

Total Plan Costs Benchmarking Analysis

California Department of Human Resources
Savings Plus Program



Executive Summary

Background

- RVK was asked to develop a custom fee benchmarking survey to incorporate peer plan data that addresses each component of Savings Plus Program's ("Savings Plus") costs:
 1. Recordkeeping and administration
 2. Internal staffing
 3. Professional Services (consulting, audit, and legal)
 4. Investment management
 5. Custody/trustee

- The peer group for the survey includes public plans of a similar structure and size to Savings Plus:
 - Public 457(b) and 401(k) plans
 - \$1-\$25 Billion in assets
 - 25,000+ participants

- The survey was distributed to 36 plans that met the abovementioned criteria.
 - Twenty (20) plans provided a response
 - Data was provided for calendar year 2016

Executive Summary

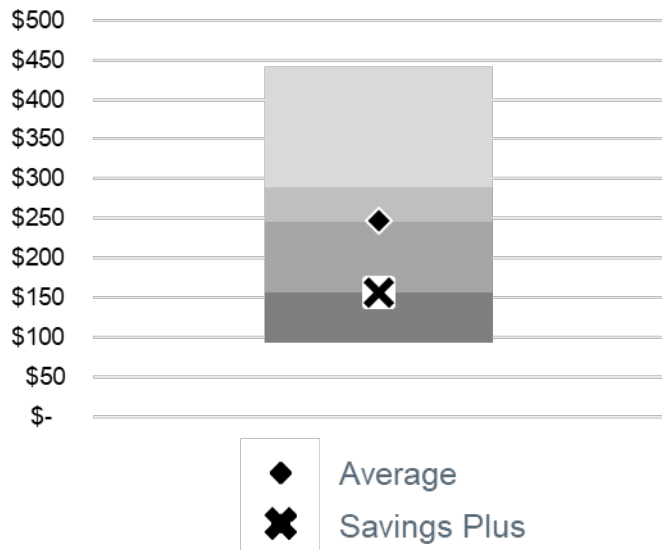
Peer Group Characteristics

- The survey results consist of twenty (20) plans in addition to Savings Plus that offer retirement savings plans to state, county and/or city employees across the United States.
 - 15 States
 - 6 plans from the State of California
 - 6 recordkeepers
- Savings Plus is the fourth largest plan in terms of total assets and third largest plan in terms of total participants. The Savings Plus average participant balance of \$58,466 is at the median and below the average balance reported by the peer group.
- All plans offer a 457 plan, with 38% offering both a 401(k) and 457 plan. Two peers had relatively small 403(b) plans. Other offerings included 401(a) plans and IRAs.

