

**Consultant Questionnaire**  
**Submitted by: FFoA, LLC**

**Section A – Company Profile**

**1. Briefly describe your organization, date founded, history, ownership, and other business affiliations.**

FFoA is an independently owned and managed consulting firm dedicated solely to the retirement plan marketplace. We are a Member Firm of National Retirement Partners (NRP), the nation's premiere organization of retirement plan advisors. As such, we are part of a national network of independent retirement plan specialists providing advisory services to over 2,500 retirement plans with over \$19 billion in assets. Through the sharing of our diverse talents, expertise and a common focus, we are able to deliver an industry-wide perspective and services that have traditionally been available only to the very largest firms. NRP was recognized by *Plan Sponsor* magazine as "Best in Class Consultants" in their 2004, and 2005 Plan Sponsor Surveys.

FFoA was founded in 2000. As a result of our expertise and level of professionalism in helping our clients effectively manage their retirement plans, reduce exposure to fiduciary liability, and address both IRS and Dept. of Labor compliance requirements, we were named as one of the country's top 25 professional pension advisors by *Plan Sponsor* Magazine in 2005.

**2. Do you contemplate any agreements, or are agreements being negotiated between you and other parties, which may affect the firm's ownership, corporate structure, or management during the next year?**

No

**3. Identify or describe any litigation or investigation by a regulatory authority that your organization or professionals have been involved in relative to the services outlined in this document in the last three years.**

We have never been a defendant in any litigation, and have never been the subject of any regulatory or self regulatory investigation or disciplinary action.

**4. Please describe your client profile in terms of assets – largest/ smallest/ median:**

Largest client: \$75 million  
Median client: \$40 million  
Smallest client: \$5 million

**5. Please provide a breakdown of your business by marketplace (Retirement Plan, Health Insurance, Personal Insurance, Personal Investment or Financial Planning, etc.)**

100% of our business is in the institutional retirement plan marketplace. We do not sell retail product nor are we in the business of selling life, health or any other type of insurances.

**6. Are you employed by a Firm that exerts any kind of limitation as to proprietary products or services or any limitation on the Providers that you may work with?**

No. FFoA values and practices independence. We have no proprietary pressures or quotas to fill. We have no conflicts of interest. We retain selling agreements and detailed knowledge relating to virtually all of the major retirement plan providers, and have allegiances to none. Our allegiance is to our clients.

**8. Why should we select your organization? What sets you apart?**

- **Specialized Commitment.** We are focused exclusively on institutional retirement plans. We are not retail stockbrokers or generalists. This is not a sideline business for us.
- **Industry Insight.** As specialists, we are extremely well informed about Providers' strengths and weaknesses and industry issues.
- **Experience.** We bring you over 55 years of combined retirement plan experience.
- **Recognized Talent.** FFoA has been named among the top 25 pension advisors in the US by *Plan Sponsor* magazine.
- **Objectivity and independence.** Because we have no proprietary pressures or quotas to fill, we provide unbiased guidance.

**Section B - Service**

**1. Describe your "client service philosophy". Who will be responsible for the consulting relationship? Please provide a brief biography.**

FFoA has a total dedication to understanding, anticipating and satisfying our client's diverse needs. We believe in providing customized solutions, not off-the-shelf product. Our goal is to simplify each client's life by developing life-long relationships with them which will lead to understanding and anticipating their evolving needs, and then meeting these needs through our firm's vast array of resources and solutions.

Our service teams are assigned based on plan size. Given the asset base for your Plan, your Service Team will be comprised of our Firm's two principals, Barbara Delaney, President, and Ellen Lander, Executive Vice President. They will provide you with timely, intelligent, researched, prudent and objective guidance and support.

*Barbara J. Delaney, President and Founder of FFoA*

Barbara began her career in 1980 at E.F. Hutton. As a result of her rapid success and intuitive sense of the business, she was soon promoted to Senior Vice President for their Personal Financial Planning Division. In 1988, Barbara joined The Tribus Cos. one of New Jersey's largest employee benefit consulting firms. She formed their Investment Management Services Division which specialized in the qualified and non-qualified retirement plan arena. When The Tribus Cos. was sold to First Union Bank in January 2001, Barbara made the



decision to create her own Company and founded FFoA as an independent retirement plan consulting firm.

Barbara has been a guest speaker at numerous industry conferences and seminars and has authored various articles for industry publications. She holds a B.A. degree in Business Administration and Economics from St. Thomas Aquinas College and has attended New York University's Stern School of Business for her graduate work.

