NNAHRA – BENEFITS FORUM

Important Inflection Points in Fee Structure and Financial Wellness Program Design

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TODAY'S AGENDA

- Fee Structure
- Financial Wellness Program Design

FEE STRUCTURE

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MUTUAL FUND EXPENSES – SAMPLE REVENUE SHARING

Investment Name	Share Class	Expense Ratio	Manager	12b-1 Fee	Sub-TA
American Funds Growth Fund	R1	1.60%	0.41%	1.00%	0.10%
American Funds Growth Fund	R2	1.58%	0.41%	0.75%	0.25%
American Funds Growth Fund	R3	1.14%	0.41%	0.50%	0.15%
American Funds Growth Fund	R4	0.83%	0.41%	0.25%	0.10%
American Funds Growth Fund	R5	0.53%	0.41%	0.00%	0.05%
American Funds Growth Fund	R6	0.49%	0.41%	0.00%	0.00%

Mutual Fund Expense Sample

American Funds Growth Fund R4

$1,000,000 Invested in Fund

Fund Manager	0.41%	$ 3,200.00
Advisory/Recordkeeper	0.25%	$ 2,500.00
Recordkeeper	0.10%	$ 1,000.00
Operational Expenses	0.07%	$ 700.00
Total	0.83%	$ 7,400.00

SAMPLE

Source: Morningstar, Principal

The information and statistics in this report are from sources believed to be reliable, but are not warranted by CAPTRUST Financial Advisors to be accurate or complete. This information is for illustrative purposes only.

REVENUE SHARING VARIES

Active Tier					Total Cost		Recordkeeper Cost	
					Expense Ratio		Revenue Share	
Asset Class	Investment Name	Ticker	Value	% Assets	%	$	%	$
Stable Value	NYL Anchor Account I - 65 bps	-	$7,199,285	6.99%	0.65%	$46,795	0.35%	$25,197
Intermediate-Term Bond	TCW Core Fixed Income N	TGFNX	$2,402,178	2.33%	0.73%	$17,536	0.35%	$8,408
Large Value	Vanguard Equity-Income Adm	VEIRX	$3,870,966	3.76%	0.17%	$6,581	0.00%	$0
Large Value	JHancock Disciplined Value I	JVLIX	$1,677,953	1.63%	0.80%	$13,424	0.10%	$1,678
Large Blend	CIBC Atlas Disciplined Equity Instl	AWEIX	$2,309,306	2.24%	0.78%	$18,013	0.25%	$5,773
Large Growth	PGIM Jennison Growth Z	PJFZX	$15,468,075	15.03%	0.68%	$105,183	0.25%	$38,670
Mid-Cap Value	Virtus Ceredex Mid-Cap Value Equity I	SMVTX	$686,094	0.67%	1.02%	$6,998	0.50%	$3,430
Mid-Cap Blend	Dreyfus Active MidCap I	DNLRX	$3,773,862	3.67%	0.90%	$33,965	0.35%	$13,209
Mid-Cap Growth	MassMutual Select Mid Cap Growth R5	MGRFX	$1,748,502	1.70%	0.82%	$14,338	0.15%	$2,623
Foreign Large Growth	American Funds Europacific Growth R4	REREX	$5,791,476	5.63%	0.83%	$48,069	0.35%	$20,270
Small Value	Goldman Sachs Small Cap Value Instl	GSSIX	$4,057,611	3.94%	0.95%	$38,547	0.10%	$4,058
Small Growth	PGIM Jennison Small Company Z	PSCZX	$3,277,791	3.18%	0.81%	$26,550	0.25%	$8,194
Diversified Emerging Mkts	Oppenheimer Developing Markets Y	ODVYX	$5,592,378	5.43%	1.07%	$59,838	0.25%	$13,981
Active Total			**$57,855,477**	**56.21%**	**0.75%**	**$435,837**	**0.25%**	**$145,491**

Plan Totals			**$102,928,855**	**100%**	**0.67%**	**$694,689**	**0.23%**	**$241,224**

SAMPLE

TWO OPTIONS

1. Design the fund lineup to generate an adequate amount of revenue to cover the “target” revenue number.
2. Design the fund lineup with institutional funds that do not share revenue.

TOTAL PLAN COSTS – SAMPLE INVESTMENT FEE ANALYSIS

ABC's Plan

- $92 million
- 401(k)
- Prototype plan document
- Four education days
- One loan allowed at a time
- Hardship & loan processing

- **Recordkeeping Fee: 0.45%**

XYZ's Plan

- $92 million
- 401(k)
- Prototype plan document
- Four education days
- One loan allowed at a time
- Hardship & loan processing

- **Recordkeeping Fee: 0.30%**

Does this tell the whole story?

