



HYAS GROUP
— INVESTMENT ADVISORS —

Retirement Plan Matters
Association for Financial Professionals
Oregon & SW Washington
April 2017

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Agenda

- A (Riveting) History of 401(k) Plans
- The Current Plan-scape
- Better Practices
- Current Provider: To RFP or not to RFP
- Why a Consultant



Who is Hyas?

- Retirement Plan Consulting: Defined Contribution Focus
- \$21 Billion under Advisement: Plans from \$5M to almost \$2B
- Successfully managed \$10B+ in search projects in last 5 years
- Completed over 60 RFP/RFI projects last 5 years
- Completed 18 client transitions to new vendor



Client List*

ALASKA

Alaska Railroad Corporation
City and Borough of Juneau/
Bartlett Regional Hospital

ARIZONA

City of Glendale
City of Peoria
City of Phoenix
City of Tucson

CALIFORNIA

Adobe Systems
Cadence Design Systems
City of Buena Park
City of Burbank
City of Elk Grove
City of Galt
City of Long Beach
City of Oakland
City of Pasadena
City of Pittsburg
City of Santa Monica
City of Whittier
East Bay Municipal Utility District
Eastern Municipal Water District
First 5 Santa Cruz County
Intuit Corporation
Irvine Ranch Water District
Marin County
Metropolitan Water District
Napa County
Oakland Police Officers Association

Oakland Police Widows & Orphans
Orange County Fire Authority
Peet's Coffee & Tea
San Diego Water District
San Joaquin County
Santa Clara Valley Transit
Santa Cruz County
Solano County
Sonoma County Stanislaus County
Symantec Corporation
Veritas Technologies
Yolo County
Yuba City

KANSAS

City of Wichita
Sedgwick County

NEW YORK

Erie County

OREGON

Bonneville Power Administration
Central Lincoln PUD
City of Corvallis
City of Eugene
City of Milwaukie
City of Portland
Clackamas Fire District #1
Clean Water Services
Lane Council of Governments
Lane County
Lattice Semiconductor

McMinnville Power & Light
Mercy Corps
Metro Oregon
Milestone Systems
OMSI
SAIF Corporation
Tri-Met
Trillium Family Services
Umpqua Holdings
Washington County
Wieden + Kennedy

TEXAS

City of Arlington
City of Carrollton
VIA Metropolitan Transit

VIRGINIA

Richmond Retirement System

WASHINGTON

Benton County PUD
City of Kent
City of Renton
City of Richland
City of Richland Fire
City of Shoreline
City of Spokane
City of Tacoma
City of Tacoma Fire
Clark County
Clark County PUD
Everett School District

Franklin PUD
Grays Harbor PUD
HRA VEBA Trust
King County
Mason PUD
Pierce County
Port of Seattle
Port of Tacoma
Snohomish County PUD
Sound Transit
Spokane Employees' Retirement
Spokane Fire Pension
VEBA Trust

*List includes project and retainer clients. It is not known whether any of the above clients approve or disapprove of the services provided by the Hyas Group.