*Ellen Lander, Executive Vice President*

Ellen has over 30 years of experience in all aspects of the retirement plan industry. Her extensive technical, investment, consulting and marketing background allows her to provide high-level, insightful consulting solutions and guidance to our clients.

Prior to joining FFoA as a Principal in 2004, Ellen was a Managing Director with MassMutual Retirement Services in New York City. In this role, Ellen worked with Plan Sponsors in the design, implementation, investment due-diligence and communication of their retirement plans. She also helped to design various retirement plan products and marketing campaigns for the Company. Ellen has won numerous awards and citations for sales and management leadership and has been a frequent speaker at various industry conferences. She holds a B.S. degree from Douglass College of Rutgers University.

Ellen and Barbara's keen insight, strong work ethic, "can do" attitude, and combined 55 year commitment to the retirement business will provide the strong foundation upon which our relationship will be built.

## **2. Describe your "consulting philosophy" (i.e. your role as a consultant).**

We believe that our role as your consultant is:

- to educate and empower
- to guide you into making the best decisions for your plan and employees
- to drive positive outcomes that will maximize the value of your plan
- to assist you in creating the strategic framework (substantive and procedural prudence) essential to prudent decision-making.

We identify our client's unique characteristics and assist in translating these factors into customized solutions. We educate and empower the decision makers and strive to continually monitor and benchmark the service providers in order to assist the fiduciaries in ensuring the providers are fulfilling their duties and meeting the plans needs. Periodic reviews of the investment policy statement, the plan investments, participant trends, and the strategic communication plan are encouraged to ensure that each meet the plans changing needs over time.

## **Section C – Services**

### **1. Describe your provider Search and Evaluation Process.**

Employers who choose to evaluate their plan providers, or search for a new one, will find our Process a powerful one.

The first step in the process is to work with you in evaluating your current situation and discussing your objectives, needs and concerns. We will then identify those providers that we believe have the ability to best fulfill your needs. Our evaluation can always include other providers that you may have in mind.

Detailed proposal requests will then be prepared by us and sent to the agreed-upon providers. All responses will be reviewed in detail using our proprietary process and methodology. Our resulting Report and Comparative Analysis is not an off-the-shelf product. It is customized to your situation and reflects decades of experience in evaluating provider product and service offerings. It will provide you a thorough, in-depth investigation and analysis of all relevant information, such as features, services, costs and investments, and is designed to assist fiduciaries in fulfilling their obligation to make an informed and reasoned evaluation of a Plan Provider.

From this Report and Analysis, we will work with you to narrow down the prospects to those two or three companies with whom you wish to meet. At these "finalist meetings", we will have the opportunity to meet the providers on a personal basis, further negotiate any price or service issues and resolve any outstanding questions about services.

After the finalist presentations, and if believed necessary, we will do another round of price and service negotiation with the providers that you feel best fit your needs. Additionally, you may, at this point, wish to do a site visit with the top provider(s). Site visits allow you to see the facilities and meet the people that would be responsible for your plan's management.

Ultimately, you will make your final selection of the best service provider for your Plan.

**2. Describe your experience with conducting provider searches for organizations who wish to maximize efficiency through the coordination of defined benefit, 401(k) and nonqualified plans.**

Our team is on the leading edge of the total retirement outsourcing movement, and has a keen understanding of the providers that possess Total Retirement Outsourcing capabilities. We have lengthy and valuable experience with these types of arrangements.

**3. Does your firm maintain a database of market information for DB, 401(k) and NQ providers? What data do you maintain? How frequently is it updated? Are your searches limited to those vendors?**

As a Member Firm of NRP, we can utilize the PLANSPONSOR Pathfinder provider database (originally co-developed with Watson Wyatt) for the most up to date provider information. The PLANSPONSOR Pathfinder database covers over a thousand points of data and market sentiment from more than 3,000 plans, 100 providers, 80+Record-Keepers and \$3 trillion in assets.

We augment that data with annual published surveys from: The Boston Research Group's qualified and nonqualified survey data, The Profit Sharing Council of America's qualified plan survey data, and the Institute of Management and Administration's qualified plan survey data.

We do not limit searches to the Pathfinder database. We will add any desired company into the search process.

