



457(b) and DC Retirement Plan Trends and Best Practices

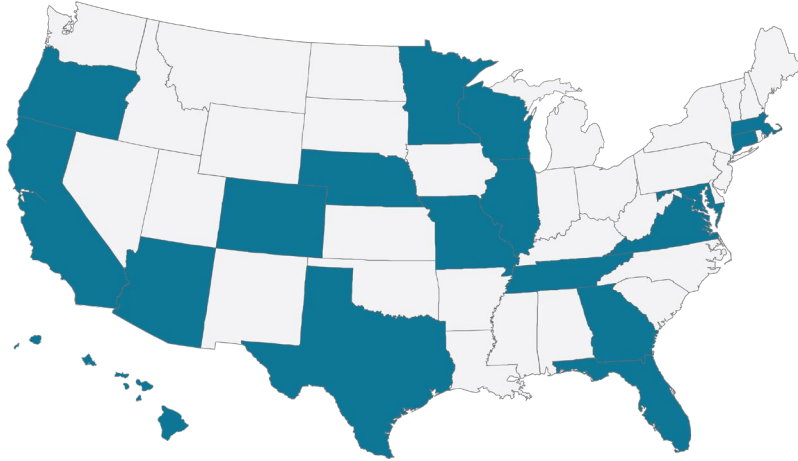
FPHRA Conference

July 2021

SAGE
VIEW



About SageView Advisory Group



\$132 Billion
Assets Under
Advisement



1,300+
Retirement
Plans*



25
Office Locations



16-Member
Investment Committee

**75 plans sponsored by Governmental entities with \$10.9 billion in assets total*

PLAN DESIGN



PROVIDER MANAGEMENT



FIDUCIARY GOVERNANCE



PLAN COST MANAGEMENT



CLIENT MANAGEMENT AND
STRATEGIC SUPPORT



PLAN COMPLIANCE AND
RECORDS MANAGEMENT



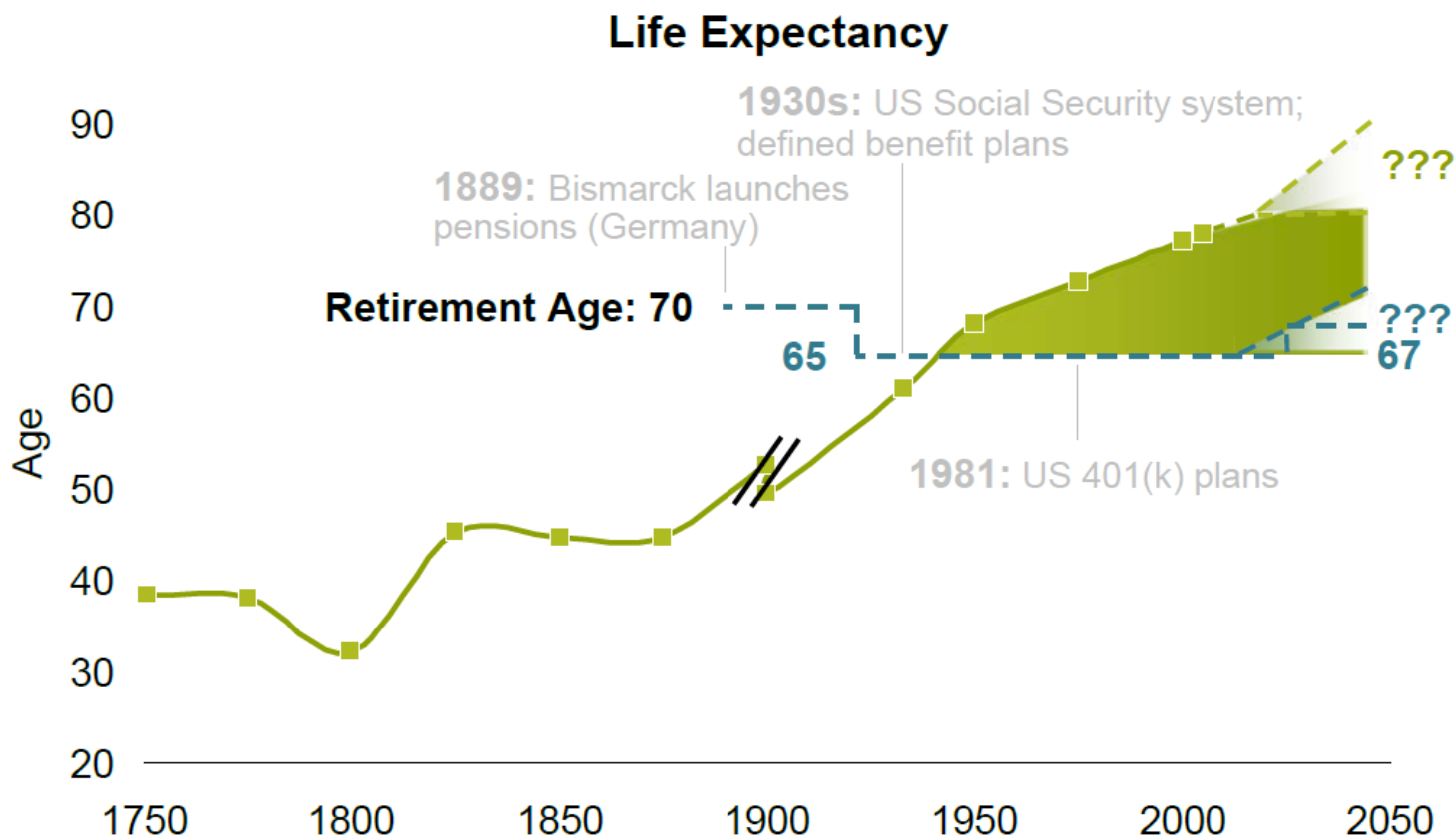
EMPLOYEE EDUCATION



INVESTMENT MONITORING

DC & 457(b) Plans More Prevalent