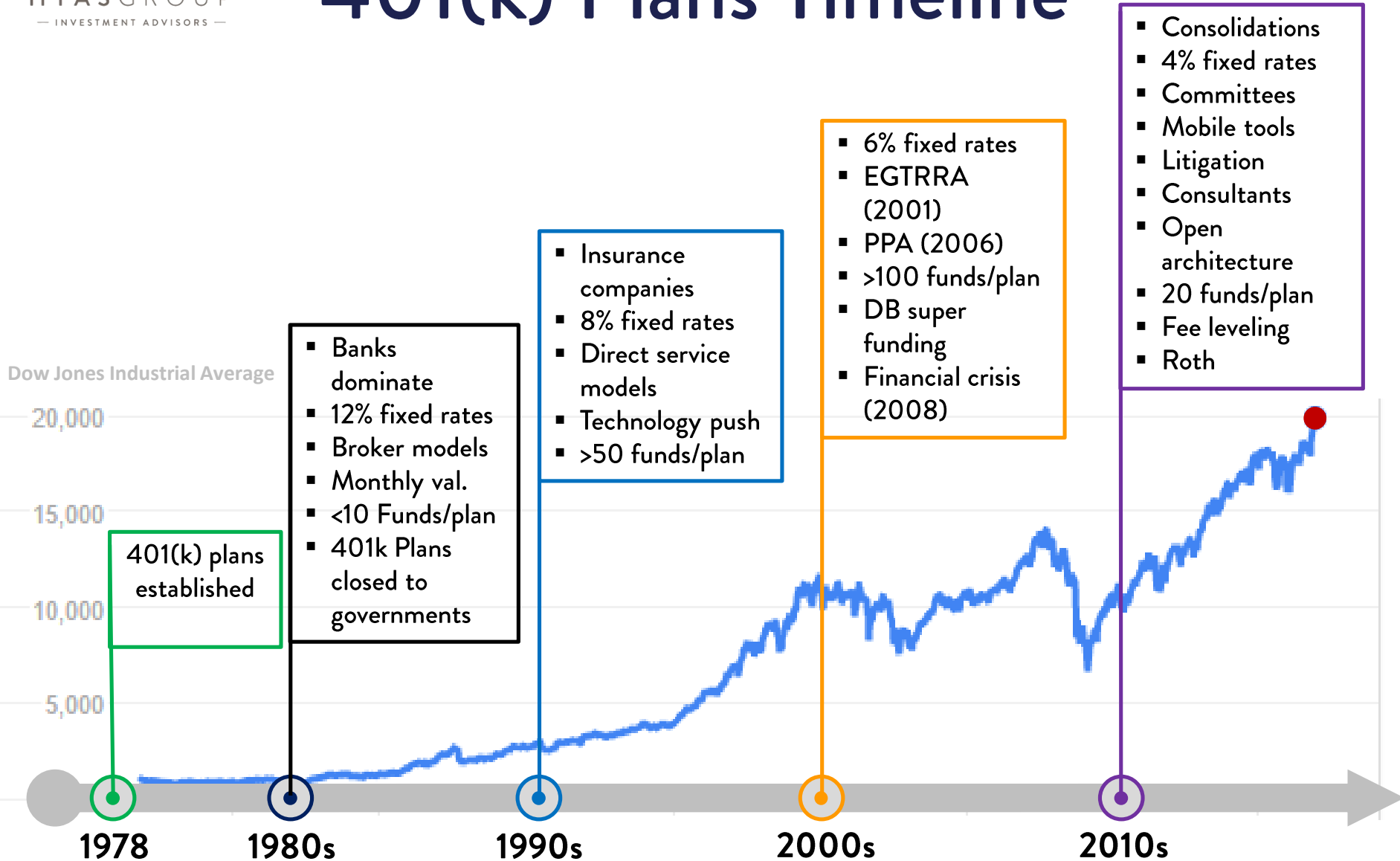




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Riveting History of 401(k) Plans

401(k) Plans Timeline





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Current 401(k) Plan-scape

Current 401(k) Plan-scape

- Provider/vendor acquisition
- Committees more common
- Emphasis on financial wellness
- More retirees than ever
- Plan leakage problematic
- Revenue equity
- Target Date Funds
- Managed Accounts
- Self Directed Brokerages
- Guaranteed Minimum Withdrawal Products
- Plan Consolidations





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Better Practices

Better practices mean...

- Plan benchmarking/reviews
- Investment Oversight
- Fee Monitoring
- Plan Governance/Fiduciary Training
- Provider Management



Sample Client

401(k) Defined Contribution Plan

PLAN ASSET ALLOCATION

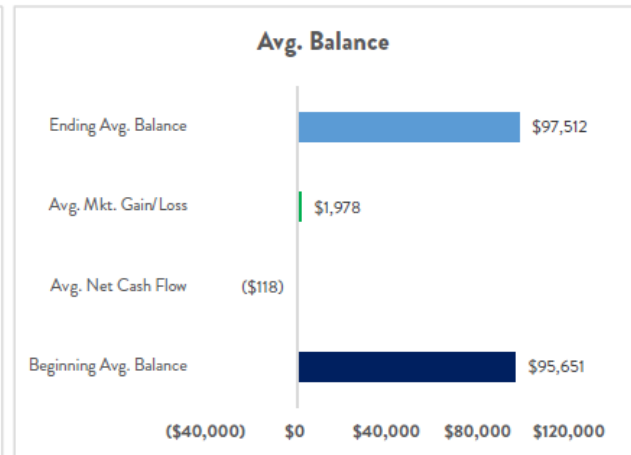
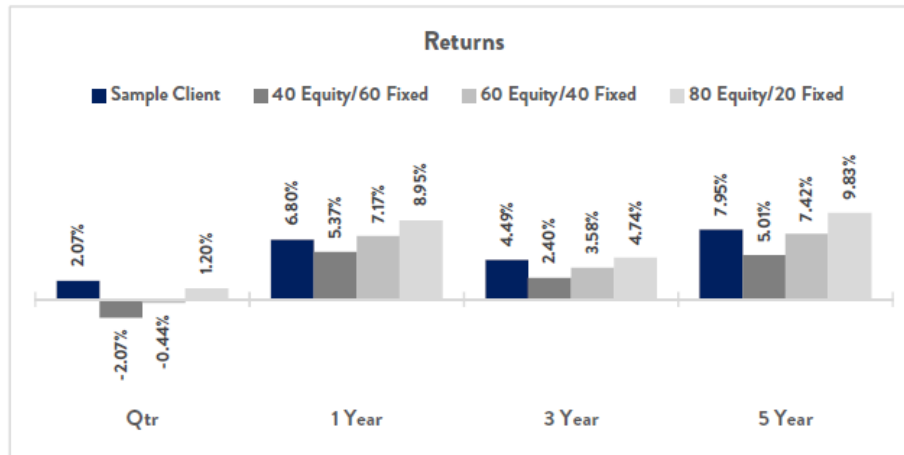
Fourth Quarter 2016

