

Retirement Plan **Analysis**



March 2010



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CTVS Retirement Plan Investment Menu with the Standard

- · 14 mutual fund options plus a brokerage account window
- Pooled Account
 - -65% Stocks / 30% Bonds / 5% Cash Equiv.
 - Approximately 65% of all plan assets () at 12/31/09
 - Default investment option





Retirement Plan Analysis Agenda

- 1. Overview of current retirement plan
- 2. Summary of retirement plan costs
- 3. Investment menu observations
- 4. Alternatives
- 5. Next steps / conclusions





Why review the CTVS Retirement Plan

- 1. Fiduciary responsibility of CTVS
- 2. Plan assets have grown significantly over time
- 3. Changes with current vendor
- 4. Intuitive feeling plan costs were too expensive





Summary of CTVS' Current Retirement Plan

- · The Standard
 - Existing Vendor (Portland, OR)
 - TheStandard' · Service / Regional office in Houston, TX
 - · Sales Rep in Austin, TX
 - CTVS was originally with Plan Data (Austin, TX), which was bought by Invesmart, which was ultimately bought by the Standard.
- in plan assets as of 12/31/09
- CTVS has approximately 90 plan participants as of 12/31/09



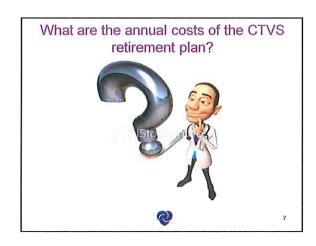
Hewitt Associates, LLC

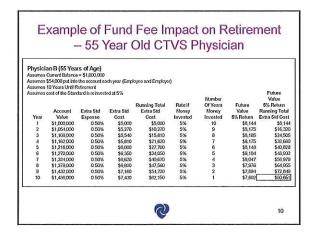
Be a Responsible Fiduciary: Ask the Right Questions About 401k Plan Fees (October 2008)

- Make a commitment to keep all costs
- 2. Demand unbundled transparency.
- Perform an annual TPC (Total Plan Costs) calculation.
- Conduct meaningful TPC projections.
- Review and update the plan's investment policy statement.
- Communicate fees to participants in a way that is both comprehensive and understandable.

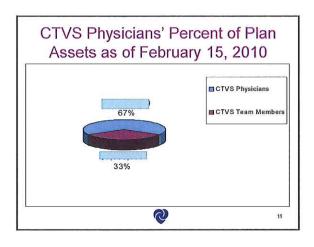


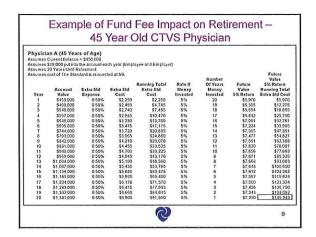












Total Plan Costs Increase with Asset Growth

- Approximately \$1.4 million per year is contributed to the CTVS retirement plan.
- Within 5 years the plan should increase by approximately \$7.0 million in contributions only.
- Within 5 years the plan should increase by approximately \$4,200,000 assuming a 3% yearly return on investments.
- *** The above assumes that no employees or ex-employees roll their money out of the CTVS plan. ***



CTVS Contributions Per Year Estimated in 5 Years (12/31/2014) Existing Plan Assets at 12/31/09 5 Years of Annual Contributions 3% Investment Returns for 5 Years

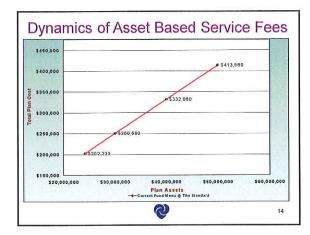


Alternative to Pooled Account

- Target-date funds are often thought of as "set it and forget it" funds.
- For example, if you plan to retire in 20 years, you might buy a target-date fund that matches your time frame -- that is, a target of 20 years.
- As you approach your retirement date, the fund moves its allocation to more conservative mutual fund investments (holding bonds and cash) and away from riskier mutual fund investments (holding equities).



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Retirement Plan Vendor Alternatives

- · The Standard
- Current plan sponsor / vendor
- · Pension Specialists, Inc. (PSI)
- Fidelity
- Frost Bank / M&I Institutional Trust Services
- Shepard Walton King Insurance Group (Austin, TX)

 ING
- · Aycock Financial Group (Austin, TX)
 - Wells Fargo, Oppenheimer, American Funds Group, Diversified Investment Advisors (AEGON), Nationwide Financial, Prudential, ING, MassMutual, Ascensus, and Fidelity Advisor



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TheStandard'

Pooled Account - Risk Factor

- A large sum of the plan assets are invested in the Pooled Account
 - Approximately 65% of all plan assets (
- It is the default option if a CTVS employee does not elect an investment option.
- The pooled account is not meant to be the right asset allocation for the majority of the plan's participants.
- · Potential fiduciary issues.
- Recommend that CTVS remove the pooled account option from the plan.
- CTVS paid the Standard approximately \$7,250 to manage this account in 2009.



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Reason for Selecting Vendors

- The Standard
 - Current vendor
- · Pension Specialists, Inc. (PSI)
 - Previous employer 401k plan sponsor
 - Low costs & excellent service
 - A proxy for Vanguard
- · Fidelity
 - One of the largest 401k plan sponsors in the country
- Frost / M&I Institutional
- Local bank
- Two Insurance brokers / financial advisors
- Obtained multiple quotes
- