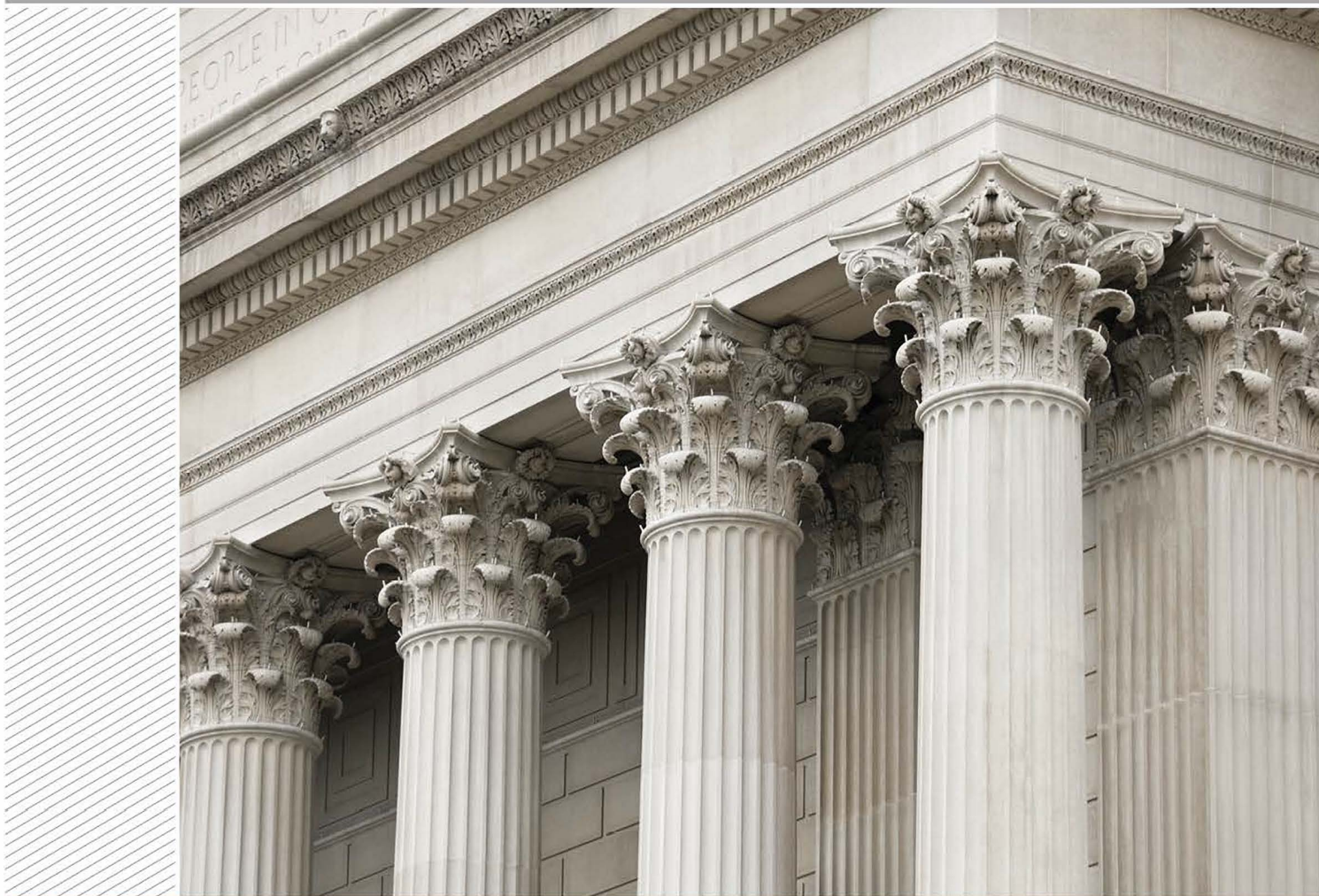


July 10, 2023



CAPTRUST Financial Advisors

Formal Response

**Encompass Health Corporation**

REQUEST FOR PROPOSAL



## A. Firm Overview

### 1. Name of your firm, its address, telephone number, and primary contact for the request for proposal.

The legal name of our firm is CapFinancial Partners LLC, and we do business as CAPTRUST.

CAPTRUST headquarters is located in Raleigh, North Carolina.

#### **CAPTRUST – Corporate Headquarters**

4208 Six Forks Road, Suite 1700

Raleigh, NC 27609

800.216.0645 | Phone

919.870.8891 | Fax

[www.captrust.com](http://www.captrust.com) | Website

The Encompass Health Corporation relationship will be served by Jon Strickland, AIF®, and Paul Owen, AIF®, APR®, MBA, who are based in our Birmingham, AL, Raleigh, NC office respectively, and supported by professionals in our Raleigh, North Carolina headquarters.

#### **Paul Owen, AIF®, APR®, MBA**

Principal | Financial Advisor

205.725.7042 | Phone

[Paul.Owen@captrust.com](mailto:Paul.Owen@captrust.com) | Email

2614 19<sup>th</sup> Street South

Birmingham, AL 35209

#### **Jon E. Strickland, AIF®**

Principal | Financial Advisor

919.278.9878 | Phone

[Jon.Strickland@captrust.com](mailto:Jon.Strickland@captrust.com) | Email

4208 Six Forks Road, Suite 1700

Raleigh, NC 27609

Please go to <https://www.captrust.com/wp-content/uploads/2019/09/Professional-Certification-Designations.pdf> to review an explanation of professional designations referred to or included in this presentation.

### 2. List your regional offices. From which office would you service this account?

CAPTRUST is headquartered in Raleigh, North Carolina, and has expanded to 75 regional offices throughout Alabama, Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, and Washington D.C.

The Encompass Health Corporation would be serviced from our Birmingham, Alabama office, and



supported by our resources located at our Raleigh, North Carolina headquarters.

### 3. How long has the firm been in business? What is the recent history of your firm?

As a group, CAPTRUST has been providing holistic retirement plan advisory services for 37 years. The founders of CAPTRUST joined together to provide institutional and private investors an independent and objective choice for their financial advice and fiduciary support. Beginning in 1987, when the Investment Consulting Group, a division of Interstate/Johnson Lane (IJL) was formed, CAPTRUST was formally incorporated in 1997 and continues to this day to support our founding mission of providing our clients with objective, independent advice and fiduciary support.

CAPTRUST is the largest independent retirement plan advisory firm nationally, based on assets. Given its long history and reach, CAPTRUST's personnel participate in a range of industry events and advocacy initiatives intended to advance the ability of retirement plan sponsors to deliver high-quality retirement programs for their employees, while managing organizational risks and costs.

Examples of industry involvement include:

- CAPTRUST is a founding member of the Institutional Investing Diversity Cooperative (IIDC) and supports the organization's efforts to increase diversity.
- Testimony before Congress and the Department of Labor's ERISA Advisory Council.
- Supporting the Government Accountability Office efforts to evaluate the retirement plan advisory community.
- Participation on the National Association of Plan Advisors' Government Affairs Committee
- CAPTRUST implemented the first Buy-In Pension Risk Transfer strategy in the U.S. (2013).
- CAPTRUST was invited to testify as an expert witness before the Department of Labor regarding retirement plan issues.
- Several CAPTRUST senior team members are actively involved in key industry leadership positions, and were recently invited to Washington, DC to meet with senior ranking officials from the administration to discuss changes to important proposed regulations affecting the future of America's retirement system.

CAPTRUST's singular focus as an organization, and our dedication to serving our clients consistently garner us annual recognition as industry experts and advocates for our clients' needs. We have listed several recent accolades:

- 20 CAPTRUST advisors/advisor teams were honored on *Barron's* 2022 Top 100 Institutional Consulting Teams list. Included in this list are both of your proposed lead advisors, Paul Owen and Jon Strickland.
- In July 2022, *Financial Advisor* Magazine ranked CAPTRUST number one for the seventh year among registered investment advisors (RIAs) with assets of more than \$1 billion.
- 11 CAPTRUST advisors have been chosen for the 2022 Top Retirement Plan Advisers list for *PLANADVISER* Magazine.
- National Association of Plan Advisors (NAPA) named 31 CAPTRUST teams to their Top Defined Contribution (DC) Advisor Teams list for 2022.
- Thirteen CAPTRUST advisors were recognized on the NAPA 2022 Top Women Advisors list





- Eight CAPTRUST financial advisors have been named to NAPA's 2022 Top 100 Retirement Plan Advisors Under 40 list.

**4. Explain your firm's present ownership structure, including affiliates and subsidiaries. Is there a succession plan in place? If so, describe how it will be implemented.**

CAPTRUST is a private company that is majority employee-owned and operates as an independent advisory and financial services firm. We have a long-term minority investor, private equity firm, GTCR. We chose GTCR as our capital partner because of their similar culture, ability to be a longstanding partner, and desire to have only a minority interest in CAPTRUST.

Owning our strategic future assures clients that our focus on retirement plans will continue in the years ahead, our advice will remain independent and objective, and we will work exclusively in the best interests of our clients.

Our firm's processes, human and operational resources, and organizational structure have all been designed with our clients' needs in mind. Our approach, which we call "One Unified Practice," is designed to ensure our independence and objectivity, while providing all our clients with the full scope of resources and depth of expertise within our highly specialized research and operations teams from our centralized resources located at our headquarters.

CAPTRUST is organized into operating groups that each provide services and support to our client base as described below.

**CAPTRUST Operating Groups**

**Advisor Group** – 639 professionals

- Acquisition Integration
- Financial Advisors
- Marketing
- Recruiting and Acquisitions

**Corporate Services** - 165 professionals

- Business Analyst
- Finance and Accounting
- Human Resources
- Information Technology
- Legal and Compliance

**Institutional Group** - 205 professionals

- Defined Benefit
- Defined Contribution
- Endowments and Foundations
- ERISA and Fiduciary Technical Support
- Institutional Client Services and

**Investment Group** - 75 professionals

- Investment Research
- Investment Strategy
- Portfolio Trading and Implementation

**Operations Group** -137 professionals

- Client Reporting
- Facilities Management
- M&A Integrations
- Project Management / NPI Lead
- Trading

**Wealth Management Group** – 247 professionals

- Financial Planning
- Participant Wellness and Advice
- Performance Reporting
- Tax and Insurance Consulting
- Wealth Client Service and Operations
- Wealth Solutions



Operations

- Nonqualified
- Performance Reporting

❖ *Please see our enclosed CAPTRUST Affiliated Companies (RFP Sample 1).*

CAPTRUST's team approach to service for all client accounts ensures continuity and allows us to better serve our client relationships. From our inception, and in anticipation of future growth, we invested in a "centralized service model" that is scalable, focused, and auditable. For example, all investment research, provider relations/negotiations, report preparation, and operational tasks, etc., are performed at our headquarters in Raleigh, North Carolina. Our centralized service model means that you will always have team members who are intimately involved in the details and running of the Encompass Health Corporation plans, should Paul or Jon be temporarily unavailable.

**5. Discuss any prospective changes in ownership, personnel or the business over the next 12 months.**

As stated above, CAPTRUST is a private company that is majority employee-owned and operates as an independent advisory and financial services firm with a long-term minority investor with only a minority interest in CAPTRUST.

We do not anticipate significant changes to the firm's corporate structure, senior management, ownership, or staffing in the next 12 months.

**6. Do you have any affiliations with investment managers, trusts, brokerage firms, etc.? If so, please describe those affiliations, and explain how you avoid conflicts of interest.**

No. As an investment advisor registered under the Investment Advisers Act of 1940, we are required to disclose all conflicts of interest to our clients and prospective clients prior to engagement. The firm discloses any conflict of interest in Form ADV Part 2 (attached).

❖ *Please see our attached Form ADV Part 2 (RFP Sample 2).*

**7. Please confirm that your firm will not accept any commissions or other remuneration from any service providers in exchange for placing or renewing the Plans' business with that provider.**

Confirmed.

**8. Does your firm provide trust, investment management or securities brokerage services (including commission recapture)? If so, please identify and explain all such services provided.**

No. Zero percent of our firm's revenue is derived from these services. Our firm's revenue is derived from our investment consulting services.



**9. What percentage of last year's revenues was attributable to such trust, investment management or securities brokerage services, including commission recapture?**

Zero percent.

**10. Please describe the retirement plan assets your firm has under advisement and the breadth of relationship types (e.g., discretionary, advice-only, certain asset class specific).**

Forty-five percent (45%) of CAPTRUST's annual revenue is derived from retirement advisory services provided to institutional plan sponsors; the remaining fifty-five percent (55%) is derived from services provided to endowments, foundations, assets pools, and high-net-worth individuals and affluent families.

As of 3.31.23, CAPTRUST provides holistic retirement plan advisory services to 3,572 institutional clients representing 5,507 plans and more than \$737.3 billion in assets. Additionally, as of 3.31.23, CAPTRUST provides defined contribution retirement plan advisory services to 3,961 retirement plans and \$639.1 billion in assets. Of that number, 1,074 are discretionary relationships, representing more than \$75.7 billion in assets.