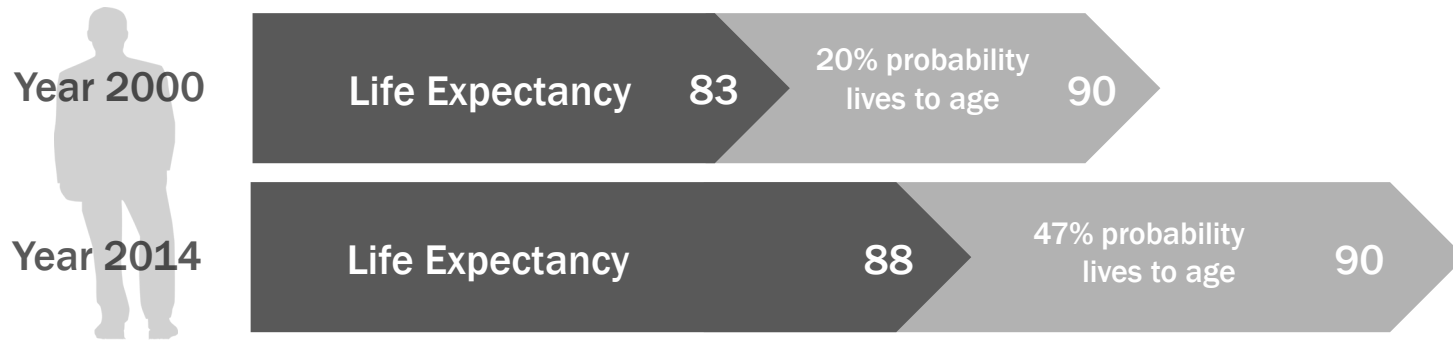
Retirement: A Novel Idea In 1889



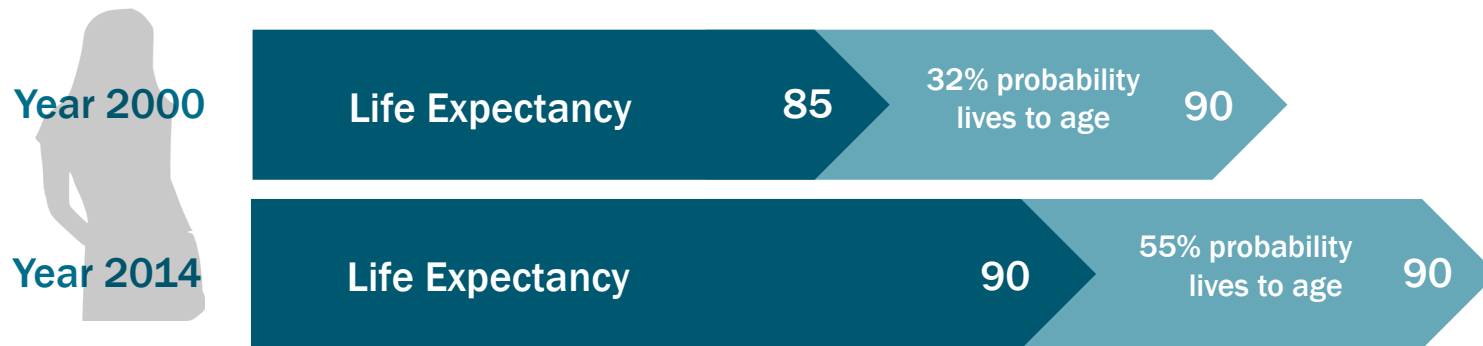
Source: United Nations Department of Economic and Social Affairs—Population Division, Statistiska centralbyran and US Census Bureau

Retirement Savings May Need To Last For Decades

MALE AGE 65

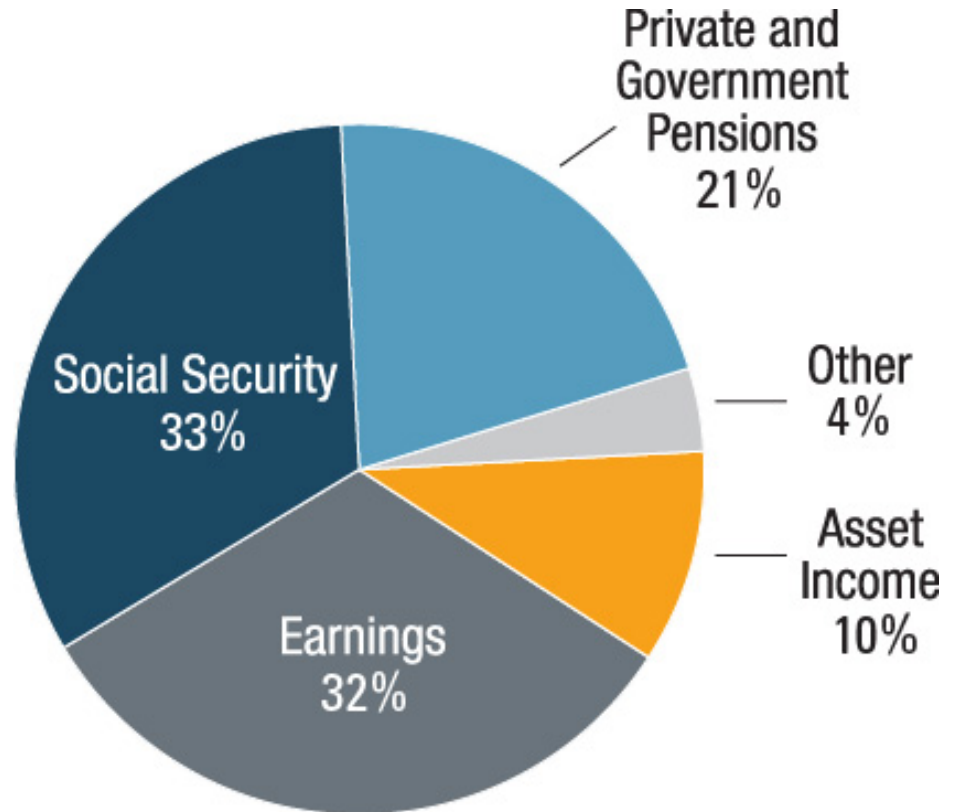


FEMALE AGE 65



Sources of Retirement Income

Median pension benefit for state or local government employee is approx. \$22,662 per year



Source: <http://www.pensionrights.org/publications/statistic/income-pensions>

Source: <https://equitable.com/retirement/articles/how-much-do-you-need-to-retire>

TO BE OR NOT TO BE A FIDUCIARY

What Is ERISA?

