

# Reducing complexity and fees

**Organisations that grow through mergers or acquisitions also grow the size and complexity of their investments programme. This story tells how we can tailor-build a solution to help clients streamline their programme, reducing both administration and costs.**

## The client

A large, US private academic health system composed of nationally ranked hospitals and academic programs has more than 30,000 employees, 4,400 faculty, 8,300 students and 1,680 medical staff working together to provide quality patient care as well as education to future healthcare professionals. The investment office oversees more than \$4 billion of non-qualified and qualified assets and \$2.2 billion of superannuation assets.

## The challenge

Over the past five years, the organisation has acquired or merged with four other healthcare organisations and one university, and the investment programme has more than tripled. The addition of each subsidiary organisation's multiple, unique asset pools resulted in a highly complex (and complicated) structure for the overall organisation's CIO to navigate.

## The strategy

Russell Investments built a custom, multi-asset solution to provide the client's team with the operational support they need, while allowing them to retain authority over key strategic decisions.

The solution, which leverages our size and scale, greatly simplified the organisation's investment programme by paring it down from 14 separate pools to four consolidated asset pools. We worked with the client to develop an integrated risk financial framework and built the new investment program to align with this framework. Each pool has a target risk-return profile based on its liquidity requirements. The ultimate portfolio structure combines all the superannuation assets into a single plan, and consolidates each of the separate short-term pools, long-term pools and extended working capital pools into three main pools of capital.

The new platform is flexible and allows for continued portfolio enhancement—for example, the organisation can screen for environmental, social and governance (ESG) factors in its funds to reflect any of its unique beliefs. We have also established agreed-upon ranges around the strategic asset allocation targets for each portfolio. These allow us to make tactical tilts when needed to capitalise on opportunities designed to enhance return or mitigate risk.

We built the separate account fund structure for the client and assumed responsibility for implementing the client's strategic decisions and for performing many of the day-to-day operational aspects of managing a portfolio. Additionally, the client benefits from lower manager and vendor fees thanks to our size and scale. Pooling the administrative structure and vendor relationships also greatly reduced the organisation's operational burden.

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## The results

By working with Russell Investments as its Outsourced CIO (OCIO), the organisation was able to streamline its multiple asset pools, retain control where desired, decrease the complexity of its investment programme and reduce expenses.

The organisation also benefits greatly from affordable access to our industry-leading manager research, portfolio structure insights and investment manager relationships. By increasing the client's buying power with managers and vendors, we helped save them over 12 basis points in fees—which represents a reduction of 28%.

Our solution has reduced the organisation's administrative overhead and risk by allowing it to delegate many day-to-day operational and administrative functions. The CIO and staff now have additional time and resources to focus on higher-level, strategic and value-creating decisions that will allow the portfolios to better support the organisation's overall financial goals.

## About Russell Investments

Russell Investments is a global asset manager with a unique set of capabilities that we believe is essential to managing your total portfolio and to meeting your desired outcome. At Russell Investments, we stand with you, whether you're an institutional investor, a financial adviser, or an individual guided by an adviser's personalised advice. We believe the best way to reach your desired outcomes is with a multi-asset approach that combines asset allocation, capital markets insights, factor exposures, manager research and portfolio implementation.

## For more information

Call Russell Investments at [612 9229 5111](tel:61292295111) or visit [russellinvestments.com.au](https://russellinvestments.com.au)

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