



# National Employers Retirement Trust

## Office of the Administrator

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June 28, 2014

### 408(b)2 Plan Sponsor Disclosure

New regulations issued by the U.S. Department of Labor (DOL) require "covered service providers" that provide services to ERISA-covered retirement plans to provide disclosure about their services and fees to a plan fiduciary who is responsible for reviewing whether the fees and services are reasonable. This disclosure is provided to you by Thomas F. Barrett, Inc. ("NERT Administrator"), Euclid Investment Advisory ("NERT Advisor"), and the National Employers Retirement Trust, Cardinal Bank, Trustee ("NERT Trustee") an IRS qualified group trust to comply with this new regulation (the "Service Provider Disclosure Regulation")<sup>1</sup>. Please read this disclosure carefully. If you have any questions, please contact NERT at (888) 271-8035 or by e-mail at [info@nert.com](mailto:info@nert.com) with your question(s).

As the Plan Sponsor/Employer for your Plan, you have established your Plan and the "Application for Participation" for the National Employers Retirement Trust has been executed by you. The Plan provides the opportunity for a Plan Sponsor to select a range of investment options, including among others, options made available by The National Employers Retirement Trust. The investment options made available by National Employers Retirement Trust include a series of separate investment portfolios of the National Employers Retirement Trust (the "Fund Portfolios"),

- **Thomas F Barrett Inc, NERT's recordkeeper and third party administrator.** As recordkeeper, NERT Administrator maintains Plan and participant accounts, processes and transmits participant investment and other instructions to NERT, and performs other Plan administrative services. As third party administrator, NERT Administrator performs required compliance testing for your Plan and, if required, will assist in preparing Form 5500 and relevant schedules. In providing recordkeeping and third party administration services, NERT Administrator does not intend to act in a fiduciary capacity with respect to your Plan.

- **Sandy Spring as NERT's Directed Trustee.** As Nondiscretionary Directed Trustee, Sandy Spring Bank ("NERT Trustee") is responsible for receiving, investing, and disbursing Plan assets as directed by you and the Plan's participants and beneficiaries in accordance with the Plan. NERT Trustee acknowledges that, as Nondiscretionary Directed Trustee, it is a fiduciary to your Plan solely to the extent of its responsibilities as described in DOL Field Assistance Bulletin 2004-03, which describes the responsibilities of "directed trustees".

- **Euclid Investment Advisory, as Investment Advisor to the National Employers Retirement Trust.** Euclid ("NERT Advisor") is responsible for monitoring, reporting, evaluating peer performance, recommending alternatives and executing Key Advisor brokerage instructions as directed by you and the Plan's participants and beneficiaries in accordance with the Plan. NERT Advisor has no discretionary authority with respect to Plan assets.

In providing these services to your Plan, NERT Administrator, NERT Advisor and NERT Trustee collectively known as “NERT” are “covered service providers” within in the meaning of the Service Provider Disclosure Regulation.

As the Plan Sponsor/Employer, you are responsible for determining whether to retain NERT Administrator and NERT to provide services to your Plan and whether the fees and other compensation that your Plan pays (directly and indirectly) to constitute reasonable compensation under a reasonable arrangement. You also are responsible for selecting and maintaining the investments that will be offered as designated investment alternatives under your Plan, This disclosure is designed to provide information for your review in connection with these responsibilities.

Part I describes the services that NERT Trustee provides to your Plan as Directed Trustee, and how NERT Trustee is compensated for these services.

Part II describes the services NERT Administrator provides to your Plan, and how NERT Administrator is compensated for these services.

Part III describes the services that NERT Advisor provides to your Plan as the Investment Advisor, and how NERT Advisor is compensated for these services.

Part IV provides information about fees and expenses that your Plan pays in connection with the investment options that are available to your Plan,

*NOTE: Certain fees paid directly by a Plan Sponsor are not required to be included in this disclosure, and therefore this disclosure may not describe all fees that will be paid directly by a Plan Sponsor. Please refer to your Plan’s Service Agreement for a more specific description of fees that must be paid by the Plan Sponsor/Employer.*

**Part I. Services Provided by Directed Trustee and Compensation**

**Directed Trustee Services.** As Nondiscretionary Directed Trustee, NERT Trustee has the duties and responsibilities described by the Plan Document and the National Employers Retirement Trust agreement as adopted in the Application for Participation executed by the Plan Sponsor/Employer, including custodial trustee and trust administration responsibilities. NERT Trustee is not responsible for selecting and monitoring the investments under your Plan.

