



Investment Consulting Services, LLC Pooled Employer Plan

Prepared For:
Home Builders Association of Fargo-
Moorhead

About Investment Consulting Services, LLC

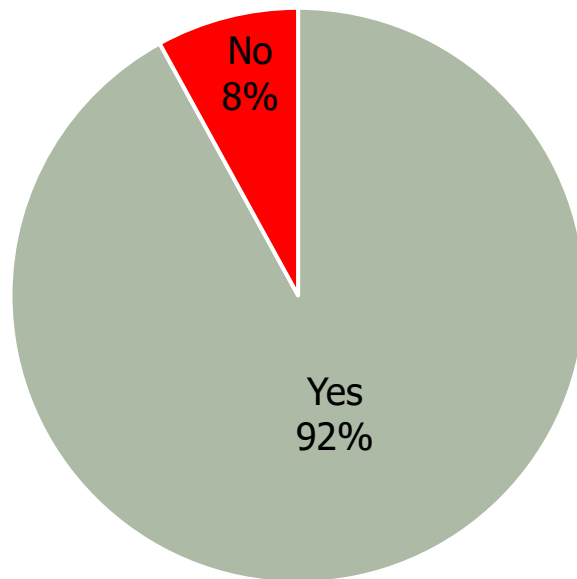


- Investment Consulting Services, LLC (ICS) specializes in consulting to institutional plans:
 - Defined Contribution Plans: 401(k), 457(b), 401(a), 403(b), Annuity Funds and Supplemental Funds
 - Defined Benefit Plans
 - Health & Welfare Funds
 - Endowments
 - Foundations
- Alignment of interests with our clients:
 - 100% employee-owned
 - **No** outside ownership
 - **Not affiliated** with a broker/dealer, no commissions
 - Fee based on reasonable and fully transparent pricing
 - **No** indirect compensation or “unseen commissions” from recommendations
 - As a result, investment firms **cannot** pay-to-play

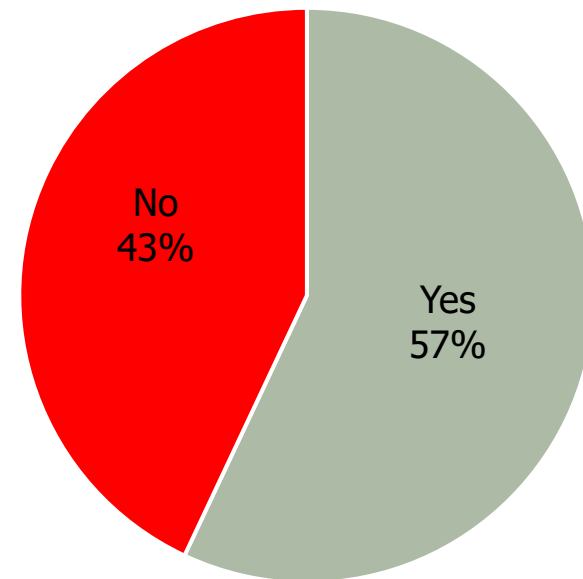
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How Many Employers Offer a 401(k) Plan?

Employers with
> 500 Employees*



Employers with
< 99 Employees*



Providing a 401(k) Plan to employees is a great method to retain talent but as the Plan Sponsor, the employer has many responsibilities.

*2019 study conducted by Transamerica Center for Retirement Studies (TCRS) on 1,828 employers. TCRS is a division of Transamerica Institute, a nonprofit private foundation.

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The Traditional 401(k) Problems

1) Running a 401(k) plan is time consuming so most employers outsource it.

Plan Sponsor

- Plan Fiduciary Responsibility
- Maintaining the plan
- Meeting regulatory requirements
- Educating participants
- Prudently selecting and monitoring service providers
- Controlling plan expenses

Plan Administrator/ Recordkeeper

- 3(16) Fiduciary Responsibility
- Determine eligibility
- Perform annual compliance testing
- Calculate and track vesting
- 1099-R reporting
- Process distributions
- Process loans
- Deliver required notices

