

Costs

Scope of Services

- Assist the Pension Boards in development of an investment policy statement.
- Assist the Pension Boards in developing and performing reviews for benchmarking fund performance, diversification, and fees and charges.
- Assist in the review of plan documents and recommendations for changes or revisions based upon Pension Board input.
- Monitor compliance with fiduciary responsibilities, advise the Pension Boards of best practices, and communicate emerging issues in pension fund management.
- Attend periodic Pension Board meetings, Town of Avon group employee meetings, and individual participant meetings

Based upon the scope of services required, the annual fee schedule for Ahrens and Associates would be as follows:

Fixed-Price Fee: \$24,000

Hybrid Asset Based Fee: 15 basis points, with a fee cap of \$28,000 annually

Guaranteed Service Levels

Ahrens and Associates guarantee's the following service levels for the Town of Avon:

- Ten days of on-site service annually, to include Pension Board meeting attendance, employee individual meeting, employee group meetings, and any other activities desire by the Boards.
- Quarterly fund performance benchmarking report, to be provided to Pension Board within sixty days of quarter-end.

Failure in performance guarantees will result in the Town of Avon being authorized to immediately terminate contract with Ahrens and Associates. Additionally, Ahrens and Associates will forfeit fees associated with the underperformance of the guarantee. For example, if only five on-site service days were fulfilled within a given contract year, Ahrens and Associates would forfeit 50% of that years fee revenue.

Proposed Mechanism for Fee Payment

The retirement plan consulting fee can be paid from a combination of different sources and methods.

Potential sources and methods of fee payment can include:

- Payment from plan forfeiture account, if allowed by plan document.
- Payment directly from Plan Sponsor, Town of Avon
- Asset based fee assessed to participant accounts.
- Flat fee assessed to participant accounts.
- Revenue reimbursement from retirement plan record-keeper

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Typically, a review of the contract with the plans record-keeper, will provide a starting point on how to proceed with methods of how the consulting fee should be paid. If the current record-keeping contract is priced "out-of market," a new contract can be negotiated to reduce fees and provide revenue to pay plan expenses, including consulting services. If the current contract is due for renewal in the near future, the Plan can issue an RFI to obtain information on alternative record-keeping platforms and corresponding fees.

Ahrens and Associates favors a record-keeping fee model which provides a required-revenue commitment from the provider with all revenue received from plan investment options reimbursed back to plan to off-set plan expenses. We feel strongly that providers should be compensated fairly for their services, however, that compensation should be stated and all revenue generated by plan investment options, such as 12b-1 fees, fund re-allowances and fund reimbursements, should credited back to the plan to pay necessary expenses. The result of such an arrangement typically results in substantial fee reductions and provides a more transparent plan.

Based upon the high average participant balance, \$98,500, in the Civilian and Police plans, the plans are very attractive and will receive very favorable pricing from record-keepers. Once a review of the current contracts of the plans has been completed the Board can then determine additional sources and methods, if necessary, to pay the retirement consulting fee.