

Attachment B to 4/27/22 Meeting Minutes

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2022 Plan Governance & Services Review City of Madison 457(b) Deferred Compensation Plan



Part Two: Lincoln Plan Service Provider Review

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Summary Agenda for Meeting One

Part I: Fiduciary Education & Document Update

- Fiduciary Education
- Review Current Plan Documents
- Plan Document Update
- Education Guidelines Discussion

Part II: Lincoln Plan Service Provider Review

- Review Current Service Provider Roles & Responsibilities on the Lincoln Plan

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Goals

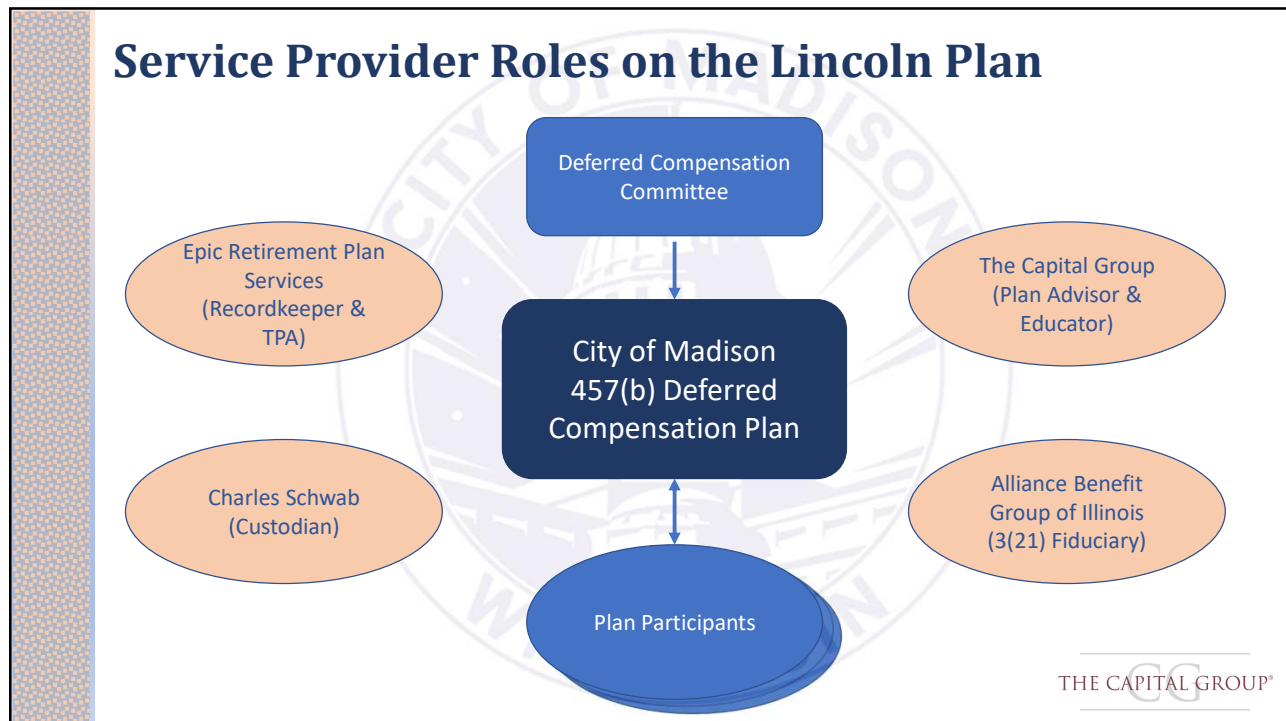
- Update the Plan Document and Investment Policy Statement (IPS).
- Explore adoption of an Education Policy Statement (EPS).
- Benchmark service providers against competitors. Make changes as needed.
- Reduce costs by replacing the actively managed mutual fund models with index-based target date funds.
- Consider creating a plan expense “bucket” for City to pay its own ERISA attorney and plan expenses when needed.
- Enhance education and financial planning services offered to participants.

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A note on plan structure

Open Architecture Plan Design

- Current structure of the Lincoln plan
- Allows the employer to change any “component” of the plan (i.e., TPA, recordkeeper, investment fiduciary, consultant) without moving the plan itself
- When implemented and monitored properly, provides an employer the flexibility to negotiate the best services and fees on a provider-by-provider basis

Integrated Architecture Plan Design

- One service provider acts in all service provider capacities
- Simplification is a key benefit, but often at the cost of less transparency and flexibility
- Our understanding is this is the current structure of the MissionSquare Plan

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Currently Contracted Services on “The Lincoln Plan”

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Currently Contracted Services Based on Existing Agreements

The summary of services that follows is based on the following agreements between the City and the service provider:¹

- *Service Agreement*, between the City and Alliance Benefit Group Retirement Plan Services, dated December 31, 2017²
- *Retirement Plan Investment Consulting and Non-Discretionary Advisory Agreement*, between the City and Alliance Benefit Group of Illinois, dated May 22, 2013³
- *Lincoln Financial Advisors Corporation Retirement Plan Consulting Agreement*, between the City and Lincoln Financial Advisors Corporation, dated May 21, 2021.

