

COST ANALYSIS ILLUSTRATION

Sample 457(b) Plan
October 11, 2023



Sample 457(b) Retirement Plan

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Sample 457(b) Program Products

Understanding the cost of a public sector defined contribution plan is one of the key steps in delivering better outcomes and financial security for a plan's participants. There are numerous entities that charge fees for their services and there is no set terminology for naming this maze of fees. Consultants, asset managers, third party administrators and recordkeepers all charge fees for their services, and negotiating a fair price for those services is a key element of the plan sponsor's duties and obligations. A description of fees and typical nomenclature definitions is included at the end of this document.

Product expenses (as described above) are generally paid for from a participant's account at a given product manufacturer and or recordkeeper. Product expenses typically include an administrative expense and an investment expense. The administrative expense may include an amount for a contract fee, mortality expense, custodial fee, and administrative fee. The fees are often flat dollar fees but may also be charged as a percentage of assets in the individual's account. Investment management fees are normally charged as a percentage of assets in the account.

To provide an optic into the impact of admin and investment fees, four analyses have been completed. Because the actual account balance for each participant and the number of participants is currently unknown, each analysis is completed with a separate assumed average account balance. The four average account balances used are \$10,000, \$25,000, \$50,000 and \$100,000. These are then applied to a sample account and an annual expense is calculated assuming a static balance. Studying these four charts will give the reader an understanding of the impact of each pricing methodology on participant accounts. Each chart will be followed by a short description of the highest, lowest and average cost for each product. The reader will want to understand exactly what is being provided for the fees being charged

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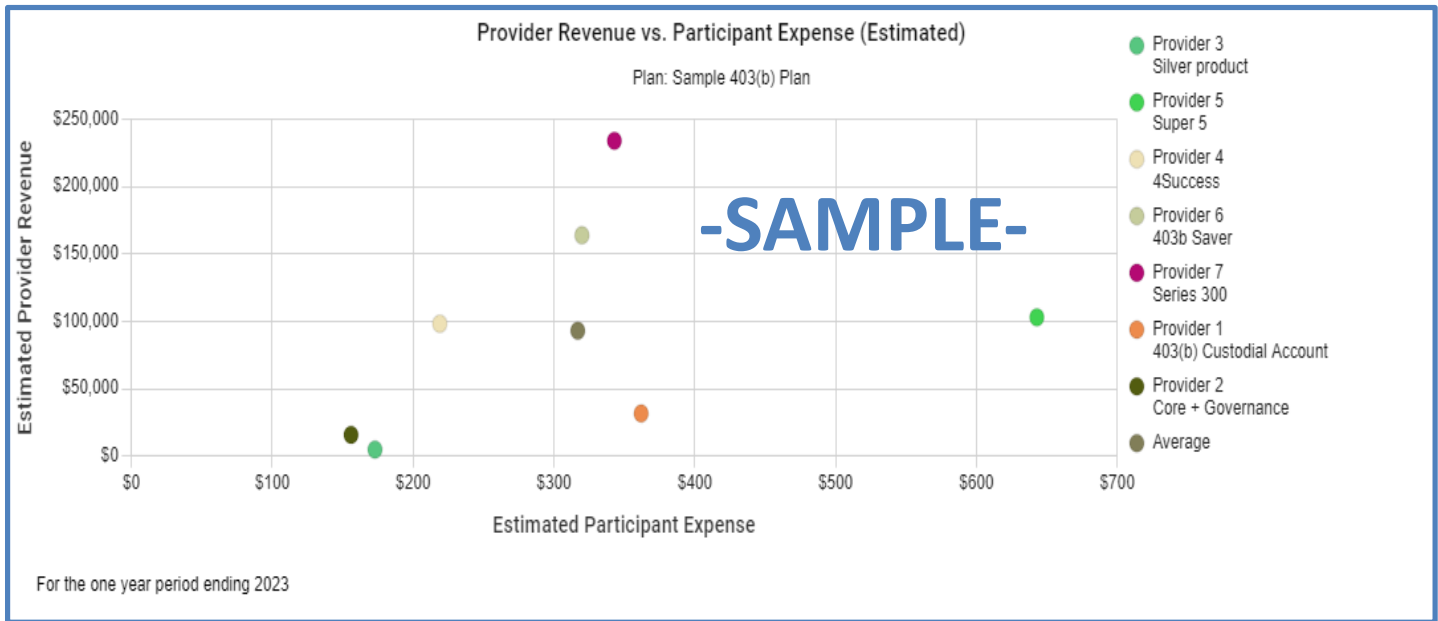
It should also be understood that certain insurance products will be delivered with “no fee.” These products are most often fixed annuities (“FA”) or fixed indexed annuities (“FIA”). Obviously, there are no free products. The FA and FIA products are built to compensate the insurance company based on a “spread” between insurance company earnings and the credited interest rate. This spread is assumed to be 1.5% (150 basis points) in the analysis.

