Statement of Pat Castelli, SHRM-SCP

Chief Financial Officer

Niles Bolton Associates, Inc.

Atlanta, Georgia

On behalf of the

Society for Human Resource Management

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Introduction

Chairwoman Tully and Chairman Stein, members of the ERISA Advisory Council, thank you for the opportunity to testify today regarding disclosures pertaining to retirement and health care plans under the Employee Retirement Income Security Act (ERISA). My name is Pat Castelli and I am the Chief Financial Officer for Niles Bolton Associates, a multi –disciplinary design services firm headquartered in Atlanta, Georgia. I am here to testify on behalf of the Society for Human Resource Management (SHRM). At Niles Bolton Associates, I am responsible for the financial stability and well-being of our firm, regulatory and compliance issues, insurance and employee benefits. We have 150 employees, located in offices in Alexandria, Virginia and Atlanta, Georgia.

I am also a long-standing member of SHRM and a SHRM Senior Certified Professional (SHRM-SCP). SHRM is the world's largest human resource (HR) professional society and for nearly seven decades the Society has been the leading provider of resources serving the needs of HR professionals and advancing the practice of human resource management. SHRM represents 285,000 members that are affiliated with more than 575 chapters in the United States and subsidiary offices in China, India and United Arab Emirates.

As a certified HR professional, I am responsible for educating our employees on their benefit choices, including their retirement and health care options. I take this responsibility very seriously, as I view this as an opportunity to positively impact the lives and well-being of our employees and their families. At Niles Bolton Associates, we believe in offering our employees a wide variety of benefits that help to ensure a financially solvent future, and a healthy, happy life. To that end, we provide financial wellness programs that can assist employees in making smart financial decisions such as using credit, buying a house, saving for college and preparing for retirement. Additionally, we offer health wellness programs for making healthy lifestyle choices. We provide numerous ways for our employees to become familiar with our offerings including annual health insurance education meetings that discuss insurance options, ways to manage claims, and advice on choosing a health plan that best serves the participant's lifestyle and financial goals.

In my testimony today, I offer analysis of the Council's draft disclosures and recommendations based on my experience complying with the abundance of retirement and health care disclosure requirements. After reviewing the Council's statements from 2005, 2009 and June of 2017, SHRM is in complete agreement that the number of disclosures should be reduced, and the disclosures should be improved to be more useful to plan participants and easier to administer by plan sponsors. The supplementary documents and draft notices that the Council has created show a dedication to improving the disclosure process for both plan sponsors and plan participants. I am hopeful that our suggestions will assist the Council as it prepares to make its official recommendations to the Department of Labor (DOL).

Council Proposals Regarding Mandated Disclosure for Retirement Plans

ERISA was enacted to set minimum standards for pension and health care plans in order to protect plan participants. To date, ERISA requires dozens of different types of disclosures for plan participants. In the desire to prepare and educate employees and ensure that they understand their benefits, employers have found themselves climbing a paper mountain. This year alone, my team has sent more than six disclosure notices to plan participants, with two of the notices consisting of more than 30 pages of required information regarding our 401k plan. Buried in those 30 pages was the information the plan participants needed. Whether the plan participants were able to easily review and understand the pertinent information is still in question.

Eager to learn if my plan participants had received, read and understood the material we had sent, we surveyed them. We asked, "Did you read the 401(k) notices sent out in March, June, or July?"

The results were:

- 10% said they read the disclosure
- 50% said they started reading but then stopped
- 40% said they saw the information but did not want to read it
- 10% said they don't remember receiving the email or mail

Clearly, these disclosures are ineffective ways to communicate plan information to participants.

Other required notices we distributed to plan participants were for fund name changes, fund manager changes, funds going on "Watch" and funds going off "Watch." These notices were sent to email boxes and mailboxes to be unread, and quite possibly deleted. Two of the largest notices we sent took my staff three days to print and prepare for mail, and several hundred dollars to mail, for a total cost of $1,980. It is important to note that this cost does not include the several hours spent trying to find terminated participants that have moved to Australia, Thailand, India, and across the country. We are still asking ourselves – "Did we accomplish our goal?" and "What is a better way to communicate these disclosures and to have plan participants understand them more clearly?"

At Niles Bolton Associates, we have reduced our 30 pages of disclosure documents (which have included the Summary Annual Report, the 404(a)5 disclosure, the Qualified Annual Contribution Notice, the Qualified Default Investment Alternative Notice and the Notice of Fee Levelization) that we are required to send to participants to one seven-page disclosure document. It would be tremendously helpful if this document were in place of the above mentioned requirements and could be sent at least 30 days after the close of the Plan Year, as opposed to every time there is a plan change. This would allow a plan sponsor to decide when to send this disclosure to plan participants in order to meet their plan needs and requirements. This type of flexibility accomplishes two important objectives: it easily conveys important and necessary material to the plan participant, and it relieves some of the burden surrounding plan sponsors' attempts to comply with disclosure requirements.

Having spent a substantial time communicating ideas and vision to our employees, our executive leadership, and my peers, I have learned that if I need to convey something important it is imperative to be as direct as possible. Making it easy for the recipient to understand and digest the communication yields the best results. New approaches to delivery of information, including infographics, colorful graphs and diagrams easily communicate trends and ideas. This thinking is the approach I took when reviewing the Council's draft sample documents, including: the *Quick*

Reference Guide, the *Investment Fund Fact Sheet* and the *Annual Funding Notice*. SHRM's edits and suggestions are provided as addendums to my testimony.

