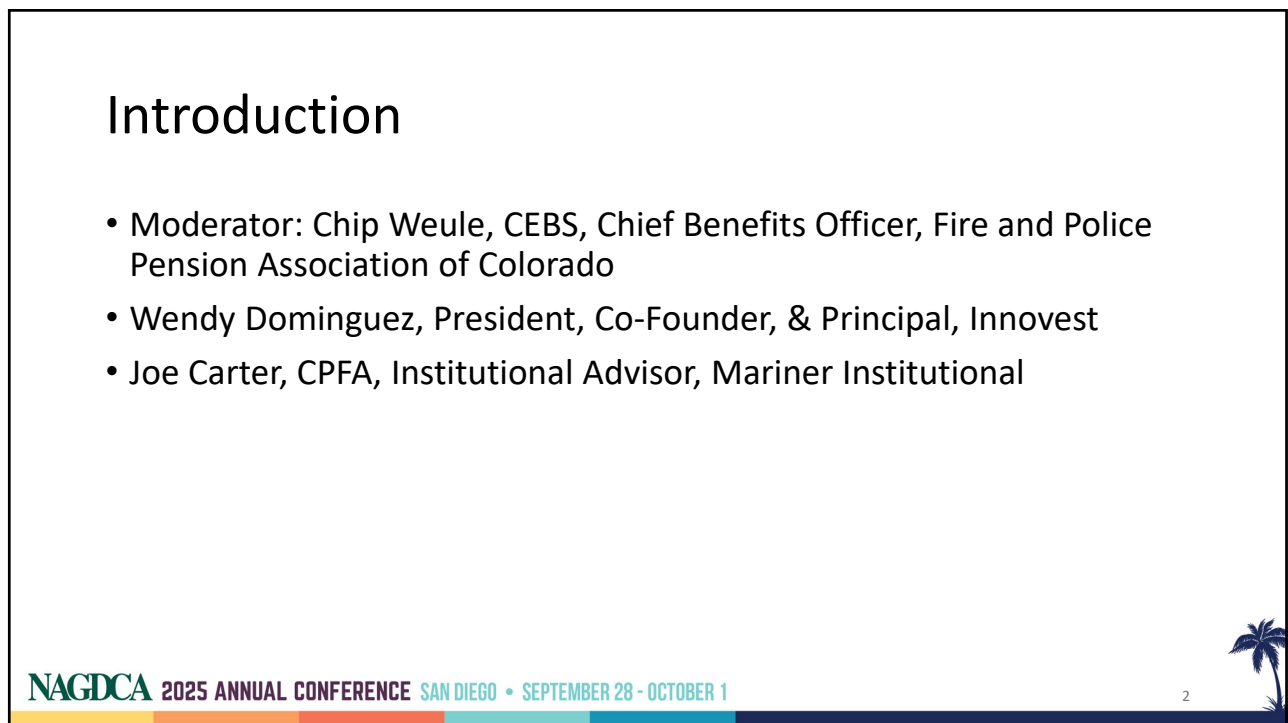




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Introduction

- Moderator: Chip Weule, CEBS, Chief Benefits Officer, Fire and Police Pension Association of Colorado
- Wendy Dominguez, President, Co-Founder, & Principal, Innovest
- Joe Carter, CPFA, Institutional Advisor, Mariner Institutional

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Description

- Inform Plan sponsors of their obligations to ensure that their members are receiving quality services and investments for their fee.
- We will review how each service and investment charges participants and how the plan sponsor can review each.
- We will provide benchmarking and surveys to show what fees may be considered reasonable based on plan statistics.

Learning Outcomes

- Takeaway 1: How to determine current plan and investment fees.
- Takeaway 2: How to evaluate those fees.
- Takeaway 3: Understanding the value of Services and Investments.