General Observations for the Sample 457(b) Roth program:

1. The 457(b) Roth program has six different investment options available.
 - a. One of the options had no data available.
2. There is a significant difference between the highest and lowest cost products.
3. There is currently no information provided on the number of participants for each product, the average account balance, or the annual contributions for each product.
4. Obtaining this data would improve the ability of the Plan Sponsor to evaluate each product and its impact on the participant population.

The purpose of this report is to provide an understanding of the fees charged to participants in a non-ERISA 457(b) Plan. It is common knowledge among tax-exempt and governmental retirement plan experts that data on fees is very difficult to come by. This analysis tool will serve to identify the costs associated with the administration, recordkeeping and investment fees in 403(b), 457(b) and 401(a) plans often used in tax-exempt and governmental retirement plans

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Generally, step one in the process of understanding fees is to determine four fact sets. The number of participants using each product offered in the plan; the average account balance associated with each provider; the annual contributions being delivered to each provider and the TPA fees. TPA fees will range from \$1.75 to \$3.00 per participant that is actively deferring into the plan. There may also be a charge for inactive accounts, and these may range from \$1.00 to \$2.00. Administrative fees may be flat dollar or a percentage of assets. Investment fees are generally a percentage of assets in an account.

The chart above is a sample to show the annual a revenue provider is receiving from the plan's participants. A sample is used in this case because there is currently a lack of data available to populate this chart with actual data.

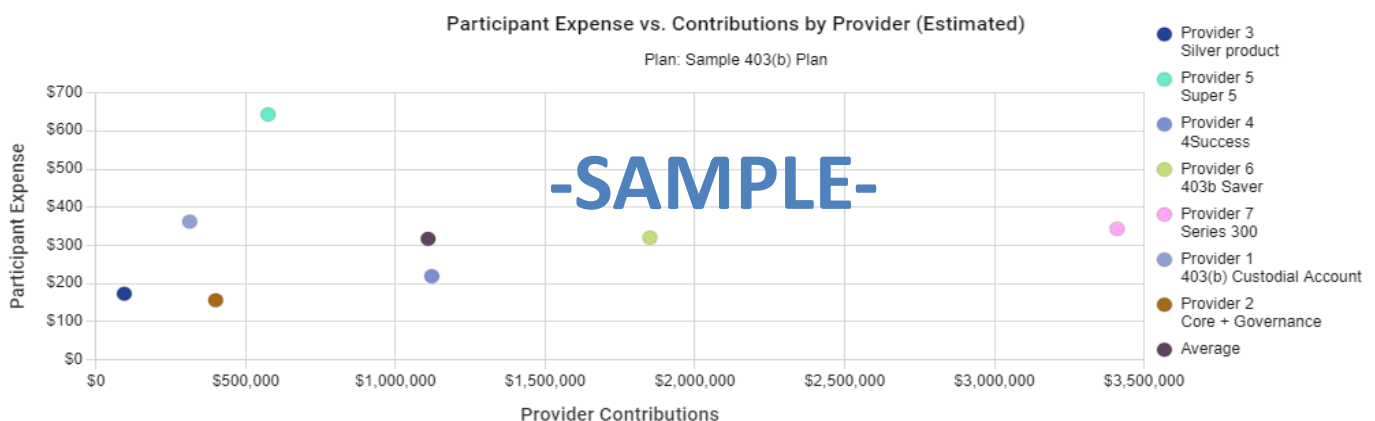
Source: 403(b)Compare.com
of participants is unavailable currently.