Summary Annual Report (SAR)
Plan sponsors under ERISA are required to provide pension plan participants and beneficiaries with a Summary Annual Report (SAR) on a yearly basis. As the Council has discussed in previous hearings, and has now proposed, eliminating the SAR and providing a notice to plan participants would help eliminate the burdensome requirement for employers, which undoubtedly is not fully utilized or understood by plan participants. SHRM supports this approach.

Plan participants receive helpful information in other ways throughout the year, including the quarterly benefits statement, the 404(a)5 disclosure, the Summary Plan Description (SPD) and, if the plan contains a defined benefit plan, a periodic pension benefits statement (just to name a few). These required disclosures provide the plan participant with sufficient information to understand their plan.

The Council's proposed example of Form 5500 Participant Communication would effectively communicate to participants that the Form 5500 has been filed, and provides ways to obtain additional information should they choose. Allowing plan sponsors options to provide this information works to ensure that plan participants are receiving the information, and plan sponsors the flexibility to communicate in various ways.

Revisions to the 401(k) Summary Plan Description
The Council's recommendation to distill the SPD into two parts, with the "Quick Reference Guide" being disseminated to plan participants, and the remaining material available upon request is a terrific suggestion and one SHRM supports. SHRM suggests the format to be more conversational, which would be easier to read and understand. To accomplish this, we suggest that you make each section a Q&A format (addendum A). Participants can read through this format easily, and scroll through the questions that are not pertinent to their situation or question. We do not see the need for the quick links, and it would be adequate to only reference the section in the SPD. We recommend that the Quick Reference Guide (QRG) be given to all participants at date of hire, and only sent out if there are changes, and then no more than once annually.

Additionally, should a change to the SPD occur, it is imperative that employers be given the flexibility to implement such a change. Allowing employers to voluntarily provide a QRG to their employees in ways that make the most sense for their plans - which may include electronic disclosure of information - is vital to ensuring that such a change achieves its desired intention.

404(a)5 Disclosure
While compliance with the 404(a)5 disclosure can be cumbersome and duplicative, the Council's proposal to eliminate the disclosure while implementing several new requirements is problematic. The proposed "Investment Fund Sheet," is a not a good replacement, as the purpose of the sheet is unclear, and could be perplexing and confusing to a plan participant. Is the purpose of the sheet to educate the plan participants on investment strategies, or educate them on a particular investment fund? There is some of both in the sample document, but probably not

enough of either. To accomplish either objectives, it would need to be a multiple page document – essentially defeating the purpose of the "Fund Sheet."

Additionally, the creation and dissemination of a "Investment Fund Sheet" should be the responsibility of the retirement plan provider, who is intimately familiar with the plan funds and can provide a fact sheet to the plan participant. Requiring a plan sponsor to create and provide this documentation could create a fiduciary responsibility and open the plan sponsor up to liability. In addition, the plan sponsor is not an expert on the fund and this task is best left to the experts – the plan providers.

Plan participants have access to reliable and relevant information, most times through their 401(k) providers who have excellent websites with an incredible wealth of information regarding their plans. Most providers offer retirement webinars, retirement coaching, online data, information and retirement calculators. To attempt to do the same as employers, is a duplication of effort.

Furthermore, regarding the Council's proposal to provide a notice to plan participants regarding changes to the plan fees, it is not typical that a defined contribution plan would experience substantive changes on a yearly basis, barring things like plan restructuring, for example. In that regard, frequent notices announcing minor changes are unnecessary in SHRM's opinion. Plan participants should be notified of any significant changes made to the plan made during the plan year, the cost of the plan and, the fees in the plan.

One possible solution should the Council move forward on eliminating the 404(a)5 is to require in its place only a "Sample Comparative Chart**"** (addendum B) and the Qualified Default Investment Alternative Notice (currently required). The Sample Comparative Chart would include all the required fund information on performance, fees, and restrictions in one spot and is useful to plan participants. Conveying to participants if a fund is performing equal to, better or worse than the benchmark would be extremely helpful. Details of the fund could be made available as a link on the bottom of the page, directing the plan participant to their 401(k) administrator's website. In the case of my company, this would reduce the more than 24 page 404(a)5 requirement down to a manageable (and understandable) five pages.

Annual Funding Notice
The Annual Funding Notice required for all defined benefit pension plans provides basic information about the status and financial condition of the plan. However, the notice does a poor job of conveying the two most salient points a plan participant may want to know:

- Will I get my pension?
- Is my pension being funded properly?

The Annual Funding Notice is supposed to answer those questions, yet it is not clear if these questions have been addressed. Somehow it seems this notice missed the purpose of the communication. The notice should not be to educate the participant on how the formula for funding was developed or the accounting options open to the employer when determining funding. While those concepts are important, it is doubtful plan participants concern themselves with the process and procedures of the plan. SHRM believes you must start with the answers to a participants most pressing questions, as noted above. If there is interest in the detail, it can be provided later in the funding notice after the more relevant information has been provided.

SHRM believes the Council's recommendations to streamline the funding notice will be helpful to plan participants. Again, as you can see from the edited version of the Council's "Annual Funding Notice," (addendum C), the information is clearly outlined so that the plan participant can understand immediately if his/her plan is funded property, weather it is at "risk" and if there will be any type of jeopardy to his/her pension benefits.

Council Proposals Regarding Employment-Based Health Benefit Plans
The amount of required health plan disclosures under ERISA are difficult to convey at best. Not only do health plans have many components - how to file a claim, what doctor to go to, what services are covered and what services are excluded - the required disclosures are triggered depending on specifics of the plan. If a plan participant does not understand these essential elements, coverage and requirements of a health care plan, they can potentially spend thousands of dollars at the wrong health care facility, with an out-of-network doctor, or with an uncovered medical procedure. It's of critical importance that they receive enough information to know when to ask a question. I'd like to take a moment to address the philosophy on this topic before I dive into the actual draft.