#### **4. How do you support the client during the due diligence process? What are the key issues that you examine?**

As trained professionals in the investment industry, the goal is to assist our clients in creating the strategic framework (substantive and procedural prudence) essential to prudent decision making

### **Investment Policy & Asset Allocation**

#### **1. Describe the processes your firm uses to assist clients in developing investment policies and objectives.**

Our formal analysis of a new client's portfolio structure is the initial step in a new relationship. We are very dedicated to the development and annual review of the Investment Policy Statement believing it to be the blueprint for the entire investment program. The Policy Statement establishes the infrastructure for all investment related activities, from definitive investment goals to allowable risk levels, from guidelines delineating allowable investments to prohibited transactions, and from benchmarks for evaluating performance to service expectations for investment consultants and other service providers.

We will begin the process by meeting with the members of the Investment Committee to discuss and obtain the committee's consensus view on long-term return objectives, liquidity needs, acceptable asset allocation, risk tolerances and policy guidelines. These guidelines are critical because they help us recognize particular securities or sectors (i.e. socially conscious investing) that committee members, as fiduciaries, must track to ensure that manager are upholding policy guidelines. Policy guidelines will also help us determine what kinds of investment strategies the Committee members are uncomfortable with such as derivatives, selling on margin, options, etc.

We review our client's plan to ensure that an appropriate asset allocation structure is established to meet stated goals and objectives. We will then propose multiple asset allocation strategies that we feel will optimize the probability of achieving those goals and objectives. Finally, we will set appropriate benchmarks (indices and peer groups) to monitor the progress not only of the total portfolio for each respective fund, but also the individually managed components within each fund.

A Prudent Investment Policy Statement should include the following elements:

- The purpose of your funds
- Income requirements and Performance Objectives
- Lines of authority and delegation
- Diversification guidelines

- Asset Allocation guidelines
- Quality Guidelines
- Definition of allowable assets and prohibited
- Monitoring Procedures
- Administration or management of your funds

## **2. Describe your asset allocation approach and modeling.**

For asset/liability studies, we use Zephyr Analytics, a sophisticated analytical tool that utilizes Nobel Laureate Dr. Harry Markowitz's mean-variance optimization to develop optimal portfolios. Zephyr Allocation Advisor also utilizes Monte Carlo simulation, a complex mathematical technique, to run thousands of scenarios to determine probabilities of meeting set targets and to form the basis for our modeling process. Historical performance information is used to derive expected returns, expected volatility (i.e. standard deviation) and correlation values for the chosen set of asset classes. We believe that historical capital market trends can be utilized as a basis for expected returns, risk and correlation statistics. Although this practice is not unique in the industry, what we do differently, is to work collaboratively with the Investment Committee to make reasonable modifications and set practical constraints in order to increase probabilities of meeting targets and to take advantage of this historical data within the context of the current economic, regulatory, and capital market environment.

Asset Allocation modeling evaluates a wide variety of asset class and/or portfolio style combinations that potentially could achieve a client's investment goals. The Asset Allocation modeling process analyzes different risk parameters and forms the basis for a well-conceived risk control plan that is presented for consideration and adoption by the client's investment policy-making group. Diversification provides investors with the best opportunity for long-term gain and principal preservation, downside protection and participation in fluctuating markets. While asset and style classes fall in and out of favor, diversification, and focused investment strategies optimize portfolio growth potential and minimize downside market risk to principal.

Risk management comes in many forms and is a critical component in developing the asset allocation strategy. In helping our clients determine the appropriate risk level, an optimal portfolio mix of styles should be selected to produce the highest expected return at a risk level that is commensurate with the Committee's risk profile. We would use the following data for asset classes: expected return, expected volatility (i.e. standard deviation) and correlation of returns among the selected asset categories. We employ mean-variance optimization analysis to evaluate multiple portfolio mix scenarios. A risk/return continuum of portfolios is developed illustrating the mix of assets, expected return, risk (i.e. standard deviation) and downside potential. Downside potential is a very important aspect of this analysis as it statistically represents the lowest return for a particular portfolio at a 95% confidence level. This analysis allows clients to fully understand the expected behavior of each portfolio and its respective compatibility to long-term objectives.