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In an effort to provide an optic into the impact of admin and investment fees, four analysis are completed. Each analysis is completed with a separate assumed average account balance. The four average balances used are \$10,000, \$25,000, \$50,000 and \$100,000. Studying these four charts will give the reader an understanding of the impact of each pricing methodology on participant accounts.

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For the one year period ending 2023

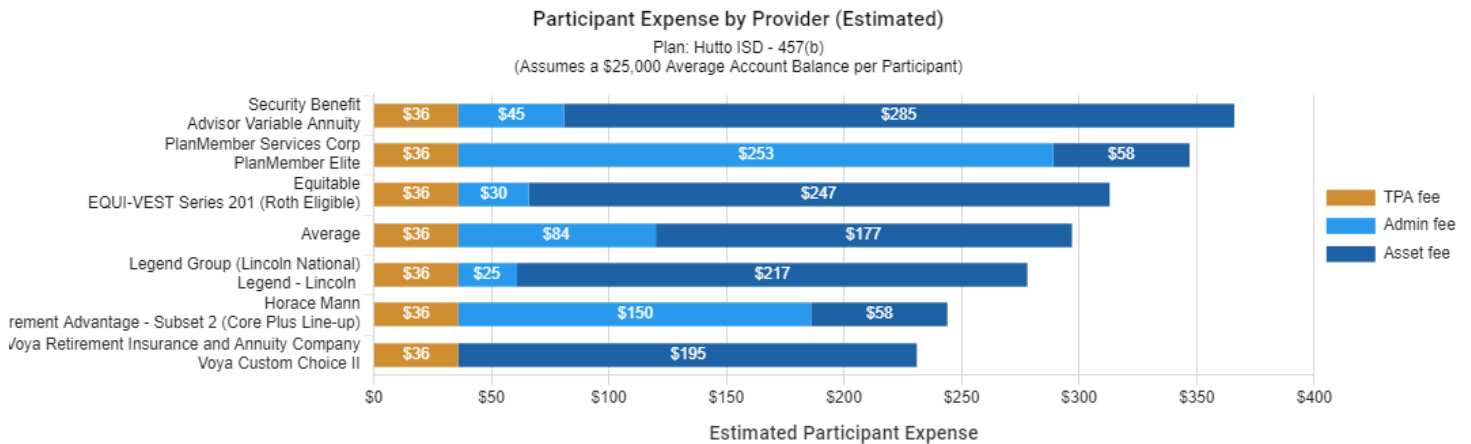
Source of Product Fee Information: 403(b)Compare.com

of participants are based upon reporting from the TPA and or Recordkeeper.

Sample 457(b) Retirement Plan

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\$25,000 Average Account Balance



For the one year period ending 2023

Step one in the process of understanding fees is to determine the number of participants using each product offered in the plan. If that is not available, then an average account balance is assumed to calculate an assumed participant cost. The chart above illustrates the cost of the TPA, the investment providers administration fee and any asset-based fees from the investment provider.

The number of participants is often a driver of the expense associated with a Third Party Administrator (TPA). TPA fees will range from \$1.75 to \$3.00 per participant that is actively deferring into the plan. There may also be a charge for inactive accounts, and these may range from \$1.00 to \$2.00.