Due to the critical nature of health care communications, my initial thought is "how do we communicate the nuts and bolts of a health plan to plan participants without getting mired in the detail?" "What is it that participants in a health plan NEED to know to best utilize their Health Plan?" This top-level communication should:

- Provide a summary of the health care benefit;
- Provide a list of doctors within the network and how to contact them;
- Allow participants to reduce their out of pocket costs if possible by making different choices based on their plan;
- Alert the participants to limits on hospitalization stays, out-of-pocket maximums, etc.
- Direct the participant to where they can get their questions answered.

At Niles Bolton Associates, we would never use the SPD to communicate critical information to our plan participants. In fact, the SPD is obsolete. Over time, it has become nearly as cumbersome as the Plan Document (PD). In an effort to distill the PD and SPD, our approach at Niles Bolton Associates is to create and provide an "Employer Benefit Guide" that summarizes the benefits we offer, the plans we offer for each benefit type, the cost associated with the plan, and a high-level view of the benefits and coverage in each plan. Then plan participants are directed to the SPD if they have detailed questions about exclusions, inclusions, and coverage costs. The "Employer Benefit Guide" at Niles Bolton Associates would be similar to the Council's concept of a short resource reference tool, aka the Quick Reference Guide (QRG) that is updated annually and could take the place of the SAR. The Council's proposed QRG could be improved by reformatting into a easy-to-read "Q&A" document that would be similar to an FAQ.

While an employer may choose to provide (similar to my "Employer Benefit Guide") a QRG, SHRM believes that distribution should not be required unless DOL moves to eliminate the required the SAR and the SPD. Not doing so is only creating guides to explain other guides and, ultimately, would create more required disclosures.

The creation of the SPD has convoluted the relationship (and necessity) between the SPD and the PD. Perhaps the SPD started out similar to the QRG and, over time, it has grown as we have added more and more information that is "required." The Council may want to consider revamping the SPD, codify that it is not a legal document and let the PD be the mandated legal document. The QRG could then be a "Summary of the Plan" document, a guide to answering a few basic questions, with references to the PD for details. The longer the guide, the greater probability the participant will not read it.

As you can ascertain from my testimony, the documents the Council provided, as well as those that I provided as examples, are very nuanced. SHRM applauds the Council for looking to find real-world solutions for challenges faced with disclosures. Ultimately, what will serve both plan sponsors and participants the most is to have the tools to communicate clearly and effectively in a way that is well received. Close examination and, hopefully, elimination of some of the existing disclosures will help with this process. Thank you for the opportunity to testify today on enhancing the effectiveness of required plan disclosures for both plan participants and sponsors. I look forward to your questions.

Addendum A

SAMPLE ABC Sponsor 401(k) Plan Quick Reference Guide

This Quick Reference Guide (the "Guide") is an introductory part of the Summary Plan Description to help you learn about the benefits offered under the ABC Sponsor 401(k) Plan, which is called the "Plan" in this Guide. The Guide will also direct you to the specific sections of the SPD that will provide you more detailed information in response to common questions about the Plan.

You can have the complete Summary Plan Description (referred to as the "SPD") delivered to you at no cost at any time. The SPD is a summary of all the plan's provisions. It's important to remember the SPD, of which this Guide is only a summary. If you want to learn about all of the details of the ABC Sponsor 401(k) Plan, you should ask for a copy of the Plan document.

This Guide will be updated to reflect any Plan changes as necessary and delivered to all participants annually with any changes that have occurred in the plan during the year. To learn more about any topic, see the box for all of ways you can request more information on the Plan.

To get complete information about your 401(k) Plan, you can:

(1) Visit the website www.abc401k.info.com and click on the "See Complete SPD" tab,
(2) Call the *ABC 401(k) Plan Answer Line* at 888-888-8888, or
(3) Stop by the ABC Human Resource Department to ask for a complete copy of the Summary Plan Description, which is called the "SPD" in this Guide or to receive additional copies of this Guide.

Basic Information about the Plan

The Plan is called the *ABC Sponsor 401(k) Plan.* The Plan describes the retirement benefits made available to you by *ABC* [as required by the *ABC-Union* collective bargaining agreement, covering your employment beginning January 1, 2018 and ending December 31, 2020]. The Plan's IRS identification number is *88-8888888*. The Plan's assets are held in trust by a trustee, [name]. The name of the trust is ABC 401(k) Plan Trust. The Plan is administered by *ABC.* Both the Plan and the *ABC 401(k) Plan Trust* keep their books and records on a calendar year basis with each year running from January 1st to December 31st.

When am I eligible to participate in the Plan?

You are eligible to participate in the Plan as of (y*our first day of employment*). You will be (*automatically enrolled in the Plan unless you choose not to participate)*. Your initial contribution rate will be (*3%*) of your salary. However, you may increase, decrease or stop contributing to the Plan at any time.

How much can I save in the Plan each year?

Contributions under the Plan are limited by the Internal Revenue Service ("IRS"). You can contribute 1% to 50% of your eligible pre-tax pay, up to IRS-defined limits. After-tax contributions (up to 15%) are permitted. Participants age 50 or older can make additional "catch-up contributions," up to IRS-defined limits. For example, in 2017, you can save up to $18,000. If you will be age 50 this year, you may save up to $6,000 more. Other limits may apply depending on your salary.

How can I make My Contributions?

