Reserve, and then adjusting those down to three, possibly two, with a lot of positive, positive announcements with labor, with unemployment. And yet today, when we saw the new CPI report, on the backdrop of the strong employment, those and labor numbers, less than stellar inflation, meaning, you know, More inflation than anticipated.

It's really pricing in now two or even less than two. So that's sort of a, a look, a look forward, um, as what we're seeing. Um, I guess we could flip, flip one more slide. Just to dive a teeny bit deeper into the, the equity market. So this is our S& P 500.

It's part of our review. There are a ton of slides in our review that set up the markets that set up where we've been and also set up where we are going.

So this is just a deeper dive on only the S& P. I'll just sort of set the stage for this before. Before opening it up, the left hand side in the shaded gray shows the index, and you see the dark blue, the latest 12 months, which in this quarter is the same as the full year 2023, again, was up 26. 3, and then the most recent quarter.

So, the 11 sectors that make up the S& P are listed to the right, and they show the same performance data. So, the full year in the dark blue and the most recent quarter. In the light blue, they're listed in decreasing order of market capitalization. So the largest sector in terms of market cap or size of the companies that make it up is first.

And it's not surprising, probably to anyone that technology is first with almost. 30 percent of the S& P, and it was also the best full year performer and one of the best for the quarter. Within, within our discussions with our clients in the, in the healthcare space, they're obviously interested in, in what's going on.

What's going on in their sector? So, if you look at the health care, um, if you look at this, this sector for health care, you can see that it was really under, underperforming in general. Conversations really centered around the more popular sectors that included the Magnificent Seven because they were up so much.

So, consumer discretionary, community, um, Communication services and technology. All of these significantly outperformed and sort of interestingly, they all underperformed in 2022. So a lot of perfor a lot of performance discussion over what happened, you know, throughout the year, but also versus what happened, um, in the prior year.

I would say there was a fair amount of discussion from our committees, and perhaps these are reflecting what they're hearing from participants and their views, but very happy in absolute, you know, in absolute terms. Obviously, the outperforming was difficult, but the overall balances and the overall numbers were really good.

The 2023, the narrowness of that market did not bear out the notion that we're always saying diversified portfolio is best for investing, but now in 2024, and as we're moving forward, and the market is broadening out, we are continuing to lean into that fact that over a long period of time, time horizon, which your participants are presumably, um, invested for, a well diversified portfolio will perform, will perform best.

Um, I guess specific or more specific to our clients in the broader healthcare space within hospitals and healthcare, they really do focus on this on this sector. They ask a lot of questions, they ask a lot about what others are doing. Many of them have company stock obviously not represented here, but I would say that the healthcare or the corporate clients, um, really were focused on the significant underperformance, which you see here, but also sort of digging a little deeper.

There were sectors or segments within the healthcare that really, you know, really did well. I would also point out that in 2024, the healthcare sector is doing a lot better, ending the first quarter up almost 8. 9%, 8. 7%. And you can see that the healthcare is one of the largest sectors, the largest in terms of contribution to the S& P.

So, 2023 in general was challenging for this sector. As most investors and portfolio managers were positioning for the higher interest rate, but there really was significant dispersion and we hear that through their discussion of their own stock sometimes or the investments Um that they are that they are in so in addition to the focus on large cap growth the magnificent seven as well as Some emphasis on health, healthcare, or focus from our clients.

I guess I'd open it up to, to the rest of you, Danny, Mike, Earl, Jan, for some detail or market observations and what, what was perceived by your clients to be sort of important? Y Yeah. Alan, I'll just, I'll jump in quickly. You know the, a lot of the committee member committees that I report to have really focused on the, the difference between the US markets and the international markets, and specifically the impact on target date funds.

Um, a lot of the leading target date providers have had this overweight international equity position for a number of years now, and it's, it's really continued to be a detractor. It's an, it's, it's an interesting position, but it certainly has been a, been a detractor. And then some of the passive, um, some of the passive target date providers with the more long bond exposure has also been a detractor as well.

Um, so those are a couple of things. And then just the general stylistic shift, you know, from growth in 2019 and 2020 back to value in 2022, and then back to growth again. And, you know, it's fascinating to see how, you know, really some of the, the worst performing mutual funds in the portfolio last year, all of a sudden are some of the best performing, performing mutual funds again this year.

