CITY OF Los Angeles
DEFERRED COMPENSATION PLAN

Investments Committee Report 23-02

Investments Committee
Jeremy Wolfson, Chair
Neil Guglielmo
Carl Lurvey
Joseph Salazar

Date: December 19, 2023

To: Investments Committee

From: Staff

Subject: DCP Investment Options Structure Review - Capital Preservation and Asset Allocation Options

Recommendation:

That the Investments Committee (Committee) review and affirm the Deferred Compensation Plan (DCP) investment options structure for its Capital Preservation Options and Asset Allocation Options, with a recommendation report to be made to the Board of Deferred Compensation Administration, or request that staff return with additional information.

Discussion:

A. Background

On September 22, 2023, the DCP investments consultant, Mercer, provided a presentation to the Investments Committee regarding the investment options structure for the DCP. The presentation included:

a) An investment options array "clean sheet", relative to Mercer's best practices and market trends for defined contribution plans
b) Overview of DCP participant demographics
c) Analysis of the DCP's investment structure including:
    i) A review of the Committee's philosophy regarding Target Risk Funds versus Target Date Funds
    ii) Consideration of a dedicated passive suite of options
    iii) Appropriateness of offering a FDIC-insured savings option versus Money Market fund and affirmation of the Stable Value Fund
    iv) Consideration of a combined US Small and Mid Cap (SMID) Equity option
    v) Education on mandates such as Diversified Inflation Hedge (DIH), real assets, and Environmental, Social and Governance (ESG) options

The Committee indicated that there was not a strong interest to pursue a diversified inflation hedge or ESG options as these could be available in other ways (provided by the cost-of-living adjustments from the defined benefit plans or through the self-directed brokerage), and the recommendations regarding a passive suite of options or a combined SMID option could be considered at a later meeting. The Committee requested to first delve further into certain recommendations, and requested additional information regarding:

- Asset Allocation Options - In considering Target Risk Funds versus Target Date Funds, the Committee requested additional data be identified related to participant investment activity and whether having a defined benefit might impact the risk tolerances of DCP participants.

- Capital Preservation Options - As the current contracts with the two bank providers of the DCP FDIC-Insured Savings Account option are expiring at the end of September 2024, the Committee requested follow-up discussion regarding the consideration for a FDIC savings option versus a money market fund.

B. Discussion

To further the review of the DCP investment options structure, Mercer has prepared a follow-up presentation, included in Attachment A, which provides an overview of:

a) Capital Preservation Options
    i) Affirm retention of the Stable Value Option
    ii) Comparison of FDIC-insured savings options vs. Money Market
b) Asset Allocation Options
    i) Target Risk Funds vs. Target Date Funds
    ii) Managed Account Education

Staff recommends that the Committee review and affirm the investment options structure for its Capital Preservation Options and Asset Allocation Options, or request that staff return with additional information.

Submitted by: Esther Chang, Defined Contribution Plan Manager

Attachment A

Mercer

welcome to brighter

City of LA Deferred Compensation Plan

Investment Structure Review Follow-up

December 19, 2023

A business of Marsh McLennan

Overview

- At the September 22, 2023 Investments Committee meeting, we reviewed the City of LA DCP's investment structure and participant demographics with the goal of affirming the appropriateness of fit for participants and to ensure the Plan remains competitive.
- As a follow-up, today we are looking further into the following:
  - Capital Preservation Options:
    - Affirm retention of the Stable Value option
    - Appropriateness of offering FDIC options vs. Money Market
  - Asset Allocation Options:
    - Target Risk Funds vs. Target Date Funds
    - Managed Account Education

Capital Preservation Options

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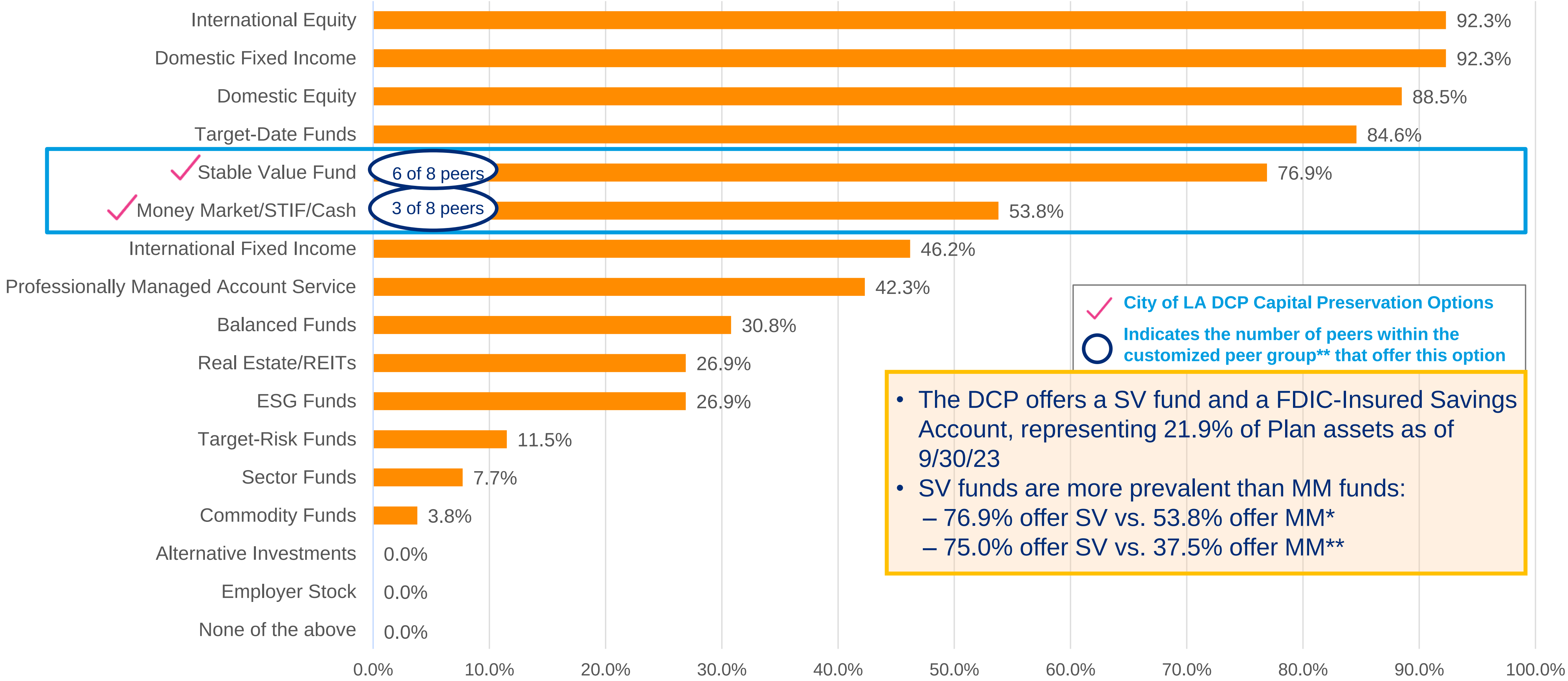
Capital Preservation Options

- City of LA DCP currently offers its participants two capital preservation options:
  - DCP Stable Value Fund (14.6% of Plan assets)*
  - FDIC-Insured Savings Account (7.3% of Plan assets)*
- Considerations:
  - Affirm retention of the stable value fund
  - Retain FDIC option or replace with a money market fund?

*Plan assets as of 9/30/23. Galliard Stable Value Fund comprises 15.5% of Plan assets, when accounting for the SV underlying allocation within the Target Risk Profile Funds.