As Nondiscretionary Directed Trustee, NERT Trustee is responsible for receiving, investing, and disbursing Plan assets as directed by you and the Plan’s participants and beneficiaries in accordance with the Plan; and NERT Trustee provides the following trust administration services:

- Maintain separate accounting for the Plan’s holdings in a Trust account for the Plan
- Maintain custody of Plan assets within the Plan account
- Provide lockbox services to the Plan Sponsor/Employer for transmittal of contributions, which includes accepting checks for daily credit, ACH deposits, and deposits sent by wire
- Provide daily reporting to NERT Administrator of contributions received and deposited
- Facilitate reporting to NERT Administrator of daily net asset values (NAV)
- Process investment directions for new contributions, transfers and account realignments upon transmittal from NERT Administrator
- Verify and settle nightly NSCC trades by the following business day
- Provide automatic rollover IRA services to the Plan

**Compensation.** For services as Nondiscretionary Directed Trustee, NERT Trustee is compensated by fees paid from the assets of the National Employers Retirement Trust as indirect compensation described below.

Annual Trustee Fee:

NERT Trustee receives a total fee of	0 - \$5 million	.0012	(.12%-\$1.20/\$1000)
	next \$5 million	.0010	(.10%-\$1.00/\$1000)
	next \$10 million	.0008	(.08%-.80/\$1000)
	all remaining	.0005	(.05%-.50/\$1000)

#### Transactions:

NERT Trustee receives a fee of	\$12.00 per Security Transaction.
	\$10.00 per wire transfer
	\$10.00 per benefit payment

***The amounts listed above are not charged to the Participant's accounts.***

Earnings on Contributions and Distributions ("Float") NERT Trustee may receive additional compensation in form of earnings ("float") on the short-term investment of client funds held in an omnibus demand deposit account (DDA) maintained by NERT Trustee. This description of float is intended to comply with DOL Field Assistance Bulletin 2002-03. Amounts transferred to the DDA are held for either (i) one day pending investment in Plan investment options, or (ii) two days pending distributions from the Plan by wire or automated clearing house transactions (ACH) to participants. As to distributions, if a check is issued, funds will remain in the DDA for additional days until the corresponding check is cashed. Income earned by NERT Trustee on amounts held in the DDA on a particular day is based on the federal funds effective rate calculated by the Federal Reserve Bank of New York and published daily. The current federal funds effective rate can be found at <http://www.federalreserve.gov/fomc/fundsrate.htm>. NERT Trustee will provide the Plan Sponsor/Employer with reports, upon request, showing the date on which funds are transferred to the DDA, and, as applicable, the date on which the corresponding wire was transmitted, ACH transaction was processed, or check was cashed.

Pursuant to your Plan's Service Agreement, in the event of a change in any of the fees to be received by NERT Trustee, NERT Administrator will notify you at least 30 days in advance of the fee change and, unless objected to within the 30 day notice period, will be deemed to have approved.

## **Part II. Services Provided by NERT Administrator and Compensation**

**Administrative Services.** NERT Administrator provides recordkeeping and third party administration services in accordance with the terms of the Service Agreement between your Plan and NERT Administrator, including the following services:

- Administrative manual (online) and training for Plan Sponsor/Employer staff
- Process and allocate employee and employer contributions, including discretionary, fixed and matching employer contributions
- Oversee timely contribution tracking process and collection of lost income and excise tax imposed on late contributions
- Provide enrollment materials, summary plan descriptions and other required participant disclosure materials (Plan Sponsor/Employer is responsible to provide NERT Administrator with current participant and beneficiary contact information)
- Notify Plan Sponsor/Employer of pending employee eligibility for Plan participation
- Provide all participants online participant account access through NERT.com
- Maintain Plan account records for all participants and beneficiaries under the Plan; receive and process participant investment directions and transmit Plan level investment instructions to NERT Trustee
- Maintain beneficiary designations under the Plan as submitted by participants
- Generate quarterly participant account statements
- Process payments of loans, benefits and other distributions upon receipt of instructions from Plan Sponsor and reconcile payments
- Provide periodic account statements and other reports to Plan Sponsors on periodic basis, including quarterly reports reflecting fund performance, transaction summaries, contributions, and distributions, and YTD information
- Calculate and process benefit distributions as directed and provide tax reporting
- Perform contribution nondiscrimination and top-heavy testing as required by law
- Prepare and file IRS Form 5500 and applicable attachments upon approval by the Plan Sponsor (if this service is agreed to in the Services Agreement)
- Provide ongoing administrative assistance to Plan Sponsor/Employer through Plan Information Center, and consultant visits and workshops offered at various locations throughout the United States