TOTAL PLAN COSTS – SAMPLE INVESTMENT FEE ANALYSIS

ABC's Plan

- $92 million
- 401(k)
- Prototype plan document
- Four education days
- One loan allowed at a time
- Hardship & loan processing
- **36 payroll feeds**
- **4,800 participant balances**
- **75% participation**
- **-$500k net contributions**

- **Recordkeeping Fee: 0.45%**

XYZ's Plan

- $92 million
- 401(k)
- Prototype plan document
- Four education days
- One loan allowed at a time
- Hardship & loan processing
- **1 payroll feed**
- **2,200 participant balances**
- **95% participation**
- **+$4.1 million net contributions**

- **Recordkeeping Fee: 0.30%**

Are the fees reasonable?

TOTAL PLAN COSTS – SAMPLE INVESTMENT FEE ANALYSIS

ABC's Plan

- Recordkeeping Fee: 0.45%
- Average Bid: 0.54%
- Range of Bids: 0.45% - 0.62%
- **Result – Fees appear to be competitive when compared to the market**

XYZ's Plan

- Recordkeeping Fee: 0.30%
- Average Bid: 0.21%
- Range of Bids: 0.14% - 0.29%
- **Result – Fees appear to be relatively expensive when compared to the market**

The difference in the average proposed fees equal an estimated $156,400 annually (or 0.17%)

FEE BENCHMARKING – KEY QUESTIONS

- Are 12b-1, shareholder servicing or sub-transfer agent fees being paid by the investment funds held in our plan? If so, who is getting them and are they subsidizing other costs?
- What "class" of shares held are in the plan and are there other "classes" available to the plan? If other "classes" are available, what are the relative expenses paid by each?
- Can any investment option be replaced with a different share class with lower revenue sharing?
- How is revenue disclosed on the capital preservation option?
- Which fees and expenses are charged directly to the plan and which are imbedded in the expense ratios of the fund?
- Do any of our plan investment options have any charges for early termination of our relationship with an investment option, or have potential liquidity restrictions?
- "How equitable are fees distributed among investment options and participants?"
- What entity do I want to process participant loans, hardships, and QDROs? Who will best help my employees?
- What entity do I want to provide employee education/investment advice? Who will best help my employees?

FINANCIAL WELLNESS PROGRAM DESIGN

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WHY RETIREMENT READINESS IS IMPORTANT

Survey says:

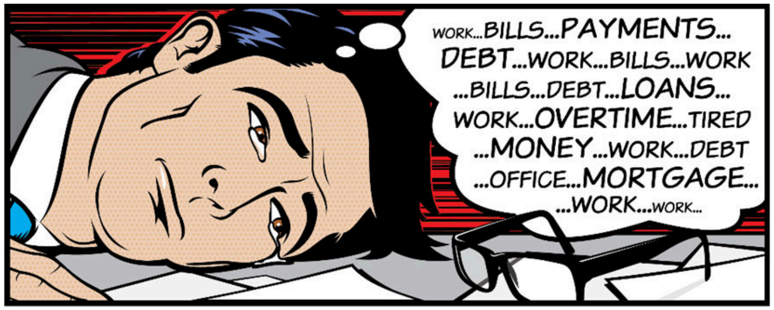
64% of Americans say money is a significant source of stress

21% of Americans say they have considered skipping or have skipped going to the doctor due to financial concerns

46% of employees distracted by their finances spend three or more work hours each week thinking about or dealing with personal finances

44% of workers say just paying for essential daily expenses is a significant source of stress

44% will retire later than originally planned and 21 percent are not planning to retire



Source: Stress in America: Paying with Our Health – American Psychological Association, Employee Financial Wellness Survey: 2016 – PriceWaterhouseCoopers LLP, Inside Employees Minds – Financial Wellness Vol 2 – Mercer, Stress in America: Paying with Our Health – American Psychological Association, Americans' Financial Security Perception and Reality – The Pew Charitable Trust

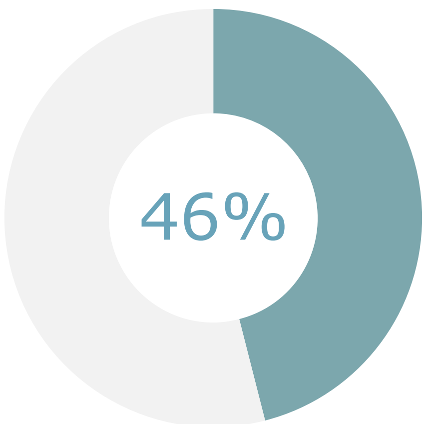
TOP FIVE MOST REQUESTED TOPICS BY EMPLOYERS

1	Budgeting for day-to-day expenses
2	Managing debt (credit card, student loan, etc.)
3	Saving and planning for retirement
4	Emergency savings
5	Saving for major purchases
Other	Risk management Healthcare costs Asset allocation strategy Social security Estate planning