The Plan allows you to make payroll deduction contributions in 3 ways: pre-tax, after-tax and Roth.

- Pre-tax contributions are deducted from your pay before any federal tax is taken out, so your taxable income is reduced.
- After-tax contributions are deducted from your pay after taxes have been deducted, so your taxable income is not reduced for contributions, but there are tax advantages on your investment earnings while your contributions are in the Plan.
- Roth contributions are similar to after-tax contributions except there are additional tax advantages if you receive a "qualified distribution."

Does the Company Contribute to My Plan?

ABC helps you save by matching a portion of your contributions. The amount of the matching contribution is 100% of the first 3% of your salary. In other words, say your salary is $500 per week. You decide to save 5% of your salary, $25. ABC will make a matching contribution to the Plan of 3% of $500, or $15. That is like free money. For additional examples, and to see how your contributions can grow over time, go to the *"Company Matching Contributions"* tab.

How are my contributions invested under the Plan?

The Plan provides a choice of xx different investment funds with different investment objectives and lets you choose investments that provide you with flexibility and the ability to balance your investment risk. If you decide not to choose one or more investment funds, you will be invested in the Plan's default investment fund, which is called a Target Retirement Date fund.

If you are unsure of your "risk tolerance" you can fill out the *"Develop your investment mix"* worksheet exercise. For more information on the Plan's investment fund choices, including the Target Retirement Date group of funds, go to the *"Investment Choices"* tab [this should also include the QDIA notice].

What costs do I pay to participate in the Plan?

The Plan has two types of costs – administrative costs (for items such as recordkeeping, accounting and legal services) and investment costs (the fees charged by the professionals who manage the investments available under the Plan). You will receive an Annual Notice of the fees you are paying in that plan year. Understanding the fees you pay when you invest in the Plan is an important part of your savings and retirement planning. For information on Plan fees and expenses, go to the *Fees and Expenses* tab.

When can I take my money out of the plan (a Distribution)?

The IRS limits when you get a distribution from your 401K Plan. Generally, you can receive a distribution in connection with certain "life" events, such as your retirement, termination of employment, if you become disabled, or if you have an immediate and heavy financial need, called a "hardship distribution" or withdrawal (if your hardship meets the plan's requirements).

There is a 10% tax penalty for pre-tax and Roth contributions you will have to pay on any distribution prior to age 59 ½. After age 59 ½ you can make withdrawals of pre-tax and Roth amounts with no penalty. You may request a distribution of after-tax amounts at any time, however, you may not be able to contribute to the plan again for a short period.

What if I have an account in the 401(k) plan at my last job?

You may be able to "roll over" your account from your previous employer's plan to this Plan without incurring any income taxes on the "rollover." Go to the "Rollover" tab.

What happens to my account if I die?

Upon registration for the Plan, you will be asked to name someone to receive your account balance if you die – this person is called a beneficiary. If you are married, your spouse is automatically your beneficiary. For information on who can be named as your beneficiary, go to the "*Naming Beneficiaries*" tab.

What if I change my address?

- Update your address and other contact information with the Plan administrator and be sure to update your information with your employer too.
- Contact XXX at via email at xxx or call xxx-xxx-xxxx between 8 a.m. to 10 p.m. Eastern Time to speak with a Participant Service Representative.

What if I get married?

- If you get married after your Plan entry date, you may need to update your Plan beneficiary information.
- Update your beneficiary with XXX via the email at xxx or call xxx-xxx-xxxx between 8 a.m. to 10 p.m. Eastern Time to speak with a Participant Service Representative.

What if I get divorced or legally separated?

- If you get divorced or legally separated after your Plan entry date, you may need to update your Plan beneficiary information.

What if I become disabled?

If you become totally and permanently disabled, you can receive a disability benefit. You are considered totally and permanently disabled if you are entitled to receive a disability pension from any other qualified pension plan sponsored by the Contributing Employer or the Trustees or from any government Plan.

You must apply for a disability benefit and provide proof of your disability.

What else do I need to know about the SPD and the Plan?

*You should be aware that the Plan provisions may be changed or terminated by the Plan sponsor at any time [subject to any collective bargaining obligations].

*If the information provided in the SPD is different than the provisions in the Plan document, the Plan document will govern; this means the Plan Administrator will follow the Plan document and apply the terms to you.

As a participant in the Plan or as a beneficiary of a participant in the Plan, you have significant legal rights under federal law. The SPD describes those rights. To learn more about your rights, any topic or the Plan's basic operations, to get a copy of the Plan document, the trust document, [or the collective bargaining agreement,] or to ask the administrator a question, see the above box for all of ways you can ask questions or get more information on the Plan. You may also visit the U.S. Department of Labor ("DOL"), Employee Benefits Security Administration ("EBSA") website at www.dol.gov/ebsa or call the DOL at 1-866-444-3272.

A legal claim against the Plan will be accepted by the Plan Administrator. If you would like to send a letter to the Plan Administrator or to the trustee of the ABC 401(k) Plan Trust, address your letter to the ABC Sponsor 401(k) Plan Administrator, c/o Human Resources Department, ABC, 888 XYZ Lane, DEF City, VW State, 88888; or to the Trustee of ABC 401(k) Trust, c/o Human Resources Department, ABC, 888 XYZ Lane, DEF City, VW State, 88888.

Addendum B
<u>Sample Comparative Chart</u>

ABC Corporation 401k Retirement Plan

Investment Options – January 1, 20XX

This document includes important information to help you compare the investment options under your retirement plan. If you want additional information about your investment options, you can go to the specific Internet Web site address shown below or you can contact [insert name of plan administrator or designee] at [insert telephone number and address]. A free paper copy of the information available on the Web site[s] can be obtained by contacting [insert name of plan administrator or designee] at [insert telephone number].

