

INNOVATION



Hospitals and Healthcare Systems

**Outsourcing options for your
investment program**



Manage complexity

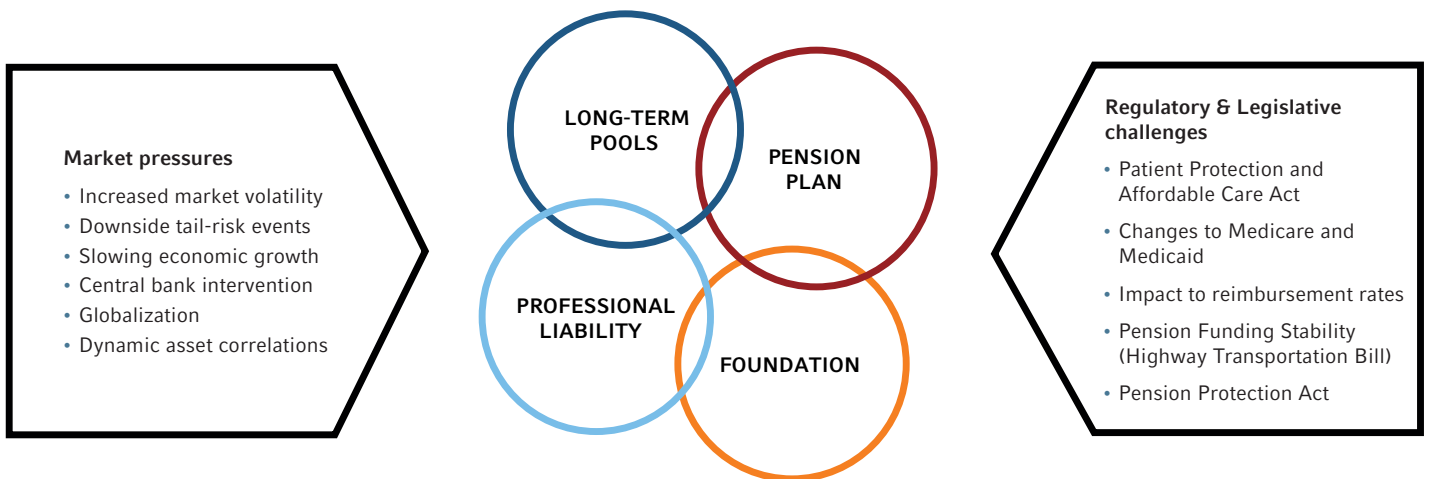
Hospitals and healthcare systems face some of the most complex investment challenges. Multiple asset pools—each with unique goals, risk profiles and regulatory challenges—combined with volatile markets and constant downward pressure on resources... There's a lot to manage.

As is often the case when managing complexity, effective delegation and oversight are key. Many organizations are finding that the traditional approach is no longer sufficient – that quarterly meetings used to manage the operations of different vendors for advice, investment management and administration may fall short in a rapidly evolving investment environment.

Hiring a co-fiduciary to manage the day-to-day details of an investment program can provide CFOs the breathing room they need to refocus their attention on the issues that matter most.

By delegating some current responsibilities to a skilled and trusted provider, the CFO and investment committee can increase their focus on outcomes and the strategic management of the investment program.

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Russell Investments has been providing investment outsourcing solutions to hospitals and healthcare systems since 1983.

Simplify your journey

Your goals are unique. How can Russell Investments help you pursue them?

Every hospital and healthcare system is different, and Russell Investments creates solutions for each that are tailored to fit the needs of the investment program. For many clients, we assume responsibility not only for strategic advice, manager research and performance evaluation, but also:

Implementation:

- Portfolio construction
- Manager selection, hiring and firing
- Fund and portfolio management
- Routine rebalancing
- Risk management
- Transition management

Administration:

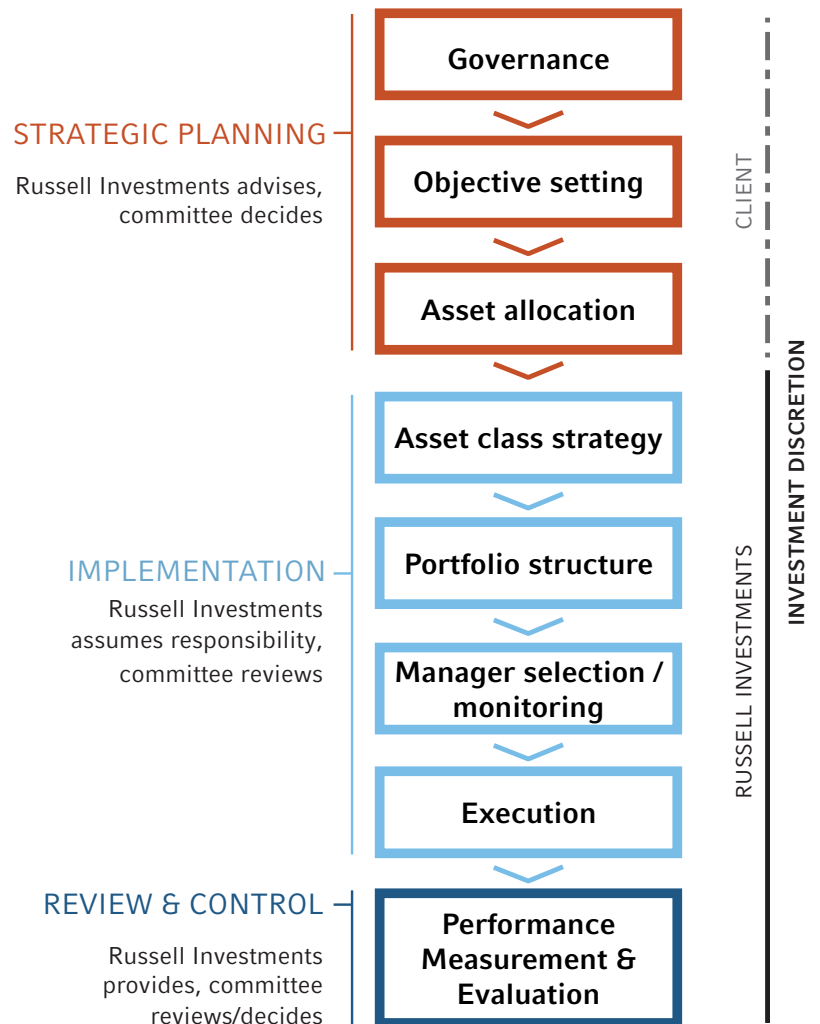
- Trust and custody
- Fund reporting
- ERISA reporting
- Audit assistance

Much more:

- Capital markets research
- Investment modeling and analysis
- Online reporting
- Committee education

Russell Investments employs hundreds of investment professionals who will serve as an extension of your staff, working to guide your decisions and manage your investment program to help you fulfill your fiduciary duties.

Spectrum of responsibility



We are flexible in the level of investment discretion we can assume, with solutions ranging from manager selection and monitoring through full asset allocation discretion.



Enhance your investment program

Investment outsourcing is not just about simplification...

It's also a means to enhance your investment sophistication and capabilities. In our experience, it's possible to delegate many of your current duties to a trusted provider, as well as dramatically enhance the overall investment program.

What kinds of enhancements?

Looking at your investment program today, does it incorporate any of the features listed below? If so, congratulations – you're at least one step ahead of many of your peers. If not, would your program be stronger if it did? You can count on the following guiding principles that underlie our investment approach:

- **Open architecture**

No single asset manager can do it all. Widely recognized as an industry leader in manager research, we leverage our proprietary insights to create portfolios utilizing managers we believe to be among the best in the world, then put them to work for you in a custom allocation designed to meet your specific risk and return requirements.

- **Outcome-oriented investing**

It's not enough to beat benchmark returns. We start with an understanding of your objectives and then design an investment solution tailored to meet your goals.

- **Investment discipline**

We remove emotional and behavioral biases and focus on a research-driven approach to investing. We consider and evaluate the broadest investment opportunity set available, seek returns where opportunity is greatest, and exercise stringent investment discipline to keep your portfolio on an even keel.

- **Effective risk management**

It's critical to "know what you own" before making changes to your investment portfolio. We leverage cutting-edge tools and software to help mitigate unexpected outcomes.

- **Dynamic portfolio management**

Our investment capabilities enable us to quickly respond to changing market dynamics. Timing and efficient implementation matter, and every basis point counts.

Performance is good, but progress toward financial goals is better. You can exceed your return benchmarks in every asset class and still lose ground in funded status, days of cash on hand and other goals that matter most to your organization.



Manage volatility

As a healthcare organization, you face the challenge of maintaining multiple asset pools. It's an intricate process of balancing the goals of each pool without negatively impacting your organization's financials or credit rating.