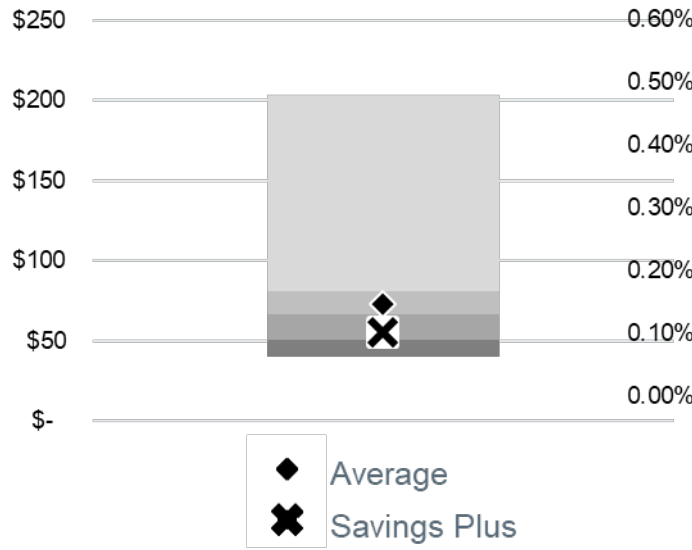
Executive Summary

Total Plan Costs

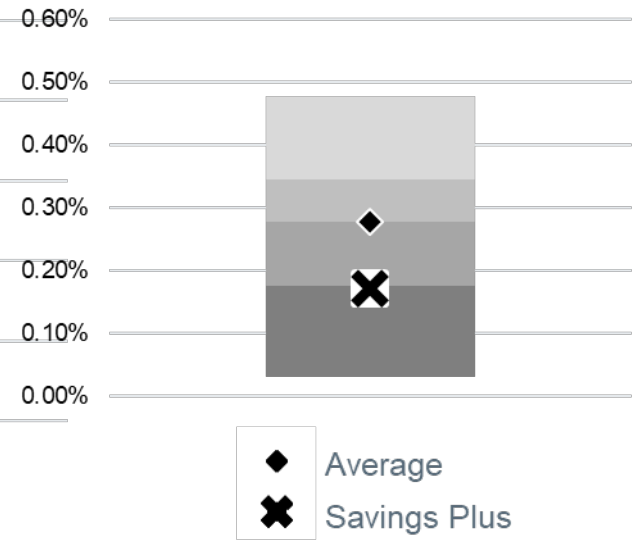
**Total Plan Costs
(\$ / Participant)**



**Total Admin Costs
(\$ / Participant)**



**Investment Management
and Custody Costs (%)**



	Total Plan Costs (\$ Per Participant)	Total Administrative Costs (\$ Per Participant)	Total Investment Mgmt. and Custody Costs (%)
Average	\$ 247	\$ 73	0.28%
Min	\$ 94	\$ 40	0.03%
25th Percentile	\$ 156	\$ 50	0.18%
Median	\$ 246	\$ 67	0.28%
75th Percentile	\$ 290	\$ 81	0.35%
Max	\$ 442	\$ 203	0.48%
Savings Plus	\$ 156	\$ 56	0.17%

Costs are defined as the costs of running the plan, not necessarily the fees charged to participants.
 Total Plan Costs are defined as the sum of investment management and custody, recordkeeping, professional services, and internal costs.
 Total Administrative Costs are defined as the sum of recordkeeping, professional services, and internal costs.
 Savings Plus Investment Management and Custody Costs excludes the 5 bps expense reimbursement.



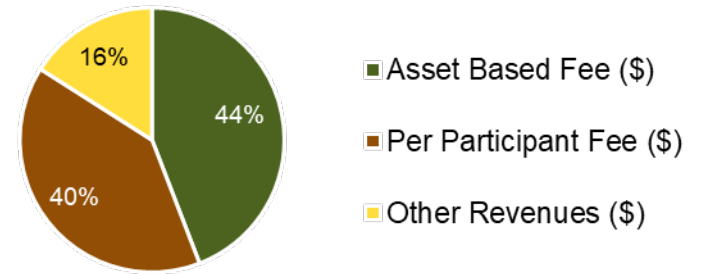
Executive Summary

Recordkeeping and Administration Fees / Revenues

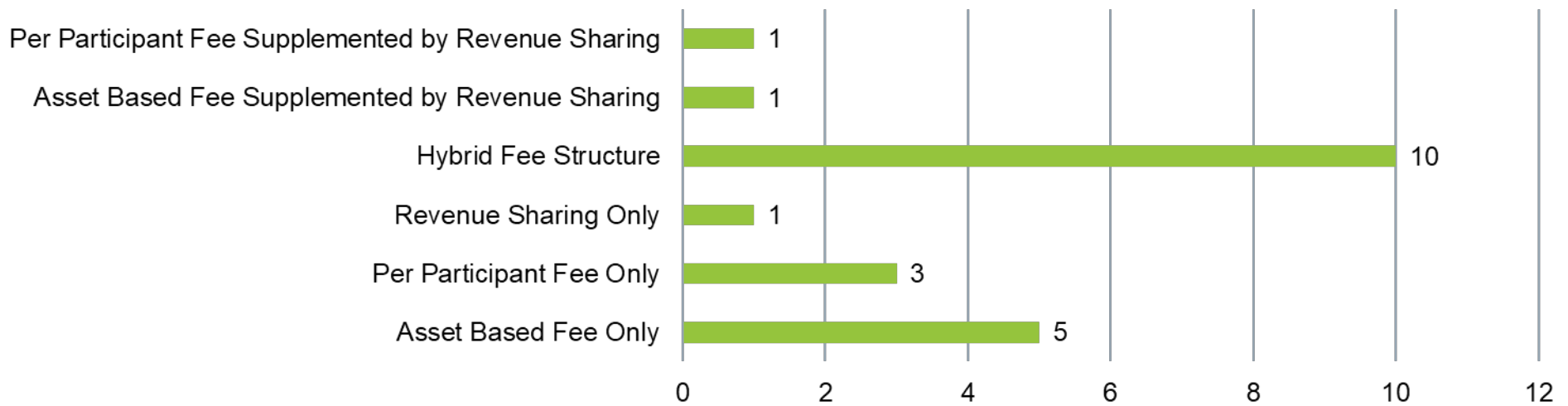
Savings Plus generates revenues to pay for plan expenses from an asset-based fee and per-participant fee, with additional income being generated from securities lending, SMIF interest, underfunded fees, and investment manager rebates.

Savings Plus employs a hybrid fee structure (5bps and \$1.50 per month per account), which is the most common structure utilized by peers.

Savings Plus Plan Revenue Sources



Plan Revenue Sources



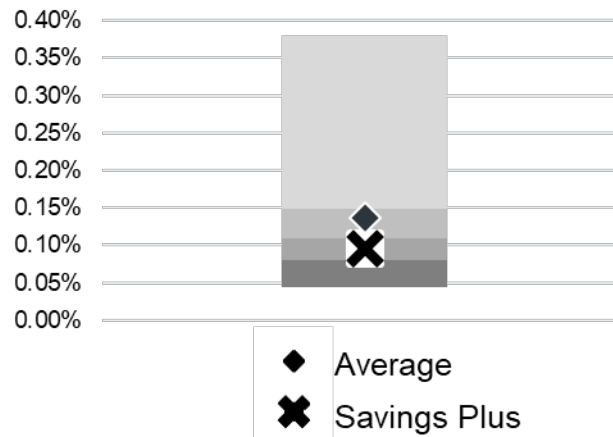
Executive Summary

Recordkeeping and Administration Fees / Revenues

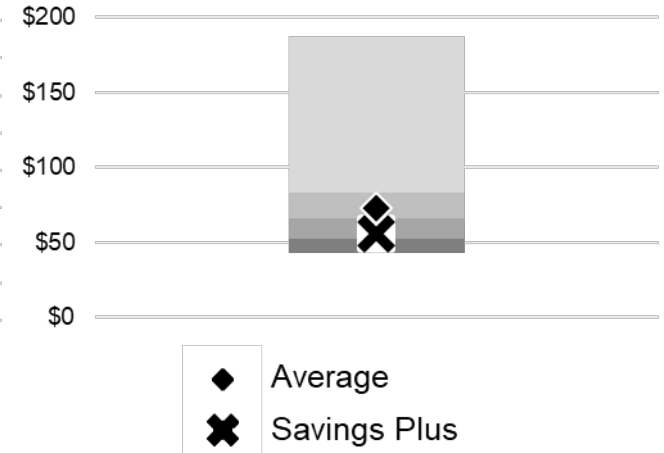
Savings Plus' Total Administrative Fees/Revenues collected are lower than the median peer as a percentage of assets and on a dollar per participant basis.

The Savings Plus total of \$56 per participant includes \$47 in fees charged directly to participants and \$9 of other revenues.

Total Plan Administrative Revenues (% of Assets)



Total Plan Administrative Revenues (\$ Per Participant)



	Total Plan Administrative Revenues (% Plan Assets)	Total Plan Administrative Revenues (\$ Per Participant)
Average	0.13%	\$ 73
Min	0.04%	\$ 43
25th Percentile	0.08%	\$ 52
Median	0.11%	\$ 66
75th Percentile	0.15%	\$ 84
Max	0.38%	\$ 187
Savings Plus	0.10%	\$ 56

Recordkeeping and Administration Fees / Revenues are defined as the fees assessed to participants to cover administrative expenses.



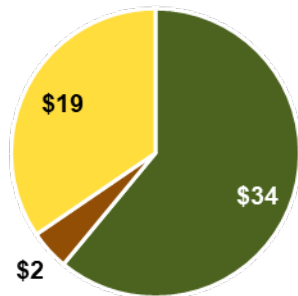
Executive Summary

Total Administrative Costs

Savings Plus' Total Administrative Costs are \$56 per participant compared to the median plan of \$67 per participant.

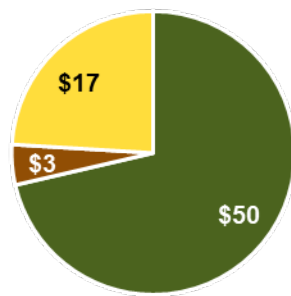
Compared to the median peer, Savings Plus has slightly higher internal costs, and lower professional services and recordkeeping costs.