PLAN LEVEL CASH-FLOW

	Beginning Value	Cash Flow (+)	Cash Flow (-)	Transfer	Market	
					Gain/Loss	Ending Value
Fixed Income	\$162,008,711	\$2,284,848	(\$3,806,525)	\$1,274,368	\$544,689	\$162,306,091
Large Cap	\$77,664,900	\$907,945	(\$1,282,383)	(\$577,765)	\$2,430,052	\$79,142,748
Mid Cap	\$35,522,259	\$548,109	(\$506,051)	(\$666,665)	\$2,291,894	\$37,189,545
Small Cap	\$18,506,735	\$355,903	(\$220,293)	\$179,084	\$1,434,809	\$20,256,237
International	\$36,271,766	\$444,086	(\$544,438)	(\$541,374)	\$578,722	\$36,208,761
Asset Allocation	\$33,321,511	\$1,712,625	(\$335,184)	\$773,227	\$112,610	\$35,584,789
Specialty	\$9,392,387	\$108,370	(\$138,899)	(\$39,251)	\$376,274	\$9,698,881
SDBA	\$11,256,580	\$33,047	(\$33,047)	(\$401,624)	\$169,899	\$11,024,855
Total	\$383,944,847	\$6,394,932	(\$6,866,820)	\$0	\$7,938,948	\$391,411,908

HISTORIC PLAN CASH FLOWS

	Beginning Value	Net Cash Flow	Market	
			Gain/Loss	Ending Value
4Q16	\$383,944,847	(\$471,887)	\$7,938,948	\$391,411,908
YTD	\$367,936,728	(\$1,442,648)	\$24,917,828	\$391,411,908
2015	\$368,445,624	(\$4,089,266)	\$3,580,371	\$367,936,728
2014	\$355,340,296	(\$5,454,772)	\$18,560,101	\$368,445,624
2013	\$315,330,866	(\$10,609,563)	\$50,618,992	\$355,340,296
2012	\$284,940,162	\$602,372	\$29,788,332	\$315,330,866
2011	\$287,532,266	(\$2,082,254)	(\$509,850)	\$284,940,162
2010	\$260,876,942	\$388,577	\$26,266,748	\$287,532,266



Equity Indices: Russell 3000, MSCI ACWI ex USA; Fixed Indices: US Treasury 90 Day T-Bill, Barclays Global

Aggregate Bond (rebalanced quarterly)

Sample Client

401(k) Defined Contribution Plan

PERFORMANCE REVIEW

Fourth Quarter 2016

	QTR	YTD	1Yr	3Yr	5Yr	10Yr	2016	2015	2014	2013	2012	2011
MFS Value R6	4.51	14.25	14.25	7.98	14.82	6.91	14.25	-0.42	10.68	35.95	16.57	-0.05
Russell 1000 Value Index	6.68	17.34	17.34	8.59	14.80	5.72	17.34	-3.83	13.45	32.53	17.51	0.39
+/- Index	(2.17)	(3.09)	(3.09)	(0.60)	0.02	1.18	(3.09)	3.40	(2.77)	3.43	(0.94)	(0.44)
US Fund Large Value	77	51	51	23	11	13	51	11	49	12	27	42
Vanguard Institutional Index I	3.82	11.93	11.93	8.85	14.63	6.95	11.93	1.37	13.65	32.35	15.98	2.09
S&P 500 Index	3.82	11.96	11.96	8.87	14.66	6.95	11.96	1.38	13.69	32.39	16.00	2.11
+/- Index	(0.01)	(0.03)	(0.03)	(0.03)	(0.03)	0.00	(0.03)	(0.01)	(0.04)	(0.04)	(0.02)	(0.02)
US Fund Large Blend	44	27	27	6	15	21	27	20	18	42	35	17
T. Rowe Price Instl Large Cap Growth	1.76	2.85	2.85	7.17	15.89	8.98	2.85	10.08	8.72	44.44	17.55	-1.40
Russell 1000 Growth Index	1.01	7.08	7.08	8.55	14.50	8.33	7.08	5.67	13.05	33.48	15.26	2.64
+/- Index	0.75	(4.22)	(4.22)	(1.38)	1.39	0.65	(4.22)	4.41	(4.33)	10.95	2.30	(4.04)
US Fund Large Growth	22	52	52	25	5	7	52	7	66	3	25	44
Vanguard Selected Value Inv	8.84	16.34	16.34	5.98	14.27	7.48	16.34	-3.80	6.36	42.04	15.25	0.82
Russell Mid Cap Value Index	5.52	20.00	20.00	9.45	15.70	7.59	20.00	-4.78	14.75	33.46	18.51	-1.38
+/- Index	3.32	(3.66)	(3.66)	(3.47)	(1.43)	(0.10)	(3.66)	0.98	(8.39)	8.58	(3.26)	2.20
US Fund Mid-Cap Value	20	62	62	72	42	26	62	37	81	8	68	16
Vanguard S&P Mid-Cap 400 Index I	7.39	20.66	20.66	8.98	15.26	-	20.66	-2.23	9.72	33.41	17.83	-1.85
S&P Mid Cap 400 Index	7.42	20.74	20.74	9.04	15.33	9.16	20.74	-2.18	9.77	33.50	17.88	-1.73
+/- Index	(0.02)	(0.08)	(0.08)	(0.06)	(0.06)	-	(0.08)	(0.05)	(0.05)	(0.09)	(0.05)	(0.12)
US Fund Mid-Cap Blend	18	5	5	6	12	-	5	23	36	57	30	30