Volatility within the long-term asset pools can negatively impact your organization's financial health and debt-coverage ratios. In addition, market and interest rate volatility in a pension plan can create unexpected levels of unfunded liabilities and increased pension contributions.

Russell Investments works with our healthcare clients to manage volatility in a number of ways, such as:

- **Increasing diversification** of asset classes, including increased allocations to appropriate alternative investment strategies.
- **Reducing exposure to "risky" assets** through an increased allocation to fixed income and other less volatile assets.
- **Managing volatility of "risky" assets** through the addition of strategies with better downside protection characteristics, such as defensive equity.
- **Adding dynamic risk-hedging strategies** that can more effectively adapt to rapidly shifting market environments. Our portfolio managers have the ability to employ tactical tilts which seek to manage risk exposures, as well as to take advantage of market opportunities – all while operating within the guidelines of your investment policy.
- **Adopting a liability-responsive asset allocation strategy for the pension plan** that effectively reduces portfolio risk as funded status improves to reduce surplus volatility and pension contributions.



There is more than money at stake

We know there's more than money at stake. Patients, employees and communities depend on the success of your efforts.

That's why we're here to help, and why Russell Investments works to deliver real, lasting value for our clients.



Benefit from a different approach

One of the key benefits of investment outsourcing is streamlined management of investment portfolios, asset managers and vendor relationships. This is achieved by delegating much of this oversight to the fiduciary solutions provider.

In addition, our outsourcing solution provides the following benefits over other approaches:

- **Focus on strategic decisions**
Board and staff can focus on strategic decisions and delegate day-to-day investment functions and decision-making.
- **Increased accountability**
We take greater fiduciary responsibility and accountability for investment decisions versus traditional consulting models.
- **A focus on outcomes**
Portfolios are designed and managed from the total portfolio perspective and specifically tailored to the organization's overall objectives, as well as the goals of each specific asset pool.
- **Timely execution**
Portfolio changes, such as risk hedging and manager changes, can be made on a real-time basis rather than at quarterly committee meetings.
- **Cost efficiencies and scale benefits**
Size matters when negotiating fees. Our clients benefit from the access and pricing we get from asset managers.
- **Access to a well-resourced team**
A dedicated and experienced client service team will serve as an extension of your staff.



It can pay to delegate

Russell Investments employs hundreds of investment professionals to help keep you abreast of the latest industry innovations, regulatory developments and accounting rule changes.

We use this knowledge to create customized, state-of-the-art investment programs for our clients—programs which we not only recommend, but implement for you and help manage on an ongoing basis.

Seven questions to ask investment outsourcing providers

	1.	Do they draw the line at advice? Consultants provide vital advice. Asset managers bring that advice to life. Don't be forced to choose between the two when you can have the best of both worlds. Russell Investments has decades of experience in both advising healthcare organizations and managing their multi-asset portfolios.
	2.	Will they limit my investment options? Active. Passive. ETFs. Single manager. Multi-manager. Alternatives. Your choice of provider should not constrain the investment program you want to build. Beware of captive programs that limit your choices.
	3.	Do they actively manage client portfolios? Hire a provider who will commit portfolio managers to work on your portfolio in real time every day, taking advantage of immediate opportunities and dislocations in the market.
	4.	Will they measure progress against the goals that matter to me? Is their focus on beating asset-class benchmarks, or on achieving the outcomes that matter most to your organization? Performance is good, but progress is better – you can exceed your return benchmarks in every asset class and still lose ground in the goals that matter most to your organization.
	5.	Are they truly focused on investment outsourcing? If they're new to the outsourcing business, are you willing to help them learn it? Choose a provider who has decades of hard-won, hands-on investment outsourcing experience.
	6.	How strong are they in research? Implementation? Your investment program needs industry-leading manager research and award-winning implementation services. Your committee deserves thought leadership and access to innovative, results-oriented strategies.
	7.	How customized is their "customized" approach? Here's a simple checklist: Can they tailor the level of outsourcing discretion to suit your committee's appetite? Can they incorporate only those program elements you want, without charging you for those you don't need?

About Russell Investments

Russell Investments has helped hospital and healthcare system clients navigate challenges and meet goals since 1983. We work with each of our clients to fully understand their asset pools and unique investment needs. The comprehensive fiduciary solutions we design for our clients are tailored to meet each organization's specific goals and incorporate Russell Investments' award-winning advice, investment strategy and implementation.

We'd love to have a conversation. For more information:

Call Russell Investments at **866-739-7979** or visit russellinvestments.com/healthcare

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