Once the asset classes have been identified and the strategic allocation is set, then diversification within those asset classes is employed to aid in overall portfolio risk reduction. For example, in the large-cap equity asset class, we would likely recommend both a large-cap growth and a

large-cap value manager to mitigate “style risk” in the portfolio. Once we identify large-cap growth and large-cap value manager candidates, we then decide which managers complement each other best. Specifically, we look to identify two managers (one representing each style) who have complementary holdings and who overweight or underweight different sectors of the market. We use style analysis tools including Zephyr to refine our understanding of a manager’s style identity. This process reduces portfolio “security” and “sector” risk, and is applicable across all asset classes.

### **3. How often does your firm recommend reviewing asset allocation?**

Quarterly, although, we can also perform ad hoc reviews in the case of an exogenous event or “shock” in the global capital markets.

### **4. When do you consider rebalancing?**

Quarterly although we possess the ability to monitor the allocation and recommend rebalancing on a customized basis, to occur as frequently as monthly or as infrequently as annually. We can also perform ad hoc rebalancing reviews in the case of an exogenous event or “shock” in the global capital markets, or if there exists a deviation from the policy target asset allocation. For example if the policy target allocation for large cap value equities is 15% and it is currently 21% of portfolio assets, we would consider rebalancing if there was a 5% deviation limit set forth in the investment policy.

### **5. Do any of your models use a forecast of actuarial liabilities and expected benefit cash flow of the funds?**

Yes. Through a Monte Carlo statistical analysis, we combine portfolio return forecasts, cash flows and inflation to predict future balances and the probabilities of achieving stated target goals.

### **6. What is your philosophy in utilizing mutual funds?**

**Defined Contribution 401(k) Plans.** In general we believe that Mutual Funds are prudent and appropriate within Defined Contribution employee-directed plans. Registered proprietary and nonproprietary mutual fund investments are frequently intermixed with pooled separate accounts and sub-advised funds when the plan investment line up is created.

**Defined Benefit Plans.** In general we believe the appropriateness of mutual funds, versus individualized investment management, needs to be evaluated in light of the size of the pool of assets, the desire for active or passive management, the goals and objectives of the plan, the service providers, costs, etc. In general, we find that the appropriateness of mutual funds diminishes as the pool of assets increases.

## **Performance Monitoring and Reporting**

### **1. Describe your firm’s performance reporting and evaluation services.**

Ongoing performance evaluation will include analysis of the following portfolio characteristics:

- Investment Policy Statement compliance
- Asset Allocation constraints (minimum and maximums for asset classes) (NA for DC Plans)
- Manager performance vs. appropriate benchmarks and peer universes
- Expenses vs. appropriate benchmarks
- Risk levels vs. appropriate benchmarks

Data sources include Zephyr, Moringstar/Ibbotson, and Mobius M-Search.

Portfolio characteristics and historical product returns dictate the appropriate benchmark(s) for a manager. As part of the investment policy creation, we recommend that portfolios have predetermined benchmarks against which investment managers are measured. For total portfolio evaluation, we establish “blended” custom benchmarks for institutional clients, which incorporate the target weighting of assets represented in the portfolio. Zephyr, Ibbotson, and Mobius M-Search have capabilities that facilitate blended customized benchmarks, while ensuring historical data accuracy.

The universes in our performance report are asset class and style-specific, and based on manager-reported composite returns.

When recommending performance benchmarks for a manager, the manager’s past performance is analyzed to determine which benchmarks(s) are most representative of the manager’s stated style (i.e. correlation analysis). The rationale in establishing a performance benchmark is to determine on an ongoing basis whether or not the manager is performing well and should continue to be included as part of the portfolio. We use style universes to measure investment manager performance as to its peers. Benchmarks are established for various asset classes. For example, the Russell 2000 would be used in determining the benchmark for the small cap portion of the total portfolio.

## **2. Describe how benchmarks are chosen or developed.**

We believe in utilizing well-known, published, transparent benchmark indices with long-term historical data.

## **3. How often are performances reports produced and delivered?**

Our customized reports are provided and presented to the Committee on either a quarterly or semi-annual basis depending on our client’s preference.

## **4. Is your performance report produced in-house or by a third party?**

The reports are prepared in-house and customized to our client’s needs. It is not our practice to simply pass through the Provider’s reports which are sent to you directly. Our customized reports and analysis are prepared to ease the monitoring and management of the investments in accordance with the plan sponsor’s investment policy statement.