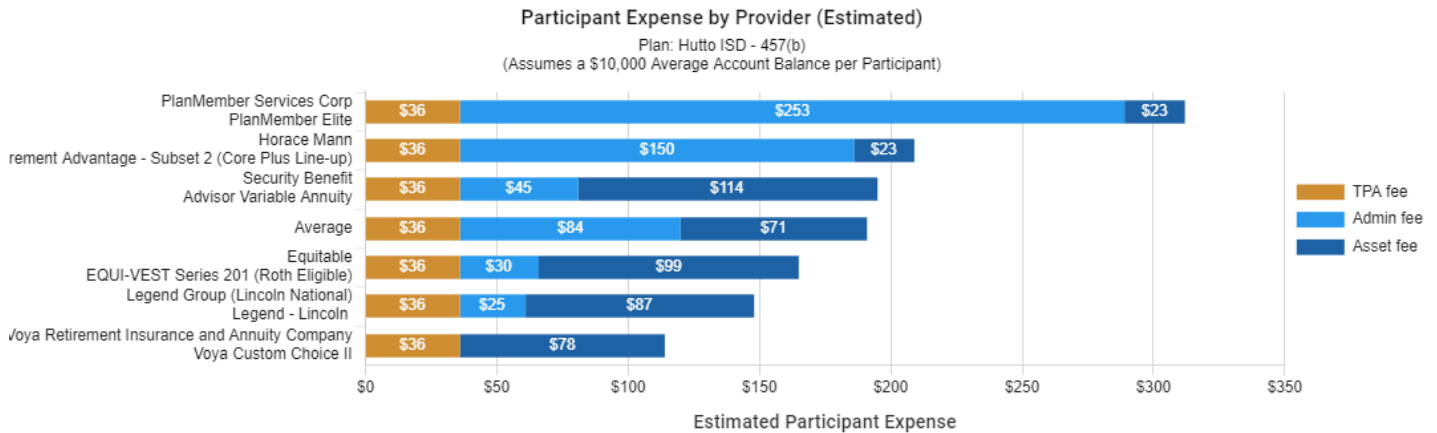
The following charts demonstrate the impact of asset balances on cost by illustrating a \$10,000 average account balance and a \$50,000 average account balance.

Source of Product Fee Information: 403(b)Compare.com
 # of participants is unavailable currently.

Sample 457(b) Retirement Plan

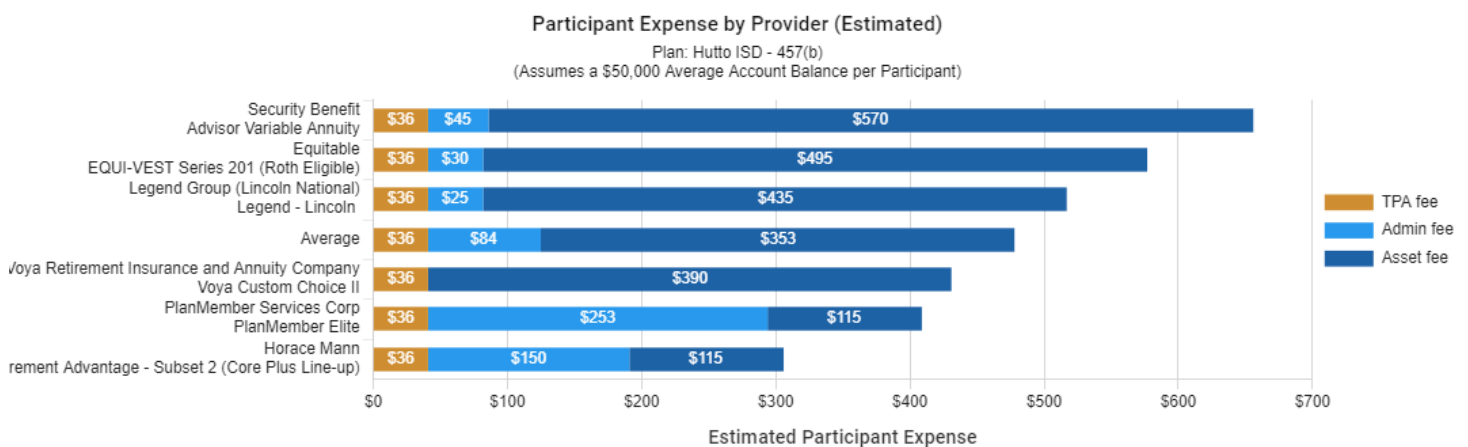
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\$10,000 Average Account Balance



For the one year period ending 2023

\$50,000 Average Account Balance



For the one year period ending 2023

Source: 403(b)Compare.com
 # of participants is unavailable currently.