**11. Are you and/or your firm registered with the SEC as an investment advisor? If so, provide your Form ADV Part II.**

CAPTRUST is an investment advisor registered with the U.S. Securities & Exchange Commission (SEC) under the Investment Advisers Act of 1940. We are "notice filed" in North Carolina because that is where we are domiciled, as well as with many state regulatory authorities, depending upon the specific requirements of each state in which advisory clients are located.

❖ *Please see our enclosed CAPTRUST Form ADV Part 2 (RFP Sample 2).*

**12. Have you or your firm been involved in any litigation in the last five years related to investment consulting or related services? If so, please describe.**

CAPTRUST has been an involved party in litigation matters with respect to CAPTRUST's retirement plan and private wealth services. A summary of the litigation matters is provided below. **No member of your dedicated CAPTRUST team has ever had any disciplinary actions brought against them.**

In December 2019, a former (wealth) client of CAPTRUST filed a lawsuit against CAPTRUST in the United States District Court for the Northern District of Alabama, Southern Division (Civil Action No. 2:19-cv-2082-GMB). The lawsuit alleged that the client's assets were not appropriately invested by CAPTRUST and sought damages related to additional returns that could have been made if the assets had been invested differently. On February 4, 2020, the Court dismissed the lawsuit based on the parties' joint stipulation. The plaintiff subsequently filed an arbitration proceeding with FINRA. **Although CAPTRUST believed the claims to be baseless and maintained that it properly fulfilled all of its fiduciary duties to its client, the parties reached a settlement and the arbitration was subsequently withdrawn on August 24, 2021.**



In August 2021, a former employee of CAPTRUST initiated an arbitration proceeding involving allegations of wrongful termination. **CAPTRUST had retained Ogletree Deakins to represent it in this matter. On February 12, 2023, the arbitrator issued an opinion in CAPTRUST's favor, dismissing all of the plaintiff's complaints.**

In February 2022, CAPTRUST initiated an arbitration proceeding against a former employee regarding alleged violations of such employee's restrictive covenants. **CAPTRUST had retained Ogletree Deakins to represent it in this matter. The parties reached a settlement and the arbitration case was closed on January 30, 2023.**

In September 2022, a plan participant in a 401(k) retirement plan sponsored by a client of CAPTRUST's (the "*Client*"), filed a class action lawsuit against the Client, the retirement plan committee, CAPTRUST, and certain other named individuals in the United States District Court for the Northern District of California (Civil Action No. 3:22-cv-05667). CAPTRUST retained Sidley Austin to represent it in this matter. In December 2022, CAPTRUST filed a motion to dismiss the claims made against it. Plaintiffs, without responding to the motion to dismiss, amended its complaint, abandoning its original claims and pleading new allegations related to prohibited transactions against CAPTRUST. **In April 2023, CAPTRUST amended its motion to dismiss, which remains pending.**

In October 2022, a plaintiff filed a civil rights class action against CAPTRUST in the United States District Court for the Southern District of New York (Civil Action No. 1:22-cv-08733). The lawsuit alleges, among other things, that CAPTRUST violated the plaintiff's rights under the Americans with Disabilities Act by its failure to design and operate a website fully accessible to, and independently useable by, the plaintiff and other blind or visually-impaired people. **CAPTRUST has retained Ogletree Deakins to represent it in this matter. The parties reached a settlement in February 2023 and the plaintiff voluntarily dismissed the suit on March 1, 2023.**

**13. Over the last ten years, has your firm or a principal or employee or agent of your firm been investigated or charged by the SEC, the National Association of Securities Dealers, the U.S. Departments of Justice or Labor, the Internal Revenue Service, or any other federal, state, or local agency for any purported or actual violation of applicable law? If yes, please explain.**

No, not while employed by our firm. There are two NASD (now FINRA) violations on behalf of one current advisor at the firm and one former advisor, all of which occurred prior to employment with CAPTRUST:

1. *Current Financial Advisor:* In 2012, a Financial Advisor, in his capacity as supervising principal was suspended by NASD for 30 days and fined \$15,000 due to the firm's failure to set up a proper escrow account inadvertently causing a net capital violation.
2. *A Former Advisor:* In 2013, an associated person at our firm resigned his employment with CAPTRUST on the same day that he was issued an administrative order by the SEC for administrative violations of the Advisers Act, not involving CAPTRUST in any way.

\*Please note: None of your designated service team has ever had any disciplinary actions or been the subject of an investigation.



## 14. What investment consulting services do you provide?

The primary function of our firm is to provide retirement plan advisory services to retirement plan fiduciaries and their participants, built upon the principle that investors are best served by working with independent advisors who maintain complete objectivity and work exclusively in the best interests of the client.

Our goal is to help our clients make their retirement benefit programs as successful as they can be, ensure the plans are competitively priced relative to the industry, and warrant that the processes and decisions made are done in a manner that reduces overall risk and liability to the plans, fiduciaries, and participants. To that end, we seek to understand our clients' unique circumstances and characteristics, and to help to adapt fiduciary best practices to their participants.

All services are provided by in-house professionals; no affiliate members or sub-contractors are used. Listed below are our core service offerings.

- I. Investment Advisory Services
- II. Fiduciary Training and Review
- III. Fee Benchmarking Services
- IV. Vendor Search and Selection Services
- V. Participant Education and Advice Services - *Optional*
- VI. Executive Financial, Estate and Tax Planning Services – *Optional*

We feel that true success and effectiveness, although unique to each client, can be measured when five key areas of the plans are properly aligned.

- **Plan Design:** Our Professional Services Group works to design and help manage a successful defined contribution plan structure that fits your participant demographics and company goals. To aid in this area, CAPTRUST has industry veterans and subject matter experts with an average of 30+ years of experience in plan design.

Evaluation points include:

- Auto features
- Match formula
- Match timing
- Distribution options
- Vesting schedule/approach
- Eligibility

- **Participant Engagement:** One of the goals of this pillar is striking the balance among communication, education/advice, and plan design to optimize your participants' retirement readiness. CAPTRUST works with more than 4,200 institutional defined contribution plans and has a dedicated team of licensed professionals to deliver advice and consult on education and communication strategies.

Evaluation points include:





- Participation rates
- Deferral rates
- Investment diversification
- Loans, hardships, in-service withdrawals
- Early, mid-, and late career
- Beneficiary elections
- Utilization of recordkeeper resources (e.g., website, apps, advice services, etc.)

- **Fiduciary Process Management:** We develop, follow, and document a consistent process to ensure your compliance with fiduciary obligations. CAPTRUST works alongside plan sponsors to provide management of their fiduciary process by offering clients an online secure fiduciary portal for ongoing documentation of process.

Evaluation points include:

- Committee structure
- Delegation of authority to act on behalf of “named fiduciary”
- Investment policy and related statements of such policy
- Fee allocation philosophy
- Ongoing documentation approach

- **Vendor Management:** We provide continuous oversight of vendor services and associated fees to ensure reasonableness per ERISA obligations. Additionally, we determine the optimal approach to paying fees with plan assets. CAPTRUST employs a dedicated eleven-person team focused on vendor benchmarking and management. As a firm, we conduct more than 540 benchmarking projects each year and maintain a database of all bids received. We proactively benchmark our clients against this internal database at least annually.

Evaluation points include:

- Reasonableness of fees considering: asset growth, participant count changes, services rendered, and market pricing
- Robustness of plan sponsor-level reporting
- Service model

15. Does your firm provide any other services or engage in any other lines of business aside from investment advisory services, trust, investment management, or securities brokerage services? If so, please describe such services and the percentage of last year’s revenues that was attributable to such services.

No.

16. Does your firm have any clients or associations that could present a conflict of interest and possibly compromise the objectivity of its advice and other services to the Plans? If so, please explain.



No. As an investment advisor registered under the Investment Advisers Act of 1940, we are required to disclose all conflicts of interest to our clients and prospective clients prior to engagement. The firm discloses any conflicts in Form ADV Part 2. As co-fiduciary under ERISA, we do not foresee any conflict arising based on the proposed advisory relationship with Encompass Health Corporation.

**17. Does your firm solicit or accept any form of compensation (direct or indirect) to include any investment managers, custodial banks, or other service providers in your database or in any search? If so, please explain.**

No. CAPTRUST can be compensated only by “direct” fees and cannot accept indirect compensation from any third-party in connection with any qualified plan or qualified plan assets. CAPTRUST compensation cannot exceed our contractual fee as stated in our retirement plan advisory services agreement with the plan sponsor.

**18. Does your firm solicit or accept any form of compensation (direct or indirect) from investment managers, custodial banks, or other service providers that are under contract with the clients for whom you perform investment consulting services? If so, please explain.**

No. See our answer to the previous question in this section.

**19. Does your firm carry fiduciary liability, cyber liability, and/or any other insurance? If so, please describe the insurer(s), the type(s) of insurance coverage, the beneficiary of such coverage, the aggregate and per occurrence limits of such coverage and the deductible amount under such coverage. Will you supply a copy of each policy for review if requested? Does such insurance require notice of pending cancellation to your clients? If not, would you agree to require such notice to the Plans?**

Yes. Our professional liability insurance information is below.

**CAPTRUST Coverage for Professional Liability Insurance (E&O/D&O)**

Carrier: Zurich (lead carrier) + CNA + XL Specialty Insurance Co + Markel American Insurance Co + QBE Insurance Corporation + Nationwide + Allianz

Limit: \$40,000,000 per claim and in aggregate

Rating: AM Best A+

**CAPTRUST Coverage for Fidelity Bond**

Carrier: CNA

Limit: \$10,000,000 in aggregate and \$5,000,000 per claim

Rating: AM Best A++

❖ *We have enclosed additional information about our insurance coverage in the enclosed CAPTRUST Certificate of Insurance (RFP Sample 3).*

CAPTRUST does not typically provide a copy of the actual policy, should a copy of each policy be needed, it can be requested for review. Additionally, a notice of pending cancellation is not



automatically provided to all clients, but we would agree to provide this notice if available from the specific carriers.

**20. Have you made any claims in the last five years on the insurance referenced in the previous question? If yes, please provide a description.**

Yes. CAPTRUST has made minor claims for auto, worker's compensation, and property. Two claims against our E&O relative to class action lawsuits where we were named as co-defendants, but ultimately only one exceeded the retention amount relative to the costs to defend.

**21. Please provide a description of material contingent liabilities against your firm.**

CAPTRUST is a party to the pending lawsuits summarized below. Inclusion of these matters in this response is not indicative of any particular evaluation or opinion, express or implied, that an unfavorable outcome is either probable, possible, or should be considered material.

In August 2016, a plan participant in a 403(b) Pension Plan sponsored by a client of CAPTRUST (the "Client"), filed a class action lawsuit against the Client and its oversight committee in the United States District Court for the Southern District of New York (Civil Action No. 16-cv-6525). The lawsuit alleged that the defendants breached various fiduciary duties owed to the participants in two of the Client's retirement plans. In December 2016, the Plaintiff amended his complaint, naming the head of the committee and CAPTRUST as additional Defendants. The Complaint did not specifically allege any wrongdoing by CAPTRUST; but merely lumped it together with the Client and the Oversight Committee. CAPTRUST retained Sidley Austin to represent it. Pursuant to motions filed by CAPTRUST, the Court agreed and has either dismissed, with prejudice, or entered summary judgment in favor of CAPTRUST on all claims filed against it by Plaintiff. On January 12, 2021, the Plaintiff filed a blanket appeal of all of the Court's orders as to all defendants and the case is currently pending before the Second Circuit.

In September 2022, a plan participant in a 401(k) retirement plan sponsored by a client of CAPTRUST (the "Client"), filed a class action lawsuit against the Client, the retirement plan committee, CAPTRUST, and certain other named individuals in the United States District Court for the Northern District of California (Civil Action No. 3:22-cv-05667). CAPTRUST retained Sidley Austin to represent it in this matter. In December 2022, CAPTRUST filed a motion to dismiss the claims made against it. Plaintiffs, without responding to the motion to dismiss, amended its complaint, abandoning its original claims and pleading new allegations related to prohibited transactions against CAPTRUST. In April 2023, CAPTRUST filed a motion to dismiss the amended petition that remains pending.

**22. Provide a brief overview of your firm's cybersecurity measures and how participant data is protected.**

CAPTRUST maintains an effective information security program modeled after NIST 800-53 guidelines. These policies are summarized in the enclosed Information Security Brief. The Information Security Policy outlines the requirements of all personnel and contractors. It is signed upon hire and annually thereafter. The Information Technology Standards document lays out technical standards that the Information Technology team must meet for technology assets. The



Critical Incident Response Plan addresses how the firm should prepare for and respond to any significant threats or disclosures. The Business Continuity Plan addresses how the firm prepares for and addresses significant events that might impact the ability to provide services to clients.