Market trends and comparative review

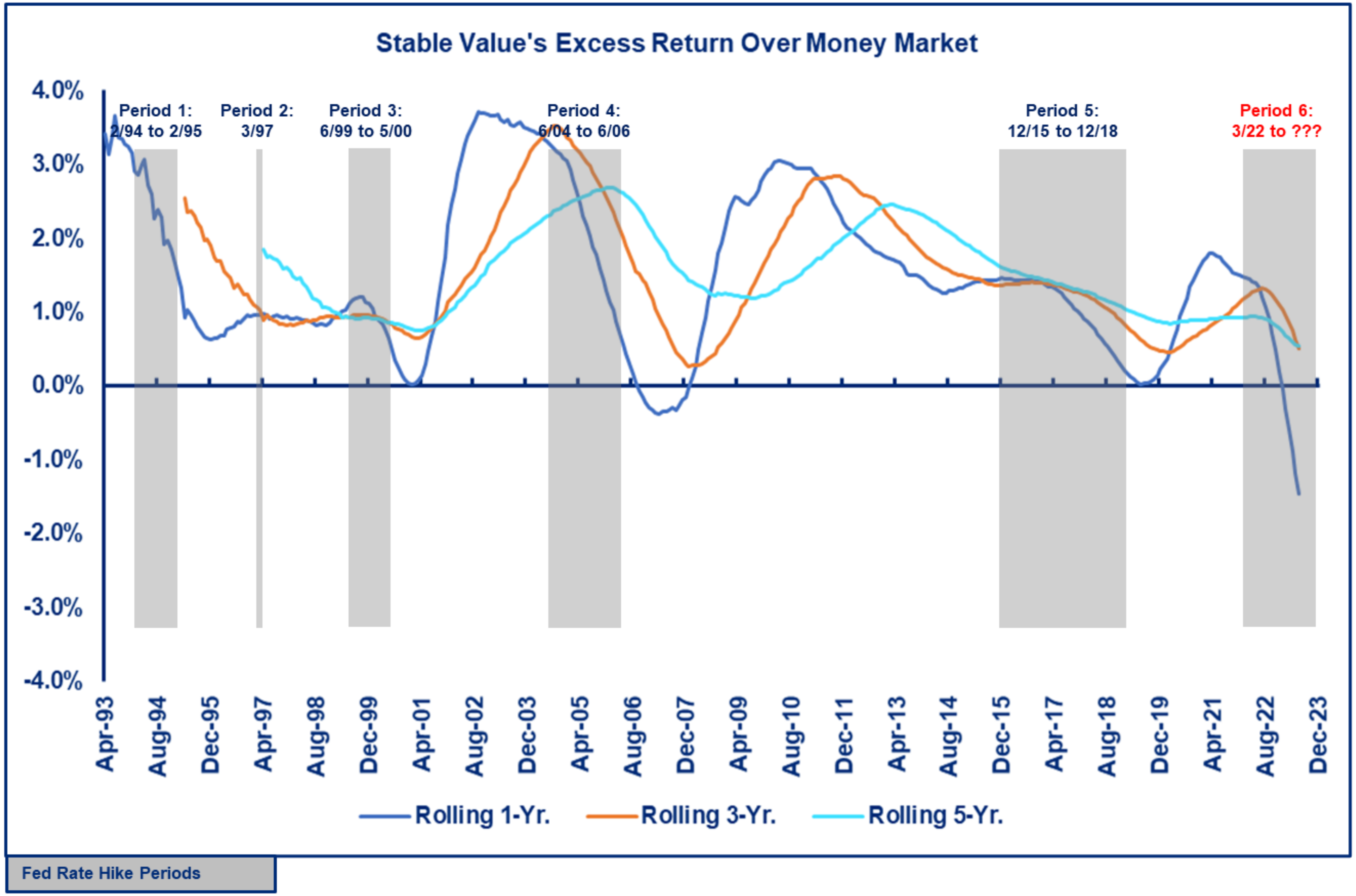
Investment option prevalence



- The DCP offers a SV fund and a FDIC-Insured Savings Account, representing 21.9% of Plan assets as of 9/30/23
- SV funds are more prevalent than MM funds:
  – 76.9% offer SV vs. 53.8% offer MM*
  – 75.0% offer SV vs. 37.5% offer MM**

*Peer median is given for mega plans (>$1 billion) in the 457 plan category based on PLANSPONSOR 2022 Defined Contribution Survey; 33 respondents.
**The Customized Peer Group is comprised of 8 entities: State of California, City of Los Angeles, Los Angeles County, State of Nevada, City of New York, San Diego County, San Francisco, and City of Seattle.

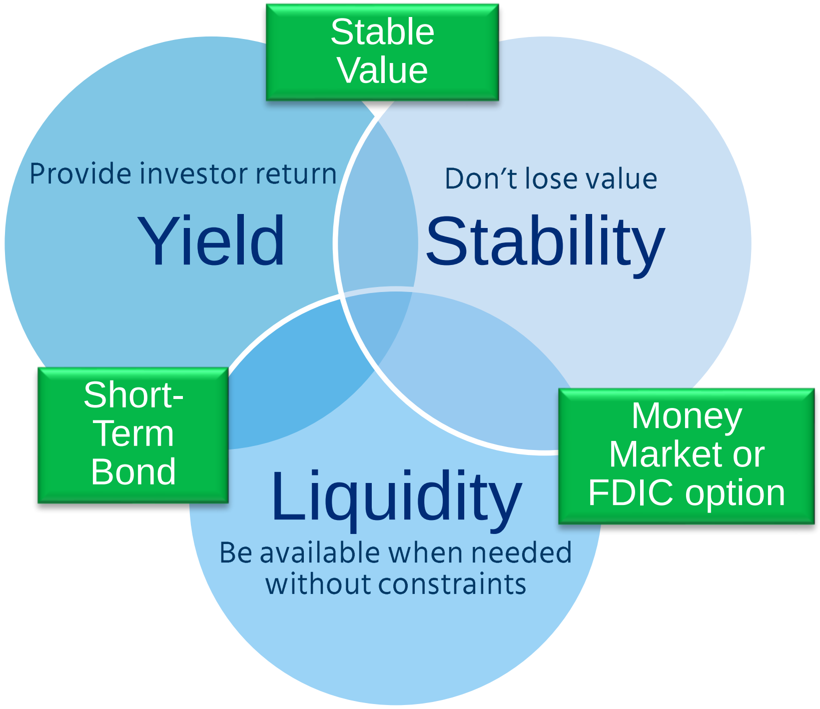
Stable Value Excess Return over Money Market



- Stable value funds have historically delivered higher long-term returns with similar volatility than money market funds.
- In the recent rising interest rate environment, money market funds have been outperforming many stable value funds.
- However, Mercer expects stable value to outperform money market over the long-run as the yield curve normalizes over time.

Capital Preservation

Overview: City of LA DCP currently offers an FDIC savings option and a stable value fund.



- No solution provides all three objectives
- Capital preservation option not meant to serve as a long-term investment
- Stability and liquidity should be primary objectives; yield should be secondary. However, yield becomes more important if retirees stay in the plan.

Stable Value Funds:

- Seek to provide *book value payout* of principal plus accrued income for participant transactions as opposed to *market value payout*
  - In other words, value of participant account should remain stable or increase, but **should not go down**
- Tend to deliver returns similar to short- to intermediate-term bonds with volatility similar to that of a money market fund
- The DCP Stable Value Fund, managed by Galliard, is highly rated by the Mercer Research Team

Recommendation: Retain the Galliard Stable Value Fund in the City of Los Angeles Deferred Compensation Plan

City of LA DCP FDIC-Insured Savings Account

FDIC-Insured Savings Account

Blended Rate: 5.4432%
as of (9/30/23)

Performance as of 9/30/23 (%)

	10 Year	5 Year	3 Year	1 Year	CYTD	3 Month
FDIC-Insured Savings Account	1.3	1.9	1.9	4.7	3.8	1.3
Mercer Mutual Fund Money Market Universe	1.0	1.6	1.7	4.5	3.6	1.3