**Compensation.** NERT Administrator receives a combination of "indirect compensation" (compensation paid through a charge against assets) and "direct compensation" (paid directly by your Plan) for providing services to your Plan. This compensation, which is described below, represents all of the direct and indirect compensation that NERT Administrator expects to receive from the Plan for providing the above-described services to your Plan.

**Indirect Compensation.** NERT Administrator receives an indirect asset-based fee in the amounts indicated below for recordkeeping and administrative services, which is deducted by NERT Trustee from the assets of each of the Fund Portfolios that you designate to be investment alternatives offered under your Plan, before determination of each investment's daily unit value and paid to NERT Administrator by NERT Trustee, as follows:

- All Fund Portfolios other than the Stable Value Fund      1.00% (\$10.00 per \$1,000).
- Stable Value Fund      0.85% (\$8.50 per \$1,000).

**Direct Compensation.** In addition to the indirect compensation NERT Administrator receives through your Plan's investments in the Fund Portfolios, NERT Administrator receives the following fees, which may be charged directly to the Plan and deducted from Plan assets, unless paid by the Plan Sponsor/Employer.

- **Start-up Fees.** These fees are paid by the Plan Sponsor/Employer and are not charged to the participant accounts. Please see your Plan's Service Agreement for more information.
- **Recordkeeping/Administrative Services Fee.** These fees are paid by the Plan Sponsor/Employer and are not charged to the participant accounts. Please see your Plan's Service Agreement for more information.
- **Transaction-Based Charges.** NERT Administrator charges the following fees to participants on a per transaction basis. These charges are deducted from the participant's account balance at the time of the transaction.
  - o Distribution Processing Fees;      \$70.00
  - o Loan Origination Fee:      \$150.00
  - o Annual Loan Maintenance Fee:      \$50.00
- **Plan Termination Fees** These fees are paid by the Plan Sponsor/Employer and are not charged to the participant accounts. In the event of any market value adjustments applicable, The charges are passed through to the participant accounts.
- **Miscellaneous Charges.** NERT Administrator may incur certain costs including for (1) fees charged by NERT independent auditors; (2) IRS reporting; (3) copies of the Plan's Adoption Agreements and the Plan's Form 5500 package (including fees payable to third parties) in providing services. These fees will not be charged to the Participant's accounts.
- **Plan Advisor Charges.** NERT Administrator passes these charges through to participant accounts, as directed by the Plan Sponsor/Employer, for any additional Plan Advisor fees charged by the Plan's designated Investment Advisor as indicated and authorized in the Application for Participation.

NERT Administrator may, from time to time, provide additional consulting services to your Plan. These fees are paid by the Plan Sponsor/Employer and are not charged to the participant accounts.

### **Part III. Services Provided by NERT Advisor and Compensation**

**Investment Advisor Services.** As the National Employers Retirement Trust's Investment Advisor, NERT Advisor has the duties and responsibilities described in the Investment Advisor Services Agreement as adopted by NERT. As Investment Advisor, NERT Advisor provides the following services to the National Employers Retirement Trust:

- Ongoing monitoring of the NERT model Investment Policy and its compliance with ERISA
- Quarterly quantitative performance evaluation, peer review, and discussion of fund portfolios in a form suitable for newsletter and web communications
- Maintenance of investment allocation models of four risk postures suitable for participants: Stable Income, Conservative, Traditional and Equity Oriented
- Analysis and updating of appropriate statistical indices of Fund Portfolios to be used for participant enrollment and communication materials
- Review of existing enrollment and investment allocation materials for proper adherence to Investment Advisors criteria for risk profiling and asset allocation

- Responsive, timely and considered advice to those participants maintaining KeyAdvisor brokerage accounts

**Compensation.** NERT Advisor receives a combination of "indirect compensation" (compensation paid through a charge against assets) and "direct compensation" (paid directly by your Plan) for providing services to your Plan. This compensation, which is described below, represents all of the direct and indirect compensation that NERT Advisor expects to receive from the Plan for providing the above-described services to your Plan.

