



**Prince William County**  
**PUBLIC SCHOOLS**  
*Providing A World-Class Education*

# Prince William County Schools

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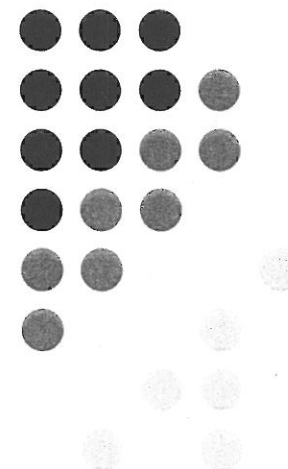
Presented by:

Carol Boykin

Donald Lybrook

Bolton Partners Investment Consulting Group, Inc.

**December 17, 2009**



# Co-Fiduciary



- Provide independent and objective advice:
  - Registered Investment Advisor;
  - Independent;
  - Contractual co-fiduciary.



# Scope

- Quarterly Investment Performance Monitoring;
- Manager Replacement & Transition;
- Investment Policy Revisions;
- Vendor Monitoring;
- Vendor Searches;
- Expense Audit;
- Update performance for legacy options; and
- Monitor changes affecting 403(b) & 457(b) plans
  - Changes to applicable federal & state laws and regulations;
  - Changes to Internal Revenue Code requirements.



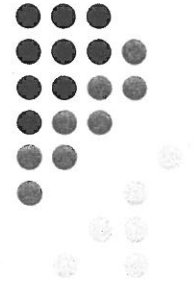
# Investment Performance Monitoring

- Quantitative & qualitative;
- Track performance vs. peers & benchmarks;
- People, process and performance;
- Identifying style gaps or overlaps;
- Red flag noncompliance with IPS criteria;
- Issue fiduciary opinion regarding prudence of retention;
- Manager Watch Listing;
- Manager Termination.

# Manager Replacement & Transition



- Monitoring reports red flag managers who are not in compliance with IPS criteria;
- Case-by-case approach to Watch Listing & Termination;
- Work with vendor to identify available funds;
- Screen for most suitable funds with good track records and reasonable fees;
- Avoid grandfathering old funds.



# Manager Watch List or Termination

- Key factors triggering Watch List or Termination:
  - Departure of lead manager and/or professional team;
  - Change in firm's ownership structure
  - Change in manager's investment process or style;
  - Consistent under performance vs. peers and/or benchmarks
  - Excessive volatility of returns;
  - Increase in expenses;
  - Significant increase/decrease in product assets under management.

# Manager Search Criteria



- Critical mass for assets under management;
- Financial stability of the investment management firm;
- Solid investment performance track record;
- Tenure & continuity of management team;
- Clearly defined investment management process; and
- Reasonable fees.

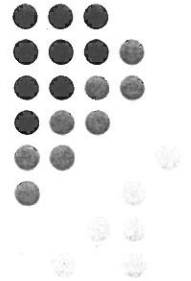
# Investment Policy Revisions



- Identifies fiduciary roles and responsibilities;
- Guides fiduciary actions;
- Inclusion of appropriate asset classes;
- Identifies criteria for manager searches, retention, and termination.
- Periodic updates.



# Vendor Monitoring



- Financial Stability;
- Corporate Transactions;
- TARP Participation;
- Proactive Plan Enhancements.



# Vendor Searches

- Draft RFP;
- Issue RFP to qualified vendors;
- Evaluate vendor responses;
- Prepare written report, comparing and contrasting prospective vendors;
- Score, select & interview finalists;
- Review & confirm proposed line-up of investment options;
- Program implementation (with new vendor, if applicable).

# Criteria for Evaluating RFPs



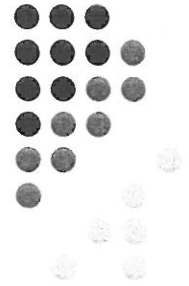
- 403(b)/457 experience;
- Stability and financial strength of firm;
- Communications program;
  - Participant on-site support
- Soundness of recordkeeping systems;
- Level of administrative outsourcing;
- Availability of investment managers;
  - Open vs. closed architecture
- Professional fee schedule
  - All-in fee calculation
  - Transparency (fixed account)
- Transfer restrictions (fixed account);
- Outstanding lawsuits and potential conflicts of interest.