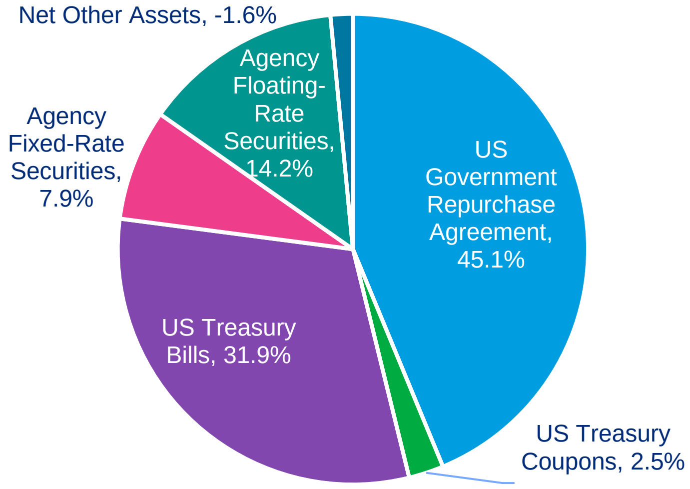
- The DCP FDIC-Insured option is invested with 2 underlying banks, though the preferred number of providers for the option is 3. Currently, it provides aggregate FDIC coverage of $500,000 ($250,000 per bank).
- The FDIC option has provided competitive yield historically relative to government money market funds, but it does come with greater complexity and arguably risk than a money market surrogate.
  - Considerations:
    - monitoring of bank providers
    - periodic RFPs required
    - recordkeeping/administrative complexity
    - government money market funds have comparable or better security of assets

Government Money Market Funds

- **Government money market funds** invest in very short maturity (typically 60 days or less), extremely high credit quality, and government-backed bonds like cash equivalent securities or US Treasury bills (T-bills). They are meant to provide a high level of liquidity (meaning moving in and out of a money market fund is quick and easy) while delivering stability (the goal is to maintain a $1.00 net asset value, which essentially means protection against loss). They also generate yield, which is extremely sensitive to monetary policy dictated by the Fed. Government Money Market fees typically range from 10 to 50 basis points for institutional investors.

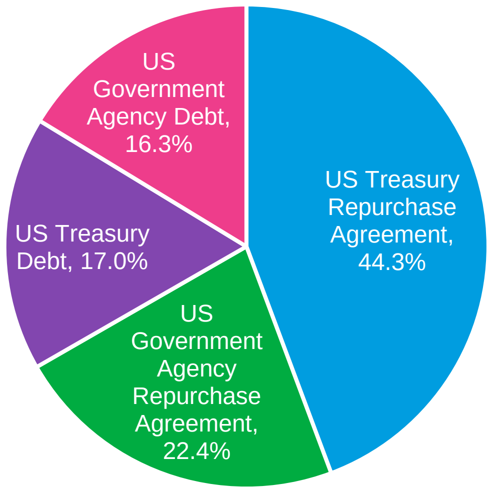
Sample Government Money Market Funds

Fidelity Government Money Market Fund (SPAXX)



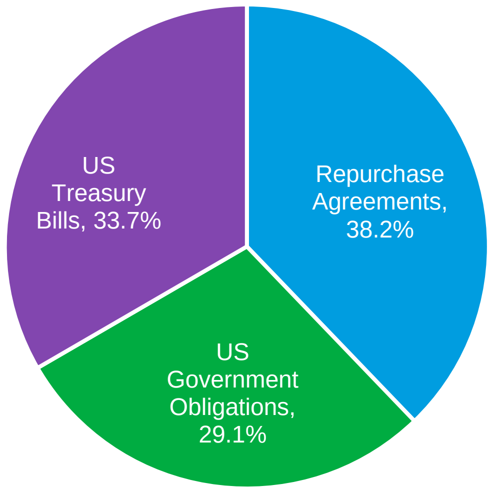
- 7-day SEC yield: 5.00%
- Weighted Avg Maturity: 27 Days
- Weighted Avg Life: 73 Days
- Assets: $298.6B

JPM US Government Money Market Fund (MJGXX)



- 7-day SEC yield: 4.95%
- Weighted Avg Maturity: 32 Days
- Weighted Avg Life: 87 Days
- Assets: $255.1B

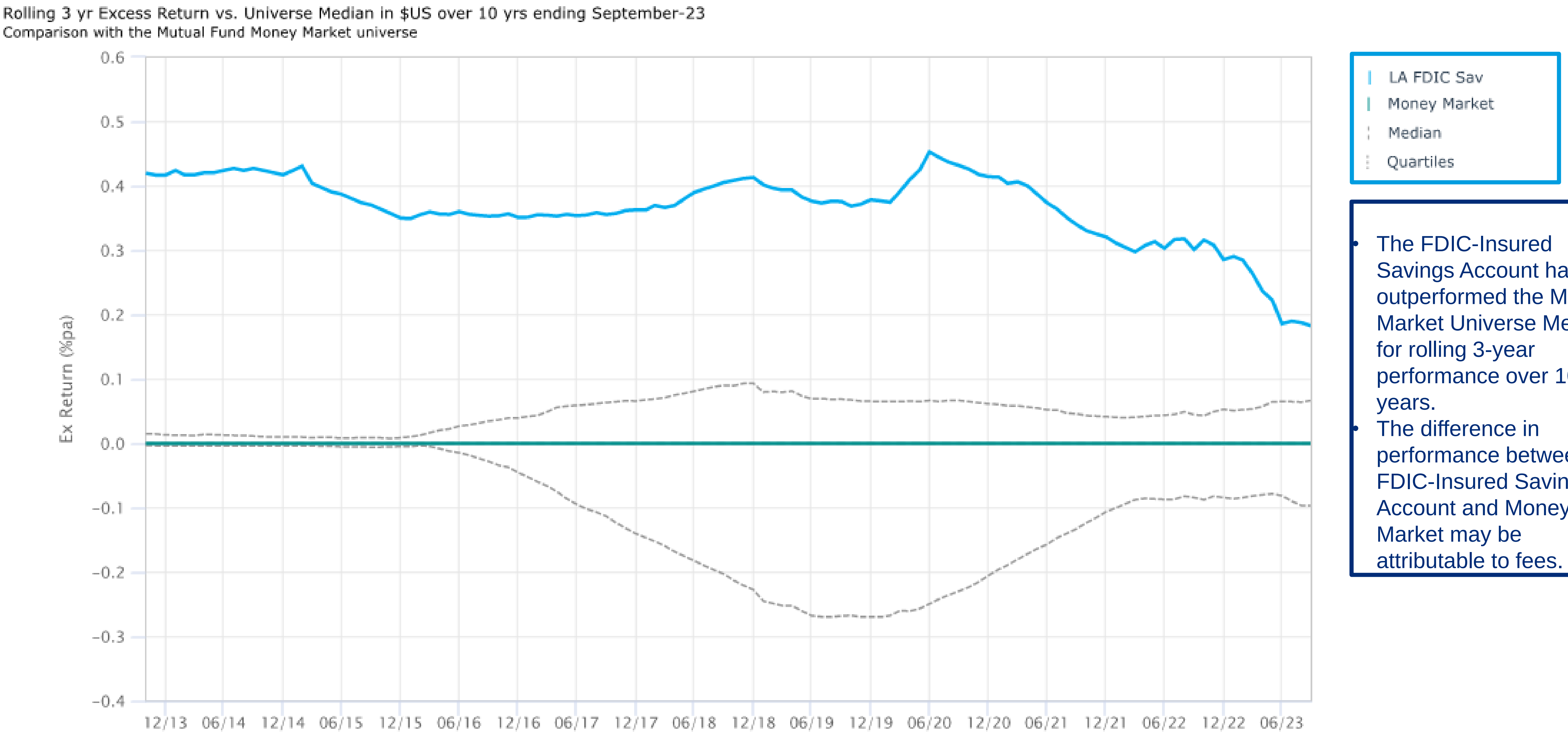
Vanguard Federal Money Market Fund (VMFXX)



- 7-day SEC yield: 5.30%
- Weighted Avg Maturity: 28 Days
- Weighted Avg Life: 52 Days
- Assets: $276.5B

Fidelity and Vanguard data is as of 11/30/23 and JPM data is as of 10/31/23. Values may not add up to 100% due to rounding.

FDIC Account Excess Return over Money Market Median



- The FDIC-Insured Savings Account has outperformed the Money Market Universe Median for rolling 3-year performance over 10 years.
- The difference in performance between the FDIC-Insured Savings Account and Money Market may be attributable to fees.

Potential Benefits of Money Market vs. FDIC

	Money Market	FDIC-Insured Savings Account
Potential Benefits	• Liquidity & Stability • Yield highly responsive to Fed rate changes • Fund information publicly available • Government MMFs invest in securities directly backed by the US government • Not subject to any credit events that could affect the banking industry • Government securities are assumed to be risk-free, meaning high balance participants (over $500,000) may have greater security	• Liquidity & Stability • Yield highly responsive to Fed rate changes (DCP FDIC rate is based on 3-Month Term SOFR and agreed upon in contract with the vendors*) • FDIC-insured (department within US Treasury) • Modestly higher yielding than money market funds
Potential Downside	• Historically modestly lower yields than FDIC Savings Account • Potential restrictions in movement between stable value and money market option	• Government guarantee is passed through banks which are subject to credit risk; FDIC insurance could take time to make investors whole in case of credit event involving banks backing FDIC option • Headline risk – participants inquire about health of banks used in times of stress • Currently, maximum coverage of $500,000 of FDIC insurance (collateralization does occur, however, beyond this) with two bank providers • Potential restrictions in movement between stable value and FDIC option
Underlying Investments	• High quality, liquid, very short-term fixed income instruments backed by the US government • Very transparent	• Demand deposit accounts which in turn are sources of proceeds for bank providers to make loans to bank customers • Opacity of underlying investments
Return drivers	• Income from underlying investments (maybe marginal depending on market environment) • In rising interest rate environments, far more attractive than Stable Value	• Income from underlying investments (maybe marginal depending on market environment) • In rising interest rate environments, far more attractive than Stable Value
Transparency	• Fees and Investment portfolio are completely transparent (required) and typically lower than stable value	• Fees are not explicit (i.e., “spread product”) • Investments are not transparent to participants (i.e., banks loan funds to customers or invest in securities not directly disclosed)

*Bank of the West: 3M SOFR + 0.13% and East West Bank: 3M SOFR + 0.18%. Secured Overnight Financing Rate (SOFR) is the borrowing rate for overnight loans collateralized by Treasury securities.

Transition From FDIC Savings Account to Money Market

Assuming the Investments Committee is inclined to replace the FDIC Savings Account with a government money market option, we envision the following next steps:

1. Seek Board approval
2. Conduct a formal mutual fund search for a government money market option
3. Reconvene with the Investments Committee to identify the optimal fund
4. Communicate the change to the Plan’s TPA and both bank providers
5. Devise a transition plan in collaboration with TPA, the legacy providers and the future money market fund provider
6. Implement the transition

Asset Allocation Options

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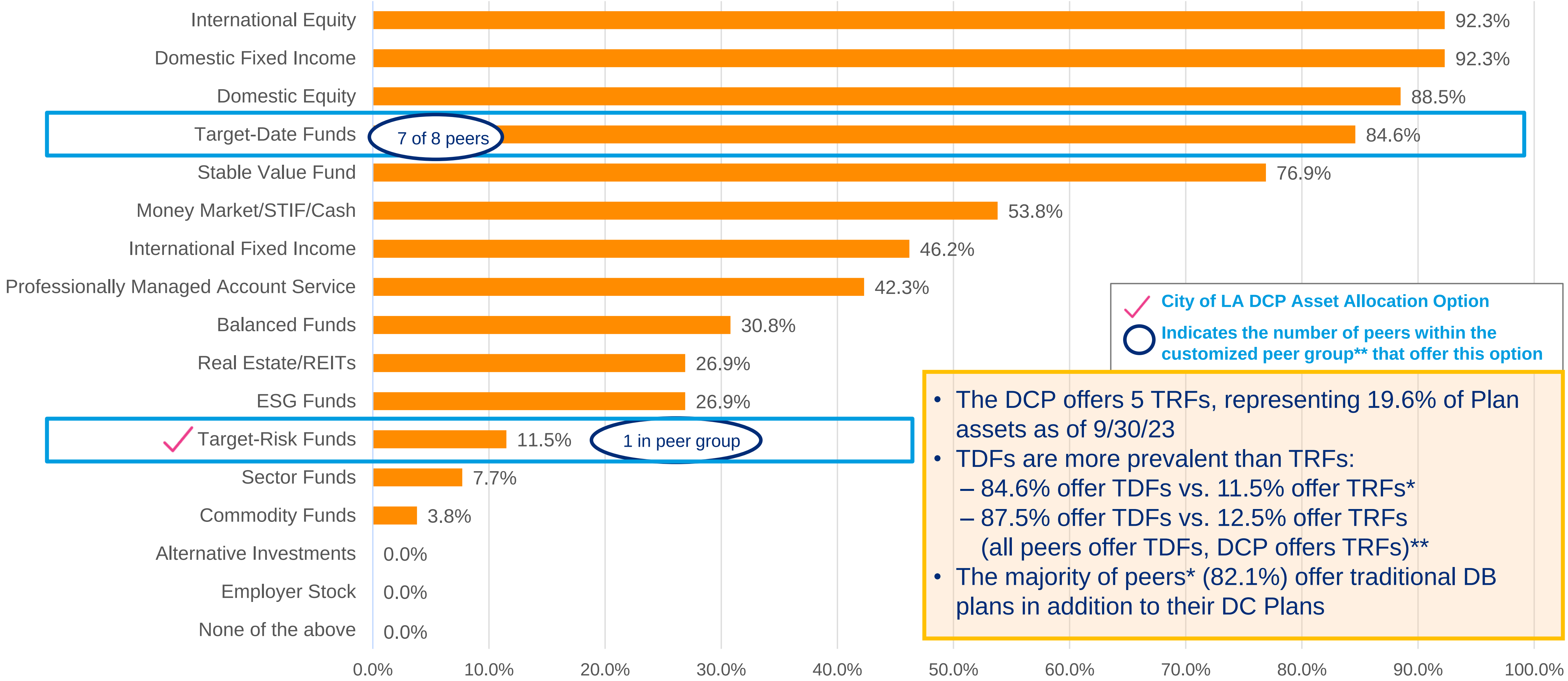
Market trends and comparative review
Investment option prevalence



- The DCP offers 5 TRFs, representing 19.6% of Plan assets as of 9/30/23
- TDFs are more prevalent than TRFs:
  - 84.6% offer TDFs vs. 11.5% offer TRFs*
  - 87.5% offer TDFs vs. 12.5% offer TRFs (all peers offer TDFs, DCP offers TRFs)**
- The majority of peers* (82.1%) offer traditional DB plans in addition to their DC Plans

*Peer median is given for mega plans (>$1 billion) in the 457 plan category based on PLANSPONSOR 2022 Defined Contribution Survey; 33 respondents.
**The Customized Peer Group is comprised of 8 entities: State of California, City of Los Angeles, Los Angeles County, State of Nevada, City of New York, San Diego County, San Francisco, and City of Seattle.

Target Risk Funds vs. Target Date Funds Comparison

- Target Risk Funds do not change their allocation to equity over time, it is ***static*** – requires participant to periodically re-assess their risk level and fund choice.
- Target Date Funds have a ***dynamic*** asset allocation that generally allocates less to equity as participant ages – allows participant to pick a fund once for the duration of their career.

	Target Risk Funds	Target Date Funds
Investor Type	"I like to think about this every two or three years"	"I like to make one decision that will last for a long time"
Investor Decision	Subjective – requires participant to know risk tolerance (risk profile questionnaire)	Objective – requires participant to know expected date of retirement Participants are more likely to have the knowledge to select a fund based on their retirement age than to understand their risk tolerance
Communications	Initial risk profile questionnaire, then on-going communication to encourage re-evaluation of risk profile	Up front communication to describe fund intention
Asset Allocation	Diversified portfolios; automatically rebalance to static allocations Leverage existing investment options	Diversified portfolios; automatically rebalance to a more conservative portfolio over time Participant inertia is a powerful force – having an asset allocation option that rebalances as participants age is valuable
Demographics	Designed to suit a large population	Designed to suit a large population. Demographics change over time. Use of custom funds can help address specific plan features and demographics.
Plan Sponsor Responsibility	Current custom funds require asset diversification, asset allocation, style and rebalance decisions	Custom target date funds would require similar decisions, with the addition of glide path choices. Could also look at using highly rated 'off the shelf' funds to ease decisions.

DCP Target Risk Profile Portfolios

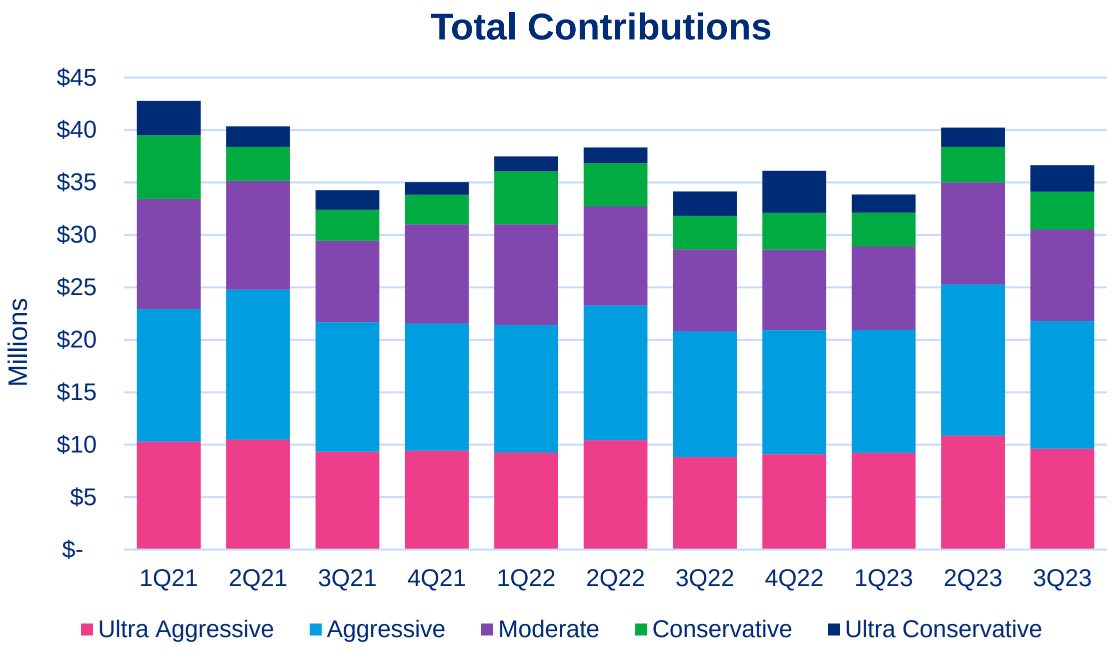
- City of LA currently offers five target risk profiles, ranging from Ultra Conservative to Ultra Aggressive. These funds make up 19.6% ($1.7B) of total Plan assets as of 9/30/23.
  - Utilization of Target Risk Funds by DCP participants has steadily increased over the last ten years.
  - These funds have an average effective net expense ratio of 28 bps, below the average median of 67 bps.
  - The DCP target risk profiles consist of differing allocations to the Plan's Core Options, listed below:

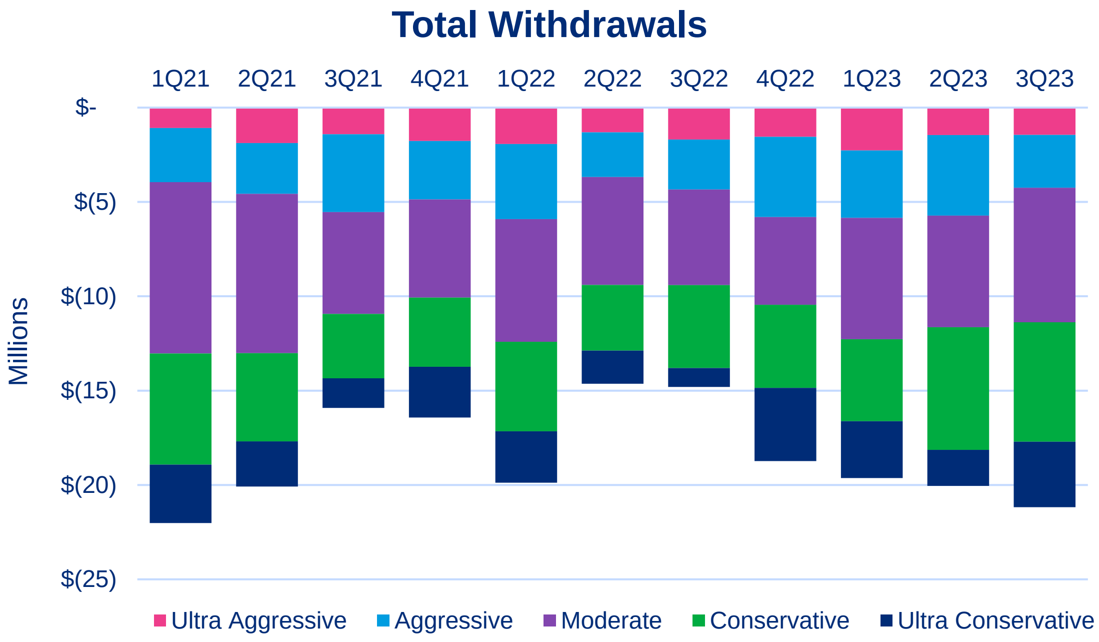
DCP Risk Profile Portfolios Allocation	***Ultra Conservative (%)***	***Conservative (%)***	***Moderate (%)***	***Aggressive (%)***	***Ultra Aggressive (%)***
DCP Stable Value	35.0	15.0	0.0	0.0	0.0
DCP Bond Fund	50.0	50.0	42.0	25.0	10.0
DCP Large Cap Stock Fund	6.0	15.0	20.0	25.0	30.0
DCP Mid Cap Stock Fund	2.0	3.0	6.0	8.0	10.0
DCP Small Cap Stock Fund	2.0	3.0	6.0	8.0	10.0
DCP International Stock Fund	5.0	14.0	26.0	34.0	40.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

- The majority of peers* (85%) offer Target Date Funds, while only 12% offer Target Risk Funds.
  - Due to the dynamic allocations of target date funds, target date funds may offer participants greater flexibility over target risk funds, which require participants to change their allocations over time as their risk tolerance and investment preferences change.

*Peer data is given for mega plans (>$1 billion) in the 457 plan category based on PLANSPONSOR 2022 Defined Contribution Survey; 33 respondents.