Investment Consultant

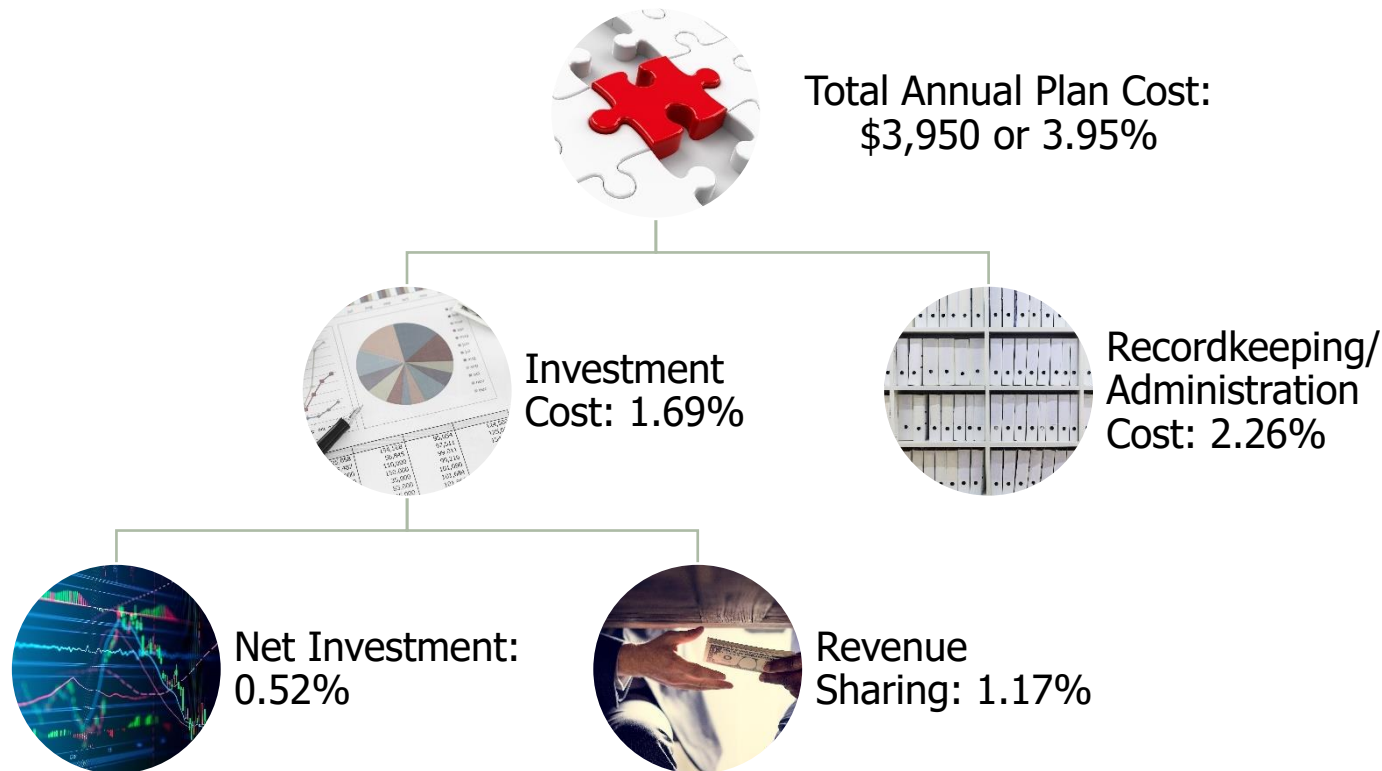
- 3(38) Fiduciary Responsibility
- Prudently select investment options
- Maintain a watchlist
- Run risk-adjusted net performance
- Monitor changes in the investment managers' investment processes and teams
- Monitor legal issues
- Prudently make changes to the investment line-up
- Run a fee analysis
- Produce quarterly performance reports

2) Outsourcing the various traditional 401(k) functions ***does not*** remove the employer's fiduciary responsibility. 401(k) Plans have come under increased scrutiny by regulators and class action lawsuits continue to rise (**main lawsuit topics are in red**).

The Traditional 401(k) Problems

- 3) The cost of establishing a new traditional 401(k) can be as much as \$3,000. Even after establishing the plan, the ongoing maintenance costs are high.

Average Small Plan 401(k) Fees*



*401k Averages Book 21st Edition data on Plans with 10 participants and \$100,000 in assets.