ERISA History

- The Employee Retirement Income Securities Act (ERISA) was introduced and passed by the House, Senate, and later signed by the President in 1974
- ERISA is a federal law that establishes minimum standards for retirement plans and provides for extensive rules on the federal income tax effects of transactions associated with employee benefit plans
- ERISA was enacted to protect the interests of employee benefit plan participants and their beneficiaries
- Responsibility for the interpretation and enforcement of ERISA is divided among the Department of Labor, the Department of the Treasury (Internal Revenue Service), and the Pension Benefit Guaranty Corporation



President Gerald Ford signing ERISA into law on September 2, 1974

Sources Of Fiduciary Duties

- ✓ Federal law - ERISA
- ✓ State law (e.g., Florida)
 - Best Practice is to apply ERISA fiduciary responsibility and fiduciary governance principles to the management of Florida's government sponsored retirement plans. §112.625(1) F.S.
 - “Each retirement system or plan shall have one or more named fiduciaries with authority to control and manage the administration and operation of the retirement system or plan.” §112.656 (2) F.S.
- ✓ Organizational charter/specific delegations (i.e. GFOA Best Practices*)
 - “Many governments offer a deferred compensation plan to their employees. In operating these plans, governments act as fiduciaries. Because deferred compensation plans shift investment risk to the plan participant, GFOA recommends that governments provide employee education about the management of the investment risk”.
 - “In carrying out their responsibilities as fiduciaries, plan sponsors make decisions in the best interests of plan participants and beneficiaries. In making these decisions, it is assumed that plan sponsors have knowledge about all fees and expenses charged to the plan and participants while ensuring that these costs are reasonable. It is also assumed that plan sponsors are disclosing to plan participants adequate and accurate information about the fees and expenses that affect their account balances”.
- ✓ General fiduciary duty

*GFOA Best Practice : Investment Policies Governing Assets in a Deferred Compensation Plan (2004)(CORBA)

*GFOA Best Practice: Monitoring and Disclosure of Fees for Defined Contribution (DC) Plans (2008) (CORBA)

What Does Erisa Mean To Plan Sponsors?

- » Sponsors of an ERISA plan have legal and fiduciary obligations to employees who participate in the plan
- » Sponsor must act in the best interest of their employees, for the exclusive purpose of furnishing benefits
- » As fiduciaries of the plan sponsors must:
 - ✓ perform their functions in a prudent and careful manner,
 - ✓ take appropriate steps to diversify any plan investments and
 - ✓ must comply with any written documents that govern the plan

How Does Someone Become A Fiduciary?

A

NAMED

In the plan
document

B

FUNCTIONAL

Exercises
control

C

ACCIDENTAL

Acts like a
fiduciary

Am I A Fiduciary?

- ✓ Fiduciaries in many cases are referred to as “functional” or “deemed”
 - Status is based on responsibilities and functions, not solely on titles or roles
- ✓ A person may be a fiduciary with respect to a plan to the extent they:

Exercise any discretionary authority or control over plan management

Exercise any authority or control over plan assets

Renders, or has any authority or responsibility to render, investment advice for a fee

Has any discretionary authority or responsibility over selecting plan administrator

- ✓ Fiduciaries typically include:
 - Plan Sponsor
 - Plan Trustee
 - Plan Administrator (employer level)
 - Administrative/Investment Committee
 - Investment Consultants

Who Isn't A Fiduciary?

Anyone who is not named, appointed or does not function as a fiduciary, is not a fiduciary.

- **Accountants**
- **Attorneys**
- **Record-keepers, third-party administrators, or actuaries**
- **Individuals who provide purely administrative functions within a framework of policies**

What Is My Responsibility As A Fiduciary

All plan fiduciaries must:

- ✓ Duty of Loyalty
 - Avoid conflict of interest
 - Ensure plan fees are reasonable
- ✓ Duty of Prudence and to delegate prudently (Prudent Expert Rule)
 - Establish prudent process for making decisions
- ✓ Duty to Diversify
 - Offer diversified investment choices
- ✓ Duty to Select and Monitor Investments
 - Adopt an Investment Policy Statement and monitor investment performance
- ✓ Duty to Follow Plan Documents
 - Act in accordance to plan documents and applicable law

Fiduciary Duties (Cont.)

This includes the Duty to Monitor:

- » Other plan fiduciaries
- » Service providers
- » Investment managers
- » Investment performance
- » Fees and expenses
- » Revenue sharing paid by mutual funds
- » Timely contribution of deposits
- » Compliance and administration issues

Fiduciary & Retirement Plan Governance

GOVERNANCE

SETTLOR

corporate actions
that are not
fiduciary actions
under ERISA

FIDUCIARY

discretionary
actions taken by a
plan fiduciary in
operating
the plan

MINISTERIAL

non-discretionary/
non-fiduciary
actions

Non-fiduciary Actions: “Settlor” And “Ministerial” Actions

- ✓ “Settlor” actions (actions that are plan design-related, as opposed to plan management/administration-related)
 - A decision to establish, amend or terminate a benefit plan is a settlor act, not a fiduciary act
 - However, implementation of a settlor act may and usually does involve fiduciary actions
 - Settlor actions may also include certain plan-related financial decisions, such as determination of the amount of contribution to make to a plan

- ✓ “Ministerial” actions are certain plan-related actions that are carried out by people who have no power to make any decision as to plan policy, interpretations, practices or procedures
 - Application of rules determining eligibility for participation or benefits
 - Calculation of services and compensation credits for benefits
 - Preparation of reports required by government agencies
 - Processing of claims

FIDUCIARY BEST PRACTICES

Managing Your Fiduciary Responsibility

- ✓ Plan Sponsors should maintain compliance with the Uniform Fiduciary Standards of Care

The Standards of Care are as follows:

Know standards, laws, and trust provisions

Diversify assets to specific risk/return profile of client

Prepare investment policy statement

Use “prudent experts” and money managers – document due diligence

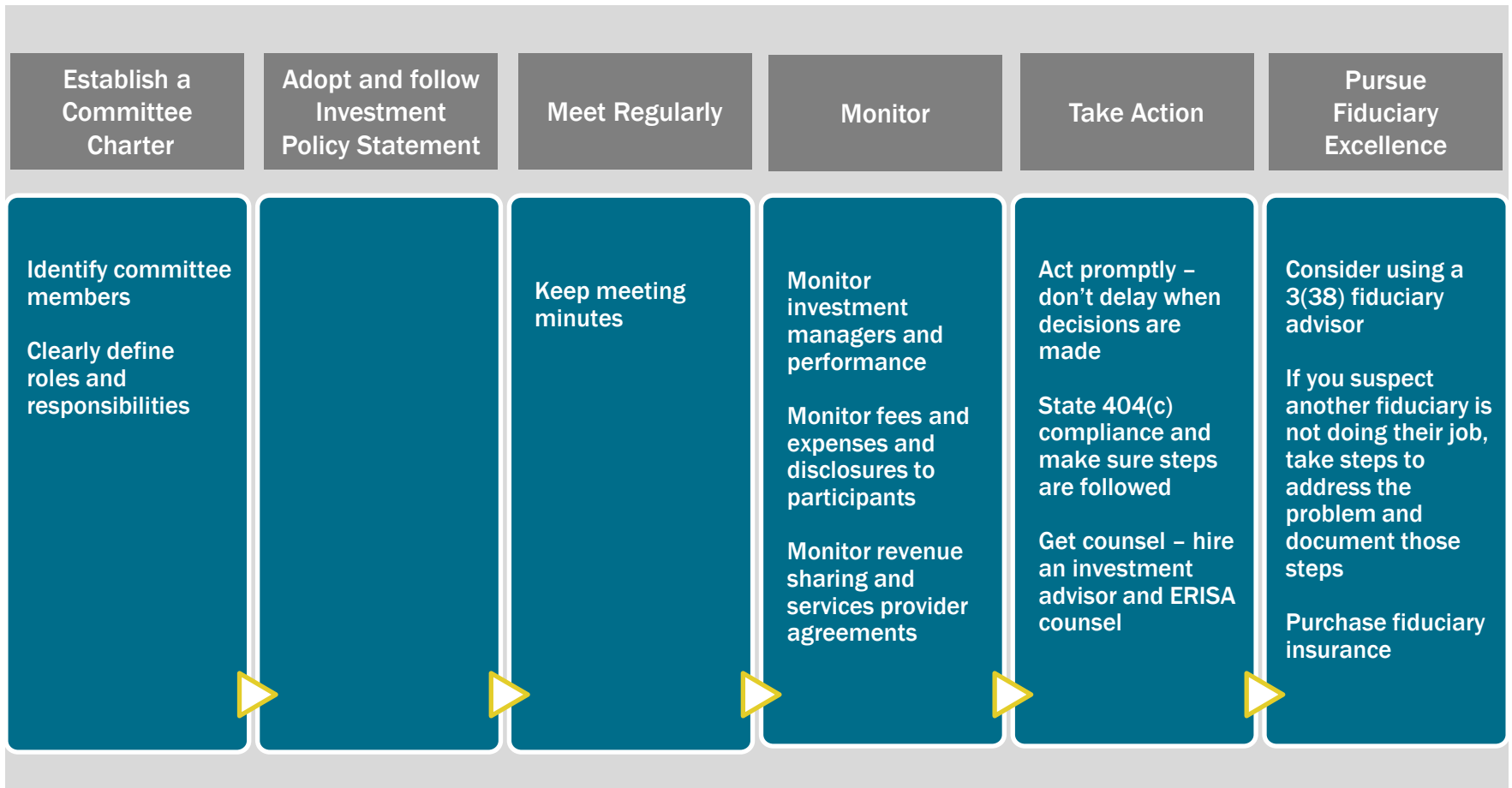
Control and account for investment expenses

Monitor money managers and service vendors

Avoid conflicts of interest and prohibited transactions

- ✓ Duty of prudence focuses on process and not results.

Implementing A Prudent Fiduciary Process



Managing Risk: Benefits Of A Plan Oversight Committee

✓ Merits of a well run Plan Oversight Committee include:

- Plan sponsors have fiduciary responsibility whether oversight is conducted or not
- Relying on vendors does not cover your fiduciary obligation; in fact many vendors specifically reject this in their contracts
- Auditors frequently ask for a plan Investment Policy Statement and copies of meeting minutes upon audit, despite these not being a requirement
- Risk to plan sponsors has increased with more visibility of this issue in the public, as well as, increased asset values in deferred compensation plans

NAGDCA Fiduciary Responsibility Brochure & Checklist

National Association of Government Defined Contribution Administrators, Inc.



FIDUCIARY RESPONSIBILITY

INTRODUCTION

Fiduciaries of defined contribution (DC) plans have come under increasing scrutiny in recent years, in part due to participant lawsuits filed against plan sponsors and the resulting media attention. The Internal Revenue Service (IRS) and Department of Labor (DOL) have also increased the number of plans they audit each year. Because significant consequences can result from a fiduciary breach, you are encouraged to focus on your fiduciary responsibilities and understand the standards of conduct that apply to every plan-related decision you make.

Under a participant-directed DC plan, much of the control and responsibility for participant investment outcomes is substantially shifted from the plan sponsor to the participant. The plan sponsor, however, remains fully and solely responsible for maintaining the plan, meeting regulatory requirements, educating participants, prudently selecting and monitoring both investment options and service providers, and controlling plan expenses.

NAGDCA created this Fiduciary Responsibility Brochure to guide you, a fiduciary of a governmental participant-

THE PLAN FIDUCIARY

Fiduciary Capacity - A person acts in a fiduciary capacity when he or she handles money or property for the benefit of another. A governmental employer offering a defined contribution (DC) plan to its employees, herein referred to as the plan sponsor, handles money for the benefit of plan participants. Specifically, Internal Revenue Code §457(g) requires governmental 457(b) plan assets and income to be held in trust, or in custodial accounts or annuity contracts described in §401(f), for the exclusive benefit of participants and their beneficiaries. The obligation to make every plan-related decision prudently and with only the best interests of the plan participants in mind means it is essential for you to know and understand your fiduciary responsibilities.

Plan Fiduciaries - A fiduciary is a legal term that can be simply defined as anyone who:

- Exercises discretionary authority or control over plan assets, and/or
- Exercises discretionary authority or responsibility in the administration or management of the plan, and/or
- Gives or renders investment advice

APPENDIX A

GOVERNMENTAL PLAN FIDUCIARY RESPONSIBILITY CHECKLIST

This Governmental Plan Fiduciary Responsibility Checklist is designed to assist you in fulfilling your fiduciary responsibilities. You are encouraged to review the checklist at least annually as a due diligence exercise designed to keep you in compliance with your fiduciary responsibilities. It is not guaranteed to be appropriate or sufficient for you and your plan and you are encouraged to consult with your counsel or other experts for all of your fiduciary responsibility and other plan related matters.

Plan Documents:

- You maintain the IRS Determination Letter on your qualified 401(a) or 401(k) plan, (if you obtained one while the IRS program was in effect).
- You maintain the IRS Private Letter Ruling on your eligible 457(b) plan, if applicable.
- You amended your qualified plan for any required law changes by the due date in Rev. Proc. 2016-37 or subsequent guidance.
- You amended your 457(b) plan to include any new optional provision by the end of the plan year in which the provision is operationally put into effect.
- Plan trustees are properly appointed and your trust agreement is properly executed.
- Your written Investment Policy Statement (IPS) is up to date.
- Properly executed service provider contracts outlining their responsibilities and fees are maintained.
- Fiduciary liability or other insurance coverage has been purchased if deemed necessary.

Plan Fiduciaries:

- All fiduciaries are identified and understand their duties and fiduciary responsibilities via properly executed Board Charter.

Managing Risk: Adopting ERISA Best Practices

404(C), 404(C)5, 404(a)5 and 408(B)2....

