

**DEFINED CONTRIBUTION PLANS
COMMITTEE**

Jason Bader
Stacy Hussey
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COMMITTEE STAFF

Samantha Wallace, Committee Secretary
Jeffrey Massey, Senior Deputy City Attorney
Kristina Byrd, Staff

**Special Meeting
Agenda
Defined Contribution Plans
Committee**

City Hall, Historic Hearing Room 915 I Street

**Published by the
Department of Human Resources
(916) 808-5731**

**Wednesday, September 18, 2019
10:00 a.m.**

NOTICE TO THE PUBLIC

You are welcomed and encouraged to participate in this meeting. Public comment is taken on items listed on the agenda when they are called. Public Comment on items not listed on the agenda will be heard as noted on the agenda. Comments on controversial items may be limited and large groups are encouraged to select 3-5 speakers to represent the opinion of the group.

Notice to Lobbyists: When addressing the legislative bodies you must identify yourself as a lobbyist and announce the client/business/organization you are representing.
(City Code 2.15.160).

Speaker slips are available on the City's Website and from staff and should be completed and submitted to the Committee Clerk.

Government Code 54950 (The Brown Act) requires that a brief description of each item to be transacted or discussed be posted at least 72 hours prior to a regular meeting. The City posts Agendas at City Hall as well as offsite meeting locations. The order and estimated time for Agenda items are listed for reference and may be taken in any order deemed appropriate by the legislative body. The Agenda provides a general description and staff Recommendation; however, the legislative bodies may take action other than what is recommended. Full staff reports are available for public review, including all attachments and exhibits on the City's website. "To Be Delivered" and "Supplemental" reports will be published as they are received. Hard copies are available at the Department of Human Resources and all written material received is available at the meeting for public review.

Meeting facilities are accessible to persons with disabilities. If you require special assistance to participate in the meeting, notify the Department of Human Resources at (916) 808-7657 at least 48 hours prior to the meeting.

General Conduct for the Public Attending Defined Contribution Plans Committee Meetings

- Members of the public attending Defined Contribution Plans Committee Meetings shall observe the same rules and decorum applicable to the Members and staff as noted in Chapters 3 and 4 of Council Rules of Procedure.
- Stamping of feet, whistles, yells or shouting, physically threatening conduct, and/or similar demonstrations are unacceptable public behavior and will be prohibited by the Sergeant-at-Arms.
- Lobbyists must identify themselves and the client(s), business or organization they represent before speaking to the Committee.
- Members of the public wishing to provide documents to the Committee shall comply with Rule 7 D of the Council Rules of Procedure.

Members of the Public Addressing the Defined Contribution Plans Committee

Purpose of Public Comment. The City provides opportunities for the public to address the Committee as a whole in order to listen to the public's opinions regarding non-agendized matters within the subject matter jurisdiction of the City during Regular meetings and regarding items on the Agenda at all other meetings.

- Public comments should not be addressed to individual Members nor to City officials, but rather to the Committee as a whole regarding City business.
- While the public may speak their opinions on City business, personal attacks on Members and City officials, use of swear words, and signs or displays of disrespect for individuals are discouraged as they impede good communication with the Committee.
- Consistent with the Brown Act, the public comment periods on the Agenda are not intended to be "Question and Answer" periods or conversations with the Committee and City officials. The limited circumstances under which Members may respond to public comments are set out in Rule 8 D 2 of the Council Rules of Procedure.
- Members of the public with questions concerning Consent Calendar items may contact the staff person on the report prior to the meeting to reduce the need for discussion of Consent Calendar items and to better respond to the public's questions.

Speaker Time Limits.

In the interest of facilitating the Committee's conduct of the business of the City, the following time limits apply to members of the public (speakers) who wish to address the Committee during the meeting.

- **Matters not on the Agenda.** Two (2) minutes per speaker.
- **Consent Calendar Items.** The Consent Calendar is considered a single item, and speakers are therefore subject to the two (2) minute time limit for the entire Consent Calendar. Consent Calendar items can be pulled at a member's request. Such pulled Consent Calendar items will be considered individually and up to two (2) minutes of public comment per speaker on those items will be permitted.
- **Discussion Calendar Items.** Two (2) minutes per speaker.

Time Limits per Meeting: In addition to the above time limits per item, the total amount of time any one individual may address the Board at any meeting is eight (8) minutes.

- Each speaker shall limit his/her remarks to the specified time allotment.
- The Presiding Officer shall consistently utilize the timing system which provides speakers with notice of their remaining time to complete their comments. A countdown display of the allotted time will appear and will flash red at the end of the allotted time.
- In the further interest of time, speakers may be asked to limit their comments to new materials and not repeat what a prior speaker said. Organized groups may choose a single spokesperson who may speak for the group but with no increase in time.
- Speakers shall not concede any part of their allotted time to another speaker.
 - The Presiding Officer may further limit the time allotted for public comments per speaker or in total for the orderly conduct of the meeting and such limits shall be fairly applied

AGENDA

Wednesday, September 18, 2019

10:00 a.m.

915 I Street, City Hall, Historic Hearing Room

Open Session

Roll Call

Public Comments – Matters Not on the Agenda

Consent Calendar Estimated time: 5 minutes

All items listed under Consent Calendar are considered and acted upon by one Motion. Anyone may request an item be removed for separate consideration.

There are no consent calendar items for this meeting.

Discussion Calendar Estimated time: 1 hour 30 minutes

Discussion Calendar items include an oral presentation including those recommending “receive and file.”

1. Retirement Plans Consulting Services Request for Proposals

Location: Citywide

Recommendation: Review information and receive presentations from the top three scored responders to RFP #19081021003. Firms presenting include Hyas Group, NFP, and NEPC.

Contact: Samantha Wallace, Human Resources Manager, (916) 808-7657, Department of Human Resources

Member Comments-Ideas, Questions and Meeting/Conference Reports

Adjournment

Meeting Date: September 18, 2019



Report Type: Discussion

Defined Contribution Plans Committee

Historic City Hall, Hearing Room
915 I Street

www.CityofSacramento.org

Title: Retirement Plans Consulting Services Requests for Proposals

Location: Citywide

Recommendation: Review information and receive presentations from the top three scored responders to RFP #19081021003. Firms presenting include Hyas Group, NFP, and NEPC.

Contact: Samantha Wallace, Human Resources Manager, (916) 808-7657, Department of Human Resources

Presenter: Samantha Wallace, Human Resources Manager, (916) 808-7657, Department of Human Resources

Department: Human Resources

Division: Human Resources Administration

Dept ID: 08001011

Attachments:

- 1-Description/Analysis
- 2-NEPC Proposal and pre-presentation response
- 3-Hyas Group Proposal and pre-presentation response
- 4-NFP Proposal and pre-presentation response
- 5-RFP #19081021003 Evaluation Score Sheet

Description/Analysis

Issue Detail: The City currently contracts with Nationwide Retirement Solutions and ICMA-RC to administer the City's 401(a), 457(b), and Retiree Health Savings accounts. At the January 9, 2019, meeting, a motion was passed directing staff to draft a Request for Proposals (RFP) for the services of an investment advisory consultant for the City's defined contribution plans. At the March 14, 2019, meeting, the Committee formed an ad-hoc committee to work on the scope of services for the RFP. At the April 3, 2019, meeting, the Committee directed the ad-hoc committee to review submitted proposals and bring back to the committee up to the top three rated proposals received.

The City received seven responsive proposals to the RFP. The ad-hoc committee reviewed and scored the proposals resulting in the following top three firms:

1. Hyas Group – averaged score of 91
2. NFP – averaged score of 83
3. NEPC – averaged score of 76

At the July 17, 2019, meeting, the Committee directed staff to schedule presentations from the top three scored proposals at a special meeting to be held on September 18, 2019. In addition to the presentation, firms being invited to present to the Committee were to be provided with a set of questions for response prior the September 18, 2019, meeting.

Process for presentations

Each firm will be provided thirty minutes for a presentation and question and answer period. The order of presentations was selected randomly using an online random generator tool.

Presentation schedule:

1. 10:15 a.m. – NEPC
2. 10:45 a.m. – Hyas Group
3. 11:15 a.m. – NFP

Further discussion and selection of a firm is expected to occur at the Committee's October 16, 2019, meeting.

Policy Considerations: In accordance with City policy AP-4102, a Request for Proposals is required for the City to obtain the services of an Investment Advisory Consultant.

Economic Impacts: None.

Environmental Considerations: None.

Sustainability: None.

Commission/Committee Action: None.

Rationale for Recommendation: In accordance with City policy AP-4102, a Request for Proposals is required for the City to obtain the services of a Retirement Plans Consulting Service.

Financial Considerations: The cost for a consultant is to be funded by 401(a) and 457(b) plan participants via an administrative allowance account.

Local Business Enterprise (LBE): None.

To: Samantha Wallace
From: Michael Malchenko and Carolyn Smith
Date: September 3, 2019
Subject: RFP Questions and Answers

Dear Samantha,

Please find our responses to the pre-presentation questions regarding the City of Sacramento Retirement Plans Consulting Services RFP #P19081021003 below. Questions are in bold font and answers are in non-bold font.

1. Your firm's organizational structure and operations

a. Describe the ownership, services provided, and organizational structure of your overall company.

NEPC is a Limited Liability Company. Today, ownership is shared among 41 Partners. NEPC's sole focus is on investment consulting while being 100% employee owned (no one person owns more than 8%) assures our clients that we will be able to keep doing what we love for many years to come. NEPC receives 100% of our revenue exclusively from providing advisory consulting and discretionary investment consulting services to our clients.

NEPC offers a full suite of investment consulting services to defined contribution clients. On an ongoing basis our services address every phase of the investment process, including:

- Investment policy development;
- Custom target date fund modeling;
- Innovative solutions to investment needs (participant retention strategy, participant participation strategy, demographic-based investment option selection analysis, ;
- Vendor searches, evaluation and placement including: recordkeeper, investment manager, custodian and searches for both public and alternative assets;
- Due diligence on investment managers, vendors and investment products;
- Performance analysis for all investment options, each target date fund, each asset class or sub-asset class and each manager;
- Investment management fee analysis;
- Discretionary services, and:
- Client education.

NEPC has a staff of 290 professional employees, all of whom are solely dedicated to the practice of investment consulting (as of 6/30/2019). Our 104 consultants include 72 consultants who work directly with clients, and 32 consultants involved in asset allocation, portfolio construction, public markets and alternative assets research. We are organized by practice teams to provide specialized consulting services to different fund types. NEPC has seven consulting practice teams devoted to Taft-Hartley, Public Funds, Endowment/Foundation, Healthcare Organizations, Corporations, Private Wealth Clients and Defined Contribution Plans. Additionally, 127 analysts function under the areas of consulting, research across traditional and alternative asset classes and preparation of performance measurement, manager search, and asset allocation studies. There are 19 members of our staff who are responsible for compliance, financial reporting, human resources and marketing. Seventeen members of our staff are responsible for our systems, nine members of our staff are responsible for operations, and 14 employees have administrative responsibilities.

NEPC's Organizational Charts and NEPC Team Fact Sheet can be found in Exhibit 1 at the end of this document (pp. 14-17).

b. How does the unit that submitted this proposal fit into the overall structure? Is your firm, including its parent company and any of the parent's subsidiaries, structured in a way such that your advice to us will not influence the revenue earned by any part of your company?

Carolyn Smith, Partner, and Michael Malchenko, Sr. Client Specialist, are members of NEPC's Public Fund practice. The public fund practice is one of seven practice teams within NEPC and is the largest contributor to revenue for the firm. Referencing Exhibit 1, the Public Fund practice group totals 14 consultants. Additionally, Carolyn and Mike will work with members from our Defined Contribution practice to provide services to the City of Sacramento. Our Defined Contribution practice group includes 20 consultants and analysts.

Since inception in 1986, NEPC has been 100% employee-owned and is therefore neither an affiliate nor a subsidiary of any organization. NEPC receives 100% of our revenue exclusively from providing advisory consulting and discretionary investment consulting services to our clients. We do not provide trust, actuarial or brokerage services. NEPC provides discretionary investment services for certain clients as an extension of our traditional consulting business. Under this service, we primarily determine asset allocation, and select and implement investment managers and certain strategies for our clients, based on the client's goals and objectives. We do not trade or otherwise manage individual securities. NEPC spent several years developing our discretionary service offering before its launch, concentrating on how we can best manage the potential conflicts between our discretionary and traditional advisory consulting businesses. The two most important policies developed by NEPC to directly address the potential conflicts referenced are: 1) we will not create funds-of-funds or other NEPC products to ease our administrative burden,

and 2) our Allocation Policy prohibits unfair allocation of limited capacity investment ideas to one client or client type to the detriment of other clients.

c. For example, do you provide services to the asset management community or to other types of businesses that you may be asked to review and analyze for your clients?

NEPC provides its defined contribution consulting services to the retirement plan participants of Affiliated Managers Group (AMG). AMG does not manage investments, but has ownership stakes in a group of mid-sized asset management firms. The AMG subsidiary firms operate independently while AMG provides them with strategic, operational, marketing, and distribution support.

- NEPC provides investment advice to the employee 401(k) Plan of Brookfield Properties (NYSE: BPO), a subsidiary of Brookfield Asset Management Inc. (NYSE: BAM).
- NEPC provides research and consulting services to Westwood Trust, a Texas Trust Company. The parent of Westwood Trust owns a mid-sized asset management firm, Westwood Management.

We use the services of investment management firms to manage our employee Profit Sharing and 401(k) Plans, as do nearly all firms offering retirement plan benefits to their employees.

- T. Rowe Price provides investment and record keeping services to NEPC's 401(k) plan. The 401(k) plan is self-directed; therefore, NEPC does not compensate T. Rowe Price directly. Management fees are assessed to the participant accounts.

d. Do you offer your own investment products or fund of funds services, or do you make investments in the types of businesses that your clients may ask you to review and analyze?

No, NEPC does not offer its own investment products or fund of fund services. NEPC does not make investments in the types of businesses that our clients may ask us to review and analyze.

2. Working with the Committee

a. Describe your experience working with an oversight committee which holds meetings open to the public and must comply with California's Ralph M. Brown Act and a majority of whose members are selected by employee and retiree organizations.

The consulting team assigned to the City of Sacramento has extensive experience working with clients who conduct their meetings in a public setting. Carolyn Smith, Partner and Michael Malchenko, Sr. Client Specialist, currently work with four local California governments that are subject to the Brown Act. Over their careers, Carolyn (32 years) and

Mike (14 years) have worked with many local California governments and understand the protocols of public comment, inspection, meetings, agendas, closed sessions and the penalties and enforcement related to the Brown Act. In particular we understand the importance of preparation of agenized materials and having materials to our clients with plenty of time for public dissemination. The NEPC Redwood City, California office services nine local government organizations that are subject to the Brown Act.

b. How would you work with the Human Resources manager assigned to staff the Committee?

NEPC is open to working with the Human Resources manager in any capacity with respect to driving initiatives important to the Humans Resources manager and Committee. At a minimum, we propose the following fiduciary calendar: quarterly investment performance reviews, annual investment policy review, annual QDIA review, annual plan fee and benchmarking analysis, recordkeeper reviews every 3-5 years, and investment manager searches as needed. We will work with the Human Resources manager to provide our materials to support this fiduciary calendar and to provide input on other agenda items including educational presentations, market trends, etc. We will want to establish regular points of contact between committee meetings with the Human Resources manager.

c. How would you determine what information is given to staff versus given to the Committee?

NEPC recognizes that from time-to-time information provided to staff is preliminary and/or a work in progress as compared to information provided to the Committee which is more likely to be final and well-polished. NEPC, and in particular your assigned team, has decades of experience in working with staff and committees/ governing bodies and understands how to work with both levels of the organization. Broadly speaking, the information that staff receives is not materially different than what Committees receive except for the potential iterative process in achieving the final result. Additionally, we will develop a working relationship with and can be a resource for your staff.

d. The Committee is scheduled to meet quarterly. How often would you want to meet with the Committee, and about how much time at each meeting and in total throughout a year should be devoted to discussions and trainings with you?

NEPC is committed to attending quarterly meetings and is also committed to educational sessions that are off cycle and/or special meetings at a mutually agreed upon intervals. Typically, we work the committee to understand your needs and work pragmatically in formulating a work plan and agenda for the year. We do understand that the Committee is relatively new and therefore expect that trustee education on process, procedure and best practice may be top of mind. Many of our clients have asked that we provide some fiduciary training at each and every quarterly meeting which can range in time from 15-60 minutes. Some clients have asked us to conduct 1-2 workshops devoted to a specific topic each year

that ranges from 2-4 hours. At a minimum will want to establish a fiduciary calendar with your staff and Committee. A sample is provided below.

DC Plan Review Calendar

Meeting	Agenda Item
Feb/March	Review Q4 Performance Capital Market Observations
May/June	Review Q1 Performance Investment Policy Review
Aug/Sept	Review Q2 Performance Plan Fee and Benchmarking
Nov/Dec	Review Q3 Performance QDIA Review

e. In between Committee meetings, what kind of communications do you think you would have with staff or Committee members?

NEPC typically works directly with staff on any and all plan related items. For example, investment policy evaluation and drafting, investment manager searches, investment operations, investment performance measurement, menu design etc. Should committee members want to interact with NEPC we do encourage it and we are cognizant of governance rules and best practices as it relates to interactions with committee members.

Additionally, if there are any due diligence events that happen with your underlying investment managers, we will notify staff by email and/or phone. If the item is serious enough that we want you to review or terminate the relationship, we will notify all impacted clients via email at the same time. These notifications come directly from our research team to designated key contacts at each client. Most clients identify 1-2 staff members and some clients identify their entire board and/or committee.

We send out a monthly email to clients with market performance information, links to any new white paper, quarterly Market Thoughts publication, and any update on NEPC.

3. Working with Nationwide

a. How should we better understand when it is the City’s responsibility to hire a consultant compared to when it is Nationwide’s responsibility to provide the following information or services:

a) recommendations on changes to the fund lineup;

Typically, the committee hires an investment consultant to aid in fund lineup construction. However, there are times when a recordkeeper may provide input on what is offered. Typically, we see this with the decision to offer managed account services. Should there be

constraints on desired fund lineup changes your consulting staff at NEPC will work with Nationwide, the committee and staff to understand the constraints and work with all parties to determine the fund lineup.

b) investment and retirement advice and education to participants and to the Committee; and

Investment and retirement advice and education directly with participants is typically done by Nationwide with input and advice from your Committee, staff and investment consultant. NEPC is experienced with providing input on educational campaigns around retirement outcomes, investment options and being able to focus participant behavior for better outcomes. Investment and retirement advice and education to the Committee may be sought from both your investment consultant and Nationwide, though typically policy, investment manager/ vendor search and investment design falls under the purview of your investment consultant. We believe that the scope of work as outlined in your RFP document outlines the role and expectation on your investment consultant well.

c) recommendations and implementation of strategies to increase participant numbers and dollars and reduce participant withdrawals?

We have found that the clients who achieve favorable results with increasing participant numbers and dollars and reducing participant withdrawals, are clients who demand a collaborative partnership with all of their service providers (i.e., recordkeeper, communications and investment consultants) and staff, including a subset of the Committee and/or union representatives.

b. Based on what you know about Nationwide and the size and decentralized nature of the City's workforce and of those participants who are no longer contributing, are there services that Nationwide should be providing that they often do not? If Nationwide's income goes down every time a participant transfers their assets out of the plans, what should Nationwide be doing to discourage the transfers out from happening?

We believe that Nationwide is a top recordkeeper and plan administrator and should be providing the committee and staff with ongoing advice as to how all of their offerings may aid the Plans with issues like asset transfers out. Discouraging transfers out may be best tackled by the Plan implementing a more desirable plan design which allows for partial withdrawals and the ability for participants to roll their assets back into the plan as long as they have left a minimal balance in the plan. We have worked with other clients and their recordkeepers to develop communication tools and processes with the aim at keeping assets in the plan. Also, providing a managed account feature can help with the leakage of assets at retirement.

c. Of the recommendations you typically make, which of them are likely to receive resistance from Nationwide and why?

We believe Nationwide is a highly competent partner for the Plans. Recommendations made by NEPC should have little resistance from Nationwide, as long as Nationwide receives the amount of revenue identified in their contract with the City of Sacramento. They should be indifferent as to how that revenue is received (i.e., revenue in the form of revenue sharing or a percentage of assets in any individual investment offering or in the form of a per head fee charged directly to participants for administration and recordkeeping.) However, we know that most likely removing the Nationwide-proprietary stable income fund may not be possible. If this is the case, we will want to make sure the Committee and staff fully understand the fees that Nationwide are charging to manage this investment option. Many times, the fee isn't fully disclosed and is backed out of the crediting rate. This is where we find the most resistance from recordkeepers within the public fund DC marketplace.

The trend in the industry is to move away from paying for recordkeeping services through the form of revenue sharing and to move towards a per head set fee for recordkeeping services. We will work with the Committee and staff to determine the best way to pay for recordkeeping services without compromising the investment fees and offerings for participants.

d. At what point should the Committee be concerned if Nationwide is reluctant to implement certain changes because it impacts their revenue?

We think the best way of administering a defined contribution plan is to understand the exact revenue number needed by the recordkeeper to administer the plan, adopt a fee policy and figure out how to pay for the recordkeeping fee independent of the investment offerings. We believe it is best practice to offer high quality investment offerings for the lowest fee possible and not pay for administrative services through the use of revenue sharing within a plan. However, many times this isn't possible, so identifying where revenue sharing exists, monitoring the revenue sharing and not allowing revenue sharing to influence investment decisions is an important step to demonstrating fiduciary responsibility. NEPC would become concerned with Nationwide if they were not willing to provide a per head recordkeeping fee, not willing to provide the revenue sharing arrangements that are currently in place today and if they did not want to implement any of the committee's planned changes.

e. If you believe strongly in your recommendation to the Committee, how would you work with the Committee and Nationwide to overcome that resistance?

Your investment advisor's role is to act in a fiduciary capacity to the Plan and Committee. Should a recommendation not be approved, we may resolve to work with the Committee and Nationwide to alter the recommendation in a manner that is amenable for implementation. In our experience, we would not bring a recommendation to the committee without an appreciable amount of work and education on the given issue. The process of reworking a recommendation may include but would not be limited to more education, a better more precise work plan and or acceptance that the recommendation is not approved.

4. Refinement of services

a. Several RFP respondents suggested the following refinement of services to better serve participants: a) help participants more thoroughly understand their retirement readiness in individual and group settings; b) help participants understand guaranteed lifetime income; c) reorder Nationwide's fund lineup online and on paper so that target date funds are shown first; and d) select target date funds based on carrying participants "through" retirement for a set number of years, rather than based only on getting participants "to" a retirement age in a particular year. What are your thoughts about these suggestions in general and specifically for the City's plans?

NEPC is an advocate for all of these suggestions under the right circumstances. Communication and education in an individual or group setting can lead to better investment outcomes for participants. We are advocates of guaranteed lifetime income solutions, but also recognize that not all plan sponsors are comfortable with offering these solutions within the plan. We have a number of clients who offer these solutions outside of the plan. We would want to work with Nationwide, the Committee and staff to identify the best solution for your plans. We do know that when a plan sponsor emphasizes target date funds in their communications with participants, we see a higher adoption rate. NEPC is an advocate for through retirement target date funds as asset allocations in through retirement target date funds typically allow for participants to hold growth assets longer and are expected to have higher returns. Additionally, when participants have access to a defined benefit plan, we think assuming some additional risk by adopting a "through" retirement glide path can be beneficial.

5. New services

a. Several RFP respondents suggested the following new services to better serve participants: a) add such features as re-enrollment, auto-enrollment, active choice enrollment, and auto-escalation; b) create custom target date portfolios that accurately reflect the specific demographics of participants; c) begin the use of "collective investment trusts;" d) create "white label" funds to replace a group of individual funds in the lineup; and e) encourage Nationwide to provide student loan debt repayment options to participants as a way of engaging (mostly) millennials whose debt is keeping them from investing. What are your thoughts about these suggestions in general and specifically for the City's plans?

We outlined many of these new services as part of our response to your RFP and we believe that it would be beneficial for the City to consider them. However, we do not believe that in order for the Plans to be competitive, all of these features need to be adopted. Some of the things outlined are easy to implement (i.e., the use of collective investment trusts) and some require a greater degree of engagement (i.e., custom funds.) We will want to work with you and Nationwide to determine what is best for you.

We believe that automated features are beneficial to getting participants into a Plan, deferring an adequate amount and making wise investment decisions, all of which lead to a better outcome at retirement. However, we also recognize that state law doesn't provide a safe harbor for these automated features and therefore, there is a legal risk of adopting these features that the Committee should consider.

We have assisted many clients with the implementation of white label funds and custom target date funds and know that these programs have been beneficial for our clients. However, they aren't right for every client. The asset size, staff size and Committee appetite for these custom products need to be considered for the program to be successful. Without the ability to discuss directly with you, we are not in a position to know if the customized route is the right direction for the City of Sacramento.

6. Fund lineup

a. Some of the respondents to the RFP recommended changes to the fund lineup and others did not. For example, several respondents recommended replacing the American Century OneChoice target date suite of funds and the Invesco Oppenheimer International Growth fund. Refer also to the recommendations related to target date funds and white label funds described in Questions 4 and 5. Why would Nationwide not be giving the Committee the same advice? Given that opinions will often vary, how should the Committee respond to the advice you provide on fund lineup when Nationwide hasn't given the same advice?

b. When providing advice about the fund lineup, how important is it for you and the Committee to understand characteristics of the participants as described by the US Department of Labor in "Target Date Retirement Funds - Tips for ERISA Plan Fiduciaries" at <https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/fact-sheets/target-date-retirement-funds.pdf>? Whose responsibility is it to obtain and analyze the characteristics of the participants?

We are not in a position to know why Nationwide is not providing these types of recommendations to the Committee. However, we suspect that they may have limited capabilities when it comes to providing investment advice as their primary business is to provide recordkeeping services. We find that when Committees hire an investment consultant, they do so in order to gain an independent view to help them make decisions. If we are hired, the advice we will provide the Committee will be based on as much information we can gather about your situation, Nationwide's recordkeeping capabilities, our experience, industry trends and best practices. We recognize that there are many different ways of structuring a successful investment program. In fact, we see three major trends developing as it relates to investment programs. They range from offering only index fund options to highly customized core and target date fund offerings. We don't see any one path as being superior to the others and can provide multiple solutions for the City of Sacramento and help you work through what is best for you. However, we will not shy away from providing you with our thoughts on what we think is best once we have had the

chance to understand more about your governance structure and plan demographics. Nationwide should be able to provide the Committee and NEPC with details on the Plans' demographics.

7. Blind RFIs

a. Do you conduct blind Request for Information processes on record-keepers so that you and the Committee can better understand the current market for fees and services? Why or why not? If you do, how often and is there an additional cost to the City?

We do not conduct blind RFIs on recordkeepers. We think the best way of understanding the current market for recordkeeping costs is through the RFP process. However, on an annual basis we do review plan fees and benchmarking of our clients.

8. Optional services

a. What are the most common services that your clients ask you to undertake that are not part of the City's scope of services as stated in the RFP? What is the typical cost for these optional services? Did you include any of these services in your proposal price even though they were not in the scope of services?

Our RFP response did include an itemized list of items covered and not covered in the standard retainer. Projects like vendor searches are most often billed outside the standard retainer. Clients ask us to undertake this type of a project once every 3-5 years.

9. Cost Proposal in RFP Response

a. Please clarify the fee quoted in your submittal as it pertains to receiving each of the services identified in the scope of services.

There are 13 bullets below that we understand are part of the scope of service and are italicized. Non-italicized font is our answer as to clarify our RFP response.

1. Provide advice regarding plan design and compliance with applicable federal and state laws.
Included, though we may recommend seeking counsel from a qualified legal team should it be required.

2. Conduct analyses and make recommendations with regard to investment plan performance, participant costs, plan/investment management, fund selection, plan design, and the format and content of information submitted by service providers.
Included.

3. Monitor fund performance and recommend changes to the portfolio of funds within the plans.

Included.

4. Negotiate fees with service providers and recommend opportunities to negotiate fees with fund managers.

Included.

5. Monitor and report on the performance of plan service providers in accordance with contractual terms and industry best practices.

Subject to project costs.

6. Review Defined Contribution Plans Committee governing documents and recommend revisions.

Included.

7. Assist with the preparation of documents for the procurement of third-party services.

Subject to vendor search cost dependent on the scope of the search. Investment manager searches within public markets are included in the retainer fee. Recordkeeping searches are billed at \$50,000 per search.

8. Provide regulatory and technical guidance.

Included, though we may recommend seeking counsel from a qualified legal team should it be required.

9. Provide information and advice on proposed legislation and regulations that could affect the plans and participants.

Included, though we may recommend seeking counsel from a qualified legal team should it be required.

10. Recommend relevant education and training sources and materials for the Defined Contribution Plans Committee and participants.

Included.

11. Recommend marketing and other strategies to increase the number of participants and the amount under investment.

Included.

12. Prepare and present information to the Defined Contribution Plans Committee, in person, at quarterly meetings.

Included.

13. Prepare an annual written report for the City Council.

Included. May be subject to project cost depending on content.

b. Are any of the items in the scope of services not included in your quoted fee?

Our quoted fee does not include the development of custom target date funds. Also, as noted above answered in question 9a, we will charge separately for recordkeeping and administration provider searches.

c. Are any of the items included within your quoted fee additional services that were not in the scope of services?

As noted above answered in question 9a.

10. Working with Nationwide

a. You report that none of your clients are currently working with Nationwide. Do you consider this an advantage or disadvantage for you and for the Committee, and why?

We do not consider this an advantage or disadvantage. Our team is comprised of well-seasoned investment professionals that have experience with many service providers and plan administrators. It is incumbent upon your investment advisor to understand the scope of Nationwide's service to the Plan and ensure that their services are of sufficient quality in order to achieve the Plan's goals. The team at NEPC has deep resources through subject matter experts in the field, including Mr. Paul Kerry who is part of your prospective team and is an expert in the capabilities of a broad range of top vendors. We understand the relationship with Nationwide is a concern to the Committee and have proposed a team that, we believe, is specifically suited for the concern.

11. Government Clients a. Your submittal included the name of only one client that is a city government. What other city government clients do you have, particularly those which participate in the CalPERS retirement system?

We work with a number of city government clients, including some in the state of California (i.e., Fresno, Los Angeles, San Francisco.) However, we work with them in the capacity of providing investment advice on their defined benefit programs. To date, we have been selective about the RFPs we respond to for governmental defined contribution plans. However, we have started to respond to more governmental defined contribution plans in the last year. Carolyn Smith has worked with the Los Angeles County Savings Plan since the late 1990s and the plan became an NEPC client in 2006. The Los Angeles County Deferred Compensation and Thrift Plan has been an NEPC client since 2006 and Carolyn has worked with them since then. Mike Malchenko has worked with both plans since 2014. In his previous career at State Street Bank and Trust, Mr. Malchenko worked directly with CalPERS for approximately six years working with both the defined benefit and affiliate plans which include the Judge Retirement Fund and System Plans, Legislators Retirement System Fund, Healthcare Fund, Long-term Care Fund, California Employer Retiree Benefits Trusts and Supplemental Income Plans in a portfolio analytics and custodian banking relationship capacity. The team we have proposed for this opportunity has substantial

experience working with governmental defined contribution plans and we think the City of Sacramento will benefit from their expertise.

12. Recordkeeping Fees a. Explain how you came to the conclusion that the City’s record-keeping fees are \$27.39 and \$39.71 for the 401(a) and 457(b) plans respectively.

We used the comparison of fee increase options file that can be found on your website. We made the assumption that the administrative fees listed were the recordkeeping fees and that the fund investments included a bundled fee or revenue sharing fee that would result in low-appearing recordkeeper fees.

13. Drivers of Participation Growth a. In your submittal you suggested “Features like employer match, ability for participants to leave a balance and contribute to the plan after leaving employment, [and] loan provisions ... are drivers of participation growth.” Provide a description of what you mean by each of these three features and how they could be implemented.

Employer match – NEPC was not able to ascertain whether the 457(b) or 401(a) plans did in fact have employer match, but we do not believe so. Employer matching is a plan feature whereby the employer contributes to the employee’s retirement account up to a certain amount in effect matching the contribution either dollar for dollar or at a fraction of each dollar contributed by the employee. The result is an increased benefit to employee and in the long-run should lead to a better retirement outcome. Very few governmental plans offer an employer match, but we know that when one is offered, participation rates are higher.

Ability for participants to leave a balance and contribute to the plan after leaving employment – this feature would allow plan participants to roll assets out of the plan and then at some point in the future roll assets back into the plan, as long as a minimal balance is maintained. Plan provisions may require the participant to roll their entire balance into an IRA and thus would not allow the participant to roll any assets back into the plan. Many times at retirement, participants elect to roll their assets into an IRA with the hope of better investment options with lower fees only to find out later that this isn’t the case.

Loan provisions – the ability for a participant to take a loan from their defined contribution account in effect taking a loan from themselves allowing the participant to pay themselves back over time. This adds flexibility to retirement savings and may increase participant participation.



Exhibit 1: A CLOSER LOOK AT NEPC

FIRM-WIDE OVERVIEW



1986

NEPC was founded



1993

first defined contribution plan client



2019

independently owned by 41 partners

290 EMPLOYEES



106 CLIENT SERVICE

52 RESEARCH

73 PERFORMANCE REPORTING

59 OPERATIONS/SUPPORT

376 RETAINER CLIENTS WITH 929 PLANS

- Investment Policy Statement development and updates
- Fund menu design
- QDIA selection/review
- Performance monitoring
- Investment manager due diligence
- Investment manager searches for traditional assets
- Fee measurement & benchmarking
- Mapping recommendations, including support with plan mergers
- Routine administrative consulting
- Regulatory, legislative, and litigation updates
- Fiduciary education
- Financial wellness



BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | PORTLAND | SAN FRANCISCO

NEPC'S DEFINED CONTRIBUTION PRACTICE



NEPC ranks sixth¹ nationally among top consultants of U.S. institutional tax-exempt defined contribution advisory assets

OVERSEEING
185

defined contribution plans



\$178

in assets

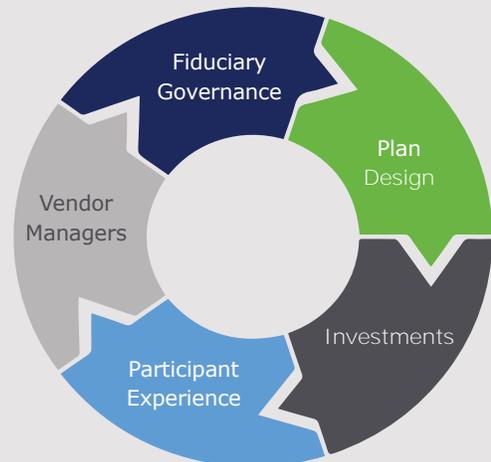
ADVISED BY 20 DEDICATED DEFINED CONTRIBUTION PLAN INVESTMENT PROFESSIONALS

CLIENT TENURE

60% 5+years

40% 10+years

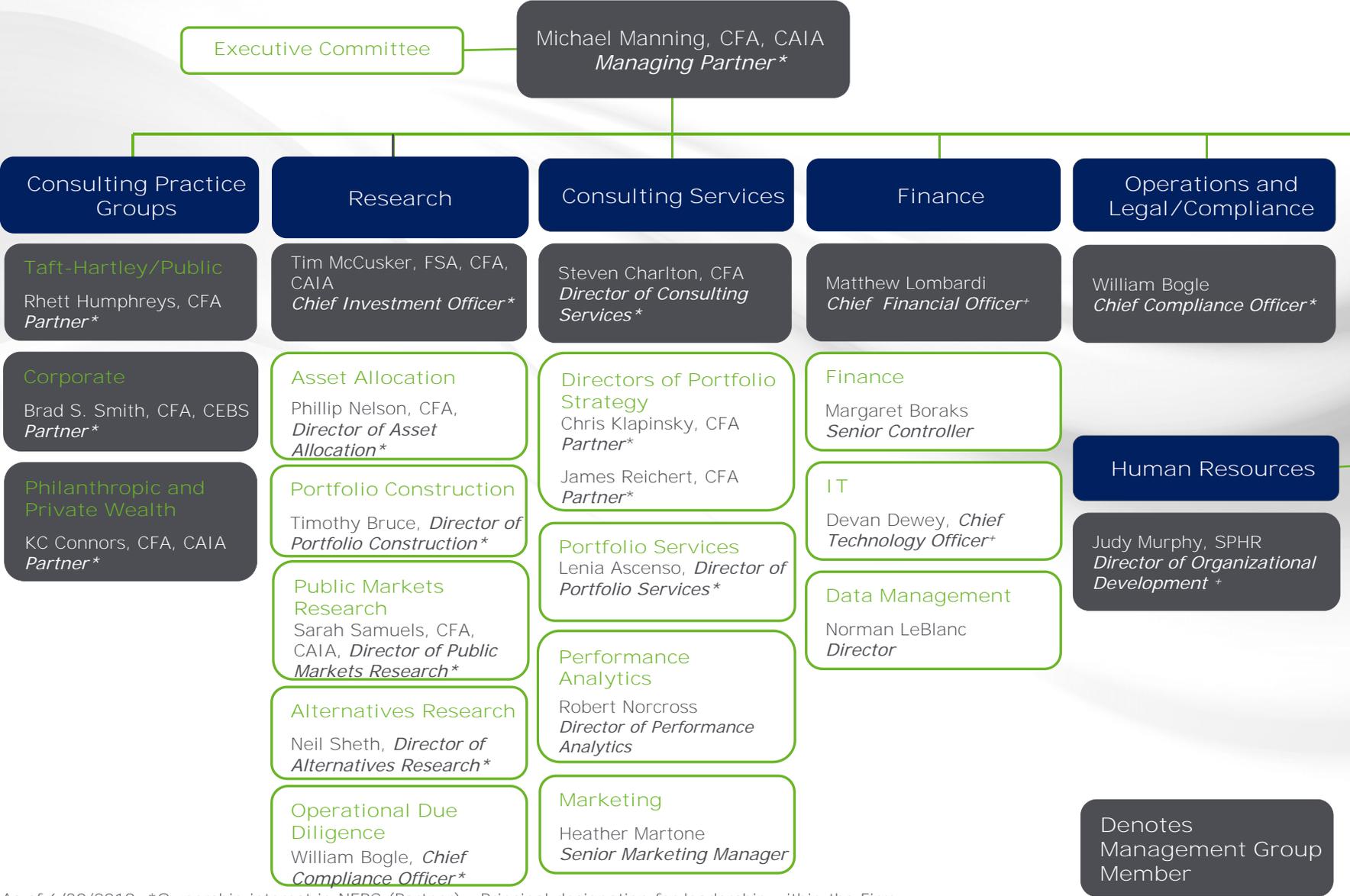
20% 15+years



Average plan \$1.0 billion

Median plan \$265 million

Exhibit 1: NEPC'S ORGANIZATIONAL STRUCTURE



As of 6/30/2019. *Ownership interest in NEPC (Partner) +Principal designation for leadership within the Firm.