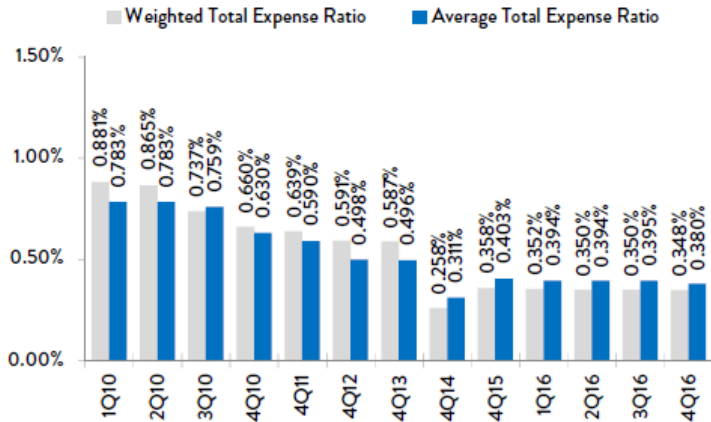
Sample Client

401(k) Defined Contribution Plan

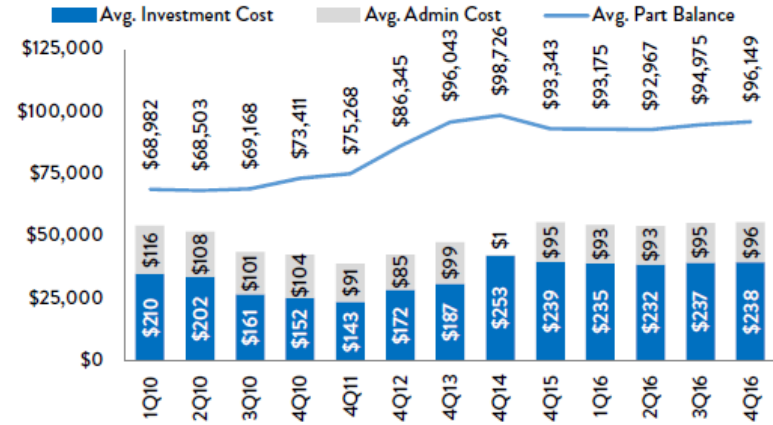
PLAN FEE ANALYSIS

Fourth Quarter 2016

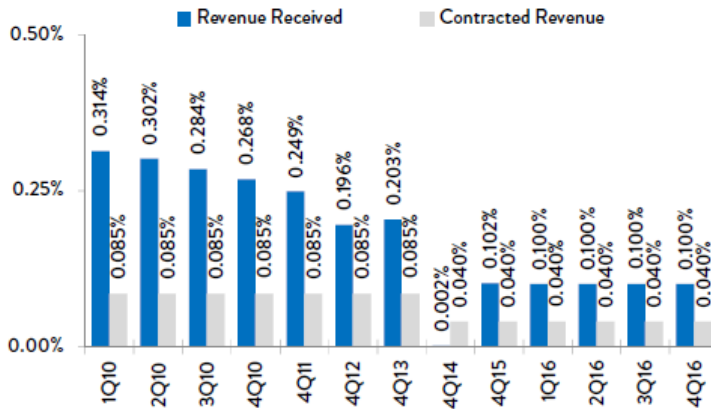
Annualized Plan Cost (%)



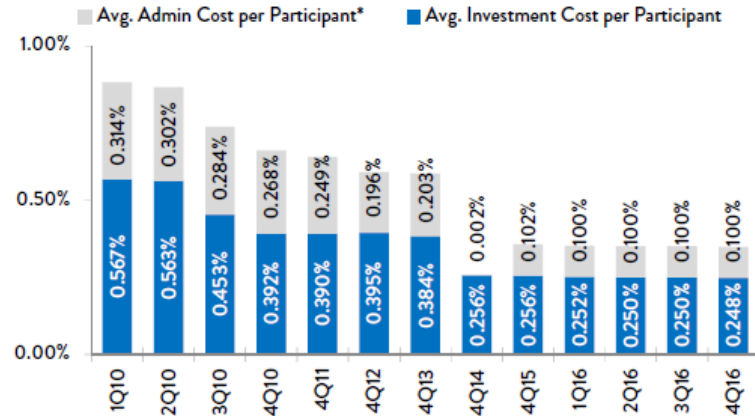
Average Participant Balance and Cost (\$)



Contracted Revenue v. Revenue Received (as a % of total assets)



Annualized Investment Cost Summary (as a % of total assets)



* - .10% admin charge was implemented on July 1, 2015.