City of Los Angeles DCP Profile Fund Utilization



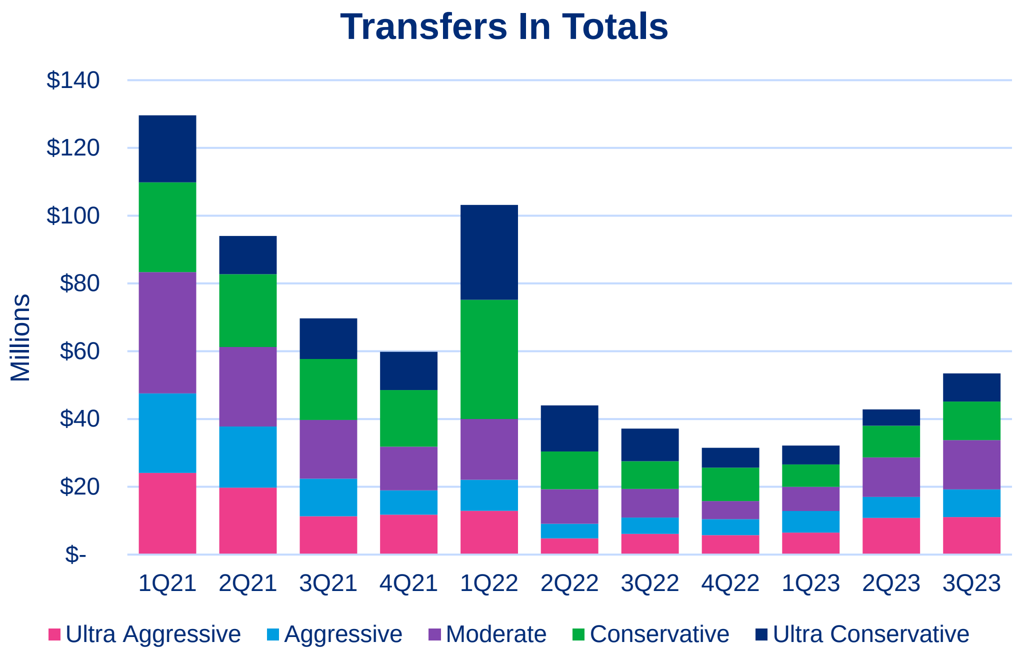


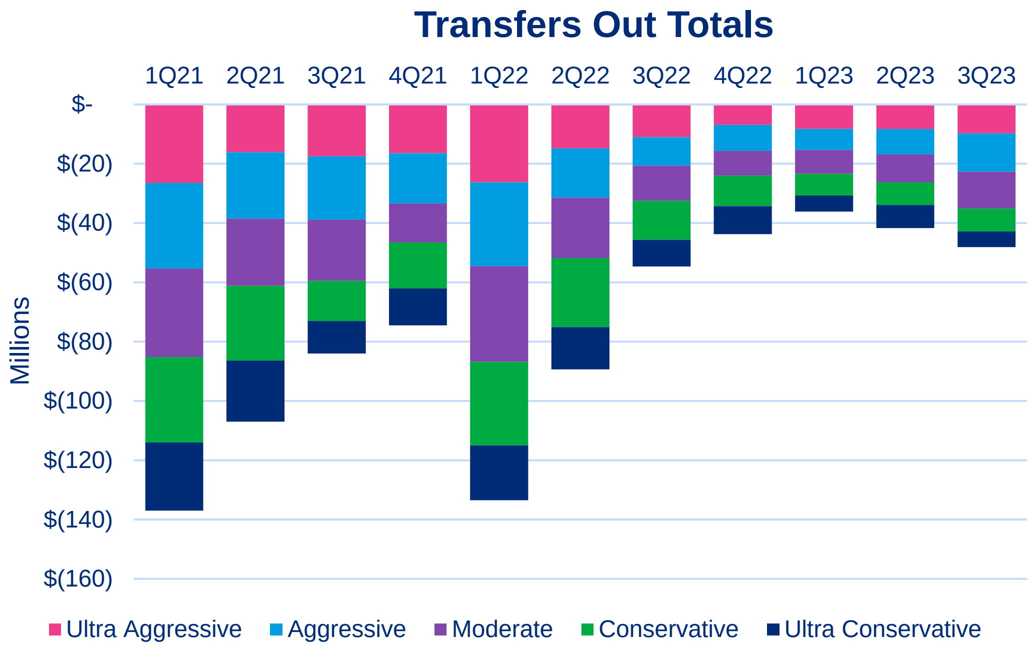
Observations across the last 11 quarters:

- Contributions into the DCP Profile Funds have been generally consistent during the past 11 quarters.
- Highest contributions were into the Aggressive Portfolio ($139M), followed by the Ultra Aggressive Portfolio ($107M).
- Lowest withdrawals were in 2Q22 and 3Q22, then gradually increased in the past 4 quarters.
- Highest withdrawals came out of the Moderate Portfolio ($70M), followed by the Conservative Portfolio ($52M).

Data source: Voya.

City of Los Angeles DCP Profile Fund Utilization





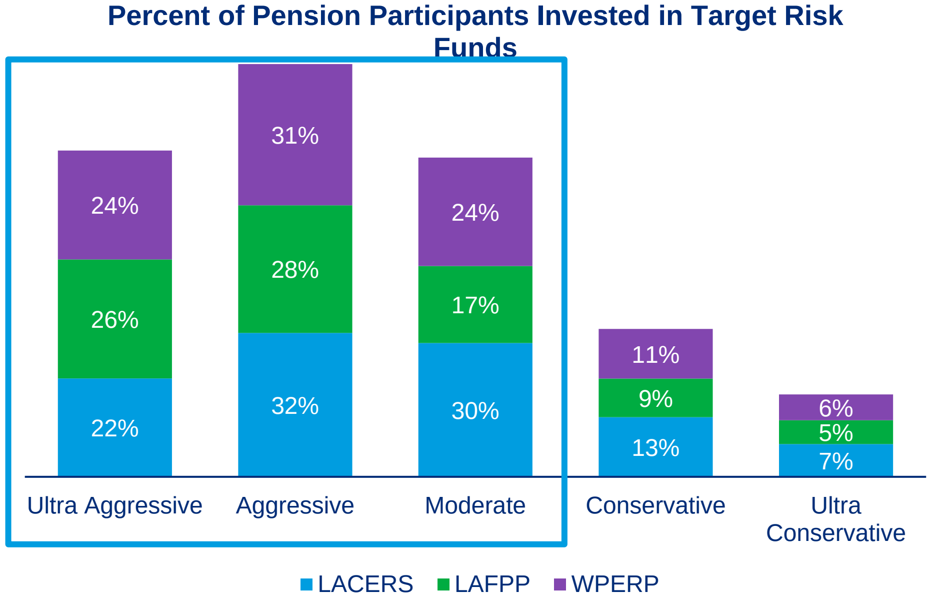
<u>Observations across the last 11 quarters:</u>

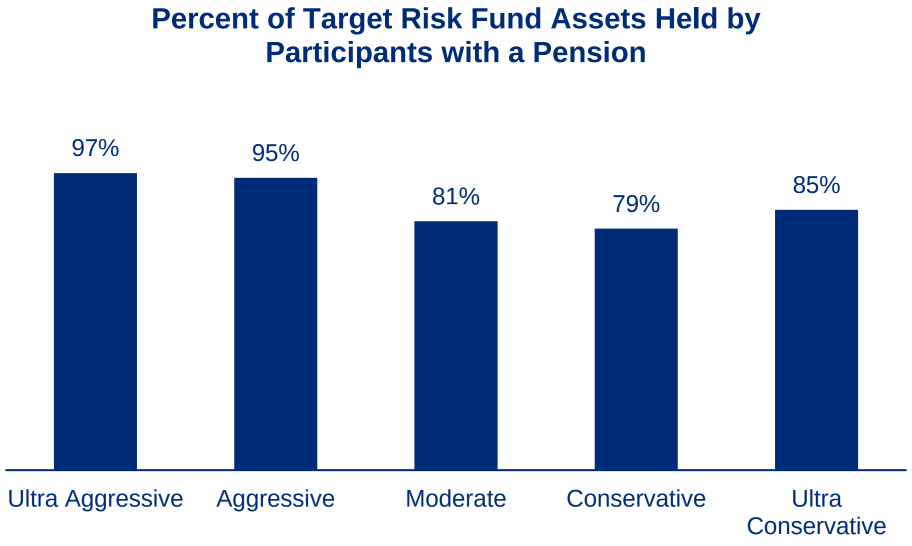
- Transfers in and out of target risk funds peaked in 1Q21 and 1Q22.
- Transfers in have been low after the 1Q22 peak.
- Transfers in was highest for the Conservative Portfolio ($174M), followed by the Moderate Portfolio ($165M).
- Transfers out was highest for the Moderate Portfolio ($189M), followed by the Aggressive Portfolio ($181M).

Data source: Voya

City of LA Pension Plan Data*

- The City of LA offers three DB plans (LACERS, LAFPP, and WPERP)
  - The majority of peers** (82.1%) offer traditional DB plans in addition to their DC Plans
  - The majority of DCP participants (at least 86.2% are known*) have a pension plan
- 64.4% of DCP participants that have a pension plan* are invested in target risk funds.





* Data source: Voya and City of LA. Statistics are based on the following: total DCP participants were 51,920. Of these 44,760 DCP participants were identified in a pension plan (21,502 in the LACERS Plan; 13,829 in the LAFPP Plan and 9,429 in the WPERP Plan). 7,018 participants were not able to be identified in a proper pension plan, of these 2,262 (32.2%) are invested in at least one Target Risk Fund.

**Peer data is given for mega plans (>$1 billion) in the 457 plan category based on PLANSPONSOR 2022 Defined Contribution Survey; 33 respondents.

