Hospitality Industry 401(k) Plan

Retirement Plan Services RFP Responses

M E K E T A I N V E S T M E N T G R O U P
100 LOWDER BROOK DRIVE SUITE 1100 WESTWOOD MA 02090
781 471 3500 fax 781 471 3411 www.meketagroup.com

Background

- At the June 23 meeting, the Trustees discussed concerns with the fees charged by the Principal Financial Group for the Hospitality Industry 401(k) Plan. The Trustees requested Meketa Investment Group conduct a search and evaluate other providers for bundled retirement plan services, including recordkeeping and administration, investment services, client service, communications, and education. We sent RFPs to the following eight firms:

Recordkeeping Firm	Location	Response
Principal Financial Group	Bethesda, MD	Responded
MassMutual Workplace Solutions	Enfield, CT	Responded
Prudential Retirement	Hartford, CT	Responded
John Hancock Retirement Plan Services	Westwood, MA	Declined
Securian Financial Group	St. Paul, MN	Declined
VOYA Financial	New York, NY	Declined
Nationwide Retirement Plans	Columbus, OH	Declined
Fidelity Workplace Services	Boston, MA	Did Not Respond

- This document first reviews the criteria considered by Meketa Investment Group in its evaluation of bundled services retirement plan providers, and then summarizes the services provided by the three respondents, Principal, MassMutual, and Prudential.

Search Process

- Meketa Investment Group submitted a request for proposal to seven experienced providers of bundled retirement plan services for defined contribution plans. In addition, we submitted a request for an updated proposal from the incumbent, Principal.
  - The Hospitality Industry 401(k) Plan is serviced in a "bundled" manner, by Principal providing custody, recordkeeping, investment services, and administrative services.
- All respondents were evaluated according to the following criteria:
  - defined contribution administrative and recordkeeping capabilities
  - multi-employer plan experience
  - experience and depth of the proposed client service group
  - participant investment expenses
  - recordkeeping and administration fees
  - participant education

Selection Criteria

Defined Contribution Administrative & Recordkeeping Services

- Retirement plan providers should offer comprehensive, fully bundled services, including legal and regulatory compliance assistance, participant account recordkeeping, phone response, internet services, communications and education, and optional participant investment advice. The recordkeeping provider must possess the capacity to seamlessly interface with 29+ feeds, providing them with access to important Plan data through a secure web portal.
- The retirement plan provider needs to commit to transaction and client satisfaction service standards.

Multi-Employer Plan Experience

- The retirement plan provider should possess relevant experience providing services to multi-employer plans.

Experience and Depth of Proposed Client Service Group

- The Plan must be assured of timely responses to inquiries and a consistent, knowledgeable contact within the recordkeeping operation. Generally, a larger and more specialized team is likely to execute Plan transactions more quickly and effectively, make fewer errors, and exhibit better problem solving skills.

Quality & Diversity of Investment Options

- The retirement plan provider must offer a diverse range of available investment options to satisfy a wide range of participant investment objectives, and ensure that the Plan remains compliant with the relevant parts of ERISA.

Selection Criteria (continued)

Participant Investment Expenses

- Investment expenses are borne by the participants. Expenses are collected by the investment managers and deducted from fund performance. Investment expenses must be disclosed in the fund prospectus and in communications materials as an operating expense. Investment operating expenses must be reasonable and competitive relative to services provided, should be fully disclosed to participants, and must be regularly reviewed by the Plan Sponsor.

Recordkeeping and Administrative Fees

- Required revenue for full service recordkeeping and administrative services available in “flat” dollar fee or as a percentage of assets.
- Fees are negotiable and may change depending on Plan structure and investment options.

Participant Education

- The retirement plan provider must offer customized educational materials through a variety of media (e.g., web content, printed materials, on-site presentations) to participants. Materials should explain plan structure and rules, investment options (including risk/reward characteristics), investment expenses, retirement planning concepts, and how the state of the economy and markets may impact conservative, moderate, and more aggressive investments.

Key Considerations

- All plan service providers offer enough investment options, including inexpensive index funds, to create a diversified investment menu for participants. Each of the three responding firms offers over 10,000 investment options.
- Retirement plans services have become more of a commodity business as the capabilities among providers have diminished.
  - Commoditization, along with recent fee disclosure requirements, is driving down the cost of recordkeeping and administrative expenses for defined contribution plans.
  - Thus, Meketa Investment Group believes cost is an important factor in selecting a retirement plan services provider.
- Education is key component to the overall success of a Plan in order to properly engage participants.
  - The finalists offer unlimited[1] on-site enrollment meeting dates and ongoing education sessions.
  - All finalists will work with the Trustees, staff, and Meketa to develop an education and communication plan for participants.

[1] Principal and MassMutual will work with the Plan for initial and ongoing enrollment support and will conduct as many on-site days as needed, provided they meet with at least 20 members per day.