Document Summary

This document has 3 parts:

- Part I consists of performance information for plan investment options that do not have a fixed or stated return or fixed distribution. Part 1 shows you how well the investments have performed in the past and the fees associated with each investment option. .
- Part 2 contains information about the investment options that provide a fixed or stated return.
- Part 3 shows you the annuity options under your retirement plan. Annuities are insurance contracts that allow you to receive a guaranteed stream of payments at regular intervals, usually beginning when you retire and lasting for your entire life. Annuities are issued by insurance companies. Guarantees of an insurance company are subject to its long-term financial strength and claims-paying ability.

3 Things to Know When Investing for your 401K Investments:

1) Past performance does not guarantee how the investment option will perform in the future.

2) Your investment in these options in Part 1 could lose money.

3) The cumulative effect of fees and expenses can substantially reduce the growth of your retirement savings.

Visit the Department of Labor's Web site for an example showing the long-term effect of fees and expenses at http://www.dol.gov/ebsa/publications/401k employee.html.

Fees and expenses are only one of many factors to consider when you decide to invest in an option. You may also want to think about whether an investment in a particular option, along with your other investments, will help you achieve your financial goals.

Detailed Information about each fund's principal risks, investment strategy and performance is available on our 401K Administrator's Web site: [www.401kadministrator.com).

Please visit www.ABCPlanglossary.com for a glossary of investment terms relevant to the investment options under this plan. This glossary is intended to help you understand your options.

Part I. Investment Options Performance Information and Fees

Table 1 focuses on the performance of investment options that do not have a fixed or stated rate of return. Table 1 shows how these options have performed over time and compares them with an appropriate benchmark for the same time periods.

Funds in Blue had favorable returns compared to the Benchmark.

Funds in Red had unfavorable returns compared to the Benchmark.

Table 1—Rate of Return on Investments and Fees

Name/ Type of Option	**Average Annual Total Return as of 12/31/XX**				**Fees and Expense**	
	1yr.	5yr.	10yr.	Since Inception	Administrative Fee	Shareholder Fees and Restrictions

Equity Funds	Large Cap	
MFS Value R$	26.5% .34% 1.03% 9.25%	.61% NA
XXX Equity Income Inst.	27.6% .99% N/A 2.26%	.52% NA
XXX Large Cap S&P	16.95% 10.19% 13.11% 7.32%	.85% NA
C Fund/ Int’l Stock	36.73% 5.26% 2.29% 9.37%	.79% NA
D Fund/ Mid Cap	40.22% 2.28% 6.13% 3.29%	.85% NA
Equity Funds	**Mid Cap**	
Mid Cap Value	26.5% .34% 1.03% 9.25%	.66% NA
Mid Cap Blend	20.56% 9.09% 13.04% 8.72%	.20% NA
Mid Cap Growth	17.37% 7.44% 11.69% 8.42%	.81% NA

Equity Funds	SMALL CAP					
Small Value	30.03%	9.02%	12.58%	8.07%	.99%	NA
Small Blend	23.97%	7.21%	13.84%	7.17 %	.79%	NA

Equity Funds page 2						
Name/ Type of Option	**Average Annual Total Return as of 12/31/XX** 1yr.	5yr.	10yr.	Since Inception	**Fees and Expense** Administrative Fee	Shareholder Fees and Restrictions
Equity Funds	**Other Funds**					
Allocation Fund	26.5%	.34%	1.03%	9.25%	.61%	NA
Foreign Large Blend	27.6%	.99%	N/A	2.26%	.52%	NA
Diversified Markets	16.95%	10.19%	13.11%	7.32%	.85%	NA
Real Estate	36.73%	5.26%	2.29%	9.37%	.79%	NA
Equity Funds	**Target Date Funds**					

2015	26.5% .34% 1.03% 9.25%	.77%	Qualified Default Investment Account (QDIA)
2020	20.56% 9.09% 13.04% 8.72%	.77%	QDIA
2025	17.37% 7.44% 11.69% 8.42%	.81%	QDIA
2030	12.07% 5.99% 9.76% 5.98%	.77%	QDIA
2040	13.50% **6.35%** 10.04% 6.09%	.78%	QDIA
2045	13.50% **6.35%** 10.04% 6.09%	.78%	QDIA
2050	13.50% **6.35%** 10.04% 6.09%	.78%	QDIA
2055	13.50% **6.35%** 10.04% 6.09%	.78%	QDIA
2060	13.50% **6.35%** 10.04% 6.09%	.78%	QDIA
Equity Funds	**Bonds**		
Hi Quality Bond	-11% 2.22% 2.00% 3.98%	.59%	NA
Intermediate Bond	3.61% 3.08% 3.73% 5.40%	.59%	NA

PART II- Investments with Stable and Fixed Returns

Table 2 focuses on the performance of investment options that have a fixed or stated rate of return. Table 2 shows the annual rate of return of each such option, the term or length of time that you will earn this rate of return, and other information relevant to performance.

Table 2—Fixed Return Investments	

Name/ Type of Option	Return	Term	Other	Fees and Restrictions
H 200X / GIC	4%	2 Yr.	The rate of return does not change during the stated term.	12% charge subtracted from amounts withdrawn before maturity.
I LIBOR Plus/ Fixed-Type Investment Account	LIBOR +2%	Quarterly	The rate of return on 12/31/xx was 2.45%. This rate is fixed quarterly, but will never fall below a guaranteed minimum rate of 2%.	5% contingent deferred sales charge subtracted from amounts withdrawn; charge reduced by 1% on 12-month anniversary of each investment.
J Financial Services Co./ Fixed Account Investment	3.75%	6 Mos.	The rate of return on 12/31/xx was 3.75%. This rate of return is fixed for six months.	90 days of interest subtracted from amounts withdrawn before maturity.

