



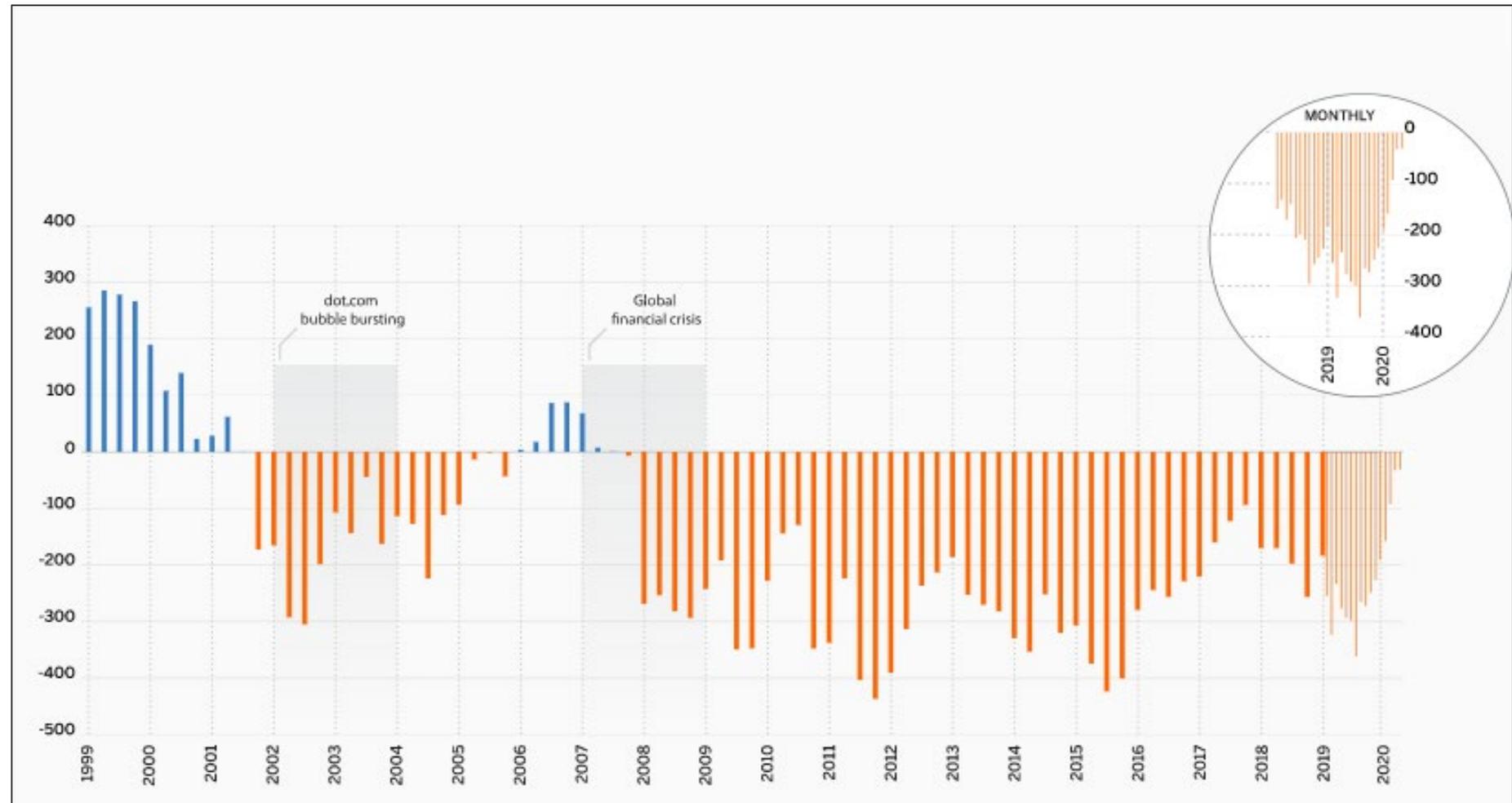
# Defined Benefit Plan Advising and ALL NEW Reporting Tools from RPAG



# Agenda

- Current Market Environment for DB Plans
- Defined Benefit Consulting
- New RPAG Reporting