CAPTRUST's policies and procedures are designed to protect the confidentiality, integrity, and availability of a client's personal information as follows:

**Administrative Controls:** Pursuant to our Privacy Policy, private client information is accessible to employees on a "need to know" basis. That is to say, only those persons who are engaged in the client services being performed on behalf of the client have access to the client records. Our anti-money laundering and customer identification policies and procedures require employees to exhibit great care and discernment in the handling of private (personal) information of CAPTRUST clients. Employees are trained on these policies, and employee computer drives are synced to our servers so that all employee computers are audited on a rolling basis by our Compliance Department to detect any misuse of private client information. Copies of client documents that are sent out in hard copy are redacted to remove private (personal) information such as social security numbers and dates of birth. Encryption has been implemented with email going out to clients to protect sensitive material.

**Technical Controls:** Controls on the firm's network perimeter (ingress/egress) are administered from Meraki Cloud Portal to network and security appliances. Meraki Wireless Access Points (APs) are implemented at CAPTRUST offices that are centrally controlled by the Meraki Cloud Portal. Service Set Identifiers (SSID) of the corporate wireless network are not broadcast; Wi-Fi Protected Access (WPA) security is used with WPA2 encryption along with passphrases. CAPTRUST-managed devices are permitted to connect via a Radius server (802.1x), which provides an authentication framework that allows a user to be authenticated by a central authority. This control ensures that only CAPTRUST employees on managed devices are allowed to connect to the internal network.

We use a variety of encryption tools to support information safeguarding:

- HTTPS with certificates for websites and web applications
- Email uses TLS by default, and we can arrange to ensure all email is only sent via TLS through a TLS Business Partner arrangement
- Mimecast Secure Email gateway for email encryption to end-users (e.g., email to a secure portal)
- SharePoint and Office 365 for secure data exchange
- Hashing (salted) for user provided credentials maintained for access within CAPTRUST Direct
- Encryption at rest for all databases
- All storage is fully encrypted

#### *Data Security Measures*

We use a variety of enterprise-grade technologies to ensure the Confidentiality, Integrity, and Accessibility of our data, including:

- Email security to sanitize all inbound and outbound email. Mimecast removes malicious attachments, rewrites URLs, and identifies suspicious emails that closely match those of employees. The platform automatically detects protected information in outbound email and





converts to a secure portal. Additionally, notification banners are automatically inserted into emails to alert of suspicious or untrusted senders (including impersonation attempts).

- Single Sign-On and identity federation. We enforce Multifactor Authentication for offsite users.
- Endpoint Detection & Response (EDR) for anti-malware scanning, DLP protection for removable media (restricted only to FIPS-compliant USBs), and to ensure all endpoint disks are encrypted using AES-256.
- Scanning: Vulnerability scanning, SIEM, and security logging/archiving.
- Security Incident & Event Management (SIEM) for examining network traffic and real-time detection of Ransomware attacks.
- Network Access Control (NAC), Firewalls, intrusion detection, and VPN ensure only authorized access into our network.
- Zero-Trust Platform for web filtering, advanced threat protection whether employee is on our network or remote
- Every email is archived for a minimum of six years, which our Compliance Department reviews and randomly audits. Paper records, where required, are stored in accordance with the Investment Advisers Act of 1940 and the Securities Exchange Act of 1934.
- An external security assessment of CAPTRUST and Penetration Tests of applications, network and servers are performed by external parties, annually.

❖ *Please see our enclosed Information Security Brief (RFP Sample 4).*

**23. Please describe the structures you have in place to ensure ongoing compliance with the “Cybersecurity Program Best Practices” issued by the United States Department of Labor in April 2021, and any subsequent guidance (e.g., contractual provisions in service agreements, etc.).**

❖ *Please see our enclosed CAPTRUST Department of Labor Cybersecurity Best Practices (RFP Sample 5).*

**24. Has your firm been subject to any cybersecurity audits? If so, provide details.**

Yes. Each year, CAPTRUST has at least two penetration tests (along with a Security Risk Assessment) performed by independent, nationally recognized security assessors. We would be happy to share the results of our most recent engagement under a non-disclosure agreement.

**25. Please provide a description of any data breaches that have affected your firm in the past 36 months, and steps taken to protect benefit plan clients and participants following any such breach.**

CAPTRUST can answer this question under an executed non-disclosure agreement.

❖ *Please see the attached “CAPTRUST NDA – Encompass Health Corporation” (RFP Sample 6).*

**26. Provide a draft consulting/service agreement required by your firm for the services referred to above. Please indicate whether you will consider modifications to the consulting/service agreement and respond to the following related questions:**



**a. If retained, will your firm agree to incorporate all of your responses to this RFP into your consulting/service agreement?**

CAPTRUST would expect all contractual terms governing the services to be included in the body of the services contract. The RFP and CAPTRUST's response thereto are not inherently contractual service documents (for example, it includes items such as sample quarterly reports, client lists, other business information and responses, referrals, etc.). and thus should not be included in the services contract.

**b. If retained, will your firm agree to act as a fiduciary in accordance with ERISA's fiduciary standards regardless of whether the conduct constitutes fiduciary conduct under ERISA?**

Yes.

**c. If retained, will your firm seek to limit its liability in any way in your consulting/service agreement or otherwise?**

CAPTRUST does not seek to impose any sort of dollar-based limit. However, our standard contract does exclude non-direct damages for both parties (please see section 5.2 of our standard contract).

**d. If retained, will your firm seek to include an indemnity from the Plans in your consulting/service agreement?**

Yes. Please see section 4.1 of our standard contract. Please note that the client would *not* be obligated to indemnify our firm for losses that arise out of our negligence, breach of contract, or violation of applicable law.

**e. If retained, will your firm agree to indemnify the Plans, the Committee and Encompass Health Corporation from losses resulting from the firm's negligence, willful misconduct, violation of law or breach of the consulting/service agreement?**

Yes.

**f. If retained, will the service agreement require ongoing compliance with cybersecurity standards?**

Yes. Please see the last sentence of section 3.3 of our standard contract. In addition, CAPTRUST covenants to comply with all applicable laws (which would include any laws related to data privacy) (see section 6 of our standard contract).

❖ *Please see our enclosed Standard Retirement Plan Advisory Services Agreement and Nonqualified Services Agreement (RFP Samples 7 & 8), Defined Contribution Non-Discretionary and Discretionary Schedules of Services (RFP Samples 9 & 10), and Nonqualified Non-Discretionary and Discretionary Schedules of Services (RFP Samples 11 & 12).*



## **B. Clients/Staff**

### **1. Number of clients (in the following asset ranges)**

#### **a. 0-50 million**

2,557 clients.

#### **b. 51-100 million**

379 clients.

#### **c. 101-500 million**

674 clients.

#### **d. 500-1 billion**

167 clients.

#### **e. Over 1 billion**

164 clients.

#### **f. Total number of clients**

3,941 clients.

### **2. Please list, on an attachment, a representative list of your investment advisory clients.**

❖ *Please see our enclosed Representative Client List (RFP Sample 13).*

*\*Representative clients were selected to illustrate the broad diversity of the firm's client base by size, type, and industry. No direct or indirect compensation has been paid to these representative clients in connection to this or any other advertisement.*

### **3. Please list clients that have terminated your firm's service during the past three years, and indicate their reasons for terminating your services.**

The dedicated CAPTRUST team assigned to service Encompass Health, had four client terminations during the last three years. Included in this number are terminations due to company bankruptcy, consolidation, and other extenuating circumstances.\*

Two client examples include:

- Dynetics in Huntsville, AL was purchased by Liedos in 2021 and merged into their larger benefit plans late in 2022.
- Alion based in Washington, DC, was purchased by Huntington Ingalls industries (HII) in 2021 and merged into their benefit plans early in 2022.



*\*Data based on client terminations in 2020, 2021, and 2022.*

**4. For reference purposes, provide the name, address, telephone number and contact person for five current clients for whom your firm provides comprehensive investment advisory services.**

**Childrens Hospital**

Birmingham, AL

Dean Douglas, Chief Human Resources Officer

[Doug.dean@childrensal.org](mailto:Doug.dean@childrensal.org) | Email

205.939.6955 | Phone

**Protective Life**

Birmingham, AL

Rachel Goodson, CPA, Director

[Rachel.goodson@protective.com](mailto:Rachel.goodson@protective.com) | Email

205.268.5724 | Office phone

**Bradley Arant Boult Cummings LLP**

Birmingham, AL

Chris Smith, Director of Benefits & Payroll

[csmith@bradley.com](mailto:csmith@bradley.com) | Email

205.521.8477 | Office phone

**EBSCO Industries**

Birmingham, AL

Terri Deneen, CPA, CFE, MBA, Plan Committee

[tdeneen@ebSCO.com](mailto:tdeneen@ebSCO.com) | Email

205.991.1328 | Phone

**Infineon Technologies of America**

198 Champion Court, Building 6

San Jose, CA 95134

Mona Richmond, Sr. Director, Compensation/Benefits

[Mona.Richmond@infineon.com](mailto:Mona.Richmond@infineon.com) | Email

408.503.2667 | Phone

**5. Who will service our account? Provide resume (including background and professional qualifications) on each person, assigned to our account.**

The Encompass Health Corporation relationship will be served by Jon Strickland, AIF®, who is based in our Raleigh, North Carolina headquarters and Paul Owen, MBA, AIF®, APR, who is based in our Birmingham, AL office. As the lead advisors, Jon and Paul provide oversight of all operations within the team and delegate responsibilities to the appropriate parties which are centrally located in Raleigh. Additional team members include specialists assigned to specific roles and responsibilities including the identification of investment managers, performance





monitoring, and performance reporting.

**Jon E. Strickland, AIF®**

**Principal | Financial Advisor**

Raleigh, NC

[Jon.Strickland@captrust.com](mailto:Jon.Strickland@captrust.com) | Email

Prior to joining CAPTRUST in 2004, Jon was a Financial Advisor with Edward Jones. Jon earned a Bachelor of Science degree in Business Administration with a concentration in Finance and Accounting and an MBA and MSA from East Carolina University. He is certified as an Accredited Investment Fiduciary (AIF®) by the Center for Fiduciary Studies in association with the University of Pittsburgh's Katz School of Business. Jon is member of the Board of Directors at East Carolina University, which oversees the University's Endowment and Foundation funds. Jon is also a member of Christian Baptist Fellowship, which oversees and coordinates adult mission trips. Additionally, Jon was nominated for *PLANSponsor* Magazine's "Advisor of the Year" Award and ranked #6 out of 100 advisors nominated nationally. Jon was named to *NAPA's* "Top 50 Under 40 Young Guns" list in 2015 and 2017. For the last four years *Barron's* has published a listing of the Top 50 Institutional Consultants, Jon Strickland's advisory team was ranked #1 in 2018, #12 in 2019, #25 in 2020 and #23 in 2021. Also, Jon's team was named in the Financial Times listing of top retirement advisors in both 2020 and 2021.

**Paul Owen, MBA, AIF, APR**

**Partner | Financial Advisor**

Birmingham, AL

[Paul.Owen@captrust.com](mailto:Paul.Owen@captrust.com) | Email

Paul joined CAPTRUST in 2008 as principal and financial advisor and is responsible for providing fiduciary advisory services to retirement plan fiduciaries and individuals. Prior to joining the firm, Paul served as director of retirement plans at UVEST Financial, a division of LPL Financial, in Charlotte, North Carolina, and has worked in the industry since 2000. Paul was a letterman on the Auburn University football team and graduated with his Bachelors in Finance. He subsequently earned a Master of Business Administration from the Manderson School of Business at the University of Alabama and is certified as an Accredited Investment Fiduciary (AIF®) and an Accredited Pension Representative (APR). Additionally, Paul has been nominated and received multiple industry awards over numerous years including: *PLANADVISER* Top Retirement Plan Advisors, *Barron's* Top 100 Institutional Consultants, *NAPA* Top Advisory Teams, Financial Times listing of top retirement plan advisors, and Business of Alabama, and BBJ to investment advisory firms in the state.

**CAPTRUST Service Team**

CAPTRUST's approach to service for all client accounts ensures continuity and allows us to better serve our client relationships. Our firm's approach to service dictates a dedicated team of multiple professionals to each client relationship. Our staff brings with them a unique blend of academic credentials, investment consulting, and business experience that combine to effectively serve the objectives of our client base.



Michael J. Vogelzang, CFA®, Grant Verhaeghe, David Hood and Brent Hartman are specialists assigned to specific roles and responsibilities for the Encompass Health Corporation relationship, including the identification of investment managers, performance monitoring, and performance reporting.

Their biographies, credentials and experience are provided below and on the following page.

**Michael J. Vogelzang, CFA® - Investment Research and Analysis**  
**Chief Investment Officer | Investment Group**

Mike serves as CAPTRUST's chief investment officer (CIO), and brings more than 30 years of portfolio management, market strategy, and investment research experience to the firm. As CAPTRUST's CIO, Mike oversees the Investment Group, which includes manager and security research, portfolio management, and a team of investment strategists. This group's investment capabilities are supported by more than 30 additional investment professionals across the firm's wealth and Institutional Solutions Groups, each of whom focuses on applying and customizing investment research and views to meet the needs of various clients.

Prior to joining the firm, Mike was president and chief investment officer of Boston Advisors. Before that, he held senior positions with Freedom Capital Management and Shawmut Investment Management. He began his investment career at The Boston Company.