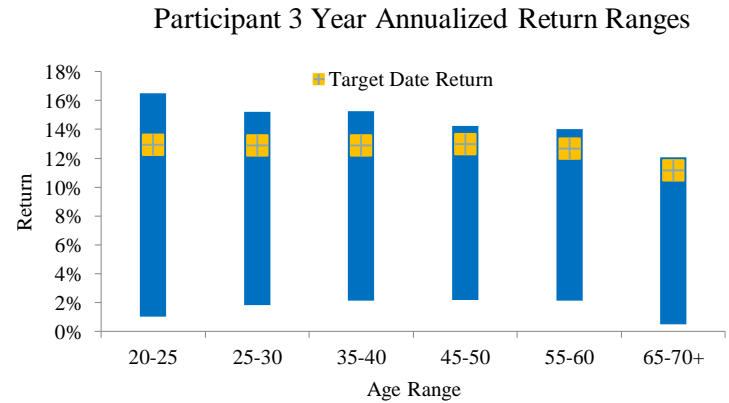
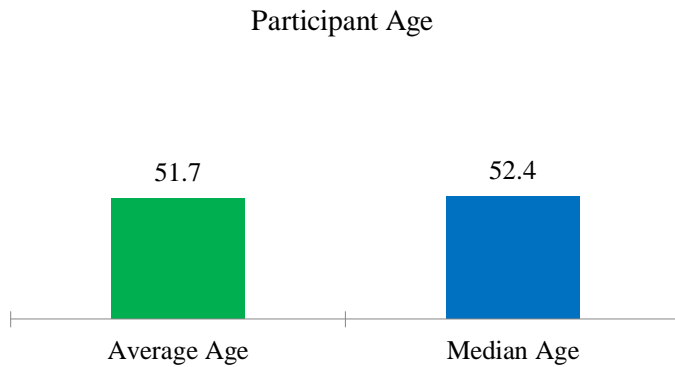
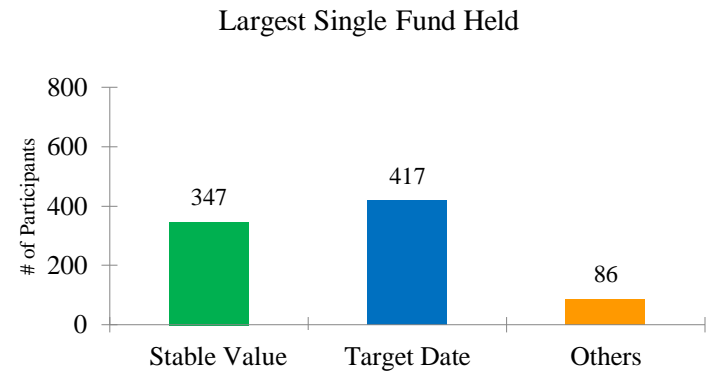
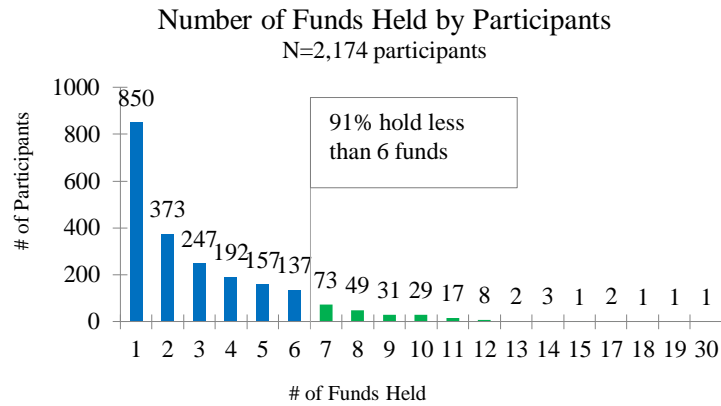
Plan Benchmark Analysis

- Over 100 data points that can be used for comparison
- Evaluate plan utilization metrics
- Assess allocations, returns, participation, and expenses