404(c) – Provides fiduciary relief to plan sponsors	<ul style="list-style-type: none">• Participants must be provided with certain information on request and sufficient information to enable them to make informed investment decisions <u>before</u> making an investment• Must be given the opportunity to change their investments as often as needed
404(c)5 – Provides fiduciary relief against investment losses if qualified default investment alternative (QDIA) option is selected	<ul style="list-style-type: none">• Examples of QDIA include, target date, risk-based, balanced portfolios, managed accounts, etc.• Money market funds, stable value funds or fixed accounts are NOT considered qualified
404(a)5 – Participant fee disclosure	<ul style="list-style-type: none">• DoL regulations require ALL plan costs are disclosed to participants timely and in a comprehensive format annually
408(b)2 – Plan sponsor fee disclosure	<ul style="list-style-type: none">• DoL requires providers disclose ALL plan costs to the plan sponsor annually

Not a conclusive lists. Other requirements apply. This shall not be considered legal advice.

Managing Risk: New Regulations

DOL Guidance on Managing Cybersecurity Risk

On April 14, 2021, the DOL issued guidance on maintaining cybersecurity, noting that as of 2018 there were more than 34 million employees with a pension plan and 106 million participants in a defined contribution plan with combined assets of roughly \$9.3 trillion.



The DOL notes three areas:



Cybersecurity program best practices for recordkeepers and service providers



Tips for plan sponsors on selecting a service provider



General online security tips

List of recommended steps are found on DOL's site: <https://www.dol.gov/sites/dolgov/files/ebsa/key-topics/retirement-benefits/cybersecurity/best-practices.pdf>

Themes In DC Litigation

1

Cyber & Fraud Risk

Member accounts are being hacked and unauthorized distributions are occurring

- Issue RFI on cyber and fraud procedures and data protection
- Create a Fraud Policy Statement for Committee review and approval
- Communicate to participants how to monitor and steps to follow if fraud occurs
- Review service contracts and insurance coverage levels

2

Investment Fees & Revenue Sharing

Collective investment trusts and separate accounts are being overlooked when evaluating lowest cost share classes

- Review funds for lowest share class of mutual funds
- Explore if lower cost non-mutual fund investments are available

3

Cross-sell With Plan Data

Service providers use plan data to cross sell non-plan related services

- Review service contract for cross-sell language and who owns the data
- Restrict cross-selling to require member consent
- Request recordkeeper to report new IRAs and other service lines being opened by participants and the revenue received

4

QDIA Selection

QDIA is proprietary to the recordkeeper or was selected without proper evaluation and monitoring

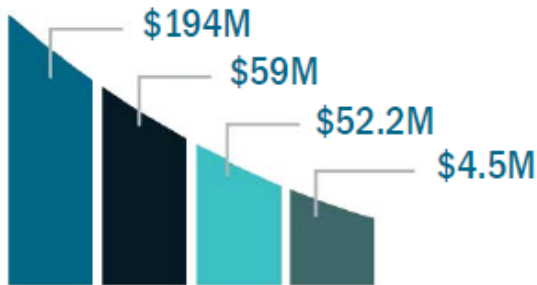
- Follow DOL guidelines to select and monitor QDIAs
- Use plan data to help determine a “to or through” glidepath
- Monitor/educate participants using 2+ target date funds

Excessive Fee Litigation: Year In Review

In a sign that excessive fee litigation continues to expand:
over **90** excessive fee lawsuits were filed in 2020 and over **200** since 2015.



While “large” and “mega” market plans continue to receive the lion’s share of complaints, suits have been filed against plans with assets of:



Ease of making claims: As noted in Morgan Lewis & Bockius’ motion to dismiss in the case against the University of Miami:



“Complaint is a literal copy-and-paste job: Its allegations, right down to the typos, are lifted directly from complaints in other cases...”



1 out of 3

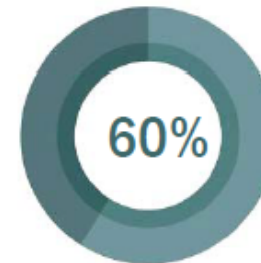
motions to dismiss have been granted on all claims.



while another

10-15%

of cases have made it to summary judgment.



of cases open for at least two years since 2015 have settled.



Aggregate settlement amounts since 2015 exceed **\$1.2 billion**
with attorneys receiving **\$285 million** in fees.

Government Plan Trends

- Continued pension reform and other political pressures
- Increased plan governance by formal plan committees
- Fee disclosure rules
- Public scrutiny and lawsuits
- Advances in recordkeeping technology
- **Focus on retirement readiness & financial wellness**
- **Vendor consolidation – multi to single provider**
- Industry consolidation as result of M&A

Vendor & Plan Consolidation

Why consider consolidation?

- Excessive fees
- Too many investment options
- Proprietary offerings
- Lack of oversight and ongoing due diligence

Benefits of Consolidation:

- Understand and reduce fees: investment expenses, administration, etc.
- Reduce employee confusion
- Improve employee's retirement planning experience
- Update and revisit plan documents
- Administration efficiencies
- Simplifies oversight and fiduciary responsibility

Plan Benchmarking: Evaluating Costs

Possible fees within your DC or 457(b) Plan:

- Sub-transfer Agency (sub-TA) fees
- 12(b)-1 fees
- Shareholder servicing fees
- Wrap fees
- Other revenue sharing or SEC 28(e) “soft dollars”
- Administrative fees
- Transaction fees (loans, distributions, mailing, etc)
- Managed account fees
- Plan document and amendment fees
- Consulting fees