He is frequently invited to speak at industry conferences, interview in the financial media, and contribute articles to portfolio management journals. He holds the Chartered Financial Analyst® (CFA®) designation and is a member of the CFA® Society of Boston. Mike also serves as the Chair of the Investment Committee of the Chicago area Barnabas Foundation, a \$600 million faith-based planned giving organization. In addition, Mike sits on the Investment Committee of his alma mater, Calvin University.

**David Hood - Investment Research and Analysis**  
**Director, Investment Research | Investment Group**

David A. Hood is a Senior Director and head of CAPTRUST's Investment Manager Due Diligence team. In this role, David is responsible for investment manager research and oversees the efforts of the due diligence team. David's primary responsibilities are to evaluate, source and monitor investment vehicles for clients across CAPTRUST's primary business lines. In addition, David conducts primary asset class and strategic research. Prior to joining CAPTRUST, David worked for Sony Corporation in Los Angeles and for a supply chain services company providing customized power management solutions. David earned a bachelor's degrees from the University of North Carolina at Chapel Hill in journalism and political science and an MBA from Wake Forest University in finance. David and his team provide manager due diligence and analysis to our entire client base.

**Brent Hartman - Investment Strategist**  
**Senior Manager, Investment Research | Investment Group**

In his role as Senior Manager in our Investment Group, Brent focuses on institutional clients. He most recently comes to us from The Newport Group as a Senior Investment Consultant. While



working at The Newport Group, Brent provided investment consulting to institutions. Prior to that, Brent worked at the Retirement Corporation of America where he worked with 401(k) plan sponsors on investment issues such as fund selection, fund monitoring, and model portfolio construction. Brent is a graduate of Brigham Young University with a bachelor's degree in accounting and economics. Brent also received his MBA in Finance and Investments from Purdue University. Brent and his team provide investment research, review, and analysis to our institutional client base.

**Audrey Wheat – Vendor Analysis  
Senior Specialist, Provider Services**

Audrey joined CAPTRUST in 2016 as a client management consultant responsible for supporting our client service efforts on the institutional service team. Prior to joining CAPTRUST, Audrey served as an internal sales consultant at T. Rowe Price and has worked in the industry since 2008. She earned a Bachelor of Arts in communication from the University of Colorado at Colorado Springs and holds the designation of Chartered Retirement Planning Counselor (CRPC).

**Benjamin Sroka, ARPS  
Client Relationship Manager**

Ben is responsible for coordination and delivery of all CAPTRUST advisory services, supporting team members, and client deliverables.

Ben joined CAPTRUST in 2018 as a client management consultant responsible for supporting our institutional retirement clients through the conversion and onboarding of their retirement plan as well the continual service. Prior to joining CAPTRUST, Benjamin spent 8 years with Fidelity investments working in multiple roles focused on defined contribution and defined benefits platforms and marketplace. Additionally, he was directly involved with Fidelity's leadership development and training program for new associate hires. Benjamin is keenly aware of internal retirement plan systems, operational processes, and workflow deliverables to clients, and he utilizes his industry experience and expertise to help service clients and resolve conflicts and bottlenecks. He has his securities series 99 license and has been in the industry since 2010. In addition to Benjamin's working at CAPTRUST, he is actively involved with the CAPTRUST Community Foundation which focuses on enriching the lives of children.

Please go to <https://www.captrust.com/wp-content/uploads/2019/09/Professional-Certification-Designations.pdf> to review an explanation of professional designations referred to or included in this presentation.

**6. How will the employees assigned to our account function, including the primary lead person, back-up, quality control procedures, and support services?**

Senior/partner level advisors will manage the Encompass Health Corporation relationship at CAPTRUST. These primary points of contact will be Jon Strickland and Paul Owen. CAPTRUST believes having two senior advisors assigned to the relationship allows for additional expertise, idea sharing, and continuity.



Jon and Paul will attend all Encompass Health Corporation meetings and help ensure that all aspects of the retirement plans are aligned and competitively priced in order to provide participants a sound retirement option, as well as ensure that fiduciary best practices and procedures are being followed and documented. They will also bring appropriate specialist team members, who are centrally located in our Raleigh headquarters, into the discussion as needed over time to supplement the analysis and decision-making process for the committee.

In addition to Jon and Paul, our firm's approach to service uses a dedicated team of at least five professionals to each client relationship, including dedicated team of at least five professionals charged with providing direct support to the plan. Further, CAPTRUST's unique Central Service Model allows us to access the full breadth and depth of the firm's 1,300+ employees.

From our inception and in anticipation of future growth, we invested in a "centralized service model" that is scalable, focused, and auditable. For example, all investment research, provider relations and negotiations, report preparation, and operational tasks, etc., are performed at our headquarters in Raleigh, North Carolina. This accomplishes three things: 1) It allows our advisors to spend more time advising clients, 2) Our advisors can handle more relationships without sacrificing service, and 3) We can ensure that our advice and recommendations are consistent across our entire client base.

Jon and Paul will provide oversight of all operations within the team and delegate responsibilities to the appropriate parties. Additional team members are specialists assigned to one of the key areas related to your retirement plans, described in our response to the previous question in this section. This approach ensures that you will always have access to highly competent specialists, who have expertise with investments, macro-economic conditions, and retirement plan specific issues.

**7. How is professional staff compensated? Has the compensation structure changed in the past three years? If so, how has that affected your ability to retain consultants?**

All CAPTRUST employees, except financial advisors, are compensated on a salary plus bonus plan. Employees can qualify for a bonus, or a company stock program based on tenure and several subjective criteria. Financial advisors for CAPTRUST are compensated based on relationship management of their client base and overall client retention. Advisors can qualify for equity participation in the firm based on tenure, productivity, compliance record, and community involvement. Neither the firm nor any CAPTRUST employee receives any compensation, either directly or indirectly, from investment managers or service providers. This includes gifts, entertainment, trips, or indirect compensation in any form.

**8. Describe your firm's 3(21) services and 3(38) services, if any, and corresponding fees.**

CAPTRUST can serve a plan sponsor as an ERISA Section 3(21) fiduciary or as a fiduciary under ERISA Section 3(38).

- **ERISA Section 3(21):** Fiduciary liability is limited in these cases. The parties who act in a 3(21) capacity are specifically limited (you have to meet the definitions in the law), and a registered investment advisor who receives compensation for his or her advice meets the definition. In this





role, we assume fiduciary liability in a joint role with the plan sponsor. The plan sponsor typically retains the final decision-making authority but relies on the investment expert to provide advice and services that the plan sponsor utilizes to fulfill their overall fiduciary responsibility under ERISA. This is the standard service model that CAPTRUST uses.

As of 3.31.23, CAPTRUST provides holistic 3(21) non-discretionary retirement plan advisory services to 3,961 institutional plans representing more than \$639.1 billion in assets.

- **ERISA Section 3(38):** The plan sponsor appoints CAPTRUST to act as an investment manager with discretion over the investment fund menu. This would mean that we would add, replace, and manage the investment fund menu without seeking approval for our decisions from the plan sponsor – this allows the plan sponsor to transfer fiduciary responsibility to CAPTRUST for the sole fiduciary role of investment selection. CAPTRUST does have the ability to serve as section 3(38) fiduciary and charges a premium to coincide with the additional responsibility.

As of 3.31.23, CAPTRUST provides holistic discretionary retirement plan advisory services to 1,074 institutional plans representing more than \$75.7 billion in assets.

As regulatory and legislative bodies place more and more arduous requirements on plan sponsors, more plan sponsors are realizing the value of a discretionary (ERISA § 3(38)) relationship with their investment consultants. Some committees realize that they do not have the expertise or desire to take on the fiduciary liability of monitoring plan investments; in these cases, a discretionary relationship can help shield the plan sponsor from responsibility for many (but not all) of its fiduciary obligations. CAPTRUST sees this segment of the market growing significantly in the future.

Choosing the ERISA Section 3(38) option allows the plan sponsor to relinquish fiduciary responsibility and gives CAPTRUST the sole fiduciary role for investment selection. Our approach to 3(38) investment management leverages the deep bench and infrastructure of our centralized research team - and dedicated staff allocating 100% of their time to our 3(38) oversight and implementation.

Since taking our first 3(38) engagement in 2008, we have worked with the recordkeepers and investment managers to build processes and enhance documents and agreements (including recordkeeping service agreements from the largest and most well-known recordkeepers) to allow CAPTRUST authorized signors to sign on behalf of each of our 3(38) clients, in matters regarding the management of their plan investments. We have developed comparable signing authority documents with many asset managers that offer collective investment trusts to our 3(38) clients for discounted pricing that compares to what hundreds of millions of dollars' worth of buying power would pay, and, in many cases, without any required investment minimums. We continue to use the leverage of our firm and our centralized approach to find better and more efficient ways to manage plans on behalf of our plans, ultimately working to achieve better outcomes for participants.

9. Please list all consultants and other senior professionals (*i.e.* research directors, directors of marketing, directors of manager search, etc.) who have left your staff for the past three years. Include their reasons for leaving, or why they were terminated.



The following professionals either retired or transitioned from CAPTRUST during the last three years.

- Chief Financial Officer
- Chief Investment Officer
- Senior Director, Client Service

Due to our firm's strict human resources policies, we do not provide information regarding former employees.

**10. How many of your current consultants hold the CFA designation? How many have advanced degrees?**

Currently, CAPTRUST has 94 consultants that hold the CFA designation, and over 40 consultants have an MBA and 16 hold a JD.

**11. Please provide a copy of your firm's code of conduct or ethics.**

- ❖ *Please see our enclosed Code of Ethics/Conflict of Interest Policy (RFP Sample 14).*



## C. Investment/Asset Allocation/Performance Measurement

### 1. Describe briefly the processes and tools your firm uses to help clients develop investment policies and objectives. Please also comment on your process for recommending modifications to investment guidelines and for establishing performance metrics for investments.

CAPTRUST works with clients to review, develop, and implement an IPS that is consistent with each plan's unique needs and goals. The IPS must be specific enough to provide meaningful guidance to plan fiduciaries without being rigid, thereby allowing fiduciaries the flexibility to apply judgment in making plan-related decisions. The preparation and maintenance of the IPS is one of the most critical fiduciary functions, and the IPS should be viewed as a blueprint for managing investment-related activities and decisions.

CAPTRUST has developed a template IPS that encapsulates industry best practices and incorporates more than three decades of experience, which many of our clients choose as the basis of their IPS. Other clients have existing documents that are the result of a significant investment of time and resources; in those cases, we often add our process-oriented language, describing CAPTRUST's investment monitoring processes as an appendix. We believe that elements of an effective IPS include:

- A description of the goals and objectives of the plan
- The definition of roles and responsibilities of the committee and the advisor, and the fiduciary capacity in which the advisor is operating
- Acknowledgment that the plan is structured in accordance with modern portfolio theory, with the basic tenet that the most critical driver for participant outcomes is asset allocation among a broad range of diversified alternatives that provide different risk and return characteristics
- A high-level description of asset classes to be considered for inclusion within the plan's investment menu
- A description of the investment selection methodology and the criteria that are considered as part of this process, including fees, style consistency, diversification, performance (relative to benchmarks and peers, and risk adjusted), fund management and organization, and additional factors
- An acknowledgment that investment and other plan-related decisions can be affected by the plan's administrative environment
- A description of the process that will be used to monitor the plan's investment options, with special care taken to provide a framework for rigorous evaluation to facilitate meaningful discussion without forcing a fiduciary action
- A description of the changes to the investment menu can be made if desirable or necessary, such as the addition or elimination of asset classes or the replacement of an option due to the availability of options that were not open for consideration at the time of selection, changes in availability based upon the recordkeeper platform, noncompliance with the standards described in the IPS, or other reasons
- The selection and use of a Qualified Default Investment Alternative (QDIA), and an acknowledgment of the notice and disclosure requirements that the Department of Labor asserts for these vehicles



CAPTRUST will regularly revisit and adjust the Encompass Health Corporation's IPS as necessary, as the environment in which the plan operates changes, allowing the document to adapt to changes within the regulatory environment, the recordkeeping and investment management industry landscape, and the capital markets.

## **2. Provide an outline of the issues and items that would be covered in a typical policy statement.**

We work with each client to review, develop, and implement a specific Investment Policy Statement (IPS) that is consistent with Encompass Health Corporation's unique needs and goals. The preparation and maintenance of the IPS is one of the most critical functions that the fiduciary performs. The IPS should be viewed as the blueprint for the retirement plan and the essential tool for managing any investment related plan activities. We will continue to maintain an IPS that ensures that participants have a broad range of suitable investment choices across a range of typical asset classes while minimizing their exposure to poor investment decisions.

### **Our IPS Development Process**

Prior to formally implementing an IPS, CAPTRUST works closely with each client to determine which asset classes and their appropriate benchmarks should be represented within the plan. CAPTRUST typically recommends starting with exposure to a core set of classes that, when combined, are broad enough to allow for full participant diversification, yet narrow enough to limit unnecessary confusion and a negative impact to participation rates.