Footnotes:

1. Note: what follows are merely snippets of these documents used for illustrative purposes, full descriptions may be found in each respective document.
2. This presentation assumes ABG Retirement Plan Services assigned its TPA and recordkeeping obligations to Epic Retirement Plan Services.
3. This presentation assumes the 2013 agreement is the most recent agreement regarding fiduciary agreement between the City and ABG of Illinois.

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Epic Retirement Plan Services Recordkeeper & TPA

Epic serves as the Plan's recordkeeper and third-party administrator (TPA), responsible to:

- Coordinate with Plan Sponsor, Plan's attorney and accountant regarding plan design and operation;
- Maintain pertinent census data (including, but not limited to, social security number, name, address, date of birth, date of hire, date of participation, date of termination, date of rehire, hours of service, years of services, and compensation);



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Epic Retirement Plan Services

Recordkeeper & TPA

- Determine participant status for operational compliance purposes;
- Maintain pertinent participant investment elections;
- Notify the Plan Sponsor of missing or conflicting participant census information at least annually;
- Keep records of asset transfers in pre-existing accounts, reconciling transferred assets and allocating assets to the accounts of participants;
- Accept contribution information from the Plan Sponsor;
- Keep records of Plan loans (if applicable);
- Accept distribution documentation provided by the Plan Sponsor or participant and rely on the information in the context it is received;

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Epic Retirement Plan Services

Recordkeeper & TPA

- Use its best efforts to effect transactions based on custodian timing and fund trading restrictions after receipt of transaction instructions from the Plan Sponsor or participants;
- Provide website/VRU access generally available 24 hours per day 7 days per week;
- Provide Retirement Plan Contact Center access with Operators available from 7:30am – 5:00pm Central Time, Monday through Friday;
- Prepare quarterly participant statement detail and plan level reports summarizing transaction activity;
- Mail participant statements directly to the employer or participants; and,
- Prepare participant statements with data and information required to comply with ERISA regulation 2550.404a-5.

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Charles Schwab

Custodian

Charles Schwab serves as the Plan's custodian and is responsible to:

- Hold participants' securities for safekeeping in order to minimize risk of misappropriation, misuse, theft or loss



Note: Charles Schwab does not provide access to its proprietary technology for plan sponsors and participants.

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Alliance Benefit Group of Illinois

3(21) Investment Fiduciary

ABG of Illinois serves in the capacity of a limited scope fiduciary under Section 3(21)(A)(ii) of ERISA (even though this a non-ERISA plan), responsible to:

- Provide ongoing advice and technical support for the modification or refinement of portfolio asset allocation, investment goals and objectives for all aspects of the portfolio;
- Provide ongoing review of investment funds offered by the plan, providing written investment performance measurement, analysis and diagnostics with respect to investment funds offered under the Plan



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Alliance Benefit Group of Illinois

3(21) Investment Fiduciary

- Provide client with alternatives and various courses of action in the event the investment options do not meet stated performance measurements as documented in the IPS;
- Design risk-based Asset Allocation Model Portfolios and make recommendations to adjust the allocations within the Models when warranted; and
- Provide an annual review and benchmarking of all Plan expenses to the extent they are provided or disclosed.

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The Capital Group

Plan Advisor and Educator

The Capital Group has a 40-plus year history of serving the Plan in varying capacities. In the mid-2010s, we were limited to providing participant education services. With our May 2021 contract update, we are once again contracted to:

- Educate the 457(b) Committee on protocols and process to help with prudent governance and administration of the plan;
- Periodically review the Plan's IPS and educate the Committee on relevant investment theories;



**Andrew Seaborg, Mark Strassburger
and John Litscher**
Partners, The Capital Group

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Plan Advisor and Educator

- Offer point-in-time review and monitoring support of the plan's designated investment alternatives and qualified default investment alternative;
- Assist with establishing processes to evaluate, select and monitor the Plan's service providers;
- Use third-party tools to assist with benchmarking service provider fees;
- Review third-party investment managers and investment advice providers including providers designated as 3(21) fiduciaries;
- Facilitate group enrollment meetings and participant education; and,
- Assist participants with financial wellness education, retirement readiness and gap analysis.

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Services in Practice

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In a typical year.....without a pandemic

The Capital Group:

- Makes 130 onsite visits, and
- Provides 4 (quarterly) education seminars, and
- Attends 12 (monthly) office hour sessions, and
- Provides more than 40 enrollment sessions, and
- Responds to thousands of participant calls and emails

All onsite visits occur at City of Madison locations

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Plan Advisor and Educator

Given our four-decade history together, The Capital Group always provides our contracted services to the City and frequently goes above and beyond to: (i) facilitate clear communication between participants and service providers, (ii) foster plan participation and financial wellness among City employees, and (iii) cure the routine headaches associated with daily plan operations, among other things. We always strive to help members of our shared Madison community in following ways:

- I. Plan Sponsor Support
- II. Plan Participant Support
- III. Participant Education
- IV. Financial Wellness
- V. Plan Management

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I. Plan Sponsor Support

- We speak frequently with Epic to resolve record keeping / TPA issues before they are elevated to the City's HR department.
- We assist ABG by mailing notices to participants following ABG's suggested investment lineup changes.

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II. Plan Participant Support

We respond to participants' phone calls and emails, and help with facilitating enrollment, offering education, providing website access, and coordinating the processing of:

- Distributions Requests,
- Loan Requests,
- Required Minimum Distributions,
- Salary Reduction Agreements,
- Qualified Domestic Relations Orders & Other Special Requests,
- Tax Notices,
- Special 457(b) Plan Catch-up Contributions, and
- Address, Email and Phone Number Changes.



**Colleen Anderson, Andrea Thorsness
and Kyle Fallon**

Client Service Associates
The Capital Group

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Plan Advisor and Educator

III. Participant Education

- We offer personal, meaningful, and timely education to participants on topics including:
 - Benefits of Plan participation,
 - Benefits of increasing contributions,
 - Impacts of pre-retirement withdrawals on retirement income,
 - Terms of the plan, such as service fees and expenses,
 - Operation of the Plan (e.g., 457(b) plan rules and regulations), and
 - General financial topics (e.g., risk and return, diversification, dollar cost averaging, compounded return, tax deferred investment, historical rates of return of different asset classes, effects of inflation, estimating future retirement income needs, determining investment time horizons, assessing risk toleration, etc.)

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III. Participant Education (Cont'd.)

- We conduct numerous onsite visits such as:
 - Quarterly education seminars,
 - Monthly office hours,
 - Regular enrollment sessions, and
 - Dozens of other onsite visits.
- Develop communication campaigns and execute such campaigns using a in a wide range of mediums.
- Connect with participants individually, in groups, on-demand via our website, and provide online access to Lincoln WellnessPath (or similar) education programs
- Give reasoned guidance to participants during stressful stock market situations

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IV. Financial Wellness

- Provide around-the-clock access to financial planners
- Cater to employee needs with customized and recurring seminars
- Assist participants by offering modeling and analysis surrounding:
 - Retirement readiness,
 - Retirement income and distribution planning,
 - Saving for College,
 - Managing Debt,
 - Managing Risk, and
 - Social Security planning.

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V. Plan Management

- Share insights with the Committee relevant to prudent Plan management and administration
- Facilitate the Committee updates on legislative developments potentially impacting the plan
- Educate the Committee on the Plan's structure, metrics, services and expenses as compared to similar retirement plans (i.e., present benchmarking data on fees and performance)

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V. Plan Management (Cont'd)

- Periodically review the Plan's Investment Policy Statement and key plan documents impacting the governance of the Plan's investment policies (i.e., Plan Document and Education Policy Statement)
- Monitor third-party service providers, offering point-in-time assistance and information necessary to evaluate performance, and assist with
 - Replacement Vendor Searches
 - Preparing Requests for Proposals, when necessary, and
 - Supporting Vendor Transitions
- Offer specialized Committee training, as recommended by outside counsel on relevant topics surrounding fiduciary responsibilities.

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Service Provider Discussion Topics

For Our Next Meeting

- **Fee Benchmarking.** What are the current market rates for record keepers, third party administrators, registered investment fiduciaries, and plan consultants on a plan like the City's?
- **Open Architecture Efficiencies.** With technology advancements in the industry, what opportunities now exist to consolidate or re-align service provider roles in order to reduce fees, improve services and simplify oversight?
- **Potential Investment Cost Reduction.** How much could we reduce overall plan expenses by replacing actively managed mutual funds with leaner indexed-based target date funds?

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Formation of Plan Services Subcommittee

- Request volunteers for the Lincoln Plan Services Subcommittee
- Authorize the Subcommittee to request and evaluate proposals

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Disclosures

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