Part III. Annuity Information

Table 3 focuses on the annuity options under the plan. Guarantees of an insurance company are subject to its long-term financial strength and claims-paying ability.

Table 4—Annuity Options			
Name	**Objectives / Goals**	**Pricing Factors**	**Restrictions / Fees**
Lifetime Income Option	To provide a guaranteed stream of income for your life, based on shares you acquire while you work. At age 65, you will receive monthly payments of $10 for each share you own, for your life. For example, if you own 30 shares at age 65, you will receive $300 per month over your life.	The cost of each share depends on your age and interest rates when you buy it. Ordinarily the closer you are to retirement, the more it will cost you to buy a share. The cost includes a guaranteed death benefit payable to a spouse or beneficiary if you die before payments begin. The death benefit is the total amount of your contributions, less any withdrawals.	Payment amounts are based on your life expectancy only and would be reduced if you choose a spousal joint and survivor benefit. You will pay a 25% surrender charge for any amount you withdraw before annuity payments begin. If your income payments are less than $50 per month, the option's issuer may combine payments and pay you less frequently, or return to you the larger of your net contributions or the cash-out value of your income shares.

Generations 2020 Variable Annuity Option	To provide a guaranteed stream of income for your life, or some other period of time, based on your account balance in the Generations 2020 Lifecycle Fund. This option is available through a variable annuity contract that your plan has with ABC Insurance Company.	You have the right to elect fixed annuity payments in the form of a life annuity, a joint and survivor annuity, or a life annuity with a term certain. The cost of this right is 1.5% (shown above) Annuity includes a guaranteed death benefit payable to a spouse or beneficiary if you die before payments begin. The death benefit is the greater of your account balance or contributions, less any withdrawals.	Maximum surrender charge of 8% of account balance. Maximum transfer fee of $30 for each transfer over 12 in a year. Annual service charge of $50 for account balances below $100,000.

Addendum C

Sample ABC Company Pension Fund ANNUAL FUNDING NOTICE

STANDARD NOTIFICATION - NO ACTION REQUIRED

All traditional pension plans (also called "defined benefit pension plans") are required to provide this notice every year. This notice does *not* mean that the Plan is terminating. It also does *not* mean that you won't receive the benefit you have earned. This Notice will tell you if we are funding your Pension Plan in conformance with Federal Funding guidelines.

Introduction

The purpose of this notice is to report the funded status of your pension plan ("the Plan") and how that has changed over the last 3 years. The funded status tells you how much of the estimated cost of the plan we have funded. Regardless of the current funded status of the plan, [*insert plan sponsor name*] must make contributions over time that will fund the pension benefits that have been earned.

•

	~~Funding Target Attainment Percentage~~ Funding Status, ABC Company			
	2017	CURRENT YEAR FUNDING STATUS	**2016**	**2015**
1. Valuation Date	**06/30/2017**		**06/30/2016**	**06/30/2015**
2. Funding Status per PPA	**79%**	**AT RISK**	**80%**	**80%**
3. Funding Target Alternate	**82%**	**GOOD**	**84%**	**84%**

The Plan has been determined to be in "at-risk" status in 2017. The increased liabilities to the Plan as a result of being in "at-risk" status are reflected in the At-Risk Liabilities row in the funded status table contained in the Appendix.

For the plan year beginning on **July 1 2017**and ending on **June 30, 2018**, the following events are expected to have such an effect: There are no events that should effect the Pension Fund.

What Does the Funded Status Mean to Me?

For purposes of this notice, the **funded status** is the "Funding Target Attainment Percentage" developed for the Pension Protection Act of 2006 (PPA) [1].

The PPA considers 80% funding of a Pension plan to be acceptable. If the plan's funded status is less than 100%, future contributions are structured with the objective of reaching 100% over a period of time. If the funding of your plan is under 80%, the PPA restricts the plan from providing benefit improvements and paying lump sums and certain other forms of benefit. If you are considering retiring in the near future, you should be aware of these potential benefit restrictions as you plan.

Recent legislation has provided temporary funding relief to plans allowing them to use a higher interest rate to determine funding requirements, which will lower the liability and increasing the reported funded status. This Funding status is shown below as "**Funding Status-Alternate**"[2.]

How is Funding Status[1] Determined?

Under federal law, a plan's funded status[1] is used to determine the amount of money the plan sponsor must contribute to the plan each year.

- The funded status[1], is calculated based on the value of the Pension Fund at the Valuation date:

$$\frac{\text{Plan's Net Assets}}{\text{Plan Liabilities}}$$

In general, the higher the percentage, the better funded the plan.

What is Risk in the Funding Ratio?

- While the 80% threshold is used to apply benefit restrictions under PPA, it is not necessarily indicative of a plan's financial soundness.
- Plans with a funded status above 80% may still be subject to risk if the plan sponsor does not have sufficient financial resources to support the plan, while sponsors whose plan's

funded status is below 80% may have a specific contribution strategy to improve the funded status over time.

- If a plan's Funding Status for the prior plan year is below 80%, the plan is considered under law to be in "at-risk" status. This means that the employer is required to contribute more money to the plan.
- In addition, the law prohibits pension plans from making benefit improvements or providing certain accelerated payments (such as lump-sum payments or payments to be made only for a fixed period) if a plan falls below certain funding thresholds.