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The Traditional 401(k) Solution

- Lawmakers addressed the coverage gap, costs and administrative burdens with the provision in the Setting Every Community Up for Retirement Enhancement (SECURE) Act that created pooled employer plans (PEPs).
- A PEP is a type of retirement vehicle that is maintained as a single plan while allowing multiple unrelated employers to participate, achieving economies of scale typically only attained by larger plans. It operates as a traditional 401(k) plan but with most administrative and fiduciary duties outsourced to the pooled plan provider (PPP).

Time Consuming

- PEPs: All 401(k) functions are handled by professionals, which allows employers to focus on running their business

Fiduciary Responsibility

- PEPs: The Fiduciary Responsibility of the Plan Sponsor, 3(16) Administrator and 3(38) Investment Consultant is outsourced. **The employer does not** have these responsibilities.

High Cost

- PEPs: The start-up costs are paid by the Pooled Plan Provider and not the employer. PEPs are more cost effective compared to traditional 401(k) plans.

ICS PEP Investment Options

- The ICS PEP's investment line-up was designed to remove the confusion found in many traditional 401(k) plans by focusing on core investment options needed to build a well-diversified portfolio.
- Under the ICS PEP, participants have 3 options in managing their account to achieve their retirement goals:

1. Full Control

- Participants may build their own custom investment portfolio by selecting from the investment line-up.
- The investment options in the line-up have gone through ICS' comprehensive due diligence process and are monitored through their watch list guidelines.

Investment Option
Fixed Income
Johnson Institutional Core Bond
Fidelity Short-Term Bond Index
US Equity
Fidelity 500 Index
State Street Small/Mid Cap Equity Idx K
International Equity
Fidelity Emerging Markets Idx
Fidelity International Index
Real Estate
Cohen & Steers Real Estate Securities A