So really just, I think, continues to show the importance of staying diversified, but maybe even more importantly, staying the course and trying to get participants to not panic, you know, when markets shift like that. That's a great, that's a great point. We had a statistic that showed the large cap growth, which was 42 or 43 percent and the worst performing, which was the large cap value up to 11 and change.

And when we took the same style boxes and capitalization boxes and did it over three years, they were the same, both up 8. 9%. So it really drove that point home to some of our, to some of our clients. And then the other thing on a go forward basis, it just seems like everyone is, is focused so much on what the Fed is going to do with interest rates.

And obviously what to your point earlier, it seems like inflation and interest rates are really. Driving everything these days from a future market performance perspective, and that that seems to be what what everyone is focused on. I would add also, Ellen,

uh, you spoke about, uh, the, uh, performance of the commodities market, uh, in 2023.

It looked very different in the prior year. And that contrast was very helpful for committees who very often get requests from participants for those types of sector funds. Commodities and, and others, uh, to, to add to the fund menu for, for their plan. And, and that really drove home the point of the volatility, uh, of, of that type of investment.

So it was, you know, it was helpful to, uh, to help educate the committees. You know, why we don't necessarily recommend that type of, uh, investment as a standalone option.

You're on mute, Danny. To Mike's point, uh, you know, really coming off the pandemic, we've had a lot of really unique and volatile years, both up and down. And a lot of our committee members are, you know, from human resources and other parts of the organization, not necessarily just finance. So they want to understand what should we be thinking about in terms of how we educate our plan participants?

And they really want to refocus on ensuring that, you know, folks understand what investment options are available, if they're defaulted, why they're defaulted into target date funds or other vehicles. So really try to bring it back down to the participant level as well for those folks that aren't necessarily in finance, um, just to ensure that we reemphasize the importance of education around this, this volatility.

So we could, um, move forward one slide and I will just briefly, um, share another part of our CAPTRUST market commentary. We include, excuse me, an economic outlook. And in that, in every review, it's an economic outlook, which includes our headwinds. So those things that are likely to be an impediment, not only to the economy, but to the markets where you're invested and then tailwinds.

So those things that are more likely to propel the market. It's intended to be, be forward looking. And one of the thing that's It's interesting is at the beginning of this year, we're really like 180 degree shift completely the opposite of where we were at the beginning of 2023. So without reading back, I'll just sort of set the stage at the beginning of this year.

Pessimism was everywhere with, with very good reason. You know, economists, most economists were calling for recession. The number of times the recession was in an, you know, the R word was in an earnings call, was at, you know, all time high, we had pretty heavily inverted yields curve, more so than now, um, a lot of negative leading indicators.

The thought that rates would come down, you know, come down, they did not. Earnings really held up. We saw really positive job numbers. And now, a year later, at the beginning of 2024, there's a lot of optimism. Maybe until today. Really significantly high levels of optimism. And I think one of the interesting points is that 2023 markets moved ahead substantially and there was a lot of pessimism.

So the biggest risk today in 2024 is that optimism with the high relative valuations and, and, you know, The markets and the valuations. But on this slide, we really just try to set the stage, you know, for, for what's maybe to come, you know, volatility. And in 2023, or at the end, really, we gave a couple of, a couple of headwinds, consumer challenges, whether they were credit card balances, you know, on the margin, but still having low unemployment, housing market.

And we talked about, you know, the supply, but there was always the fact that rates were high and mortgages. So, So, just the affordability issue of housing and this general election uncertainty. So, our investment team has talked about election uncertainty as a headwind. It doesn't really seem to move the markets.

We've had bull and bear markets within each type of administration. And I know a lot of people say this year may be different. This, this cycle, if you will, it's different. This descent into radicalism or this is not your garden variety dysfunction, but really we've seen, you know, positive market performance pretty much under You know, every type of administration and every type of split government.

So, the most important issue probably today are the, the risks, the geopolitical, um, and the political. And I guess one of the things we've observed is quite astoundingly how the market Has looked through and continues to look through some of the really, you know, terrible things that have happened and on the tailwind side, those things propelling the market, you know, we, we have been, or most market, you know, watchers have been, you know, touting the economic soft landing appeared to be most likely that we had, you know, achieved at least for a time, this soft landing was certainly CAPTRUST view.

It was certainly, um, The most broadly held view, somewhat consensus, and we talked about productivity fueled growth and the, you know, the impact of AI, which would, you know, move up investments and then, or, or productivity, which would move up valuations, and then just uptick in government spending or funding because it's an election year.

So election years, again, being generally good years for market. Despite the fact that we have it also in our headwinds, it's likely to be more liquidity in the market because there, because there is an incumbent probably, um, running for re election. Since the end of the year, a lot, you know, a lot has happened, but going forward, I would say things that are, you know, slowing down the market, the investor optimism, these high valuations that we've talked about, maybe the fact that we, we won't, or those companies won't live up to them, and then, And then the political and the geopolitical uncertainty.

Tensions are really high in a number of places. Having said all of that, we have upbeat economic data. We've had great jobs numbers. The last one in March was, you know, blowout. We've had, you know, tick down in unemployment. Just good news on labor. You know, overall, bottom line, incredibly strong, resilient labor market, and yet today, you know, a little bit of bump, if you will, with the CPI numbers.

But the election year effect should probably see some positive performance, again, some liquidity, and in particular, I would say with our health care focused clients, election factors into everything. And while there's a lot, a lot of discussion in 2024 about health care, you know, Those discussions, I would say, will probably increase, which is typical for an election year.

Probably not going to see dramatic policy change, you know, nothing will, will probably happen in general, but also in health care. Lots of headlines, um, and a lot of noise. I think one thing before leaving here, That could be on the horizon for plan participants with respect to investments is this is a fair amount of rebalancing.

So with the massive run up in domestic equity individual, anybody may have, you know, maybe overweight to this asset class given their individual risk profile. And so there are probably opportunities to invest or hopefully continue to invest a little more broadly with the broadening out of the markets and perhaps find opportunities in some beaten down asset classes Re evaluating fixed income, you know, based on your views, active cash management, um, etc.

So this is just like a quick, uh, snapshot of some of the things in the market commentary. When we do your reviews, we obviously try to bring it right back to all of the, the things in your lineup and the performance that you're seeing. We're fortunate the fourth quarter was so good. Um, even an underperforming relative, uh, performance was really positive, um, in general.

So, In addition to the market commentary and the CAPTRUST Economic Review, we, we create as a firm what we call topical spotlights, and we've included in this, this deck webinar, a few that were part of the last review. They, they focus on specific issues that are relevant to our clients, to their retirement plans, and the first one, if we could flip to the next slide, thanks, is entitled 2024 2024 Uh, predictions, new opportunities abound, and I think, Danny, you want to walk through some of the important provisions or what resonated most with your clients?

Sure, Ellen. Happy to start. Thank you. Um, so this slide's a little busy. It may be a little hard for you to read, um, on your computer, but I'll highlight a couple of bullets. It's every year during Our Q4 reviews, which happened in Q1, we put together thoughts from our research and marketing team around, you know, where we see things going for the rest of the year.

And obviously there's been a lot of focus on Secure Act 2. 0, specifically some of the optional provisions that were becoming effective this year. And if you look on the left hand side here, we're continuing to see a lot of demand for additional financial wellness. Uh, and advice tools for plan participants, really across the organization, regardless of where you fit within the system, along with plan design discussions.

We've had a lot of discussions with our clients around benchmarking of competitiveness of their plan compared to peers. Um, and on top of that, Uh, more and more discussions around student loan debt, um, assistance, uh, as part of

Secure Act 2. 0, there was an optional provision that, uh, you could add student loan debt assistance as, as part of, uh, the plan.

There's also opportunities to have programs outside of the plan as well. So, we've had several clients interested in, in furthering those discussions. Um, emergency savings. Uh, plans, once again, another provision within Secure Act 2. 0, um, that has been discussed amongst clients. There's also options outside the plan as well.

And then if you look at the second bullet under forward focus, we're starting to see more and more, I would say, discussion and demand for retirement income solutions, uh, within the defined contribution space to think about having sort of a DB component, uh, to your defined contribution plan. And there's a lot of fiduciary considerations.

around adding these solutions that we walk our clients through in terms of how they think about how to be beneficial to their plan participants, but what also should they consider. So we're starting to see more and more solutions being rolled out, um, by record keepers specifically, some proprietary in nature, uh, and some being third party in nature.

So still fairly new for a lot of the record keepers, but certainly discussions that are starting to, uh, To come up with with plan sponsors. So I'll open it up to the group for any additional comments there, you know, Danny, I hear in the comments about the student loan debt situation. That's 1 of the topics that I, a lot of my health care clients were interested in going in more depth about just because so many of the employees, people on their staff have that student loan debt and haven't necessarily had.