- It is important to understand the specific circumstances of each plan and plan sponsor when evaluating funded status. A more detailed explanation of this can be found here:
  https://www.actuary.org/files/80_Percent_Funding_IB_071912.pdf

At-Risk Liabilities / Benefit Restrictions [*only if at risk or benefit restrictions apply*]

Additional detail regarding the Funding equation, the Alternate Funding Status, and the asset and liability components of the funded status can be found in the Appendix to this notice.

Events Having a Material Effect on Assets or Liabilities [only include if applicable]

Federal law requires the plan administrator to provide an explanation of events, taking effect in the current plan year, which are expected to have a material effect on plan liabilities or assets. An event is material if it, for example, is expected to increase or decrease Total Plan Assets or Plan Liabilities by five percent or more.

Right to Request a Copy of the Annual Report

You can obtain more information about the funded status of the plan and other important information about the plan at *[insert plan sponsor's benefits website]* or contact *[insert plan administrator contact information including name, address, phone, email].*

You can also get a copy of the plan's annual report, called a "Form 5500", which includes detailed actuarial, participant and asset information, from the US Department of Labor at www.efast.dol.gov and using the search tool, or by contacting the Employee Benefits Security

Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. Or you may obtain a copy of the Plan's annual report by contacting your plan administrator at the address noted above.

For identification purposes, the official plan number is [*enter plan number*] and the plan sponsor's name and employer identification number or "EIN" is [*enter name and EIN of plan sponsor*].

If you have questions about your plan's funded status, you should contact *[insert plan sponsor contact information]* for more information.

Appendix

What are the detailed components of the Funding Target Attainment Percentage used as the Funding Status?

The table below provides more detailed information about the calculation of the Plan's Funding Target Attainment Percentage shown in the main section of this notice.

Funding Target Attainment Percentage			
	2017	2016	2015
1. Valuation Date	06/30/2017	06/30/2016	06/30/2015
2. Net Plan Assets	25,000,000	24,500,000	24,000,000
3. Plan Liabilities			
a. With Adjusted Rates	30,487,800	29,166,700	28,571,100
b. Without Adjusted Rates	31,645,200	30,800,000	30,000,000
4. At-Risk Liabilities	6,645,000	6,300,000	6,000,000

Why are two different Funding Target Attainment Percentages shown?

The funding target attainment percentage is a measure of how well the plan is funded. The table above shows this information determined with and without the adjusted interest rates from temporary funding relief provided under The Moving Ahead for Progress in the 21st Century Act, the Highway and Transportation Funding act of 2014 and the Bipartisan Budget Act of 2015. Prior to 2012, pension plan liabilities were determined using a two-year average of interest rates. Under the temporary relief, pension plans also take into account a 25-year average of interest rates. This means that interest rates likely will be higher resulting in lower plan liabilities, a higher Funding Target Attainment Percentage and lower required employer contributions than under prior law. The temporary funding relief provisions of this federal legislation phases out beginning in 2021.

How are the Plan Assets determined?

Net Plan Assets is the value of the Plan's assets on the Valuation Date (see line 2 in the chart above). The asset values used to determine funding requirements are actuarial values. Because market values can fluctuate daily based on factors in the marketplace, such as changes in the stock market, pension law allows plans to use actuarial values that are designed to smooth out those fluctuations for funding purposes.

How are Plan Liabilities determined?

Plan Liabilities shown in line 3 of the chart above a is an estimate of the amount of assets the Plan needs on the Valuation Date to pay for earned plan benefits and is based upon multiple assumptions, including interest rates.

What is the funding and investment policy of the plan?

Every pension plan must have a procedure for establishing a funding policy to carry out plan objectives. A funding policy relates to the level of assets needed to pay for promised benefits. The funding policy of the Plan is [*insert a summary statement of the Plan's funding policy*].

Once money is contributed to the Plan, the money is invested in a trust by plan officials, called fiduciaries, who make specific investments in accordance with the Plan's investment policy. Generally speaking, an investment policy is a written statement that provides fiduciaries who are responsible for plan investments with guidelines or general instructions concerning investment management decisions. The investment policy of the Plan is *[insert summary statement of the Plan's investment policy]*.

Detailed information regarding the specific investments of the plan can be found in the annual Form 5500 filing for the plan, available at www.efast.dol.gov, using the Employer Identification Number = XX – XXXXXX and Plan Number = XXX in the search tool.

For additional information about the plan's investments – contact [*insert the name, telephone number, email address or mailing address of the plan administrator or designated representative*].

Addendum D

Sample Quick Reference Guide- ABC Company Health Plan

The Plan is called the *ABC Sponsor Health Care Plan.* The Plan describes the health care benefits made available to you by *ABC* [as required by the *ABC-Union* collective bargaining agreement, covering your employment beginning January 1, 2018 and ending December 31, 2020]. The Plan's IRS identification number is *88-8888888*.

This Quick Reference Guide (the "Guide") is an introductory part of the ABC Sponsor Health Plan Document (PD) to help you quickly learn about the benefits under the ABC Sponsor Health Care Plan, which is called the "Plan" in this Guide. You can have the complete Plan Document (PD) delivered to you at no cost at any time with a request to the Human Resources Department.

T h e Guide will be given to all eligible participants within 30 days of their enrollment date and reissued with substantive changes.

Accompanying this Guide is a **Summary of Benefits and Coverages** ("SBC"), which outlines the benefit that each coverage program provides, the premiums charged for each coverage program, and the deductibles and co-pays charged for each service under the coverage programs. The SBC will be given to all participants annually within 30 days of the beginning of the Benefit Period.