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ICS PEP Investment Options

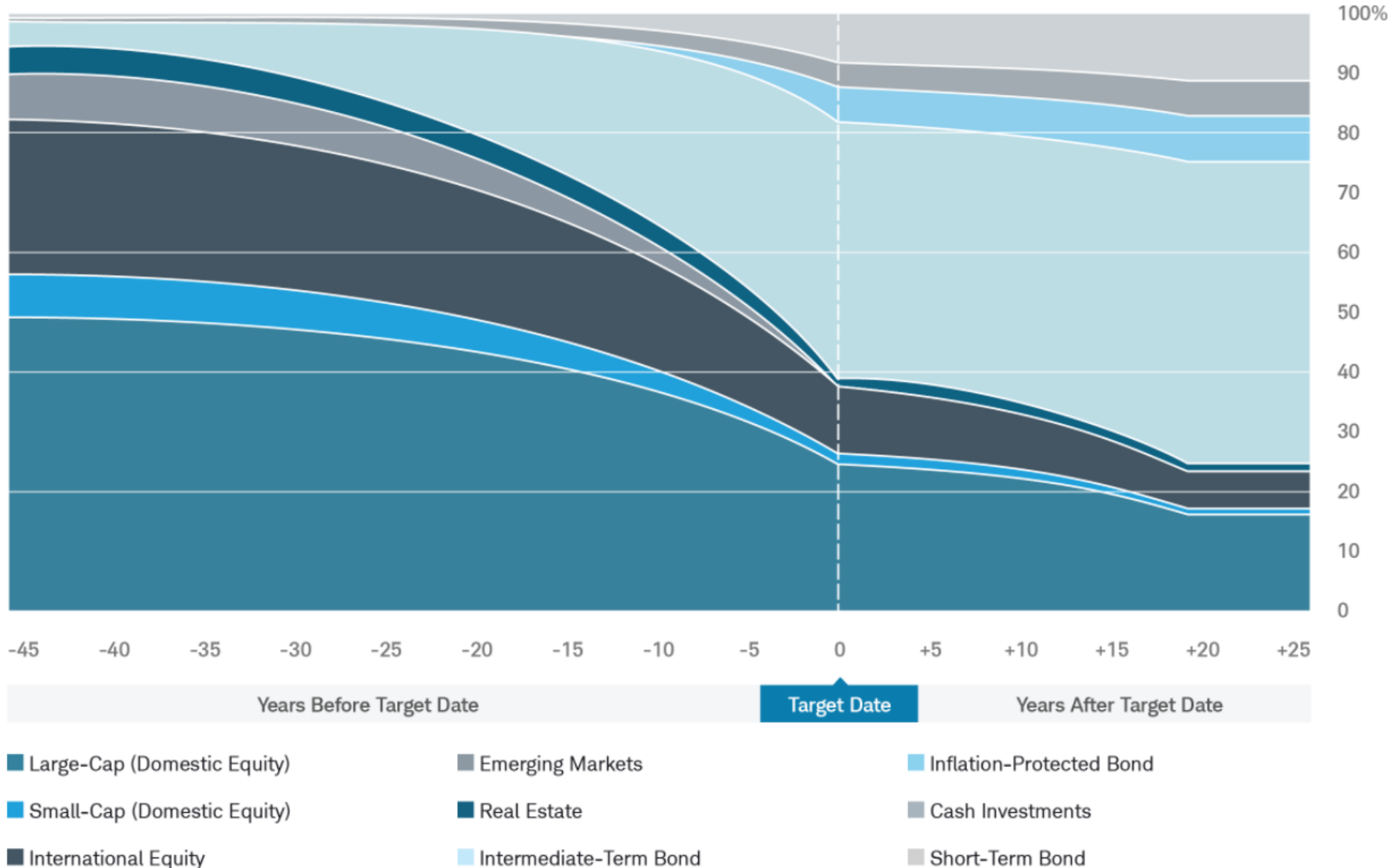
2. Target Date Funds

- Participants who prefer to not build their own custom portfolio may choose a Target Date Fund. The Target Date Fund option is managed by an investment manager who rebalances and adjusts the asset allocation. The year in the Target Date Fund name indicates the year that the participant expects to retire. The asset allocation becomes more conservative as the retirement year approaches.

Investment Option
Target Date Funds
Schwab Target 2010 Index
Schwab Target 2015 Index
Schwab Target 2020 Index
Schwab Target 2025 Index
Schwab Target 2030 Index
Schwab Target 2035 Index
Schwab Target 2040 Index
Schwab Target 2045 Index
Schwab Target 2050 Index
Schwab Target 2055 Index
Schwab Target 2060 Index
Schwab Target 2065 Index

ICS PEP Investment Options

Schwab Target Index Funds' Glide Path



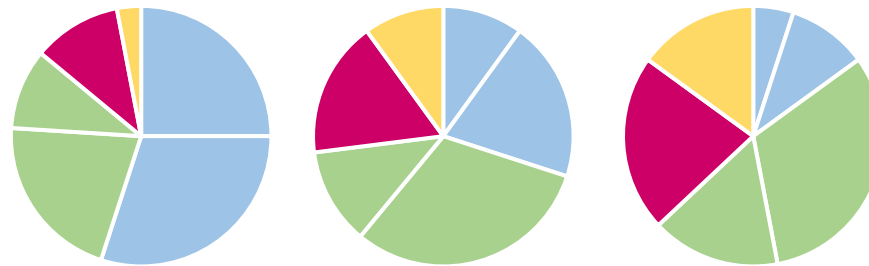
Source: Charles Schwab

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ICS PEP Investment Options

3. Risk-based/ Tactical Investment Options

- The risk-based options are investment portfolios where the asset allocation is managed by ICS based on a certain level of risk.
- Participants have three levels of risk to choose from:



	Conservative	Moderate	Aggressive
Fixed Income			
Investment 1	25%	10%	5%
Investment 2	30%	20%	10%
US Equity			
Investment 3	21%	31%	32%
Investment 4	10%	12%	16%
International Equity			
Investment 5	11%	17%	22%
Specialty			
Investment 6	3%	10%	15%