Exhibit 1: NEPC'S CONSULTING SERVICES TEAM

Rhett Humphreys, CFA <i>Partner*</i>		Brad Smith, CFA, CEBS <i>Partner*</i>		KC Connors, CFA, CAIA <i>Partner*</i>	
Taft-Hartley	Public Fund	Defined Contribution	Corporate	Endowment and Foundation	Healthcare
John Elliot <i>Partner*</i>	Kevin Leonard <i>Partner*</i>	Kristen Colvin, CAIA <i>Partner*</i>	Craig Svendsen, CFA <i>Partner*</i>	Catherine Konicki, CFA, CAIA <i>Partner*</i>	David Moore, ARM, CEBS, CPCU <i>Partner*</i>
Michael Cairns, CEBS <i>Partner*</i>	Samuel Austin, III <i>Partner*</i>	Ross Bremen, CFA <i>Partner*</i>	Jay Roney, CTP <i>Partner*</i>	Scott Perry, CAIA <i>Partner*</i>	Chenae W. Edwards, CPA <i>Senior Consultant</i>
Michael Sullivan <i>Partner*</i>	John Krimmel, CPA, CFA <i>Partner*</i>	Brian Donoghue <i>Partner*</i>	Brian Roberts, CAIA <i>Partner*</i>	Kristin Reynolds, CFA, CAIA <i>Partner*</i>	Gary Wyniemko, CFA <i>Senior Consultant+</i>
Daniel Hennessy, CFA, CAIA <i>Senior Consultant</i>	Allan Martin <i>Partner*</i>	Christine Loughlin, CFA, CAIA <i>Partner*</i>	Andrew Coupe <i>Senior Consultant</i>	Kristine Pelletier <i>Partner*</i>	Eric Vallo, CFA <i>Senior Consultant</i>
Daniel Runnals, CFA, CAIA <i>Senior Consultant</i>	Douglas Moseley <i>Partner*</i>	Tim Fitzgerald, CAIA <i>Senior Consultant</i>	Wyatt Crumpler <i>Senior Consultant+</i>	Richard Ciccione <i>Senior Consultant</i>	James Holler, CFA, CAIA, <i>Consultant</i>
John Shanklin, CFA, CAIA <i>Senior Consultant</i>	Carolyn Smith <i>Partner*</i>	Jason Gerda, CAIA <i>Senior Consultant</i>	Kelly Regan <i>Senior Consultant</i>	Sebastian Grzejka, CAIA <i>Senior Consultant</i>	Kevin Novak <i>Consultant</i>
Jack Brodsky, CFA, CAIA <i>Consultant</i>	Michael Malchenko <i>Sr. Client Specialist</i>	Paul Kerry, ASA, EA <i>Senior Consultant</i>	Michael Valchine, CAIA, CIPM <i>Senior Consultant+</i>	Rich Harper, CFA, CAIA <i>Senior Consultant+</i>	Nedelina Petkova <i>Consultant</i>
Istvan Meszaros <i>Consultant</i>	David Barnes, CFA, CAIA <i>Senior Consultant</i>	Daniel Beaton <i>Consultant</i>	Matthew Rowell <i>Senior Consultant+</i>	Sam Pollack, CAIA <i>Senior Consultant+</i>	Private Wealth
	Margaret Belmondo <i>Senior Consultant</i>	Thomas Cook <i>Consultant</i>	Richard Chari <i>Consultant</i>	Colin Hatton, CFA, CAIA <i>Consultant</i>	Karen Harding, CFA <i>Partner*</i>
	Kristin Finney-Cooke, CAIA <i>Senior Consultant</i>	Deirdre Pomerleau, CFA, CAIA <i>Consultant</i>		Asher Watson <i>Consultant</i>	Kristi Hanson, CFA <i>Partner*</i>
	William Forde <i>Senior Consultant</i>				Paul Kenney, Jr., CFA <i>Partner*</i>
	Don Stracke, CFA, CAIA <i>Senior Consultant</i>				Dan Gimbel, CIMA <i>Sr. Consultant+</i>
	Keith Stronkowsky, CFA <i>Senior Consultant</i>				Stacey Flier, CFA <i>Senior Consultant+</i>
	Scott Driscoll <i>Consultant</i>				Isabelle Campbell <i>Consultant</i>
	Tony Ferrara, CAIA <i>Consultant</i>				Ryan Warren, CFA, CFP <i>Consultant</i>

As of 6/30/2019. *Ownership interest in NEPC (Partner) +Principal designation for leadership within the Firm.

Your proposed team is highlighted in red.

Exhibit 1: NEPC'S RESEARCH TEAM

Tim McCusker, FSA, CFA, CAIA
*Chief Investment Officer**



As of 6/30/2019. *Ownership interest in NEPC (Partner) +Principal designation for leadership within the Firm.

CAROLYN SMITH
PARTNER

MICHAEL MALCHENKO
SENIOR CLIENT SPECIALIST

May 31, 2019

Department of Human Resources
City of Sacramento
915 I Street
New City Hall
Sacramento, California 95814

RE: Investment Consulting Solution for City of Sacramento

Dear City of Sacramento, Department of Human Resources,

We at NEPC, LLC (“NEPC”) would like to express our interest as a prospective consultant for the City of Sacramento’s Defined Contribution Plans. NEPC is a full-service investment consulting firm, with significant experience in the defined contribution marketplace. As your new oversight committee begins to coordinate and prioritize their thoughts around seeking the best outcomes for participants and you begin to evaluate firms that come before you, we would ask you to consider the following points that differentiate NEPC from the competition.

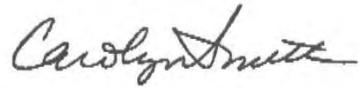
- We are committed to a highly customized level of service and have worked with new oversight committees as one of the largest independent investment consulting firms in the industry, servicing 373 retainer clients with \$1.0 trillion in assets¹.
- Among these are 185 defined contribution plans with \$194 billion in aggregate assets.
- We are **defined contribution experts** and our efforts are solely focused on providing the **best possible outcomes for plan participants** as well as being a **trusted advisor to the plan’s oversight committee**. NEPC has been providing consulting services to defined contribution plans for 26 years. Our defined contribution consulting practice is the sixth² largest in the country by assets under advisement, with a dedicated team of 20 consultants and analysts. Your prospective service team is based in our office located in Redwood City, California.
- We are **employee-owned and 100% of NEPC’s revenue is from providing advisory and discretionary consulting services**. We offer independent advice and recommendations.
- We have grown substantially through referrals, an indication of our service commitment and the value we add to the investment process.

¹ As of 4/1/2019, includes 57 clients with discretionary assets of \$22.4 billion.

² Source: Pensions & Investments, as of 6/30/2018

We have worked very hard to establish our record, and enjoy an excellent professional and ethical reputation. We are very pleased to receive your consideration and if you should have any questions, please call me at (650) 364-7000.

Best regards,

A handwritten signature in black ink that reads "Carolyn Smith". The signature is written in a cursive style with a large initial 'C' and 'S'.

Enclosures

INVESTMENT CONSULTING SOLUTION FOR

City of Sacramento

May 2019



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Response to Questionnaire

1. Provide a list of your largest public sector clients, up to a maximum of ten (10), in terms of total dollars invested as of 12/31/18. For each client, list the following:

- a) How long you have been under contract with the client;

In the Appendix, we have provided a table listing our largest public sector clients and the length of our relationship with each.

- b) Which company is the record-keeper;

In the Appendix, we have provided a table listing our largest public sector defined contribution clients and the respective record-keeper. With 185 clients in our Defined Contribution practice and 11 public fund defined contribution clients, our firm has experience with a broad range of record keepers.

- c) Which products (e.g., 457, 401a, 401k, IRA, HRA, etc.) are offered to their employees;

Our public sector clients offer many employee benefits in the form of deferred compensation and defined contribution programs including IRS Codes 457(b), 401(a), 401(k) and Health Savings Accounts.

- d) Whether each product is offered on a mandatory, voluntary, or combination basis;

The table in the Appendix provides information on whether participation is mandatory, voluntary or a combination.

- e) Total dollars invested for each product as of 12/31/18;

We recognize that the asset values invested in various investment options of our public sector clients may be in the public domain. However, we are not comfortable listing the dollars by investment option of our clients without their consent. We have listed the total plan assets by client. Our **client's defined contribution plans** and **NEPC's advise focuses on optimal financial outcomes for participants. NEPC does not** directly manage products in our traditional investment consulting engagements.

- f) Number of participants who are invested in each product as of 12/31/18;

We have included this data in the table in the Appendix.

- g) Whether the products have been growing in terms of number of participants and average dollar amount invested, and whether the amounts invested and transferred in exceed the amounts withdrawn and transferred out.

We are not comfortable sharing this level of detail on each of our public sector clients. However, we can confirm that across all of our client base, we have seen a drop in the growth of stable value assets since the financial turmoil in 2008. We attribute this decline to the strength of the stock market over the past decade and

the drop in crediting rates within stable value products. Additionally, some of our public sector clients have made a concerted effort to drive participants towards target date funds and this has been at the expense of stable value.

NEPC's client base in the Defined Contribution Plans Practice is diverse both by sector and size. Plans range in participant count from single digit thousands of to over 120,000 active and retired participants. We recognize plan sponsors are challenged to address the issue of getting employees to make good retirement savings and investment decisions. We do a lot of work in this area, particularly around advocating for increased features that allow flexibility and encourage deferrals, e.g., auto enrollment and auto increase. We have included our white paper as Exhibit A titled, **"The Automated Defined Contribution Plan"** and we have case studies we can share with you on our success with increasing participation and deferral rates, and importantly, investment diversification.

2. Describe any experience providing consulting services to public sector clients who have plans with Nationwide Retirement Solutions.

Nationwide and ICMA are top record keepers for public defined contribution plans, particularly for small to mid-market plans. Over the years, we have had exposure to both and are familiar with their investment and administrative offerings. Currently we do not have any clients with Nationwide, but we meet regularly with them and include them in our vendor search database.

3. According to the National Institute on Retirement Security, two-thirds of Millennials have nothing saved for retirement. How can we encourage and/or incentivize our Millennial employees to participate in our defined contribution plans?

NEPC recognizes that the Millennial investor population is the growth engine in defined contribution plans as they comprise one-quarter of the U.S. population and now outnumber baby boomers. As of December 31, 2018, (citing the 457 Plan Review) approximately 15% of the plan's participants are within the two youngest age cohorts **with 21% inactive or in payout, a sizable percent of the 457(b) plan's population.** According to the CFA Institute and the Financial Industry Regulatory Authority (FINRA), Millennials are more likely to start saving earlier than their older generational cohorts, expect to retire later, are not confident in their investment choices, do not believe social security will be there for them and are more socially conscious and interested in how companies interact with the society around them. Understanding these factors and combining them with investment choices available in their plan is key in encouraging participation rates. We will work with your staff and Committee to establish the investment objectives of your plan. A number of variables enter into setting your investment objectives, including the demographics of your plan participants, assumed wealth of your plan participants, retirement age of plan participants, determination of what asset classes should be offered, understanding participant behavior and how they actually see and use the options offered through the plan, participation rates within different age groups, competitive benefits, and improved investment results – both absolute and by getting participants to build better plans for their assets.

To lay a foundation for this evaluation, we provide information regarding the trends in the marketplace to provide insight on which investments are popular with employers as well as employees at other organizations. This provides insight as to how competitive your fund offerings are compared to other plans. NEPC will work with you to help you

understand the various theoretical and real world examples that we believe should drive the decision making process around plan design. In addition, the Pension Protection Act **and the Qualified Default Investment Alternatives ("QDIA") regulation have been** dramatically reshaping the defined contribution industry for by changing the way plans operate and how fiduciaries govern them. Plan sponsors are increasingly focusing their **efforts on strategies that focus on ideal "outcomes" rather than "choices"**. We recognize that the City of Sacramento and other public sector plans are not governed by ERISA and therefore, the Pension Protection Act did not impact their plans directly. However, it has had a profound impact on the landscape of defined contribution plans, including the public sector.

Additionally, NEPC reports on the asset balances in each Plan investment offering each quarter, as obtained from the Trust report. Any anomalies in the data, such as large inflows or outflows from a particular investment fund would be brought to the attention of the fiduciary committee. Additionally, most of our clients receive comprehensive reports from their record keeper at least annually which report on deferral, transfer and exchange activity. This report and other special reports the record keeper can develop are instrumental in developing a picture of participant behavior within the Plan. NEPC uses all of these tools to develop a holistic view of the Plan and participant behavior, and works with staff and Committee to develop and implement plan design enhancements as well and communication and education initiatives to address areas for improvement.

4. Provide examples of the most impactful advice you have given to your clients. What prevented your client from taking the action described in your advice before your advice was given?

NEPC can offer numerous examples of ways that we have made a positive impact on retirement plans we support over the last two years.

NEPC has also worked with several clients to reduce fees and improve service from plan providers through recordkeeper searches. In one recent example, we assisted a client that was having service issues with their current recordkeeper to cut fees for administration in half, while improving participant communications and education.

In one example, we worked with our client to improve participant diversification through a re-enrollment of all plan participants. A re-enrollment involves asking participants to reaffirm their investment elections, and if they take no action, their assets are moved to **the plan's qualified default investment alternative. In this case, 55% of plan assets** moved to the target date funds. In doing so, a significant portion of the participant population is now invested in well-diversified funds that are appropriate for their age. **Additionally, plan costs were reduced to 0.21% "all-in" for investments plus** administration due to the significant increase in the usage of low-fee target date funds.

In another example, the combination of a re-enrollment and the introduction of auto-enrollment with a relatively low opt-out rate of only 8%, resulted in a significant improvement in diversification of plan participant balances. Specifically, the percentage of participants with 100% of their account invested in stable value dropped from 10% to 3% of plan participants. Similarly, the percentage of participants with 100% of their account concentrated in equity dropped from 10% to 4%. Now, 80% of plan participants have an asset allocation that is similar to the equity/fixed mix of a target date fund.

We recognize that a re-enrollment or incorporation of auto-enrollment may pose a legal risk for California public sector plans given current state laws. However, it is something that we have discussed and continue to discuss with our client, Los Angeles County. The County offers both a 457(b) and 401(k) plan.

5. Based on what you have learned about **the City of Sacramento's defined** contribution plans, what do you believe is the greatest opportunity for a) reducing participant expenses; b) increasing the percentage of employees who contribute; c) increasing the dollar amount contributed by employees; and d) reducing the number of transfers out by participants who no longer work here?

a) Reducing participant expenses – Recordkeeping and administration fees as well as investment management fees matter! It is our understanding that the 401(a) and 457(b) plans have recently gone through a fee analysis whereby a per participant fee or a flat fee was contemplated within the context of increasing administration fees. Based on the information we have, we estimate your recordkeeping fees to be \$27.39 and \$39.71 in the 401(a) and 457(b) respectively. We believe that these recordkeeping fees are very competitive when compared to plans of similar size (*note: the comparison is done using a universe of 123 defined contribution and deferred compensation plans for recordkeeping, trust and custody costs and that any information that may materially change our analysis is not contemplated at this time*). However, this observation is contingent on further analysis on the revenue sharing agreements with the underlying mutual funds offered and the stable value portfolio. We do not have the negotiated revenue sharing information that may be in place between Nationwide and each mutual fund. With this information, we would be in a better position to comment on the fees your participants are currently paying for recordkeeping services. On a regular basis we conduct an evaluation of **all of our client's recordkeeping and plan** fees using the NEPC proprietary Defined Contribution Plan Fee Survey. Please refer to Exhibit B for a copy of our most recent survey. This provides us with a universe of over 100 plans in order to gain insight on how and where opportunities exist to lower fees. Additionally, we look to data provided by NAGDCA to supplement our fee work.

Investment management fees are key in not only plan design but participant outcomes. We view this as the greatest opportunity to lower fees within the plans. Firstly, we would recommend simplification of the plan menu. Outside of the target date fund offering there are 20 investment options to choose from. While choice offers some advantages to some investors, we believe that a well-designed streamlined menu that offers well diversified options at a competitive cost offers the greatest opportunity for fee reduction. We think that a simplification in the number of choices participants have would allow the oversight committee to prioritize investment outcomes and fee reduction for participants in asset classes that are viewed as having a relatively lower chance in outperforming well established benchmarks. For example, the US large cap equity menu has some of the highest balances in the plan, high fees and managers are underperforming their benchmarks. We believe we can streamline the options available to 10 or below outside the target date fund offering, the include: Stable Value, US Equities, Non-US Equities, Fixed **Income, Inflation Protection and Balanced Fund. By taking advantage of NEPC's 53-** person research team, we believe we can build well diversified investment options that prioritize fees and maximize investment outcomes in straight forward manner that participants can understand. We believe that this can also be a driver of participant growth and deferral rates.

b) Increasing percentage of employees who contribute – Focus on plan design (include choices that we know participants want), communication, automation and plan features are key to increasing participation rates. Designing a plan that is simple for participants to understand, aligns with their wealth and retirement goals and is cost effective is key to growing participations rates. Features like employer match, ability for participants to leave a balance and contribute to the plan after leaving employment, loan provisions, auto-escalation, auto-enrolment (subject to local laws) are drivers of participation growth. Communicating and educating **participants on the plan’s availability, features and how the plan was specifically** designed for wealth accumulation have all been shown to increase contribution levels. For example, NEPC worked with a client to develop a smart saving campaign to educate participants on how the different investment options and plan features impact wealth accumulation and how their custom designed plan works for them. This communication resulted in achieving an Eddy Award for Ongoing Education.

6. How do you measure the quality of the advice you provide to your clients? For example, if you recommend that a client switch out a fund, do you look back one and three years later and report to the client whether the switch was successful in reduced fees and increased earnings? Provide copies of several reports back to your clients that analyze the results of your advice. Or, if you have not created any such reports, describe how the City will evaluate the extent and quality of your services and advice?

NEPC reviews the quality of advice provided to clients on an ongoing basis through quarterly investment program and performance reviews as well as yearly investment program analysis. We have provided a sample performance report as Exhibit C. The quarterly reviews include executive summaries of the plan, investment manager due diligence monitoring, investment performance and investment manager analysis. These reviews incorporate summaries on actions taken within the plan and serve as an ongoing **tracker and review mechanism for any changes that have resulted from NEPC’s advice.** For example, our due diligence review tracks the date an event occurred through time on each manager used in the plan across multiple dimensions including organizational stability, investment process, performance, operations, recommended action and date it occurred. Our quarterly analysis also compares target date fund and investment manager investment options to a broad universe allowing oversight committees full transparency into the results of NEPC recommendations (in partnership with the oversight committee) on investment manager selection not only against a market benchmark but against the investment management industry for like products. (see target date review – Exhibit D) Yearly, bi-yearly or tri-yearly reviews focus on plan demographics and wealth outcomes in addition to modeling expected rates of return for each investment option in the plan menu. Our analysis focuses on active risk budgeting and investment menu design within the context of wealth creation and investment management (see Exhibit E – titled Target Date Fund Modeling Sample). Often these reviews lead to committee action on education, plan re-design or pursuing other recommendations. We believe this process allows oversight committees to holistically evaluate the investment decisions recommended and accepted as well as provide the long-term feedback loop of decision making that is desired.

7. The list below is the 20 funds that have the highest dollar amount invested by City of Sacramento participants in the 401(a) and 457(b) plans combined. Would you recommend the replacement of any of these funds? Why or why not?

Before we would recommend changing any of these investments, we first need to understand the rationale for why they were added in the first place. That said, with the limited information we do have, our recommendations for each of these managers would be consistent with the broader theme of investment menu simplification, broader diversification and fee reduction. Our experience tells us, and research confirms this, that when too many investment options are offered, participants can feel overwhelmed with making investment decisions. Too often, this leads to participants making poor decisions on their own behalf.

In general, we believe that investment line-ups should incorporate target date funds, a handful (5-7) of core offerings and a brokerage window. We believe that this simplified **structure provides "something for everyone" without overwhelming participants. Our** experience tells us, and research confirms this, that when too many investment options are offered, **participants don't always make the best investment decisions for** themselves. We do not see any investment managers in your top 20 funds that we **would dub as "terminate immediately". Our** specific recommendations regarding the current investment line-up for the City of Sacramento are as follows:

- Advocate fewer investment choices by building a well-diversified, yet concise line-up of funds
 - Studies indicate most participants are overwhelmed by the number of investment options offered within DC plans
 - Continue with a two-tier structure (Target Date Funds plus Core offerings), but consider offering a third tier or brokerage window
- Make investment choices easier for participants to understand
 - Consolidate funds within asset classes
 - Refer to investment options by **asset class title (i.e., "Large Cap Equity Fund")** and not by investment manager or fund name
- Reconsider offering sector-focused funds like the REIT fund offered
 - We find sector-focused funds to have the potential to be mis-understood and therefore, mis-used by participants
 - **A REIT fund most often is advertised as a "Real Estate" option, when in fact REITS behave more closely to small-to-mid cap value stocks**
- Re-Enrollment of participants into their respective age-appropriate target date funds
 - While we favor an entire plan re-enrollment, we recognize that it would be more complex due to the stable value allocation
 - Additionally, current California State law does not provide a safe harbor for plan sponsors in the event of a re-enrollment

We are seeing three major plan design strategies emerging within public and private sector. We would be happy to review each of the design strategies with the Committee to determine which is best for your participants.

8. Describe the consulting services you have provided to a new oversight committee like the City of Sacramento's Defined Contribution Plans Committee. How are those services different that those provided to a long-standing oversight committee?

The fiduciary risks of sponsoring a defined contribution plan have changed dramatically; The risk of litigation has increased in the private sector. While we are not aware of major litigation within the public sector, we think it could be a real possibility. Our approach to meeting fiduciary requirements is real and comprehensive.



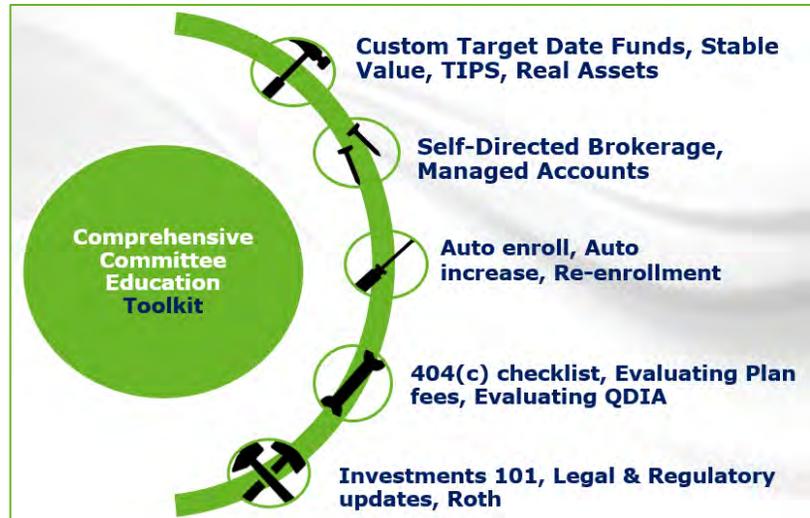
We assist clients in meeting their fiduciary responsibilities in two primary ways. First is *fiduciary oversight*, which includes among other things, performance monitoring, investment policy development, QDIA selection, fee benchmarking and investment manager search and replacement.

Second is *fiduciary training*. NEPC has developed training sessions for trustees and fiduciaries of defined benefit, defined contribution and other types of retirement programs that cover the different responsibilities and issues that trustees and fiduciaries face. Our sessions are interactive and participatory, just like a typical client meeting, and are led by any of the following or any combination of the following: the client's consulting team, members from our research team, investment managers, and other industry experts.

We focus on the relevant government guidance and industry practice and our own experience with clients to develop customized sessions that help our clients fully

understand their roles and responsibilities with respect to their fund(s)/portfolios. In addition to the many comprehensive investment issues that Committees need to consider, defined contribution plans also introduce a multitude of record keeping and participant behavioral considerations as well.

The illustration to the right provides a snapshot of the most frequent topics we provide fiduciary training on.



9. What value do your services add to a plan administrator? How do you justify the expense of your services to plan participants who desire to keep fees low?

Your proposed team are experts in the field of defined contribution plans with Carolyn Smith, Partner (32 years' experience) and Michael Malchenko Sr. Client Specialist (14 years' experience). In addition to your proposed primary contacts, NEPC believes that **you are not only 'buying' the direct consulting talent, though that is key**, we believe that our vast research platform that houses over 53 researchers as well as the very specialized skill sets of our subject matter experts in defined contribution investment advisory, administration and recordkeeping provides an unparalleled value proposition.

For example, Mr. Paul Kerry, Senior Consultant, has over thirty years of consulting experience in the design and administration of qualified and non-qualified retirement programs. Mr. Paul Kerry is an Associate in the Society of Actuaries and an Enrolled Actuary under ERISA. During his over 30-year career he has drafted or amended countless retirement plans to bring them into compliance with changes in the law and regulations. Although he no longer drafts plan documents for clients, part of his plan administration consulting responsibilities includes the review of plan documents for legislative compliance and enhancement opportunities. **He leads NEPC's administrative consulting efforts and conducts vendor searches for our clients.** Should the City of Sacramento hire NEPC, Mr. Kerry would be involved with any recordkeeping reviews.

NEPC is on the more progressive, innovative end of the Consulting spectrum. Our staff is best-in-breed, with Consultants coming from Hewitt, Mercer, Watson Wyatt, Fidelity and other organizations, specifically because they have a passion for investment and retirement industry solutions. We add value because we are problem solvers, and the market, the industry and other players are constantly creating problems. Examples from the last few years:

- Losses within stable value funds,
- **New descriptors for target date funds, "to" and "through",**
- QDIA guidance,
- Class action lawsuits against defined contribution plans.

In the current environment there are investment managers putting up terrible numbers, record keepers leaving the business, stable value funds underwater and annuity providers knocking at the door. There are many conversations and many ways for us to add value.

10. **What should be the focus of the City's Defined Contribution Plans Committee in terms of obtaining the best value for participants from the City's plan providers?**

The greatest value for participants is getting them into the plan, getting them to contribute enough to the plan and getting them to make good investment decisions. The Committee should focus on plan simplification, fee reduction, education, further diversification **through use of NEPC's 53-person research team** to choose appropriate managers at appropriate fees. Absent of including auto-features (i.e., auto-enrollment, re-enrollment, auto-escalation), the Committee can partner with Nationwide and NEPC to engage on a communication campaign to increase participation, increase payroll deferrals and improve investment decisions. We can point to this process working (albeit, it will take time) for another California public sector clients, the County of Los Angeles. Please see the answer to question 5 for the greatest opportunities that we see.

11. Provide a list of the five (5) most innovative recommendations you have submitted to your clients over the last five (5) years; describe how the recommendations were received; explain whether the recommendations were accepted and why or why not; and describe what happened since making the recommendations regardless of whether they were implemented.

Public Plan Defined Contribution example:

NEPC reviewed **our client's 457(b) and 401(k) Plans and** made several structural recommendations including the reduction of the number of fund options to a manageable level. The goal of the restructuring project was to simplify the investment decision making process for participants at every level of investment sophistication and to improve the investment flexibility over Plan assets, with the aim of reducing risk. We recommended that the Plans use their scale to structure well-diversified investment offerings by using more than one investment manager/portfolio per option. We recommended the use of separately managed accounts where it made sense in order to reduce the investment fees.

We designed and constructed custom target date funds that have outperformed the majority of the off-the-shelf target date funds since their inception over three years ago. By incorporating the **client's demographics**, we built a glide path for their custom target date funds that works in concert with the benefit offered through the **client's defined benefit plan**. We incorporated alternative investments into the glide path to help smooth the investment performance over time, thus reducing the volatility of performance. We **assisted with the mapping of the Plan's custom pre-assembled risk-based funds** into their new custom target date funds when the conversion from their old structure to the new structure occurred. We participated with the **clients's staff**, communications consultant and recordkeeper to develop a message for participants prior to the roll-out of the new structure. We continue to participate with staff, their communications consultant and third-party administrator for the on-going communication efforts on a quarterly basis. To date, the custom target date funds are one of the most popular and fastest growing investment options within the Plans. A decade ago, the stable value investment option garnered the majority of payroll deferrals.

Concurrently, NEPC rewrote the clients' **investment policy to reflect the recommended** changes and have continued to recommend minor improvements over time. The client has received recognition from the National Association of Government Defined Contribution Administrators for their innovative plan design and communication campaign. Additionally, their communication campaigns continue to win industry awards.

Corporate Client:

NEPC helped this large corporate client redesign their entire program, moving from mutual funds to separate accounts in an effort to take advantage of their scale. In addition, the corporation reduced the number of core investment options to six alternatives along with a full line-up of age-based custom life cycle funds and a brokerage window. All new employees are to be auto-enrolled into the lifecycle funds. Their investment policy reflects these very important plan design changes, inherently biasing participants toward investment options that the Committee feels will be the best long-term investment solutions for their future. The Committee went through a detailed analysis to determine how many participants historically did not make investment changes or got defaulted into their stable value fund, realizing that the plan design previously (unintentionally) directed participants into sub-optimal investment **allocations. The Committee, with NEPC's guidance, specifically redesigned their plan and investment policy to address the poor investment behavior of their employees.**

Corporate Client II:

Following a successful merger we recommended target date fund re-enrollment. Highlights include - 12,000 participants and \$1.4 billion in assets. Two record keepers were involved, so the engagement also included a record keeping vendor search. Market conditions postponed the fall 2009 conversion (securities lending and stable value liquidity issues). A reenrollment to target date funds across both Plan populations was recommended and accepted occurred with the conversion the following year. Successful move to collective trusts and per participant record keeping fees. 2013 Eddy Award-winning communication campaign followed.

Corporate Client III:

Automotive engineering firm with \$2 billion in DC assets and nearly 30,000 participants hired NEPC to help create and monitor their main retirement plan. The problem was that the company DB pension plan was moved to the PBGC and the DC plan became the primary company sponsored retirement program for all participants. As a result of this change many participants had an asset allocation within the DC plan which overly conservative or risky. Investments were primarily in the following: Over 40% of assets were invested in stable value, only 5% of assets were invested in TDFs. Recommended solution was to set out to find a way to help participants improve their individual asset allocation to enable them the best chances of reaching a reasonable replacement income. Understanding how participants were allocated beyond a simple scatter plot was critical. NEPC provided a clear picture regarding how many individuals possessed too much or too little equity. NEPC modeled replacement incomes based on various target glide paths and a custom approach offered the best replacement income solution. A reenrollment was recommended and conducted to custom TDFs. After the reenrollment assets invested in TDFs went from 5% to 60%, Stable value assets went from 40% to 7%.

12. What are the three (3) most important characteristics that differentiate your firm from other potential firms.

We believe we are one of the best partners you could have among consulting firms for the following three reasons.

- 1) We closely monitor the legislative and regulatory environment and make it a priority to provide information, interpretation and timely reports to all of our clients on the impact of any such legislation on their Plan and their participants. Areas we follow include changes to ERISA, legislative changes or opinions from the Department of Labor and FASB accounting changes. Depending on the urgency and nature of the item, client communication may be in the form of a brief e-mail or NEPC-firm wide client letter. Many of our public sector clients use ERISA as a fiduciary guidepost.
- 2) From a fiduciary oversight perspective, our Fiduciary Toolkit includes among other things, performance monitoring, investment policy development, asset allocation, QDIA selection, fee benchmarking and investment manager search and replacement. Information on all of these fiduciary activities and governance processes are detailed throughout this RFP response.
- 3) NEPC also has developed training sessions for trustees and fiduciaries of defined benefit, defined contribution and other types of retirement programs that cover the different responsibilities and issues that trustees and fiduciaries face. Our sessions are interactive and participatory, just like a typical client meeting, and are led by any of the following or any combination of the following: the client's consulting team, members from our research team, investment managers, and other industry experts.

13. Provide an overall cost for all services to be performed based on the outlined Scope of Services, inclusive of all reimbursable expenses. A detailed cost breakdown should include the following:

- a) Detailed price list of services to be performed. Include typical payment schedule.
- b) Cost of additional services that may be beyond the outlined Scope of Services if it is believed such services would benefit the City.

Virtually all of our 373 clients employ our services on a full retainer basis. Our full retainer service commitment for financial assets is basically open-ended, and includes:

- Investment Policy Statement development and updates
- Fund menu design
- QDIA selection/review
- Performance monitoring
- Investment manager due diligence
- Investment manager searches for traditional assets
- Fee measurement & benchmarking **as part of NEPC's Defined Contribution Plan & Fee Survey**
- Routine administrative consulting
- Regulatory, legislative, and litigation updates
- Fiduciary education

- Our annual investment conference (not funded or subsidized in any way by investment managers)
- Attendance at your meetings
- Other ad hoc projects and reports, as requested

Our fee proposal for these financial asset services is \$125,000, inflation adjusted on an annual basis. Travel, postage and related expenses will be billed back at cost. NEPC receives no commissions or other revenues from consulting to our clients.

Exclusions:

- Record keeping vendor searches, as needed, to be billed at \$50,000
- Glide path recommendations for custom target date funds
- Asset allocation recommendations and construction of custom white label funds
- Fact sheet generation for investment funds

Administration Consulting Services are priced separately from our retainer. Fees are charged on a billable-hours basis or by agreed project. These services include:

- Plan documents review
- Benchmarking of plan provisions
- Benefit benchmarking
- Auto enrollment cost analysis
- Best practice plan administration review
- Service provider vendor search

14. Identify the project manager/primary point of contact and key staff to be assigned to this project, along with their expected services related to the Scope of Services. Resumes and work experience related to projects similar to the **City's Scope of Services should be included for each individual referenced.**

If we are chosen as your investment consultant, your service team will consist of Michael Malchenko, Senior Client Specialist and Carolyn Smith, Partner. Both Michael and Carolyn have extensive experience working with California public sector clients. They are the team assigned to the County of Los Angeles and work on their 401(k) and 457(b) plans. They will be supported by a dedicated Consulting Analyst, a dedicated Performance Analyst and dedicated Research Specialists where appropriate.

Michael Malchenko
Senior Client Specialist

Michael joined NEPC in 2014 and **is responsible for supporting the firm's public fund clients with ESG integration, investment structure and modeling, market reviews, manager searches, asset allocation, and technical projects. Michael sits on the firm's Impact/ESG Investment Committee and is responsible for contributing to the firm's efforts in ESG integration across the research and consulting practice groups.** Michael is a subject matter expert in ESG investing, building investment programs, investment manager analysis, due diligence and custody banking. Prior to NEPC, Michael worked at **State Street as an Assistant Vice President in the firm's investment analytics department.** Michael managed investment relationships for **the bank's largest west coast public and private pension plan sponsors** and was responsible for working directly

with the country's largest pension funds in building portfolio management and oversight tools.