Plan Benchmarking: Evaluating Costs

Provider's Fee Disclosure Document

Ticker	Investment Option	Prospectus Gross Expense Ratio	Fund Management Fee	12b-1 Fee	Other Expenses	Prospectus Net Expense Ratio	Nationwide Administrative Fee	Total Expense to Participants	MFSFP
ABNDX	American Funds Bond Fund of Amer A	0.61%	0.19%	0.25%	0.17%	0.61%	0.44%	1.05%	0.25%
AEPGX	American Funds Europacific Growth A	0.84%	0.41%	0.25%	0.18%	0.84%	0.44%	1.28%	0.25%
AGTHX	American Funds Growth Fund of Amer A	0.64%	0.26%	0.25%	0.13%	0.64%	0.44%	1.08%	0.25%
AMECX	American Funds Income Fund of Amer A	0.57%	0.22%	0.25%	0.10%	0.57%	0.44%	1.01%	0.25%
AIVSX	American Funds Invmt Co of Amer A	0.59%	0.23%	0.24%	0.12%	0.59%	0.44%	1.03%	0.25%
AWSHX	American Funds Washington Mutual A	0.59%	0.23%	0.25%	0.11%	0.59%	0.44%	1.03%	0.25%
BCSIX	Brown Capital Mgmt Small Co Inv	1.25%	1.00%	0.20%	0.05%	1.25%	0.44%	1.69%	0.35%
DFSCX	DFA US Micro Cap I	0.51%	0.48%	0.00%	0.03%	0.51%	0.44%	0.95%	0.00%
KDHAX	DWS CROCI Equity Dividend A	1.03%	0.60%	0.24%	0.19%	1.03%	0.44%	1.47%	0.50%
KHYAX	DWS High Income A	0.96%	0.46%	0.24%	0.26%	0.96%	0.44%	1.40%	0.50%
KAUFX	Federated Hermes Kaufmann R	2.23%	1.30%	0.50%	0.17%	1.97%	0.44%	2.41%	0.50%
FCNTX	Fidelity® Contrafund®	0.85%	0.71%	0.00%	0.14%	0.85%	0.44%	1.29%	0.25%
FEQIX	Fidelity® Equity-Income	0.60%	0.44%	0.00%	0.16%	0.60%	0.44%	1.04%	0.25%
FGRIX	Fidelity® Growth & Income	0.61%	0.43%	0.00%	0.18%	0.61%	0.44%	1.05%	0.25%
FMAGX	Fidelity® Magellan®	0.77%	0.63%	0.00%	0.14%	0.77%	0.44%	1.21%	0.25%
FPURX	Fidelity® Puritan®	0.52%	0.38%	0.00%	0.14%	0.52%	0.44%	0.96%	0.25%
Galliard	Galliard Stable Value Fund	0.78%	0.49%	0.12%	0.17%	0.78%	0.00%	0.78%	0.47%
OPPAX	Invesco Global A	1.06%	0.64%	0.23%	0.19%	1.06%	0.44%	1.50%	0.50%
OPMSX	Invesco MainStrt MdCp A	1.12%	0.63%	0.24%	0.23%	1.10%	0.44%	1.54%	0.50%
JARTX	Janus Henderson Forty S	1.15%	0.63%	0.25%	0.27%	1.15%	0.44%	1.59%	0.50%
JAMRX	Janus Henderson Research T	0.80%	0.53%	0.00%	0.27%	0.80%	0.44%	1.24%	0.25%
JAMCX	JPMorgan Mid Cap Value A	1.24%	0.65%	0.25%	0.34%	1.24%	0.44%	1.68%	0.50%
NWFAX	Nationwide A	0.95%	0.53%	0.25%	0.13%	0.91%	0.44%	1.35%	0.40%
NWUSX	Nationwide Amer Cntry Sm Cp Inc InstlSvc	1.31%	0.74%	0.00%	0.50%	1.24%	0.44%	1.68%	0.40%
NWHSX	Nationwide Destination 2025 Instl Svc	0.66%	0.13%	0.00%	0.53%	0.66%	0.44%	1.10%	0.25%
NWISX	Nationwide Destination 2030 Instl Svc	0.67%	0.13%	0.00%	0.54%	0.67%	0.44%	1.11%	0.25%
NWLSX	Nationwide Destination 2035 Instl Svc	0.66%	0.13%	0.00%	0.53%	0.66%	0.44%	1.10%	0.25%
NWMSX	Nationwide Destination 2040 Instl Svc	0.66%	0.13%	0.00%	0.53%	0.66%	0.44%	1.10%	0.25%
NWNSX	Nationwide Destination 2045 Instl Svc	0.66%	0.13%	0.00%	0.53%	0.66%	0.44%	1.10%	0.25%
NWOSX	Nationwide Destination 2050 Instl Svc	0.65%	0.13%	0.00%	0.52%	0.65%	0.44%	1.09%	0.25%
NWESX	Nationwide Destination Ret Instl Svc	0.66%	0.13%	0.00%	0.53%	0.66%	0.44%	1.10%	0.25%
Fixed	Nationwide Fixed Account	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Plan Benchmarking: Evaluating Costs

Provider's Fee Disclosure Document

Fund ¹	Morningstar Category ¹⁶	Quarter-End Assets	Plan Expenses		ICMA-RC Gross Revenue			
			Net Expense Ratio	Estimated Expense Cost	Record Keeping ⁹	Estimated Annual Revenue	Investment Advisory ^{**}	Estimated Annual Revenue
U.S. Stock								
Vantagepoint Equity Income R1 ²⁴	Large Value	\$4,819	1.25%	\$60	0.80%	\$39	0.20%	\$10
VT Invesco Diversified Div R1 ²⁴	Large Value	\$41,327	1.11%	\$459	0.80%	\$331	0.00%	\$0
VT MFS® Value R1 ²⁴	Large Value	\$7,227	1.12%	\$81	0.80%	\$58	0.00%	\$0
Vantagepoint 500 Stock Idx R1	Large Blend	\$11,549	0.94%	\$109	0.80%	\$92	0.10%	\$12
Vantagepoint Broad Mkt Idx R1	Large Blend	\$0	0.94%	\$0	0.80%	\$0	0.10%	\$0
Vantagepoint Growth & Inc R1	Large Blend	\$9,353	1.18%	\$110	0.80%	\$75	0.20%	\$19
VT Parnassus Core Equity R1	Large Blend	\$0	1.42%	\$0	0.80%	\$0	0.00%	\$0
VT Invesco Oppenheimer Main St R1	Large Blend	\$47,652	1.17%	\$558	0.80%	\$381	0.00%	\$0
Vantagepoint Growth R1 ²⁴	Large Growth	\$58,609	1.30%	\$762	0.80%	\$469	0.20%	\$117
VT T Rowe Price® Growth Stock R1 ^{11,24}	Large Growth	\$75,324	1.47%	\$1,107	0.95%	\$716	0.00%	\$0
VT Contrafund® R1²⁴	Large Growth	\$173,639	1.37%	\$2,379	0.80%	\$1,389	0.00%	\$0
Vantagepoint Select Value R1 ^{22,24}	Mid-Cap Value	\$52	1.44%	\$1	0.80%	\$0	0.20%	\$0
VT Victory Sycamore Est Value R1 ^{22,24}	Mid-Cap Value	\$5,061	1.17%	\$59	0.80%	\$40	0.00%	\$0
Vantagepoint Agg Opps R1 ^{22,24}	Mid-Cap Growth	\$26,698	1.29%	\$344	0.80%	\$214	0.20%	\$53
VT AMG TimesSquare Mid Cap Gr R1 ^{22,24}	Mid-Cap Growth	\$77,379	1.73%	\$1,339	0.80%	\$619	0.00%	\$0





Investment Option Comparison & Cost to Employees:

	ICMA Cost	Nationwide Cost	Institutional Cost / Open Architecture
Contrafund	1.37%	1.29%	0.86%
S&P 500 Index	0.94%	0.48%	0.03%



Case Study #1

457(b) Plan: \$14,000,000 in assets and 225 participants
Approximate savings of 74%!