ICS PEP Investment Line-up

Investment Option	Expense Ratio +	Credits Back to Participant =	Net Total Expense
Fixed Income			
Johnson Institutional Core Bond	0.25%	0.00%	0.25%
Fidelity Short-Term Bond Index	0.03%	0.00%	0.03%
US Equity			
Fidelity 500 Index	0.02%	0.00%	0.02%
State Street Small/Mid Cap Equity Idx K	0.05%	0.00%	0.05%
International Equity			
Fidelity Emerging Markets Idx	0.08%	-0.13%	-0.05%
Fidelity International Index	0.04%	-0.02%	0.02%
Real Estate			
Cohen & Steers Real Estate Securities A	1.13%	-0.45%	0.68%
Target Date Funds			
Schwab Target 2010 Index	0.08%	0.00%	0.08%
Schwab Target 2015 Index	0.08%	0.00%	0.08%
Schwab Target 2020 Index	0.08%	0.00%	0.08%
Schwab Target 2025 Index	0.08%	0.00%	0.08%
Schwab Target 2030 Index	0.08%	0.00%	0.08%
Schwab Target 2035 Index	0.08%	0.00%	0.08%
Schwab Target 2040 Index	0.08%	0.00%	0.08%
Schwab Target 2045 Index	0.08%	0.00%	0.08%
Schwab Target 2050 Index	0.08%	0.00%	0.08%
Schwab Target 2055 Index	0.08%	0.00%	0.08%
Schwab Target 2060 Index	0.08%	0.00%	0.08%

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Home Builders Association of Fargo-Moorhead Membership 401(k) Offering



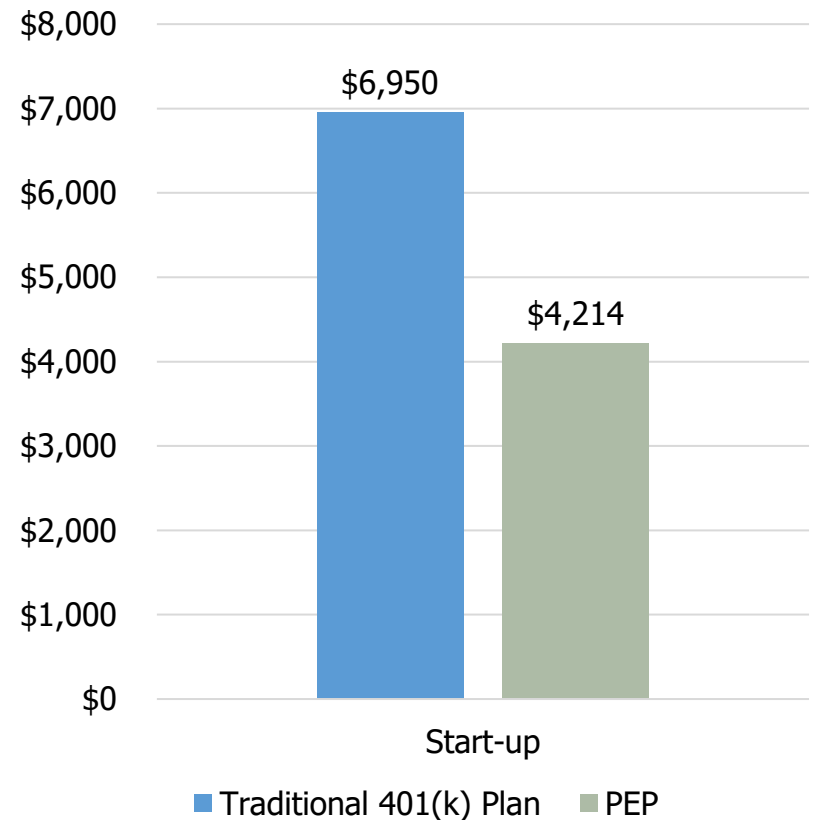
PEP Cost Analysis

- HBA Employer 1 with no existing 401(k) Plan
 - Total 401(k) Assets: \$0
 - Employees: 2
 - Total Cost Based on Assumptions: \$4,214
 - No start-up cost to employer
 - All 401(k) functions are outsourced so employer can focus on their business
 - The fiduciary responsibility of the Plan Sponsor, 3(16) Administrator and 3(38) Investment Consultant is outsourced.
- Each interested employer will receive a customized and fully transparent quote

Other Considerations

- The Secure Act increased the tax credits to small employers who set-up a 401(k) plan.
 - Up to \$5,000 per year for the first three plan years.
 - A new tax credit of up to \$500 per year for three years on plans that add automatic enrollment.

Cost Comparison



*Based on the 401k Averages Book 21st Edition data: average fee on small plans of \$3,950 plus a start-up cost of \$3,000.