May not have had the opportunity to be able to contribute to the retirement plan in addition to paying off that debt. And so I've seen a lot of interest spurred from this prospect of making this available and being able to have the contributor, the student loan debt payments be matched into the retirement plan.

So I think that's one of the big things that I've been encountering with my healthcare. institutions. Yeah, and I would, I would add really a lot of the voluntary provisions of Secure Act 2. 0 were starting to get the attention, you know, so everyone was so focused on the catch up provision last year and the changes to that and trying to prepare for that, that I feel like finally the dust has settled and people are really focusing on a lot of those voluntary provisions and whether they make sense for their plan and their participants.

You know, one thing to keep in mind with those, uh, it often will, uh, require the record keepers to build solutions for those. Um, and often they're not focused on it yet because they're. Uh, focusing on the required provisions. So, and when that comes to mind for me, and it was a health care client that asked me about it, is the, uh, pension linked emergency savings account feature, uh, and two notable record keepers indicated they're not focused on it at all.

So, Mike, I know there's been a lot of discussion about the potential for collective investment trusts in 403B plans. You want to kick us off with with that discussion? Yeah, I mean, probably like a lot of this panel, I feel like I've been talking about CITs or Collective Investment Trusts and 403B plans for literally years at this point.

And it's probably one of the more frustrating things because, frankly, we wholeheartedly believe that it makes sense for 403Bs to be eligible to participate in CITs or Collective Investment Trusts. Um, we want it to happen. It will, you know, Save a focus of my practice is really on the larger end of health care and higher education, 403D plans.

And, you know, we would be talking about millions and millions of dollars in investment savings, um, if, and hopefully when that legislation does pass, but, um, CIT is just a really quick summary. It's, it's basically an institutional. Uh, investment option that 401k plans have had access to for years. In fact, I just read this morning that there's 4.

6 million, excuse me. 4. 6 trillion in CITs and 401k plans in this country. That exceeds the amount of money that's in mutual funds. So CITs have just continued to grow in the 401k market. Um, but 403b plans, for whatever reason, have not been eligible. Um, there's been a number of efforts to make 403B plans eligible.

The Secure Act 2. 0, uh, part, one of the provisions in the Secure Act 2. 0 was allowing 403B plans to access CIT. CIT, that passed. And in a very brief celebratory moment, we were all thrilled to see that, uh, Uh, 403B plans, uh, appeared to be poised to, to allow for CITs, but then unfortunately, the language of the SECURE Act did not, it conflicted really with securities regulations and even the, uh, the Internal Revenue Code as well.

So very quickly, everyone realized that, uh, the celebration was premature, um, and in fact, now there's been an entirely new piece of legislation that was written, the Retirement Plan. Fairness for Charities and Educational Institutions Act. That actually did pass Congress. on March 8th, I believe was the date.

So again, you know, this is something that has gotten bipartisan support. Um, it's going to the Senate and I really can't explain why, but, uh, the conventional wisdom that we're hearing is that it probably won't pass in 2024. And again, I don't understand why that's the case, but, um, you know, we're certainly poised to talk to our clients about CITs.

In 403b plans, if it does pass or hopefully when it does pass, because, you know, there's literally millions of dollars of potential savings by allowing those investment options move on to the next slide. Which gets into the safe harbor IRA. This is another topic that a lot of conversation this past quarter with my clients.

And just Quick refresher for everybody. Um, plan sponsors have the ability to, uh, force out small account balances for participants who no longer are employed with the organization and up until recently had balances of 5, 000 or less. Uh, they're

being distribution like a straight. Payment of the, uh, amounts, uh, for balances less than 1, 000 for balances between 1, 000 and 5, 000 if you rolled over to an IRA account.

Well, that threshold with the Secure Act 2. 0 was increased to 7, 000. Uh, and, and basically the, the purpose of doing it, of having those small balance cashouts is that generally speaking, these participants who, they're no longer employed, they, Probably didn't stay that long, but at least they didn't, they didn't accumulate significant assets, tend to be the participants that may get lost, become missing participants because they're not necessarily focused on keeping their address up to date with the record keeper or their former employer, because again, it wasn't necessarily a large balance.