**Savings Plus
Admin Cost Breakdown**



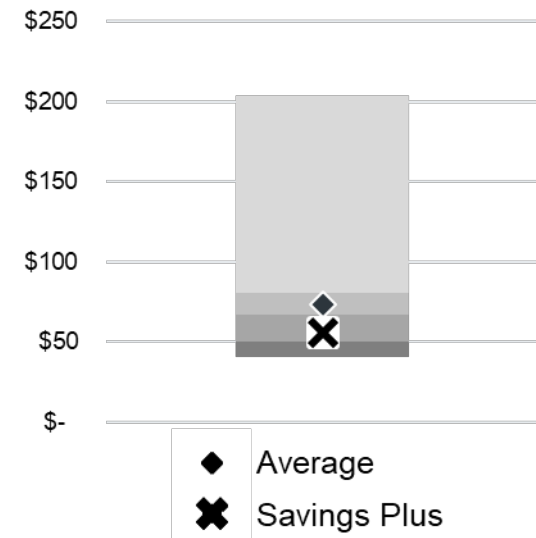
- Recordkeeping Costs (\$ / Participant)
- Professional Services Costs (\$ / Participant)
- Internal Costs (\$ / Participant)

**Median Plan
Admin Cost Breakdown**



- Recordkeeping Costs (\$ / Participant)
- Professional Services Costs (\$ / Participant)
- Internal Costs (\$ / Participant)

**Total Admin Costs
(\$ / Participant)**



	Total Administrative Costs (\$ Per Participant)
Average	\$ 73
Min	\$ 40
25th Percentile	\$ 50
Median	\$ 67
75th Percentile	\$ 81
Max	\$ 203
Savings Plus	\$ 56

Note: allocations above may not sum to the total figures due to rounding.
Total Administrative Costs are defined as the sum of recordkeeping, professional services, and internal costs.

Executive Summary

Recordkeeping Costs

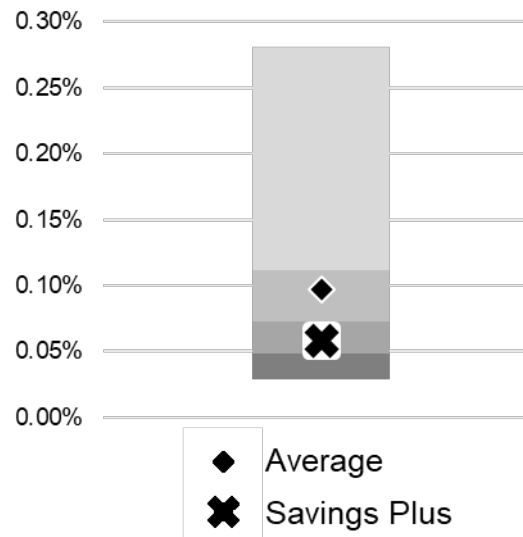
Savings Plus' Recordkeeping Costs are lower than the median peer as a percentage of assets and on a dollar per participant basis.

Compared to plans with roughly 200,000 participants, Savings Plus has very comparable costs.

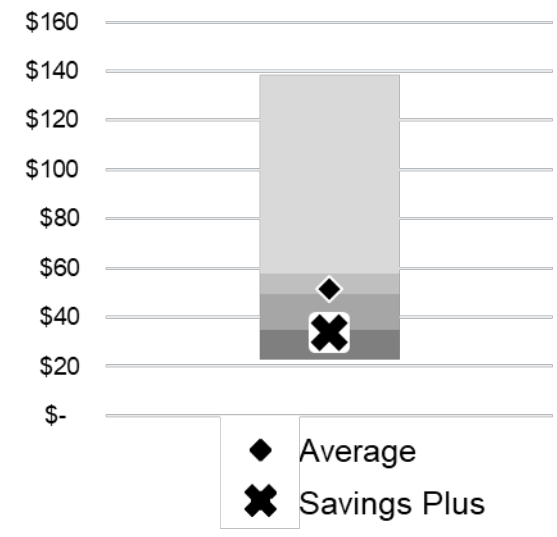
Compared to peers that re-negotiated fees or entered into new contracts in 2016, Savings Plus has the second lowest recordkeeping fee in terms of dollars per participant.

Savings Plus has a per participant recordkeeping fee structure in place, which is the most common structure employed by peers (48%).

Recordkeeping Costs (% of Assets)



Recordkeeping Costs (\$ Per Participant)



	Recordkeeping Costs (% Plan Assets)	Recordkeeping Costs (\$ Per Participant)
Average	0.10%	\$ 51
Min	0.03%	\$ 23
25th Percentile	0.05%	\$ 35
Median	0.07%	\$ 50
75th Percentile	0.11%	\$ 58
Max	0.28%	\$ 138
Savings Plus	0.06%	\$ 34

The cost of Savings Plus' custodian processing daily trades is captured within Investment Management / Custody Fees. As this function is typically performed by the recordkeeper, if the costs were captured as Recordkeeping Costs, Savings Plus' Recordkeeping Costs would be \$35 per participant.