Why Fee Benchmarking Matters

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Why Fee Benchmarking Matters

Effects of Investment Fees on Accumulation Assuming a 6% Annual Return*

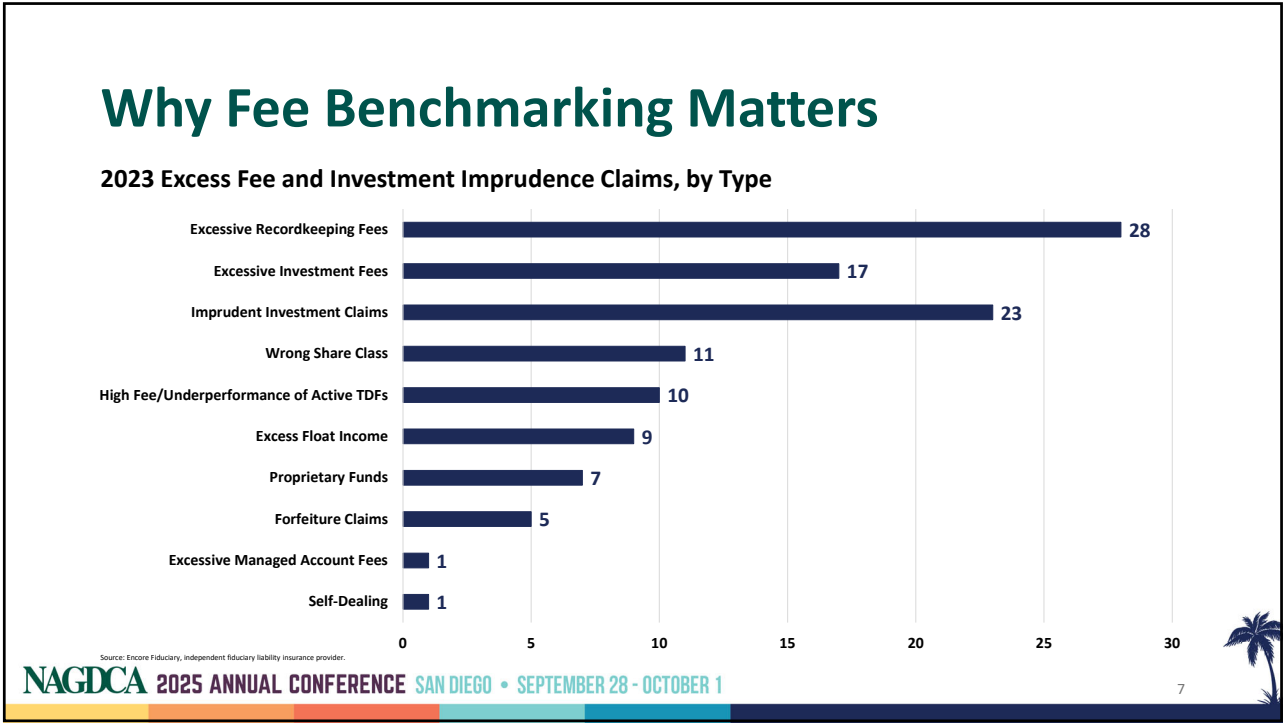
Time Period	0.50% Fee	2.00% Fee
10 Years	\$170,814	\$148,024
15 Years	\$223,248	\$180,094
25 Years	\$381,339	\$266,584

*Assumes starting balance of \$100,000


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Do you know what your current fees are for your plan, or do you know how to find them?

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Types of Fees and How They Are Charged and Collected

Fees


DEFINED CONTRIBUTION PLAN COSTS			
Fund managers	Recordkeeper	Investment consultant	Other professional fees
Investment management fees	Plan administration & recordkeeping expenses	Investment consulting/ Plan advice expenses	
Mutual funds	Processing	Performance monitoring	Attorney: Plan document, regulatory compliance
Collective trust funds	Recordkeeping	Due diligence, hiring, Retaining, & monitoring of Funds & investment managers	Auditor: Complete appropriate forms, attest, management report
Annuities	Participant education	Investment policy statement preparation	Participant education: Individual counseling, workshops
Separately managed accounts	Trustee/Custodial services		TPA
	Compliance testing		
	Plan documents & amendments		
	Distribution/Contribution administration		
% of assets	% of assets or flat \$	Flat \$	Flat \$