They didn't take it with them when they left. And so they ended up becoming missing participants, which becomes a challenge for plan sponsors to, to keep on, keep in touch with and have regular communications with. Um, This recent increasing of the threshold from 7, 000 was first time that's been done in a long time and gives opportunities again to get some of these smaller balances out of the way.

And I think for most plan sponsors it was a no brainer. Of course we're going to go to that increased threshold, but it also gave the opportunity for those plan sponsors that had no cash out provision in place to revisit the thinking that they'd had in the first place and decide whether or not they wanted to move forward.

With implementing that cash out provision and doing so at this higher threshold of 7, 000 for the cash out. Um, this also led to having some more conversations about the rollover IRA in the first place, because one of the things that plan sponsors are looking for is making sure that that IRA. You know, can be qualified, can fall into the safe harbor, and really that's a matter of making sure there's good communication.

That the summary plan description includes the description that this money will be forced out if it's a small balance, and it will be rolled over to an IRA. Doing the evaluation in comparison with an IRA, gives the opportunity for the plan sponsor to get a sense of how are those assets going to be protected when they get rolled out into that IRA account and what are the associated costs and making sure that those are reasonable.

Um, so a lot of good discussion around that. And again, I think we've had a lot of movement, um, plan sponsors moving to that higher threshold as well as. Uh, other organizations reconsidering their past decision not to implement a cash out. Um, so anyway, those are the kind of discussions that I had with my committees over the course of the quarter.

I'm curious what you all experienced. Yeah, and I would just say, you know, one of the things that we like to emphasize to the committees that we work with is that this is ultimately good for the plan and good for the participants that remain in the plan. You know, by forcing out a lot of those small account balances, it brings up the average account balance of those that remain in the plan.

And ultimately, you know, that's what we use as leverage to negotiate lower fees. So, I really do view this as a win win situation. I think it's ultimately good for the participants who often don't even realize those balances exist. And it's really good for the plan and the remaining participants as well.

All right. So I think we probably covered that topic. So, uh, maybe Jan, you want to take over the lead with cybersecurity? Sure. Thanks. So, so of course, uh, no surprise here. This would be a very hot topic, uh, particularly in retirement plans where in the DC market, You know, we're speaking of upwards of 9 trillion dollars in plan assets.

So again, no surprise that bad actors would. Uh, uh, attempt a breach to, to gain access to some of those dollars. Uh, this slide, uh, that we included in our, uh, Q4 meetings, uh, clearly is focused on, uh, largely on the, uh, the guidelines that the Department of Labor provided, uh, within the last year or so, uh, to remind, Plan sponsors, uh, that there are steps that they should be taking, that they should be taking, uh, to safeguard access to the accounts.

Uh, the first 5 bullets. Uh, at the top of the slide are, in fact, taken from, uh, the Department of Labor guidance, uh, which includes in total, uh, 12 different areas of focus. So, it goes from maintaining, uh, a form that your service provider should be maintaining a formal. and well documented security, uh, cybersecurity program, uh, should have prudent, uh, annual risk assessments, uh, should be, uh, engaging an annual audit to ensure that those safeguards are in place and are working, uh, and they, you know, run the gamut right down to, uh, uh, making sure that your, uh, service providers are providing, uh, Periodic cyber security training sessions for all of their employees.

So it's important that they have the safeguards in place. That they're being audited to make sure that they're working, reminding their employees, uh, that they are doing everything that they can, speaking to their, uh, clients to make sure that they too are at the plan sponsor level, doing these exact same things to make sure, uh, that on the plan sponsor side, they're taking steps as well to safeguard access to, uh, Uh, two accounts, one area that this slide is not so much focused on.

So, so far we're focused on the service providers. I touched briefly on the plant sponsor side of the equation, but we also have the participant side as well and you will likely. Already be hearing, been hearing comments from your service providers, your record keepers, uh, to be reaching out to participants and the service providers are typically doing this on their own to make sure that they are doing.

The things and taking the steps to prevent, uh, unauthorized access to their accounts, right? And we're hopefully all doing that on a personal level, right? I can say in the last 24 hours, I've received two text messages, including embedded links that look, you know, very factual. But, you know, I knew that they weren't, but it would be very easy for a participant or any of us.

To inadvertently click on these things and, uh, enable that to infect our phones or computer systems and give those bad actors an avenue, uh, to gain access to all sorts of financial information, including retirement accounts. Uh, so this sort of process, uh, is now incorporated into. Every RFP that we conduct on behalf of our clients, right, service providers are being asked to provide the policies and procedures that they're following and applying to protect and safeguard your participants accounts.