Pension Plan Participants - Single TRF Exposure

LACERS

TRF Held	Age Group: Less than 25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61-65	Over 65	Grand Total
Ultra Conservative	13	35	55	26	29	26	30	43	28	33	318
Conservative	20	67	78	55	59	40	59	57	65	74	574
Moderate	49	204	210	206	210	195	217	234	192	153	1,870
Aggressive	53	193	292	283	298	265	234	169	91	62	1,940
Ultra Aggressive	46	198	245	233	147	121	74	58	32	17	1,171
Grand Total	181	697	880	803	743	647	614	561	408	339	5,873

LAFPP

TRF Held	Age Group: Less than 25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61-65	Over 65	Grand Total
Ultra Conservative	2	15	13	9	5	6	6	9	2	1	68
Conservative	1	8	15	6	10	4	7	12	7	3	73
Moderate	10	53	62	39	20	23	30	15	8	3	263
Aggressive	49	162	147	99	102	77	47	25	4	0	712
Ultra Aggressive	54	237	211	112	62	24	21	14	5	1	741
Grand Total	116	475	448	265	199	134	111	75	26	8	1,857

WPERP

TRF Held	Age Group: Less than 25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61-65	Over 65	Grand Total
Ultra Conservative	1	4	7	9	7	3	11	7	10	9	68
Conservative	4	11	15	13	12	18	22	23	17	14	149
Moderate	11	42	50	47	60	75	74	71	45	52	527
Aggressive	19	58	105	132	143	143	113	93	48	26	880
Ultra Aggressive	26	91	119	134	104	64	34	23	14	8	617
Grand Total	61	206	296	335	326	303	254	217	134	109	2,241

Observations:

- Of participants in a pension plan and invested in a single fund, 19.2% (9,971) are invested in a single target risk fund
- City of LA participants in general tend to take higher risk in their target risk fund allocation

**Data Source: Voya and City of LA.

605 of participants not in the pension plans also hold a target risk fund as their single investment. This includes 2 retired/terminated participants, 1 legacy participant, 13 ineligible participants, and 1 participant that cannot be located and.588 participants were not able to be identified in a proper pension plan.

DCP Profile Fund Considerations

Potential alternatives to DCP Profile Funds (Target Risk Funds):

'Off-the-shelf' Target Date Funds	Many highly rated providers of target date funds. Adds another manager to oversight. Removes some of the sponsor decisions. Would consider impact to stand alone fund fees.
Custom Target Date Funds	Can customize attributes to demographics. Administratively complicated (unless outsource).
Managed Accounts	This service is similar to a personalized target date fund. However, unless participants are engaged or record keeper can feed a lot of data automatically, becomes an expensive target date fund.
Combination Solution	The market is constantly evolving. Funds using both target dates and managed accounts, personalized target date solutions, multiple glide paths (conservative/aggressive), and alternative glide paths ("V" shape) are available.

Recommendation:

1. Affirm use of target risk model funds and consider optimization of current portfolios

OR

2. Conduct further analysis/searches on target date funds with the intention of moving away from current model portfolios.

Summary of Next Steps

- Capital Preservation:
  - Affirm retention of the Deferred Compensation Stable Value Fund
  - Affirm use of FDIC-Insured Savings Account OR
    - *Next step: conduct RFP to select 3 providers*
  - Replace FDIC-Insured Savings Account with a Government Money Market Fund
    - *Next step: conduct Government Money Market Search*
- Asset Allocation Funds:
  - Affirm use of the Target Risk Funds OR
    - *Next step: optimize current portfolios*
  - Replace with Target Date Funds
    - *Next step: review alternatives to DCP Profile Funds*
- Seek Board approval on Investments Committee decisions and proceed to next steps

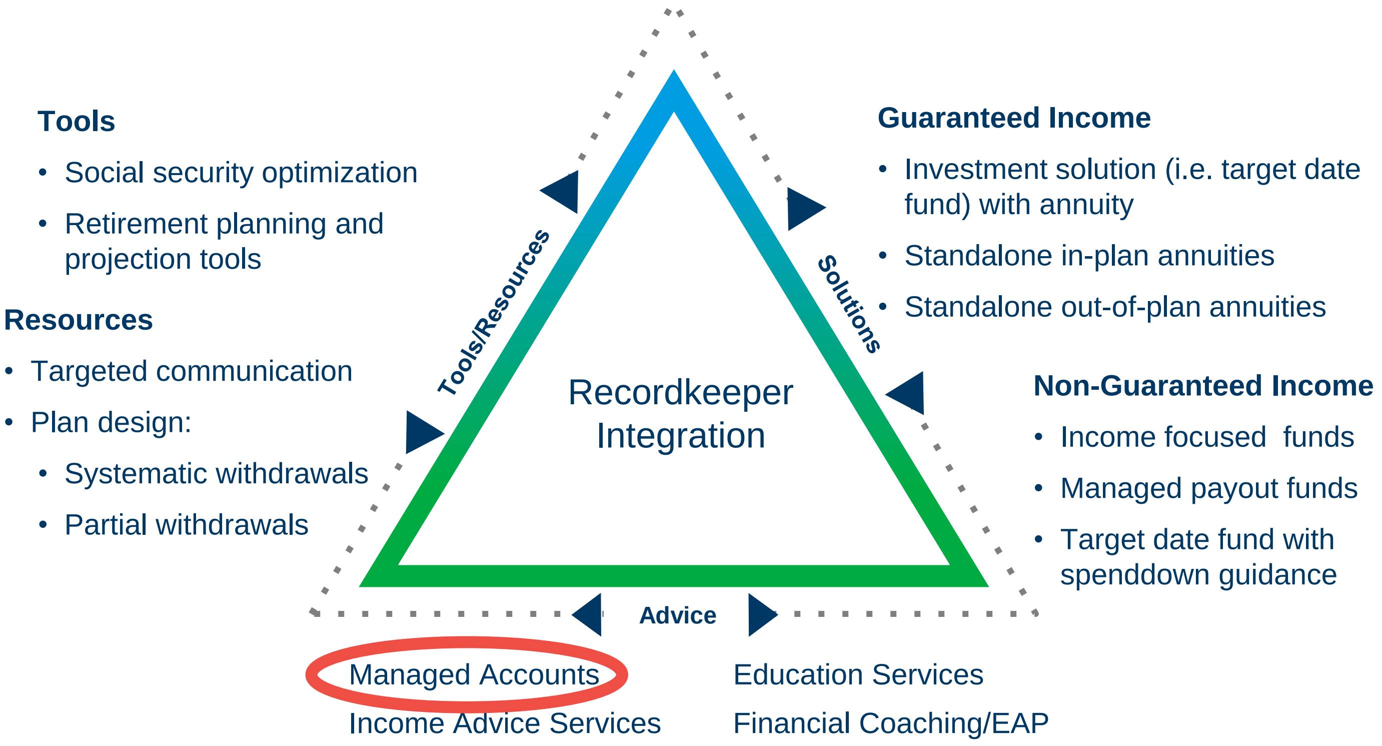
Managed Accounts

3

Retirement Income Landscape

Retirement income comprises any product (investment or non-investment), solution, tool or service that simplifies or facilitates the decisions that need to be made by plan participants prior to, at and during retirement, taking into account their own household circumstances, in order to ultimately generate income.

Managed accounts fall into the broader retirement income landscape:



- **An extensive offering will be a blend of tools, advice, and solutions**
- **Integration is crucial, particularly with record-keeper**
- **Key is offering something retirees are interested in and will engage with**

Managed Accounts

What are managed accounts?

- A service designed to provide customized portfolios for individual participants on a discretionary basis.
- Managed account programs are integrated into defined contribution recordkeeping platforms, meaning the specific programs available depend on the plan's recordkeeper.

Why would a Plan Sponsor consider adding managed accounts?

- Participants wishing to delegate responsibility for managing their retirement assets might benefit from these programs.
- Managed accounts could help participants create more custom portfolios, which might lead to better retirement outcomes.

What are a sponsor's duties with regard to offering a managed account program?

- Choosing to offer a managed account program is a fiduciary decision and must be made solely based on the interest of plan participants and beneficiaries.

Managed Accounts: Marketplace Trends

- Managed Accounts have historically been viewed as more appropriate for older participants or those with complex financial situations, resulting in low utilization.
  - We anticipate this may change as sponsors look towards offering more personalization.
  - *City of LA has a slightly older population, with an average age of 51 and 42% of participants over the age of 55.*
  - *42% of peers offer managed accounts**

Types of Managed Account Programs

Guidance	Online Investment Advice 3(21)	Discretionary Management 3(38)
Teach me about investments.	Tell me how I should invest. It's my responsibility to review that recommendation.	Take control of my account for me. Invest for me and adjust my allocation where appropriate over time.

*Peer data is given for mega plans (>$1 billion) in the 457 plan category based on PLANSPONSOR 2022 Defined Contribution Survey; 33 respondents.

Appendix

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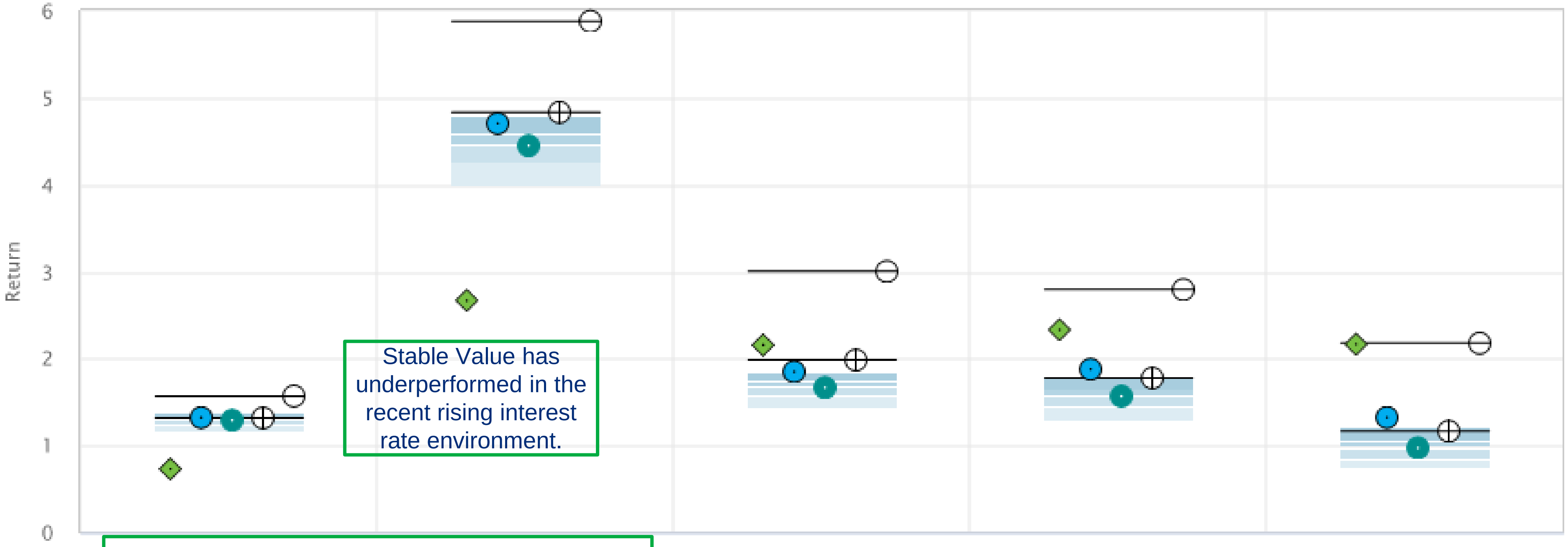
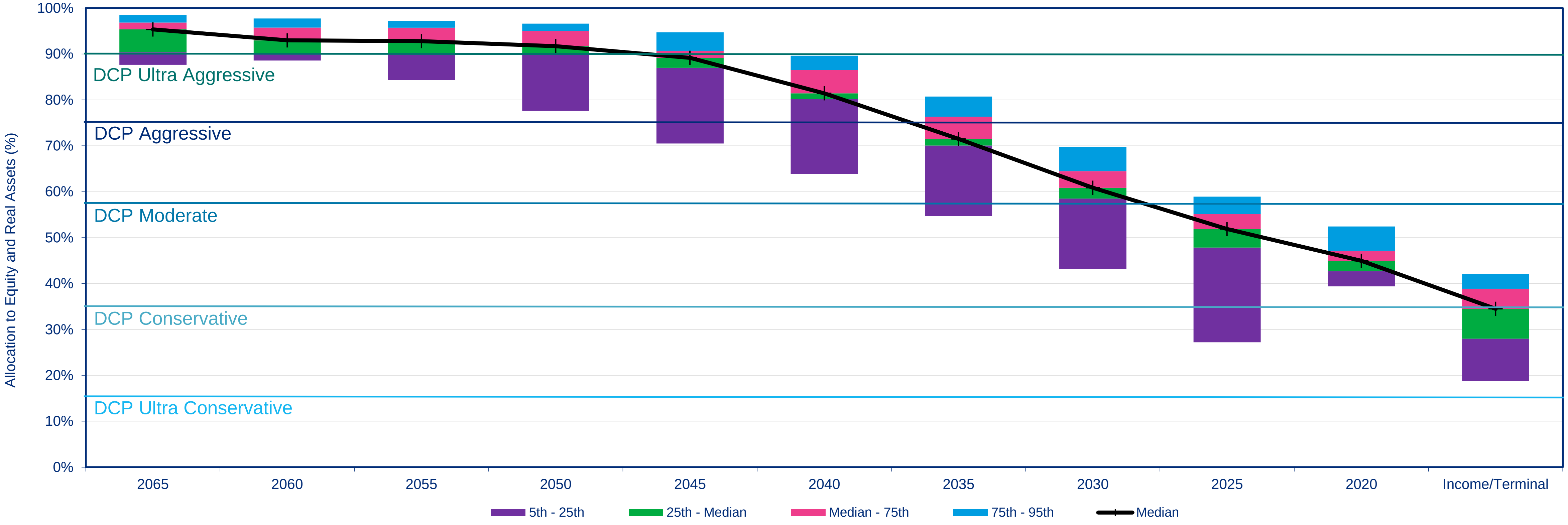
Capital Preservation Cumulative Performance

Return in $US over 3 mths, 1 yr, 3 yrs, 5 yrs, 10 yrs ending September-23
Comparison with the Mutual Fund Money Market universe (Percentile Ranking)



	3 mths (%)	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	10 yrs (%pa)
Gallard SV	0.7 *(100)*	2.7 *(100)*	2.2 *(0)*	2.3 *(0)*	2.2 *(0)*
LA FDIC Sav	1.3 *(17)*	4.7 *(13)*	1.9 *(3)*	1.9 *(0)*	1.3 *(0)*
Money Market	1.3 *(50)*	4.5 *(50)*	1.7 *(50)*	1.6 *(50)*	1.0 *(50)*
USTB3M	1.3 *(18)*	4.8 *(1)*	2.0 *(0)*	1.8 *(7)*	1.2 *(12)*
USTB100	1.6 *(0)*	5.9 *(0)*	3.0 *(0)*	2.8 *(0)*	2.2 *(0)*
5th Percentile	1.4	4.8	1.8	1.8	1.2
Upper Quartile	1.3	4.6	1.7	1.6	1.0
Median	1.3	4.5	1.7	1.6	1.0
Lower Quartile	1.2	4.3	1.6	1.4	0.8
95th Percentile	1.2	4.0	1.4	1.3	0.7
Number	194	193	192	185	166

DCP Profile Funds and Median TDF Glidepath Comparison (as of 9/30/2023)



- The DCP Target Risk Profiles have, on average, a lower allocation to equity and real assets compared to the median target date fund across all the vintages.
- Target Risk Fund allocations remain static, thus requiring participants to periodically reassess their risk versus the dynamic de-risking nature of a target date fund.

Managed Accounts: Pros and Cons

Pros	Cons
Diversification – Could help participants who wish to obtain a relatively customized and diversified approach toward managing their retirement assets.	**Cost** – Services come with a fee that may be difficult to justify, as there is mixed evidence that these programs will outperform target date funds.
Personalization – Multiple factors may be utilized in creating strategies including time horizon, salary, availability of a pension benefit, contribution rate, risk tolerance, and outside assets.	**Performance monitoring** – Can be difficult to gauge the overall success of a managed account program due to the myriad of personalized portfolios.
Customized investments – Leverages the core lineup to build portfolios.	**Participant involvement** – Material inputs should be provided by the participant for maximum effectiveness.
Approved Qualified Default Investment Alternative (QDIA) – The Pension Protection Act designated Managed Accounts as a QDIA.	**Investment limitations –** Participants may be limited or required to liquidate self-directed brokerage accounts or company stock within the service.

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