An IPS for defined contribution plans should also include whether the plan sponsor has formally adopted 404© Safe Harbor provisions (or used as a best practices of plans that don't fall under ERISA), the number of investment options and asset classes that will be offered in the plan, the procedures that will be followed in selecting each investment option, the due diligence processes for monitoring each investment option and specifically when circumstances may cause the investment option to be replaced.

The IPS should designate a Qualified Default Investment Alternative (QDIA) as appropriate. The IPS should also outline the specific duties and requirements of each party involved in the investment process. The final asset class decision can be surprisingly unique depending on a number of factors specific to the client including their primary industry, the demographics of their workforce as well as the current asset allocation of their plan, to name a few.

After the asset class decision is finalized, an IPS is crafted to provide guidance for the search, selection, and oversight of the options. General issues that are included in the IPS cover the statement of purpose, policy goals and objectives, roles and responsibilities, overview of asset classes, , investment selection, investment evaluation, de-risking triggers and rebalancing guidelines, and procedures for replacement of selected investment alternatives as well as a conclusion and policy review schedule. The results of this work become the basis for the IPS, the blueprint for successful portfolio management. The IPS keeps all fiduciary parties - the committee members, the investment managers and investment consultant- accountable. The IPS contains guidelines for asset allocation, return targets, risk tolerances, operations constraints and considerations, investment manager selection and monitoring criteria along with any constraints imposed upon individual managers.





The key for a successful IPS is to make the document narrow enough to be a meaningful tool in managing the portfolio, but broad enough to allow some flexibility as the economy and market changes. While an IPS is not designed to be continually revised, the process of normal quarterly reviews leads to a de facto review of the IPS, and revisions can then be made as appropriate.

❖ *Please see our enclosed Sample Defined Contribution Investment Policy Statement (RFP Sample 15).*

### **3. What is your approach to the development of asset allocation guidelines? Please describe this process in detail, including application of major variables (e.g., risk tolerance, emerging liabilities, etc.)**

CAPTRUST's approach to defined contribution plan consulting emphasizes three foundational beliefs:

- 1) Plan-related decisions should be made within the construct of a sound fiduciary process.
- 2) Because no two plans are alike, the investment menu construction decisions should reflect the specific attributes of the plan and its participants.
- 3) Participants within a plan reflect a wide variety of attitudes, behaviors, comfort levels, and levels of engagement, and investment menus should provide good solutions to meet the needs of all investor types.

Based upon these principles, CAPTRUST's investment consulting process generally follows an iterative process of information-gathering, analysis, and goal setting prior to providing investment recommendations. Though, we typically recommend between eight and fifteen stylistically pure investment options that are actively and passively managed (target date funds are counted as a single investment option). We have found that this number of options allows for a best-in-class representative for each of the major asset classes and provides participants the ability to develop an efficiently diversified portfolio, while keeping the investment menu to a digestible number of options.

As a general rule, we feel it is important to offer the major categories of capital preservation (stable value/money market), fixed income, large company value, large company blend, large company growth, medium company growth, medium company value, international value and growth, small company value, and small company growth. We also believe that each plan should consider the usage of a suite of core index funds for participants who like to construct portfolios with the most inexpensive tools possible.

For example, in an optimal defined contribution plan menu, four classifications of participants can be served, based on their respective levels of engagement:

- **Highly Engaged** participants can be served by participant-directed accounts, if allowed by the plan and offered by the vendor.
- **Engaged** participants can be best served by a core offering of funds that they can use to construct their own portfolios.
- **Semi-Engaged** participants can use model and target date portfolios and investment advice.
- **Disengaged** participants can be best served by automatically directing them to an age-appropriate target maturity fund.



A defined contribution plan investment menu must balance several, often competing, dynamics – including offering enough choices to allow participants to diversify their accounts and build efficient portfolios without offering so many as to risk participant confusion. We place special care to provide investment solutions that meet the needs of all types of investors, ranging from disengaged participants who rarely (if ever) monitor their accounts, to highly engaged participants who desire more choice.

For example, CAPTRUST has found that a tiered approach represents an effective way to achieve a menu that balances these forces while remaining easy to communicate, allowing participants to self-select into the investment structure that best meets their needs. An example of such a structure would be:

- **Tier 1: QDIA** – target date series or other asset allocation solution for disengaged participants
- **Tier 2: Passive Tier** – compact suite 4-5 of low-cost index funds for participants who prefer passive investing
- **Tier 3: Core Menu** – an array of 7-9 best-in-class size- and style-specific actively managed options
- **Tier 4: Self-Directed Brokerage** (where appropriate) – addresses the needs of highly engaged participants (subject to a thorough discussion of specific considerations with SDB arrangements)

#### 4. Describe your approach to advising benefit plan clients on ESG and sustainability investments.

Our investment philosophy for Environmental, Social and Governance (ESG) investing for defined contribution plans is effectively the same as it is for other investment pools that we advise and manage. Our job is to provide our clients with the best returns possible that meet their guidelines and are consistent with their long-term objectives and goals. However, when evaluating ESG investments, complying with the Department of Labor's (DOL) guidance can add a layer of difficulty.

In a recent guidance on this topic, the DOL addressed ESG investing and ETIs. While it gave some encouraging language to allow for these types of investments in ERISA plans (primarily participant-directed), it still reiterated the exclusive purpose of providing benefits to participants and beneficiaries and reiterated that fiduciaries cannot subordinate the interests of participants and beneficiaries in their retirement income to unrelated objectives (e.g., being socially responsible). Monitoring ESG in a manner compliant with fiduciary obligations is often easier than selecting a new one given this reiterated view, but we have successfully worked with our clients and alongside their outside ERISA counsel to ensure we are compliant with this guidance while also meeting the participants' needs and desires for ESG eligible investment options.

CAPTRUST does extensive work with a wide variety of plan sponsor whose employees (and often employer) desire to incorporate ESG into their retirement plans. This trend began to blossom more in the non-profit arena, but we are beginning to see the demand for ESG investments elsewhere. The increased interest in ESG investing is being reflected in an increase in the number of options being offered with an ESG framework and the amount of assets being committed to ESG. As a result, we are committed to continuing to have ESG solutions available to recommend for our clients and to do so in a way that both meets their respective missions and investment goals and objectives.



❖ Please see our recent article on this topic “What Exactly is ESG Investing” (RFP Sample 16).

## 5. What asset classes are included in your work?

CAPTRUST's typical investment menu design includes a tiered approach to help cater to different participant demographics. Below is the approach to those tiers and the asset classes typically included:

- Allocation Tier
- Target-Date Fund Series
- Passive Tier
- Intermediate-Term Bond Index
- Large Cap Blend Index
- Mid-Cap Blend/Extended Market Index
- Total International Index (inclusive of emerging markets)
- Small Cap Blend Index (or an extended market index to capture small caps)
- Additions depending on the plan sponsor
  - REIT Index
  - Total International Bond Index
  - Active Tier
- Stable Value/Capital Preservation
- Intermediate Core Plus Bond
- Large Cap Value
- Large Cap Growth
- Mid-Cap Value
- Mid-Cap Growth
- Foreign Large Blend (Core, inclusive of emerging markets)
- Small Value
- Small Growth

Many of our clients' investment menus differ as their demographics, plan objectives, and preferences call for different approaches. CAPTRUST can help maintain the current investment menu design or provide alternative designs for the committee to consider.

## 6. Please describe your approach to evaluating active vs. passive investment strategies such as indexation.

CAPTRUST believes in the use of both active and passive investment strategies to build a diversified portfolio. Over certain periods of the market cycle, and within more efficient markets, there may be less opportunities for active managers to generate excess return on a consistent basis. CAPTRUST understands the drivers and periods in which active managers may have more difficulty generating alpha and how to optimize the passive strategies within a portfolio. However, in certain assets classes and within less efficient markets, active managers can provide consistent excess return and contribute to a more efficient portfolio. CAPTRUST works with clients to understand when and where to deploy active managers to create more opportunities for consistent and efficient portfolio performance.

### ***Defined Contribution Plans***



Generally, as it relates to a position on active versus passive management, we believe first and foremost in the ability of skill-based, top tier active investment managers to add value through and through market cycles, net of management fees. The challenge for investors is prescriptively identifying the skill-based, top tier managers that will outperform. We believe, and history would suggest, that our "boots on the ground" approach to investment manager research and our emphasis on qualitative due diligence designed to pass judgment on the sustainability and repeatability of an investment manager's process allow us to pick successful investment managers. That said, there are certainly more efficient asset classes (vis-a-vis Large Cap U.S. Equities) or those asset classes where active managers have persistent difficulty in adding value (vis-a-vis Mid Cap Value U.S. Equities) where utilizing a passively managed investment option may be appropriate for certain plan sponsors.

Within defined contribution plans, we believe that each plan should consider the usage of a suite of core passively managed index funds for participants who like to construct portfolios with the most inexpensive tools possible.

For example, CAPTRUST has found that a tiered approach represents an effective way to achieve a menu that balances the active vs. passive forces while remaining easy to communicate, allowing participants to self-select into the investment structure that best meets their needs. An example of such a structure would be:

- Tier 1: QDIA – target date series or other asset allocation solution for disengaged participants
- Tier 2: Passive Tier – compact suite 4-5 of low-cost index funds for participants who prefer passive investing
- Tier 3: Core Menu – an array of 7-9 best-in-class size- and style-specific actively managed options
- Tier 4: Self-Directed Brokerage (where appropriate) – addresses the needs of highly engaged participants (subject to a thorough discussion of specific considerations with SDB arrangements)

## **7. Is your asset allocation software developed in-house? If purchased externally, who is the vendor?**

We have several software tools that help with our asset allocation process. We use Markov Process International's MPI software to aggregate index data in as granular a format as possible. MPI allows us to analyze index data by calculating several statistical outputs, including risk-based statistics and distribution analysis, which allows us to analyze individual time periods for a given asset class or grouping of asset classes. We also use Sungard's Investment Plus, a Mean Variance-based tool. The software is helpful for aggregating our proprietary data inputs, including forecasted returns, standard deviation, and cross-asset correlation forecasts. This tool also provides Monte Carlo simulation and distribution analysis that aids in matching assets with liabilities and projected cash flows. Note that we do not rely on Mean Variance Optimization as the sole tool in constructing portfolios, as we feel the underlying assumptions require some constraints to minimize some of Mean Variance's limitations. Lastly, we also use Zephyr, which provides both an aggregator and analysis toolset for historical data as well as an optimizer for both Mean Variance Optimization and Black-Litterman Optimization.

## **8. Describe your methodology for analyzing a client's investment portfolio structure.**





To describe the tools our firm uses to evaluate investment funds and managers, we have provided an overview of the following sections:

- A. Manager Databases
- B. Qualitative Due Diligence
- C. Investment Manager Search and Selection
- D. Performance Monitoring
- E. Investment Evaluation/Scoring System

### **A. Manager Databases**

Manager evaluation and selection is conducted using a number of external third-party databases in combination with proprietary tools.

Primary third-party databases include MPI Stylus Pro, which supports research, analysis, reporting, and publishing functions from various data providers, including eVestment Alliance. In addition, our analysts have access to Albourne, Backstop, Morningstar Direct, StepStone SPI, and Zephyr StyleAdvisor for conducting manager comparisons and analysis. Our Investment Group also utilizes Bloomberg Services and Morningstar Direct, which provides access to real-time information, data, and news across all markets and economic sectors.

In addition to these services, CAPTRUST has worked extensively to customize a dedicated research CRM system, Tamale, for warehousing all interactions with asset managers. This includes detailed notes and presentations obtained during in-person due diligence meetings with portfolio managers, email communications, and quarterly request for information (RFI) submissions.

Finally, CAPTRUST has developed a proprietary reporting database, CAPConnect, which serves to integrate the quantitative and qualitative aspects of our research process to enable seamless reporting and archival functions.

### **B. Qualitative Due Diligence**

CAPTRUST invests significant time and resources into qualitative due diligence, and we maintain a dedicated staff of analysts whose sole function is investment manager research. In addition to our quantitative analysis process (driven by the data sources listed above), CAPTRUST is committed to qualitative assessment of investment managers so that we can understand the people and the processes behind the numbers.

When conducting a manager search within an asset class, we begin by narrowing the universe of available options based upon a set of primary requirements, including:

- Assets under management
- Expenses
- Management tenure
- Preliminary risk-based performance screening



### ➤ Style purity

Following this initial screening, our due diligence team performs a more rigorous set of screenings, including factor exposures, holdings-based analysis, historical performance characteristics measured through a variety of market conditions, and the application of a quantitative model that helps identify managers who have delivered a consistent performance profile through time.

These approaches narrow the universe considerably, typically resulting in a list of candidates ranging from approximately 8- 20 asset managers, depending upon the asset class. We then conduct in-depth qualitative due diligence meetings with portfolio managers, analysts, and other senior investment personnel, typically in person.