Michael earned a H.B.A. from the University of Toronto. He is currently pursuing the Chartered Financial Analyst (CFA) and Chartered Alternative Investments Analyst (CAIA) designations.

Carolyn Smith
Partner

Carolyn's career in investment consulting began in 1987, and she joined NEPC in 2006.

Carolyn has extensive experience working with large institutional clients. She has a specialty in defined benefit and defined contribution plans working with them on plan design, investment and governance issues. She is a member of the Small Cap Equity Advisory Group and Due Diligence Committee.

Carolyn's experience includes twelve years as a director and senior consultant with Watson Wyatt Investment Consulting working with a broad array of clients. She also had management responsibilities for the U.S. Western Region for five of her twelve years at Watson Wyatt. Prior to Watson Wyatt, Carolyn was a senior consultant at **Callan Associates, Inc. working with the firm's foundation, endowment, corporate and public fund clients.**

Carolyn received a B.S. degree in Finance from the University of Utah. She currently chairs the investment committee for a San Francisco Bay Area not-for-profit overseeing multiple operating reserve accounts, a foundation and 403(b) plan.

Paul J. Kerry, ASA, EA
Senior Consultant

Paul's plan administration career began in 1977, and he joined NEPC in June 2009 to

lead the vendor search team. Paul has more than thirty years of consulting experience in the design, communication, and administration of qualified and non-qualified retirement programs. He has lead numerous provider searches while consulting at Watson Wyatt, participated in finalist presentations and site visits while at Charles Schwab and Fidelity, and is responsible for expanding and enhancing **NEPC's vendor search capabilities.**

Prior to joining NEPC, Paul was a Vice President at Fidelity Investments, where he **provided strategic consulting services to some of Fidelity's largest mid-corporate clients** including Starbucks, QVC, Scholastic Inc, L.L. Bean, and the National Basketball Association. Before his employment at Fidelity, he was a Field Vice President at **Charles Schwab Corporate Services, in which he managed the relationships of some of Schwab's largest retirement plan clients.** Prior to joining Charles Schwab, Paul was a senior **consultant in Towers Watson's (formerly Watson Wyatt Worldwide) Boston office** where he managed the delivery of pension actuarial, defined contribution recordkeeping, and pension administration outsourcing services.

Paul is a graduate of the University of Lowell, where he earned a Bachelor of Science degree in Mathematics. He is an Associate in the Society of Actuaries, an Enrolled Actuary under ERISA, and a Member of the American Academy of Actuaries.

We have provided copies of our organizational charts as Exhibit F.

15. Provide a reference list of at least three (3) public sector clients who you provide services similar to those being requested by the City. The list should **include client name, client's email address and** telephone number, specific services provided, and dates of those services. References must be for services provided within the past five (5) years. Responding firms should make their references aware of this RFP and request they expeditiously respond to any inquiries by the City.

Our clients are our only customers, and we have grown substantially through their referrals over the years. While we submit client references per your request, we respectfully request that you not contact them without notifying us first.

Los Angeles County

(Los Angeles County Savings Plan and Deferred Earnings Plan and Los Angeles County Deferred Compensation and Thrift Plan)

Ms. Teresa Gee

Administrator Defined Contribution Plans

500 West Temple Street, Room 432

Los Angeles, CA 90012

(213) 974-2335

tgee@ttc.lacounty.gov

Full service retainer relationship established in July 2006.

Louisiana State Employees' Retirement System

Mr. Darren Fournierat, CFA, CAIA

Assistant CIO

8401 United Plaza Blvd, 1st Floor

Baton Rouge, LA 70809

(225) 925-7154

dfournierat@lasersonline.org

Full service retainer client relationship established in July 1993.

Multicare Health System

Ms. Judy Swain

Treasurer

737 South Fawcell

Tacoma, WA 98402

(253) 459-8003

judy.swain@multicare.org

Full service retainer relationship established in November 2011.

Awards and Recognitions Disclosure

- **CIO's Most Influential Investment Consultants:** CIO Magazine interviews pension and non-profit CIOs, asset managers and former consultants to approximate what it calls "the hierarchy of today's institutional consultant industry". The results should not be considered a recommendation of any specific firm or individual consultant. For more information, please visit CIO Magazine's web site at www.ai-cio.com/lists/2018-knowledge-brokers/.
- **Wealth & Finance International's Alternative Investment Awards:** Sustained Excellence in Client Investment Management and Macro Strategy Specialist of the Year –USA awards. "The in-depth and rigorous research process, carried out by our dedicated in-house award committee, takes over 6 months, during which time they count and research votes, analyse all supporting evidence and perform additional interviews to ensure that only **the most deserving and top performing individuals, firms and products are recognised.**" [Source: <http://www.wealthandfinance-intl.com>]
- These rating or awards may not be representative of any one client's experience with NEPC. Any rating or award is representative of NEPC's past performance only and is not indicative of NEPC's future performance, nor does it indicate an endorsement of NEPC. NEPC did not pay any of these organizations to be considered for an award.
- **An award presented to a client of NEPC is not a recognition of NEPC's performance and should not be considered an endorsement of NEPC.**

Client Results Disclosure – All Clients

- Past performance is no guarantee of future results.
- NEPC acts in an advisory capacity-only for many clients and does not have discretion over those client assets. **As a result, a client's investment performance may not be attributable solely to NEPC's advice.**
- **NEPC's Overall Composite is compiled from all Pension Plans, Endowments and Foundations** for which NEPC is the sole full-retainer consultant. Plans are included in the Composite provided they have exposure to equity and bonds (including alternatives) of **at least 25% each, and no more than 20% to other assets such as cash and GIC's.**
- New clients are added to the Overall Composite with the first full quarter of a new manager selected from an NEPC search, or after one year as an NEPC client, whichever comes first, provided that the plan is globally diversified.
- Results are reported gross of NEPC advisory fees.
- **NEPC's fees for advisory clients vary considerably depending on client size and complexity.**

Information Disclosure

- InvestorForce Plan Universe
- As of 12/31/2017, the InvestorForce Universe contained actual, custodian-supplied and audited data on over 2,056 plan sponsors, representing roughly \$3.4 trillion in assets. This data is drawn from 42 independent investment consulting firms, including NEPC.
- ICC Universe
- Through 2011, universe rankings were based on the ICC Universe, which was populated by 12 independent investment consulting firms, including NEPC, and supplemented by many of the performance measurement clients of State Street Bank.
- Certain information, including that relating to market indices, was provided by sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- This document may contain confidential or proprietary information and is intended only for the designated recipient(s). If you are not a designated recipient, you may not copy or distribute this document.

Alternative Investment Disclosure

It is important that investors understand the following characteristics of non-traditional investment strategies including hedge funds, real estate and private equity:

- Performance can be volatile and investors could lose all or a substantial portion of their investment.
- Leverage and other speculative practices may increase the risk of loss.
- Past performance may be revised due to the revaluation of investments.
- These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms.
- A secondary market may not be available for all funds, and any sales that occur may take place at a discount to value.
- These funds are not subject to the same regulatory requirements as registered investment vehicles.
- Managers may not be required to provide periodic pricing or valuation information to investors.
- These funds may have complex tax structures and delays in distributing important tax information.
- These funds often charge high fees.
- Investment agreements often give the manager authority to trade in securities, markets **or currencies that are not within the manager's realm of expertise or contemplated investment strategy.**

Private Equity, Real Estate and Real Assets Performance Benchmarking Methodology and Information Disclosure

- Past performance is no guarantee of future results.
- **Investment results include funds that were rated "Preferred" by the NEPC Alternative Assets Committee.** Investment results include those clients for which NEPC has discretionary authority as well as those where NEPC acts in an advisory capacity. They include all types of clients and plans for whom NEPC serves or served as a consultant and provided advice on private equity.
- Returns are based on the client commitment that had the earliest cash flow into each recommended product. Vintage year classifications are made based upon the year of the first cash flow from this client into the Fund.
- In cases where no current NEPC client is invested in a product (due to a client changing consultants), vintage year and return data was used from either the manager, Preqin or from another limited partner in the fund who publicly discloses investment returns.
- Each internal rate of return is net of management fees and carried interest (both paid and accrued) and is computed on an annualized, dollar-weighted basis. Performance aggregates are created by equal-weighting each Preferred-rated fund.
- Strategy classifications are made by NEPC based on a review of the stated strategy of each investment. Funds included are primarily limited partnerships, including funds-of-funds. Private equity investments include buyouts, venture capital, growth equity, special situations/turnarounds, equity-oriented distressed buyouts, co-investment funds, primary fund-of-funds and secondary funds. Real estate investments include value-add, debt and opportunistic funds. Real assets investments include energy, energy credit/mezz, multi-strategy, natural resources, metals & mining and infrastructure funds.
- Only funds from vintage years 2007–2014 were benchmarked, as performance for funds who have been investing for less than three years is deemed to be too young to be meaningful.
- To compute the quartile performance of each fund, funds were matched against similar strategies and geographic regions tracked by C|A and Preqin; however, it is important to

note that some funds have investment strategies that could be benchmarked against multiple categories.

- Attempts were made to match the geographic strategy of each fund. In cases where the benchmark provider did not have a large data set a global strategy benchmark was used.
- For some vintage years, the benchmark provider may have provided median but not upper and lower quartile cut-off metrics. In these cases, to estimate the upper and lower quartile cut-offs, NEPC used the average quartile-to-median differential for the vintage years preceding and following the vintage year with the missing quartile cut-offs.
- All fund and benchmark returns are as of December 31, 2017.
- The information in this report has been obtained from sources NEPC believes to be reliable. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.

CITY OF SACRAMENTO

RETIREMENT PLANS CONSULTING SERVICES

RFP #P19081021003

Pre-presentation Questions

SEPTEMBER 2019

PREPARED BY

Rasch Cousineau | *Senior Consultant*

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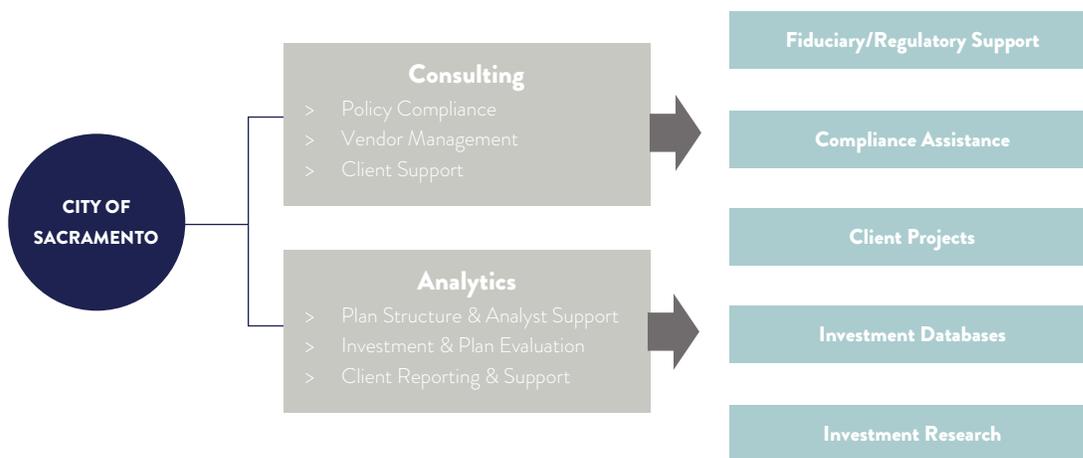
PRE-PRESENTATION QUESTIONS

1. YOUR FIRM'S ORGANIZATIONAL STRUCTURE AND OPERATIONS

a. Describe the ownership, services provided, and organizational structure of your overall company.

The Hyas Group is structured as an Oregon limited liability corporation (LLC) and is privately- and wholly-owned by three senior managing partners. The Firm has only one line of business – the institutional retirement plan consulting business – and our sole office location is in Portland, Oregon.

The overall organizational structure is summarized as follows:



Each of the above areas is staffed with experienced, credentialed professionals who will be assigned roles on behalf of the City of Sacramento (the City).

The following is a range of professional services and an overview of the comprehensive consulting and advisory services we provide to all retainer clients:

- > Serve as a Plan fiduciary
- > Investment Policy Statement (IPS) creation, review, and maintenance
- > Performance reporting
- > Ongoing performance monitoring
- > Overall portfolio analysis and recommendations
- > Detailed plan cost analysis and benchmarking
- > Investment manager search
- > Recordkeeper and custodian search
- > Investment manager transition services
- > Contract evaluation services
- > Plan governance Committee function assistance
- > Fiduciary education/training for Committee members
- > Review and drafting of participant communications

b. How does the unit that submitted this proposal fit into the overall structure? Is your firm, including its parent company and any of the parent's subsidiaries, structured in a way such that your advice to us will not influence the revenue earned by any part of your company?

There are no joint ventures or parent/subsidiary relationships to the Hyas Group. We are not a conglomerate of other firms wrapped under one name. Our independence and focus — on governmental plan sponsors in particular — sets us apart from our competitors. We do not have a benefit consulting practice, a compensation consulting practice, or any other related lines in the human resources advisory field. We do not sell investment products or insurance nor are we associated with any broker-dealer. When we direct our corporate resources, there is no debate over which line of business the resources should support — they are all dedicated to our sole function. Our service delivery and management of the overall business is not complicated by anything other than our desire to be the very best at what we do.

As a firm dedicated to a single function — providing investment consulting to institutional clients — we are solely compensated by the fee for service invoices we send to our clients, based on the specific terms of the consulting agreement we have negotiated with them. We do not receive any compensation or revenue from any other source.

c. For example, do you provide services to the asset management community or to other types of businesses that you may be asked to review and analyze for your clients?

No. As an independent retirement plan consulting firm, we — and our clients — take our objectivity very seriously. 100% of our revenue is derived from direct services to our clients.

d. Do you offer your own investment products or fund of funds services, or do you make investments in the types of businesses that your clients may ask you to review and analyze?

No. The Hyas Group has no proprietary investment products, nor do we derive any revenue from others' investment products. We believe that objectivity requires revenue neutrality; therefore, we have always conducted ourselves in a way which mitigates conflicts of interest.

We do not receive any direct or indirect payments from any money managers, recordkeeping providers, custodians, broker-dealers, or any other entity which might provide services to our clients. All our revenue is derived from direct services to our clients.

2. WORKING WITH THE COMMITTEE

a. Describe your experience working with an oversight committee which holds meetings open to the public and must comply with California's Ralph M. Brown Act and a majority of whose members are selected by employee and retiree organizations.

Our current client list includes 90 governmental clients, many whose plans include an oversight committee which holds meetings open to the public and subject to the Brown Act. In fact, we are currently working with another California governmental client by leading a workshop designed to implement Fiduciary Responsibility in accordance with the Brown Act.

Furthermore, our robust California public sector client list gives us great insight into what is expected from committees who rely on their consultant to make sure their plans are operating in compliance. Following your meetings, we will send an Action Item Letter summarizing key discussion items and decisions and providing a documentation of meeting outcomes. We are also available to review minutes prepared by the oversight committee.

Our focus on ERISA standards, strategic planning, and fiduciary education is a crucial part of our service delivery model and is what sets the Hyas Group apart for our competitors. This focus is especially relevant to California public sector agencies like the City of Sacramento since you are bound to ERISA standards per the California Constitution, Article XVI, section 53609.

b. How would you work with the Human Resources manager assigned to staff the Committee?

It is our duty to remove as much of the administrative and analytic burden from the Human Resources Manager and any other members of the Committee and staff as they feel it is appropriate to delegate.

We seek to simplify the processes needed to make our relationships successful. In approaching every client relationship, we understand and appreciate that the Human Resources Manager and other members of the Committee are busy, and many clients depend on us to provide our unbiased expertise and to do much of the actual implementation work once client approval is obtained.

We will make every effort to operate in form and principal as an extension of your Human Resources Manager and any other members of the Committee and staff.

c. How would you determine what information is given to staff versus given to the Committee?

We would support staff and the Committee in the most efficient manner possible. For most of our clients, this means distributing information primarily to staff throughout the year during off-meeting periods.

Prior to meetings, committees typically receive information electronically either from Staff or Hyas directly with Staff copied (your preference). This information typically includes the following:

Deliverable	Responsible Party
Final meeting agenda	Hyas Group can prepare
Quarterly performance report	Hyas Group
Relevant Plan analysis	Hyas Group
Manager search documents	Hyas Group
Fiduciary training module	Hyas Group
Legal and regulatory updates	Hyas Group
Record keeper report	Nationwide
Prior meeting minutes for review	City/Hyas Group

The Hyas Group will also send hard copies of Hyas materials to the City-designated address to be distributed at the meeting.

After the meeting, the Hyas Group sends any relevant follow-up documents such as Action Item Letters (minutes) either to staff or the Committee (again, your preference) and the process is repeated for the next meeting.

d. The Committee is scheduled to meet quarterly. How often would you want to meet with the Committee, and about how much time at each meeting and in total throughout a year should be devoted to discussions and trainings with you?

We meet with most clients at least four times a year to present their quarterly plan performance report in person. However, it is very common for us to attend other interim meetings as requested (there is no additional fee for this service). A quarterly meeting schedule allows for us to remain proactive in communicating issues with our clients ranging from regulatory changes taking immediate effect to sudden personnel changes at fund management firms. We believe it is the consultant's responsibility to provide independent, expert advice on a broad range of topics, and one of our core responsibilities is to ensure that the Committee is continually apprised of legislative and regulatory developments and their potential impact on the Plan.

We also believe that providing high-quality, easily understandable training and education of fiduciary committees is critical to the success of both the committee and our firm. We have developed – and are continually refining – a curriculum of several core seminars that we provide throughout the year to the committees that we serve. Depending on a client's needs and scheduling preferences, we are available to provide this educational training as part of the quarterly meetings or as a separately scheduled special focus seminar. Some examples of our core fiduciary education presentations include:

- > *Fiduciary Fundamentals*
- > *Plan Governance*
- > *Investment Design*
- > *Fees: Why So Complicated?*
- > *Capital Preservation Overview*
- > *To RFP or Not to RFP*

e. In between Committee meetings, what kind of communications do you think you would have with staff or Committee members?

Rasch Cousineau, the proposed lead consultant for the City, will be accessible and available to provide independent, expert advice. You can expect that Rasch will regularly communicate with you weekly, via telephone and/or email. Regular communication with our clients is a key component of our service model and our clients appreciate our proactivity in this regard.

We believe it is the consultant's responsibility to provide independent, expert advice on a broad range of plan topics, and one of our core responsibilities is to ensure that the City is continually apprised of legislative and regulatory developments at the national and local levels and their potential impact on your Plans and the City. We author a quarterly public-sector newsletter, *The 457 Plan Fiduciary Advisor*, that covers changes in the industry and is sent to our clients.

The Hyas Group prides itself on being one of the most knowledgeable retirement plan consultants in the industry. We are therefore expected to be acutely aware of the laws and regulations related to the administration and monitoring of governmental retirement plans.

3. WORKING WITH NATIONWIDE

a. How should we better understand when it is the Committee’s responsibility to hire a consultant compared to when it is Nationwide’s responsibility to provide the following information or services: a) recommendations on changes to the fund lineup; b) investment and retirement advice and education to participants and to the Committee; and c) recommendations and implementation of strategies to increase participant numbers and dollars and reduce participant withdrawals?

As your investment consultant, we believe it is our role to be a plan and participant advocate. As this advocacy relates to vendor relations, we act as overseer in our role as co-fiduciary and as partner in our role as vendor manager. The key components of our interactions with Nationwide will be plan design (including investment structure), administration, participant utilization, communication/education, and fees. Our goal will be to remove as much of the record keeper management burden from the City staff as they feel it is appropriate to delegate. We prefer to play an integral advisory role in plan design, administration, and participant utilization. We add value in reviewing communication strategy and materials and negotiating contracts and fees.

b. Based on what you know about Nationwide and the size and decentralized nature of the City’s workforce and of those participants who are no longer contributing, are there services that Nationwide should be providing that they often do not? If Nationwide’s income goes down every time a participant transfers their assets out of the plans, what should Nationwide be doing to discourage the transfers out from happening?

The Hyas Group recently conducted an RFP for a large Nationwide city client. One of the enhancements that Nationwide offered as part of their response was a local, salaried, Nationwide-employed Financial Planner. This additional on-site professional will support the services already provided by their local Nationwide representative. Nationwide positioned this added no-cost service as a solution to retain assets through improved outreach focused towards inactive participants. With an estimated 40% of City of Sacramento participants noted as “inactive,” your Plans could also benefit from this service. The Hyas Group would strongly recommend this Financial Planning service for the City of Sacramento.

In addition, the Hyas Group will work with the Committee and Nationwide to identify sources (outside advisers) of outflow and develop and monitor communication campaigns so that your participants are making an informed choice at separation of service. We are currently working with Nationwide at another large public sector agency on this topic of asset retention and would adopt best practices for the City of Sacramento as results of our findings there.

c. Of the recommendations you typically make, which of them are likely to receive resistance from Nationwide and why?

As of June 30, 2019, the Hyas Group works with Nationwide on 29 public sector plans representing over \$4 billion in assets. Nationwide is one of the more flexible and responsive record keepers. We have not received resistance from Nationwide on any of our recommendations.

d. At what point should the Committee be concerned if Nationwide is reluctant to implement certain changes because it impacts their revenue?

Our typical agreements with any recordkeeper, including Nationwide, is to maintain full transparency as it relates to revenue sources and fees. This is typically handled at the contracting phase to eliminate any chances of a misunderstanding in the future. As a fiduciary, you cannot be cornered to use certain products if they do not meet objectives and the fees are not reasonable. We would work with Nationwide to fully understand the current contract and try to minimize or eliminate any concerns that could possibly arise.

Furthermore, the Hyas Group's quarterly performance reports include an administrative fee reconciliation (by plan) that is presented to the Committee. In our experience working with Nationwide, they transparently report all administrative revenue and have been responsive to correct any rare fee discrepancies.

e. If you believe strongly in your recommendation to the Committee, how would you work with the Committee and Nationwide to overcome that resistance?

The Hyas Group is one of the most experienced public sector firms in the industry and can draw upon years of expertise to help the Committee navigate through difficult decisions. We are able to use real client examples in addition to our familiarity with other recordkeepers, including Nationwide, to help come to a reasonable conclusion on any issue. Our approach is to present facts, opinions, and recommendations that have been well researched and documented that will help the Committee make informed decisions. The Committee should ultimately feel comfortable that our independence brings clarity to the process; our interests are aligned; and that our role is to serve the City and your participants in a fiduciary capacity. Any record keeper, including Nationwide's, concerns are always part of the research process and we work to resolve any conflict should it arise.

4. REFINEMENT OF SERVICES

a. Several RFP respondents suggested the following refinement of services to better serve participants: a) help participants more thoroughly understand their retirement readiness in individual and group settings;

The Hyas Group will help the Committee evaluate and compare the results of Nationwide's Plan-level *Retirement Readiness Report* and participant-level *My Interactive Retirement Planner* results. In addition, the Hyas Group will leverage our leading public sector experience to provide relevant benchmarks for the Committee to gauge results and measure success. If necessary, the Hyas Group will work with Nationwide to modify *Retirement Readiness* outreach and communications to achieve optimal outcomes for the City of Sacramento. This type of campaign, when successful, can be submitted for industry awards such as National Association of Government Defined

Contribution Administrators (NAGDCA) and *Pensions & Investments* so that the Committee and your Plans may be recognized for their leading achievements and design.

b) help participants understand guaranteed lifetime income;

In the age of Public Employees' Pension Reform Act (PEPRA), this is an especially sensitive and relevant topic. While noble in concept, guaranteed lifetime income products, are not recommended by the Hvas Group in 2019; they are in their relatively early stages of development and continue to be rife with high costs and restrictions. They are also proprietary in nature and thus, a source of additional revenue for service providers. However, legislation regarding improving these products continues to gather momentum on Capitol Hill. At the Hvas Group, we anticipate that legislation will eventually create a more competitive and flexible environment where these vehicles become practical and convenient investment options for participants.

c) reorder Nationwide's fund lineup online and on paper so that target date funds are shown first;

The Committee should be commended that your current Investment Policy Statement (IPS) is already established in the way described in the question:

- > **TIER 1:** Target Date Funds – “Do it for me”
- > **TIER 2:** Core Lineup Options – “Help me do it”
- > **TIER 3:** Self-Directed Brokerage – “I'll do it myself”

The Hvas Group would recommend modifying any relevant communications to follow this tiered IPS investment structure. This should lead to easier participant decisions producing early enrollments, diversification, and age-appropriate allocations which are all key ingredients for healthy defined contribution plans such as your 457 and 401(a) Plans.

and d) select target date funds based on carrying participants “through” retirement for a set number of years, rather than based only on getting participants “to” a retirement age in a particular year.

The Hvas Group has developed a proprietary analytical process that could analyze the City's aggregated glide path. This tool will help determine whether “to” or “through” glide paths are most appropriate for your Plans' participants. The tool will compare the optimal City glide path to your current Target Date Fund suite (American Century) and other leading Target Date Fund suites to find the closest fit. This analysis has been performed for several Hvas Group clients to substantiate the adoption of a recommended target date suite.

What are your thoughts about these suggestions in general and specifically for the City's plans?

All topics noted above are excellent discussion points. If fortunate to be hired as your Plans' consultant, we would add these topics to future agendas for action (where appropriate). We would note any decisions in that meeting's Action Item Letter.

5. NEW SERVICES

a. Several RFP respondents suggested the following new services to better serve participants: a) add such features as re-enrollment, auto-enrollment, active choice enrollment, and auto-escalation;

- > **RE-ENROLLMENT:** At minimum, we might recommend this feature for your RHS Plans. In addition, we'd like to evaluate how many participants are singularly and potentially inappropriately invested in the Nationwide Fixed Fund in the 457 and 401(a) Plans. Based on this analysis, we could recommend a potential re-enrollment of participants based on demographic, status (active/inactive), and/or account balances.
- > **AUTO-ENROLLMENT/ACTIVE CHOICE/AUTO-ESCALATION:** Our recommendation would be auto-enrollment with auto-escalation. As you likely know, these features are considered wage garnishment for California public sector plans. As of June 30, 2019, the Hyas Group works with 30% of the California public sector clients who have successfully negotiated auto-enrollment and auto-escalation. The features are collectively-bargained and most employers negotiate the auto-enrollment/escalation for new hires only. The Hyas Group also has a large public sector client who successfully negotiated auto enrollment/escalation that will be effective for existing employees of an 11,000-member union. We would be happy to discuss this further with the Committee.

b) create custom target date portfolios that accurately reflect the specific demographics of participants;

The Hyas Group's Target Date Analysis will show glide paths for all the major target date funds. Our analysis would show the "best-fit" glidepath for your population, although glide path selection may not be the only consideration. The Target Date review would review all investment vehicles such as Mutual Funds or Collective Investment Trusts (CITs).

A customized approach could be added to our analysis in order to determine if such an approach would be a good fit. The customized target date approach adds layers of operational complexities and increased costs that could diminish any value a customized glide path may provide. Most investment consulting firms charge for this service, which further detracts from performance and creates additional income for the consulting firm. This could be a conflict of interest that the Committee would need to explore.

c) begin the use of "collective investment trusts;"

The City of Sacramento's Plans are at the size where Collective Investment Trusts (CITs) could make sense in specific instances. CITs are typically lower-cost investment vehicles when compared to their SEC-registered Mutual Fund versions. Mutual funds typically have higher operational costs as they can be used with all types of investors, retirement plans, and trusts of all sizes. CITs can only be used in retirement plans and have lower operational costs. This structure can be beneficial to participants and should be explored where opportunities exist. CITs are governed by the Comptroller of Currency rather than the SEC, which oversees mutual funds. CITs function similar

to mutual funds in most respects; however, they do come with additional operational setups and due-diligence.

The Hyas Group can provide our white paper, “*An Overview of Collective Investment Trusts*” to the Committee for further reading on this topic if desired.

d) create “white label” funds to replace a group of individual funds in the lineup;

White label funds are typically reserved for large plans, which the City of Sacramento’s Plans are approaching the size where this option could be considered. White labeling a fund is used to simplify investment decisions for participants. For instance, MFS Value could be called Sacramento Large Cap Value. Or, multiple options could be blended together such as MFS Value and Fidelity Contrafund and called Sacramento Large Cap. Having a generic naming convention attempts to conceptualize “asset class” fundings versus participants using funds that do not display a clear investment strategy. For example, Fidelity Contrafund’s name alone does not delineate that it is a large cap growth strategy.

Combining funds in assets classes also helps consolidate assets to get better fee breaks from investment managers. This may allow the Plans to meet minimums on lower-cost funds or may expand the universe of investment options the City may consider.

The downside of creating white label funds includes no “live performance” history and fund performance would need to be modeled. Nationwide’s fund fact sheets have limited information as well, such as not displaying the various investment components. The City may have to create custom fund fact sheets to better display information. There are operational restrictions with white label funds as well. Nationwide can blend only two funds in each white labeled fund, and both are required be mutual funds. This would restrict the City’s use of lower-cost investment vehicles such as CITs.

The Hyas Group currently has one client with Nationwide that uses white labeled funds.

and e) encourage Nationwide to provide student loan debt repayment options to participants as a way of engaging (mostly) millennials whose debt is keeping them from investing.

Student loan debt has been referred to as the next big bubble; it is a huge challenge in this Country. Understandably, it has received much attention on Capitol Hill and in the press. As you may know, the IRS recently ruled on a corporate plan to allow for the Employer match to be used to repay student loans. Additionally, the SECURE Act, in its current form, has a provision that will allow for 529 plans to repay student loans debt up to \$10,000. As a result of these developments, service providers such as Nationwide, are scrambling to come up with solutions and products that help improve the student loan debt crisis. The Hyas Group is aware of service providers who are close to market with products. Nationwide is likely close behind. This is a topic that can be added to the first agenda if we are fortunate to be hired as your consultant.

What are your thoughts about these suggestions in general and specifically for the City's plans?

Please see above.

6. FUND LINEUP

a. Some of the respondents to the RFP recommended changes to the fund lineup and others did not. For example, several respondents recommended replacing the American Century OneChoice target date suite of funds and the Invesco Oppenheimer International Growth fund. Refer also to the recommendations related to target date funds and white label funds described in Questions 4 and 5. Why would Nationwide not be giving the Committee the same advice?

If the funds are not breaching any IPS criteria that may result in a termination, Nationwide's stance is to typically hold the investment. Nationwide does not serve the City as an investment fiduciary and they are not in the position to provide investment advice. Nationwide may have conflicts as well that need to be investigated to see if their opinions are also conflict-free. Other consulting firms will have different opinions and advice possibly resulting from not being as familiar with the funds in your Plans. The distinction between a non-fiduciary opinion and fiduciary advice is important to understand.

Given that opinions will often vary, how should the Committee respond to the advice you provide to us on fund lineup when Nationwide hasn't given the Committee the same advice?

The Hyas Group provides objective, third-party investment advice to all our clients. Our advice is well-researched and conflict-free. We are a co-fiduciary to the City's Plans. We will work with the Committee and Nationwide on every investment search we present. An investment search will typically have four to five investment candidates, performance and portfolio analysis, peer group comparisons, fee review, and qualitative fund information.

We have worked with Nationwide for many years. Nationwide would acknowledge that they cannot provide investment advice to any plan sponsor as this is a fiduciary act. Nationwide is not an investment fiduciary and their opinions may come with conflicts. We have not experienced any issues working with Nationwide and our recommendations. We have an excellent working relationship with their account managers and fund teams. Should a problem arise, we would work with them to understand their points and address them with the Committee so that informed decisions can be made.

b. When providing advice about the City's fund lineup, how important is it for you and the Committee to understand characteristics of the participants as described by the US Department of Labor in "Target Date Retirement Funds – Tips for ERISA Plan Fiduciaries at <https://www.dol.gov/files/EBSA/about-ebsa/our-activities/resource-center/fact-sheets/target-date-retirement-funds.pdf>? Whose responsibility is it to obtain and analyze the characteristics of the participants?

The senior consultants at the Hyas Group have been studying behavioral finance for years and have incorporated the many findings into their regular discussions with committees in an effort to continuously strive for successful retirement programs and better participant outcomes. We believe that the ideal investment structure for the City's Plans is the one that optimizes the intersections of

your participant behavior, culture, and governance budget. Given that each defined contribution plan consists of as many portfolios as there are participants (because each participant is unique), it is incumbent on the City, in consultation with your senior consultants at the Hyas Group, to vet these factors and discuss how they may apply to your Plans. Both organizational culture and participant behavior can be analyzed for the Plans, as well as the skill, resources, and time spent in governing it.

As a precursor to knowing these specifics about the City and your Plans, our general understanding of behavioral finance and participant-directed retirement plan structures lead us to advocate for certain common virtues including:

- > Automatic features (enrollment, investment and deferral increases) that take advantage of participant inertia;
- > Simplified participant decision-making such as enrollment meetings where non-participants can enroll then and there;
- > A tiered investment menu that is presented in logical and gradual steps as opposed to one long list of options;
- > Asset allocation strategies appropriate for all participants;
- > Lowest cost share classes;
- > A balance of passive and active choices;
- > Linkage among Plan governance budget, participant investment knowledge and investment complexity; and
- > A participant education system that utilizes a healthy dose of peer pressure so that investors are aware of what others are doing.

BLIND RFIs

a. Do you conduct blind Request for Information processes on record-keepers so that you and the Committee can better understand the current market for fees and services? Why or why not? If you do, how often and is there an additional cost to the City?

Given our experience with RFQ, RFI, and formal RFP projects, we can effectively use competitive market data points such as improved pricing, service enhancements, technology updates, and fiduciary best practices and apply those standards and benchmarks to our clients through a negotiation process with your existing provider. There are many examples where a formal RFP process was not feasible; however, Hyas Group consultants and analysts were able to achieve results from the vendor community.

Because we are one of the most active firms conducting these types of record keeper review projects, we are well-versed in understanding and benchmarking record keeper services and fees. Our frequency of completing these projects keeps our database up-to-date and relevant on pricing trends in the marketplace. Recordkeepers often have various revenue sources in a plan outside of the recordkeeping fee. We are diligent about full fee disclosure and making sure vendor cost comparisons are conducted equally and that the final contract has all fee components clearly listed.

Because of our robust clientele and frequency in the marketplace, we will be able to benchmark your total plan costs, including investment and recordkeeping to a number of like plans. The cost for this abridged project work would be included.

7. OPTIONAL SERVICES

a. What are the most common services that your clients ask you to undertake that are not part of the City's scope of services as stated in the RFP? What is the typical cost for these optional services? Did you include any of these services in your proposal price even though they were not in the scope of services?

The following services are most commonly provided to our clients outside of general retainer services. These services are provided at no additional charge and would all be offered to the City as part of our proposal price:

- > **TARGET DATE FUND PLAN POPULATION ANALYSIS:** In conformity with Department of Labor guidance, determine how well a given target date suite “fits” a plan’s demographics. Report and make recommendations accordingly. Our full methodology is available here: <http://hyasgroup.com/wp-content/uploads/2016/11/White-Paper-Plan-Based-Glide-Paths-June-2018.pdf>
- > **TARGET DATE FUND COMPOSITION ANALYSIS:** Perform in-depth dissection of a target date suite into its component parts; analyzing the suite by investment style, asset allocation, regional allocation, credit composition, performance expectations, and others.
- > **MANAGED ACCOUNT ANALYSES:** Discussion of managed accounts and analysis of a vendor’s particular offering. This review covers topics such as investment philosophy and composition, demographic assumptions, website reporting and functionality, and expenses.
- > **GUARANTEED MINIMUM WITHDRAWAL BENEFIT ANALYSIS:** Product-specific analysis of the retirement-income annuities referred to as Guaranteed Minimum Withdrawal Benefits products. This analysis includes a review of the underlying investments, expenses, distribution rates, portability, and financial strength of the guarantor. These products are more commonly found among recordkeepers that are owned by an insurance company.
- > **FEE POLICY STATEMENT DEVELOPMENT:** Many of our clients have adopted formal separate policies concerning fees and revenue share in the past few years and we can be of assistance to the City and its Committee in creating and maintaining such documents.
- > **SUMMARY PLAN DESCRIPTION DEVELOPMENT:** While not required, Hyas Group has offered to develop and install Summary Plan Descriptions (SPDs) for our governmental clients. Clients like the benefit of offering a quick reference guide like the SPD for their participants either on the Plan’s intranet or portal.
- > **VENDOR RFP TRAINING FOR THE COMMITTEE:** Hyas Group can offer your Committee specialized “How to Evaluate an RFP” training if desired. The goal of the training is to provide Committee members with knowledge regarding how to review vendor RFP responses, Hyas Group analysis, and ultimately get the most out of this very important process. To confirm, Hyas Group does the heavy lifting during the RFP search process; however, we do find that some Committee members like to be fully engaged. We welcome that enthusiasm and offer this course at no additional charge.