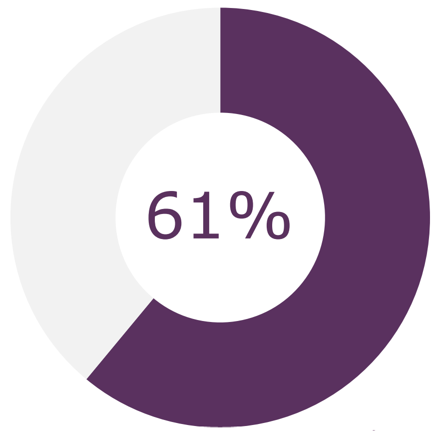
Source: CAPTRUST Research, Provider RFI Responses June 2017

WHAT PARTICIPANTS WANT

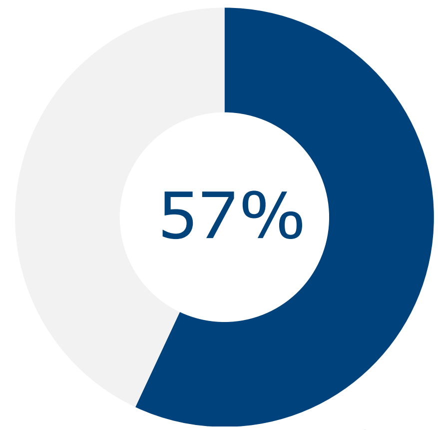
Participants want to retire well, yet they struggle with investment selection and want advice.



Percent of people who don't feel like they know what their best investment options are.



Percent of people who want personalized advice for their 401(k) accounts.



Percent of people who wish for an easier way to choose the right investments.

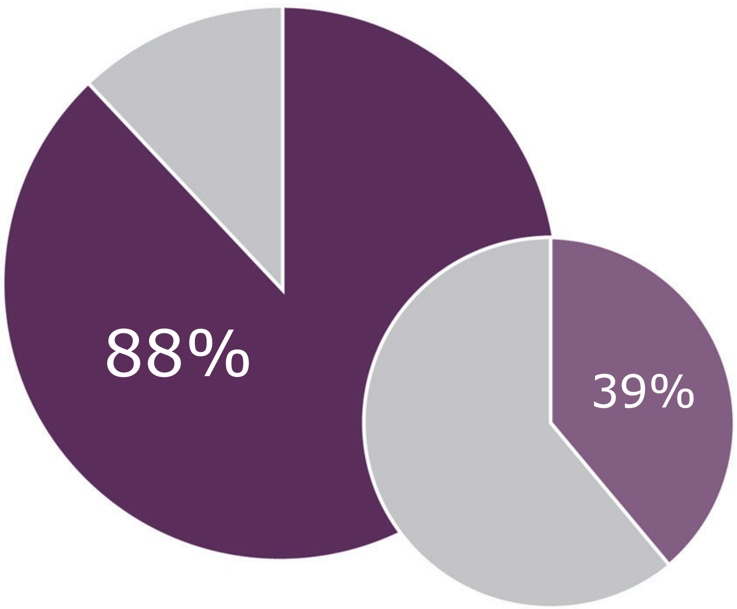
Saving to live comfortably in retirement cited as most important financial priority by Americans, yet 71% are concerned they won't be able to do so.

Sources: "401(k) Participant Survey," Charles Schwab, August 2014. Blackrock 2015 Annual Global Investor Pulse Survey.

THE DIFFERENCE PARTICIPANT ADVICE MAKES

Participants save more and invest better when they receive professional advice.

88% of those who received help invested appropriately for their risk tolerance levels, versus 39% who went unadvised



When a professional advisor calculates the amount a participant needs to save to achieve his goals, deferral amounts increase by an average of $1,150 per year.

Sources: "Half Say Retirement Savings is Top Goal," Center for Retirement Research at Boston College; Squared Away Blog, May 6, 2014, comment on National Endowment for Financial Education (NEFE). Financial Engines and Aon Hewitt Study, "Help in Defined Contribution Plans: 2006 Through 2010," September 2011.

TYING IT ALL TOGETHER

- Market conditions, investor perceptions, and behavioral factors make being a plan sponsor harder than ever
- One key is recognizing the needs and goals of disparate employee segments
- Success will come from creating and executing a specific, plan to:
  - Get them in the plan
  - Get them saving enough
  - Get them invested well

QUESTIONS?

THANK YOU

FOR MORE INFORMATION

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