Measure Investment Menu Effectiveness

Sample Output

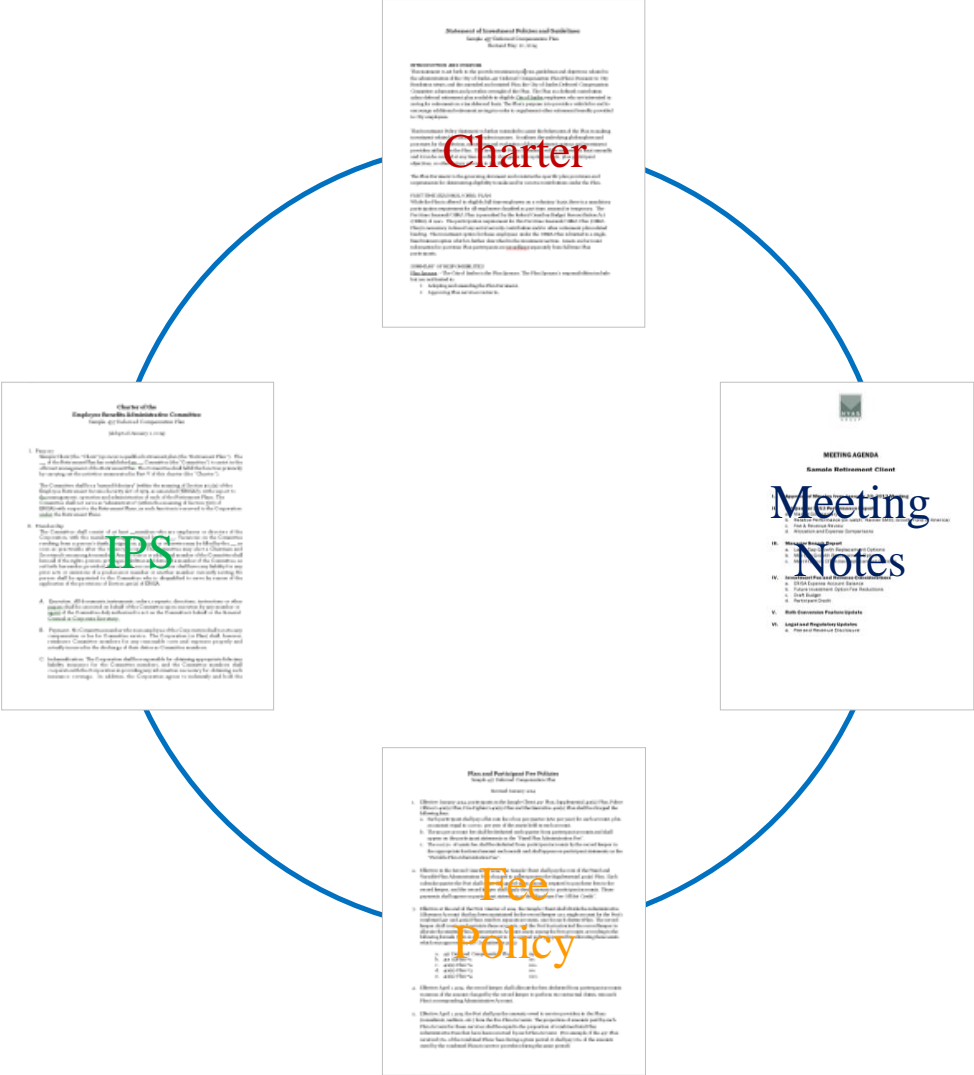


Governance/Fiduciary Oversight

- Good policy equals good structure
- Proper governance documents serve as a foundation for all fiduciaries
- Establish guidelines for critical functions
- Guidelines should balance specificity with flexibility



Establishing A Proper Structure



Fiduciary Education

- Consultant should be your education partner
- Assist clients in meeting fiduciary responsibilities
- Communicate important legal and regulatory changes and trends
- Industry voice/ears
- Full curriculum for fiduciary and retirement trends issues



Fiduciary Curriculum

Fiduciary Fundamentals for Employer Sponsored Retirement Plans

September 2016

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Defined Contribution Plan Evolution and Fiduciary Oversight

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Investment Concepts for DC Retirement Plan Fiduciaries

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Understanding Plan Expenses and Revenue Sharing

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Your Current 401(k) Provider: To RFP or Not to RFP

Benefits of Provider RFP

1. Analyzing the overall competitiveness of the Plans;
2. Providing for the integrated administration and reporting for the Plans;
3. Offering the most appropriate **investment menu(s)**;
4. Improving participant **education** and communication services;
5. Providing education for the Defined Contribution Plans Committee;
6. Providing robust **online and mobile** transaction and information capabilities;
7. Providing support for as many administrative functions as deemed appropriate;
8. Evaluating alternative pricing structures;
9. Reducing participant and Plan **expenses**;
10. Providing for an orderly and timely transition of assets and services if necessary; and
11. Formalizing the working relationship between the provider(s) and the Defined Contribution Plan Committee.