- > **RFP FOR RECORDKEEPING SERVICES:** Solicit cost, service information, and performance commitments from multiple recordkeepers. Compile responses into a readable report for client review and approval. Facilitate final interviews, contract negotiations, and implementation as needed. Our cost for a comprehensive RFP would be approximately \$30,000 and could be broken up into installments at the Committee's direction.

PROACCOUNT PLAN ADMINISTRATIVE FEES

a. In your submittal you mentioned that Nationwide's ProAccount service "adds at least another 0.07% (7 basis points) to your Plan administrative fees." Please expand on how an optional service that is supposed to be paid for only by those who choose the optional service adds to the fees charged to everyone. Also discuss how the fee could be reduced.

You are correct that only the participants who choose to utilize Managed Accounts (ProAccount) pay for this service. The comment that ProAccount "adds another 0.07% to your Plan administrative fees" was made primarily to put this costly service into context. Your current total Plan Administrative fee, at 0.03%, is less than half of the revenue received from ProAccount. Nationwide still receives this additional revenue, pushing their revenue for City of Sacramento Plan Admin fees and Managed Accounts to approximately 0.10%. Based on our understanding of your Plans, there is also a third source of revenue: assets in the Nationwide Fixed Fund.

We believe that identifying all sources of revenue is a key component of our role as your consultant. In addition to helping you fulfill your fiduciary responsibility this revenue identification is also critical for when you conduct your next Recordkeeping RFP. It ensures that all revenue sources are compared equally and transparently.

Regarding the reduction in ProAccount fees, the following are common ways Hyas Group clients reduce fees:

- 1) Reduce the overall tiered fee structure;
- 2) Offer free look periods for participants; or
- 3) Combination of both.

Early on as your consultant, we would also request a price quote from Nationwide assuming ProAccount were to be shut off. While turning ProAccount off could be unlikely, the unbundling of revenue sources will provide the Committee with the purest revenue number. Hyas Group will present these cost structures in an analysis that may be documented for fiduciary purposes.

INVESTMENT EXPENSES

a. In your submittal you mentioned that you "expect to be able to reduce investment expenses by at least 20%." Please expand on this. After expenses are reduced by this 20%, how difficult will it be to reduce expenses further and what additional steps can be taken?

During our Plan Review Project in 2018, we noted a number of fund share class changes which would reduce investment costs. The City did move from Fidelity Contrafund K to Fidelity

Contrafund K6, which reduced costs from 0.73% to 0.45%. Furthermore, this equated to \$155,000 in annual savings. The following chart illustrates some additional fund changes that are impactful to participants. For the large and midcap index funds, the City qualifies for the lower-cost institutional share class through Vanguard. Fidelity recently lowered the expense ratios on all their index funds to better compete with Vanguard and offers a compelling case for the City to consider. The iShare MSCI EAFE Index, according to our last Nationwide report, no longer revenue shares the standard 0.05%. The net cost for this option is 0.09%, versus the current 0.04%. Vanguard and Fidelity offer funds that are significantly lower in costs today.

Current funds noted in blue

Fund	Assets	Expense Ratio	Total Cost	% Reduction
Vanguard 500 Index Admiral	\$44,337,027	0.04%	\$17,735	-
Vanguard Instl Index	-	0.035%	\$15,518	13%
Fidelity 500 Index	-	0.015%	\$6,651	63%
Vanguard Mid Cap Index Admiral	\$10,708,409	0.05%	\$5,354	-
Vanguard Mid Cap Index I	-	0.04%	\$4,283	20%
Fidelity Mid Cap Index	-	0.025%	\$2,677	50%
Vanguard Small Cap Value Index I	\$2,240,168	0.06%	\$1,344	-
Fidelity Small Cap Value Index	-	0.05%	\$1,120	17%
iShares MSCI EAFE Intl Index I	\$15,899,010	0.09%	\$14,309	-
Vanguard Developed Mkt Index I	-	0.05%	\$7,950	44%
Fidelity International Index	-	0.045%	\$7,155	50%

The City has six funds in the Plans that revenue share a portion of their expense ratio, which is returned to participants. This process reduces the net cost to participants. While alternative non-revenue share classes are available for the six funds, none produce a lower “net” cost to participants. Fees are not the only consideration when reviewing the best share class to use. The following chart shows the alternative share class, revenue share amount, and 3- and 5-year annualized performance. In one example (the Columbia High Yield Bond), the City’s participants would have experienced better performance using Instl3 versus Instl2, even when adding the 0.10% revenue share credit to participants.

Current funds in blue – performance as of 8.28.2019

Fund	Assets	Expense Ratio	Revenue Share	3-Yr Perf.	5-Yr Perf.
PGIM Total Return Bond Z	\$24,947,595	0.49%	0.25%	4.59%	4.39%
PGIM Total Return Bond R6	-	0.39%	-	4.66%	4.49%

Fund	Assets	Expense Ratio	Revenue Share	3-Yr Perf.	5-Yr Perf.
Goldman Sachs Global Income I	\$1,447,499	0.69%	0.05%	3.53%	3.63%
Goldman Sachs Global Income R6	-	0.68%	-	3.54%	-
Columbia High Yield Bond Instl 2	\$5,495,064	0.71%	0.10%	5.25%	4.55%
Columbia High Yield Bond Instl 3	-	0.66%	-	5.42%	4.68%
Goldman Sachs Large Cap Growth Insights I	\$21,460,684	0.53%	0.15%	13.74%	11.01%
Goldman Sachs Large Cap Growth Insights R6	-	0.52%	-	13.75%	-
JPMorgan Small Cap Equity R5	\$19,721,738	0.80%	0.80%	9.47%	9.19%
JPMorgan Small Cap Equity R6	-	0.74%	-	9.53%	-
BlackRock Global Allocation I	\$166,684	0.81%	0.25%	5.02%	3.06%
BlackRock Global Allocation K	-	0.74%	-	5.09%	-

The Plans would garner potential cost-savings in looking at lower-cost, alternative institutional investment options in some asset classes. For example, we use Vanguard International Growth Admiral for international large growth with an expense ratio of 0.32%. The Plans currently use Invesco Oppenheimer International Growth R6 with an expense ratio of 0.67%. There are institutional target date suites that cost less than half of the 0.45% paid today for American Century. The American Century target date suite also has approximately a 0.12% fee waiver that could increase the expense ratio if the waiver is lifted. Waivers typically come from a reduced management fee due to high operational costs that would make the expense ratio non-competitive.

City of Sacramento

Request for Proposal No. P19081021003

Retirement Plan Consulting Services

Hyas Group Response – May 31, 2019

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Section 1

May 29, 2019

RE: RFP for Retirement Plan Consulting Services (RFP No. P19081021003)

Submitted electronically

We appreciate the opportunity to respond to the City of Sacramento's Request for Proposal and we are excited to be in a position to continue offering our consulting services to the 457(b), 401(a), and HRA Plans. Having previously worked with the City on a project, we know that with continued hard work and an unwavering commitment to client support, we will be able to provide the level and caliber of service the City, its Committee, and its plan participants deserve.

The Hyas Group is one of the largest, most respected public-sector retirement plan consulting firms in the nation. We are a leader of change with demonstrated results for the betterment of plan sponsors and participants.

Why Hire the Hyas Group?

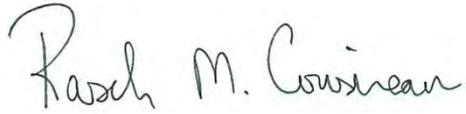
- Public-sector retirement plans require a unique expertise that only comes with a tremendous amount of industry experience. Most consultants at the Firm have over 20 years of industry experience in the public-sector marketplace.
- The Hyas Group is one of the largest public-sector retirement plan consultants in the U.S., representing more than \$28 billion in assets and 120 clients, primarily with 401, 457, and HRA plans.
- We have conducted over 100 public-sector recordkeeping RFPs since the Firm's inception. We are one of the most active public-sector RFP consultants in the industry. The breadth and depth of knowledge this continuing experience provides to us benefits all of our clients and will benefit the City. Our understanding of pricing and service offerings remain one of the most up-to-date in the industry.
- We know your incumbent vendors ICMA-RC and Nationwide well and have negotiated successful contracts with fee reductions as high as 80%.
- Our results are quantifiable; and you will be able to see the impact we have on participants and the Plans.
- 100% employee retention since the Firm's inception. We provide consistency to our client experience.
- Our responsive client service is backed by performance guarantees—we are the only firm we know of that offers these guarantees with dollars at risk.

Thank you again for the opportunity to introduce our firm and services. We hope that our previous work has shown our team's commitment to unparalleled client service.

With gratitude for the confidence you have place in us thus far and in anticipation of what may accomplish together, we look forward to continuing our Firm's service offerings.

You may direct all inquiries related to this RFP to me at the contact information provided. We look forward to hearing from you regarding next steps in this process.

Sincerely,

A handwritten signature in black ink that reads "Rasch M. Cousineau". The signature is written in a cursive style with a large initial 'R'.

Rasch Cousineau,

Senior Consultant

☎ 971-634-1514

✉ rcousineau@hyasgroup.com

Section 2

PROPOSAL SIGNATURE FORM

ATTACHMENT 2

Name of Proposer: Hyas Group LLC

Business Address: 108 NW 9th Ave., #203 Portland Oregon 97209
(Street) **(City)** **(State)** **(ZIP)**

Telephone: (971) 634-1500 **Fax:** (503) 914-0022

Type of Business: Corporation (S-Corporation)
 Partnership
 Individual doing business under own name
 Individual doing business under a firm name
 Joint Venture (attach Joint Venture Agreement)

Federal Tax I.D. Number: 26-2924761

City of Sacramento Business Operations Tax Number: To be obtained upon award

To the City of Sacramento:

The undersigned, as Proposer, certifies that the only persons or parties interested in this proposal as principals are those named herein as Proposer; that this proposal is made without collusion with any other person, firm, or corporation; that in submitting this proposal the Proposer has examined all terms, conditions, and requirements set forth in the Request for Proposals; that the Proposer proposes and agrees that if this proposal is accepted, the Proposer will execute and fully perform the contract for which proposals are called; that the Proposer will perform all the work and/or furnish all the materials specified in the contract, in the manner and time therein prescribed, and according to the requirements as therein set forth; and that the Proposer will take in full payment therefore, the prices are forth in the attached schedule.



May 28, 2019

Signature

Date

Dale Parker, Managing Partner, Chief Operating Officer

Typed or Printed Name and Title

Same as above

Address (if different than business address above)

Section 3



REQUIRED QUESTIONS

1. Provide a list of your largest public sector clients, up to a maximum of ten (10), in terms of total dollars invested as of 12/31/18. For each client, list the following:
 - a. How long you have been under contract with the client;
 - b. Which company is the record-keeper;
 - c. Which products (e.g., 457, 401a, 401k, IRA, HRA, etc.) are offered to their employees;
 - d. Whether each product is offered on a mandatory, voluntary, or combination basis;
 - e. Total dollars invested for each product as of 12/31/18;
 - f. Number of participants who are invested in each product as of 12/31/18; and
 - g. Whether the products have been growing in terms of number of participants and average dollar amount invested, and whether the amounts invested and transferred in exceed the amounts withdrawn and transferred out.

Client Name	Length of Service	Record Keeper	Plan Type	Product Offering	Total Plan Size	# of Participants
1. City of Phoenix	Since 2013	Nationwide	457, 401a, PEHP	Voluntary	\$2.3 b	46,170
2. County of San Bernardino	Since 2018	Voya	457, 401a, 401k, HRA, PTS	Voluntary	\$1.1 b	49,450
3. King County	Since 2009	T. Rowe	457	Voluntary	\$890 m	8,814
4. City of Portland	Since 2009	Voya	457	Voluntary	\$666 m	5,678
5. Metro Water District of Southern CA	Since 2011	Empower	457, 401k	Voluntary	\$587 m	4,229
6. City of Long Beach	Since 2009	ICMA-RC	457	Voluntary	\$581 m	5,559
7. HRA VEBA Trust of Washington	Since 2012	OneBridge	VEBA	Voluntary	\$486 m	64,641
8. City of Austin	Since 2017	Empower	457	Voluntary	\$511 m	11,511
9. City of Oakland	Since 2010	ICMA-RC	457, OBRA/PST	Voluntary	\$455 m	4,274
10. East Bay Municipal Utility District	Since 2012	Fidelity	457, 401a, 401k	Voluntary	\$425 m	3,484

The products for all clients listed in the table above have been growing in terms of the number of participants and average dollar amount invested. The amounts invested and transferred in exceed the amounts withdrawn and transferred out.

2. Describe any experience providing consulting services to public sector clients who have plans with Nationwide Retirement Solutions.

We have 26 clients that use Nationwide as their record keeper, representing over \$3 billion in plan assets. Since the Hyas Group's inception, we have completed nearly one recordkeeping request for proposal (RFP) per month, in which Nationwide has responded to a vast majority of these RFPs. We conduct a full review of services and fees in RFPs, in which Nationwide is compared to other recordkeepers in the industry. As a result of our reviews, we are able to maintain in-house databases of Nationwide's pricing and industry trends. We are also able to quickly benchmark services and negotiate fees thanks to the broad array of data points which we track.

3. According to the National Institute on Retirement Security, two-thirds of Millennials have nothing saved for retirement. How can we encourage and/or incentivize our Millennial employees to participate in our defined contribution plans?

The core teachings of behavioral finance state that effective retirement plan features need to be automatic and simplified, if not mandatory. Auto-enrollment, auto-savings escalation, and an intuitive investment menu presentation where target date funds are presented ahead of the individual options are all part of a movement towards positively effective retirement plans.

If trying to achieve near 100% plan participation, and from Millennials in particular, the City may wish to consider implementation of auto-enrollment features. The DOL recently issued rules that allow employers to auto-enroll all participants with an opt-out feature and in the last few years, we have worked with several clients who have implemented this feature. We would be happy to share our favorable experience of this process with the City's Committee.

4. Provide examples of the most impactful advice you have given to your clients. What prevented your client from taking the action described in your advice before your advice was given?

As a fiduciary, offering advice to the plan on multiple issues is one of our primary services. We advise plans on investments, plan design, regulatory compliance, participant communications, and various types of provider and manager contracts, to highlight some of our key advice areas.

One example of our advice given to a client which made a major contribution to meeting the client's objectives, including a reduction of cost, was evidenced in the implementation of a custom investment menu. Based on research we conducted regarding the demographics of the client, we simplified the core menu of options to include five broad passively managed asset class funds and a stable value option. We also created custom target date portfolios that invest across 12 distinct asset classes and are implemented through a total of 24 passive and active managers. Participants were allowed to opt-out of the portfolios but 90% of the plan's \$1.2 billion in assets were mapped into the portfolios. Our philosophy of using low cost investment vehicles drove us to use four separately managed accounts and numerous collective trusts in addition to the institutional mutual funds.

Another example of our advice tailoring investments to meet the unique needs of clients involved a specialized stable value structure for a large governmental DC plan client. Participants in the Plan enjoyed a feature in the fund that did not require the typical 90-day equity wash for transfers from the fund to competing investment options. However, the Board was concerned that the fund only had one wrap provider. The new structure we created involves multiple wrap providers, but the contracts provide a unique feature that allows participants to continue enjoying no equity wash.

As defined contribution retirement plans continue their trend towards being the primary, if not the only, retirement savings vehicle, we expect to see increased attention given to automation, simplification and transparency. Governmental retirement plan sponsors will continue to adopt these features (where state laws allow them); and regulators will further refine laws to encourage adoption of these programs. As plans become more automated the investment options will continue to take on a similar automatic, simplified approach. We will begin to see fewer and fewer menu choices and additional emphasis on single funding, fully diversified, fully-adjusting investing vehicles. Target date fund options will be refined to more closely match a specific workforce population and they will include a much stronger distribution/retirement income component. As plans grow in size, more will consider customized asset allocation solutions that incorporate core investments into the glide path structure of the asset allocation strategy.

On the regulatory front, we will see increased scrutiny on investment fees and refinement of recent disclosure regulations. Accounting for revenue sharing and the impact revenue sharing has on participants' accounts will continue to be in the spotlight, given the emerging trend of transparency. Eventually, we would expect that the process of revenue sharing as a function of the fund expense ratio will slowly fade away. Ultimately, fund managers will charge a fee based purely on management activity and all other service providers will have to assess a separate administrative/service fee for their activities. The investment market is awaking to this need for purely institutional products as evidenced by the growth in "R6" share classes and collective investment trusts. We have often advocated for this institutional investment model and today the vast majority of investment product providers have options that are free from revenue sharing costs.

5. Based on what you have learned about the City of Sacramento's defined contribution plans, what do you believe is the greatest opportunity for a) reducing participant expenses; b) increasing the percentage of employees who contribute; c) increasing the dollar amount contributed by employees; and d) reducing the number of transfers out by participants who no longer work here?

This is an excellent question. Based on what we have learned about the City's Defined Contribution Plans¹, we believe the following items should be considered when improving participant outcomes:

- **Reducing participant expenses:** Two key areas - Admin Fees and Investment Expenses:
 - Admin Fees: your current Plan administrative fees are already low at 0.03% (3 basis points). However, significant opportunities for additional fee reductions exist within the \$60+ million in the Managed Accounts product, ProAccount. This adds at least another 0.07% (7 basis

¹ All data based on Q3 City of Sacramento 457 Plan Retirement Readiness Report

points) to your Plan administrative fees. Our recommendation would be to review and negotiate these fees with Nationwide as soon as possible and at minimum monitor their utilization for the Committee.

- Investment expenses: we expect to be able to reduce investment expenses by at least 20%. We would also recommend transitioning your current revenue sharing funds (six) to Institutional versions of these funds that produce zero revenue. This would make the fund lineup credit revenue sooner and the costs fairer and more equitable for all participants.
- **Increasing the percentage of employees who contribute:** Ideas to increase enrollment include, at the Committee's direction, possible discussions with appropriate bargaining groups about auto-enrollment. Hyas Group has California clients who have recently negotiated auto-enrollment for key bargaining groups. In addition, Hyas Group can work with Nationwide to ensure the current Education and Communication Plan is delivering effective enrollment outcomes and if not, what changes need to occur to improve it. Some possible suggestions within that Plan could include peer-to-peer enrollment campaigns, adjustments to on-site schedules (changing days/times to attract new employees), "jump start" City contribution campaigns, benefits fairs/open enrollments, mobile enrollment functionality, easier default enrollment forms, and more. The Hyas Group will work with Committee and Nationwide to develop, monitor, report, and adjust the campaigns to ensure the most effective outcomes for the City.
- **Increasing the dollar amount:** Many of the options for increasing contributions can coincide with some of the enrollment campaigns noted above. For example, auto-escalation can accompany an auto-enrollment feature if approved by the Committee and successfully bargained. The Committee could also implement an "increase your contribution" campaign at the same time as the "jump start" campaign noted above. The Hyas Group will work with the Committee and Nationwide to develop and report on these campaigns if desired and as necessary.
- **Reducing number of transfers out:** Asset retention is a key challenge facing many plans in the public sector. Plan "leakage" threatens participants in that they may transfer into higher cost, more restrictive individual investments. Leakage threatens plans in that competitive pricing is contingent upon positive plan cash flow. With an estimated 40% of your current participants inactive, the City's Plans have a considerable number of participants and assets at risk. The Hyas Group suggests potentially forming an "asset retention" subcommittee to conduct surveys and/or focus groups to determine inactive participant perceptions about the City's Plans. We are currently working with Nationwide at another large public sector agency on this topic and would adopt best practices as results of our findings there.

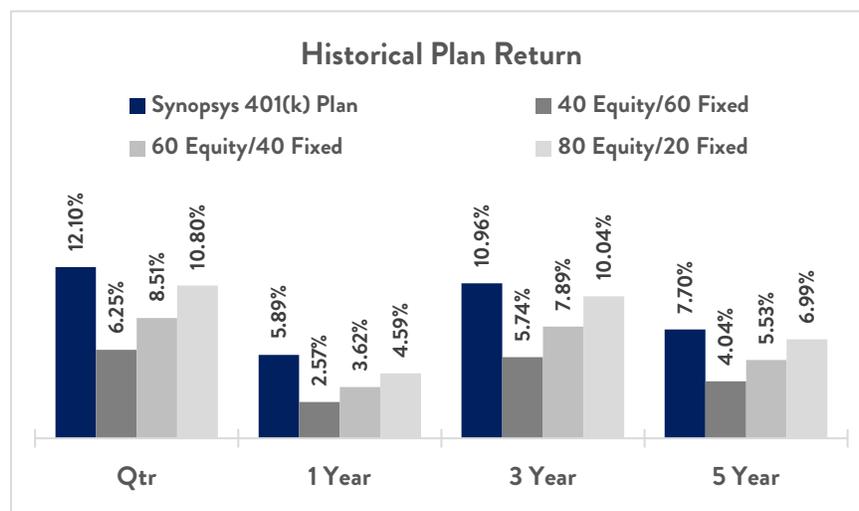
Finally, for all the items noted above, the Hyas Group can assist the Committee with submissions for Industry Awards, provided recognition and acknowledgement that the City's Plans continue to innovate among peers and across the Industry.

6. How do you measure the quality of the advice you provide to your clients? For example, if you recommend that a client switch out a fund, do you look back one and three years later and report to the client whether the switch was successful in reduced fees and increased earnings? Provide copies of several reports back to your clients that analyze the results of your advice. Or, if you have not created any such reports, describe how the City will evaluate the extent and quality of your services and advice?

The question of the quality of investment advice by a consulting firm is an important one. Many consulting firms have no idea if their fund changes were value added or not as the industry is forward-looking rather than backwards looking. This failure can lead to less than optimal outcomes and judging the quality of advice can be difficult.

The Hyas Group’s approach since the inception of the firm is to understand the impact our advice has had on client plans and it is therefore important to measure everything. For instance, as part of our quarterly reporting, we calculate cash-flow fund level returns as well as plan level returns. The cash-flow return calculation by asset category takes into account net participant cash-flows, transfers, fund changes, and gains/losses. This number could be compared to the proper benchmark over time to see what impact a fund change had for the category.

In addition, we provide a plan level returns that take into account cash-flow, transfers, and gains/losses. This method is the most accurate in measuring performance. Very few firms provide this level of return calculation and oftentimes use a weighted fund method that does not take into account plan cash-flow. The return we provide allows clients to compare their plan level returns to benchmarks, pension returns, and other plans to gauge investment success. The chart below is something that is provided in all our client reports.

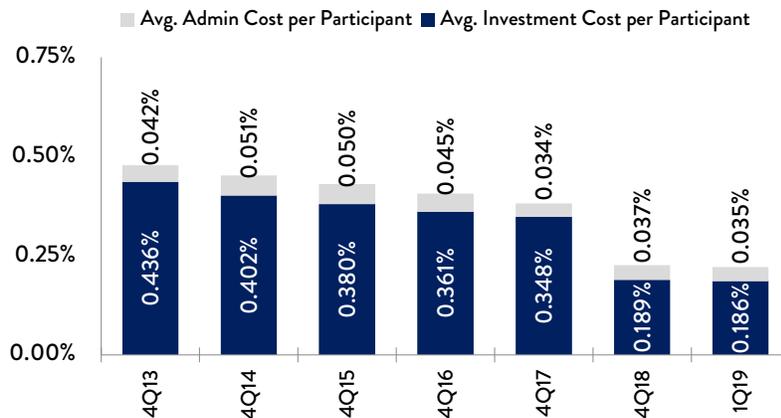


We also regularly provide our clients with ad-hoc calculations of how a replacement option has performed compared to the prior fund and the corresponding dollar impact. In terms of tracking investment expenses, our performance reports show the investment fees paid by clients on a quarter-by-quarter basis, illustrating our emphasis on expense minimization. The chart on the following page is also contained in our standard investment reports, showing how a client’s investment and administrative expenses have decreased over time.

We see three ways in which the City may consider evaluating the extent and quality of our investment advice. One is simply by comparing performance results of our investment recommendations: did our recommendation provide superior, or at least Investment Policy-compliant performance over a reasonable holding period? A second is to review the reasonableness of our recommendations: did we provide adequate rationale and information to make a decision that comports with the prudent process? (this is addressed in our manager search reports). Lastly, we provide various fee charts our performance reports. This will allow the City to review the impact of any fund or recordkeeping changes overtime to the Plan. This serves as a fiduciary record of cost measurement that can be compared to other plans easily.

Annualized Investment Cost Summary

(as a % of total assets)



7. The list below is the 20 funds that have the highest dollar amount invested by City of Sacramento participants in the 401(a) and 457(b) plans combined. Would you recommend the replacement of any of these funds? Why or why not?

Fund	Total
Nationwide Fixed Fund	\$104,353,000
Fidelity Contrafund K6	\$55,487,433
Vanguard 500 Index Admiral	\$44,337,027
MFS Value R6	\$28,244,741
Prudential Total Return Bond Z	\$24,947,595
Goldman Sachs Large Cap Growth Insights I	\$21,460,683
Oppenheimer International Growth I	\$21,005,421
JPMorgan Small Cap Eq R5	\$19,721,738
MFS Mid Cap Growth R6	\$18,960,135
Blackrock International Index Inst	\$15,899,009
AmCent OneChoice2030 R6	\$14,805,325
AmCent Mid Cap Value R6	\$13,623,349
AmCent Income Retirement R6	\$13,164,246
Oppenheimer Developing Market I	\$11,625,348
AmCent OneChoice2020 R6	\$11,494,191

TIAA-CREF Real Estate Sec Inst	\$11,436,486
AmCent OneChoice2025 R6	\$11,324,680
Vanguard Mid Cap Index Admiral	\$10,708,409
PIMCO Income Inst	\$9,524,653
AmCent OneChoice2035 R6	\$9,499,960

We note that many of the options listed above have competitive performance records and appear reasonably priced. There are four areas (representing 49% of the assets in the table above) where we would explore changes to lower cost, improve menu design, and better align with the Plans’ demographics, as discussed below:

1. Index Funds: Lower-cost versions are available for the index funds listed in the table above. The City has the option of simply moving to a lower-cost version of the following funds or change index providers. Doing so would lower investment expenses without otherwise altering the Plans’ investment menu or the nature of the underlying funds.

Fund	Expense Ratio	Cost Difference	% Savings
Current: Vanguard 500 Index Admiral	0.04%	-	-
Vanguard Institutional Index I	0.035%	0.005%	12.5%
Fidelity 500 Index	0.015%	0.025%	62.5%

Fund	Expense Ratio	Cost Difference	% Savings
Current: Vanguard Mid Cap Index Admiral	0.05%	-	-
Vanguard Mid Cap Index I	0.04%	0.01%	20%
Fidelity Mid Cap	0.025%	0.025%	50%

Fund	Expense Ratio	Cost Difference	% Savings
Current: Blackrock International Index I	0.09%	-	-
Vanguard Developed Market Index I	0.05%	0.04%	44%
Fidelity International Index	0.045%	0.045%	50%

2. Large Growth Funds: We note that two Large Cap Growth funds are offered: Fidelity Contrafund and Goldman Sachs Large Cap Growth Insights. While both have performed competitively within the asset class, we would consider consolidating into the most competitive option so as to reduce costs and improve performance. Fidelity Contrafund has outperformed over the past several years, particularly in falling markets and with slightly lower volatility and investment expenses.

3. Oppenheimer International Growth: Oppenheimer International Growth focuses on identifying long-term, sustainable, quality growth prospects. Its valuations are slightly below the category average, though it tends to tilt a bit further down the capitalization range and allocate more heavily to developed European markets and away from Asia and emerging economies. Its sector allocations go towards traditional growth areas: technology, consumer products, and healthcare. Over longer periods it has tended to perform best to the downside and lag in rising markets. Recent underperformance is mainly attributable to its regional tilt towards Europe, which has lagged Asia and emerging markets. Likewise, its stylistic factors (tilt towards small cap and away from aggressive growth) have not been in favor. Given the availability of lower-cost, more diversified, active alternatives, we would perform a manager search for a replacement option.

4. Target Date Suite Analysis: While we do not take issue with the American Century Target Date suite on its own merits, we would recommend performing an analysis to determine if the suite is a reasonable “fit” for the City of Sacramento’s demographic base. The results of this analysis could help the City determine if the American Century suite is appropriate or if a manager search is or is not warranted. As it pertains to target date funds, the Department of Labor has encouraged fiduciaries to “consider how well the TDF’s characteristics align with eligible employees’ ages and likely retirement dates” and other characteristics such as pension plan participation, salary levels, cash flow patterns, and others in its memo “*Target Date Retirement Funds – Tips for ERISA Plan Fiduciaries.*” The Hyas Group has developed analytical tools to help its clients assess how well their current target date suite as well as several other leading target date fund providers match the return needs and demographic profile of their Plan.

5. Describe the consulting services you have provided to a new oversight committee like the City of Sacramento’s Defined Contribution Plans Committee. How are those services different that those provided to a long-standing oversight committee?

In the case new oversight committees, the first step is education of the various individuals and departments who have interactions with the referenced defined contribution retirement programs. At the Hyas Group, we understand that committee training is crucial. Not only does a strong educational program for committee members support a solid fiduciary process, we believe an educated committee leads to better results for their retirement plan participants. Over the past several years, our clients have been vocal in asking our professionals for more regular training opportunities and we have responded with a set of training modules that represent fiduciary best practices. We have developed—and are continually refining—a curriculum of several core seminars that we provide to the committees that we serve, as well as many special focus seminars that have been developed to meet the changing needs of the industry. These core seminars include:

- *Fiduciary Fundamentals*
- *Plan Governance*
- *Investment Design*
- *To RFP or Not to RFP*
- *Fees: Why So Complicated?*
- *Capital Preservation Overview*

Please see Section 4 for a sample committee training session provided to our clients.

We begin all new consulting relationships by conducting a formal review of the Plans' investment structure, plan administration, existing vendor contracts, plan design, participant education materials, governance documents and investment options, fees and overall structure of the Plans. Both participant and plan sponsor services will be reviewed. Trends in the industry, fiduciary best practices, and state of the art services and products will be discussed. In our initial meeting with the Committee, we will formally identify goals and objectives of the Committee as well as any strengths — or even weaknesses — of the Plans. We will establish or clarify the processes and structure, and we will assist the Committee by marshalling through any necessary adjustments.

Since our perspective regarding the work we do with your Committee is based on our role as a fiduciary to the City's Plans, our interests are fully aligned with serving the best interests of your participants. We will make every effort to operate in form and principal as an extension of the City's staff and we feel that it is the consultant's role to be a plan and participant advocate. To the extent that we can help the City manage its relationship with investment managers, recordkeepers, and other service providers, we will embrace this obligation and strive to offer unparalleled service in that regard.

6. What value do your services add to a plan administrator? How do you justify the expense of your services to plan participants who desire to keep fees low?

Quite simply, we will assist you to build a retirement plan that exceeds your expectations. We will work with you to define your goals and put efficient plan governance, compliance, administrative structures, and plan benchmarking in place.

The Hyas Group is fully transparent and fair with how fees are charged. Furthermore, we focus exclusively on the services you are requesting—there are no competing lines of business or conflicts of interest.

Lastly, we are confident in our ability to deliver some of the best retirement plan structures in the nation and we expect that, after working with our team, you will feel more comfortable in your fiduciary role, and that your plan will be one to emulate.

7. What should be the focus of the City's Defined Contribution Plans Committee in terms of obtaining the best value for participants from the City's plan providers?

The Committee, with assistance from the Hyas Group, should evaluate provider revenue and platform requirements with an eye towards building a line-up that will help in supporting your participants' long-term savings and spending goals. We advocate for certain common features, including:

- Lowest cost share classes;
- Balance of passive and active choices;
- Asset allocation strategy appropriate for participants; and
- Simplified participant decision-making.

We see the following areas as key in an evaluation process in terms of obtaining the best value for participants:

- Look at current providers' contracts with an eye towards determining specific termination notification provisions and any liquidity or penalty provisions

- Evaluate providers' investment options for cost, performance, and overall allocation balance
- Assess providers' on-site service commitments, education quality, and participant meeting activity
- Review providers' reports, communication mechanisms, and participant statements
- Identify providers' technology capabilities to include website and phone functions as well as security

8. Provide a list of the five (5) most innovative recommendations you have submitted to your clients over the last five (5) years; describe how the recommendations were received; explain whether the recommendations were accepted and why or why not; and describe what happened since making the recommendations regardless of whether they were implemented.

1. Improved exit terms on a Nationwide Fixed Account: The exit provisions on Nationwide's Fixed Account are typically such that a Plan must wait five years to receive the full book value of its contract, during which period participant liquidity is limited. The Hyas Group has worked with Nationwide to establish a product with a twelve-month book-out provision and to eliminate the participant liquidity restrictions typically in place during the exit period—all while maintaining crediting rates that are competitive with the broader market. Our applicable clients have all accepted these provisions and entered the Nationwide product with no material subsequent action.

2. Plan-based glide path analysis: The Department of Labor has encouraged fiduciaries of defined contribution plans to consider how the glide path of a target date suite aligns with the demographics of their plan. The Hyas Group has developed a proprietary analytical process by which to accomplish this. In this process, the Hyas Group estimates each participant's required rate of return, identifies an "optimal" glide path that is most suitable for it, and compares the optimal glide path to those offered in the market so as to find the closest fit. This analysis has been performed for several Hyas Group clients to substantiate the adoption of a recommended target date suite. Please see our white paper on this topic available here: <http://hyasgroup.com/wp-content/uploads/2016/11/White-Paper-Plan-Based-Glide-Paths-June-2018.pdf>

3. Plan aggregation to achieve favorable fee breakpoints: Many Hyas Group clients are similar to the City in that they have 401, 457, and HRA (RHSA) Plans. The Hyas Group has successfully negotiated lowest cost share class pricing with mutual fund families for these clients. This is especially helpful with regard to the HRA Plans as many mutual fund families are unfamiliar with HRA Plans and/or confuse them with HSA Plans. Because of these negotiations, Hyas Group clients and their participants have saved hundreds of thousands of dollars in lower fund expenses.

4. Utilizing Hyas Group leverage for lower share class options: As a leading provider in public sector retirement plan consulting, the Hyas Group regularly meets with investment companies and mutual fund portfolio managers. As a valued partner for these firms, the Hyas Group is able to obtain lower cost Collective Investment Trust ("CIT") versions of mutual funds for our clients. When applicable, the Hyas Group presents these options in a comparative analysis to Committees who then make an informed decision. CITs have traditionally saved Hyas Group clients on average 20-30% off the mutual fund version of the same option.

5. Fiduciary Governance Manual: The Hyas Group works with more California public sector agencies than any other Consulting Firm. As noted in this RFP response, Hyas Group provides its clients with plan governance and document support. This process introduces and refines documents such as Investment Policy Statement (IPS), Fee Policy, By-Laws, Roles and Responsibilities, Plan Documents, Contracts and more. As a best practice, Hyas Group consultants provide committees with fiduciary governance manuals. Once completed, these manuals include final versions of these documents. The manual is distributed to each committee member and can be retained as a source for fiduciary decision-making. These manuals have been well received by Hyas Group clients and the documents contained within are reviewed as needed.

9. What are the three (3) most important characteristics that differentiate your firm from other potential firms.

We expect that the City wishes to engage a consultant who has something more to offer than a mere ability to execute a list of required deliverables. The best fit for the City will be a firm that stands out from the rest in ways that bring additional value to the City and its participants. The Hyas Group's key competitive advantages, described in detail below, are:

1. We have a singular focus – institutional retirement plans. The Hyas Group is one of the largest public-sector retirement plan consultants in the U.S., representing more than \$28 billion in assets and 120 clients, many with 457, 401(a) plans, and HRA plans. Furthermore, we are a leader in California public sector retirement plan consulting, with nearly 50% of the Firm's assets under advisement belonging to California plans. The services requested by the City are the services we provide to nearly all our defined contribution plan clients. In fact, according to the 2018 PIMCO DC Consultant Survey, the Hyas Group has the nation's largest percentage of clients with DC public plans. This survey includes 77 DC consulting firms and represents \$4.4 trillion in DC assets. Furthermore, the Hyas Group provides all 15 of the investment consulting services surveyed by PIMCO, making our firm's comprehensive model ideal for assisting clients to be secure in fulfilling their duties to employees, participants, and beneficiaries.

2. We are one of the most knowledgeable retirement plan consultants in the industry. The Hyas Group prides itself on being one of the most knowledgeable retirement plan consultants in the industry. Our senior consultants are frequently asked to serve as guest speakers at national industry conferences. We are a long-time member and supporter of the National Association of Government Defined Contribution Administrators (NAGDCA) and a member of the SPARK Institute. NAGDCA has recognized the Hyas Group team's expertise in managing defined contribution plans, governmental retirement programs especially. SPARK is a member-driven, non-profit organization that is the leading voice in Washington for the retirement plan industry.

Your proposed lead consultant for the City's Plans, Rasch Cousineau, has spoken at conferences and worked with industry organizations such as CPAAC, CCMF, OMFOA, CPPC, IPMA, CSMFO, CalPELRA, NFOP, ICMA and GFOA. He has spoken about topics such as defined contribution industry trends, plan design, fiduciary responsibility, and plan best practices. He is also the Hyas Group's primary

representative for the SPARK Institute and serves on SPARK’s Data Security Oversight Board (DSOB) which is dedicated to creating measurable cybersecurity benchmarks for the retirement industry.

3. We are visionaries as well as advocates. It is safe to say that committees work diligently on behalf of their participants. On the other hand, many committees operate with a “middle-of-the-pack” mentality and base their decisions on the easiest or safest outcome. Although it is important to regularly review what other agencies are doing in terms of best practices, the Hyas Group believes in being the instrument of change in assisting committees to better their retirement program for the benefit of participants. We expect to lead, not follow, in our endeavor. The Hyas Group is a bold consulting firm, willing to challenge convention in order to deliver more successful retirement programs. Our clients will be on the forefront of implementing innovative benefits programs that lead to better participant outcomes and we will provide them with thoughtful, proactive advice and recommendations.

10. Provide an overall cost for all services to be performed based on the outlined Scope of Services, inclusive of all reimbursable expenses.

Our proposed fee for all the retainer services below is a fixed annual fee of \$50,000 payable in equal, quarterly installments. Our quoted fee includes out of pocket expenses such as travel and meeting material production.

Ongoing Retainer Services

- Quarterly investment performance evaluation, monitoring, and reporting
- Quarterly in-person review meetings
- Quarterly reviews of 457, 401(a), and HRA Plan assets
- Investment manager search and selection
- Ongoing program analysis and evaluation
- Investment Policy Statement review and ongoing compliance
- Annual recordkeeping and investment fee review
- Benchmarking and fee comparison
- Serve as fiduciary to the Plans
- Provide fiduciary training for Committee members
- Assist with creation or review of a Committee Charter
- Provide periodic review of asset classes offered to participants
- Conduct quarterly revenue sharing review and fee analysis
- Offer vendor management and contract review assistance
- Review participant communications
- Provide manager transition oversight

It is important to note that the Hyas Group is solely compensated by the fee for service invoices we send to our clients, based on the specific terms of the consulting agreement we have negotiated with them.

A detailed cost breakdown should include the following:

a. Detailed price list of services to be performed. Include typical payment schedule.

The Hyas Group utilizes a fixed, annual retainer pricing model for clients. The fixed fee encompasses all retainer services and frequency of reports/meetings requested by the City, including travel costs and is

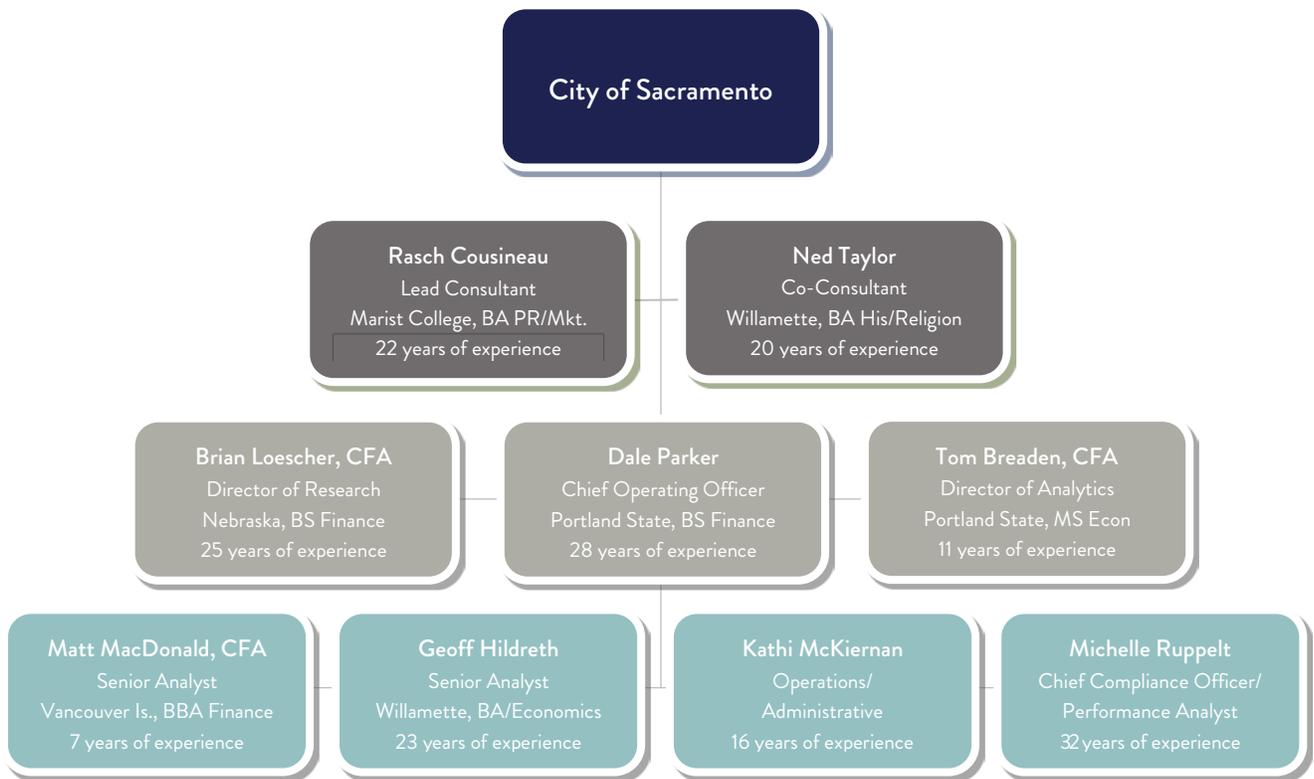
capped by the contracted amount. Our general approach for extra-retainer services is to quote a fixed fee for the project service, such as a record keeper RFP, based on an agreed-upon scope. This allows our clients to better budget for services without concerns for variable costs. We want you to utilize our consulting services and remove any conflict that is associated with us receiving more compensation for services that may not be needed.

b. Cost of additional services that may be beyond the outlined Scope of Services if it is believed such services would benefit the City.

Our general approach for extra-retainer services is to quote a fixed fee for the service, based on an agreed-upon scope.

11. Identify the project manager/primary point of contact and key staff to be assigned to this project, along with their expected services related to the Scope of Services. Resumes and work experience related to projects similar to the City’s Scope of Services should be included for each individual referenced.

The proposed team for the City, responsible for servicing the relationship, includes the individuals outlined in the following chart:



Rasch Cousineau will serve as the primary consultant for this relationship and will be joined by Ned Taylor as co-consultant. Rasch will be responsible for leading the Firm’s resources and ensuring that all client servicing requirements are met, and he will conduct all face-to-face meetings and deliver the Firm’s analysis and other work product. Both Rasch and Ned have extensive experience in working with defined contribution plans and their committees. They have the knowledge and capacity to deliver the services required for this relationship

and will be supported by Brian Loescher, CFA, Director of Research; Dale Parker, Chief Operating Officer; Tom Breden, CFA, Director of Analytics; Matt MacDonald, CFA and Geoff Hildreth, Senior Investment Analysts; and Kathi McKiernan, Operations Manager. Mr. Loescher leads the firm’s investment research efforts and is responsible for setting the criteria used to evaluate and select investment managers, mutual funds, and stable value trusts used by the Firm’s clients. Mr. Parker is charged with assessing all expense, revenue and investment platform requirements. He also plays the primary role in the compilation of any provider RFP analysis, if necessary in the future. He is supported in these efforts by Mr. Breden, Mr. MacDonald, and Ms. McKiernan.

The chart below further delineates the division of responsibilities among the assigned staff at the Hyas Group:

Primary Duties	Cousineau/		Parker	Loescher	Breden/MacDonald	
	Taylor				Hildreth	Ruppelt
Primary client contact	x					
Report and work product deliverables	x					
Meetings with Committee	x					
Plan governance support	x					
Committee education	x					
Analytic support			x	x	x	
Investment option evaluation	x		x	x	x	
Analysis report preparation			x		x	
Investment manager database maintenance				x	x	
Governance doc (Investment Policy) review	x			x	x	
Investment manager due-diligence and search				x	x	
Client contact back-up	x					
Quality control	x		x	x		x
Compliance						x

Service Team Expertise

Both Rasch and Ned have extensive experience working with public sector plans and have a deep understanding of governmental retirement plan reporting and review. Reviewing retirement plans, evaluating features within the program, benchmarking fees and services, and monitoring investment menus is a core competency of Hyas Group team members. Rasch and Ned have each been in the industry for more than 20 years and serve 457, 401(a), and HRA public sector retirement plans ranging from \$5 million to over \$1 billion. They have been very effective at improving these types of plans at every level and have had great success in continuously advocating for their clients’ participants.

Key Team Member Biographies

RASCH COUSINEAU is a senior consultant for the Hyas Group and focuses on the firm's retirement plan sponsor clients. With over 20 years of experience in the public-sector retirement services industry, he offers clients a rich perspective on investment portfolio construction, retirement plan design, vendor management, plan governance, fee negotiation, RFP management, and fiduciary training. Prior to joining the Hyas Group, Mr. Cousineau served as national vice president, defined contribution markets for an industry-leading record keeper. His responsibilities included: investment only (DCIO) product implementation, mobile technology and web content creation, customer relationship management (CRM) platform design, and development of effective participant outcome tools and targeted demographic messaging. In his role as national vice president, he also led a team of institutional sales professionals responsible for nurturing the RFP process from initial client interaction through the bid response culminating in sales finals and, when applicable: contract negotiation, design, and implementation. In his prior role, he worked closely with industry consultants, investment advisers, plan sponsors, unions, and investment committees during this process. Prior to his role as national vice president, Mr. Cousineau served as the west coast vice president working directly with regional plan sponsors and committees, helping them create better retirement outcomes for their plan participants and ultimately fulfill their fiduciary responsibilities.

Mr. Cousineau has spoken at conferences and worked with industry organizations such as CPAAC, CCMF, OMFOA, CPPC, IPMA, CSMFO, CalPELRA, NFOP, ICMA and GFOA. He has spoken about topics such as defined contribution industry trends, plan design, fiduciary responsibility, and plan best practices. He is the Hyas Group's primary representative for the SPARK Institute—a member-driven, non-profit organization that is the leading voice in Washington for the retirement plan industry. He serves on SPARK's Data Security Oversight Board (DSOB) which is dedicated to creating measurable cybersecurity benchmarks for the retirement industry. He is also a member of the National Association of Government Defined Contribution Administrators (NAGDCA) where he currently serves on NAGDCA's Awards Committees. Mr. Cousineau received a Bachelor of Arts in public relations/marketing from Marist College in Poughkeepsie, New York. He is a FINRA Series 6, 63, and 65 license-holder and also maintains an insurance license with the State of Nevada.

NED TAYLOR is a senior consultant for the Hyas Group and is responsible for developing and managing institutional client relationships. With nearly 20 years of experience in the investment services industry, he offers these clients a broad perspective on retirement plan design, plan administration and recordkeeping, participant education, compliance testing and government reporting, and investment advisory support.

Prior to joining the Hyas Group, Mr. Taylor worked at The Standard for more than a decade in a variety of roles. As the Western Regional Service Manager, he built a team of 14 relationship managers spread across five offices and oversaw the recordkeeping conversion of more than 1,400 plans through multiple acquisitions. As the Key Account relationship manager at Standard Retirement Services, he worked directly with the largest and most complex retirement plan Boards ranging from \$5million to over \$1 billion in plan assets on customized advisory solutions for pension and defined contribution plans, recordkeeping, as well as employee

services, including participant education and communications. He was also the national resource to nearly 30 relationship managers on their largest revenue clients.

Prior to The Standard, he worked at Columbia Funds for over five years as an institutional investment consultant with clients ranging from full service retirement plans to large, single discipline separate account relationships. Ned started his career as a participant services representative conducting investment education seminars for employees of employer-sponsored retirement plans.

Mr. Taylor earned his Bachelor of Arts in history and religious studies from Willamette University in Salem, Oregon. He is a FINRA Series 65 holder, a former FINRA Series 6 and 63 license-holder and has served on the Board of the Portland Chapter of Western Pension & Benefits since 2012. He speaks regularly at industry events and is considered well versed in a variety of retirement plan topics, from plan design to fee equality.

DALE PARKER is the chief operating officer for the Hyas Group. He is responsible for supporting all aspects of the firm's operations, investment research, and a broad range of client projects. Mr. Parker also serves as the analytical project lead for all clients, where he leverages his deep industry expertise in analyzing pricing and platform structure as well as investment vehicles. Prior to founding the Hyas Group in 2008, Mr. Parker served as a senior analyst at Arnerich Massena, Inc. where he was instrumental in designing and implementing the processes and analytical tools utilized across the firm. During his 11-year Arnerich tenure, Mr. Parker was responsible for a broad range of client project work along with investment manager research. He was tasked with conducting on-site manager due diligence, interviewing money managers, and with presenting recommendations to the firm's Investment Committee. During his last five years at the firm he focused primarily on constructing and refining the pricing models and various analytical tools utilized in the evaluation of institutional client accounts.

Mr. Parker's professional career began in 1989 at Qualivest Capital Management, the subsidiary investment unit of U.S. Bancorp that managed over \$10 billion in client assets. His role encompassed a broad range of buy-side analytical work, including the initial launch and management of Qualivest's mutual fund product line as well as corporate valuation tasks. Mr. Parker holds a Bachelor of Science degree in Finance/Law from Portland State University.

BRIAN LOESCHER, CFA is the chief investment officer and serves as the director of research for the Hyas Group. He is responsible for leading the firm's investment research efforts and directing resources to effectively analyze current and prospective client investment options. Additional responsibilities include asset allocation modeling, manager contract evaluation, as well as general investment research and due diligence. Prior to joining the Hyas Group, Mr. Loescher spent 10 years at Arnerich Massena, Inc. where he served as the director of research and manager of the firm's analytics department. As director of research, he was responsible for the strategic direction of the firm's research efforts. He specialized in the sourcing of new investment managers and completion of primary due diligence within the hedge fund and private equity universes. Mr. Loescher chaired Arnerich Massena's Alternative Asset Investment Committee and was a member of the Asset Allocation and Implementation Committee, and Traditional Asset Investment

Committee. In addition to these research and investment responsibilities, Mr. Loescher managed the firm's 11- member analytics department. This included personnel evaluation and training, along with project management in support of the firm's defined contribution plan, defined benefit plan, non-qualified deferred compensation plan, and wealth management and endowment/foundation clients. Mr. Loescher has been working in the financial industry since 1993.

Prior to joining Arnerich Massena, he served as financial analyst for RV Kuhns & Associates. His responsibilities included asset allocation modeling, investment policy development, performance evaluation and attribution reporting, client 401(k) education training, and quarterly market analysis. Mr. Loescher has earned the right to use the Chartered Financial Analyst (CFA) designation and is a member of the CFA Society Portland, Portland Alternative Investment Association, and the Chartered Financial Analyst (CFA) Institute. In addition, he holds a Bachelor of Science in Business Finance from the University of Nebraska.

TOM BREADEN, CFA serves as the director of analytics for the Hyas Group and is responsible for contributing to a variety of projects including plan and vendor analyses, manager due diligence and research, asset allocation work, and other initiatives. Prior to joining the Hyas Group as a senior analyst in 2011, Mr. Breaden worked for five years at Heintzberger Payne as an analyst and director of research where his primary duties included developing and guiding investment decisions, manager due diligence, performance reporting, and other duties associated with the firm's investment advisory and third party administrative branches. Mr. Breaden graduated Phi Beta Kappa from the University of Oregon with dual majors in History and Economics and received a Master of Science in Economics from Portland State University. Mr. Breaden has earned the right to use the Chartered Financial Analyst (CFA) designation and is a member of the Chartered Financial Analyst (CFA) Institute and the CFA Society Portland.

MATT MACDONALD, CFA is a senior analyst and is responsible for contributing to a variety of projects including plan and vendor analyses, manager due diligence and research, production of investment performance reports, asset allocation work, and other initiatives. Prior to joining the Hyas Group, Mr. MacDonald worked at De Luca Veale Investment Counsel in British Columbia as a portfolio analyst where he was responsible for a variety of research-based, asset allocation, client related and performance reporting projects. Prior to joining De Luca Veale Investment Counsel Inc. Mr. MacDonald was an analytics intern at Rain Capital Management where he supported the firm's research efforts in the areas of investment manager diligence, economic forecasting and risk analysis. Mr. MacDonald holds a Bachelor of Business Administration with a concentration in Finance, as well as a Business Diploma from Vancouver Island University. Matt has earned the right to use the Chartered Financial Analyst (CFA) designation and is a member of the Chartered Financial Analyst (CFA) Institute.

GEOFF HILDRETH is a senior analyst for the Hyas Group. He is responsible for contributing to a variety of projects including production of investment performance reports, plan and vendor analyses, and other initiatives. Prior to joining the Hyas Group, Mr. Hildreth was a performance measurement analyst and team lead at Arnerich Massena, Inc. During his 10-year tenure there, his main responsibilities included account reconciliation, report generation, design and implementation of automated reporting processes—including

daily valuation and alternative pricing models, and management of the firm’s 9-member performance measurement department. Mr. Hildreth’s previous industry experience includes serving as the retirement plan services daily operations manager for Asher Retirement/AKT Retirement Plan Services. Mr. Hildreth holds a Master of Arts in Teaching (MAT) degree from Concordia University and a Bachelor of Arts in Economics from Willamette University. He has also passed the CIPM Principles Exam.

KATHI MCKIERNAN is the operations manager for the Hyas Group. She is responsible for supporting the firm's operational and administrative functions and serves as an additional resource on provider evaluation RFP projects.

Prior to joining the Hyas Group, Ms. McKiernan worked at Arnerich Massena, Inc. as an Executive Assistant and Project Coordinator, where she was responsible for supporting senior consultants with high-level administrative functions. She also served as project coordinator for the firm's provider evaluation RFP projects. Prior to her tenure at Arnerich Massena, Ms. McKiernan was an Executive Assistant to the Senior Vice President of Sales and Marketing at Meier & Frank, Inc. (A division of May Department Stores, now operating as Macy's).

MICHELLE RUPPELT is chief compliance officer for the Hyas Group. She is responsible for ensuring the Hyas Group's compliance with all SEC and state regulatory requirements. This includes review of general client information and files, contracts, correspondence and performance reports and continuous oversight of the firm's compliance program, including maintenance and updating of the firm's Form ADV, Operations Compliance Manual, Business Continuity Plan, and Code of Ethics. She also assists in client operations and performance reporting utilizing a variety of reporting platforms.

Prior to joining Hyas Group, Ms. Ruppelt worked at Arnerich Massena, Inc. as chief compliance officer, and during her 13-year tenure there, held additional positions including manager of the client services team and manager of the performance measurement department. She has more than 30 years of experience in the financial industry, including operational and management roles in the brokerage industry.

Delivering the Requested Scope of Services

The Hyas Group confirms that it will deliver the entire scope of services requested by the City. The following charts detail the investment services, IPS and strategic planning services, fee benchmarking services, and participant education services requested in the City’s Scope of Work.

Investment Services	Frequency	Deliverable
Investment performance reporting	Quarterly or as directed	We will prepare and present performance reports showing investment performance relative to benchmarks and peer groups
Underperforming funds	Quarterly or as directed	Our performance reports will include an investment policy compliance table that lists funds on watch and recommendations to hold or replace them

Investment Services	Frequency	Deliverable
Review of expense ratios and revenue sharing rates for reasonableness	Annual	We will prepare a special report that shows the cost of the City's funds relative to industry benchmarks and makes recommendations for changes, as appropriate
Input and advice regarding investment options provided to plan participants	As needed	We will offer recommendations for changes to the investment offerings as needed or requested by the City. We will create manager search documents as needed and present recommendations.
Economic, capital markets, and investment trend reporting	Quarterly	Included in quarterly performance report
Investment and administrative cost analysis	Quarterly	Our performance reports will also include a reconciliation of plan costs and will show the trend over time of both administrative and investment costs borne by participant accounts
City Council Report	Annually	We will prepare an annual written report for the City Council's review

IPS and Strategic Planning Services	Frequency	Deliverable
Investment Policy Statement	Annually and as needed	We will review and update the IPS annually and as needed and recommend changes as warranted
Manager selection and recommendations	As needed	We will include all manager searches in our annual retainer fee to avoid the potential conflict of recommending a search and increasing our compensation because of that recommendation
Assist the plans with best practices for documentation	As needed	We will provide advice both proactively and as requested on governance documents such as Committee bylaws, plan documents, procedures and policies
Information on legislation, rules and regulations affecting plan governance	As needed	We will provide a quarterly newsletter dedicated to governmental participant directed plans providing insights and updates on legislation, regulations and industry trends to keep staff and Committee members apprised of developments. We will also suggest specific Committee agenda items as needed.

Fee Benchmarking Services	Frequency	Deliverable
Peer review of plans versus similar plans	As requested	We will provide data and recommendations on peer entity plan design, cost or other measures
Analysis of enhanced provider services	As requested	We will assist the City to identify and analyze new or enhanced services that may require an RFP and provide input on contract amendments

Participant Communication Services	Frequency	Deliverable
Participant surveys	As needed or requested	We will help the City prepare and analyze participant surveys on plan design, communications, asset retention and service providers
Participant education materials	As requested	We will review participant education materials and recommend improvements to messaging

Other Services	Frequency	Deliverable
Serve as fiduciary to the City’s plans	Ongoing	We embrace our fiduciary obligation to the plans
Fiduciary education	As needed	Basic, advanced, and topical fiduciary training for Committee members
Assistance with minutes and other committee documentation	Ongoing	We will help draft meeting agendas, review minutes and provide action item summary letters after meetings

12. Provide a reference list of at least three (3) public sector clients who you provide services similar to those being requested by the City. The list should include client name, client’s email address and telephone number, specific services provided, and dates of those services. References must be for services provided within the past five (5) years. Responding firms should make their references aware of this RFP and request they expeditiously respond to any inquiries by the City.

Unlike many of our competitors, the Hvas Group is a specialized consulting firm and institutional investment consulting is our only business. We believe that our experience and dedication to high-quality client service sets us apart — and in some ways, this can only be measured by evaluating client satisfaction and retention rates. Our client satisfaction surveys have produced exemplary feedback.

Our retainer services go well beyond traditional investment consulting. Our role as plan advisor encompasses governance best practices, benchmarking reporting (fees, investments, and services), and assistance with fiduciary-oriented compliance such as committee training, interpretation of DOL-required fee disclosures, and advice regarding plan utilization. We encourage the City to contact any of our clients regarding the value we bring to their plans and participants.

City of Anaheim, California 457, 401(a), RHS, PTS Plans

Contact: Ms. Dona Vlha, HR Analyst, DC Coordinator

☎ (714) 765-4981 ✉ dvlha@anaheim.net

Services provided: We have served the City on an ongoing basis since 2017. We have developed and maintained ongoing fiduciary oversight processes; we provide ongoing investment due-diligence, Plan and Committee consulting, fee analysis, benchmarking, manager searches, communication reviews; develop and maintain Plan administration budget, contract negotiations and vendor management. In 2017 we conducted a Third Party Administrator Request for Proposal. We evaluated the current providers, reconstructed a fund menu, and added participant services. The process resulted in over 70% cost savings for City of Anaheim Plan participants.

City of Austin, Texas 457 Deferred Compensation Plan

Contact: Ms. Gail Ray, Financial Analyst

☎ (512) 974-7884 ✉ gail.ray@austintexas.gov

Services provided: We have served the City on an ongoing basis since 2017. We have developed and maintained ongoing fiduciary oversight processes; we provide ongoing investment due-diligence, Plan and Committee consulting, fee analysis, benchmarking, manager searches, communication reviews; develop and maintain Plan administration budget, contract negotiations and vendor management. Specific tasks completed for the City include: Admin Account Analysis, Fee Benchmarking, Index Performance and Comparison, Creating an RFQ for Deferred Compensation Plan Audit, Fee Estimates for Managed Accounts, and Zero Revenue Share Alternatives.

City of Tempe, Arizona 457 Deferred Compensation, 401(k), and HRA Plans

Contact: Ms. Wendy Messina

☎ (480) 350-8828 ✉ wendy_messina@tempe.gov

Services provided: We have served the City on an ongoing basis since 2017. We have developed and maintained ongoing fiduciary oversight processes; we provide ongoing investment due-diligence, Plan and Committee consulting, fee analysis, benchmarking, manager searches, communication reviews; develop and maintain Plan administration budget, contract negotiations and vendor management. Specific tasks completed for the City include: Target Date Expense Comparison, Index Comparison, HRA Fund Match, Lineup Consolidation Proposal, and we are currently in the process of conducting a Third Party Administrator Request for Proposal for the Plans.

Section 4



Hyas Fiduciary Curriculum



FIDUCIARY FUNDAMENTALS

Covers legal and regulatory background, what it means to be a public sector Plan Fiduciary, details about California Fiduciary Law, and provides an overview of risks and protections.



PLAN GOVERNANCE

Discusses how to approach and implement optimal Plan governance practices including a detailed description of various Plan governance documents.



INVESTMENT DESIGN

Provides an overview of modern investment menu design, how to monitor investments, implement your Investment Policy Statement (IPS) and structure your lineup most effectively.



FEES: WHY SO COMPLICATED?

Describes modern fee design and discusses the important of transparency and fairness in today's litigious environment, also provides an overview of Fee Policy Statements.



CAPITAL PRESERVATION OVERVIEW

This module provides a detailed comparison of the pros/cons for various "Fixed" account options including General Accounts, Separate Accounts and Stable Value options.



TO RFP OR NOT TO RFP

Overview of the RFP process, best practices, optimizing your outcomes, marketplace benchmarking, and an overview of the industry's leading-edge products and innovations.

FIDUCIARY FUNDAMENTALS

Client – Date



HYAS GROUP

— INVESTMENT ADVISORS —

Fiduciary Responsibility

Agenda

- Background
- Who is a fiduciary?
- Fiduciary duties
- Meeting fiduciary responsibilities
- Guidance from ERISA §404(c)
- Risks and protections

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Background: About ERISA

- 1974: Employee Retirement Income Security Act
 - > Ford Administration; enacted on Labor Day
- Why?
 - > Abuses of existing law by some firms and unions
 - > Assets being misused
 - > Ten-year “Cliff Vesting” resulting in many never gaining a pension
 - > Confusion of conflicting state laws
- The Result: An approach that blends State trust laws to form a national standard for benefit plan definition and administration
- For the public sector, provides for best practices and accepted methods for plan design and operation

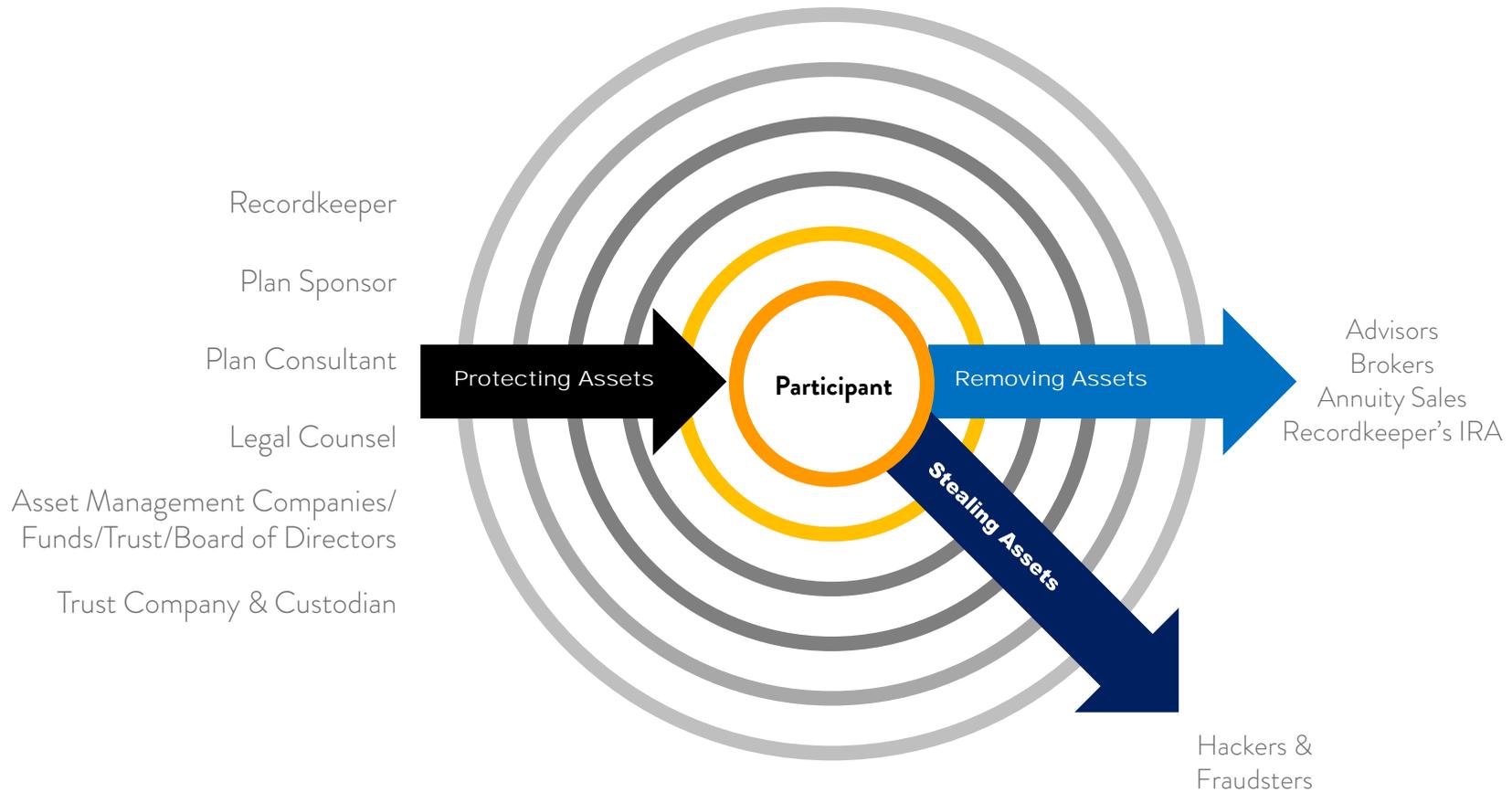
Why ERISA

- Convenience: It is a comprehensive guide, with much information
- It is considered to be a high standard
- It is believed by many to be a model that the courts will look to for guidance when considering non-ERISA cases
- It is continually updated to reflect changing realities in the retirement plan and investment environment
- Many States follow ERISA closely and in some instances even call out certain statutes

CHANGING FIDUCIARY LANDSCAPE



Multiple Layers of Protection & Fiduciary Oversight



Public Sector Retirement Plan Fiduciary Oversight Milestones

- 1994: Orange County bankruptcy and 457 plan investment scandal
- 1996: Federal Law passed placing 457 plan assets into “trust” status
- 2002: EGTTTRA legislation eliminated most differences between 457 plans and private sector 401(k) plans
- 2006: Pension Protection Act; congress vows to make many public employer plans “more like 401(k) plans”
- 2008-Present: Litigation over failure to oversee retirement plans increases, with most actions involving investments and fees
- 2017 – DOL unsuccessfully attempts to expand Fiduciary definitions

Who is a Fiduciary?

- Anyone with discretionary authority or control over the administration of a retirement plan or its assets

- Fiduciary by name:
 - > Plan Sponsor
 - > Trustee
 - > Named Administrator

- Fiduciary by action: Anyone who acts as a fiduciary can be considered a fiduciary:
 - > A Committee appointed by the Board, Trustees or Council
 - Anyone administering the Plan
 - Anyone selecting investment and service providers
 - Anyone giving investment advice for a fee (to Plan or Plan participants)
 - In April 2017, the Department of Labor tried to expand the definition of a fiduciary
 - In March 2018, DOL rule vacated by 5th Circuit Court, SEC now taking over

What is a Plan Fiduciary?

- Persons who, by either function or appointment, have discretionary authority over plan assets and/or administration

- Fiduciary Functions:
 - > Selecting, retaining or terminating record-keepers/plan administrators
 - > Selecting, retaining, or terminating investment options
 - > Processing and submitting participant contributions
 - > Negotiating fees and expenses for plan services and investment

- Must be more than “Ministerial”:
 - > Maintaining records and other administrative roles are not covered
 - > Processing payroll may qualify though, if decisions can delay deposits

Fiduciary Duties

Duty of Loyalty:

1. Act solely in the best interests and for the exclusive benefit of plan participants
2. Defray plan expenses in a reasonable manner
3. No self-dealing

Duty of Prudence:

1. Act with care and diligence of an expert
2. Procedural prudence – follow a prudent/reasonable process
3. Diversify investments to minimize the risk of large losses

Duty to Follow Plan Document:

1. Comply with Federal and State laws
2. Operate the plan in accordance with the written plan document

Duty of Loyalty

- Must not place own interests over those of the participant
- Avoid self-dealing
- Must not cause the plan to engage in transactions between the plan and a party in interest:
 - > Parties in interest: Fiduciaries, trustees, plan counsel, employees or related persons
- Operate the plan for the exclusive purpose of providing benefits and offsetting reasonable expenses
- Plan expenses may be charged to the plan and it is the fiduciary's responsibility to decide which expenses to charge and whether they are reasonable
- Department of Labor (DOL) has issued guidance on what might constitute an appropriate plan expense, but they have been very limited in their guidance of what would be considered reasonable

Duty of Prudence

- A fiduciary must execute his/her duties with the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with such matters would use:
 - > Referred to as the “prudent expert” rule because of the familiarity assumption
 - > Follow a prudent process (procedural prudence concept)
 - > Allows for the hiring of “experts” to assist
 - > Experts must be prudently selected and monitored
- A fiduciary must diversify the investments in the plan to minimize the risk of large losses unless, under the circumstances, it is clearly prudent not to do so



Duty to Follow Plan Documents

- Must oversee and make sure the plan operates in compliance with the plan document, trust agreements and/or other documents
- Fiduciaries should be familiar with:
 - > Plan documents
 - > Federal and State law in relations to the documents

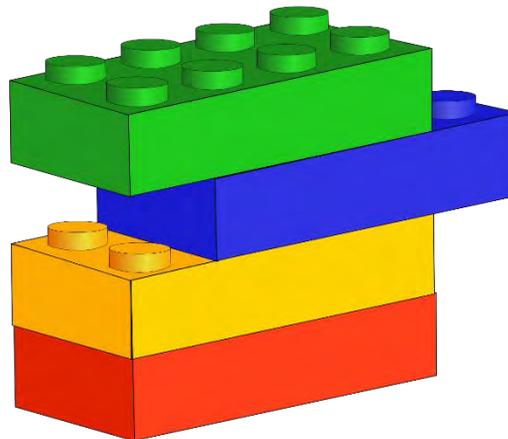


Plan Design and Administration Issues

- Design the plan and fee allocation to be fair to all participants
- Establish appropriate rules and policies for participants
- Enforce plan rules consistently
- Communicate rules, policies and amendments to participants
- Review plan documents at least annually to ensure compliance
- Review trust, custodial and other service agreements regularly

Plan Governance

- Establish roles, rules and procedures for Committee functions
- Follow a prudent process when making decisions
- Select and train qualified people to serve on Committee
- Hold regular meetings
- Document decisions and keep minutes of fiduciary meetings



Investment Responsibilities

- Create an Investment Policy Statement (IPS) that reflects the plan objective and clarifies the responsibilities of all parties
- Determine types of investment options to be offered:
 - > Number of asset classes
 - > Diversification
 - > Target-date funds
 - > Managed accounts
- Develop criteria for selecting, monitoring and removing investments and investment managers/advice providers
- Set guidelines for appropriate actions



Duty to Diversify

- The “Diversification Rule”:
 - > “A fiduciary must diversify investments in order to minimize risk of loss unless it would be considered prudent not to diversify investments”
- For Defined Contribution Plans with Self-Direction of Investments by Participants:
 - > The duty is to provide sufficient investment options such that participants are able to construct a diversified portfolio from plan options
 - > ERISA § 404(c) is an accepted guide to minimums, but only requires three options
 - > Fiduciaries must balance the needs of diversification with the potential negative impacts of offering too many choices



Selection and Monitoring of Service Providers

- All contracts should be in best interest of plan participants
- Competitive bid or search process should be based on objective criteria
- Follow a prudent process and be able to justify contract awards
- Establish appropriate performance standards
- Evaluate contractors regularly
- Have reasonable basis for determining appropriateness of provider fees:
 - > Benchmarking
 - > RFP

ERISA §404(c)

- Relieves fiduciaries from responsibility where participants control their accounts and certain requirements are met

- US DOL Regulations set forth what constitutes effective control:
 - > Offer a broad range of investment options:
 - At least 3 diversified choices with materially different risk/return
 - At least one safety of principal option
 - > Provide for flexibility of investment transfers
 - > Provide information to participants

ERISA §404(c) (cont.)

- Qualified Default Investment Alternative (QDIA) rules can provide added protection/waivers where additional criteria are met:
 - > Diversified investment option – balanced, life cycle/target date, or managed account
 - > Set automatic investment parameters

- Fiduciaries are not relieved from the duty to:
 - > Select an appropriate menu of options
 - > Select investment managers and service providers
 - > Monitor performance of managers and services providers

Fee Disclosures

Participant Disclosures:

- General plan information
- Administrative expenses
- Investment information:
 - > Performance
 - > Fees and expenses
- In practice, disclosure is created by the record keeper; however, a fiduciary must approve it

Plan Sponsor Disclosures:

- Required of service providers (e.g. record keeper, consultant)
- Description of services, fiduciary status and fees for each provider
- Determine that fees are reasonable for services provided

Committee Functions – Summary of Committee Responsibilities

- Fiduciary review of investments
- Fiduciary review of service providers
- Authorize changes to investments
- Authorize changes to investment providers
- Create or approve design of education/counseling programs
- Review and approval of hardship withdrawal requests
- Monitoring of fees and expenses



Department of Labor Conflict of Interest Regulation

- Expands definition of fiduciary to include those that provide recommendations regarding distributions from the Plan
 - > IRA providers
 - > Call center representatives
 - > On-site education

- Additional focus on participant education and parameters
 - > Potential biases
 - > Confirmed education is acceptable

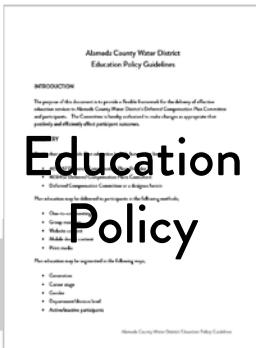
- Legal challenges and additional actions
 - > Rule was vacated by 5th Circuit Court
 - > SEC proposes similar rule

Risk and Protection for Fiduciaries

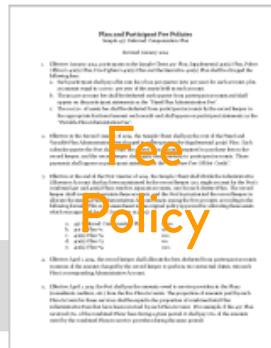
- What is at *RISK*?:
 - > Cost of fiduciary breach
 - > Penalties and taxes
 - > Personal liability
 - > Public relations problems

- Plan document /plan sponsor should protect fiduciaries from personal liability to the extent allowed by law:
 - > State law may provide certain protections
 - > Seek indemnification from employer
 - > Evaluate fiduciary insurance and bonding needs

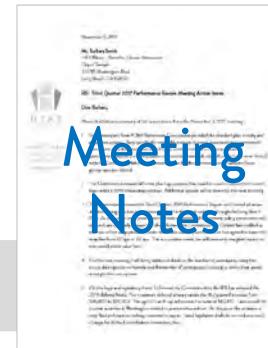




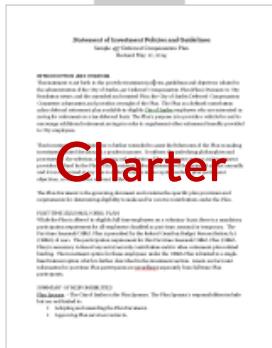
Education Policy



Fee Policy



Meeting Notes



Charter



IPS



RFPs



Governance Structure



Contract Review

Establishing A Proper Structure

QUESTIONS?

Case Study #1

The Committee has received a request from a plan participant to add a particular real asset fund to the 457 plan that has recently been performing very well. You actually know of the specific fund because you have invested in it through your IRA and it has performed very well for you. You have recently been considering adding more money to the fund.

As a Committee Member, do you vote to add the fund?

- A. Yes – Because you know the fund and it has done very well for you
- B. No – You abstain from voting because you don't feel you can be objective about the decision, given your personal experience with the fund
- C. Maybe – Discuss whether real asset funds are appropriate for your Plan's participants based on their investment knowledge

Case Study #2

As a Fiduciary Committee Member, you are approached by the plan's record keeper. He offers you two different share classes of the same mutual fund. One has an expense ratio of .70% annually, but rebates back .25% to the plan to help offset record keeping expenses. The other has an expense ratio of .55%, but rebates nothing to help offset expenses.

Which one do you choose?

- A. The less expensive one because it is cheaper for participants
- B. The more expensive one because revenue sharing pays all the plan's administrative expenses
- C. Neither until you have assessed fee reasonableness and method for allocating plan expenses

Case Study #3

- As a Fiduciary Committee Member, it has come to your attention that your Plan recordkeeper's phone service representatives have been recommending that separating participants should roll their Plan assets into a proprietary IRA when the participants call into the call center.

- What should you do?
 - A. Nothing, because separating participants are not the Committee's problem
 - B. Terminate the recordkeeper
 - C. Quit the Committee
 - D. Contact the recordkeeper and inquire if they are following Best Interest Contract Exemption framework

Case Study #4

Your Committee has identified an investment manager that is not performing in-line with expectations contained in the Investment Policy Statement.

What should you do?

- A. Replace the manager immediately
- B. Identify the reasons for failure to meet expectations
- C. Consult the Investment Policy Statement for a watch list procedure and follow it
- D. Both B. + C.
- E. None of the above

Case Study #5

You have just received a fee and service disclosure from the plan's recordkeeper.

What should you do?

- A. File it
- B. Forward it to the other Committee members
- C. Review it, making sure it contains all the required elements and that the fees you are being charged are reasonable
- D. All of the above

Case Study #6

As a fiduciary Committee Member, you have noticed that one of the other Committee Members rarely attends any of the meetings. This member also does not appear to make any effort to become informed about what they may have missed when not in attendance.

What should you do?

- A. Nothing since you have a quorum without this member
- B. Call your supervisor
- C. Discuss the issue with the Committee since members may be responsible for the conduct of others on the Committee
- D. Quit the Committee immediately

Case Study #7

In spite of efforts to provide clear, concise communications to participants about the plan fees and structure, a participant continues to complain about the costs associated with the investments in the plan and claims everything is too expensive.

As a Committee Member, what would you do?

- A. Tell the participant to call the consultant
- B. Tell the participant to call his/her broker
- C. Discuss the situation with the full Committee and determine a course of action
- D. None of the above, participants are clueless

THANK YOU

Consultant Name

Senior Consultant

Consultantemail@hyasgroup.com

971-634-15XX

Section 5



No Exceptions to Terms and Conditions of the Proposed Professional Services Agreement

The Hyas Group takes no exceptions to the terms and conditions of the proposed Professional Services Agreement. However, there are certain passages required by the Securities and Exchange Commission (SEC) that need to be acknowledged in writing. We typically incorporate these passages into our Service Agreement.

The following passages can be included in the contract or a written acknowledgement by the client would also satisfy the SEC requirements.

Proxy Voting. Consultant does not exercise proxy voting authority over client securities. The obligation to vote client proxies at all times rests with Client. However, Client is not precluded from contacting Consultant for advice or information about a particular proxy vote. However, Consultant will not be deemed to have proxy voting authority as a result of providing such advice to Client.

Should Consultant inadvertently receive proxy information for a security held in the Plan's account, Consultant will immediately forward such information to Client, but will not take any further action with respect to the voting of such proxy. Upon termination of this Agreement, Consultant will make a good faith and reasonable attempt to forward proxy information inadvertently received by Consultant on Client's behalf to the forwarding address provided by Client.

Risk. Client recognizes that there may be loss or depreciation of the value of any investment due to the fluctuation of market values. Client represents that no party to this Agreement has made any guarantee, either oral or written, that the Plan's investment objectives will be achieved. Consultant will not be liable for any error in judgment and/or for any investment losses in the absence of malfeasance, negligence or violation of applicable law. Nothing in this Agreement will constitute a waiver or limitation of any rights which Client may have under applicable state or federal law, including without limitation state and federal securities laws.

Acknowledgement of Receipt of Part 2 Form ADV. Client acknowledges that it has received and has had an opportunity to read Consultant's firm brochure (Form ADV, Part 2A) and applicable brochure supplements (Form ADV, Part 2B) prior to, or at the time of, entering into this Agreement.

Acknowledgement of Receipt of Privacy Notice. Client acknowledges that it has received and has had an opportunity to read Consultant's privacy notice prior to, or at the time of, entering into this Agreement.



Please note that we are including our Form ADV Part 2 and Part 2 Supplement and Privacy Policy for your review and files. The SEC requires us to have written confirmation from clients that they have received these documents so we request that the following be included in any contract:

Acknowledgement of Receipt of Part 2 Form ADV. Client acknowledges that it has received and has had an opportunity to read Consultant's firm brochure (Form ADV, Part 2A) and applicable brochure supplements (Form ADV, Part 2B) prior to, or at the time of, entering into this Agreement.

Acknowledgement of Receipt of Privacy Notice. Client acknowledges that it has received and has had an opportunity to read Consultant's privacy notice prior to, or at the time of, entering into this Agreement.



HYAS GROUP
— INVESTMENT ADVISORS —

Form ADV Part 2A, Firm Brochure

Hyas Group, LLC

108 NW 9th Avenue, Suite 203

Portland, OR 97209

971-634-1500

SEC File No. 801-69938

CRD Number 149122

March 29, 2019

This brochure provides information about the qualifications and business practices of Hyas Group LLC (“Hyas” or “Adviser”). If you have any questions about the contents of this brochure, please contact us at 971-634-1500 or mruppelt@hyasgroup.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Hyas Group, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Hyas Group is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 - Material Changes Pursuant to SEC Rules, this Brochure is reviewed on an ongoing basis for necessary revisions. The changes made since our last annual version are:

Item 4, on page 2, we have updated the client assets under management.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Michelle Ruppelt, Chief Compliance Officer at 971-634-1508 or mruppelt@hyasgroup.com.

Additional information about Hyas is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Hyas who are registered, or are required to be registered, as investment adviser representatives of Hyas.

Item 3 -Table of Contents

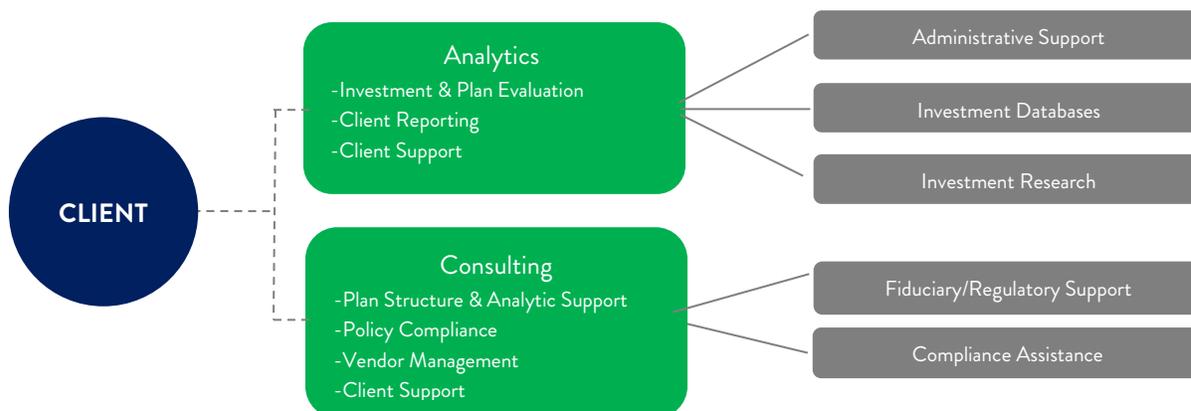
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Item 4 – Advisory Business

The Hyas Group is an independent investment consulting firm that provides services largely to institutional investors including defined contribution and defined benefit retirement plan clients along with endowments and foundations. Founded in 2008, the firm is structured as a Limited Liability Company (LLC) and is wholly owned by three senior consulting partners. The firm has only one line of business, the investment consulting business. The sole office location is in Portland, Oregon and there are no Hyas Group parents, subsidiaries or affiliates.

The Hyas Group partners have over 60 years of combined experience serving clients in an institutional investment consulting capacity and the firm has been providing investment consulting services since its founding. The Hyas Group offers a wealth of consulting experience to all major plan structures. Corporate, governmental and non-profit plan sponsors have all sought the analytical skills and fiduciary support services offered by the firm.

The overall organizational structure is summarized as follows:



Advisory Services and Fees

Hyas Group, LLC. (“Hyas Group”) provides two primary types of services, described below, through its Investment Advisor Representatives (IARs). Our clientele includes committee directed plans such as Defined Benefit Pension Plans and OPEB Trusts, and participant direct plans such as 401, 403(b) and 457 Plans.

Investment Advisory Services

Hyas performs a broad array of investment advisory services for its clients. Not all clients choose to receive all potential services. The potential services include, but are not limited to, review of an existing investment policy statement or assistance in creating an investment policy statement, plan performance reporting, asset allocation modeling, analysis of current investment options and portfolio structure, portfolio rebalancing and investment manager searches.

We also offer discretionary portfolio management services. When utilizing this service, as with all clients, we work with them to create and/or review their investment policy statement, review their current asset allocation,

investment manager allocation and manager performance. The ongoing manager selection and strategic rebalancing within the investment policy ranges are managed in-house by the Hyas Group.

Advice and Consulting not Involving Securities

Many of the services that Hyas Group performs for clients are not investment advisory in nature. These services include, but are not limited to, consulting with investment committees, pension plan review and analysis, fiduciary education and training, plan fee and revenue analysis, vendor search projects, and reporting on investments and pension plan results. The specific services that Hyas Group performs for a client are described in a written agreement with each client.

Hyas Group currently advises approximately \$24.3 billion in client assets. Hyas Group has discretion over approximately \$64 million in client assets.

Item 5 – Fees and Compensation

Hyas Group charges some clients a fee based upon the size or value of assets under the advice relationship which may include portfolios that are a part of overall assets. Assets will be valued on the last day calendar quarter. Quarterly fees are calculated and charged in arrears, after services have been performed. The actual rate would vary depending upon the scope of services the client requests Hyas Group to perform. This fee is described in the written agreement entered into between the client and Hyas Group.

The client acknowledges and agrees that fees payable to Hyas Group may if the client desires to do so, be automatically deducted from the client's account.

In cases when the advisory agreement does not span the full billing period, fees are prorated from the date of inception or through the date of termination. The Advisor or client may terminate the investment advisory agreement at any time with written notice to the advisor at their main office.

Fixed Fees

In some cases, Hyas Group will perform services for clients where the cost is set and agreed to with the client in advance of performing the service. The exact cost of the service would depend upon the complexity and scope of the service to be performed. Hyas Group, LLC enters into a written agreement that explains the services to be performed and an estimate of the cost to complete the service. Fees are normally paid upon delivery of the specific work product. If either party terminates the fixed fee engagement, the client is responsible to compensate Hyas Group for work done on a prorata basis, based upon the number of days the services was provided in the quarterly billing period.

Other Fees

The above-referenced fees charged by Hyas Group do not include brokerage commissions and other costs related to the execution of transactions on behalf of clients. Such costs will be paid by advisory clients in addition to the fees discussed above. Clients are also responsible for asset management fees and plan or account administration fees paid to custodians and broker-dealers. These fees are disclosed in the disclosure document or agreements in the custodian's account opening documents. Clients are also responsible for margin interest, wire transfer fees,

safe keeping fees and other special services provided by the broker-dealer, transfer agent, or custodian and disclosed by the custodian at the time the client opens their account(s) or when service is requested.

For some clients, we recommend investment vehicles such as Limited Partnerships or Limited Liability Companies (e.g. real estate, hedge funds). These investments have fees such as annual management fees that the client is also responsible for. Each investment manager states their various fees within the subscription documents and/or offering memorandum.

Investment Company Fees

Investment company funds that are held by clients will bear their own internal transaction and execution costs, as well as directly compensate their investment managers along with internal administrative services. Some funds pay 12b-1 fees, Distribution Fees, and or Shareholder Service Fees to broker-dealers that offer such funds to their clients. These charges affect the Net Asset Value of these fund shares and are thus indirectly borne by fund shareholders such as a Hyas Group client. Some fund companies have imposed a redemption fee. A redemption fee is another type of fee that some funds charge their shareholders when shares are sold or redeemed within a short period of time from the purchase of the fund shares. Although a redemption fee is deducted from redemption proceeds just like a deferred sales load, it is not considered to be a sales load. Unlike a sales load, which is generally used to compensate brokers, a redemption fee is typically used to defray fund costs associated with a shareholder's redemption and is paid directly to the fund, not to a broker. The SEC generally limits redemption fees to 2%. In most cases, the funds will use the "first-in, first-out" (FIFO) method to determine the holding period. Under this method, the date of the redemption will be compared with the earliest purchase date of shares held in the account.

A complete explanation of these charges is contained in the prospectus and "Statement of Additional Information" for each investment company fund. You can get a prospectus from the investment company (through its website or by telephone or mail). Your financial professional or broker can also provide you with a copy.

Item 6 - Performance-Based Fees

It is the Company's policy not to charge clients based upon the performance of their accounts except where the growth in an account will affect an asset based fee (size of the account).

Item 7 - Types of Clients

The Hyas Group provides investment consulting services to municipalities, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, and high net worth individuals.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

The investment review process at the Hyas Group is continuous and ongoing. Our team reviews mutual funds and other investment vehicles on both a predetermined and impromptu basis. We rely on a number of databases to house our investment return data as well as attribution systems. The databases include mutual funds, commingled funds, insurance products, separate accounts as well as alternative products such as hedge funds.

Our reporting capabilities, analytics resources and manager contacts generally include the following resource tools and data bases:

- Morningstar Direct – which provides extensive mutual fund or separate account data including peer group, performance and holdings information
- Institutional data-base subscriptions – Barclays Capital (formerly Lehman Brothers), Standard & Poors, Russell and MSCI/Barra all provide data for the compilation of our reports.
- InvestorForce – which provides manager and total plan universe information, index information and software for report production.

These databases can be used for screening a multitude of investment products. The databases make more than 100 screening factors available. Statistical and regression analysis is also performed using the databases. This allows us to analyze portfolios over multiple time periods versus relative benchmarks as well as compare investments on a side-by-side basis. In this quantitative review, we also compare risk and value-add statistics such as standard deviation, alpha, beta and up/down market capture. All of these tools, when taken in concert with an assessment of underlying securities holdings and sector allocations, allow us to feel confident in the total evaluation of the products in which our clients invest.

Our research process is not limited to databases alone. We also provide qualitative assessments of the investment products we recommend to our clients by meeting with investment managers face-to-face and conducting regular conference calls with the individuals responsible for managing and servicing the specific investment vehicles we are evaluating. We feel strongly that active investment performance is driven by skilled people and, therefore, we analyze the manager's philosophy, process and personnel in order to have a firm grasp on the skill sets offered by different managers.

The conversations will typically involve

- 1) a discussion of the dynamics of the investment team,
- 2) strategy,
- 3) firm structure,
- 4) portfolio construction and
- 5) performance attributions.

Often these meetings help facilitate frank discussions with the portfolio managers which help us provide **the most** accurate and up-to-date information available.

While some risk is inherent in any investment, we believe that it is imperative that risk be managed appropriately. Thorough review of volatility and risk adjusted return can also add value when properly considered. For each of our client's available investment options we'll analyze risk-related measures such as beta, standard deviation, alpha, up-market capture and down-market capture. It is our expectation that all funded products provide a competitive risk adjusted return. Therefore each product is reviewed with that expectation in mind.

Investment Strategy

At the outset of our working with a Client, we review a Client's risk profile, portfolio goals and/or requirements (such as income), which results in an Investment Policy Statement (either newly crafted or a review and possible

revision of an existing IPS.) As part of that process, we analyze the Asset Allocation of the portfolio, and propose any recommended changes. We then work on implementation of their IPS/Asset Allocation Study, using research methodologies noted previously, identifying and funding managers which we believe to best meet the Client's IPS and risk profile.

Risk of Loss

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. In addition, the investment managers and/or funds that we recommend are also subject to the same domestic and global economic variables, and therefore are subject to the same risk of loss. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way a guarantee of future performance.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Hyas Group or the integrity of Hyas Group's management. Hyas Group has no information applicable to this Item.

Item 10 - Other Financial Industry Activities and Affiliations

Hyas Group does not receive revenue from any money management firms, recordkeepers or other retirement plan service providers. Our only compensation is that which we receive directly from our clients.

Hyas Group and its representatives may provide services to clients that are not investment advisory in nature. These services may include reporting on investments and account or plan assets, consulting on noninvestment matters, education, vendor search projects, and performance review and evaluation.

Item 11 - Code of Ethics

Hyas Group will provide a copy of its Code of Ethics to clients or prospective clients upon their request.

Item 12 - Brokerage Practices

Hyas Group does not have any business interests with any brokerage firms nor do they receive any soft dollars or other compensation for recommending any brokerage firms, custodians, mutual funds, or investment managers.

For those accounts over which we have discretion, having the client assets held at one custodian, whether bank, trust company, or brokerage firm, enables us to manage the portfolio, including review, place trades, compile performance reports, and answer client questions, in as efficient manner as possible. If the client doesn't currently have a custodian, we may recommend a custodian, one possible option being Charles Schwab. But as stated above, we receive no compensation for recommending Charles Schwab or any other custodian. Schwab has been recommended as they provide an extensive mutual fund platform and nearly all our investment managers have trading agreements with Schwab. In addition, they have a robust internet presence, including trading software, custodial information easily accessed by Hyas Group and the clients, a strong support staff assisting with trading, client and technology servicing questions and issues.

Directed Brokerage

If a client has an established relationship with a custodian, we will place trades with that custodian, which is considered directed brokerage. This directed brokerage arrangement potentially (1) limits Hyas Group's ability to seek best execution and negotiate commissions; (2) limits the clients' ability to participate in aggregated trades; and, as a result, (3) may cost the client more money.

Trade Allocation

Hyas Group has a Trade Allocation Policy, which addresses allocating securities, including IPOs and Private Placements, and/or recommendations among clients. The formula must provide a fair and equitable basis for allocations and be consistently applied to all clients. Prior to the allocation of securities by Hyas, we will determine if a client's investment objectives and suitability requirements qualify the client for participation in purchasing a specific security, IPO or Private Placement. If the client qualifies for participation in the purchase of a specific security, IPO or Private Placement, Hyas Group will allocate a certain percentage of the total allocation to each qualified client based upon the following formula:

The formula is based upon dividing the total shares or amount allocated by the total number of qualified clients and their assets under management. For example, if the total allocation to Hyas Group is 1,000,000 shares and Hyas Group has ten (10) clients that qualify for a percentage of the allocation and each client has a total of \$1,000,000 under management with Hyas Group, each client will receive an allocation of 100,000 shares.

Note that Hyas Group may exclude certain clients from the allocation if the trade allocation would be "de minimus" or so small as not to be in the client's best interest.

Item 13 - Review of Accounts

Performance reports are produced for the client either on a quarterly, semi-annual, or annual basis with the nature and format of the review process matched to the type of plan (Defined Contribution, Defined Benefit, Endowment, etc.) and the unique needs of each client. Frequency of reports is addressed in each client's agreement with Hyas Group. Broadly defined, the process covers a review of the plan's asset allocation or plan construction, individual investment manager and total account performance reviews, plan utilization rates and participant account balances, and review of investment costs. Client reports are designed to clearly reflect manager and account performance relative to the client's specific investment policy. Performance reports contain a comprehensive evaluation of the plan's investment options relative to investment policy. Color graphics illustrates manager diversification, historical asset allocation and performance versus the relevant indices over differing lengths of time. A statistical section provides an analysis of manager characteristics including sector/quality exposure and market weights. Interpretive text shows how these characteristics impact risk and return and what that means to the investment program.

Our reports include global market commentaries at the end of each calendar quarter. These commentaries provide a broad economic and market overview as well as specific fixed income, equity and international risk and return insight.

Further, the Hyas Group closely monitors plan utilization rates and average participant account balances to assess each plan's investment and structural effectiveness. We provide comparative statistics for similar sized plans as well

as a calculated, overall plan and asset class returns for each of our client accounts each quarter. This plan return allows for further comparison of the equity and fixed income participant investment weightings and demonstrates the offered investment options compare, on the whole, to those offered by other clients and industry averages.

The client performance reports are compiled by various analytical staff members of the firm with final reviews completed by Jayson Davidson, Managing Director of Consulting Services and Senior Consultant; Dale Parker, Director of Analytical Services; Brian Loescher, Director of Research; Greg Settle, Senior Consultant; Scott Faris, Senior Consultant; and Vincent Galindo, Senior Consultant.

Item 14 - Client Referrals and Other Compensation

Hyas Group does not compensate any client or person for client referrals.

Item 15 - Custody

Hyas Group does not maintain custody of client funds or securities. Client assets are held by mutual fund companies, banks, trust companies, brokerage firms, or other custodial institutions.

Client is urged to compare the statements it receives from the custodian with the reports it receives from Hyas.

Item 16 - Investment Discretion

Hyas Group has received discretionary authority from a few clients at the outset of the advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Hyas Group observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Hyas Group's authority to trade securities may also be limited by certain federal securities and tax laws that require diversifications of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to Hyas Group in writing.

Item 17 - Voting Client Securities

Hyas Group provides investment management services to clients that include, among others, corporate and public pension plans, foundations, and endowments. Unless otherwise stated in the client agreement, Hyas does not vote proxies for clients. For those clients over which Hyas has discretion and therefore has proxy voting authority, Hyas considers proxy voting an important part of those management services. As such, Hyas seeks to vote the proxies of mutual funds and/or securities held by clients in the best interest of those clients.

Hyas believes the best interests of clients are served by voting proxies in a way that maximizes long term shareholder value. Therefore, the investment professionals responsible for voting proxies have the discretion to make the best decision given the individual facts and circumstances of each issue. Proxy issues are evaluated on their merits and considered in the context of the professional's knowledge of a mutual fund or company, its current management, management's past record and Hyas's general position on the issue.

As the management of a portfolio company is responsible for its day-to-day operations, Hyas believes that management, subject to the oversight of the relevant board of directors, is often in the best position to make decisions that serve the interest of shareholders. However, Hyas votes against management on proposals where it perceives a conflict may exist between management and client interests, such as those that may insulate management or diminish shareholder rights. Hyas Group also votes against management in other cases where the facts and circumstances indicate that the proposal is not in its clients' best interests.

Upon client request, Hyas will provide reports of its proxy voting record as it relates to the securities held in the client's account(s) for which Hyas has proxy voting authority.

Item 18 - Financial Information

Hyas Group does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Additionally, we must disclose any financial condition that could impair our ability to fulfill our agreement with our clients. Hyas Group has no such financial condition to disclose. Neither have we even been the subject of any bankruptcy proceeding.

Additional Information

Privacy Statement

We, like other professionals who advise on personal financial matters are required by federal law to inform their clients of their policies regarding the privacy of client information.

In the course of providing our clients with certain advice, we may receive nonpublic personal financial information from our clients, their accountants and other representatives, such as financial statements, tax returns and other personal information. All nonpublic personal information that we receive regarding our clients or former clients is held in strict confidence in accordance with our professional obligations, and is not released to people outside the Firm, except with your consent or as required by law or to explain our actions to professional organizations that we are members of. We may share certain information with third parties who assist us in providing our services to you (such as administrative and client service functions) or marketing services, as permitted by law, subject to the obligation of these third parties not to use or disclose such information for any other purpose.

We retain records relating to professional services that we provide so that we are better able to assist you with your professional needs and, in some cases to comply with professional guidelines. In order to guard your nonpublic personal information from unauthorized disclosure, we maintain physical, electronic and procedural safeguards.

If your financial situation, goals or risk tolerance has changed since you last notified us in writing, please contact us immediately.



HYAS GROUP
— INVESTMENT ADVISORS —

Form ADV Part 2B,
Brochure Supplement

Hyas Group, LLC

108 NW 9th Avenue, Suite 203

Portland, OR 97209

971-634-1500

SEC File No. 801-69938

CRD Number 149122

March 29, 2019

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Hyas Group, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Hyas Group is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 1

Jayson Allen Davidson

This Brochure Supplement provides information about Jayson Davidson that supplements the Hyas Group, LLC Brochure. You should have received a copy of that Brochure. Please contact Michele Ruppelt, Chief Compliance Officer, if you did not receive Hyas Group's Brochure or if you have any questions about the contents of this supplement.

Additional information about Jayson Davidson is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Educational Background and Business Experience

Born: 1973

Education after High School: Bachelor of Science, University of California at Berkeley, 1996

Business background:

2008 – present, Managing Partner and Director of Consulting Services at Hyas Group, LLC.

2002 – 2008, Senior Investment Consultant at Arnerich Massena & Associates.

1997 – 2002, Consultant at ICMA-RC

Professional Designations: Mr. Davidson has earned the right to use the Chartered Financial Analyst (CFA) designation. Additionally, he is a member of the Charter Financial Analyst (CFA) Institute and the National Association of Government Defined Contribution Administrators (NAGDCA).

Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

Item 4- Other Business Activities

No information is applicable to this Item.

Item 5- Additional Compensation

No information is applicable to this Item.

Item 6 - Supervision

Mr. Davidson's work, including investment advice and interaction with clients is monitored periodically by review of his client's performance reports, written correspondence and e-mail, by the Chief Compliance Officer, Michelle Ruppelt.

Item 1

Brian James Loescher

This Brochure Supplement provides information about Brian Loescher that supplements the Hyas Group, LLC Brochure. You should have received a copy of that Brochure. Please contact Michelle Ruppelt, Chief Compliance Officer if you did not receive Hyas Group's Brochure or if you have any questions about the contents of this supplement.

Additional information about Brian Loescher is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Educational Background and Business Experience

Born: 1969

Education after High School: Bachelor of Science, Finance, University of Nebraska, 1993

Business background:

2009 – present, Managing Partner, CIO and Director of Research at Hyas Group, LLC.

1999 – 2009, Director of Research at Arnerich Massena & Associates.

1997 – 1999, Research Analyst at R.V. Kuhns & Associates

1995 – 1997, Performance Systems specialist, West One Trust Co.

Professional Designations: Mr. Loescher has earned the right to use the Chartered Financial Analyst (CFA) designation and is a member of the Portland Society of Financial Analysts, Portland Alternative Investment Association and the CFA Institute.

Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

Item 4- Other Business Activities

No information is applicable to this Item.

Item 5- Additional Compensation

No information is applicable to this Item.

Item 6 - Supervision

Mr. Loescher's work, including investment advice and interaction with clients is monitored periodically by review of his client's performance reports, written correspondence and e-mail, by the Chief Compliance Officer, Michelle Ruppelt, and Director of Consulting Services, Jayson Davidson.

Item 1

Gregory Thomas Settle

This Brochure Supplement provides information about Greg Settle that supplements the Hyas Group, LLC Brochure. You should have received a copy of that Brochure. Please contact Michelle Ruppelt, Chief Compliance Officer if you did not receive Hyas Group's Brochure or if you have any questions about the contents of this supplement.

Additional information about Greg Settle is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Educational Background and Business Experience

Born: 1957

Education after High School: Bachelor of Science, Portland State University, 1983

Business background:

2010 – present, Investment Consultant at Hyas Group, LLC.

2008 – 2010, Consultant at Aon Investment Consulting

2007 – 2007, Consultant at Northwest Capital Management

1992 – 2007, Consultant (1992-1996) and Vice President (1997-2007) at ICMA RC

1988 – 1992, Director, Deferred Compensation Plan Services, The New England Co.

1984 – 1988, Representative, The Holden Group/Security First Group

Professional Designations: Mr. Settle has passed the Chartered Financial Analyst (CFA) Exam 1 (of 3). Additionally he is a member of National Association of Government Defined Contribution Administrators (NAGDCA). He currently holds the Ser. 65 license and has passed the NASD Series 7, 63 and 28 exams, though those designations were allowed to lapse when Mr. Settle entered the consulting industry in 2007.

Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

Item 4- Other Business Activities

No information is applicable to this Item.

Item 5- Additional Compensation

No information is applicable to this Item.

Item 6 - Supervision

Mr. Settle's work, including investment advice and interaction with clients is monitored periodically by review of his client's performance reports, written correspondence and e-mail, by the Chief Compliance Officer, Michelle Ruppelt, and Director of Consulting Services, Jayson Davidson.

Item 1

Scott Allen Faris

This Brochure Supplement provides information about Scott Faris that supplements the Hyas Group, LLC Brochure. You should have received a copy of that Brochure. Please contact Michelle Ruppelt, Chief Compliance Officer if you did not receive Hyas Group's Brochure or if you have any questions about the contents of this supplement.

Additional information about Scott Faris is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Educational Background and Business Experience

Born: 1953

Education after High School: Bachelor of Science, Montana State University, 1977
J.D., William Mitchell College of Law, 1988

Business background:

2011 – present, Investment Consultant at Hyas Group, LLC.

2008 – 2011, Consultant, Towers Watson Investment Services

2005 – 2008, Consultant, Principal, Northwest Capital Management

1997 – 2005, Consultant, Arnerich Massena & Associates

1990 – 1997, Associate, William M. Mercer

Professional Designations: Mr. Faris has earned the right to use the Chartered Financial Analyst (CFA) designation. Additionally, he is a member of the Charter Financial Analyst (CFA) Institute and the National Association of Government Defined Contribution Administrators (NAGDCA).

Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

Item 4- Other Business Activities

No information is applicable to this Item.

Item 5- Additional Compensation

No information is applicable to this Item.

Item 6 - Supervision

Mr. Faris' work, including investment advice and interaction with clients is monitored periodically by review of his client's performance reports, written correspondence and e-mail, by the Chief Compliance Officer, Michelle Ruppelt, and Director of Consulting Services, Jayson Davidson.

Item 1

P. Vincent Galindo

This Brochure Supplement provides information about Vincent Galindo that supplements the Hyas Group, LLC Brochure. You should have received a copy of that Brochure. Please contact Michelle Ruppelt, Chief Compliance Officer if you did not receive Hyas Group's Brochure or if you have any questions about the contents of this supplement.

Additional information about Vincent Galindo is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Educational Background and Business Experience

Born: 1970

Education after High School: Bachelor of Arts, University of California at Berkeley, 1995

Business background:

2014 – present, Investment Consultant at Hyas Group, LLC.

2005 – 2014, Investment Consultant, Arnerich Massena & Associates

2004 – 2005, Education Consultant, Arnerich Massena & Associates

2003 – 2004, Investor Information Coordinator, Oregon Division of Finance & Corporate Securities

2001 – 2003, Financial Advisor, Waddell & Reed Inc.

1999 – 2001, Analyst, Thomas Weisel Partners

Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

Item 4- Other Business Activities

No information is applicable to this Item.

Item 5- Additional Compensation

No information is applicable to this Item.

Item 6 - Supervision

Mr. Galindo's work, including investment advice and interaction with clients is monitored periodically by review of his client's performance reports, written correspondence and e-mail, by the Chief Compliance Officer, Michelle Ruppelt, and Director of Consulting Services, Jayson Davidson.

Item 1

Edward “Ned” Kenneth Taylor

This Brochure Supplement provides information about Ned Taylor that supplements the Hyas Group, LLC Brochure. You should have received a copy of that Brochure. Please contact Michelle Ruppelt, Chief Compliance Officer if you did not receive Hyas Group’s Brochure or if you have any questions about the contents of this supplement.

Additional information about Ned Taylor is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 - Educational Background and Business Experience

Born: 1975

Education after High School: Bachelor of Arts, Willamette University, Salem, Oregon, 1997

Business background:

2016 – present, Investment Consultant at Hyas Group, LLC.

2010 – 2016, Investment Consultant, Standard Retirement Services

2008 – 2016, Registered Investment Advisor, Stancorp Investment Advisers

2006 – 2016, Registered Representative, Stancorp Equities

2001 – 2005, Financial Advisor, Columbia Financial Center

1998 – 2001, Retirement Plan Consultant, Executive Financial Group

Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

Item 4- Other Business Activities

No information is applicable to this Item.

Item 5- Additional Compensation

No information is applicable to this Item.

Item 6 - Supervision

Mr. Taylor’s work, including investment advice and interaction with clients is monitored periodically by review of his client’s performance reports, written correspondence and e-mail, by the Chief Compliance Officer, Michelle Ruppelt, and Director of Consulting Services, Jayson Davidson.

Item 1

Rasch Michael Cousineau

This Brochure Supplement provides information about Rasch Cousineau that supplements the Hyas Group, LLC Brochure. You should have received a copy of that Brochure. Please contact Michelle Ruppelt, Chief Compliance Officer if you did not receive Hyas Group's Brochure or if you have any questions about the contents of this supplement.

Additional information about Rasch Cousineau is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Educational Background and Business Experience

Born: 1972

Education after High School: Bachelor of Arts, Marist College, Poughkeepsie, NY, 1994

Business background:

2016 – present, Investment Consultant at Hyas Group, LLC.

1997 – 2016, V.P., Institutional Sales, ICMA-RC Services

Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

Item 4- Other Business Activities

No information is applicable to this Item.

Item 5- Additional Compensation

No information is applicable to this Item.

Item 6 - Supervision

Mr. Cousineau's work, including investment advice and interaction with clients is monitored periodically by review of his client's performance reports, written correspondence and e-mail, by the Chief Compliance Officer, Michelle Ruppelt, and Director of Consulting Services, Jayson Davidson.

Item 1

Thomas Joseph Breaden

This Brochure Supplement provides information about Tom Breaden that supplements the Hyas Group, LLC Brochure. You should have received a copy of that Brochure. Please contact Michelle Ruppelt, Chief Compliance Officer if you did not receive Hyas Group's Brochure or if you have any questions about the contents of this supplement.

Additional information about Tom Breaden is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Educational Background and Business Experience

Born: 1982

Education after High School:

Bachelor of Science in History and Economics, University of Oregon, Eugene, OR 2004

Master of Science in Economics, Portland State University, Portland, OR 2007

Business background:

2018 - present, Director of Analytics at Hyas Group, LLC.

2011 - 2018, Senior Analyst at Hyas Group, LLC.

2006 - 2011, Director of Research, Heintzberger Payne

Professional Designations: Mr. Breaden has earned the right to use the Chartered Financial Analyst (CFA) designation and is a member of the Portland Society of Financial Analysts, Portland Alternative Investment Association and the CFA Institute.

Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

Item 4- Other Business Activities

No information is applicable to this Item.

Item 5- Additional Compensation

No information is applicable to this Item.

Item 6 - Supervision

Mr. Breaden's work, including investment advice and interaction with clients is monitored periodically by review of his client's performance reports, written correspondence and e-mail, by the Chief Compliance Officer, Michelle Ruppelt, and Director of Consulting Services, Jayson Davidson.

Hyas Group, LLC

Privacy Notice

We, like other professionals who advise on personal financial matters are required to inform our clients of our policies regarding the privacy of client information.

In the course of providing our clients with certain advice, we may receive nonpublic or personal financial information from our clients, their accountants and other representatives, such as financial statements, tax and income information and other financial information. All nonpublic or personal information that we receive regarding our clients or former clients is held in strict confidence in accordance with our professional obligations, and is not released to people outside the Firm, except with your consent or as required by law or to explain our actions to professional organizations that we are members of. We may share certain information with non-affiliated third parties who assist us in providing our services to you (such as administrative and client service functions) or marketing services, to advise you of our services, subject to the obligation of these third parties not to use or disclose such information for any other purpose.

We retain records relating to professional services that we provide so that we are better able to assist you with your professional needs and, in some cases, to comply with professional guidelines. In order to guard your nonpublic or personal information from unauthorized disclosure, we maintain physical, electronic and procedural safeguards.

1. Your firm's organizational structure and operations

a. Describe the ownership, services provided, and organizational structure of your overall company.

Headquartered in Aliso Viejo, California NFP Retirement, Inc. (NFP) will provide the services for this engagement. NFP is a California corporation and registered as an investment adviser with the Securities and Exchange Commission under the Investment Advisers Act of 1940. This division was founded and began providing retirement plan consulting services in June 2000 (as 401(k) Advisors™).

In July 2006, NFP Corp. acquired 401(k) Advisors™ as a member firm. NFP is 100% owned by NFP Corp, a top 5 global benefits advisor. NFP Corp's corporate headquarters are located at 340 Madison Avenue, New York, NY 10173. We have 150 offices across the U.S., and 4 international offices in the U.K., Canada and Puerto Rico.

NFP is dedicated exclusively to retirement plan consulting (including investment consulting) with 30 offices nationwide and employs more than 200 people. As a consulting firm, NFP offers an array of services that are designed solely to assist plan decision makers and participants and does not sell any product, proprietary or otherwise.

Backed by a national footprint that directly advises over \$161 billion across 1,557 retirement plans and a practice management platform that is used by 400+ advisory firms representing another \$350 billion across 30,000 retirement plans, NFP provides industry experience and exposure that plan sponsors can leverage to create and maintain a best-in-class retirement plan for their organization. Plan assets range from \$10 Million to in excess of \$10 Billion.

The NFP consulting team brings over 30 years of financial services experience with public sector plans. Our public sector practice includes services for 457(b) Deferred Compensation, OBRA 3121 Social Security Replacement, 401(a) Defined Contribution, 401(k) Cash or Deferred Arrangements and 403(b) Tax Sheltered Account plans. We also provide consulting services for Defined Contribution post-employment retiree health savings accounts utilizing Voluntary Employee Beneficiary Association (VEBA) Trusts, Public Sector Integral Part (§115) Trusts and Other Post Retirement Benefit (OPEB) Trusts.

b. How does the unit that submitted this proposal fit into the overall structure? Is your firm, including its parent company and any of the parent's subsidiaries, structured in a way such that your advice to us will not influence the revenue earned by any part of your company?

The proposed consulting team are all employees of NFP Retirement, Inc.

Both NFP Retirement, Inc. and NFP Corp. are structured in such a way that our advice to the City of Sacramento will not influence the revenue earned by any part or our company.

- c. For example, do you provide services to the asset management community or to other types of businesses that you may be asked to review and analyze for your clients?

NFP does not provide services to the asset management community or to other types of businesses that we may be asked to review and analyze for our clients.

- d. Do you offer your own investment products or fund of funds services, or do you make investments in the types of businesses that your clients may ask you to review and analyze?

NFP currently has negotiated special pricing on six (6) Collective Investment Trusts (CITs) with separate fund managers. We have been able to negotiate significantly reduced expense ratios on these CITs because of our scale in the marketplace. These CITs are only available to clients of NFP and NFP is not compensated by these CITs.

As a separate service available to our clients, we can offer a custom target date series with either active and passive managers or passive only managers. NFP is the 3(38) discretionary investment advisor for this series which is registered by Wilmington Trust with glidepath construction by BlackRock.

NFP does not make investments in the types of businesses that our clients may ask us to review and analyze.

2. Working with the Committee

- a. Describe your experience working with an oversight committee which holds meetings open to the public and must comply with California's Ralph M. Brown Act and a majority of whose members are selected by employee and retiree organizations.

With rare exception, all our clients are subject to the "Brown Act" or similar legislation of "sunshine laws" by other states. We are very familiar with the posting notice requirements for general meetings, special meetings as well as agenda action requirements. NFP can assist the City/Committee with adhering to these requirements.

- b. How would you work with the Human Resources manager assigned to staff the Committee?

Interaction with the HR manager that is staff to the Committee is essential for the administration of this benefit. Our initial review of essential and recommended policies and procedures (such as Plan Document, Investment Policy Statement, Committee Bylaws and Education Policy Statement) is to make sure that the plan is administered according to federal and state requirements and meets the Best Practices series provided by the National Association of Government Defined Contribution Administrators (NAGDCA).

NFP would suggest having a strategic planning meeting that would include our help with the HR manager to define the approach and direction the Committee would like to go in the future.

Additionally, we would propose having pre- and post-Committee meeting calls to set agendas and confirm the accuracy of the Committee minutes. This will help ensure operating efficient

c. How would you determine what information is given to staff versus given to the Committee?

We generally coordinate information with staff prior to Committee meetings so that staff can “quarterback” the material and information in an orderly manner consistent with the needs of the Committee, plan or participants.

d. The Committee is scheduled to meet quarterly. How often would you want to meet with the Committee, and about how much time at each meeting and in total throughout a year should be devoted to discussions and trainings with you?

The NAGDCA Best Practices series on Plan Governance recommends quarterly meetings. Most of the committees we work with can accomplish the business of the Committee and plan within a two (2) hour period. We would recommend an “education day” that would include 457 University (fiduciary education) at least bi-annually supported by 457 Graduate School presentations (usually one-half hour or less) at each quarterly meeting to address more complex issues associated with retirement plans.

e. In between Committee meetings, what kind of communications do you think you would have with staff or Committee members?

Ongoing working communication, both verbal and written, is essential particularly with staff and NFP. We will provide our quarterly newsletter, *News & Views*, to both staff and Committee members and periodic updates on “hot topics” when necessary.

3. Working with Nationwide

a. How should we better understand when it is the City’s responsibility to hire a consultant compared to when it is Nationwide’s responsibility to provide the following information or services: a) recommendations on changes to the fund lineup; b) investment and retirement advice and education to participants and to the Committee; and c) recommendations and implementation of strategies to increase participant numbers and dollars and reduce participant withdrawals?

The scope of services and roles are usually very different between a record-keeper / administration services provider of retirement plans (like Nationwide) and a defined contribution plan consultant (like NFP). Nationwide (and virtually every other record-keeper / services provider) will generally not agree to be a fiduciary to the plan whereas NFP will agree to be either a 3(21) co-fiduciary to the plan or as a 3(38) discretionary fiduciary to the plan. NFP will take an active fiduciary role with recommendations and changes to the investment portfolio and will give investment advice to the Committee. As an optional service to the City, we can have NFP advisors interact directly with plan participants in an education and advisory capacity.

As for item “c” above, a collaborative effort between the City, Nationwide and NFP can develop strategies to increase plan participation, increase assets and decrease participant withdrawals from the plan.

- b. Based on what you know about Nationwide and the size and decentralized nature of the City’s workforce and of those participants who are no longer contributing, are there services that Nationwide should be providing that they often do not? If Nationwide’s income goes down every time a participant transfers their assets out of our plans, what should Nationwide be doing to discourage the transfers out from happening?

The City of Sacramento likely isn’t decentralized any more than any other large city in the nation, so the challenges to get to the workforce for Nationwide (or any other governmental 457 provider) isn’t new. Nationwide representatives should be available for all the various shifts and locations of the City to meet with employees and discuss their financial future including what other retirement plan options are available to employees. Strategies like a “restart campaign” can be implemented to encourage participants that have stopped contributing for whatever reason would have an easy process to re-establishing contributing to the plan.

The goals of the City and Nationwide should be aligned with both entities wanting a more robust plan. The City does for the benefit of their employees and retirees; and Nationwide for the revenue increase by more participation and more assets.

Plan participants often feel that Nationwide’s efforts to increase participation and assets is self-serving to Nationwide. Therefore, outreach from the City for the benefit of their employees is a more effective asset retention plan. Many plan participants that have separated from service from the City believe (or are told) that they must move their money out of the plan. A concentrated effort needs to be made by the City/Committee to educate separated or retired participants that they can stay in the plan and that they might benefit greatly by remaining in the plan because of the economies of scale that the City has been able to negotiate with the total assets in the marketplace.

- c. Of the recommendations you typically make, which of them are likely to receive resistance from Nationwide and why?

Anything that might increase the service levels or commitments made by Nationwide when they contractually agreed to a scope of services (and priced for a specific scope of services) with the City will likely receive resistance from Nationwide. Most of our recommendations to the City (such as active choice, negotiated automatic enrollment or negotiated automatic escalation) would not likely increase service levels that correspondingly would increase revenue to Nationwide. City/Committee account retention campaigns would also not likely increase service levels to a point that Nationwide would resist.

- d. At what point should the Committee be concerned if Nationwide is reluctant to implement certain changes because it impacts their revenue?

Anytime that Nationwide is reluctant to implement certain changes because it impacts their revenue requirement should be a concern of the Committee. If the request expands the scope of services that Nationwide agreed to contractually, and doesn’t correspond to their revenue requirement, the scope of

services and Nationwide's commitment should be revisited. This may become a procurement issue and would need to be explored. As mentioned above, the City's goals should be aligned with Nationwide's goals albeit for different reasons.

e. If you believe strongly in your recommendation to the Committee, how would you work with the Committee and Nationwide to overcome that resistance?

The response to this question really depends on the facts and circumstances of the recommendation. In doing a significant number of provider search RFPs over the past two-plus decades, we have seen instances that it is possible to cut into service provider revenue enough that they are forced to restrict services. Most of these service providers are publicly held corporations and have a Board of Directors that expects reasonable compensation for reasonable work. NFP would facilitate the fairness of services provided versus compensation requirements.

4. Refinement of services

a. Several RFP respondents suggested the following refinement of services to better serve participants: a) help participants more thoroughly understand their retirement readiness in individual and group settings; b) help participants understand guaranteed lifetime income; c) reorder Nationwide's fund lineup online and on paper so that target date funds are shown first; and d) select target date funds based on carrying participants "through" retirement for a set number of years, rather than based only on getting participants "to" a retirement age in a particular year. What are your thoughts about these suggestions in general and specifically for the City's plans?

NFP's thoughts on each of the stated "refinement of services":

a) help participants more thoroughly understand their retirement readiness in individual and group settings

We believe that education is not an end, but a means to the end and is a never-ending task. Most plans don't have a structure for education and merely allow the service provider to suggest and implement participant educational sessions or face-to-face meetings. We strongly encourage Committees to adopt an Education Policy Statement that clearly identifies the educational direction and content for both plan decision-makers and participants alike.

For this specific "refinement of services" we would encourage a gap analysis campaign coordinated by the service provider utilizing some of the very powerful tools available in the marketplace today incorporating the defined benefit plan available to plan participants.

b) help participants understand guaranteed lifetime income

In the private sector 401(k) world where no defined benefit plan is available, NFP would support the review and possible inclusion of guaranteed lifetime income products in the investment portfolio. However, in the public sector governmental space where most plan participants are eligible for a defined benefit plan, we believe that guaranteed lifetime income options are redundant to defined benefit plans where the risk of accumulating for retirement is shifted from the participant to the employer (or insurance

company). These products are generally very expensive to participants and somewhat non-transferable should the service provider be changed creating a potential significant transition issue.

c) reorder Nationwide's fund lineup online and on paper so that target date funds are shown first

Many plans have moved to a "tier" system whereby the investment options are listed by investor sophistication with first listed as "Tier 1" and are the target date series and participants understanding and selecting as a single option for all of their contributions. "Tier 2" is the mutual fund portfolio specific to the plan including the stable value or fixed account offering. "Tier 3" would be the self-directed brokerage option and any restrictions in the plan.

NFP is supportive of the tier system of plan design communications.

d) select target date funds based on carrying participants "through" retirement for a set number of years, rather than based only on getting participants "to" a retirement age in a particular year.

The "to vs through" debate, in its simplest form, is about how assets should be invested after a participant ceases to earn a paycheck (retirees).

At retirement, financial capital is most likely at its lifetime peak with no ability to earn future income. This makes the day a participant retires the financially riskiest day of his or her life because the potential impact of losses will never be greater. Further, there is no future income available to offset these losses. Therefore, attempting to *further* reduce risk *after* a participant's riskiest day does not make logical sense.

BlackRock found that under any set of assumptions about investor risk preferences, capital markets, or labor income characteristics, it is always optimal to have a **flat** post-retirement glidepath. Comparing the failure rate tables below, we notice that in every single case, through glidepaths are worse (higher shortfall risk). The through glidepath strategy tends to lock-in any poor returns experienced early on in the glidepath, decreasing the likelihood that future good returns allow the portfolio to recover and sustain spending.

BlackRock's LifePath TDF recovered 2 years faster than the benchmark "through" glidepath index following the financial crisis. Continuing to reduce equity exposure after a downturn effectively locks in losses since an investor has decreased ability to participate in the subsequent recovery. This negative impact is compounded by the fact that, in retirement, a participant is simultaneously withdrawing assets and no longer earns an income as an offset.

5. New services

- a. Several RPF respondents suggested the following new services to better serve participants: a) add such features as re-enrollment, auto-enrollment, active choice enrollment, and auto-escalation; b) create custom target date portfolios that accurately reflect the specific demographics of our participants; c) begin the use of "collective investment trusts;" d) create "white label" funds to replace a group of individual funds in

the lineup; and e) encourage Nationwide to provide student loan debt repayment options to participants as a way of engaging (mostly) millennials whose debt is keeping them from investing. What are your thoughts about these suggestions in general and specifically for the City's plans?

NFP's thoughts on each of the stated "new services":

a) add such features as re-enrollment, auto-enrollment, active choice enrollment, and auto-escalation

Re-enrollment is not new to the private sector 401(k) plans and is frequently used to encourage participants to reallocate to the plans target date funds for the diversification that many participants in the current plan do not have. The appropriate age-based target date series is used as the Qualified Default Investment Alternative (QDIA). While we are highly supportive of re-enrollment because of the improved diversification advantages, we are not aware of any public sector governmental plans that have taken this step. We believe that it would likely be subject to negotiations with organized labor and the related MOUs and possibly have impact on other bargained benefits or conditions.

Auto-enrollment and auto-escalation are features that NFP strongly supports and can lead to the highest participation rates for the City's plan. Because California public sector agencies are exempt from ERISA, both auto-enrollment and auto-escalation are subject to the States anti-garnishment laws and, as such, must be collectively bargained. We suggest combining both auto-enrollment and auto-escalation in the collective bargaining process if possible because behavioral scientists tell us that without the auto-escalation feature, most participants will fail to make the necessary contribution adjustments on their own to maintain their retirement goals. Our clients that have auto-enrollment are currently seeing 90% to 95% participation rates.

Absent the ability to collectively bargain auto-enrollment and auto-escalation, NFP is extremely supportive of active choice whereby employees have to positively indicate annually whether they participant in the plan or not participate. Our current clients that have active choice are generally seeing 70% to 75% participation rates.

b) create custom target date portfolios that accurately reflect the specific demographics of our participants

The Department of Labor "tips" issued in 2013 suggest that plan sponsors consider custom target date portfolios in their investment line-up rather than utilize proprietary TDFs in the plan. The rational behind considering custom TDFs is because virtually all proprietary TDFs have some underlying funds that are not performing well, and a plan sponsor can do nothing about removing underperforming funds. Custom TDFs usually have the ability to remove and replace underperforming funds.

NFP has a custom target date series that we are a 3(38) discretionary investment advisor and can provide as a separate service to the City. This custom TFD series is register through Wilmington Trust and the glidepath is created and monitored by BlackRock. With the custom TDF series, as a 3(38) advisor, NFP has the ability to remove and replace underlying fund managers.

c) begin the use of “collective investment trusts

Collective Investment Trusts (CITs) were introduced to retirement plans in 1927 and were primarily used by defined benefit plans. Defined contribution (including 457(b) Deferred Compensation plans) started utilizing CITs in the early 2,000s when daily net asset value became available. CITs resemble their mutual fund counterparts in performance but can be less expensive because they are subject to regulation by the OCC and state regulators whereas mutual funds are regulated by the Securities and Exchange Commission.

NFP has CITs available for our clients that are less expensive than their mutual fund counterpart. We support the use of CITs were available because of the lower expense. NFP is not compensated by the CITs and offers them as a service and additional benefit for contracting with NFP.

d) create “white label” funds to replace a group of individual funds in the lineup

NFP can and has created “white label” funds for our private sector clients but have not found our public sector governmental clients interested in deviating from established mutual funds or CITs.

e) encourage Nationwide to provide student loan debt repayment options to participants as a way of engaging (mostly) millennials whose debt is keeping them from investing

Throughout the United States, student loan repayment has been a recent discussion item because of an Internal Revenue Service (IRS) Private Letter Ruling (PLR) issued to a private sector 401(k) employer whereby the employer will match an employees repayment of student loans (subject to a formula), placing the matching contribution into the employees 401(k) plan.

Right now, while interesting to discuss, there has been no official either IRS or Department of Labor (DOL) guidance issued. There appears to be language to establish these type of programs in current legislation that is still in Congress, but no definitive legislation or regulation for student loan repayment programs.

NFP will likely be very supportive of this type of program when made available.

6. Fund lineup

- a. Some of the respondents to the RFP recommended changes to the fund lineup and others did not. For example, several respondents recommended replacing the American Century OneChoice target date suite of funds and the Invesco Oppenheimer International Growth fund. Refer also to the recommendations related to target date funds and white label funds described in Questions 4 and 5. Why would Nationwide not be giving the Committee the same advice? Given that opinions will often vary, how should the Committee respond to the advice you provide to us on fund lineup when Nationwide hasn't given the Committee the same advice?

Before making recommendations on target date solutions for clients, NFP conducts a full analysis of the demographic characteristics of the plan. Only after this analysis is complete can we narrow down the TDF solutions that will best fit the plan demographics and make recommendations.

In general, there are opportunities to enhance the lineup by streamlining redundant investment options, upgrading some investment managers and reducing investment costs. By leveraging our size and scale, NFP has negotiated significantly lower investment management fees for our clients with best-in-class asset managers across multiple asset classes.

b. When providing advice about the City's fund lineup, how important is it for you and the Committee to understand characteristics of the participants as described by the US Department of Labor in "Target Date Retirement Funds - Tips for ERISA Plan Fiduciaries" at <https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/fact-sheets/target-date-retirement-funds.pdf>? Whose responsibility is it to obtain and analyze the characteristics of the participants?

Understanding plan demographics is an essential component of designing a customized plan lineup. NFP takes on the responsibility to obtain and analyze the relevant demographic characteristics of the plan. This is the first step of our process before we make any fund change recommendations.

The process that NFP follows to select an appropriate QDIA/TDF begins with aligning a plan's "best fit" QDIA/TDF risk profile with a "best fit" QDIA/TDF risk posture, i.e., "we aim before we identify and select."

A plan's "best fit" QDIA/TDF risk profile incorporates plan-specific, participant assumptions regarding other retirement income sources, savings rates, account balances, risk tolerance and withdrawal patterns. QDIA/TDF risk postures are categorized as aggressive, moderate or conservative using a proprietary TDF risk index developed by NFP. The TDF risk index focuses primarily on a TDF's equity exposure at age 65 and the rate of change in its equity exposure as participants approach retirement.

After the universe of suitable TDFs is matched to a plan's risk profile, we compare the remaining off-the-shelf solutions and custom solutions using a series of qualitative, performance-related and fee-related factors. Management style (e.g., active, passive or hybrid), management approach (e.g., single manager or multiple managers) and asset class coverage are also key decision points that impact TDF performance and fees.

A completed TDF study documents the "average participant" assumptions that were used to identify a plan's "best fit" TDF risk profile and the TDF series that were evaluated. Because individual participant fact sets (i.e., savings rates, account balances, withdrawal patterns, etc.) can vary considerably from the "hypothetical average participant" fact set that is used, a study will also include "ranges" for actual participant data. We added this additional element to our studies several years ago because our clients were concerned that their plan's "best fit" TDF risk profile might entail assuming more risk than what is appropriate for high savers and not enough risk for low savers.

Last, but not least, most plans of your size are evaluating custom QDIA/TDF solutions versus off-the-shelf, single manager options. Viable custom QDIA/TDF solutions require significant know-how and scale. The size of NFP's investment advisory business (over \$350 billion) provides clients the requisite

investment advisory footprint to be able to cost-effectively offer a custom TDF solution should you prefer this approach. Over the past 18 months, about half of our clients have selected a traditional QDIA/TDF solution and about half decided to move to a custom QDIA/TDF solution. Custom TDF solutions are available as an additional service.

7. Blind RFIs

- a. Do you conduct blind Request for Information processes on record-keepers so that you and the Committee can better understand the current market for fees and services? Why or why not? If you do, how often and is there an additional cost to the City?

NFPs annual fee benchmarking report compares service provider fees to relevant industry benchmarks for similarly-sized plans (B1 report). This proprietary report is created using data that we receive from the AXIS Retirement Analytics Platform™ (“AXIS”). AXIS is a leading retirement analytics and compliance solution that is used to identify, disclose and supervise retirement plan fees.

NFP believes that plan service provider fees should be documented annually and compared against relevant industry benchmarks for plan's that are similar in size and geography to your plan.

NFP also believes a plan's benchmarking comparisons should be derived from competitive, live-bid, RFP responses every 3 to 4 years. Plan specific RFP responses that are based on a plan's parameters, complexity, investment lineup, service requirements and other unique considerations ensure that apples-to-apples comparisons are used throughout the benchmarking evaluation process. They also ensure that all fee comparisons are based on current market prices rather than a database of historical recordkeeping fees.

There is no additional charge for this service.

8. Optional services

- a. What are the most common services that your clients ask you to undertake that are not part of the City's scope of services as stated in the RFP? What is the typical cost for these optional services? Did you include any of these services in your proposal price even though they were not in the scope of service.

The most common services requested by clients are:

- Fiduciary Education
- Auto-Enrollment
- Active-Choice Enrollment
- Auto-Escalation
- Participant Education

Fiduciary Education, Auto-Enrollment, Active-Choice Enrollment and Auto-Escalation assistance are included in our original response and pricing.

NFP also offers enhanced participant education services. We believe that sound education programs, both at the decision maker and participant levels can, in part, address the issues presented in behavioral finance. Employees need to be educated and armed with the appropriate tools to make *rational versus irrational* decisions regarding participation in their deferred compensation plan and the investment of their contributions.

How they perceive market fluctuations has a direct impact on their investing decisions. Understanding market dynamics will assist in making appropriate financial decisions. A participant should first understand their own risk tolerance and how that relates to their own portfolio. They need to be well versed in asset allocation, the importance of a diversified portfolio and the impact of dollar cost averaging.

We begin by identifying your financial wellness objectives, desired level of employee interaction, back-end reporting needs and budget. Our goal is to identify the financial wellness program that represents the most value for you and your employees.

One in four workers report that financial stress distracts them at work. Financial stress can also translate into higher healthcare costs and absenteeism. Our consultative approach to identifying the right approach to financial wellness will help you to minimize the impact of financial stress on your employee's productivity.

Wellness Topics

- Personal Finance
- Investment Planning
- Retirement Planning
- Protection Planning
- Estate Planning and Retiring Well

Additional Topics

- Getting Married
- Buying a Home
- Starting a Family
- Saving for College
- Caring for an Aging Parent

NFP's financial wellness resources include an 8-member team of Certified Financial Planners® and other financial advisors that provide group and 1-on-1 financial wellness sessions.

Members of this dedicated team provide onsite and virtual options to assist participants with their investment needs and concerns. Our proprietary financial wellness content, WellCents™, can be delivered at the worksite or through online webinars that are accessible at the employee's discretion. We work with our clients to customize the right combination of all three delivery channels.

The cost of providing these enhanced services is \$1,950 per day, per consultant plus reasonable expenses.

9. Auto-Enrollment

- a. Tell us more about your role in having auto-enrollment approved in the collective bargaining process for some of your California clients. You can discuss the process in general but focus on the specific tasks in which NFP was involved.

The following is the sequence of events for implementing Auto-Enrollment for San Mateo County. We were involved in the process from the beginning to implementation.

Project Description & Significance

The primary goal of implementing auto enrollment was to encourage more employees to save for retirement in the County's Deferred Compensation Plan. With a rich defined benefit plan in the San Mateo County Employees' Retirement Association (SamCERA), participants often don't realize they need to save on their own in order to live comfortably in retirement. Beyond this, even when employees do realize they need to save, research in behavioral finance shows employees are often overcome by inertia, and thus don't take action to start saving from their own paychecks.

These issues are particularly important for individuals covered by the Public Employees' Pension Reform Act of 2013 (PEPRA). PEPRA reduced maximum benefits, required a minimum 3 year average, defined compensation that could be used to calculate benefits and increased the age required to achieve full benefits. Simply put, employees hired after December 31, 2012 will have a less robust defined benefit plan which increases the need for a more robust defined contribution benefit plan. With these issues in mind, the County sought to implement automatic enrollment (auto-enroll) to get employees into the plan, unless they opt out.

Auto-enroll has been hugely successful in the corporate marketplace (ERISA plans), but hasn't had as much traction in the public sector (non-ERISA plans) due to state laws and regulations, such as anti-wage garnishment laws. We had to work around such California laws in order to implement auto-enroll. Fourteen collective bargaining units make up the County's workforce and we needed their buy-in during contract negotiations to put auto-enroll in place.

To make the case throughout contract negotiations, we provided data on the success of auto-enroll. Per industry averages, approximately 89% of employees who are auto-enrolled will continue contributing. This data is compelling, and as a result, all of the fourteen collective bargaining units signed on to implement automatic enrollment for new hires. In addition, they have all agreed to auto-escalation.

Measurable benefits

We anticipate between 450 and 500 new hires will be auto-enrolled each year, assuming historical hiring rates. Based on industry averages, we assume that roughly 89% of employees who are auto-enrolled will remain in the Plan. From a retirement readiness standpoint, this new auto-enroll feature means more employees who are able to retire comfortably because they enroll and stayed enrolled in the Plan.

May 31, 2019

City of Sacramento

Retirement Plan Consulting Services
RFP No. P19081021003





May 30, 2019

City of Sacramento
Department of Human Resources
915 I Street
Sacramento, CA 95814

RE: Retirement Plan Consulting Services
RFP No. P19081021003

Dear Committee Members:

NFP Retirement, Inc. (NFP) is pleased to enclose our response to the City of Sacramento's (City) RFP for Retirement Plan Consulting Services. We are in receipt of the Q&A and Addendum #1 for this RFP. Questions regarding our response may be directed to Bill Tugaw, Managing Director of Governmental Plans. Our contact information is:

Jami Chapman
Chief Operating Officer
jami.chapman@nfp.com
(800) 959-0071, ext. 226

Bill Tugaw, Managing Director
Governmental Plans
bill.tugaw@nfp.com
(866) 443-1557, ext. 103

On behalf of NFP, I commit to our willingness and ability to perform the services contained in this proposal. Services include, but are not limited to:

- Quarterly Committee Meetings
- Quarterly Fiduciary Investment Reviews
- Annual Written Report for the City Council
- Legislative and Regulatory Updates
- Establishing an Investment Policy Statement (IPS)
- Document Review and Recommendations
- Vendor Performance Review
- Participant education and/or advice

NFP is a top 5 global benefits advisor. NFP's Retirement division specializes in public sector plans and is dedicated 100 percent to retirement plan consulting (including investment consulting) and employs more than 200 people. The Retirement division was founded and began providing retirement plan consulting services in June 2000 (as 401(k) Advisors) and is 100 percent owned by NFP Corp. We directly advise over \$161+ billion across 1,557 retirement plans and provide a practice management platform that is used by 400+ advisory firms representing another \$350+ billion of retirement plan assets.



City of Sacramento
Department of Human Resources
May 30, 2019
Page 2

Our mission is simple, but powerful. "Create successful retirement plan outcomes for both employees and employers." Complete transparency and full disclosure are hallmarks of our firm. Our consultants are fiduciaries without caveat or exception. We provide a team of dedicated specialists devoted to the areas of Investment Research and Portfolio Construction, Fiduciary Governance and Compliance, Fee Benchmarking and Provider Searches, Plan Design and Employee Education and Advice for public sector 457(b), 401(a), 401(k), 403(b) and 3121 investment vehicles.

We would appreciate the opportunity to meet with you to discuss in more detail our unique and innovative approach to public sector defined contribution plan consulting.

Sincerely,

A handwritten signature in black ink that reads "Jami A. Chapman". The signature is fluid and cursive, with the first name being the most prominent.

Jami A. Chapman
Chief Operating Officer
NFP Retirement, Inc.

JC:bt
enclosures

PROPOSAL SIGNATURE FORM
ATTACHMENT 2

Name of Proposer: NFP Retirement, Inc.

Business Address: 120 Vantis Dr., Suite 400 Aliso Viejo CA 92656
(Street) (City) (State) (ZIP)

Telephone: (949) 460-9898 **Fax:** (949) 460-9893

- Type of Business:** Corporation
 Partnership
 Individual doing business under own name
 Individual doing business under a firm name
 Joint Venture (attach Joint Venture Agreement)

Federal Tax I.D. Number: 33-0905143

City of Sacramento Business Operations Tax Number: Will obtain upon contract award

To the City of Sacramento:

The undersigned, as Proposer, certifies that the only persons or parties interested in this proposal as principals are those named herein as Proposer; that this proposal is made without collusion with any other person, firm, or corporation; that in submitting this proposal the Proposer has examined all terms, conditions, and requirements set forth in the Request for Proposals; that the Proposer proposes and agrees that if this proposal is accepted, the Proposer will execute and fully perform the contract for which proposals are called; that the Proposer will perform all the work and/or furnish all the materials specified in the contract, in the manner and time therein prescribed, and according to the requirements as therein set forth; and that the Proposer will take in full payment therefore, the prices are forth in the attached schedule.

 05/29/2019
Signature Date

Jami Chapman, Chief Operating Officer
Typed or Printed Name and Title

Address (if different than business address above)

1. Provide a list of your largest public sector clients, up to a maximum of ten (10), in terms of total dollars invested as of 12/31/18. For each client, list the following:

Public Sector Clients					
Client Name, Years Under Contract & Record-Keeper	Products	Contribution Type	Assets	# of Participants	Product Growth
Independent Benefits Council (IBC) FL 7 Years Multiple Providers	457(b) 403(b)	Voluntary Voluntary	\$6 Billion	95,664	Yes
City and County of Honolulu 14 Years Voya	457(b)	Voluntary	\$650 Million	9,276	Yes
County of San Mateo, CA 11 Years MassMutual	457(b) 401(a) 3121 RHS	Voluntary Mandatory Mandatory Mandatory	\$500 Million	4,404	Yes
Multnomah County, OR 17 Years Voya	457(b)	Voluntary	\$407 Million	5,434	Yes
State of New Hampshire 3 Years Empower	457(b)	Voluntary	\$338 Million	7,986	Yes
City of San Mateo, CA 6 Years Voya	457(b) 401(a) RHS	Voluntary Mandatory Mandatory	\$64 Million \$4 Million \$9 Million	674 1,009 743	Yes
Los Angeles Unified School District, CA 12 Years Voya	457(b)	Voluntary	\$161 Million	7,087	Yes
Golden Gate Bridge, Highway & Trans District, CA 11 Years ICMA-RC	457(b) 401(a)	Voluntary Mandatory	\$81 Million \$378 Thousand	919 19	Yes
Superior Court of California, County of Riverside 4 years Nationwide	457(b) 401(a)	Voluntary Mandatory	\$64 Million \$ Million	1,051 241	Yes
City of Livermore, CA 7 Years ICMA-RC	457(b) 401(a) RHS	Voluntary Mandatory Mandatory	\$60 Million \$425 Thousand \$5 Million	574 7 342	Yes

- 2. Describe any experience providing consulting services to public sector clients who have plans with Nationwide Retirement Solutions.*

We have a mutually respectful relationship with Nationwide Retirement Solutions. Currently there are 48 NFP clients that utilize Nationwide Retirement Solutions as their record-keeper. We have worked with them in full market searches for a plan record-keeper, as well as contract renegotiation with an existing client. For example, they are currently the plan record-keeper for the Superior Court of California, County of Riverside. As a result of a full market search, the Court retained them as the sole provider in 2015.

- 3. According to the National Institute on Retirement Security, two-thirds of Millennials have nothing saved for retirement. How can we encourage and/or incentivize our Millennial employees to participate in our defined contribution plans?*

Auto-Enrollment

Bill Tugaw and his team have been leaders in introducing the somewhat complicated auto-enrollment feature to public sector entities and guiding them through implementation once adopted.

Auto-enroll has been hugely successful in the corporate marketplace (ERISA plans), but hasn't had as much traction in the public sector (non-ERISA plans) due to state laws and regulations, such as anti-wage garnishment laws. Statistics indicate that 89% of employees who are auto-enrolled will remain in the Plan.

Working hand-in-hand with management, labor unions and collective bargaining, we have been successful in implementing auto-enrollment for two (2) counties, one (1) city and the largest school district in California.

Active-Choice

Absent being able to adopt auto-enrollment, active-choice enrollment requires employees to actively make a decision to participate, or not, in their retirement plan. We have assisted several clients with implementing active-choice during open enrollment by providing the form that employees need to actively decide to participate in the plan or elect to decline plan participation. Research indicates that approximately 75% of employees will join and contribute to the plan.

Auto-Escalation

In concert with auto-enrollment discussed above, one of our California clients has recently collectively bargained auto-escalation with each of their represented employee groups. This design annually will automatically increase participant contributions by 1% to a maximum of 10%. Just like auto-enrollment, participants can opt-out of this escalation feature at any time.

Participant Education (Optional Service)

While outside the Scope of Services for this RFP, we believe that sound education programs, both at the decision maker and participant levels can, in part, address the issues presented in behavioral finance. Employees need to be educated and armed with the appropriate tools to make *rational versus irrational* decisions regarding participation in their deferred compensation plan and the investment of their contributions.