Milliman 100 Pension Funding Index – Pension Surplus/Deficit

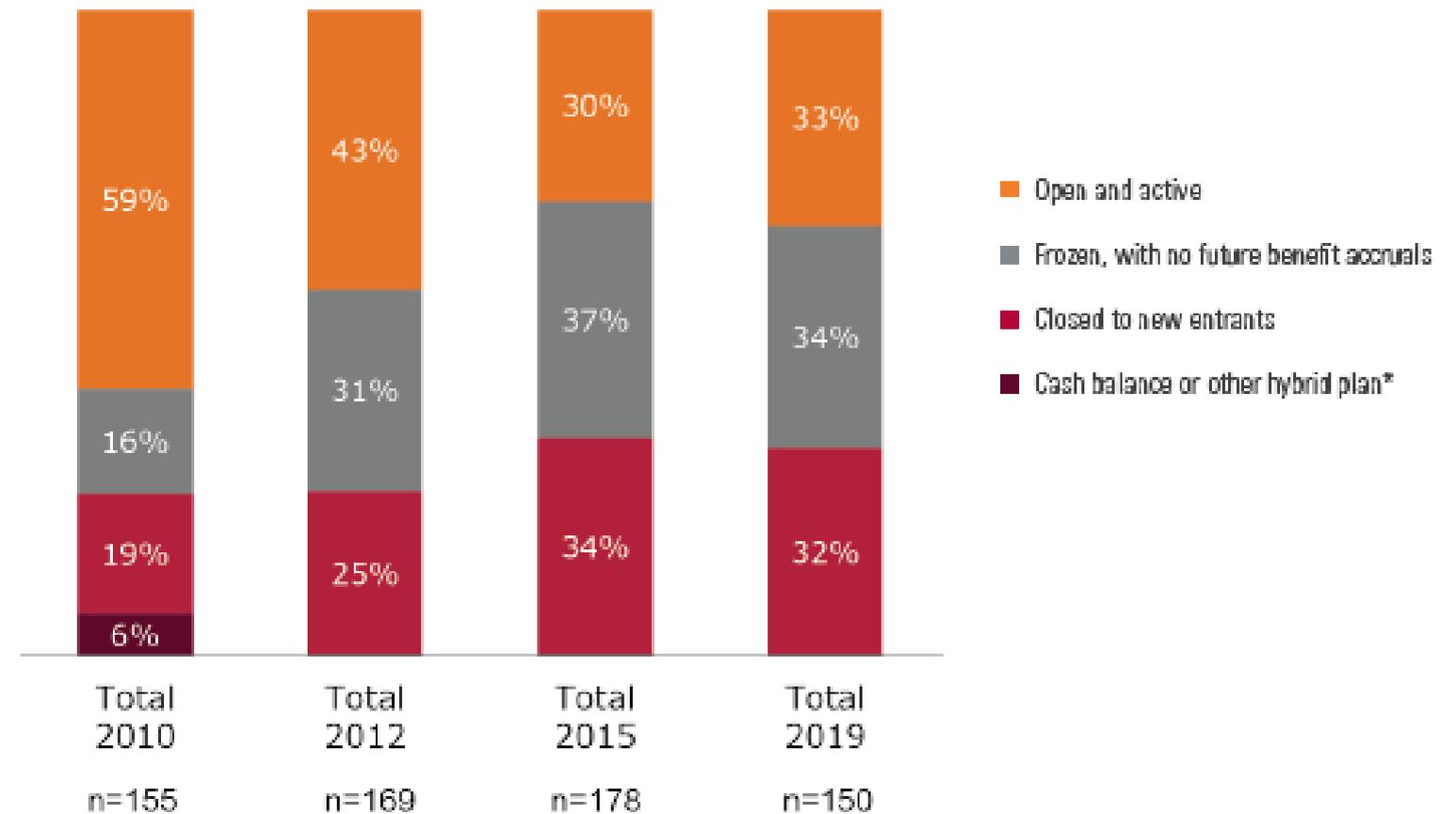


Source: Milliman

# Defined Benefit Plans Continue to be a Thorn in Plan Sponsor Sides

Figure 1. Sponsors' current pension plan status

- From 2010 to late 2019, the S&P 500 was up 200%, but barely kept pace with the growth of plans' liabilities<sup>1</sup>
- Discount rates dropped 250 basis points and mortalities tables continue to reflect longer and longer life expectancies<sup>1</sup>
- PBGC premiums quadrupled<sup>1</sup>