The other recommendation here, and I know it is on this slide, and I'll end it here, is, uh, Uh, What we would recommend, and I do this for all of my clients, health care, of course, or otherwise, is to periodically bring in your record keeper and their cyber team either to speak to the benefits staff or To even broaden that and speak directly to the fiduciary committees so that everybody is well versed on the steps that are being taken, just because it's good practice, of course, but in the worst case scenario, if there was ever a Department of Labor audit, right?

We want to be able to have a documentation that. We've taken these steps to do as much as we can to protect access to these accounts. Are you all hearing the same sort of, uh, and taking the same sort of steps? Yeah, and we've also, one thing that's been really well received, um, from the committees that I report to is our cyber security audit report that we produce for the various record keepers.

I think they feel like that really takes somewhat of the burden off them to have to go through and And put together a report like that. And we built that right off the Department of Labor guidelines and tips. So, so that's something I feel like we're really proud of. But I would agree with you, Jen. I think even going to the next step, and I've been trying to do the same thing, and inviting someone from the Record Keeper Cybersecurity team right into our committee meetings.

To do an update as well. And, you know, part of it, frankly, is the documentation of a good sound fiduciary process, but this is a very, very real topic. And this is something that everyone should be focused on at the plan sponsor level. And again, I think to your point at the, at the participant level as well.

It's maybe the most important topic that we're dealing with these days. And, and I have done the same sort of thing and typically will invite the, uh, it person from the organization to join that committee meeting, or at least for that portion of the meeting so that they can hear directly from the cybersecurity team of the record keeper exactly what they're doing and ask the kind of questions that might be causing them some concern.

Okay, everyone, thank you for the, uh, the feedback and thoughts around. what was discussed during the quarterly reviews. As we transition into the topics that are on top of your all's client's mind, we wanted to give a brief snapshot about what, uh, the peer group looks like for this industry, uh, for CAPTRUST.

So we've got, uh, just about 450 retirement plans or asset pools representing a hundred billion in assets, uh, across, you know, different types of programs. You see

those on the right. They're defined benefit. Define contribution, non qualified plans, and other non retirement plan assets. For those clients, about 20 percent of them have hired us to provide overall advice to a wide range of their nurses, staff, research, surgeons, And then another 25 percent have hired us in some form of a discretionary role.

We work with over 30 different providers or record keepers. And, um, the usual suspects are listed there. Our top 10 are names that most of you all probably recognize. So with that, um, Earl, Jan, Danny, Mike. What were some of the topics that, uh, your clients talked about that they were dealing with either in the industry or things that they were really focused on to try to address for either their retirement programs or their employee benefits for the rest of the year?

You know, for me, it, it really, um, the conversation has shifted and. So much of it is focused now on the litigation trend in health care. You know, that was something that we were talking about in higher education, where we also do a lot of work going back a few years. And now, all of a sudden, health care seems to be the new target market for a lot of attorneys that are looking to, um, place lawsuits under ERISA.

You know, it's, it's really frustrating in a lot of ways. Um, but I also think to some degree, you know, it, it helps us stay focused on the important things about managing a plan from a fiduciary perspective. But, um, some of that litigation, you know, in terms of the, the conversation shift. In our committee meetings, um, again, we're talking a lot more about just plan level risk management.

Um, we're certainly talking about fees and expenses. You know, we've shifted from what used to be an every two year fee benchmark process to an every, um, one year fee benchmark process, including a lot more detailed level of fee benchmarking as well. Um, we've also, you know, seen a huge trend, um, towards moving away from revenue in retirement plans, certainly at the large end of the market, you know, paying for a record keeping administration, in some cases, advisory fees through the use of fund level revenue, I would say as recently as five years ago, was very, very common, and in the large end of the market, I've certainly seen a shift away from the use of revenue moving to revenue.

pure institutional share class funds, non revenue sharing funds, um, moving to a fee leveling practice to make sure that there's equity, there's, uh, payment equity across all of the participants, um, and that certainly I've seen more of a lean towards flat fee, so moving, um, to more of a flat fee payment methodology, but certainly fee leveling, um, with an asset based fee is something that, you know, continues to be common as well.

Um, and then the final couple of trends I'm seeing is a real shift away from, um, 321 to 328 advisory services. Uh, you know, for, for CAPTRUST, I believe it's probably our biggest growth area. And for me personally as well, where clients that used to have us working on a non discretionary 321 as co fiduciaries.

Um, and I think for a large reason, the, the risk shift, um, moving over to CAPTRUST or, or their advisor, or whatever advisor they work with, um, on a 338 discretionary basis, um, and there's, I think, a lot of good reasons to do that, but I think one of the main reasons, again, is the, the risk shift, um, away from the plan sponsor and more towards, um, The investment advisory firm.

And then in recent years, the final thing I'm seeing, um, is actually a lot more external ERISA attorneys actually sitting in on all of the committee meetings. You know, that's something that I would say five years ago was very rare. And on the large end of the market, um, for me anyway, has become very common.

And I, I certainly love that trend. Um, you know, I think it's really nice to have another viewpoint at the committee like that. Um, and I think that's something that we're going to continue to see as well. And I'd say I've seen a lot of the things you were just mentioning. Like, I think the other thing that I've seen, particularly in my healthcare clients that Um, and in the last several years is an emphasis on trying to find ways to, um, well it's attracting and retaining their, their employees and it's at all levels.

It's at the executive levels, certainly at the nursing level for sure. Um, but at all levels, I've got a client that's looking to implement a contribution for employees that make less than a certain amount, just so they can get a little bit of additional retirement savings, but also trying to find creative ways to.

Uh, allow other benefits to help them, um, keep that stuff and attract that stuff. A lot of emphasis on financial wellness and treating the overall financial wellness. person as opposed to just focusing on the retirement plan. And that's often led to leading towards advice and the opportunity to have their staff across the board at all levels, be able to have access to somebody who can provide advice to them, give them more than just education, but guide them in the direction they want to go to get them to their financial needs and to take care of the financial needs.

So that's, again, one of the big trends that I've been seeing. So let's transition to, um, what benefits these organizations are trying to address, uh, going forward. So, Mike, you want to kick us off with, um, with some of the areas that you're seeing focus on in terms of, uh, specifically the benefits and, and sort of the tweaking that we're seeing?

Yeah, and I guess it's a little bit of an extension of some of the things that Earl just talked about. You know, I, I feel like, um, you know, I work in a lot of different industries. Corporate healthcare, higher education, and it seems to me, my observations anyway, are that healthcare workers seem to be the most overworked and under the most pressure, you know, and that it seems like all levels of the organization.

And I think to Earl's point, Um, you know, one of the ways that, that, that plan sponsors and hopefully we can provide some relief and provide some support. And I think, you know, one of the biggest areas which Earl started to touch on is, you

know, taking away, like helping participants to make decisions, um, very, very important financial decisions without having to spend a lot of time on them themselves.

I mean, I, I think of a, you know, a nurse coming off a long shift, maybe an overnight shift. And all of a sudden having to deal with something 403D related, I just can't fathom, uh, having to do that. So I think, you know, things like default, um, investment choices, auto increase, um, is something that I'm, I've, has become very popular and I'm a huge fan of as well.

And then selecting a good high quality default investment choice as well. I think as a starting point, you know, if you have those three things as part of your plan, you You're doing your participants a real service. I think the next level then becomes, are there other tools that participants should have access to?

Things like managed accounts. I think that's, you know, something that committees should really consider. Um, whether offering managed accounts makes sense. I think there are some very good managed accounts out there. Um, but I think it's something that committees need to really evaluate to determine whether they make sense for their organization.

And then, really, if you think of it as a kind of a continuum, I think the next step in that continuum would be to Earl's point, really offering participant level advice, whether it be for all employees or a select group of employees. I think, you know, that type of, um, individual advice to participants so that, you know, once they're through with their work career, they're hopefully, um, transitioning right into a very comfortable and successful retirement as well.

Uh, just one of the other things that I, I've also been seeing with healthcare organizations more so than maybe some others is the increased usage of self directed brokerage accounts. You mentioned managed, managed accounts, certainly, but self directed accounts. I think that's in part because you end up with a lot of doctors, physicians who maybe have a background or some experience with investments, or maybe they're working with an advisor on the outside that can direct them to certain investments aren't available in the regular lineup, um, so that things can still have access to those funds.

Similarly, if you've got an organization that's been acquired and people are coming over from a different retirement plan into this new plan, they're suddenly with a brand new array of investments completely different from what they had before. Having a self directed brokerage account does give them the ability to potentially invest in what they had in that previous plan now in this new plan, which again might not be offered in the general lineup.

So again, it's just something I've seen a little bit more frequently in healthcare plan. Great. So, Greg, I know that we're, we're starting to push towards the end of the hour, and I wanted to check and see if you have any questions in the, um, in the chat

box, or if there's anything specifically that you wanted any of the panelists to talk about as we approach the top of the hour.

Yeah, so, uh, right now, no questions, but I thought probably what would make the best use of these last couple of minutes are the, the, the insights that you guys talked about during our prep session, specifically with how committees are evaluating the different types of assets and their different retirement plans.

I thought that would be worthwhile for these last few minutes. Yeah, you know, one of the approaches that we went to a few years ago, which I, I still absolutely adore is the, the tiering approach, you know, ultimately what we're trying to do is make sure that participants have the opportunities to invest in the asset classes and the specific investments that make sense for them as individuals.

And I think that, you know, think of it in terms of a tier or even a continuum. I think, again, I mentioned earlier a good quality target date. default option or just a quality target date option in general is crucially important. You know, we continue to see, um, increase, uh, use of target date funds. Um, and I think that's a good thing.

I mean, when you think about it from an investment perspective, ultimately age appropriate asset allocation, um, and an automatic de risking as you get closer to retirement, I, I feel like that's 95 percent of the investment battle right there. And so, you know, that focus on target date. Selection and maybe even more importantly, or certainly as importantly, the target date ongoing monitoring as well is something that's really important.

The second tier that we kind of think about at CAPTRUST is a complete passive tier of investment choices. So for people who are focused on low cost index, typically index based options, making sure that you have all of the critical asset classes covered, fixed income, large cap. Mid cap, small cap, maybe through the use of an extended market, or even both mid cap and small cap funds, and an international index.

I mean, really, if you offer those four or even five choices, you're giving a participant the ability to structure a really well diversified portfolio at minimal fees. And then finally, you know, full best in class active suite, which includes both growth and value across fixed income, large cap, mid cap, small cap, and international as well.

Um, you know, it's a fine line between enough choice and too much choice, but I think ultimately, you know, following that basic approach makes sense for most plans. And I would, again, echo what Earl said. And to me, you know, one of the things that helps really tie things all together would be the use of a self directed brokerage.

So if someone does want what we consider to be anyway, specialty asset classes, Um, you know, emerging markets debt or emerging markets, um, equities, something like that, you know, we feel very strongly that that's a perfect area for self

directed brokerage account and access to investments through the use of something like that.

I guess I would just add, before you're wrapping, on the target date, on the target date, uh, section, um, 90 percent of our clients across the board, but also in this space, the hospital and healthcare system space, have that target date fund. And I have seen in, in recent discussions with respect to target date funds, discussions, although I haven't seen an uptick in them, really discussion about custom target date funds.

So that's. Something that's out there. Yeah, that's, that's a great point, Ellen. And then also, um, hybrid, you know, using, uh, hybrid choices, both active and passive, you know, where maybe passive, which makes sense in certain more mature asset classes and active across the other asset classes as well. And I, I would echo Ellen, your comment about the, uh, custom target date, uh, approach, um, particularly for, for plans that, you know, Um, you know, have a, a, a very, uh, viable guaranteed product on their menu that can be incorporated into, uh, that custom approach.

It becomes potentially very valuable, uh, solution for participants. Yeah. And, you know, Jim, that's a really good, important topic that I guess we really didn't spend a lot of time talking about today is the whole concept of money market versus stable value these days. Um, which, you know, in, in this unique.

interest rate environment that we continue to be in. Um, I'm seeing more and more plan sponsors start to consider not moving to a money market, but actually adding a money market alongside their stable value. And, you know, explaining to both the committee as well as the participants about things like what's an equity wash provision, you know, how, how does that impact the, my movement within the plan?

I think that's a very, very important topic, you know, that's certainly getting a lot more of attention at committee meetings these days as well. Yeah, I agree. Well, uh, I believe we're at time and to respect the attendees. Um, we, um, we will share copies of today's recording. Uh, you'll also get a copy of all our full quarterly review materials, uh, and a summary of the topics that were discussed today.

If you have questions specifically for any of the panelists, their information is on the screen, and they'll also be part of the materials. Uh, Danny, Mike, Earl, Ellen, Jan, thank you so much for being part of today's roundtable, and thank you all for attending. Thank you. Thank you.

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