	Before	After
 Vendors	3 Recordkeeping Providers	Consolidate to 1 Provider
 Recordkeeping Fees	\$96,144 (combined cost) <ul style="list-style-type: none">• Provider 1 – 1.03%• Provider 2 – 0.26%• Provider 3 – 0.88%	\$25,000 (new cost) <ul style="list-style-type: none">• Provider 1: 0.18%
 Investment Expenses	Multiple Investment Menus <ul style="list-style-type: none">• Avg. Expense Ratio: 1.14%	One Streamlined Investment Menu <ul style="list-style-type: none">• Avg. Expense Ratio: 0.42%
 Investment Options	Up to 49 Investment Options Offered	22 + Target Date Funds



Case Study #2

401(a) and 457(b) Plans: \$19 Million in assets, 158 participants

Approximate savings of 90%!

	Before	After
 Vendors	2 Recordkeeping Providers	Consolidate to 1 Provider
 Recordkeeping Fees	0.79% or \$150,000 (combined) <ul style="list-style-type: none"> • Provider 1 – 0.91% • Provider 2 – 0.54% 	0.07% or \$13,300
 Investment Expenses	Multiple Investment Menus <ul style="list-style-type: none"> • Provider 1 – 1.28% • Provider 2 – 0.90% 	One Streamlined Investment Menu <ul style="list-style-type: none"> • Weighted investment exp: 0.23%
 Investment Options	38+ Target Date Funds 13+ investment options on the watch-list	15+ Target Date Funds



TRENDING:
CONVERGENCE OF HEALTH & WEALTH



Trend: Overall Wellness in the Spotlight

According to a new survey by Willis Towers Watson, the highest benefit priorities of the balance of 2020 are financial well-being and mental health. With respect to COVID-19:

- 20% of companies have or plan to make changes to their benefits
- 25% have made it easier for employees to reduce their retirement contributions
- **60% are planning to enhance their well-being programs**
- 75% have promoted existing financial resources such as Employee Assistance Programs (EAP)

Why Is This Important?

Wellness...

Connecting the dots between *health*, and *wealth*.





Retirement Plan “Leakage”

1 in 5 employees took out a loan or borrowed against their retirement plan in the past 3 years.

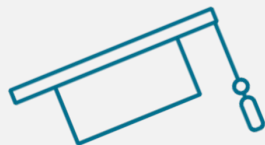
Where is that retirement money going?

Employees report that the money they have borrowed against their retirement funds in the past 3 years has been for following purposes:



37%

General household expenses (mortgage/rent, utilities)



12%

College tuition/expenses



19%

Big ticket items (appliances, electronics, computers, etc.)



9%

Major car repair



18%

New car purchase



21%

Credit card payments



18%

Medical expenses



Defining the Problem

- The National Financial Capability Test is given to over 17,000 people from all 50 States. Only 48% of participants were able to pass the 30-question test.

(1) <https://www.financialeducatorsCouncil.org/national-financial-capability-test/>

- Over 40% of student loan borrowers are either late or not making student loan payments.

(2) <https://www.wsj.com/articles/more-than-40-of-student-borrowers-arent-making-payments-1459971348>

- Nearly four out of every five U.S. workers live paycheck to paycheck.

(4) Dave Ramsey "What is Financial Literacy"
<https://www.daveramsey.com/blog/what-is-financial-literacy>

Source: Purchasing Power: An Employee Crisis: Financial Literacy 2016



40%

40% of employees working full-time don't have at least \$2,000 in emergency savings for unexpected expenses such as a car breaking down.



34%

34% have had trouble meeting monthly household expenses, like rent/mortgage, car payments, cable bills, and credit card bills.



47%

47% consistently carry balances on their credit cards; of these, 26% of whom find it difficult to make minimum payments on time.



30%

30% haven't been able to make major purchases in the past year for items they need.



Financial Wellness In the Workplace



62%

of employees working full-time report they would be likely to take advantage of financial wellness education.

What kinds of financial wellness education do employees say would help them?

40% saving for retirement

33% paying off debt

28% investment advice

43% budgeting

15% buying a house

15% personal finance coaching

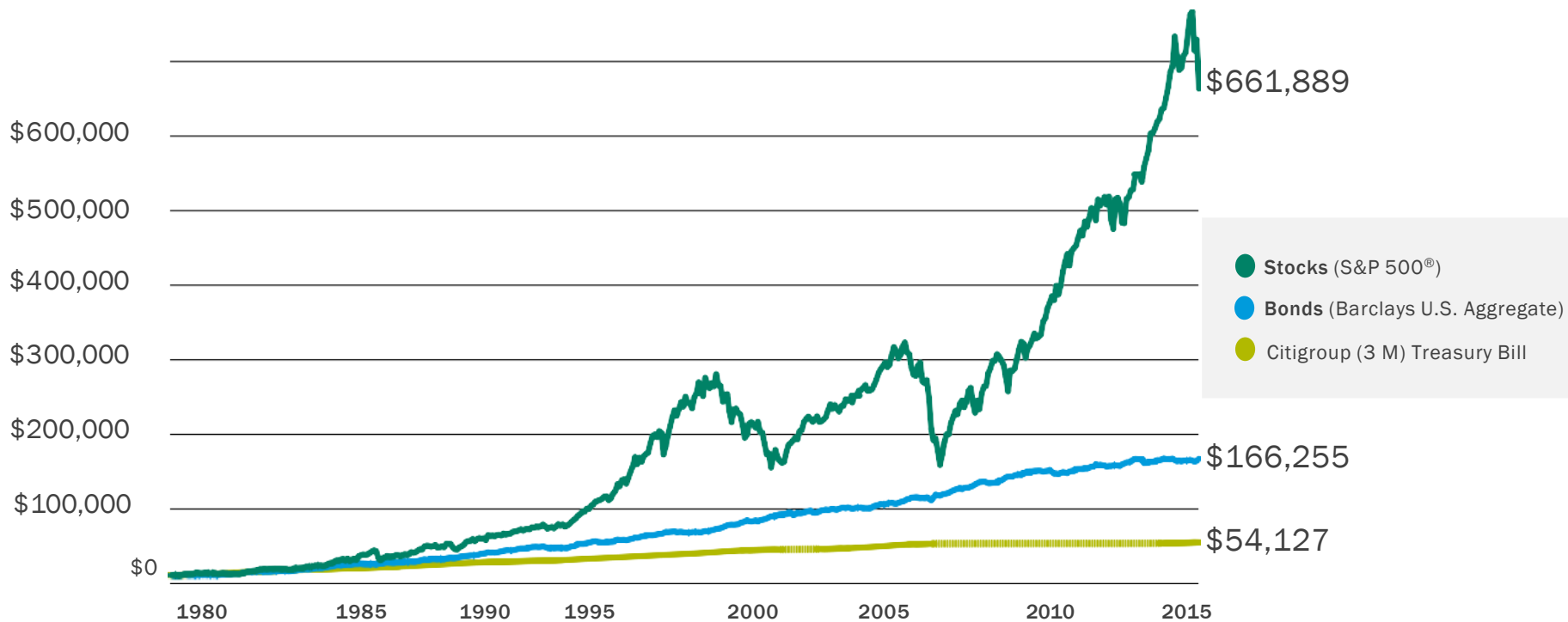
14% saving for children's education

15% understanding and building credit



Historical Trend: *Don't* Let Long-term Money Sit in No-interest Accounts

Do: Invest money in the appropriate investment vehicle



Hypothetical value of \$10,000 invested at the beginning of 1980. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Past performance is no guarantee of future results.