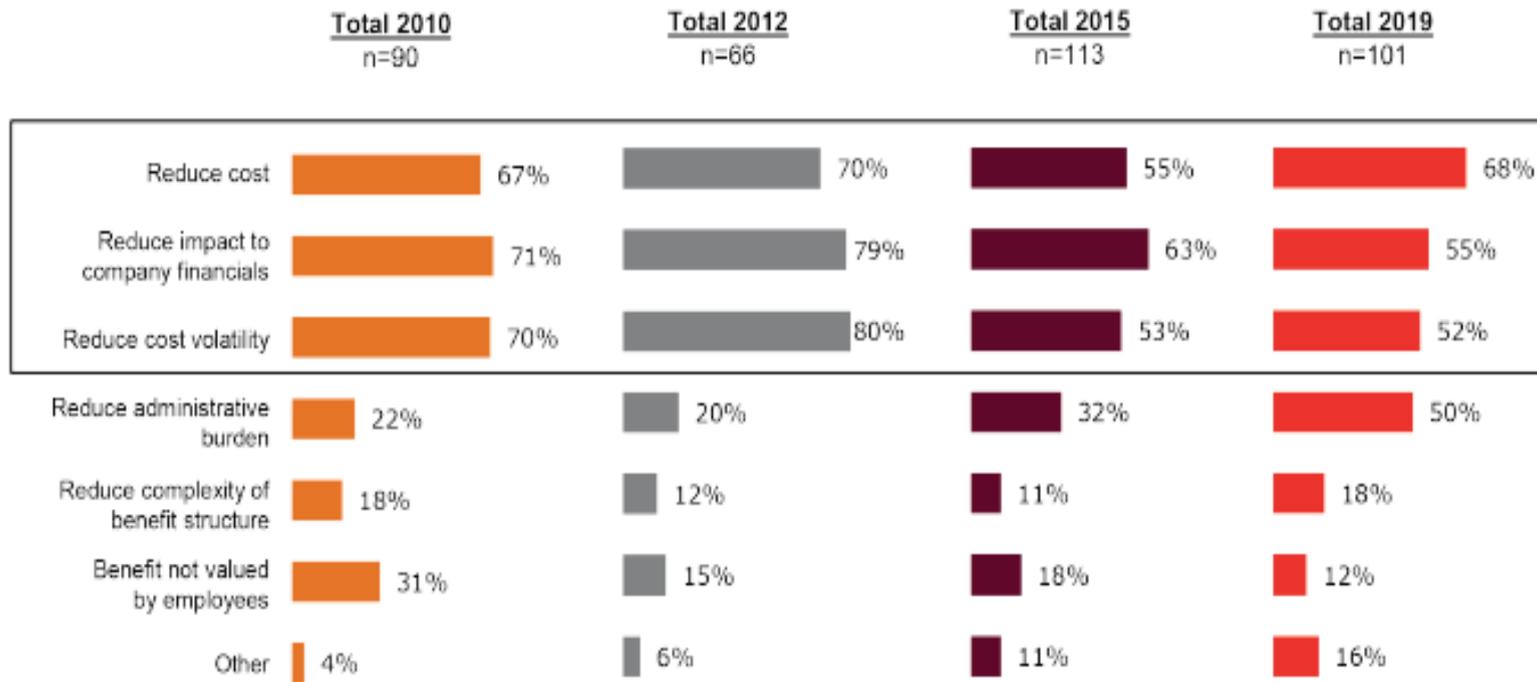


\* Note: cash balance or other hybrid plan not asked in 2012, 2015, and 2019 surveys. Totals may not add up to 100 due to rounding.

<sup>1</sup>Vanguard Research November 2019; 2019 Survey of Pension Plan Sponsors

# Plan Sponsor's Goals:

Figure 3. Top reasons for making changes to a pension plan  
 Base: Respondents who indicated they were planning a change

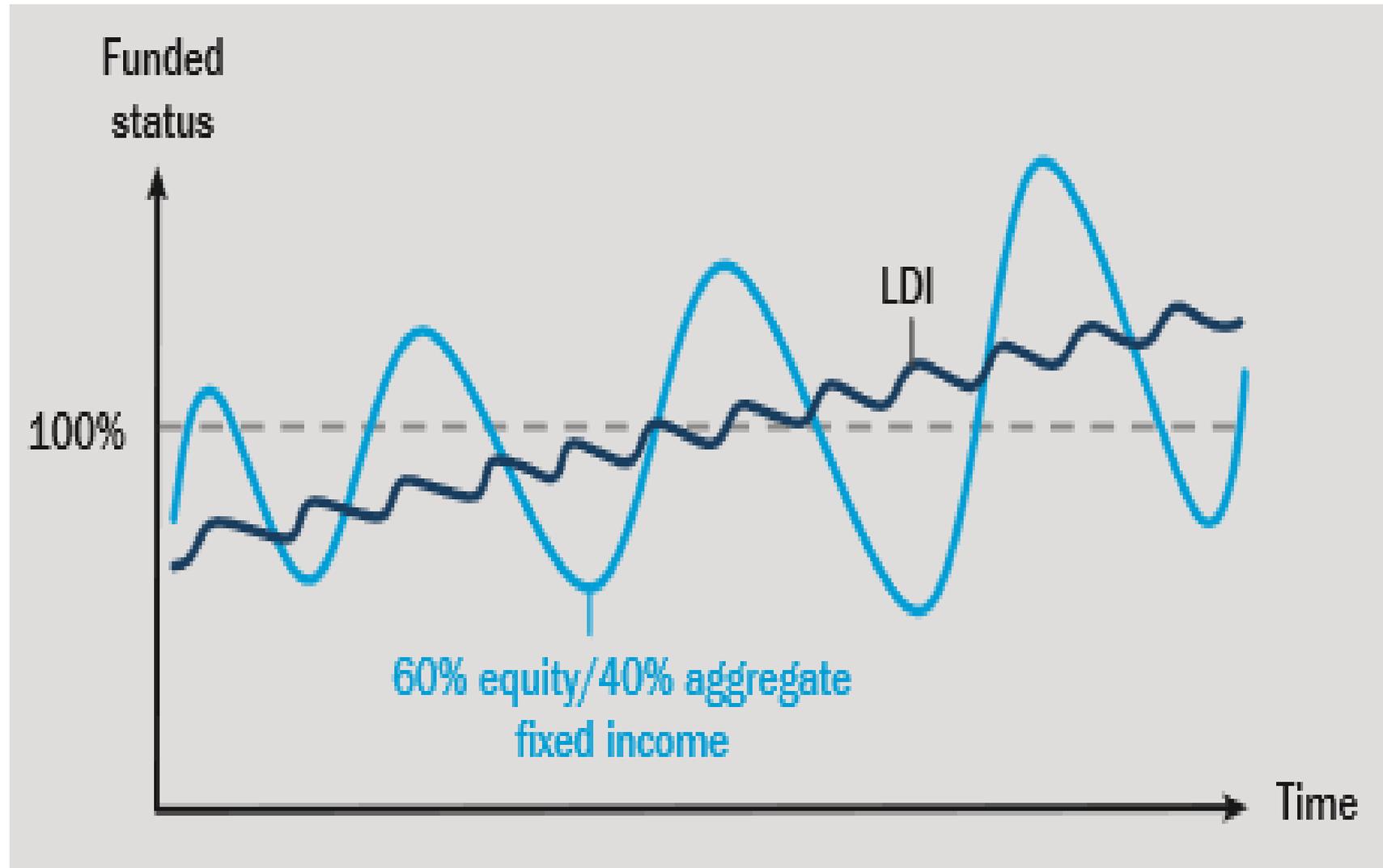


# What Can An Advisor Do:

- LDI Glidepath
- Pension Risk Transfer
- Convert to Cash Balance Plan

# Different Approaches to Asset Allocation

## Asset/liability solutions | Stress testing



### What is it?

Risk management framework that aligns liability interest rate sensitivity with fixed income assets