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Suggested Action Items:

1. Secure a copy of your 403(b) and/or 457(b) Plan Document. This is a critical document to have updated and easily accessible for both audit and plan review processes.
2. Review your current 403(b) and/or 457(b) plan investment provider list. Make sure it remains correct and is updated on your paper version or on your website as applicable.
3. Contact your Payroll/HR team to seek input on the plan providers, plan administrator and plan representatives.
 - a. Identify any issues
 - b. Identify best practices
4. Determine overarching goals and objectives for your 403(b) and 457(b) plans
 - a. Gather data on percentage of employees participating
 - b. Are your education support personnel being well supported by the plan?
 - c. Is the plan used as a recruiting tool?
 - d. Are you prepared to address a DOL or IRS audit?
5. Contact your plan administrator with a request for participant, asset balance and contribution data, by investment provider.
6. Update any solicitation rules you may require plan representatives to adhere to.
7. Working with your plan administrator, gather the names of all approved plan representatives, listed by investment provider.
8. Working with your administrator, reach out to plan investment providers to gather product cost information.

Based on the data gathered, consider doing a plan provider cost analysis.

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Definitions:

Plan Representative:

Any person who is allowed by any one of your investment providers to provide 403(b) and/or 457(b) products and services to your employees. In some cases, you may also be approving these representatives to work with your plan(s).

Rollover:

A transfer of an account from one 403(b) and/or 457(b) to another. This often requires approval by you or the TPA.

FEES:

Plan Compliance Administration (Third Party Administrator/TPA) Fee:

TPA fees are prevalent in governmental 403(b) and 457(b) plans that have multiple providers. Generally, these fees range from \$0 to \$36 per participant per year. The fees may be paid from participant accounts or paid directly from the investment provider to the TPA. These fees cover the costs of required contribution and transfer calculations done by your administrator.

Administrative Fees (generally charged by an investment provider):

May include legal, accounting, trustee, recordkeeping and other administrative fees and expenses associated with maintaining the plan. Explicit fees are deducted directly from participant accounts. Implicit fees can be paid through revenue sharing arrangements or netted out of the investment options directly. When an insurance company product is used, these may take the form a "mortality and administration expense" or a "contract fee."

Asset Based Fees (generally charged by an investment provider):

Asset based fees are generally charged based on a participant's account balance. However, plan level asset based fees may be charged against all assets in a plan with a given provider or in some cases like a plan consulting arrangement they may be charged against all the assets in a plan.

Participant advice fees are most often charged as a percentage of a participant's account. The amounts vary widely and can be as high as 3.0% of an account balance.

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Education Fees:

The communication budget or product offering associated with the contract to provide marketing and participant education materials to the participant population of the plan. This is typically included in the recordkeeping fee but can be broken out as a separate line item for custom communications (as there is often a separate fee) or to use an external marketing firm (other than the recordkeeper) for this service.

A fee may also be charged separately from the recordkeeping or administration fee for onsite education services. This may be charged on a per day basis or may also be included in the participant's asset-based cost.

List of Sample 457(b) Vendors

- HORACE MANN 457 HORACE MANN 457
- ING 457 VOYA ING VOYA (ILIAC) 457
- PLANMEMBER 457 PLANMEMBER SERVICES 457
- SECURITY 457 SECURITY BENEFIT 457
- SW ADMIN 457 SW ADMIN 457
- LEGEND GRP 457 THE LEGEND GROUP/ADSERV 457

Source: Data File from OMNI

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DISCLOSURES

- This cost analysis is fundamentally based on the data available through www.403bcompare.com being applied to plan data provided by the plan's TPA and or recordkeeper. The results are calculated using the RetireIQ™ software.
- When account asset level data is not available, an assumed average asset balance will be used to estimate and illustrate annual participant level fees. The 403b Compare database contains cost and feature information on the vast majority of products available to non-ERISA 403(b) plans. When data for a vendor product is not listed in 403(b) compare, the analytics for that vendor will not be included in the analysis.
- Accurate analysis of participant and or plan expenses requires complete information on asset values, contract expenses by vendor, contribution levels and participation data.
- Verity Asset Management is not responsible for the accuracy of the data provided by third parties.
- This Analysis is for illustration purposes only
- The information in this brochure is for general educational and informational purposes only and should not be considered a recommendation or investment advice. All investing involves risk, including the possible loss of principal. There is no assurance that any investment strategy will be successful.
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- Verity Asset Management is located at 280 S Mangum St, Ste 550, Durham, NC 27701-3683. For more information, please call 800-247-6717 or visit <https://verityinvest.com>.