The S&P 500 Index is a capitalization-weighted index of 500 widely traded stocks. Created by Standard & Poor's, it is considered to represent the performance of the stock market in general. Barclays Capital

U.S. Aggregate Bond Index, comprises government securities, mortgage-backed securities, asset-backed securities, and corporate securities to simulate the universe of bonds in the market. The Citigroup 3-month T-Bill Index, is often used as a benchmark for money market investments. The indices are not investment products available for purchase.



Asset Cash Flows

Asset classes with most trading inflows in Q1 2020

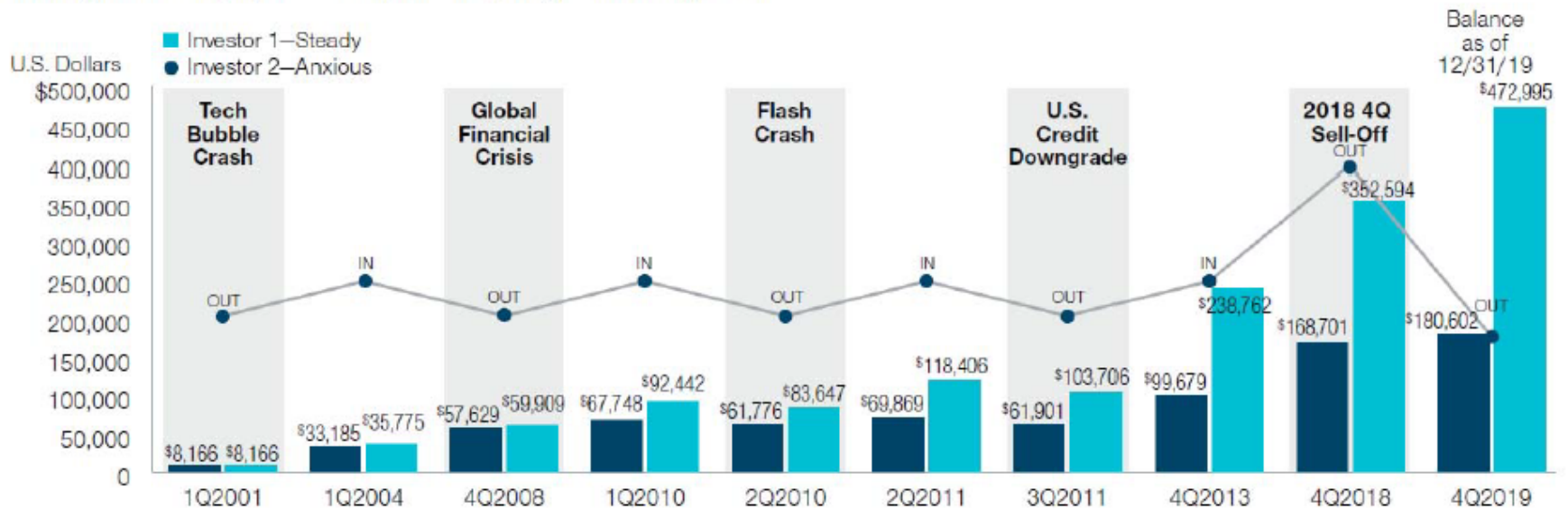
	Percentage of Inflows	Index \$ Value (mil)
Stable Value	49%	\$1,736
Bond Funds	31%	\$1,095
Money Market Funds	18%	\$631

Asset classes with most trading outflows in Q1 2020

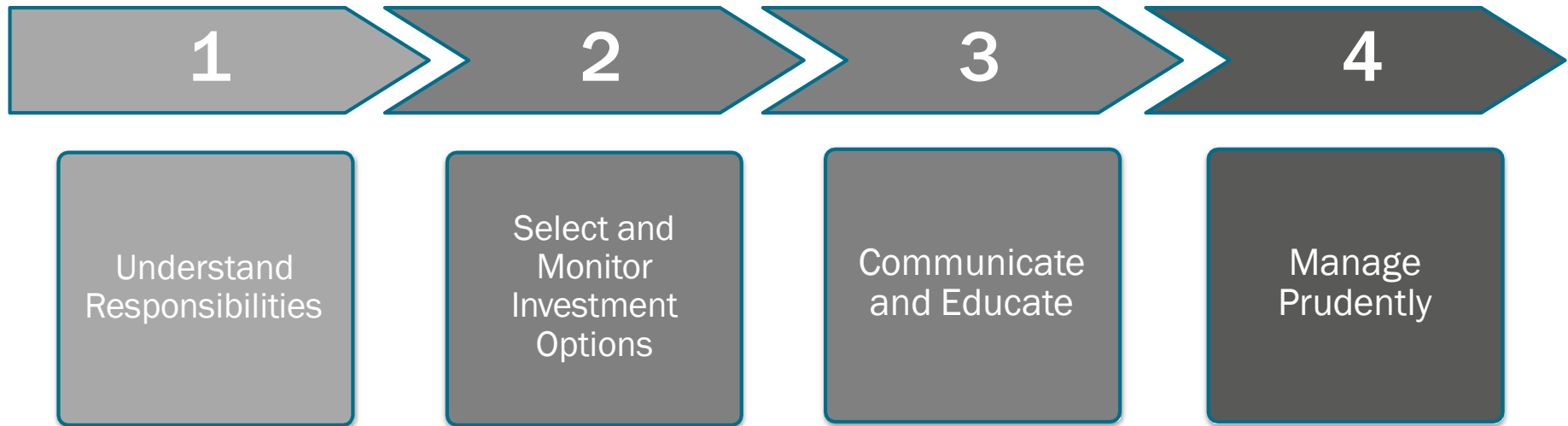
	Percentage of Outflows	Index \$ Value (mil)
Target Date Funds	37%	\$1,326
Large Cap U.S. Equity Funds	37%	\$1,325
Mid Cap U.S. Equity Funds	8%	\$294

OUTCOMES FOR DIFFERENT STYLES OF HYPOTHETICAL INVESTORS

Both began investing \$2,000 each quarter beginning 2000 through 2019



Fiduciary Process Re-cap





THANK YOU!

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