Overview of RFP Respondents

	Principal	MassMutual	Prudential
Firm Location	Des Moines, IA	Springfield, MA	Hartford, CT
Ownership	Publically Owned (NYSE: PFG)	Mutual-MA Life	Publically Owned (NYSE: PRU)
History	Founded in 1879, began offering DB retirement plan services in 1941, expanded to DC plans in 1963, have worked with Taft-Hartley plans since 1962.	Founded in 1851, began offering DB retirement plan services in 1946, expanded to DC plans in 1970s, have worked with Taft-Hartley plans for over 50 years.	Founded in 1875, began offering DB retirement plan services in 1924, expanded to DC plans in 1978, have worked with Taft-Hartley plans since 1955.
Total DC Plans / Taft-Hartley DC Plans	31,528 / 105	24,879 / 43	2,704 / 15
DC Assets Under Administration	$183.7 billion	$138.0 billion	$135.4 billion
Taft-Hartley DC Plan Assets	$1.5 billion	$1.0 billion	$24.4 billion
Years of Servicing Taft-Hartley Plans	50+	50+	60+
Custody Provider	Principal Trust Company	MassMutual Trust Company	Prudential Bank & Trust

Client Relationship Management

	Principal	MassMutual	Prudential
Relationship Manager	Alton Fryer	Eric Sarrazin	Brant Kintz
Location	Bethesda, MD	Springfield, MA	Scranton, PA
Number of Clients Serviced	20-35	10-15	15
Years of Relevant Experience	20	20+	20+

Client Plans Gained/Lost

	Principal[1]	MassMutual	Prudential
DC Taft-Hartley Last 3 Years:			
Gained:	NA	28	5
Lost:	NA	5	5

[1] Principal did not provide this information.

Recordkeeping, Call Center, and Communications/Education

	Principal	MassMutual	Prudential
Education:			
# of Proposed Meeting Days	Unlimited[1]	Unlimited[1]	Unlimited
Participant Support:			
Call Center Hours of Operation	M-F 8:00am-10:00pm	M-F 8:00am-8:00pm	M-F 8:00am-9:00pm
Multi-language Communication	Yes (English and Spanish; other languages through Voiance Language Line)	Yes (English and Spanish; other languages at an additional cost)	Yes (English and Spanish; other languages at an additional cost)
Participant Statement	Statements mailed quarterly within 10 business days of quarter end. Custom statements available online.	Statements mailed quarterly within 15 business days of quarter end. Custom statements available online.	Statements mailed quarterly within 10 business days of quarter end. Custom statements available online.

[1] Principal and MassMutual will work with the Plan for initial and ongoing enrollment support and will conduct as many on-site days as needed, provided they meet with at least 20 members per day.

Recordkeeping/Administration Fees[1]

	Principal	MassMutual	Prudential
Asset-Based Fee:	0.44% $154,000 / $134pp[2]	0.35% $122,500 / $107pp	0.23% $80,500 / $70pp
Hard Dollar-Based Fee[3]:	$176,000 0.50% / $153pp	$151,800 0.43% / $132pp	$83,950 0.24% / $73pp
Use of Firm's Stable Value Fund:	No	No	No
Fee Proposal Guaranteed for:	Three Years	Three Years	Three Years

Other Fees/Costs

	Principal	MassMutual	Prudential
Conversion	Incumbent	None	None
Early Termination	None	None	None
Distributions	$40	None	$50
Hardship Approval	$80	$160	None
QDRO Qualification	$350	$350	$750
Postage/Mailing	Included	Included	Included

- Fund may choose asset-based or flat dollar-based fee.

[1] Based on $35.0 million total assets and 1,150 participants with balances.
[2] Per participant.
[3] Principal quoted a flat fee of $176,000. MassMutual and Prudential quoted fees of $132 and $73 per participant, respectively. The conversions are shown for comparison purposes.

Comparison Summary

	Potential Strengths	Potential Weaknesses
Principal	• No conversion or interruption of service • Relationship Manager is local (Maryland) • Call center has longest open hours	• Highest fees • High client to relationship manager ratio
MassMutual	• Good working relationship with Meketa and other DC clients • Low client to relationship manager ratio	• Fees second from the highest • Relationship manager not local (Massachusetts)
Prudential	• Lowest fees • Largest Taft-Harley business • Good working relationship with Meketa and other DC clients • Low client to relationship manager ratio	• Relationship manager not local (Pennsylvania)

Evolution of Principal's Fee Structure[1]

Prior to June, 2017

Number of Investment Options:	19 plus 7 Target Date Funds
Average Total Expense Ratio:	0.71%
Average Revenue Sharing Fee:	0.27%; $94,000
0.76% Recordkeeping Fee:	$266,000
Total Paid to Principal:	$360,000
Per Participant:	$313

Post June, 2017

Number of Investment Options:	19 plus 7 Target Date Funds
0.83% Recordkeeping Fee:	$290,000
Total Paid to Principal:	$290,000
Per Participant:	$252

[1] Assumes $35,000,000 total assets and 1,150 participants with balances.