A. *How to Use This Guide and the SBC*?

This Guide and the SBC will give you basic information about the Plan and provide general answers to common questions. The Guide will also direct you to the specific sections of the PD or to the SBC that will provide you more detailed information in response to common questions about the Plan.

B. What *Changes Have Been made to the Plan since Last Year's Guide?*

Any changes to the eligibility or coverage provisions in the Plan since last year's benefit plans, including any changes made to the charges of certain co-pays and deductibles for the coverage programs are described in the SBC.

C. *What Coverages Are Available under the Plan and How Do I find out about the Plans?*

You may enroll in one of three different coverages under the Plan:

1. The Health Maintenance Organization Program
2. The Preferred Provider organization program;
3. The High Deductible health care program.
4. If you are a retired employee who is age 65 or older or otherwise qualifies for Medicare, the only coverage available to you under the Plan is the Medicare Advantage

Prescription Drug program. In addition, you may enroll separately in the dental care program and vision care program.

Each of these coverage programs is summarized in the SBC.

D. Am I eligible to participate in the Plan?

- *Active Employees:* You are eligible to participate in the Plan if you are an active employee in a position in which you are scheduled to work regularly at least [30] hours per week. Your spouse and dependents are eligible to participate in the Plan if you meet the eligibility requirements.
- *Retired Employees*: If you terminate from a position through which you participate in the Plan and you are immediately eligible to receive a pension benefit from the ABC Retirement Plan, you are treated as a retiree and you may continue to participate in the Plan's Medicare Advantage Prescription Drug program.

Employees and Retiring Employees should read Section 1.7 for all the rules on eligibility for themselves, their spouses, and their dependents.

E. *How and When Do I Enroll in the Plan? When Can I change my plan?*

1) You can enroll within the first 60 days of eligibility in the plan or during the annual Open Enrollment Period.
2) You must submit a completed enrollment form (electronic or paper) to the ABC Human Resources Department.
   a) Visit the website www.abchealthcareplan.com ,
   b) click on "enrollment" tab
3) You can Enroll or Change your Plan during each annual Open Enrollment period.
4) Once enrolled, you can only Add or Delete spouses or dependents only during the Annual Open Enrollment Period, unless a Qualifying Life Event Occurs.

Please see Section 8.1 in the PD for additional information on Qualifying Life Events.

F. *When Does My Coverage Begin and How Long Will My Coverage Continue?*

Your coverage begins on the first day of the month on or following the date that you became eligible and submitted your completed enrollment form to the ABC Human Resources Department.

Your coverage will continue until the last day of the benefit year. Each open enrollment period you are required to re-enroll in the Plan for the new benefit year.

Your Coverage ends the last day of the month in which: when you terminate or the plan terminates.

Please see Section 2.7 of the PD for additional details on termination.

G. *Basic Information about the Plan*

Here are some things you should know about all of the coverage programs available under the Plan:

- None of the coverage programs requires you to see a designated primary care doctor in order to see doctors who specialize in particular care, and no prior authorization is ever needed for gynecological or obstetrical care.
- Each coverage program provides preventive care services.
- Each coverage program provides for mental health and substance abuse disorder coverage.
- If your dependent child is enrolled in Medicaid or the Children's Health Insurance Program ("CHIP"), you might be eligible for premium assistance.
- Your enrollment and your coverage options will not be affected by any health condition that you might have and that your personal health information may not be disclosed without your permission to anyone not involved with the administration or operation of the Plan.
- The Plan administrator maintains a list of available prescription drug under each program.
- You should be aware that the Plan may be changed or terminated by the Plan sponsor at any time.
- Remember the SPD, which this Guide is a part, and the SBC are only summaries. If the information provided in SPD or SBC is different than the information provided in the Plan, the information provided in the Plan will be followed by the Plan Administrator and applied to you.

H. How Do I know if my doctor is in the Plan?

You can check for your doctor, of find a doctor that is in the plan, by going to the website:
www.findadoctor.com. We are in the ZZZY network, the PPO Plan.

Please see Section 2.5 of the PD to find out more our Network and plan type.

I. How do I know if what I want the services I want are covered by the plan?

There are services that are excluded from our plan. Be sure you get a Prior Authorization for any scheduled medical treatments, so that you will know if this is included in the plan.

You can also read what is included and excluded in the plan, in Section 5.2 of the PD

J. *If My Benefit Is Denied, What do I need to do?*

You have a right to have the Plan administrator review a denial of a benefit claim and to appeal that denial. Each time that you receive benefits under the Plan you will receive an explanation of benefits form ("EOB").

If you do not understand the information provided regarding the processing of your claim or if you think that information is inaccurate, you should contact the plan administrator to discuss the matter by visiting the website at www.abchealthcareinfo.com and click on the "EOB" tab where you could leave a text message and a plan representative will respond.

To learn more about denied claims, and your rights under the plan please go to Section 9.1

K. ***When Are I Eligible for Continuation Coverage, How Do I Enroll for Continuation Coverage,?***

You, your spouse, and your dependents lose medical coverage, you are eligible for continuation coverage (often called "COBRA"). Continuation coverage can last from 18 to 36 months, depending your reasons for enrolling.

Please see Section 4.2 in the PD to learn more about when you can enroll for continuation coverage.

To learn more about the Plan details, to get a copy of the Plan document, the trust document, [or the collective bargaining agreement,] or to ask the administrator a question, you can visit the website at www.abchealthcareinfo.com .

Also you could call the *ABC Health Care Plan Answer Line* at *888-888-8888* or could visit the *ABC Human Resources Department* and ask for any of these documents