How they perceive market fluctuations has a direct impact on their investing decisions. Understanding market dynamics will assist in making appropriate financial decisions. A participant should first understand their own risk tolerance and how that relates to their own portfolio. They need to be well versed in asset allocation, the importance of a diversified portfolio and the impact of dollar cost averaging.

We begin by identifying your financial wellness objectives, desired level of employee interaction, back-end reporting needs and budget. Our goal is to identify the financial wellness program that represents the most value for you and your employees.

One in four workers report that financial stress distracts them at work. Financial stress can also translate into higher healthcare costs and absenteeism. Our consultative approach to identifying the right approach to financial wellness will help you to minimize the impact of financial stress on your bottom-line.

Wellness Topics

- Personal Finance
- Investment Planning
- Retirement Planning
- Protection Planning
- Estate Planning
- Retiring Well

Additional Topics

- Getting Married
- Buying a Home
- Starting a Family
- Saving for College
- Caring for an Aging Parent

NFP's financial wellness resources include an 8-member team of Certified Financial Planners® and other financial advisors that provide group and 1-on-1 financial wellness sessions.

Members of this dedicated team provide onsite and virtual options to assist participants with their investment needs and concerns. Our proprietary financial wellness content, WellCents™, can be delivered at the worksite or through online webinars that are accessible at the employee's discretion. We work with our clients to customize the right combination of all three delivery channels.

4. *Provide examples of the most impactful advice you have given to your clients. What prevented your client from taking the action described in your advice before your advice was given.*

As mentioned above, the most impactful advice NFP has given clients is the behavioral finance features of auto-enrollment, auto-escalation and active-choice. Both auto-enrollment and auto-escalation require collectively bargained agreements in the State of California because of the anti-wage garnishment laws. The private sector does not have this problem because ERISA (which both auto-enrollment and auto-escalation are covered) pre-empts state law. Alternatively, plan sponsors do not have to collectively bargain active-choice, so the City could affirmatively adopt active-choice without the need of negotiating with labor.

5. *Based on what you have learned about the City of Sacramento's defined contribution plans, what do you believe is the greatest opportunity for:*

- a) *Reducing Participant Expenses*

Reducing expenses can go a long way in helping participants achieve their retirement goals. There are several ways the City can accomplish this by plan design including utilizing very low expense index funds and taking advantage of negotiated low expense Collective Investment Trusts (CITs). For a greater discussion of CITs, see question #7 below.

Additionally, greater economies of scale will help reduce expenses as increased assets in the collective plans will drive a lower percentage required revenue by the record-keeper/provider. Increasing participation, contribution rates and improving asset retention will help build the economies of scale to help reduce expenses.

- b) *Increasing the Percentage of Employees Who Contribute*

We believe the City should explore the possibility of implementing auto-enrollment and possibly auto-escalation to the Plans. Statistics indicate that 89% of employees who are auto-enrolled will remain in the Plan.

As mentioned above, Bill Tugaw and his team have been leaders in introducing the somewhat complicated auto-enrollment feature to public sector entities and guiding them through implementation once adopted.

Auto-enroll has been hugely successful in the corporate marketplace (ERISA plans), but hasn't had as much traction in the public sector (non-ERISA plans) due to state laws and regulations, such as anti-wage garnishment laws.

Working hand-in-hand with management, labor unions and collective bargaining, we have been successful in implementing auto-enrollment in California.

c) Increasing the Dollar Amount Contributed by Employees

Auto-escalation is the most effective way of increasing contributions to the retirement plan. Alternatively, if the City could encourage contributions as a percentage of salary as opposed to a specific dollar amount. Contribution rates will increase as salary increases without the required action from the participant. This is a very effective way to increase contributions.

Also, the City could educate participants on the use of Nationwide's retirement readiness tools that will allow participants to utilize gap analysis tools and make recommendations on increased contributions or reallocation of their investment portfolio to better match their retirement objectives.

d) Reducing the Number of Transfers out by Participants Who No Longer Work Here

Plan leakage is one of the biggest problems that deferred compensation and defined contribution plans have nationally. The "predators" are financial planners, investment advisors and insurance agents that are specifically taught to find recently separated from service or retired City employees and to roll-out these larger accounts to primarily Individual Retirement Accounts (IRAs), annuities or mutual funds. These investment vehicles are usually much more expensive to the individual than what participants can get in a well administered deferred compensation plan. The City has significant economies of scale that can be used to reduce fees and expenses associated with the operation of these plans. An individual on the outside generally has no way to compete with the City's clout.

The foundation of our approach to retention of assets is engaging participants in the advantages of remaining in the plan. Many participants that are separated from service or retired believe that they have to remove their accounts from the plan and trained "predators" will tell them that this is a requirement. Actively advising these participants prior to their separation that they don't have to take their funds elsewhere and advising them of the advantages of remaining with the plan will go a long way to retain of assets.

NFP encourages the utilization of a checklist for retirees considering rolling funds to other accounts. This checklist is provided to assist them in their evaluation of whether to transfer funds from their plan to other eligible plans or accounts. There are factors that they should consider before transferring funds. As an example, funds in a 457 plan are not subject to distribution tax penalties if taken before age 59½. By contrast, 401(a), 401(k), 403(b) and IRAs **are subject to these penalties**.

6. *How do you measure the quality of the advice you provide to your clients? For example, if you recommend that a client switch out a fund, do you look back one and three years later and report to the client whether the switch was successful in reduced fees and increased earnings? Provide copies of several reports back to your clients that analyze the results of your advice. Or, if you have not created any such reports, describe how the City will evaluate the extent and quality of your services and advice.*

Our extremely high client retention rate (98.9%) is a key indicator of the quality and success of our consulting relationships. We also measure the success of our consulting relationships based on our

ability to identify and address recognized and unrecognized issues that maximize an employer's benefits budget while enhancing participant retirement outcomes.

Typically we do not engage in look-back reviews as we find them of little value to the fiduciary process and they may even be counter to liability avoidance. The dictates of ERISA and the Department of Labor's primary concern is that of prudent processes in making fiduciary decisions for the plan. Our focus is providing a robust investment review process rather than focusing on results of any single decision. That said, we conduct a review on the effectiveness of our investment due diligence process annually. We find this to be much more useful globally than reviewing individual decisions. While we would not recommend the backwards looking scrutiny based on the fiduciary liability aspect, we would always be considerate of a special circumstances request, and we certainly do have the capability to track investment decisions.

7. The list below is the 20 funds that have the highest dollar amount invested by City of Sacramento participants in the 401(a) and 457(b) plans combined. Would you recommend the replacement of any of these funds? Why or why not?

NFP leverages our size and scale to negotiate significant investment expense savings for our clients with best-in-class managers. For example, replacing Goldman Sachs LCG Insights with a NFP negotiated Collective Investment Trust (CIT) would generate \$51,506 in savings annually. Replacing MFS Value with a NFP negotiated CIT would generate \$53,665 in savings annually.

Additionally, NFP negotiated exclusive investment management fees with Prudential Total Return. Moving from your current Prudential mutual fund to a NFP negotiated Prudential CIT would generate \$59,874 in savings annually.

The combined annual plan savings with just these three examples is over \$165,000.

Asset Class	Current Manager	Assets	Current Expense Ratio	NFP CIT Expense Ratio	Difference	Percent Savings	Annual Dollar Savings
Large Cap Growth	GS LCG Insights Instl	\$21,460,684	0.53%	0.29%	0.24%	45%	\$51,506
Large Cap Value	MFS Value R6	\$28,244,742	0.48%	0.29%	0.19%	40%	\$53,665
Fixed Income	PGIM Total Return	\$24,947,595	0.51%	0.27%	0.24%	47%	\$59,874
Total Annual Savings							\$165,045

It is important to note that NFP does not receive any compensation or revenue from negotiated CITs. We have negotiated six separate CITs with well-known and respected portfolio managers solely for the competitive edge that we can offer to all of our clients that other investment consultants cannot.

The asset classes that we have negotiated reduced expense CITs represent an efficient portfolio and includes large cap growth, large cap value, small cap growth, small cap value, international equity and core bond.

8. *Describe the consulting services you have provided to a new oversight committee like the City of Sacramento's Defined Contribution Plans Committee. How are those services different than those provided to a long-standing oversight committee?*

NFP Consultants understand the importance of building positive working relationships with Committee members providing equal dedication to new and long standing committees alike. We provide investment consulting services in a prompt, courteous, and professional manner. We commit to timely responses to member concerns and prompt dissemination of information that impacts fiduciary responsibilities or activities of the Committee. Our ongoing commitment to due diligence includes the education of Committee members and other stakeholders regarding their fiduciary responsibilities to the plans.

NFP recommends initial comprehensive training for new Committees through our proprietary 457 University, along with additional training modules presented at quarterly meetings. This comprehensive training may be repeated as Committee members change and circumstances warrant.

457 University and Defined Contribution University



The management of deferred compensation and defined contribution plans has changed significantly during the past decade. With these changes have come unprecedented new responsibilities for decision makers.

Our proprietary 457 University and Defined Contribution University were developed specifically to educate public sector decision makers on the practical application of fulfilling their fiduciary responsibilities under the Internal Revenue Code.

In these informative workshops we explain the foundation of plan due diligence and educate decision makers on the practical application of fulfilling their fiduciary responsibilities. We cover fiduciary responsibilities as they relate to client-specific plans as well as the broader fiduciary functions of plan sponsors.

Bill Tugaw began offering comprehensive training programs in 1999 and NFP continues to present these highly regarded seminars. Past participants in these sessions have included policy and decision makers, senior and mid-level managers, legal counsel and support staff. Using a flexible format, we offer these comprehensive, six (6) hour programs onsite at a location convenient to our clients.

These sessions are intended for decision-making and administrative personnel. The trainers are nationally recognized speakers, educators and authors specializing in legislative topics and their impact on employer-sponsored retirement plans.

9. *What value do your services add to a plan administrator? How do you justify the expense of your services to plan participants who desire to keep fees low?*

We believe that a fiduciary partner is critical to the overall success of public sector plans and NFP provides this guidance.

Although public sector plans are exempt from ERISA, the provisions of the act are generally considered “best practice” guidance for the administration and operation of public sector defined contribution plans. NFP accepts, and will state in writing, Co-Fiduciary responsibility (known in ERISA language as a Section 3(21) fiduciary) for the City’s engagement. As a Co-Fiduciary, NFP assumes fiduciary responsibility for assisting the City with gathering, examining and understanding information that is relevant to making informed decisions on behalf of plan participants. The City, however, retains control/discretion pertaining to final investment decisions.

Our fiduciary support includes:

- A compliance group that is comprised of 12 former practicing retirement plan attorneys.
- Our proprietary Fiduciary Diagnostic™ which outlines plan management responsibilities, uncovers existing gaps in compliance responsibilities and documents completion of required tasks.
- 20+ fiduciary education and documentation modules that outline a plan’s fiduciary responsibilities and how to implement prudent processes.
- Meeting summaries/minutes that outline key discussion, decisions and follow-up items.
- Organization and storage of plan documents, processes, reports and minutes in a secure, internet based filing system.

Additionally, should the City elect to replace some of the plan’s actively managed mutual funds with the NFP negotiated CITs mentioned above, significant cost reduction to participants would be realized and more than cover the cost of our services to the City.

10. What should be the focus of the City’s Defined Contribution Plans Committee in terms of obtaining the best value for participants for the City’s plan providers?

Arguably the two most important functions of the City’s Defined Contribution Plans Committee is to provide and monitor the investment options available to participants and to educate and communicate the plans features to participants. The process of providing and monitoring plan investment options is detailed in the Investment Policy Statement (IPS) adopted by the City/Committee. NFP has a sound and time tested IPS that would be available to the City for adoption.

The responsibility to educate and communicate plan features to participants is often undocumented. NFP developed an Education Policy Statement (EPS) that, much like the IPS, provides a process for the Committee to document education and training for the Committee as well as documenting the education and communication to plan participants. NFP would work with the City to customize an EPS as a part of our proposal.

Both the IPS and EPS would be reviewed annually and updated as necessary.

11. Provide a list of the five (5) most innovative recommendations you have submitted to your clients over the last five (5) years; describe how the recommendations were received; explain whether the recommendations were accepted and why or why not; and describe what happened since making the recommendations regardless of whether they were implemented.

Over the past five (5) years we have assisted several clients in the areas of Plan Design and Administration, Participant Education and Communication resulting in the following National Association of Government Defined Contribution Administrators (NAGDCA) awards:

- 2019:** Submitted for Auto-Escalation
- 2018:** Plan Design and Administration – Auto-Enrollment
- 2016:** Plan Design and Administration; and Participant Education / Effective Communication
- 2015:** National Save for Retirement Week; and Plan Design and Administration – Redesigned to provide an Efficient Investment Portfolio
- 2014:** National Save for Retirement Week; Plan Design and Administration; and Technology and Social Media – Auto-Enrollment

The common theme to each of these recommendations, and ultimately NAGDCA awards, is auto-enrollment, auto-escalation and development of more efficient investment portfolios, all of which are the basis for current behavioral finance thinking. For both auto-enrollment and auto-escalation, it is important to realize that these improvements to the plans must come from organized labor, not management. We have met with many labor organizations to discuss the advantages for labor's members to implement these changes for a better retirement outcome. Once labor recognizes that these plan design features are in the best interest of their membership, they will support them in collective bargaining.

The efficient menu discussion and implementation comes at the interest of plan participants being encouraged to enroll and contribute to the plan while simplifying investment decisions. Current evidence indicates that too many investments actually inhibits employees from participating in their retirement plan. By simplifying to a smaller yet diversified investment menu design while reducing the expenses of the investments proves to be best for plan participants overall.

12. What are the three (3) most important characteristics that differentiate your firm from other potential firms?

We have elected to provide four (4) important characteristics that differentiate NFP from our competitors:

- Experience – NFP's professional staff is highly credentialed and experienced including 30 CFA® charterholders, 12 former practicing compliance attorneys and 3 former practicing actuaries. Our consultants are former public plan sponsors, former plan providers, authors, nationally recognized speakers and skilled negotiators; a unique combination of skills and experience to address the compliance and legislative matters facing public sector plans.

- Diversity – Like the City of Sacramento, at NFP we go beyond appreciation of the differences within our company. In fact, we celebrate and leverage the individuality and diversity of our employees for the betterment of our organization, and it shows in everything we do. Our respect for every person, regardless of gender, ethnicity, religion, sexual orientation, abilities and cultural beliefs is a matter of principle. The result is that our diverse and unique pool of talent fully embodies what it means to be part of the NFP culture.
- CEFEX Certification – NFP believes it is imperative when being hired as an “expert” that fiduciary, compliance, investment and risk management processes be independently audited and certified as meeting industry best practices. NFP is Center for Fiduciary Excellence (CEFEX) certified undergoing an extensive audit each year of our fiduciary process and reporting (www.cefex.org). This certification ensures NFP will pass any rigorous scrutiny our process may be subjected to.
- Negotiated Collective Investment Trusts (CIT) Offering – As mentioned above, NFP has utilized the clout of over \$400 billion in assets under advisement (AUA) to negotiate reduced expenses with well-known and respected investment managers for the benefit of NFP clients. These CITs are managed in the same manner as the mutual fund offered by the investment manager but at a lower cost. Information for plan participants would be available on the Nationwide (or any subsequent record-keeper) website. NFP does not receive any compensation or revenue from these negotiated CITs but has arranged these lower costing investment options as a competitive advantage over our competition.

13. Provide an overall cost for all services to be performed based on the outlined Scope of Services, inclusive of all reimbursable expenses.

Scope of Services	Proposed Pricing
All-inclusive lump sum price for the Scope of Services as outlined in the City of Sacramento’s RFP for Retirement Plan Consulting Services.	\$38,500 Annually Billed Quarterly in Arrears

- Five (5) year fee and service guarantee
- Projects that fall outside the scope of services can either be billed on a project or hourly basis. Our hourly rate for consultant services is \$325 per hour
- Education Days, if elected, are billed at \$1,950 per day, plus reasonable expenses

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14. Identify the project manager/primary point of contact and key staff to be assigned to this project, along with their expected services related to the Scope of Services. Resumes and work experience related to projects similar to the City's Scope of Services should be included for each individual referenced.

We approach client service as a collaborative team effort “quarterbacked” by a dedicated plan consultant. The representatives assigned to handle the City’s account is a well-qualified team of seasoned professionals with experience that ranges from 5 years to over 30 years.

Emily Hing-Hopkins, CRPS® is your plan’s lead consultant and responsible for the overall success of the engagement. She will be supported by “mini” teams of specialists devoted to the areas of Compliance, Fiduciary Risk Management, Provider Analysis / Fee Benchmarking and participant education all ready and able to customize services to meet the City’s needs.

Geoff Keeling, CFA® is our dedicated CFA® that will oversee your investment line-up and provide selection, monitoring and replacement advice. Although public sector plans are exempt from ERISA, the provisions of the act are generally considered “best practice” guidance for the administration and operation of public sector defined contribution plans. **John Nelson**, a former practicing ERISA attorney, will assist with specific compliance and/or regulatory issues pertaining to your plan. Leveraging his knowledge of the retirement plan marketplace. **Morgan Davis** will coordinate education initiatives. And finally, **Bill Tugaw** will assist them as the governmental expert on the team providing insights into the nuances and technicalities of public sector plans. He will also oversee the City’s RFP for a plan record-keeper if requested.



Emily Hing-Hopkins, CRPS® specializes in investment consulting, plan design, fee analysis, compliance and fiduciary best practices.

She began her career at Vanguard as a participant of its Accelerated Development Program. She then transitioned into the role of a client relationship administrator, where she managed a book of business of over a dozen 401(k) plans. It was in this position that Emily sharpened her communication skills and carved her niche in the retirement plan industry.

A graduate of San Diego State University, she earned a Bachelor of Arts in finance with an emphasis in financial services. She holds FINRA Series 7 (General Securities Representative), 63 (Uniform Securities Agent State Law Exam) and 65 (NASAA-Investment Advisors Law Exam) licenses. Napa Net ranked her one of the “Top Women Advisors of 2017.”

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Based in Aliso Viejo, CA, **Geoff Keeling** is Director of Investment Research. He utilizes his deep asset management experience to provide best-in-class investment due diligence consulting to plan sponsor clients.

Geoff plays an integral role on the NFP Retirement Investment Committee, where all quantitative and qualitative aspects of the investment due diligence process are vetted and discussed when providing manager recommendations.

He has over 15 years of investment experience. Prior to NFP, Geoff was a managing director and senior portfolio manager with Invesco in Houston. He was a lead manager on the Invesco Large Cap Growth Fund since its inception and managed over \$3 billion in client assets. During his time at Invesco, Geoff was featured in *Investor's Business Daily* and appeared on CNBC. He began his investment career in 1995 as an equity analyst for AIM Investments.

Geoff graduated from the University of Texas at Austin with a Bachelor of Business Administration in finance.



John Nelson leads a team of dedicated specialists who focus on delivering comprehensive consulting, investment and plan design services. Formerly a partner with Santa Barbara law firm Mullen & Henzell and past associate of Los Angeles law firm Paul, Hastings, Janofsky & Walker, John has extensive experience with ERISA law. He founded Meridian Retirement Plan Advisors in 1997.

John graduated from Loyola Law School in Los Angeles, where he was a member of the Loyola Law Review. He holds FINRA 6 (Investment Company Products/Variable Contracts Representative), 26 (Investment Company Products/Variable Contracts), 63 (Uniform Securities Agent State Law Exam) and 65 (NASAA-Investment Advisors Law Exam) licenses. He also holds an insurance license with the California Department of Insurance.

John is a nationally recognized ERISA attorney and investment advisor. He is a member of the Employee Benefits Committee of the State Bar of California, the Western Pension & Benefits Council, the American Society of Pension Professionals & Actuaries and the ESOP Association. *PlanSponsor* magazine named John "Defined Contribution Plan Consultant of the Year" in 1998.



Morgan Davis is versed in financial wellness and all other important participant topics. Morgan will assist with finding the appropriate employee education strategy for the client's participant population. Morgan specializes in financial wellness programs and participant education.

Morgan graduated from Michigan State University with a Bachelor of Arts degree in business marketing and started her career with NFP as an intern. Morgan holds her Series 65 (NASAA-Investment Advisors Law Exam) license.



Bill Tugaw is the Managing Director of Governmental Plans for NFP. He is the former president of SST Benefits Consulting, is a registered Investment Advisor Representative (Series 65) and specializes in public sector 457(b) deferred compensation, 403(b), 401(k), 401(a) defined contribution plan consulting and Retiree Health Savings plans. His primary focus is assisting public sector employers in meeting the fiduciary obligations associated with operating their plans. With over 30 years of diversified financial services experience, Bill brings a wealth of knowledge to the team.

He provides advisory services to public sector plans whose assets range from \$5 million to in excess of \$1 billion. He is a faculty instructor for the International Foundation of Employee Benefit Plans (IFEBC) on Public Sector 457(b), 403(b) and 401(a) plans. Realizing a need existed for training plan trustees, administrators and committee members on the intricacies of public sector defined contribution plans, Bill led the development of 457 University. These comprehensive seminars provide detailed information to public employers and plan sponsors to assure compliance and to develop plans for repositioning the defined contribution benefit in retirement strategies.

Bill is frequently invited to lecture on public sector deferred compensation, defined contribution plans, post-employment health plan options and Request for Proposals (RFPs). Bill earned a Bachelor of Science degree from the W.P. Carey School of Business at Arizona State University and is co-author of two books: *Deferred Compensation / Defined Contribution: New Rules / New Game for Public and Private Plans*, and *Defined Contribution Decisions: The Education Challenge*.

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15. *Provide a reference list of at least three (3) public sector clients who you provide services similar to those being requested by the City.*

San Mateo County, CA

Jay Castellano, Former Interim Benefits Manager
455 County Center, 5th Floor
Redwood City, CA 94063
(408) 757-8073
jcastellano@smcgov.org
Client since 2008

Ongoing Services Provided: Fiduciary Education, Investment Policy Statement & Annual Review, Request for Disclosure (RFD), Request for Proposal (RFP), New Provider Implementation, Committee Meetings & Legislative Updates, Annual Fund & Provider Reviews & Investment Selection, Implementation of Auto Enrollment, Other Post-Employment Benefits (OPEB) Investment Management and Trust RFP and Implementation.

City of Livermore, CA

Michaele Risolia, Sr. Management Analyst
1052 S. Livermore Avenue
Livermore, CA 94550
(925) 960-4118
mhrisolia@cityoflivermore.net
Client since 2002

Ongoing Services Provided: Fiduciary Education, Investment Policy Statement & Annual Review, Request for Disclosure (RFD), Request for Proposal (RFP), New Provider Implementation, Provider Renegotiation Committee Meetings & Legislative Updates, Annual Fund & Provider Reviews & Investment Selection.

City of Gresham, OR

Karen Pearson, HR Director
1333 NW Eastman Parkway
Gresham, OR 97030
(503) 618-2308
karen.pearson@greshamoregon.gov
Client since 2008

Ongoing Services Provided: Fiduciary Education, Investment Policy Statement & Annual Review, Request for Disclosure (RFD), Request for Proposal (RFP), New Provider Implementation, Provider Renegotiation Committee Meetings & Legislative Updates, Annual Fund & Provider Reviews & Investment Selection.

Project Approach

Request for Disclosure (RFD)

Evaluation of the Current Plans

Our consultants begin new client relationships by gaining a thorough understanding of the history of your plans and your future objectives. Applying decades of “best practice” data and using our proprietary tools, our consultants work with your Committee to design a retirement plan and communication strategy, which engages participants and offers a variety of high quality choices at the lowest practical cost.

We begin with an evaluation of the administrative practices of the current Plan Provider. This will be accomplished by a Request for Disclosure (RFD) and a review of the Provider’s System and Organization Controls (SOC) reports SOC 1 and SOC 2. The SOC 1 and SOC 2 reports are widely recognized auditing standard and cybersecurity reviews developed by the American Institute of Certified Public Accountants (AICPA). NFP will provide the City with a written recommendation of this review.

The results of the RFD allow us to establish a baseline for benchmarking the current plans and identify specific, measurable areas for potential improvement, including:

- Existing participation, including investment diversification and contribution levels
- Concentration of assets and participants
- Historical rates of return and investment performance
- Existing investment fund objectives
- Quality of existing investment options
- Full disclosure of current fees, charges and expenses
- Identification of any potential deferred sales, surrender charges or liquidation restrictions
- Review of stable value and fixed interest accounts
- Plan sponsor support
- Participant education and counseling services
- Optional plan features offered
- Review of existing contracts, reports and services offered
- How the plans are integrated with other retirement benefits offered by the City

Upon completion of our review of the current plan, a comprehensive narrative report will be provided and presented to the City outlining our assessment of all the key components listed above, identify improvement opportunities, recommend an action plan to incorporate the recommended changes and provide a baseline for additional ongoing services including, but not limited to:

- Requests for Proposals (RFP) for Plan Provider
- Transition Implementation
- Fiduciary Investment Reviews
- Investment Manager Searches
- Investment Policy Statement Review and Implementation

- Fiduciary and Participant Education
- Education Policy Statement Review and Implementation
- Legislative and Regulatory Updates

Quarterly Fiduciary Investment Reviews

Utilizing data provided by the plan vendors and our proprietary fund manager ranking system, a Fiduciary Investment Review will be presented quarterly and include the following information:

- An executive summary outlining key discussion items
- NFP's market commentary
- A summary of each manager's quantitative analytics and overall score
- A report of expense ratios and revenue sharing
- A detailed review of managers on the plan's watch list and qualitative fund commentary
- Regulatory and legislative updates
- Fiduciary training modules

All of our investment research services and deliverables are proprietary and created in-house by our CFA® charterholder-led Investment Research team. NFP obtains performance data and analytics from two third-party databases (e.g., Morningstar, MPI Stylus) that incorporate over 20,000 investment portfolios and mutual funds.

NFP uses different 10-point, pass/fail scoring criteria for actively managed, passively managed and asset allocation funds. The scoring criteria for actively managed and asset allocation funds incorporate 3 style-related scoring factors, 3 benchmark-related scoring factors, 2 peer group-related scoring factors and 2 qualitative scoring factors.

Ongoing Assistance with Investment Options

Serving as a Co-Fiduciary to the Plan, NFP will advise the City regarding the plan's investment lineup, how it should change based on our performance metrics and comply with the City's Investment Policy Statement (IPS). We provide analysis of potential fund replacements, as well as ensure that participants are informed about any changes to the investments they are offered. As part of our responsibility to the plan, we will also review certain funds more frequently and report to the City, should circumstances arise and warrant special review.

The Watch List should identify investments that fail to equal or outperform the benchmark as stipulated in the IPS or other changes within the fund. NFP utilizes the Scorecard™ System Methodology to evaluate funds on the Watch List.

We utilize the same process for replacing funds that we use for monitoring portfolios. Our reports, however, include a breakdown and comparison of the individual scoring factors for the portfolios being considered. Migration graphs using 36-month rolling return series in several key risk/return areas are also provided to facilitate side-by-side trend comparisons.

A short list of possible alternative fund options based on the investment class being reviewed will be presented for each fund designated for replacement. NFP will coordinate the replacement of the fund with the Plan Provider and assist with participant communication.

Committee Meetings

NFP Consultants understand the importance of building positive working relationships with Advisory Committee members and decision makers. We will provide investment consulting services in a prompt, courteous, and professional manner. We commit to timely responses to member concerns and prompt dissemination of information that impacts fiduciary responsibilities or activities of the Committee. Our ongoing commitment to due diligence includes the education of Committee members and other stakeholders regarding their fiduciary responsibilities to the plan.

NFP will assume the responsibility for creating meeting agendas and organizing the necessary materials for committee discussions. After each meeting, NFP provides meeting summaries/minutes that outline key discussions, decisions and follow-up items. Finally, NFP organizes and stores a plan's documents, processes, reports and meeting minutes in a secure, internet-based, **private portal** filing system that we call a plan's Fiduciary Briefcase™. NFP's clients can access these items on an as-needed basis.

Investment Policy Statement (IPS)

NFP will assist with the creation of an Investment Policy Statement (IPS). We will then review it on an annual basis to ensure that it is consistent with regulatory requirements, industry best practices and that it continues to reflect the goals and objectives of the Plan.

Fiduciary standards have become explicitly applicable to public sector defined contribution plans. We believe that the IPS is a cornerstone of any Plan as it provides a road map for plan investment policy, as well as guidance in decision making, policy changes, review of investment options and action steps for addressing investment performance issues.

The IPS makes the process predictable and can serve as an important educational tool for participants because it reflects the plan sponsor's commitment to fund monitoring and provides the basis for participants to evaluate their own individual selections. We believe that a current and closely followed IPS is a key safe harbor in helping plan sponsors meet their fiduciary responsibilities.

Ultimately, the IPS should reflect and support the plan's long term goals and objectives. By following the IPS, the investment portfolio will be diversified and provide safe, high quality and cost-effective investment options to participants. The IPS basic framework includes the following:

- Identification and description of all asset classes in the Plan
- Fund selection criteria
- Frequency of fund review and monitoring
- Actions that will be taken for under-performing funds

Documents

NFP service includes an annual review of the Committee Charter or By-laws, Plan Documents and the Investment Policy Statement to ensure industry best practices and compliance with recent legislation and regulatory action. Our 12 member legal team constantly monitors the legislative impacts to your plan.

Legislative, Regulatory Updates and Industry Key Trends

NFP legal staff monitors and reports on industry trends, legislative and regulatory changes that may have an impact on our clients' plan documents and benefit offerings. In addition we track best practice, industry trends and legislative progress in the defined contribution marketplace through our membership and participation in:

- National Association of Government Defined Contribution Administrators (NAGDCA), and
- International Foundation of Employee Benefit Plans (IFEBP).

Our consultants are involved with legislative and other committees within the above associations, which allows us access to timely current and developing information. We also are in constant communication with all of the major defined contribution plan recordkeepers and major publications, and are able to stay abreast of regulatory changes and industry trends through these sources.

In our commitment to continuing education for the City, every meeting with NFP will include a Regulatory Update. Further, we publish a quarterly newsletter, "*Public Sector News and Views*" in order to provide legislative outlines, industry trends, thoughtful insights and the benefit of our experience to help our clients understand and implement new requirements or complex policies.

Participant Education

We believe that sound education programs, both at the decision maker and participant levels can, in part, address the issues presented in behavioral finance. Participants need to be educated and armed with the appropriate tools to make *rational versus irrational* decisions regarding the investment of their deferred compensation funds.

How they perceive market fluctuations has a direct impact on their investing decisions. Understanding market dynamics will assist in making appropriate financial decisions. A participant should first understand their own risk tolerance and how that relates to their own portfolio. They need to be well versed in asset allocation, the importance of a diversified portfolio and the impact of dollar cost averaging.

Working with the record-keeper, NFP will coordinate participant educational initiatives. Also included in our proposal for participant education is a monthly memo that may be downloaded and distributed to participants. These memos are written in an easy-to-understand manner and include topics such as, Understanding Your Plan Limits; Loans; Investing in Turbulent Times; and Market Timing.

Fiduciary Training

Although public sector plans are exempt from ERISA, the provisions of the act are generally considered “best practice” guidance for the administration and operation of public sector defined contribution plans. NFP accepts, and will state in writing, Co-Fiduciary responsibility (known in ERISA language as a Section 3(21) fiduciary) for the City’s engagement. As a Co-Fiduciary, NFP assumes fiduciary responsibility for assisting the City with gathering, examining and understanding information that is relevant to making informed decisions on behalf of plan participants. The City, however, retains control/discretion pertaining to final investment decisions.

NFP will provide annual training to the Advisory Committee through our proprietary 457 University, along with additional training modules presented at quarterly meetings.

457 University and Defined Contribution University



The management of deferred compensation and defined contribution plans has changed significantly during the past decade. With these changes have come unprecedented new responsibilities for decision makers.

Our proprietary 457 University and Defined Contribution University were developed specifically to educate public sector decision makers on the practical application of fulfilling their fiduciary responsibilities under the Internal Revenue Code.

In these informative workshops we explain the foundation of plan due diligence and educate decision makers on the practical application of fulfilling their fiduciary responsibilities. We cover fiduciary responsibilities as they relate to client-specific plans as well as the broader fiduciary functions of plan sponsors.

Bill Tugaw began offering comprehensive training programs in 1999 and NFP continues to present these highly regarded seminars. Past participants in these sessions have included policy and decision makers, senior and mid-level managers, legal counsel and support staff. Using a flexible format, we offer these comprehensive, six (6) hour programs onsite at a location convenient to our clients.

Barbara Healy, Kameron Jones and Bill Tugaw are the trainers of 457 University educational workshops, which are intended for decision-making and administrative personnel. Our consultants are nationally recognized speakers, educators and authors specializing in legislative topics and their impact on employer-sponsored retirement plans.

Fiduciary Diagnostic™

Another key component of our fiduciary guidance and support is our proprietary Fiduciary Diagnostic which outlines plan management responsibilities, uncovers existing gaps in compliance responsibilities and documents completion of required tasks. NFP also provides comprehensive and on-going fiduciary training and education through a series of 20+ education and documentation modules that focus on distinct areas of fiduciary responsibility, risk mitigation, and plan administration.

Initially, the City's Fiduciary Diagnostic™ will be used to identify existing gaps pertaining to the committee's fiduciary responsibilities. The Fiduciary Diagnostic is then reviewed and updated on a quarterly basis to identify upcoming plan management responsibilities and to document when required tasks are completed. NFP provides the following items to assist with this process:

- Quarterly Investment Monitoring Reports document adherence to your IPS.
- Fee Benchmarking Reports document the reasonableness of plan fees and services.
- Fiduciary Compliance Checklists document the completion of plan management duties.
- Plan Operations Checklists document compliance with plan terms and definitions.
- Advisory Committee Minutes document committee discussions and actions.
- Fiduciary File Checklists outline plan documents and processes that need to be maintained.

Fiduciary Briefcase™ is a **private portal** to organize and store plan documents, reports, required disclosures, required notices, meeting minutes and employee communication materials.

Periodic Review of Plan Record-Keeper Services

NFP was one of the first to implement performance standards and guarantees speaking to the services provided to plan administrators and participants. We develop these standards in conjunction with the Plan Sponsor to ensure they are meeting their needs, expectations and strategic goals. These performance guarantees ensure providers are meeting the service commitments they made in the vendor selection process.

Plan administrator services help support the management of the plan. Examples include:

- Regular review of plan document to ensure compliance with current regulations
- Review and administration of any optional services, such as unforeseen emergency withdrawals, domestic relations orders, plan loans
- Periodic reviews and reports of Plan performance
- Automation of transactions

Plan participant services help support the participants in their quests to save adequately for their retirement. Examples of participant services include:

- Type and frequency of participant education
- Availability of plan representatives to meet with individuals
- Timeliness and accuracy of processing participant requests, including new enrollments, investment changes, withdrawal requests
- Call Center services
- Web based account access and transactional services

Request for Record-Keeper Proposal (if requested)

NFP is a leader in assisting clients with innovative ways to address the increasing responsibilities of plan sponsors. Bill Tugaw and his team were one of the first consulting firms to develop an RFP process for governmental deferred compensation plans.

Few, if any, advisory firms provide the experience and exposure that NFP leverages when benchmarking a plan's fees and services. Our proprietary, web-based data collection and RFP technology allows us to compile and compare over 450 data points across 100 record-keepers (including all of the major public sector Plan Providers) in key areas that include: recordkeeping services, compliance services, investment platform flexibility, employee education services and technology.

Over the recent three (3) year period, we conducted 440+ Plan Provider RFPs with plan sizes ranging from under \$10 million to over \$10 billion. Our RFP approach ensures that apple-to-apple comparisons are used throughout the benchmarking process.

Our services are all inclusive providing RFP development of criteria, provider performance measures, preparation and distribution of the RFP, analyzing provider responses, facilitating finalist interviews and negotiating fees, transition services and participant education.

**City Evaluation
Retirement Plan Consulting Services**

Criteria	Possible Points	Advanced Capital Group	Fiduciary Experts	HYAS Group	Meketa Investment Group	NEPC	NFP	RVK - RV Kuhns & Assoc.
		Average Score	Average Score	Average Score	Average Score	Average Score	Average Score	Average Score
Demonstrated understanding of the scope of services	25	18	22	23	18	20	22	20
Qualifications and experience of assigned personnel	20	15	15	18	12	17	16	13
Firm experience with similar size of scope	25	13	15	24	17	15	19	16
Proposed cost of services	20	16	8	18	11	15	18	16
Completeness, clarity, and accuracy of RFP response	10	7	8	9	8	9	8	7
TOTAL Score	100	69	68	91	65	76	83	72

Ranking

Hyas Group	91
NFP	83
NEPC	76
RVK	72
Advanced Capital Group	69
Fiduciary Experts	68
Meketa Investment Group	65