

2014 Retirement Plan Adviser Team of the Year

Innovest Portfolio Solutions Denver, Colorado

\$5.2_B

PLAN ASSETS
UNDER ADVISEMENT

\$25_{MM}

MEDIAN PLAN SIZE
(IN ASSETS)

98

TOTAL PLANS
UNDER ADVISEMENT

100,000

TOTAL PARTICIPANTS
IN PLANS SERVED

28

TOTAL NUMBER
OF EMPLOYEES



Jerry Huggins, Douglas Inglee, Peter Mustian, Rick Rodgers, Wendy Dominguez, and Gordon Tewell

Innovest Portfolio Solutions is the 2014 PLANSPONSOR Retirement Plan Adviser Team of the Year winner. The impetus to found Innovest in 1996 as an independent registered investment advisory firm was to avoid "the conflicts of interest on Wall Street," says Wendy Dominguez, president. Today, the practice has 28 employees who serve 98 retirement plans with \$5.2 billion in assets under advisement (AUA) and 100,000 participants. Innovest's primary commitment is "to deliver custom, innovative investment solutions to retirement plan sponsors and help our clients and their participants manage change to improve retirement readiness."

Innovest's mission statement isn't a single tagline but, rather, 12 "Bedrock Principles":

- We have an unwavering commitment to client service: Our clients come first.
- We must add value to our clients by providing advice and services that are worth more than our compensation.
- We maintain our integrity by providing our clients with all the facts, so they can make informed decisions and judgments.
- We build community and earn the respect of our clients.
- We hire great people; intelligence and positive attitude are paramount.
- We work as a team; our clients must receive contributions from each of us.
- We treat people well—with respect, warmth and patience.
- We reflect on ways to improve; we challenge each other to create better processes and approaches.
- We are devoted to our process.
- We work hard.
- We are focused on providing continuity to ensure client confidence.

- We are balanced—large enough to achieve economies of scale but small enough to maintain relationships based on intimacy, loyalty, friendship and candor.

Innovest also has deep bench strength in terms of its employees' experience, with each of its consultants having been in the retirement plan industry for an average of 20 years, in a variety of disciplines in addition to investment consulting including: pensions, plan recordkeeping, hedge fund management, commodities trading, fiduciary litigation, accounting and banking.

"We've brought in experts to really complement our team over time, as we recognized that retirement plans have many moving pieces—including plan administration, implementation, investment due diligence, performance measurement and monitoring, and education," Dominguez says. "The length of time our consultants have been in the business—and their expertise—are two of our biggest differentiators."

The first thing that Innovest does when first working with a client is to "find out where the needle is that the plan sponsor wants to see moving, and draw on the knowledge, expertise, talents and skills of the team to hold ourselves accountable to that goal," says Gordon Tewell, principal. "It's most gratifying when you actually see it working and moving participants to a better retirement readiness outcome."

To ensure that the practice delivers consistent client service, as well as to share ideas, each Innovest consultant serves on the Retirement Plan Practice Group, Dominguez says. "We discuss issues as they relate to our clients and our plans not only in our practice group meetings, but also in our weekly client board meetings and our Investment Committee meetings," she says.

Innovest's client service includes benchmarking recordkeeping and investment costs, and consistently looking to reduce those fees "by helping our plan sponsors design and develop requests for proposals [RFPs]," Dominguez says. Innovest prefers RFPs and requests for information (RFIs) to the benchmarking services available in the industry in order to work with current data, she says.

"We've used our industry clout to negotiate dramatically lower revenue requirements for plan vendors as a result of the RFP process," she says. "In addition, we've reduced investment costs by creating streamlined investment menus with cost-effective investment products. We've successfully negotiated lower investment minimums and access to closed investment products." In fact, Dominguez notes, for one public sector 457 plan with \$600 million in AUA, Innovest reduced the fees paid by participants by more than \$1.5 million a year.

Furthermore, in addition to this focus on third-party fees, Innovest benchmarks its own fees—which are primarily either hard dollar or flat fee—against the industry. "We can talk to clients about how our fee, our involvement in the plan, directly benefits plan participants," Dominguez says, noting that Innovest offers both group and one-on-one participant meetings, and serves as either a 3(21) or 3(38) fiduciary to all of its plans. "So, we think it's absolutely legitimate for our fee to be paid by the plan participants, but we also recognize that our presence on the board helps our committees be better fiduciaries and protect themselves on the fiduciary standpoint, so we can also talk about how the plan sponsor benefits from our involvement," she says.

Because of Innovest's dedication to reducing fees, the practice has found it achieves the greatest success in this area by serving plans with \$20 million or more in AUA. In fact, Innovest's median plan size in assets is \$25 million. Innovest has also attracted a number of municipal 457 plans looking for the unusually high-touch depth of service the practice offers, Dominguez says. "A lot of legal firms have hired us as well, and that's a great feather in our cap just because a lot of the best ERISA [Employee Retirement Income Security Act] attorneys in the state sit on those committees."

Having achieved a successful track record over the past eight years and built the practice up to \$5.2 billion in assets, at this point Innovest is primarily interested in working with "those plan sponsors who are truly engaged and have a genuine interest in improving the plan for their participants while maintaining fiduciary soundness," says Rick Rodgers, consultant, vice president and director.

This goes back to the point about serving not just as an investment adviser but a true retirement plan adviser, Dominguez says. "Our value proposition is not just picking funds but focusing on the entire retirement plan—its design, automatic enrollment, automatic escalation, restructured company matches, deferral rates, participation rates, investment diversification, financial wellness and retirement readiness. These are the benchmarks and goals we hold to each plan."

In tandem with educating its plan sponsor clients about the importance of outcomes and consistently improving results, Innovest surveys its clients annually to find out what additional measures they would like Innovest to take to improve each plan further. Clients rated gave Innovest a 4.7 out of possible 5 score in the last client survey.

—*Lee Barney*