The objectives of these meetings include:

- To understand the investment mandate, degree of investment flexibility, process that the team follows, and compare this to past results to verify consistency
- To discuss investment idea generation, security selection, and the portfolio construction process, including position sizing and sell decisions
- To evaluate the risk management process and controls that are in place
- To understand the depth of resources available to the team, including the size and stability of the supporting analyst team
- To evaluate the team's investment culture and the firm's commitment to the strategy; is this a growth area that the firm is likely to continue to invest in, or an ancillary business?
- To discuss the ownership structure and employee compensation structure to assess the degree of alignment with investor interests

Once a manager is selected for inclusion in our recommended list, our efforts shift to ongoing monitoring, ensuring that our investment thesis remains intact, performance remains competitive and representative of the process employed, and the team remains stable, adequately resourced, and free from distractions. We accomplish this through both quantitative and qualitative monitoring, including a quarterly Request for Information (RFI) process to gather pertinent changes or updates, as well as regular ongoing meetings with portfolio management teams.

The cumulative activity of our manager search, selection, and monitoring yields a large number of touchpoints with the asset management community, as summarized below.

#### Approximate Due Diligence Activity (annual)

- 3,500+ due diligence interactions
- 350+ asset manager interviews
- 30+ on-site asset manager visits
- 2,400+ managers monitored daily

### **C. Investment Manager Search and Selection**



Our investment vehicle selection process focuses on four key areas: (1) Risk-adjusted performance (for actively managed strategies), (2) Excess return (for both actively and passively managed strategies), (3) Peer analysis (for both actively and passively managed strategies), and (4) Qualitative assessments/intangibles (for both actively and passively managed strategies). While we recognize that past results do not portend the future, they do help us form an opinion on the viability and repeatability of a given strategy. We conduct our due diligence through a combination of on-site visits, quarterly communications, in-person meetings, and our network of relationships throughout the investment community.

The following are the four key areas of our investment selection process:

- 1) **Risk-adjusted performance:** Our efforts focus on measuring the risks that investment managers take relative to a benchmark, with the objective of identifying managers that provide representation of an asset class, while justifying their fees based on the value they add per unit of risk. Methods that we incorporate in our analysis include, but are not limited to, alpha, beta, up/down capture, standard deviation, Sharpe ratios, and Treynor ratios. We relate the quantitative results that we can observe to our qualitative assessment of the manager's investment process, to understand the intentional and unintentional consequences of their process, as well as our opinion of the likelihood that the process can be repeatable into the future.
- 2) **Excess return:** We examine returns on a non-risk-adjusted basis to gauge whether an actively or passively managed strategy has achieved its stated goals while remaining representative of a given index. We feel that a full market cycle is an appropriate timeframe for this type of assessment. Specifically, we look at statistics, including annualized excess return, R-squared, t-statistics, and information ratios to derive excess return profiles.
- 3) **Peer analysis:** This analysis involves comparing risk-adjusted (for active managers) and excess returns of a given manager relative to other choices in a given asset class. We examine both rolling and non-rolling time periods to uncover periods of dislocation between a strategy and its peer groups, and then invest time to understand the factors that caused these dislocations.
- 4) **Qualitative factors:** We believe that understanding a manager's business model is critical to assessing their investment capabilities. Aspects that we focus on include assets under management, management tenure, organizational ownership structure, process consistency, depth of team and resources, buy and sell approach and discipline, fee considerations, trading costs and capabilities, employee turnover and retention tools, operational infrastructure, organizational culture, and growth plans. We want money managers managing money, not gathering assets.

While there is much quantitative and qualitative rigor that goes into the search and selection process itself, it is rare that a definitive selection can be reached based on the analysis work alone. Often more than one investment candidate will emerge as a suitable alternative for each of the universes being studied. In those instances, factors including recordkeeper platform and availability, plan economics, and the degree of "fit" with existing managers and the overall menu structure help narrow the field further.



## D. Performance Monitoring

Given the abundance of performance data available from multiple sources, combined with our high level of qualitative due diligence activity outlined above, a primary challenge is to coalesce this information into a format that provides committees with actionable reporting to facilitate informed investment discussions for the benefit of plan participants, while fulfilling fiduciary obligations and clearly documenting the process followed. CAPTRUST has invested in proprietary technology to deliver robust client reporting on a quarterly basis, as well as ad hoc communications when more frequent communication is required.

Below is an outline of our client reporting process:

- On a quarterly basis, CAPTRUST will provide the committee with a comprehensive report of each investment option's performance (relative to benchmarks and peer groups, and on a risk-adjusted basis), as well as material qualitative findings. This report employs the Investment Policy Monitor framework (described below), as described in the IPS.
- CAPTRUST will also communicate with the committee on an ad hoc basis, as appropriate, concerning any material changes affecting any of the selected investment options. Material changes may include management changes, changes to the investment option's pricing structure, or significant changes in the investment process that CAPTRUST feels warrant committee review.
- If CAPTRUST's proprietary monitoring methodology indicates that an investment option may no longer meet IPS standards, CAPTRUST will lead a detailed discussion with the committee to determine next steps and evaluate potential replacement options, if appropriate.

## E. Investment Evaluation/Scoring System

CAPTRUST has developed a proprietary Investment Policy Monitoring System that is consistent with the Department of Labor's "prudence regulation" (DOL Reg. § 2550.404a-1). This system is designed to serve as a guide and an aid to the committee when evaluating investment options, providing a framework for evaluation and discussion, but is not intended to trigger an automatic and mandated fiduciary outcome or decision for a given score.

The monitoring system measures eight (8) quantitative areas and two (2) qualitative ones, as outlined in the following tables. Quantitative scores for mutual fund vehicles are calculated at the "strategy" level, using the lowest-cost share class available.

Quantitative Scoring Areas	Weight	Min Score	Max Score	Description
Risk-Adjusted Performance (3 Year)	10%	4 Points	10 Points	Risk-Adjusted Performance measures the level of return that an investment option would generate given a level of risk equivalent to the benchmark index.
Risk-Adjusted Performance (5 Year)	10%	1 Point	10 Points	
Performance vs. Peer Group (3 Year)	10%	4 Points	10 Points	





Performance vs. Peer Group (5 Year)	10%	1 Point	10 Points	Performance vs. Relevant Peer Group measures the percentile rank of an investment option's returns relative to other available options in that category.
Style Attribution (3 Year)	7%	3 Points	7 Points	Style Attribution indicates the level of style purity of an investment option relative to the benchmark index.
Style Attribution (5 Year)	8%	1 Point	8 Points	
Confidence (3 Year)	7%	3 Points	7 Points	Confidence indicates the consistent relative value add of the manager as compared to other available options in that category.
Confidence (5 Year)	8%	1 Point	8 Points	
Qualitative Scoring Areas	Weight	Min Score	Max Score	Description
Management Team	25%	1 Point	25 Points	Management Team measures the consistency and quality of an investment option's management group.
Investment Family Items	5%	1 Point	5 Points	Investment Family Items measures the stewardship of the investment option's parent company.
<b>Total</b>	<b>100%</b>	<b>20 Points</b>	<b>100 Points</b>	<b>Overall Investment Score</b>

### Point System

Points are awarded in each of the categories of the scoring system according to the following methodologies. In the categories of Risk-Adjusted Performance, Performance vs. Relevant Peer Group, and Confidence, points are awarded according to where an investment option ranks on a percentile basis relative to the rest of the peer universe.

The table below illustrates this methodology:

% Rank	Top 25%	26-50%	51-75%	76-100%
3 Year Risk-Adjusted	10	9	7	4
5 Year Risk-Adjusted	10	8	5	1
3 Year Peer-Relative	10	9	7	4
5 Year Peer-Relative	10	8	5	1
3 Year Confidence	7	6	5	3
5 Year Confidence	8	6	4	1

In the category of Style Attribution, points are awarded based on an investment option's degree of style consistency relative to the applicable benchmark. Breakpoints are determined by CAPTRUST and are subject to change by asset class and based upon market conditions. Points in the qualitative



areas of Management Team and Fund Family focus primarily on management team stability, consistency of investment philosophy, firm stewardship, and corporate governance.

If at any time the committee concludes that an investment option is not meeting the desired objectives or guidelines, the investment option will be considered for termination. In order to remain “in good standing,” an option should achieve a score greater than 80 points. Options that total between 70 and 79 points will be marked for closer ongoing review by the committee. Options that score below 70 points will be considered for termination.

For asset classes where CAPTRUST believes a peer-relative score is not meaningful, either due to the size or makeup of the asset class, we may score funds using an alternative quantitative and qualitative framework. The rating methodology evaluates both quantitative and qualitative factors, and culminates each quarter in one of the following ratings:

Scoring System	Min Score	Max Score
Good Standing	80 Points	100 Points
Marked for Review	70 Points	79 Points
Considered for Termination	20 Points	69 Points

Similarly, passively managed investment options will be evaluated relative to an applicable benchmark, using a combination of quantitative and qualitative factors, including, for example:

Quantitative

- Tracking error
- Fees
- Peer-relative performance

Qualitative

- Fair value pricing methodology
- Securities lending practices
- Replication and management strategy
- Management firm experience and stability

This methodology culminates each quarter with one of the following ratings:

Scoring System	Score
Good Standing	Green
Marked for Review	Yellow
Considered for Termination	Red

*Capital Preservation*

Likewise, Capital Preservation options will be evaluated using a scoring methodology reflective of the unique investment characteristics of this category, indicated by green, yellow, or red. Evaluation criteria may include, but are not limited to:



#### Quantitative

- Crediting rate/yield
- Market-to-book ratio
- Average credit quality of portfolio
- Wrap provider/insurer diversification
- Average duration of securities in the portfolio
- Sector allocations

#### Qualitative

- Management team composition and tenure
- Management firm experience and stability

This process culminates each quarter in one of the following ratings:

Scoring System	Score
Good Standing	Green
Marked for Review	Yellow
Considered for Termination	Red

#### *Target Date Series*

The scoring for target date investments, most commonly in mutual fund or collective investment trust form, differs from CAPTRUST's scoring of core asset classes. While the principles behind target date evaluation mirror those of the scoring system for traditional options, target date investments are much more complex due to the shifting nature of portfolios through time, and therefore require a more complex scoring framework. Each target date manager will receive an overall numerical score as well as a corresponding recommendation for that score. Our qualitative assessment will determine an investment to be "In Good Standing," "Marked for Review," or "Considered for Termination." CAPTRUST believes that both qualitative and quantitative variables are essential to evaluating target date investments, consistent with its traditional asset class scoring system.

### **9. Describe your process for monitoring and reporting on market trends.**

At CAPTRUST, we interact with our clients through various channels to ensure their needs and objectives are met quickly, efficiently, and through the clients' preferred channels of communication. This includes face-to-face meetings, teleconferences, ad hoc and regularly scheduled conference calls, email, and the use of video calling. Jon and Paul will also bring appropriate specialist team members, into these discussions as needed to supplement the analysis and decision-making process for the committee.

CAPTRUST gathers information on a wide variety of market, legislative and industry trends and changes that are likely to impact our clients. We employ literally dozens of professionals who do not have direct client responsibilities so that their efforts can be completely dedicated and focused on the investment environment. We make our expertise and knowledge available via periodic publications, e.g., white papers, market updates and flash report commentaries, etc., and our advisors routinely distill that information for clients in a quarterly reviews.



Our financial advisors also participate in CAPTRUST's quarterly "Synergy" meeting with senior members of our Investment Group. This meeting is designed to debrief our advisors on developments relating to the macro economy, investments, capital markets, and legislative and industry changes. We also regularly make subject matter experts from investment management firms available to speak to our advisors regarding market trends, portfolio developments, and evolving investment strategy and tactics.

**Institutional Market Thoughts:** CAPTRUST clients receive general market updates in conjunction with real-time economic or market volatility to provide them awareness and guidance to make beneficial decisions or communicate to other interested parties, if necessary.

❖ *Please see our enclosed Sample Market Commentary (RFP Sample 17).*

CAPTRUST has a robust pipeline of content designed to educate plans sponsors about their fiduciary duties and inform them on the latest trends and best practices. Each quarter, we provide our clients and plan participants with a video market update that overviews the current state of the markets. We also provide plan sponsors with additional articles on fiduciary best practices and legal updates, investment strategies, and other industry updates around topics like vendor consolidation, participant communications, and discretion.

CAPTRUST has a monthly podcast for plan sponsors called Revamping Retirement. With more than 45 episodes to-date, the podcast is hosted by CAPTRUST Defined Contribution Practice Leader Jennifer Doss and CAPTRUST's institutional business head, Scott Matheson. It breaks down the opportunities and challenges facing plan sponsors and fiduciaries to provide actionable insights and best practices.

Additionally, CAPTRUST publishes our award-winning VESTED magazine three times a year, circulating more than 20,000 copies per issue. Members of our investment team, including CIO Mike Vogelzang, are often featured in publications like Reuters, Bloomberg, Barron's, CNBC. Our most result publications can be found on our website and through the following link <https://www.captrust.com/category/retirement-plans/>

**10. Please provide a sample investment report (e.g. a quarterly report).**

❖ *Please see our enclosed Sample Client Quarterly Review (RFP Sample 18).*

**11. How frequently are investment reports produced and how quickly are they distributed?**

Performance Reports are normally available 30-45 business days after the end of the quarter. Via our web-based capability, we can also provide online access through CAPTRUST Direct, our online portfolio management and fiduciary service, which is specifically designed to provide clients real-time access to investment research, portfolio information, and a library of important plan documents.