Executive Summary

Recordkeeping Services

76% of the peer group has dedicated education representatives, with the median number of representatives per 20k participants at 2.77. Savings Plus has 1.09 representatives for every 20k participants.

33% of the peer group has dedicated call center representatives. Of the peers with dedicated call center representatives, the median number of representatives per 20k participants is 2.77, whereas Savings Plus has 2.09 representatives per 20k participants.

While the Savings Plus contract includes provisions for travel for internal staff to attend due diligence meetings at the recordkeeper and continuing education services, only 33% and 28% (respectively) of recordkeeping contracts include these provisions.

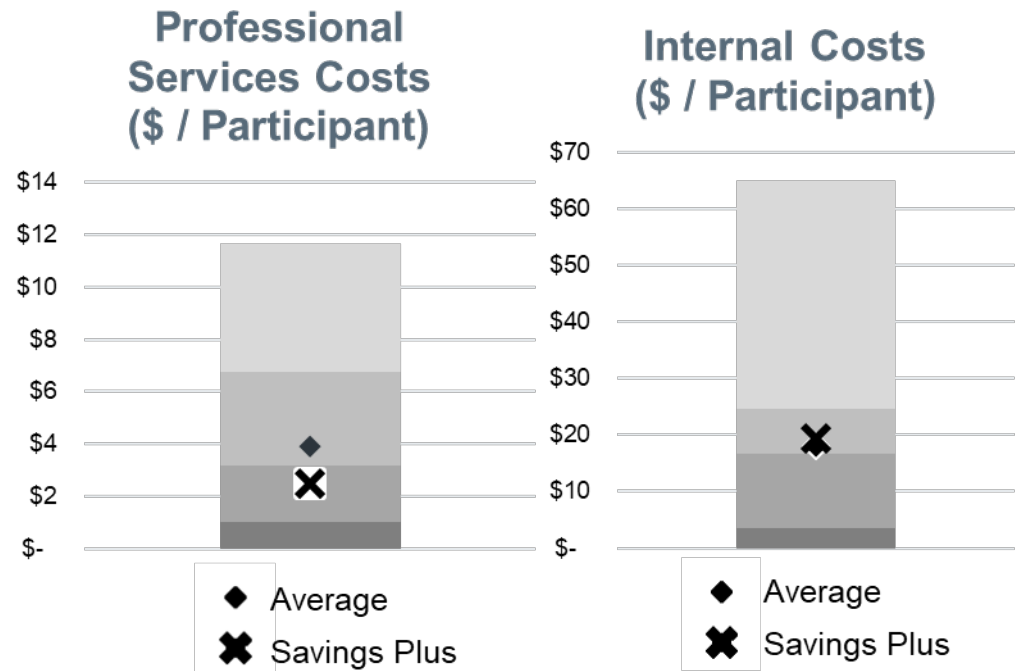
Executive Summary

Professional Services and Internal Costs

Savings Plus' Professional Services Costs are slightly lower than the median peer, and Internal Costs are slightly higher than the median peer.

Professional services costs are 4% of the total administrative costs, which is lower compared to the median peer (5%).

Internal costs are 35% of total administrative cost, which is higher compared to the median peer (30%).



	Professional Service Costs (\$ Per Participant)	Internal Costs (\$ Per Participant)
Average	\$ 4	\$ 18
Min	\$ -	\$ -
25th Percentile	\$ 1	\$ 4
Median	\$ 3	\$ 17
75th Percentile	\$ 7	\$ 25
Max	\$ 12	\$ 65
Savings Plus	\$ 2	\$ 19