## **5. Give an overview of your firm's approach and criteria for placing a manager on a watch list.**

We will suggest that a fund manager be placed on the Watch List, if we observe:

- Consistent and sustained underperformance relative to the relevant peer group and benchmarks
- Materially greater risk relative to the relevant peer group and benchmarks
- A change, or "drift" away, from the option's investment style or discipline.
- A materially greater level of expenses or turnover
- Change in ownership or management of the firm
- Loss of Firm personnel

While we are mindful of making timely recommendations, we also want to avoid excessive placement of managers on the Watch List, so we look for sustained trends rather than isolated occurrences over one or two quarters.

### **Participant Support**

#### **1. Describe the services provided to participants on a group and individual basis.**

##### Development of an Employee Communication Plan:

Possessing an effective and executable plan to educate your employees on the features and benefits of your plan is one of our many objectives. Having a communication plan helps plan sponsors document ongoing participant communication efforts. In addition, implementing a well-constructed communication plan may often help to meet the approximately 20 steps for 404(c) compliance. We will work with the appropriate representatives of your organization and the marketing and communication staff from your plan provider to develop a customized institutional communication plan. This process would generally begin with an examination of the plan participant's activity, plan trends, and demographic trends for the proceeding 24 months which we would extract from your providers plan reports. To accomplish your communication and education goals, we engage in the following processes:

- Developing customized strategy
- Identifying needs-based communications
- Establishing success metrics
- Incorporating you Provider's creative talent
- Preparing delivery plan
- Implementing communications strategy
- Measuring results

We also highly recommend the use of targeted focus groups so that participants get to participate in the creation of the communication plan. The result will be a tailored employee education plan that addresses your employees' need for understanding investing and their retirement plan. Your customized communication plan will outline an approach for your organization to address various goals, which might include:

- Helping employees understand the benefits of participating in their retirement plan
- Increasing deferral rates
- Helping employees understand and improve asset allocation
- Familiarizing employees with new investments and services
- Education about retirement planning
- Education about investing

#### Coordinating / Conducting Employee Meetings

Employee education is key to a successful retirement plan and your organization needs an effective education program that is powerful enough to help participants understand and achieve their retirement plan goals. We are dedicated to raising employee awareness about your organization's retirement plan benefits and will work closely with you to assess your plan's need as to the types of meetings (targeted communications) and then assist in coordinating and delivering those meetings.

#### Individual Investment Education

We facilitate access to resources to help your participants with those difficult questions about the best way to manage their retirement assets. When your employees change jobs or retire, they often face complex financial decisions. When your participants have questions about appropriate ways to manage their retirement assets, they will often ask difficult questions. It is the plan fiduciaries responsibility to make available information in order to allow the plan participants to make informed decisions. Amongst the easiest and most popular strategies in the market place today are Asset Allocation or Lifestyle funds that are managed in accordance with the risk tolerance of the plan participant or in accordance with a specific retirement date. This fully diversified, professionally managed approach is available through many investment managers in both registered mutual funds and sub advised accounts. Additionally, we can coordinate access to outside advice, including advice offered by service providers like Morningstar or Financial Engines, which offer online advice or full management of the participants account.

#### Monitoring of Communication Plan

Your communication plan needs to evolve to reflect the changes in your employees' needs and demographics. As your organization and employees change, we can provide objective fact-based information to assist the committee in ensuring that the plan's communication strategies continue to meet the needs of your plan and employees.

We will periodically review the plan's participant activity and patterns. Then, with the input from the communication and marketing specialist from your retirement plan service provider, identify deficiencies and an appropriate communication piece to address the concern. These communication plan reviews generally coincide with the investment committee reviews and are part of our standard agenda.

## **2. What actions have you taken with other Defined Contribution clients to increase and improve plan utilization?**

By creating customized, targeted education programs and employing "automated features" such as automatic enrollment, deferral increase programs, inclusion of age-appropriate investment

options (and using them as the plan's default option), we have helped our clients increase employee deferral and participation rates and also helped to improve participants' asset allocation.

## **Section D – Fees**

### **1. Describe how you are compensated.**

We have the ability to work with you on a hard or soft dollar basis and can frequently secure our fully disclosed compensation from the service providers at no additional cost to the plan sponsor or participants.

The actual level of fee will be dependent upon the services that you wish for us to provide. Normally, those fees are either a flat annual fee or a percentage of assets under management. Whatever approach we end up using, all fees will be fully disclosed.

## **Section E – References**

### **1. Please provide client references.**

Out of respect for our client's confidentiality and time, we ask that you let us know when you are ready to contact them. At that time, we will provide you our clients' names and telephone numbers so that you may speak to them directly.