

## VIDEO

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# Focus on Funds: Fund Boards Respond to Change

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## Fund Boards Respond to Change

Fund board directors are taking up the challenges of today's ever-evolving fund industry. Keith Hartstein, member of the Independent Directors Council's Governing Council and independent director for PGIM Funds, describes today's environment and board responsibilities.

### Transcript

**Stephanie Ortvals-Tibbs, ICI director of media relations:** At ICI's General Membership Meeting, experts painted a picture of an industry that is in a time of great transition. So how does that play out for fund board directors? Afterwards, I got some insights.

**Keith Hartstein, IDC Governing Council member and independent director, PGIM Funds:** One of the first things we heard this morning was about the intense fee pressure that fund advisers are under. And about the tremendous investment they are having to make in technology. We need to be asking about reinvestment into the business. About the steps that the adviser is taking that may not show up directly in the boardroom. But, the reinvestment that they are doing, the technology improvements they are making. It will have implications also later on if they bring on third-party administrators as we look at vendor oversight and things like that.

**Ortvals-Tibbs:** With this long new to-do list, what else goes on to the list these days?

**Hartstein:** The challenges that distributors were facing trying to comply with the DOL rule when that was being proposed.

**Ortvals-Tibbs:** The fiduciary rule that was out of the Department of Labor.

**Hartstein:** Exactly. Even though it was never enacted, it had a pronounced impact on broker-dealers.

**Ortvals-Tibbs:** You also need to be aware from your position that shelf space is shrinking.

**Hartstein:** Yes, shelf space is indeed shrinking. A lot of fund companies and boards have

faced dwindling distribution opportunities. We talked a little bit about how fund companies need to learn how to work outside the models—if they are not included on the shelf, or included in the models, how do they build assets by positioning their funds as complements to the models. Or, alternatively, creating model portfolios of their own that distributors would consider. That may involve embracing other people's funds in your own proprietary models. So, there's a lot to be discussed, both in the boardroom and outside the boardroom by the fund company itself.

## **Additional Resources**

- [Independent Directors Council Website](#)
- [Register Now: 2019 Fund Directors Council](#)
- [ICI Viewpoints: IDC Celebrates 15 Years](#)

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