A Closer Look at Fund Manager Fees

Fund Name / Share Class	Management Fee	Revenue Sharing	Total Fees
	Retained by mutual fund company for investment management	Paid to Plan for plan services or paid to broker	
American Funds EUPAC Growth R1	0.48%	1.10%	1.58%
American Funds EUPAC Growth R2	0.46%	1.10%	1.56%
American Funds EUPAC Growth R3	0.47%	0.65%	1.12%
American Funds EUPAC Growth R4	0.46%	0.35%	0.81%
American Funds EUPAC Growth R5	0.46%	0.05%	0.51%
American Funds EUPAC Growth R6	0.46%	0.00%	0.46%

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A Closer Look at Recordkeeping Fees

Client with \$200 Million in assets with over 1,200 participants

Provider	Pricing Scenario #1 No Proprietary Capital Preservation Option		Pricing Scenario #2 With Proprietary Capital Preservation Option	
	Asset Based	Per Participant	Asset Based	Per Participant
Provider A	0.065%	\$87	0.0275%	\$36
Provider B	0.074%	\$79	0.0450%	\$48
Provider C	0.079%	\$92	0.0765%	\$89
Provider D	0.095%	\$115	0.0400%	\$49
Provider E	0.045%	\$55	0.0200%	\$25
Provider F	0.075%	\$131	0.0350%	\$58
Provider G	0.100%	\$120	0.0400%	\$47


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A Closer Look at Recordkeeping Fees

	Pricing Scenario #2 Without Managed Accounts Client with over \$335 Million in assets and over 4,200 participants		Pricing Scenario #1 Managed Accounts Client with over \$330 Million in assets and over 3,500 participants	
Provider	Asset Based	Per Participant	Asset Based	Per Participant
Provider A	0.052%	\$39	0.038%	\$36
Provider B	0.112%	\$85	0.089%	\$79
Provider C	0.12%	\$103	0.02%	\$19

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Asset-Based vs Per Participant Fee Philosophies


Both methods are equitable but are equitable in different ways. Which method makes the most sense for your participant base?


Asset-Based

- Every participant pays the same % fee, and the dollar amount is based on each participant’s balance
- Participants with higher balances are subsidizing recordkeeping fees for participants with smaller balances
- Recordkeeper’s compensation is tied to asset flows and market activity

Per Participant Flat Fee

- Every participant pays the same \$ fee regardless of their balance
- Participants with lower balances will pay more than they would with the asset-based fee and participants with higher balances will pay less than they would with the asset-based fee
- Recordkeeper’s compensation is tied to enrollment of participants into the plan

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What is the current fee structure for your Plan?

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Strategies to Leverage Plan Size & Negotiate Fees

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Investment Fees

- Switching to lower-cost share classes
- Collective Investment Trusts (CIT) or separate accounts – but it may not be that easy
- Fee waivers from fund families



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Recordkeeping Fees

- RFPs/RFIs may produce very different results than benchmarking
- Know how to interpret fee disclosures
- Understand fee implications from proprietary products and services, float, contract terms and service standards



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Investment Consulting/Plan Advice Fees

- Understand motivations and potential conflicts




Evaluating Service Provider Fees



How often do you benchmark your plan related fees?

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Evaluating Service Provider Fees

Request for Proposal (RFPs)

- Through a Purchasing Department or Outsourced to a Third Party
- Open and Public Process that can generate binding bids and firm time commitments
- Understand your core services that need to be included to get comparable quotes



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Evaluating Service Provider Fees

Request for Information (RFI)

- Through a Purchasing Department or Outsourced to a Third Party
- Potentially Private Process that may avoid binding bids and firm time commitments
- Understand your core services that need to be included to get comparable quotes

Recordkeeping RFI Example:

	Provider A	Provider B	Provider C	Provider D	Provider E	Provider F
Confirm your quoted pricing is not contingent on proprietary products or services.	Confirmed	Confirmed	Confirmed	Confirmed	Confirmed	Confirmed
Recordkeeping Fee (as a % of Plan Assets) - Open Investment Architecture, and 12 days of annual onsite education.	0.08%	0.065%	0.07%	0.05%	0.056%	0.075%
Recordkeeping Fee (as a % of Plan Assets) - Open Investment Architecture, and 12 days of annual onsite education.	\$77	\$62	\$70	\$54	\$67	\$82

Evaluating Investment Manager Fees

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Benchmarking Investment Manager Fees