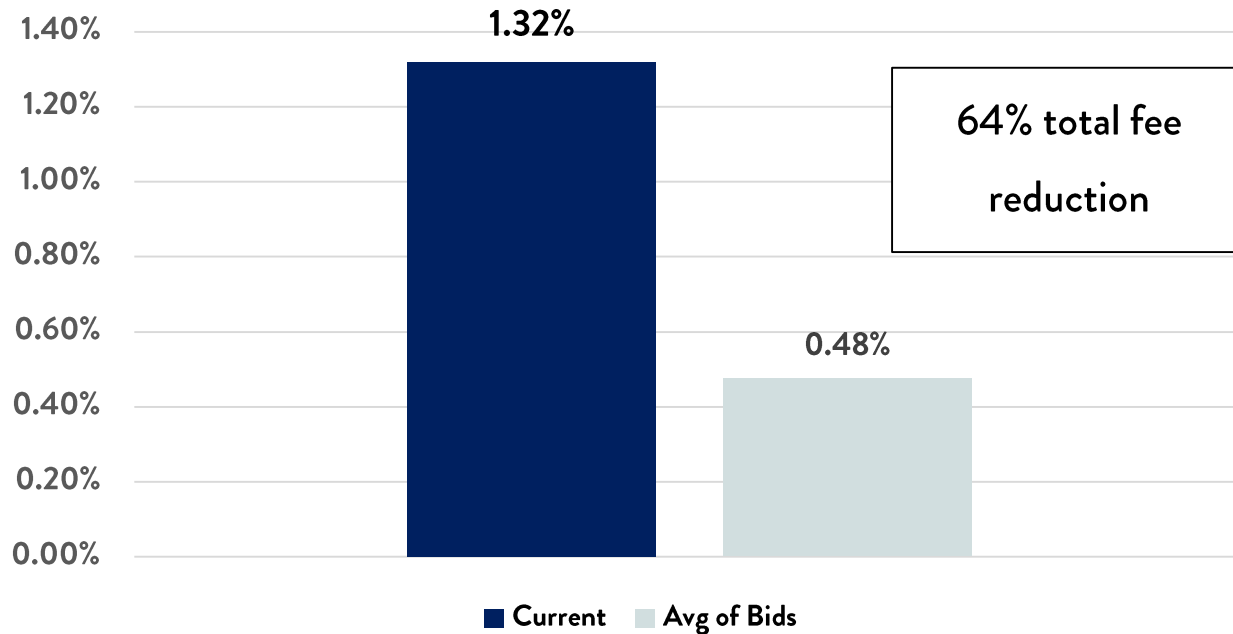


Successful Provider RFP Outcomes

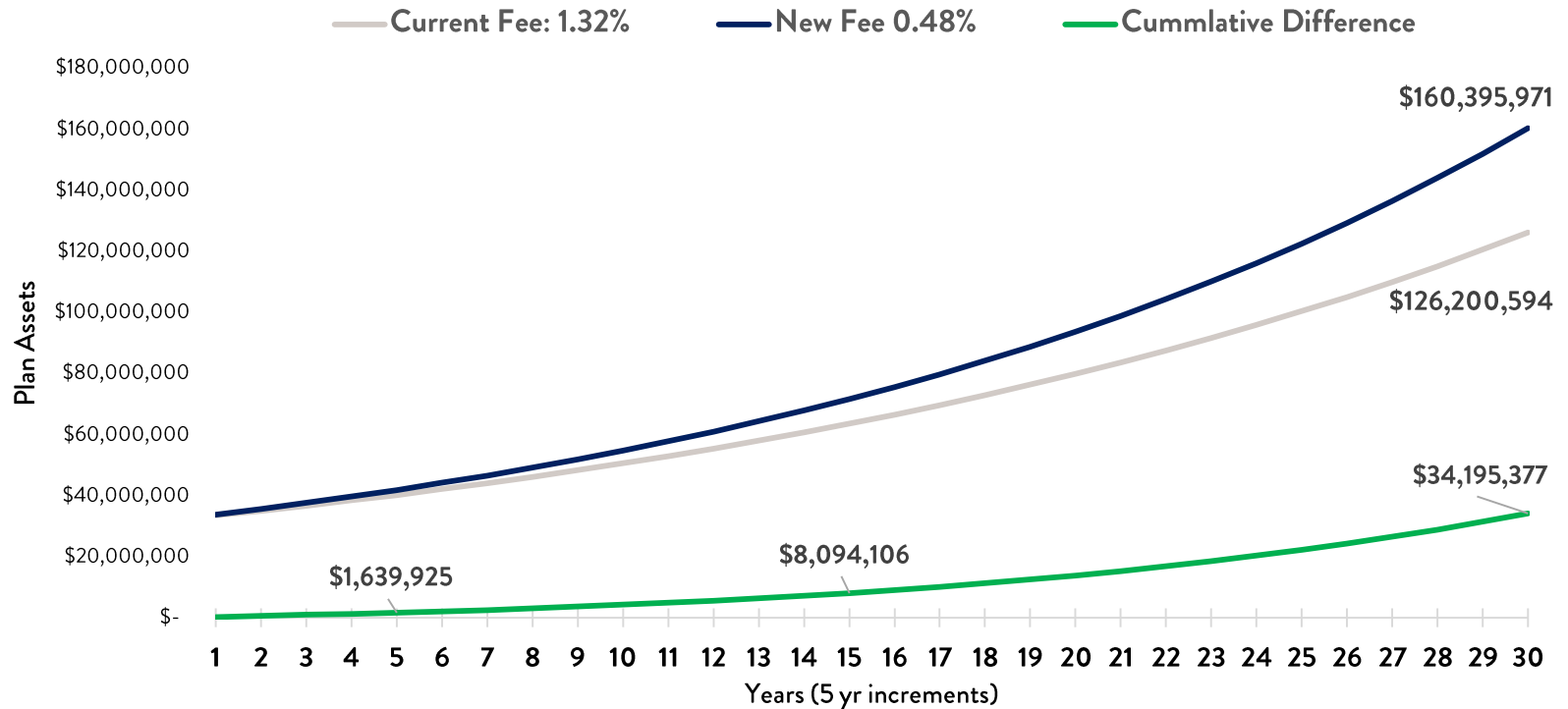
- Competitive bidding process typically results in lower cost
- We leverage our experience and expertise to obtain best pricing
- We measure a number factors so you will understand the results



