



**Executive Summary to Board of Directors
Benchmarking Project
Board Meeting – May 15, 2017 at 9:30am**

Objective:

As part of our fiduciary oversight, Area Agency on Aging conducts a periodic benchmarking of the Area Agency on Aging Retirement Plan. This benchmarking was conducted by Kelly Carlson, our plan consultant. We requested an update on pricing, plan services and investments from our current provider, plus requested three additional quotes from the following providers: Empower, Principal and Voya.

The goal was to determine if the existing plan arrangement is still competitive from a fee, service and investment perspective.

Results:

The Investment Committee, on February 28th, 2017, elected to change providers from MassMutual to Empower, effective August 1st, 2017.

Expected Benefits to Changing Providers:

- Increased investment flexibility through more available options – *moving to an open architecture platform*
- Lower investment costs for the mutual funds offered in the plan (utilizing a no revenue share menu) – *Mutual Fund costs currently average 1.25% and moving to an average of .42%*
- Fiduciary oversight on the models offered in the plan, with potential better reporting for participants – *Additional oversight by Morningstar on the models utilized in the plan, ERISA 3(38) support at participant level*
- Reduced costs for recordkeeping services – *Moving from utilization of higher expense funds to offset plan pricing through revenue sharing, currently 0.67% for plan recordkeeping and advisory fees to 0.44% for plan recordkeeping and advisory*

- Potentially a more robust recordkeeping platform with participant tools and plan sponsor reporting, etc. (as determined based on demos provided by plan provider)
- Overall plan cost reduction – *Current fees are 1.01% being reduced to 0.78% (this includes the assets held in the fixed account)*

Potential Effects to Changing Providers:

- Reduced Fixed Account Rate – *Moving from a rate of 3% to approximately 1.35% (current rate)/1.16% (net credit rate)*
- Transition of plan
- Potential Market Value Adjustment on the fixed option - *Currently MM stated this was zero*

Background:

MassMutual (Current Provider) Update:

In 2012, MassMutual purchased The Hartford Retirement Plan Business and transitioned in early 2013 all existing Hartford Retirement plans to MassMutual. MassMutual is continuing to maintain both The Hartford platform (system Area Agency on Aging plan is using) and the MassMutual platform. As of today, MassMutual has no update on potentially merging the recordkeeping systems and operating under one system and will continue to maintain both systems.

We expressed an interest in moving the plan onto the MassMutual Reflex System, but they are not allowing any plans under \$5 million to migrate to the MassMutual system.

Provider Search:

Fees:

	MassMutual	EmPower	Principal	Voya
Total Plan Fees:	<u>\$34,719.55</u>	<u>\$26,788.74</u>	<u>\$28,347.35</u>	<u>\$25,781.30</u>
Total Fees as a % of plan assets:	<u>1.01%</u>	<u>0.78%</u>	<u>0.82%</u>	<u>0.75%</u>

Services:

All providers offer the same basic services, including recordkeeping and administration. Committee has reviewed each of the provider sites to determine if participant tools and/or services are comparable to current platform. Upon review of the demo sites, the Investment Committee liked Empower.

Investments:

The current investment strategy utilizes a revenue sharing approach to pay for plan fees.

Revenue that is derived from investment management fees is known as revenue sharing. Payments, also known as revenue sharing credits, may be made by investment managers to service providers, recordkeepers, or advisors. The amount of revenue sharing typically varies by each plan investment, based on the assets in that particular fund and the percentage of revenue the investment manager shares. While some funds do not generate any revenue sharing, others have one or more different types of revenue sharing. Plan fiduciaries are required to understand both total plan costs (of which revenue sharing is a part) and whether those fees are reasonable given the services and investments offered in the plan.

The other providers are using a no-revenue sharing approach, except for potentially the fixed account assets. This means their fees are derived from charging a flat asset fee to the plan. In this approach, all plan participants are paying equally for the plan.

MassMutual is limited to investment options offered on their platform and the other providers have an open architecture approach. This means more flexibility in the ability to choose options for the plan. MassMutual does have a wide mix of investment options to choose from in the actively managed investment options, they are limited in the selection of index (passive) investment options.

Under the current arrangement, the plan offers asset allocation models, which are populated by the investment options available in the plan. The other providers also have that feature available.

The fixed account rate for MassMutual is currently at 3% and has a minimum guarantee of 3%. The other providers are between 1.09% and 1.50% on the fixed account rate. The plan currently has 27% of plan assets invested in the fixed account, with two individuals (1 retired and 1 still employed) having all their plan assets in this account. The remaining 19 (6 of them retired or terminated) are using this option for only a portion of their retirement plan balance.