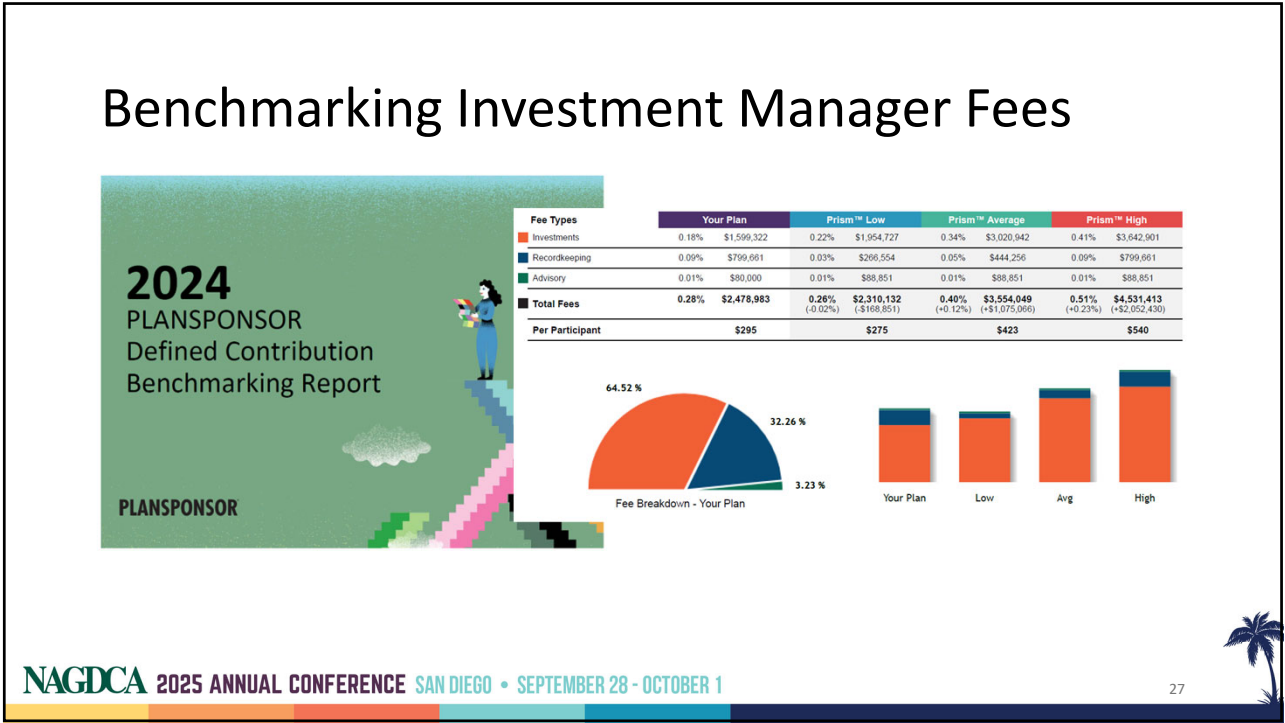
Investment	Net Expense Ratio	Category Median	Ranking
American Funds Europacific Growth	0.47%	0.75%	10
Fidelity Growth Company	0.45%	0.60%	9
Vanguard Instl Trgt Retire 2040 Trust II	0.075%	0.57%	5
Dodge & Cox Income	0.33%	0.55%	14

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Sample Investment Manager Search

Purpose of the Investment Manager Evaluation Report

This search was conducted to review possible alternatives to the Plan's Mid Cap Growth Fund

Investment	Investment Vehicle	Expense Ratio	Category Median	Ranking	Investment Minimum
Artisan Mid Cap Institutional	Mutual Fund	0.96%	0.76%	65	\$1M
JPMorgan Mid Cap Growth R6	Mutual Fund	0.65%	0.76%	15	\$15M
T. Rowe Price Mid Cap Growth Inst.	Mutual Fund	0.63%	0.76%	11	N/A
Touchstone Mid Cap Growth R6	Mutual Fund	0.78%	0.76%	45	\$5M

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Tools to Evaluate Service Provider Fees

- Request for Proposal (RFPs)
- Request for Information (RFIs)
- Industry Surveys



What is the best value you see in your plan?

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