### Pros

- Reduces interest rate sensitivity
- Reduction in funded status volatility
- Reduces contribution volatility
- Protection from unanticipated carrying costs

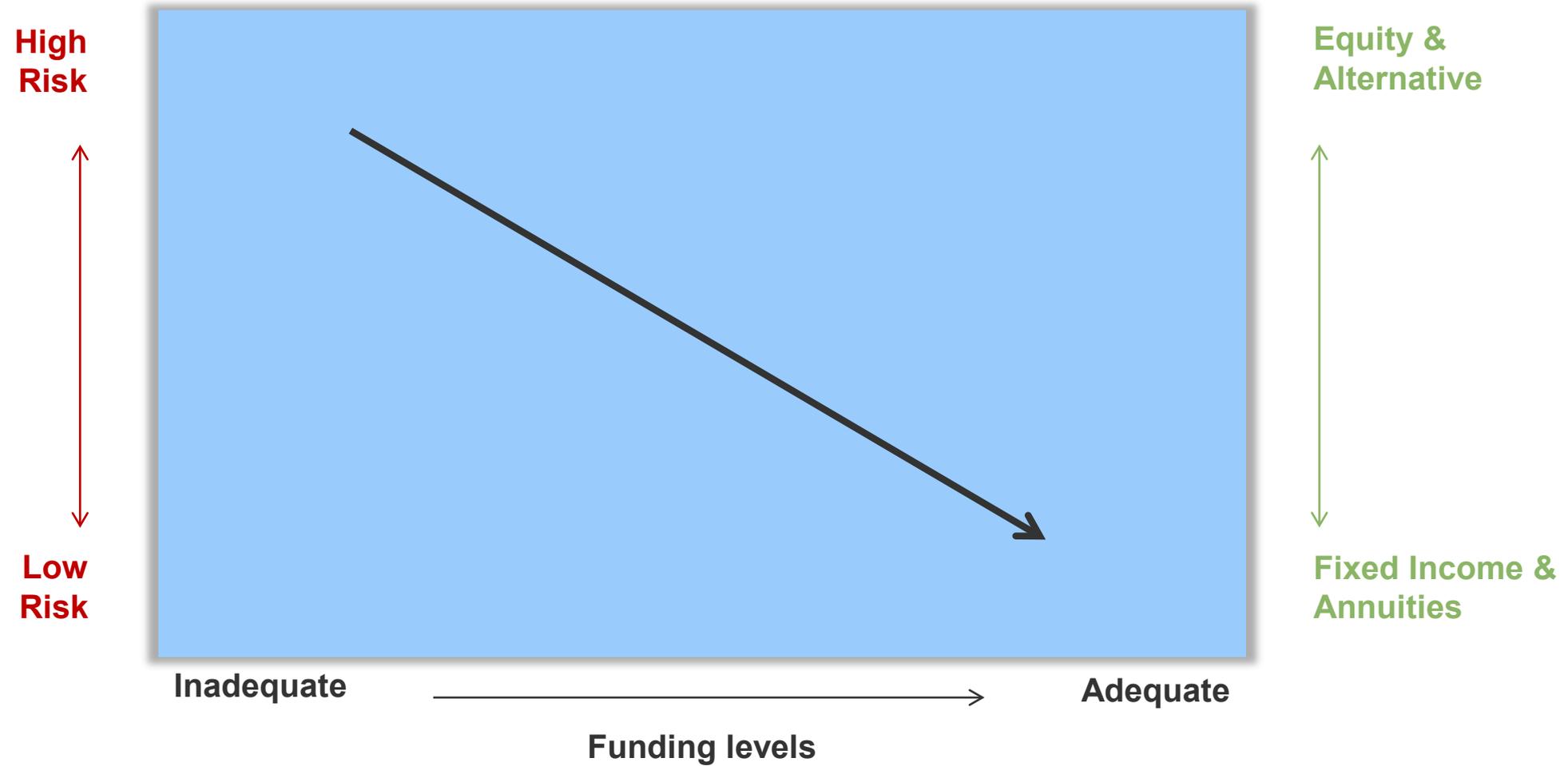
### Cons

- Plans may not benefit as much from rising rate environments

Source: Columbia Investments

# How Does LDI Work

Reduce **risk** as plan reaches funding goals



*Investments are not guaranteed and are subject to investment risk including the possible loss of principal.  
For illustrative purposes only. Actual allocations may vary.*

# De-Risking and Plan Shrinking Options

## Risk Management

### Liability Driven Investment (LDI)

- Controls pension investment risks through liability-based investment strategy
- LDI can be combined with longevity insurance for a customized solution

### Longevity Insurance

## Risk Transfer

### Lump Sum

- Transfers risk to participants
- PPA Corporate Bond basis fully phased in
- May trigger settlement accounting and reduce funding status

### Partial Buyout

- Transacted for specified lives
- Assets transfer to insurer
- Reduces funded status if transacted for only a portion of plan
- Requires settlement accounting

# Cash Balance

- Better consistency in cash needs
- More discrete liability
  - Much less interest rate sensitivity
- Easier to match asset and liabilities

## Cash Balance Market Growth

- ✓ Cash Balance plans continue rising as the fastest growing sector of the retirement plan market.
- ✓ The number of new Cash Balance plans increased 17%, compared with just 2% growth in new 401(k) plans.