**12. What actions do you take when investments are lagging their benchmarks?**





An investment option that is “Marked for Review” or “Considered for Termination,” according to CAPTRUST’s Investment Policy Monitoring system, will prompt more detailed discussion during quarterly reviews, or intra-quarter, if conditions warrant.

In situations where it is appropriate to consider replacing an option, CAPTRUST will present alternative options (in the form of a side-by-side comparison) and provide a recommendation to replace the failing fund, along with the underlying rationale for why we are recommending that manager or fund option. When funds are replaced or removed from a plan menu, CAPTRUST works with committees to examine the most appropriate mapping strategy. The objective of this discussion is to preserve the participants’ investment elections and minimize disruption (where possible), while also following industry best practices and benefiting from available safe harbor protections.

General reasons for manager termination might include a significant change within the organizational structure of the fund’s parent company, a major change to the manager’s investment management team, significant deviation from the stated investment objective or process, or severe or persistent under performance on a peer-relative or risk-adjusted basis over a market cycle. Ultimately, CAPTRUST adheres to the criteria set forth in our client’s IPS.

### **13. What criteria are used to recommend termination of an investment fund?**

Each quarter, CAPTRUST’s Investment Group issues an opinion (“In Good Standing,” “Marked for Review,” or “Considered for Termination”) on managers our firm covers. The team also assesses available candidates to add to clients’ retirement plans in the event a change is necessary. We feel manager and investment vehicle due diligence is a fluid process, and a number of variables can impact the timing of our hiring and firing decisions.

The primary vehicle for examining investment manager performance is the quarterly Investment Policy Monitor, which is delivered in quarterly review meetings, and via the CAPTRUST Direct fiduciary portal. If an investment option is nearing the “Considered for Termination” level under this system, it will be flagged for further review and possible action. The system highlights absolute, risk-adjusted, and peer-relative returns, with an emphasis on consistency of returns over multiple time periods, combined with ongoing qualitative assessment of the team and process in place. In addition to our standard quarterly process, when circumstances require a more immediate response, we do not wait for the end of a quarter to relay our views and potential actions. Intra-quarter recommendations may be based upon due diligence findings, manager departures, strategy shifts, or other material events.

CAPTRUST also operates a daily monitoring system that examines changes in daily Net Asset Value (NAV) prices of funds relative to their peers or benchmarks. Abnormal or unexpected return patterns may result in a closer examination, which could lead to a recommendation to terminate a manager prior to the next scheduled meeting.

### **14. Describe the methods you use to verify that a fund continues meeting objectives they were selected to meet, as well as how frequently you interact with fund managers to assure they are meeting style and other selection criteria standards.**



CAPTRUST invests significant time and resources into qualitative due diligence, and we maintain a dedicated staff of analysts whose sole function is investment manager research. In addition to our quantitative analysis process (driven by the data sources listed above), CAPTRUST is committed to qualitative assessment of investment managers so that we can understand the people and the processes behind the numbers.

When conducting a manager search within an asset class, we begin by narrowing the universe of available options based upon a set of primary requirements, including:

- Assets under management
- Expenses
- Management tenure
- Preliminary risk-based performance screening
- Style purity

Following this initial screening, our due diligence team performs a more rigorous set of screenings, including factor exposures, holdings-based analysis, historical performance characteristics measured through a variety of market conditions, and the application of a quantitative model that helps identify managers who have delivered a consistent performance profile through time.

These approaches narrow the universe considerably, typically resulting in a list of candidates ranging from approximately 8- 20 asset managers, depending upon the asset class. We then conduct in-depth qualitative due diligence meetings with portfolio managers, analysts, and other senior investment personnel, typically in person.

The objectives of these meetings include:

- To understand the investment mandate, degree of investment flexibility, process that the team follows, and compare this to past results to verify consistency
- To discuss investment idea generation, security selection, and the portfolio construction process, including position sizing and sell decisions
- To evaluate the risk management process and controls that are in place
- To understand the depth of resources available to the team, including the size and stability of the supporting analyst team
- To evaluate the team's investment culture and the firm's commitment to the strategy; is this a growth area that the firm is likely to continue to invest in, or an ancillary business?
- To discuss the ownership structure and employee compensation structure to assess the degree of alignment with investor interests

Once a manager is selected for inclusion in our recommended list, our efforts shift to ongoing monitoring, ensuring that our investment thesis remains intact, performance remains competitive and representative of the process employed, and the team remains stable, adequately resourced, and free from distractions. We accomplish this through both quantitative and qualitative monitoring, including a quarterly Request for Information (RFI) process to gather pertinent changes or updates, as well as regular ongoing meetings with portfolio management teams.



The cumulative activity of our manager search, selection, and monitoring yields a large number of touchpoints with the asset management community, as summarized below.

Approximate Due Diligence Activity (annual)

- 3,500+ due diligence interactions
- 350+ asset manager interviews
- 30+ on-site asset manager visits
- 2,400+ managers monitored daily

**15. How do you verify the validity of investment performance records?**

CAPTRUST monitors the performance of each investment manager, vehicle, and/or fund used in the portfolio construction process. The manager is benchmarked against an appropriate market index and against its respective peer group on a quarterly basis. CAPTRUST conducts regular due diligence calls with each investment manager and documents the findings. Quarterly, your aggregate portfolio would be compared to a custom benchmark consistent with the plan's target asset allocation.

In monitoring individual managers, we look at performance on quarterly, annual, and rolling-periods. Performance is measured versus both benchmarks and peer groups. Results are examined based on absolute and benchmark-relative returns. Portfolio statistics such as tracking error, information ratio, Sharpe ratio, etc. are considered to arrive at a better understanding of the manager's performance. We utilize software and databases in our analysis work, but a substantial amount of time and effort is also devoted to communicating directly with our managers to understand the factors driving performance results. CAPTRUST reviews all its findings and confirms that managers and investments comply with the performance guidelines set forth within the Investment Policy Statement (IPS). Additionally, CAPTRUST works directly with its data providers and client's asset managers to ensure accuracy of performance returns – a majority of our reporting is updated through direct data feeds. In the rare case performance in a CAPTRUST quarterly report does not match the performance on an asset manager's statement, our Institutional Operations team works directly with the asset manager's consultant relations team to identify the issue and to prevent it from further occurrence.

**16. Please describe your technological capabilities and relate them to your consulting services or products. Do you provide any custom computer-based analytical tools to your clients? If so, please describe.**

We have provided the technology systems we feel are the most additive. CAPTRUST's Investment Evaluation/Scoring System, CAPTRUST Direct, CAPConnect, and our provider data-sharing capabilities are all proprietary systems that have been built and developed in-house.

**Manager Databases:** Manager evaluation and selection is conducted using a number of external third-party databases in combination with proprietary tools. Primary third-party databases include MPI Stylus Pro, which supports research, analysis, reporting, and publishing functions from various data providers, including eVestment Alliance and Tamale. In addition, our analysts have access to Albourne, Backstop, Morningstar Direct, StepStone SPI, and Zephyr StyleAdvisor for conducting manager comparisons and analysis. Our Investment Group also utilizes Bloomberg Services and Morningstar Direct, which provides access to real-time information, data, and news across all markets and economic sectors.



**CAPConnect:** Our internally developed CAPConnect database, developed on a Microsoft CRM console, allows us to archive and search our qualitative findings, while also sharing our research with other team members. CAPConnect includes many additional features customized specifically for our business model that help our employees most efficiently and effectively service our clients. This system also helps us track all client and participant interactions.

**CAPTRUST Direct:** CAPTRUST Direct was created, and has proven to be an effective tool, to thoroughly document the fiduciary process and to ensure all plan fiduciaries meet and exceed ERISA requirements. Through CAPTRUST Direct, the plan fiduciaries have a direct link to CAPTRUST's analysts, advisors, and client service personnel.

**Brainshark Presentations:** One recent initiative of our firm has been to provide timely market commentary from CAPTRUST's Chief Investment Officer to our clients, using recorded Brainshark presentations. These have been very well received by investment committees looking to get a deeper dive on the story behind quarterly performance and the market overall.

**Financial Wellness and Advice Services:** As a part of our Financial Wellness and Advice Services, advisors conducting in-person group and individual meetings use tablet technology to conduct Retirement Blueprint® workshops for plan participants. Participant resources include web access to information and the ability to make appointments, and tablet technology delivered by CAPTRUST personnel, who will lead small groups of employees through a retirement readiness calculation, take them to their recordkeeper's website to make changes, and provide a report to the participants showing their path toward retirement readiness. Additionally, direct participant interaction is logged in our CAPConnect database for review to ensure that quality service is continually provided. We also utilize online and emailed participant surveys following educational presentations to gauge participant satisfaction.

**Scoring System:** CAPTRUST has devised its own proprietary investment scoring system. CAPTRUST's Investment Evaluation/Scoring System is designed to serve as a guide and an aid to the committee when evaluating investment options, providing a baseline for measurement and discussion. The scoring system is not intended to trigger an automatic and mandated fiduciary outcome or decision for a given score. It is intended to serve as a tool to support sound fiduciary decisions that are in the sole interest of participants and beneficiaries.

**Electronic Report Delivery:** During this current COVID-19 pandemic, we are using technology effectively to continue to conduct our quarterly client reviews and provide ongoing education to participants through custom videos and frequent webinars. While we do provide hard copies of quarterly reports if requested, many of our clients choose to receive their quarterly reports and other ancillary documents electronically.

## **17. Describe your firm's capabilities to perform evaluations of trustee and custodial services.**

While CAPTRUST does not directly provide trust and custody services, we can search for and recommend an appropriate custodian for our clients, assisting with managing a smooth transition process. Once we understand a client's needs, we can assist them in the selection process by tapping into our universe of custodial knowledge.





CAPTRUST institutional clients maintain custodial relationships with over 35 different vendors. Ten or more CAPTRUST clients currently use one of the following custodians: Pershing, Schwab, Fidelity, Principal, Prudential, State Street, or Wells Fargo. When managing client portfolios on a discretionary basis, CAPTRUST primarily works with Pershing and Schwab to provide custodial services, which make monthly and quarterly statements regularly available online. CAPTRUST is able to cover transaction fees within the investment portfolio when the assets are held at Pershing. Performance reporting is provided at no additional cost.



## D. Fees

### 1. Please provide a firm fee quote and describe any and all fees for services to the Plans under this proposal; both direct and indirect; broken down by Plan.

The following is CAPTRUST's service and fee proposal to Encompass Health Corporation:

- Serve as a 3(21) fiduciary on investments
- Plan fiduciary evaluation/formalization and review of plan governance structure
- Plan committee fiduciary training
- Ongoing fiduciary process management
- Investment Policy Statement review, development, and oversight
- Review and analysis of existing managers/investment options/QDIA
- Manager/fund search and selection
- Investment manager/investment option monitoring and due diligence
- Quarterly performance reports and market commentary
- Plan design evaluation
- Regulatory, legislative and industry updates
- Provide information to support plan audits, 5500 filing, and compliance testing/questions
- Service Provider issues and problem resolution support
- Comprehensive plan fee benchmarking
- Limited scope provider evaluation search/request for proposal (RFP)
- Oversight service provider platform and offering
- Oversight and documentation of service provider participant education program
- Attendance at quarterly investment meetings (more frequent if needed)
- Draft committee meeting agendas
- Assist in the preparation or review of committee meeting minutes
- Maintain CAPTRUST Direct fiduciary management tool

Our proposed annual advisory fee for providing 3(21) investment consulting services to the Encompass Health Corporation's 401(k) and Puerto Rico 401(k) plans is \$105,000 with a 4% escalator starting in year 3.

The following is CAPTRUST's service and fee proposal to Encompass Health Corporation:

- Serve as a 3(38) fiduciary on investments
- Plan fiduciary evaluation/formalization and review of plan governance structure
- Plan committee fiduciary training
- Ongoing fiduciary process management
- Investment Policy Statement review, development, and oversight
- Review and analysis of existing managers/investment options/QDIA
- Manager/fund search and selection
- Investment manager/investment option monitoring and due diligence
- Quarterly performance reports and market commentary
- Plan design evaluation
- Regulatory, legislative and industry updates



- Provide information to support plan audits, 5500 filing, and compliance testing/questions
- Service Provider issues and problem resolution support
- Comprehensive plan fee benchmarking
- Limited scope provider evaluation search/request for proposal (RFP)
- Oversight service provider platform and offering
- Oversight and documentation of service provider participant education program
- Attendance at quarterly investment meetings (more frequent if needed)
- Draft committee meeting agendas
- Assist in the preparation or review of committee meeting minutes
- Maintain CAPTRUST Direct fiduciary management tool

Our proposed annual advisory fee for providing 3(38) investment consulting services to the Encompass Health Corporation's 401(k) and Puerto Rico 401(k) plans is \$125,000 with a 4% escalator starting in year 3.

The following are our proposed service options for Encompass Health and its Nonqualified Plan.

#### Nonqualified Consulting

- Investment Policy Statement development, review and oversight
- Monitor investment options using proprietary scoring/investment research
- Meet periodically to discuss investment performance and suggestions for changes
- Facilitate investment changes with providers
- Evaluate plan design and make recommendation relative to best practices and client's objectives
- Assist with the implementation of plan amendments
- Provide regulatory, legislative and industry updates
- Assist with IRC 409A related inquiries
- Present financial models to evaluate informal funding alternatives
- Assist with the management of financing strategy
- Financing Policy Statement development, review and oversight
- Provide regular review of the plan's financing status
- Evaluate service providers roles and responsibilities
- Conduct periodic benchmarks to assess recordkeeper fees and service offerings for reasonableness
- Provide full disclosure of product revenue
- Facilitate discussions with service providers to address concerns
- Life Insurance Portfolio Management of COLI (if applicable)

#### Optional Services:

- Participant Investment Advice and Financial Wellness
- Partner with service providers to review annual enrollment procedures and materials
- Create enrollment materials and/or guides
- Retirement counselors to discuss Nonqualified plan questions and provide wholistic financing planning services
- Advisor Delivered Employee Investment Education & Communication
- Assistance with managing the vendor offered employee education program
- Provide group educational meetings (in person or virtual)



- Deliver topical education presentations
- Deliver plan structure overview
- Assist participants with navigation of recordkeeping and services
- *Blueprint PRO*
- *Pricing and contract handled separately from the Nonqualified Scope of Services.*

The annual fees for Investment Reporting and Analytics or Nonqualified Consulting services will be determined based on certain plan criteria and conditions (including number of plans, financing methodology, recordkeeper, participant advice services, investment lineup, etc.).

Our proposed annual advisory fee for providing investment consulting services to the Encompass Health Corporation's Nonqualified plan is \$25,000 with a 4% escalator starting in year 3.

Our proposed annual advisory fee for providing investment consulting services to the Encompass Health Corporation's Nonqualified plan if COLI is involved is \$45,000 with a 4% escalator starting in year 3.

Our proposed fees are all inclusive of the services listed above, including client meetings, administrative charges on client projects, travel and other out of pocket expenses.

Plan-related activity, such as plan mergers, spin-offs, or plan terminations that result in significant changes to total plan assets or changes to the required scope of services would allow both parties to review current fees and adjust accordingly.

#### **Participant Financial Wellness and Advice Services - Optional**

- Participant Outcome Tracking and Metrics
- 800 Number Participant Advice Desk
- Retirement Blueprint®
- In-Person Meetings (individual and group)
- Web-Based Tools
- Participant Communications
- Licensed Advisors as Educators

Costs and expenses for Participant Advice and Wellness Services would be determined after an in-depth discussion to better understand the unique needs, goals, and objectives of the plan and participants.

#### **2. Do you guarantee your fees for a specified period of time? If so, how long?**

Yes. Our contract is an open evergreen contract, and the fee structure quoted above is guaranteed for 2 years, with a 4% annual adjustment beginning in year three.

#### **3. Does your firm accept "soft-dollar" payments? Please explain. How do you prevent conflicts of interest?**





No. Neither CAPTRUST nor its affiliated broker/dealer, CFS, engages in soft-dollar arrangements. Advisors, who may also be registered representatives of CFS, occasionally act as the brokers of record for mutual fund accounts that may generate product revenue, such as 12(b)-1 fees, which can be captured by CFS and used to offset advisory fees for our institutional clients on a dollar-for-dollar basis. Additionally, CAPTRUST does not accept any gifts, gratuities, entertainment, contributions, donations, or the like, from any money manager, service provider, or any other third party. Doing so would hinder our ability to serve as an independent and objective advisor that makes recommendations that are in the best interest of the client.

As mentioned above, we pride ourselves on our self-imposed “No Golf Ball Rule.” We do not accept free lunches, trips, or even items as small as a golf ball from outside investment firms or product providers. We have found our policy to be an exception within the industry. To operate otherwise, we believe, would compromise our independence and objectivity.

**4. Do you expect any out of scope services? If so, how would out of scope be defined and billed?**

No. CAPTRUST’s proposed fees are all-inclusive of the services listed in our response to question one of this section.

**5. What other costs or expenses might we incur with your firm (e.g., travel expenses)?**

None. Our proposed fees are all-inclusive, which include travel expenses.

**6. What is your firm’s approach to ongoing fee monitoring and negotiation, with respect to the fees that your firm generates from services provided to benefit plans?**

With new client relationships, CAPTRUST performs an initial fee benchmarking exercise to evaluate plan-related fees relative to the services provided. The nature of this project varies according to the client’s specific situation and can range from an analysis of the plan’s current recordkeeping fees relative to CAPTRUST’s proprietary database of live pricing data for plans with similar characteristics, to a “blind RFP” process whereby indications of pricing are received from a group of appropriate recordkeepers using the plan’s specific attributes, to a full RFP process.

CAPTRUST has achieved a solid track record of success in helping clients lower the fees that they and their participants are charged for plan-related services, and in the process, achieve the important fiduciary step of documenting the reasonableness of fees. An important element of this process is to evaluate the recordkeeper’s capabilities for providing participant-level education, and to identify potential gaps in service that may be addressed to achieve higher levels of participant engagement and better saving and investment behaviors.

CAPTRUST has saved new and existing clients more than **\$109,999,000\*** since 2010.

*\* Savings based on fund expense ratios, administration and/or advisory fees. This analysis is intended to illustrate the value-added services that CAPTRUST can provide. It is not meant to portray performance*



*of any client account or to guarantee savings or performance in any way, nor is it a comprehensive representation of the array of consulting services provided by CAPTRUST. Please review CAPTRUST's Disclosure Brochure for a complete list of advisory services.*

❖ *Please see our enclosed Sample Vendor Fee Benchmark (RFP Sample 19).*

CAPTRUST has the ability to objectively assess services of plan providers to determine which products and services meet the needs of a client's retirement program. During the RFP process, we use a comprehensive screening evaluation process, utilizing our proprietary vendor database.



## E. Miscellaneous

### 1. What do you consider your strengths and characteristics that set you apart from other consulting firms and make you uniquely suited to serve the Plans?

CAPTRUST's structure, experience, and service model offer several differentiators that we believe place us in the best position to provide Encompass Health with unparalleled service:

#### **Singular Focus**

CAPTRUST specializes in retirement consulting, concentrating our resources and full attention on this task, without other lines of business that may consume internal resources or distract us from our mission. We believe that this singular focus distinguishes CAPTRUST from many consulting firms that offer a variety of services. Our specialization results in a competitive advantage for our clients and their employees' retirement assets.

#### **Depth of Resources**

Over its 37 years in the retirement consulting business, CAPTRUST has experienced the array of pitfalls and challenges many plan sponsors encounter and has witnessed the evolution of provider services and changes in the investment manager landscape. CAPTRUST's organizational structure enables the firm to capture and share best practices with clients across the U.S. that represent a wide variety of companies and organizations.

Unlike firms where much of the expertise lies within a small group of key individuals, CAPTRUST has invested in a structure that facilitates specialization, knowledge sharing, and collaboration. This structure is reinforced by the firm's ownership structure, with more than half of its employees holding an ownership interest (an opportunity provided to all employees), which ensures the long-term alignment of interest and efforts for the benefit of clients. CAPTRUST's centralized model provides a unique and differentiated approach where all best practices, resources, investment advice recommendations, and thought capital are cultivated and shared through a common approach.

We can draw from all of our clients' experiences to bring the best ideas and solutions to the table. One example is our Investment Group. CAPTRUST's Investment Group consists of 75 professionals dedicated to investment research, regulatory/compliance, and vendor research. While many of these team members may not have direct client involvement, they are constantly interacting with investment managers and platform managers to ensure our clients' objectives are being served.

#### **Extensive Provider Experience - Schwab**

As an independent and objective retirement plan advisor, CAPTRUST is platform and investment manager agnostic, and can work with virtually any provider or manager. Specific to Encompass our relationship with your vendor, Schwab spans over two decades. As of 03.31.23, CAPTRUST provides advisory services to 184 institutional plans representing more than \$23.5 billion in client assets held at Schwab; ten of our clients fall into the mega market segment with assets exceeding \$1 billion. Our experience with, and knowledge of, the Schwab platform and service offerings allow our clients to optimize their experiences with this provider, including the fees being assessed by your provider.

Our team has conducted multiple in person site visits to the Charles Schwab headquarters in Richfield, Ohio, and on an ongoing basis, we receive consistent updates regarding product changes,



enhancements, or management turnover. In addition, the CAPTRUST service team has a long-term working relationship with the current assigned service team at Schwab. This is a key differentiator which will ensure a true “partnership” experience between all parties in an effort to optimize all facets of the Encompass Health retirement plans for its plan participants.

### **Fiduciary Support Services**

Our Institutional Services team provides our clients’ investment committees with fiduciary training services, typically at the beginning of a client engagement, and then as needed, due to organizational changes or changes in the composition of the committee. We have found that providing a common framework for making plan-related decisions allows committees to focus their attention on the issues most likely to drive results. CAPTRUST regularly publishes articles and fiduciary updates to keep clients informed of changes in the regulatory landscape.

### **Nonqualified Plan Advisory Services**

CAPTRUST has significant expertise advising our clients on their nonqualified retirement plans. As of 03.31.23, CAPTRUST provides investment advisory/consulting services to 568 nonqualified plans representing \$8.6 billion in assets.

Our approach for these plans is identical to our approach for qualified plans, which means we provide advice and recommendations that are completely objective and made exclusively in the best interests of the client. Additionally, services are offered through a fee-for-service structure which creates transparency and peace of mind for our clients versus the commission driven model commonly seen in the marketplace.

The following (5) components compromise of what we believe encompass a successful nonqualified deferred compensation plan strategy:

1. **Plan Design**
  - Determine plan and employee objectives
  - Evaluate plan provision within the context of the existing qualified plans
  - Integrated design that is 409A and/or 457 compliant
2. **Plan Financing and Security**
  - Review and evaluate plan financing options
  - Identify the most cost-effective financing method
  - Ensure appropriate level of plan security
3. **Plan Administration, Provider Analysis, and Fee Benchmarking**
  - Identify most valued plan features, options, and services
  - Research and evaluate administrators to determine best match
  - Conduct fee analysis to ensure administrative services are aligned and reasonable
4. **Investment Advisory Services**
  - Determine strategic asset allocation
  - Develop investment menu lineup
  - Perform ongoing qualitative and quantitative evaluation and monitoring





## **5. Participant Education and Advice**

- Conduct one-on-one and group meetings with eligible employees and participants
- Provide continuous goal-monitoring and evaluation
- Educate participants on the total retirement planning

### **CAPTRUST COLI Experience**

Our services for COLI financing include the following recurring evaluation, 1) Carrier Financial Strength, Experience, and Ratings, 2) COLI Product Analysis, Registered Variable Life vs. Private Placement Variable Life, 3) COLI Policy Features Analysis (i.e. loan provisions, enhancement riders, withdrawal provisions, exchanges, surrenders, etc.), 4) Policy Values and Expenses Analysis, 5) COLI Policy Investment Sub-Account Analysis and Recommendations, and 6) COLI Policy Inforce Management (i.e. policy forecasting and modeling, lapse projections, expense management).

CAPTRUST, annually, conducts a comprehensive COLI and NQDC plan performance review with senior management.

CAPTRUST also has open dialogue with insurance providers regarding the strength of their investment platform and advocates for enhancements when necessary.

## **2. What is your philosophy regarding an investment consultant's relationship with the Committee, staff, and investment fund managers? Please describe how you plan on collaborating with each party.**

As consultants our job is working alongside the committee and other company stakeholders to ensure a smooth and coordinated delivery of our services to the benefit of the plan and its participants. Our approach is team-based, other-centered, thoughtful, methodical, and professional. There is full transparency with our clients and we believe in telegraphing and building consensus among the group so that there are no surprises. With respect to investment managers, given CAPTRUST's size and scale our organization is in frequent and routine communication with managers and their teams. As has been stated in previous answers to questions, we are fiduciaries and our objectivity is not compromised by our relationship to any asset manager (or vendor of any kind) as we accept no form of remuneration, including trips, dinners, coffee, or even something as small as a pen or golf ball.

## **3. How do you define and measure the success of retirement plan consulting relationships?**

Success can be measured in a variety of ways, including risk-adjusted investment returns, plan/asset growth, competitive costs, participation rates, advisor responsiveness, and retention rates. While we believe all of these are important attributes, CAPTRUST believes that measures of success should be specific to each plan sponsor, given their specific objectives and challenges. CAPTRUST works with its clients to set objectives that can be measured over time, such as participation rates, savings rates, and appropriate asset allocation, so that the success of all parties can be evaluated, and resources can be focused on the areas of greatest need.

Ultimately, the best determination of our success is our client retention (with only 30 days' notice required to terminate our agreement, we must continuously add value for our clients and their plan



participants). CAPTRUST has maintained a 98% client retention rate, demonstrating our firm's ability to help clients meet their fiduciary obligations while improving participant outcomes.