Total Estimated Fee Reductions



Savings Compounded



- Assumes a 6% gross of fee growth rate and plan assets start at \$32 million
- 5 year savings is \$1.6m, 15 year savings is \$8.1m, 30 year savings is \$34.2m



Provider RFP Timeline – first half

<u>Action</u>	<u>Date</u>	<u>Responsible Parties</u>
Initial meeting to discuss goals and objectives, timelines and any requirements	week 1	Hyas, Sponsor
Distribute data request to Sponsor's current provider	week 2	Hyas
Receive data request information from providers	week 4	Providers
Review RFP with Sponsor	week 5	Hyas
Sponsor provides RFP comments to Hyas	week 5	Sponsor
RFP is distributed to providers	week 6	Hyas
RFP related questions from providers due to Hyas group	week 8	Providers
Responses of questions due to providers	week 9	Hyas, Sponsor
RFP responses due	week 12	Providers
Response analysis	week 13, 14	Hyas
RFP summary report and scoring (if applicable) delivered to Sponsor	week 15	Hyas
Meeting to discuss RFP summary report, recommendations and Investment Policy Statement	week 16	Hyas, Sponsor
Determine if Provider interviews are required	week 16	Hyas, Sponsor
Interview format, timing, questions and scoring finalized (if needed)	week 17	Hyas, Sponsor

Provider RFP Timeline – second half

<u>Action</u>	<u>Date</u>	<u>Responsible Parties</u>
Provider interviews (if needed)	week 19	Hyas, Sponsor, Providers
Final clarifications with best and final offer due	week 20	Hyas, Providers
Notice of intent to award contract	week 21	Sponsor
Provider contract drafting begins	week 22	Hyas, Sponsor, Provider
Analysis of investment options presented	week 24	Hyas, Sponsor
Final fund line-up selected	week 25	Hyas, Sponsor
Final contract ready for Agency approval	week 26	Sponsor, Provider
Sponsor to approve and adopt revised Investment Policy Statement	week 28	Hyas, Sponsor
First participant communication sent	week 29	Provider(s)
Second participant communication sent	week 31	Provider(s)
Participant meetings and provider presentations begin	week 32	Sponsor, Provider
Transition Complete	week 36	Hyas, Sponsor, Provider



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Why a Consultant?

Minimize Headline Risk...

Schwab Faces Excessive Fee, Self-Dealing Lawsuit:

A class action Employee Retirement Income Security Act (ERISA) lawsuit has been filed against Charles Schwab Corporation and its retirement plan fiduciaries alleging fiduciary breaches and prohibited transactions. The lawsuit claims plan fiduciaries engaged in the imprudent and disloyal exercise of their discretionary fiduciary authority over the plan to include Schwab's own affiliated investment products as investment options within the plan and sale of their own services to the plan.

Recordkeeping Fees Trigger Latest Excessive Fee Suit

A new excessive fee lawsuit claims that plan fiduciaries caused plans to “pay excessive fees” and failed to “monitor and control the Plans’ escalating costs,” resulting in millions of dollars of losses to the plans – and this time share classes are not the issue.

Oracle Fails to Get 401(k) Excessive Fee Suit Dismissed

A judge concluded that the legal and factual merits of plaintiffs’ claims are better resolved on a fuller factual record, either in the context of a motion for summary judgment or at trial.

T. Rowe Price Accused of Self-Dealing in 401(k)

The lawsuit alleges the defendants failed to loyally and prudently monitor the fees and performance of 401(k) plan investment options, and simply retained in-house funds to enrich T. Rowe Price.



In short...

- To Manage Your Provider RFP (if applicable)
- Best Possible Investments
- Most Effective Education
- Best Technology
- Lowest Costs
- Co-Fiduciary to your Plans



What we discussed...

- History of DC Plans
- Current 401(k) Plan-scape
- Better Practices
- To RFP or not to RFP
- Why a Consultant

Thank you!