Indirect Compensation. For services provided as Investment Advisor, NERT Advisor is compensated .02% of NERT assets from fees paid to NERT Administrator. For administration of KEYAdvisor brokerage accounts, NERT Advisor is compensated .50% of NERT KeyAdvisor assets from fees paid to NERT Administrator.

***The amounts listed above are not charged to the Participant's accounts.***

Pursuant to your Plan's Service Agreement, in the event of a change in any of the fees to be received by NERT Advisor, NERT Administrator will notify the Employer/Plan Sponsor at least 30 days in advance of the fee change and, unless objected to within the 30 day notice period, will be deemed to have approved.

#### **Part IV. Investment Disclosure**

**Fund Portfolios – Total Operating Expenses.** The total annual operating expense of each of the Fund Portfolios available is set forth in the Fund Disclosure attached. This includes all fees charged against the value of participant's accounts and reflected in the value of the Plan's Portfolio. Any fees received from Fund portfolios are retained in NERT for credit towards trust administration expenses.

**NERT Administrator, NERT Trustee and NERT Advisor do not receive additional fees from fund portfolios.**

KEYAdvisor Individual Brokerage The National Employers Retirement Trust has selected TD Ameritrade, to offer participant/advisor-directed brokerage capabilities as an additional investment option. These "KeyAdvisor" accounts are available to participants with plan assets over \$100,000 and include access to NERT Advisor Investment Advisory, at no additional charge to the Participant's account. Qualified Participants can establish KeyAdvisor accounts to invest in specific securities. Based on Participant investment directions, funds are transferred to or from TD Ameritrade. NERT Administrator confirms and reconciles trust activity on the KeyAdvisor brokerage accounts.

<sup>i</sup> The Service Provider Disclosure Regulation refers to 29 C.F.R. § 2550.408b-2(c)(1).

## National Employers Retirement Trust Fund Disclosure as of December 31, 2013

**The Wells Fargo Government Bond Fund (STVSX)** invests in US Govt and agency securities. The fund has overweighted agency debt compared to the index, but this has not been enough to compensate for the fears sparked by Federal Reserve comments.

Recent returns:	QTR	-0.6%	1 year	-2.5%	3 years	2.2%	5 Years	3.1%	10 Years	3.9%	Exp Ratio
Barclay's Aggregate		-0.1%		-2.0%		3.3%		4.4%		4.6%	0.88% (\$ 8.80/1000)

**The Wells Fargo Income Plus Fund (WIPNX)** invests in the US fixed income markets. Widening credit spreads affected the Fund negatively, but a strengthening economy should help. Fixed income of all kinds remain pressured by lower interest rates that reduce the class's appeal.

Recent returns:	QTR	0.3%	1 year	-1.5%	3 years	3.9%	5 Years	6.2%	10 Years	5.3%	Exp Ratio
Barclay's Aggregate		-0.1%		-2.0%		3.3%		4.4%		4.6%	0.90% (\$9.00/1000)

**The Vanguard Wellington Fund (VWENX)** is a balanced fund owning both domestic equities and bonds. A higher allocation to equities than peers helped performance last quarter. The fund's consistent approach continues to yield good results.

Recent returns:	QTR	6.3%	1 year	19.8%	3 years	11.9%	5 Years	13.8%	10 Years	8.2%	Exp Ratio
Mstar Mod Targ Risk		4.6%		14.3%		8.8%		12.0%		7.2%	0.27% (\$2.70/1000)

**The Principal US Property Fund** remains well below its 2008 peak. This fund has been recovering nicely though as the economy stabilizes and rents increase. The fund's return remains very stable as it does not 'flip' properties, but invests for rental income and long-term appreciation.

Recent returns:	QTR	2.6%	1 year	13.3%	3 years	13.4%	5 Years	2.9%	10 Years	5.7%	Exp Ratio
NFI ODCE Qtr 12/31		3.2%		9.2%		13.3%		-0.8%		5.7%	1.15% (\$1.15/1000)

**The Pioneer Fundamental Value Fund (CVFCX)** invests in mid-cap as well as larger companies with a value orientation. This fund has recently changed managers. In the short time since the change, performance has not improved.

Recent returns:	QTR	10.1%	1 year	29.4%	3 years	13.2%	5 Years	14.8%	10 Years	N/A	Exp Ratio
S&P 500		10.5%		32.4%		16.2%		17.9%		7.4%	1.13% (\$1.30/1000)

**The Vanguard S&P 500 Index Fund (VINIX)** mimics the performance of the large-cap market and seeks to hold transaction cost and fees to a minimum. Because index funds hold no cash balances, they participate fully in rallies and often suffer in bear markets.

Recent returns:	QTR	10.5%	1 year	32.4%	3 years	16.2%	5 Years	18.0%	10 Years	7.4%	Exp Ratio
S&P 500		10.5%		32.4%		16.2%		18.0%		7.4%	0.17% (\$1.70/1000)

**The T.Rowe Price Growth Stock Fund (PRGFX)** invests in larger growth companies. Growing companies tend to outpace the market in good times, but often suffer in declines. Volatile markets can be difficult for funds with a longer horizon investing for the term.

Recent returns:	QTR	12.0%	1 year	39.2%	3 years	17.9%	5 Years	22.4%	10 Years	8.9%	Exp Ratio
Barclay's Aggregate		10.5%		32.4%		16.2%		17.9%		7.4%	0.88% (\$8.80/1000)

**The Hennessy Focus Fund (HFCIX)**-formerly FBR Focus Fund- provides participants exposure to mid/small cap companies. One factor of investing in smaller companies is the lack of liquidity. This fund focuses on a mix of fundamental value and operating leverage.

Recent returns:	QTR	9.1%	1 year	35.7%	3 years	18.2%	5 Years	22.8%	10 Years	13.9 %	Exp Ratio
S&P 500		10.5%		32.4%		16.2%		17.9%		7.4%	0.17% (\$1.70/1000)

**The PIMCO Foreign Bond Fund (PFUIX)** seeks the maximum total return from investing in fixed income securities outside the US. Recent growth in the US market has made this sector less attractive though default fears helped last quarter. We are reducing this Fund in the Model portfolios.

Recent returns:	QTR	-0.5%	1 year	-5.6%	3 years	3.0%	5 Years	8.3%	10 Years	N/A	Exp Ratio
Barclay's Aggregate		-0.1%		-2.0%		3.7%		4.4%		4.6%	0.50% \$(5.00/1000)

**The Artisan International Institutional Fund (APHIX)** continues to perform well. Savvy stock picking combined with risk control has made this fund a top-performer during difficult markets-with a good risk profile.

Recent returns:	QTR	7.5 %	1 year	25.5%	3 years	13.6%	5 Years	16.9%	10 Years	9.2%	Exp Ratio
MSCI EAFE		5.7%		22.8%		8.2%		12.4%		6.9%	0.99% (\$ 9.90/1000)

**The PIMCO Commodity Real Return Fund (PCRIX)** attempts to replicate the return of the Dow Jones-UBS Commodity Index through derivatives. Slowing world growth and new capacity have left many commodities in an overstocked position. We are reducing exposure in the model portfolios.

Recent returns:	QTR	-2.3%	1 year	-14.8%	3 years	-6.1%	5 Years	7.6%	10 Years	3.2%	Exp Ratio
Mstar Long Commodity		-0.2%		-3.8%		-1.9%		7.2%		6.2%	0.74% (\$7.40/1000)

**The MetLife Stable Value Fund** is a stable value account that offers fixed quarterly rates of return.

Recent returns:		1 year	1.3%	3 years	N/A	5 Years	N/A	10 Years	N/A	Exp Ratio
BOA/ Merrill 3-6 month Treasury			0.1%		.02%		0.2%		2.3%	1.16% (\$1.16/1000)

**Trust Operations** The National Employers Retirement Trust, Sandy Spring Bank - Trustee, provides management of all group trust services, including, but not limited to, custody, trading, investing, distributing, allocating, auditing and confirming of trust assets and plan activities. An expense factor of .00274% (1.00%/yr) is applied to the average daily balance of plan assets, except the guaranteed account. All pricing is posted on a daily basis and is net of all management expenses.