Source: Kravitz National Cash Balance Research Report, 2020  
1. Projection based on current growth rates and industry data.

# RPAG Cash Balance CIT

## Cash Balance CIT

The Cash Balance Collective Investment Trust (CIT) seeks to achieve a long-term rate of return of 3-5% while maintaining a prudent level of risk.

**3(38) asset allocation and manager selection service**

**Annual asset allocations study**

**Quarterly commentary and reporting**

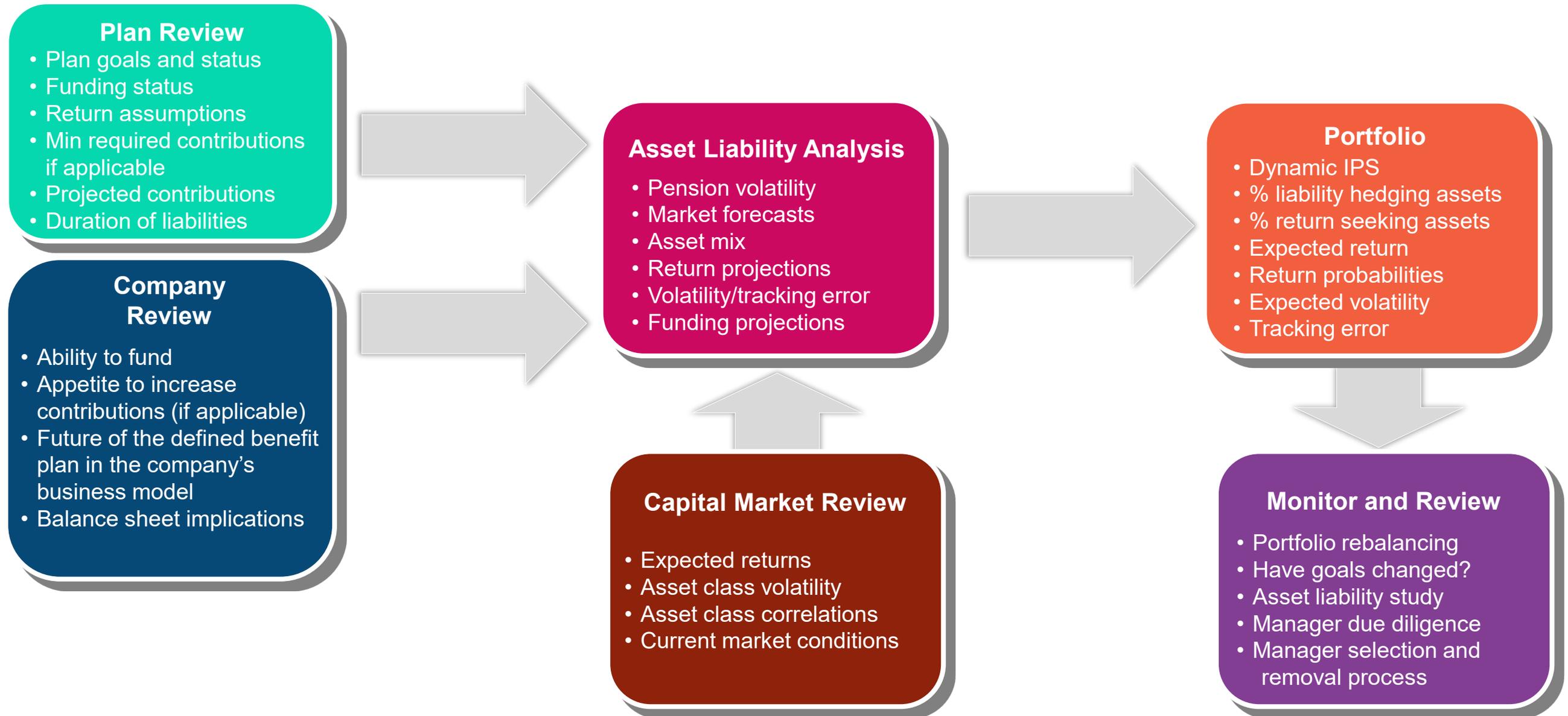
**Quarterly rebalancing**

### Key Facts

Expense Ratio	0.26%
Return Target	3-5%
Average Score*	9.0
Active Exposure	43%
Equity Exposure	35%

\*Average score to underlying funds as of 3/31/2021  
Source: Scorecard System. All data as of 3/31/2021

# Process



# Defined Benefit Investment Policy Statements

- Three Different IPS:
  - Traditional
  - LDI Open
  - LDI Closed

- SAMPLE -

**[Retirement Plan Name]  
Investment Policy Statement**

**Part I. THE PLAN**  
The Plan is intended to provide eligible employees a defined benefit through the long-term accumulation and investment of savings and contributions.

**Part II. THE PURPOSE OF THE INVESTMENT POLICY STATEMENT**  
This Investment Policy Statement is intended to assist the Plan's fiduciaries by establishing guidelines for making investment-related decisions in a prudent manner. It outlines the underlying philosophies and processes for the management of assets within the plan including the criteria for the selection, monitoring and evaluation of the investment options utilized.

Specifically, this Investment Policy Statement:

- Defines the Plan's investment objectives.
- Specifies the Plan's asset allocation policy
- Describes the criteria and procedures for selecting the investment options.
- Establishes investment procedures, measurement standards and monitoring procedures.
- Describes corrective actions the Adviser can take should investment options and investment managers fail to satisfy established objectives.

This Investment Policy Statement will be reviewed periodically, and, if appropriate, may be amended to reflect changes in the capital market objectives, or other factors relevant to the Plan.

**Part III. INVESTMENT OBJECTIVES**  
The investment objective of the Plan is to seek the highest rate of return consistent with its asset mix, which is a function of the Plan's funded status and the intent to minimize the volatility of assets to liabilities as the Plan's funded ratio increases. Over time, as the Plan's funded status in the Plan's assets should align with its liabilities, decreasing the volatility between the two. The Plan seeks to ensure reasonable costs and high priority on benefit security and satisfying its benefit obligations. The Plan's investment objectives include, but are not limited to, the following:

- Maximization of return within reasonable and prudent levels of risk.
- Incorporate the Plan's funded ratio into the investment objectives and amount of risk being taken.
- Provision of returns comparable to returns for similar investment options.
- Control administrative and management costs.
- Provision of appropriate diversification within investment vehicles.
- Investment manager's adherence to stated investment objectives and style.

Page 1 of 13

- SAMPLE -

**Part IV. INVESTMENT GUIDELINES**  
The Plan's investment policy incorporates a liability driven investment (LDI) strategy that reduces risk as the Plan's funded status increases or exceeds 100%. Risk is reduced by rebalancing the strategy from equity and alternative asset classes into fixed income (long, medium and short-term, depending on the Plan's liabilities). The fixed income portion of the portfolio should be aligned with the liabilities to reflect similar durations and interest rate sensitivity.

Allocations should typically fall within the following ranges unless otherwise noted by the Committee:

Funded Status (PBO)	Return Seeking	Liability Hedging
115-120	0-10	90-100
110-115	5-15	85-95
105-110	10-20	80-90
100-105	15-25	75-85
95-100	20-30	70-80
90-95	25-35	65-75
85-90	35-50	50-65
80-85	50-65	35-50
<80	60-70	30-40

**Implementation**  
The Plan intends to provide an appropriate range of investment options that may span the risk/return spectrum. Major asset classes to be considered may include, but are not limited to:

**Cash Equivalent Investments**  
Cash and liquid investments including, but not limited to, money market, stable value, and guaranteed interest accounts.

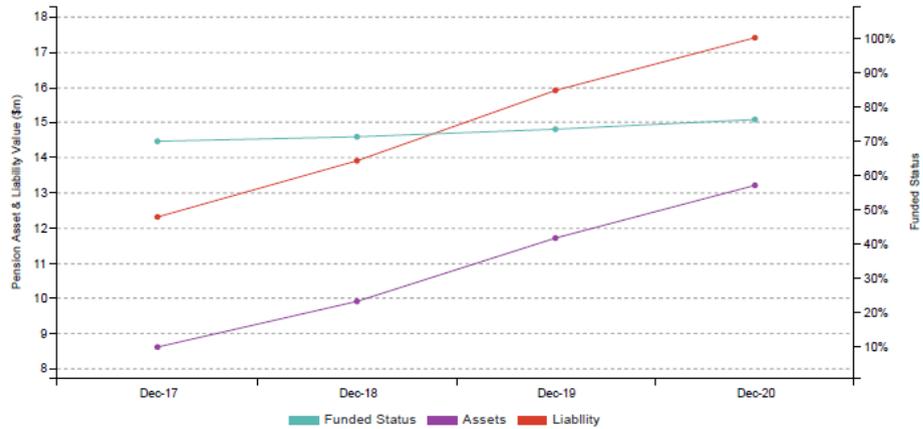
**Fixed Income Investments**  
Income oriented investments including, but not limited to, low, medium, and high quality bond funds, with short, intermediate, and/or long-term duration. Management styles may be indexed and actively managed international, global, and domestic styles.

Page 2 of 13

# New RPAG Reporting:

## Portfolio Allocation Reporting Funded Status

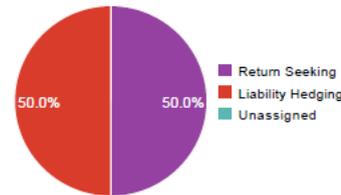
Funded Status Tracking



LDI Glidepath Guidelines (%)

Funded Status	Return Seeking	Liability Hedging
115-120	0-10	90-100
70-80	40-80	40-80
105-110	10-20	80-90
80-95	25-50	50-75
110-115	5-15	85-95
95-105	15-25	75-85
<70	60-85	35-40

Asset Allocation



	Dec-19	Dec-20
Discount Rate	3.02%	2.39%
Liability	\$15,907,083.00	\$17,365,262.00
Assets	\$11,672,029.00	\$13,232,329.00
Funded Status	73.38%	76.20%

LDI Guidelines reflect high-level weightings across equity/alternative and Fixed Income/Annuities