# Vendor Search Timeline Draft: Starting in January 2010

- **Month of January** : Collect plan data from Lincoln and PWCS  
Bolton Partners drafts customized RFP
- **Week of February 15<sup>th</sup>** : PWCS releases the RFP to vendors
- **Week of March 15<sup>th</sup>** : PWCS collects responses from vendors and forwards to Bolton Partners
- **Week of May 17<sup>th</sup>** : Bolton Partners presents initial report to PWCS
- **Week of May 31<sup>st</sup>** : Bolton Partners and PWCS conduct finalist interviews
- **Week of June 7<sup>th</sup>** : Bolton Partners negotiates with finalists; PWCS selects vendor(s)
- **Week of June 21<sup>st</sup>** : Bolton Partners presents fund lineup to PWCS for approval (if necessary)
- **Week of June 28<sup>th</sup>** : Kick off meeting with new vendor (if necessary)
- **Week of November 1, 2010** : If applicable, new vendor begins administering 403(b)/457(b) program

# Expense Audit

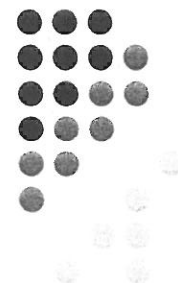


- Evaluate vendor's cost structure:
  - Revenue received from investment options & program fees;
  - Expenses incurred to provide program.
- Improves fee transparency.
- Can result in fee reductions.

# Our History with PWCPs



- Assisted in transition from multiple vendors to a lower cost, single vendor solution in 2002;
- Addition of ROTH feature;
- Reduced expense ratios for several funds;
- Addition of asset class categories:
  - Fixed income index fund;
  - Target date models.
- Replacement of managers due to:
  - Changes in style category; +/-or
  - Under performance.
- Review of stable value option (separate account vs. general account).



# Why Bolton Partners?

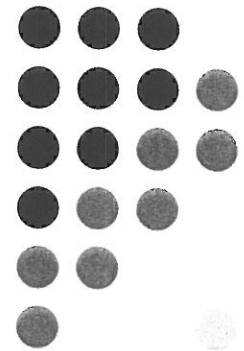
- 8 years of experience with the PWCS Plan;
- 15 years of experience with K-12 403(b) programs;
- 15 years of experience conducting vendor searches;
- The depth of our monitoring reports;
- Independence;
- Contractual co-fiduciary;
- “User friendly” reports;
- Record of meeting deadlines;
- Plan advocate, helping to obtain best terms & features from vendor;
- Competitive fee schedule.

# Biographies of Team Members

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Bolton Partners

*Your Contractual Co-Fiduciary*







# Carol Boykin, CFA

## President

Carol has 25 years of investment experience and focuses on advising Defined Benefit and Defined Contribution plans. Prior to joining Bolton Partners in 2004, Carol held senior positions with several large pension plans. She was Chief Investment Officer of the Maryland State Retirement System, Deputy Chief Investment Officer of Lucent Asset Management, and Securities Investment Officer (head of the investment division) of the New York State Teachers' Retirement System. Prior to that, she managed money for an insurance company.

Carol is a CFA charterholder, and she holds a Masters in Finance from Loyola College and a BA in Economics from Emory University. Carol is a Board member and Past President of the Baltimore CFA Society. She is a member of the Washington Association of Money Managers and CFA Institute.

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# Don Lybrook, MSF

## Director of Research & Senior Consultant

Don has over 14 years of experience in the financial services industry, and 10 years of institutional investment consulting experience with Bolton Partners.

Don focuses on monitoring investment managers, asset allocation, investment policy statements and manager searches. Don has a broad based financial services industry background.

Don graduated summa cum laude from Loyola College, now Loyola University Maryland, with a degree in Mathematics. He received a Masters of Science in Finance from the University of Baltimore and was inducted into the Beta Gamma Sigma, a distinguished business honor society. Don holds Series 6, 63 and 65 licenses.

Prior to joining Bolton Partners, Don developed financial and actuarial models for both ERISA qualified and non-qualified plans. Don joined Bolton Partners in 1999.

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# Mike Beczkowski, MSF

## Senior Defined Contribution Consultant

Mike has 16 years of experience in the financial service industry, and 12 years of institutional investment consulting experience with Bolton Partners.

Mike is responsible for vendor searches for defined contribution plans, with an emphasis on identifying the optimal providers of investment, communications and recordkeeping services to meet each client's unique needs. Mike also serves in a client service and marketing capacity.

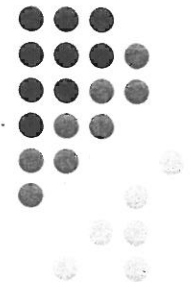
Mike is a member of the National Tax Sheltered Annuity Association, and he holds multiple NASD licenses including Series 7, 24, 63, and 65. Prior to joining Bolton Partners, Mike was employed by T. Rowe Price.

Mike received a Bachelor of Arts from Loyola College in 1991, and he received a Master in the Science of Finance ("MSF") from Loyola College in 1995. He is an advisor to the Loyola College SAP Fund, and he is a Level II CFA candidate.

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# Clyde Randall, CFA



## Consultant & Senior Analyst

Clyde focuses on monitoring investment managers and manager searches. Prior to joining Bolton Partners Investment Consulting Group, Inc. in 2007, Clyde spent over twenty years in equity analysis and portfolio management, first at Mercantile Safe Deposit and Trust and then at Allied Investment Advisors. His experience has included working in value, core and growth styles with large, mid and small capitalization products. Clyde is a graduate of the University of Vermont with a B.A. in Political Science. He is a member of CFA Institute.

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