Executive Summary

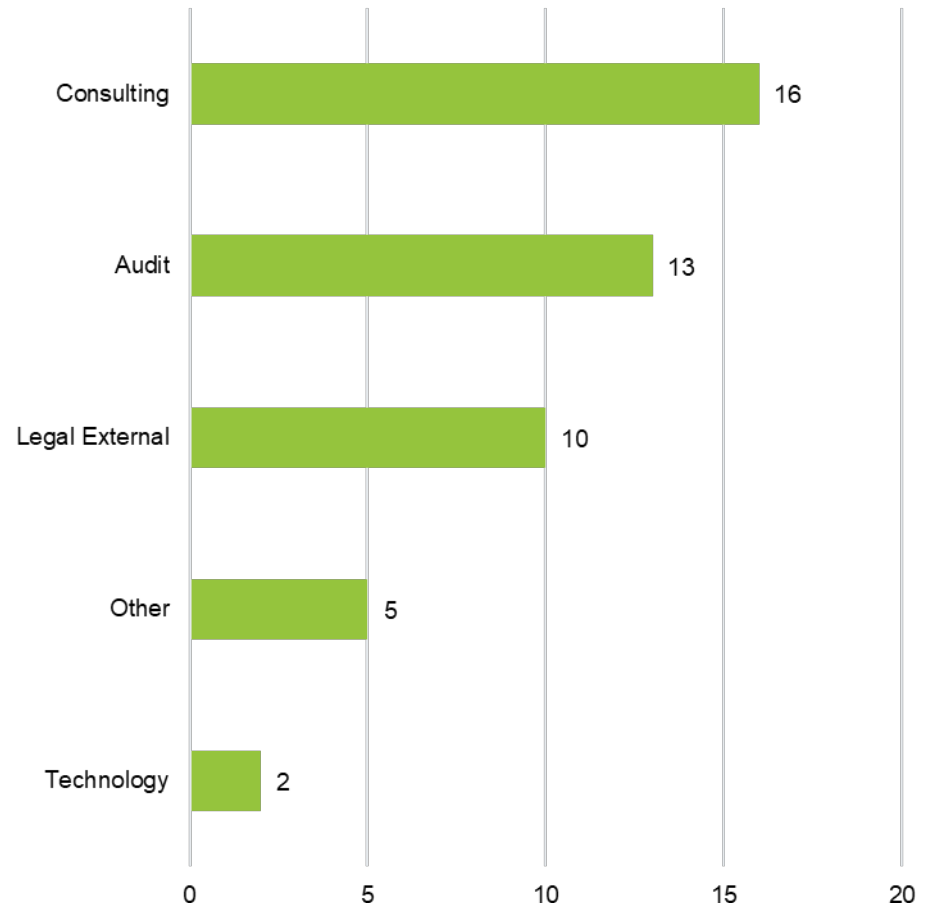
Professional Services and Internal Costs

Consulting (16 Plans) and Audit (13 Plans) were the two highest reported professional services.

Savings Plus has comparable internal costs to peers with roughly 200,000 participants.

Savings Plus has more dedicated staff (23.5) than peers. Of peers with dedicated staffing, the median plan reported a dedicated internal staff size of six. This is reflective of Savings Plus' relative size and complexity, as well as its unique approach to plan management as reflected by the relatively low expenditures on professional services.

Number of Plans Reporting Professional Services:



Executive Summary

Investment Management / Custody Fees

Since the majority of plans did not report separate custody costs, for purposes of benchmarking, investment management and custody costs were combined.

The majority of plans do not utilize a separate custodian. Of those plans that do use a separate custodian BNY Mellon, State Street, and Wells Fargo are the most common providers.

Savings Plus ranks in approximately the 25th percentile in terms of investment management and custody costs. The Savings Plus minimum and maximum investment costs also ranked near the 25th percentile.

Only five plans (25% of respondents) reported having assets managed by the recordkeeper. Those that did were primarily on the smaller end of the plan size spectrum (less than \$5 billion in total plan assets).

Executive Summary

Self-Directed Brokerage, Managed Accounts, Transactional Fees

Managed Accounts: Savings Plus was one of nine plans that reported using a managed accounts service. Of the six plans that provided participant utilization data, Savings Plus ranked last with only 3% of plan participants utilizing the service, significantly below the median of 17% of plan participants.

Self-Directed Brokerage: Fifteen plans reported that they offered a self-directed brokerage account option. Of those, two-thirds used Charles Schwab.

- Savings Plus reported that 4.3% of plan participants had invested 5.2% of total plan assets in the brokerage window, which were the second highest totals reported, and significantly above the median participant utilization (1.0%) and plan assets (1.4%) among the peers who reported these statistics.

Transactional Fees: Loan initiation and overnight check fees were the most commonly reported transaction fees by peers.

- The Savings Plus loan fee of \$50 was most common among plans that charged one.
- Savings Plus reported a loan volume of 1,056 per 20,000 plan participants, which is slightly above the median of 803.

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