## Portfolio Allocation Reporting Allocation Summary Table

	Market Value	Weight	Weight v. Policy	Returns (%)						Score	Expenses (%)
				QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr		
Pension Plan	\$1,000,000.00	100%		10.5	15.24	15.24	9.01	10.15	-	9	0.22
Policy Benchmark				10.6	13.53	13.53	8.31	9.6	-		
<b>Return Seeking</b>	<b>\$500,000.00</b>	<b>50.00%</b>	<b>0.00%</b>								
<b>Total Equity</b>	<b>\$500,000.00</b>	<b>50.00%</b>	<b>0.00%</b>								
<b>US Equity</b>	<b>\$300,000.00</b>	<b>30.00%</b>	<b>0.00%</b>								
Large Cap Value I1 (Putnam Equity Income R6)	\$50,000.00	5.00%	0.00%	11.25	11.25	57.26	13.27	14.02	12.16	10	0.29
Russell 1000 Value Index				11.26	11.26	56.09	10.96	11.74	10.99		
Fidelity Total Market Index	\$150,000.00	15.00%	0.00%	6.44	6.44	62.88	17.06	16.62	13.76	10	0.01
Russell 1000 Index				5.91	5.91	60.59	17.31	16.66	13.97		
Large Cap Growth I1 (ClearBridge LCG)	\$50,000.00	5.00%	0.00%	0.42	0.42	55.38	19.81	18.95	16.57	8	0.29
Russell 1000 Growth Index				0.94	0.94	62.74	22.80	21.05	16.63		
Small Cap Value I1 (BMO Disciplined SCV)	\$25,000.00	2.50%	0.00%	21.81	21.81	95.18	9.26	11.79	12.10	7	0.40
Russell 2000 Value Index				21.17	21.17	97.05	11.57	13.56	10.06		
Small Cap Growth I1 (Victory RS SCG R6)	\$25,000.00	2.50%	0.00%	-2.43	-2.43	76.69	16.91	21.69	15.15	10	0.59
Russell 2000 Growth Index				4.88	4.88	90.20	17.16	18.61	13.02		
<b>International Equity</b>	<b>\$200,000.00</b>	<b>20.00%</b>	<b>0.00%</b>								
Fidelity Global ex US Index	\$100,000.00	10.00%	0.00%	3.64	3.64	49.89	6.41	9.86	-	10	0.06
MSCI ACWI ex USA NR				3.49	3.49	49.41	6.51	9.76	-		
International Stock I1 (PIMCO RAE International)	\$100,000.00	10.00%	0.00%	9.77	9.77	54.75	3.57	7.93	5.01	10	0.32
MSCI EAFE Large Value ND USD				7.57	7.57	44.10	1.48	6.34	3.22		
<b>Liability Hedging</b>	<b>\$500,000.00</b>	<b>50.00%</b>	<b>0.00%</b>								
<b>Fixed Income</b>	<b>\$450,000.00</b>	<b>45.00%</b>	<b>0.00%</b>								
Core Plus Bond I1 (PGIM Total Return R6)	\$150,000.00	15.00%	0.00%	-4.71	-4.71	4.26	4.65	4.15	4.80	8	0.29
BB Aggregate Bond				-3.37	-3.37	0.71	4.65	3.10	3.44		

Assets and Pensions returns sourced from Recordkeeper. Benchmark data from Morningstar.  
Benchmark: Russell 3000 Index: 30%, MSCI ACWI ex-US IMI Index: 35%, Barclays Aggregate Bond Index: 35%

# Creating the New Reports

**Alias**  
Sample DB Plan

**Plan Status**  
Sample

**Sales Consultant**

**Referral Source Percentage**  
-

**CRM Plan ID**  
-

**Effective Date**

**Last Modified**  
06-25-2021

Assets: **\$1,000,000**

[Delete Plan](#)

**Plan Type**  
Defined Benefit

**Plan Contract No.**

**Service Consultant**  
Ryan Hamilton, CFA

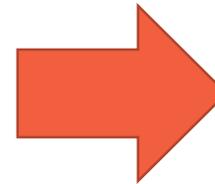
**Fiduciary Status**  
 3(21)  3(38)  
 Non-Investment Advisory

**Custodian**

**End Date**

**TIN**

**Plan Data Completion**  
30%



**Investments**

Investment Source: Prudential

Product: DB

Last PAL Feed: \_-\_-\_-

Category	Value
10-7	10
6-5	0
4-0	0

Assets:  
**\$1,000,000**  
as of 12-31-2020

# Data Input

## Portfolio Allocation Management ✕

**Is this plan on a LDI Glidepath?**  
 Yes  No 📄

Allocation
LDI Glidepath
Funded Status
Disclosures

Fund Name	Ticker	Asset Class	Allocation Weight	LDI Asset Type
Large Cap Value I1 (Putnam Equity Income R6)	97183K381	LCV	<input type="text" value="5.00%"/>	<span style="border: 1px solid #ccc; padding: 2px;">Return Seeking</span> ▼
Fidelity Total Market Index	FSKAX	LCB	<input type="text" value="15.00%"/>	<span style="border: 1px solid #ccc; padding: 2px;">Return Seeking</span> ▼
Large Cap Growth I1 (ClearBridge LCG)	97182V248	LCG	<input type="text" value="5.00%"/>	<span style="border: 1px solid #ccc; padding: 2px;">Return Seeking</span> ▼
Small Cap Value I1 (BMO Disciplined SCV)	97181N296	SCV	<input type="text" value="2.50%"/>	<span style="border: 1px solid #ccc; padding: 2px;">Return Seeking</span> ▼
Small Cap Growth I1 (Victory RS SCG R6)	97181N361	SCG	<input type="text" value="2.50%"/>	<span style="border: 1px solid #ccc; padding: 2px;">Return Seeking</span> ▼
Fidelity Global ex US Index	FSGGX	IE	<input type="text" value="10.00%"/>	<span style="border: 1px solid #ccc; padding: 2px;">Return Seeking</span> ▼
International Stock I1 (PIMCO RAE International)	97182U109	ILCV	<input type="text" value="10.00%"/>	<span style="border: 1px solid #ccc; padding: 2px;">Return Seeking</span> ▼
Core Plus Bond I1 (PGIM Total Return R6)	97182D594	CFI	<input type="text" value="15.00%"/>	<span style="border: 1px solid #ccc; padding: 2px;">Liability Hedging</span> ▼
Fidelity US Bond Index	FXNAX	CFI	<input type="text" value="15.00%"/>	<span style="border: 1px solid #ccc; padding: 2px;">Liability Hedging</span> ▼
PruDB-Pru Ret Short Term SP	VAUSA0JQJS	MM	<input type="text" value="5.00%"/>	<span style="border: 1px solid #ccc; padding: 2px;">Liability Hedging</span> ▼
PruDB-Pru Ret Long Duration Bond/IR&M SP	VAUSA0JQJD	LTB	<input type="text" value="15.00%"/>	<span style="border: 1px solid #ccc; padding: 2px;">Liability Hedging</span> ▼
<b>Total</b>			<b>100.00%</b>	

# Data Input

## Portfolio Allocation Management ✕

Is this plan on a LDI Glidepath?  Yes  No 📄

Allocation **LDI Glidepath** Funded Status Disclosures

Funded Status	Return Seeking	Liability Hedging	Action
<input type="text" value="115-120"/>	<input type="text" value="0-10"/>	<input type="text" value="90-100"/>	
<input type="text" value="110-115"/>	<input type="text" value="5-15"/>	<input type="text" value="85-95"/>	🗑️
<input type="text" value="105-110"/>	<input type="text" value="10-20"/>	<input type="text" value="80-90"/>	🗑️
<input type="text" value="95-105"/>	<input type="text" value="15-25"/>	<input type="text" value="75-85"/>	🗑️
<input type="text" value="80-95"/>	<input type="text" value="25-50"/>	<input type="text" value="50-75"/>	🗑️
<input type="text" value="70-80"/>	<input type="text" value="40-60"/>	<input type="text" value="40-60"/>	🗑️
<input type="text" value="&lt;70"/>	<input type="text" value="60-65"/>	<input type="text" value="35-40"/>	🗑️ ⊕

# Data Input

## Portfolio Allocation Management ✕

Is this plan on a LDI Glidepath?  
 Yes  No 📄

Allocation   LDI Glidepath   **Funded Status**   Disclosures

\*Month list should be in ascending order and unique

Month	Dec - 2017 <span>📅 🗑️</span>	Dec - 2018 <span>📅 🗑️</span>	Dec - 2019 <span>📅 🗑️</span>	Dec - 2020 <span>📅 🗑️ ⊕</span>
Discount Rate	<input type="text" value="4.04%"/>	<input type="text" value="3.52%"/>	<input type="text" value="3.02%"/>	<input type="text" value="2.39%"/>
Liability	<input type="text" value="\$12,275,000"/>	<input type="text" value="\$13,875,000"/>	<input type="text" value="\$15,907,083"/>	<input type="text" value="\$17,365,262"/>
Assets	<input type="text" value="\$8,576,000"/>	<input type="text" value="\$9,876,000"/>	<input type="text" value="\$11,672,029"/>	<input type="text" value="\$13,232,329"/>
Funded Status	69.87%	71.18%	73.38%	76.20%

### Portfolio Performance and Benchmark Performance

	QTR	YTD	1Yr	3Yr	5Yr	10Yr
<input type="text" value="Pension Plan"/>	<input type="text" value="10.50%"/>	<input type="text" value="15.24%"/>	<input type="text" value="15.24%"/>	<input type="text" value="9.01%"/>	<input type="text" value="10.15%"/>	<input type="text" value="0.00%"/>
<input type="text" value="Policy Benchmark"/>	<input type="text" value="10.60%"/>	<input type="text" value="13.53%"/>	<input type="text" value="13.53%"/>	<input type="text" value="8.31%"/>	<input type="text" value="9.60%"/>	<input type="text" value="0.00%"/>

# Data Input

**Portfolio Allocation Management** ✕

**Is this plan on a LDI Glidepath?**  
 Yes  No 📄

Allocation   LDI Glidepath   Funded Status   **Disclosures**

**Allocation Summary Disclosure**

Assets and Pensions returns sourced from Recordkeeper. Benchmark data from Morningstar.  
Benchmark: Russell 3000 Index: 30%, MSCI ACWI ex-US IMI Index: 35%, Barclays Aggregate Bond Index: 35%

190 / 380

**Funded Status Disclosure**

LDI Guidelines reflect high-level weightings across equity/alternative and Fixed Income/Annuities

99 / 380



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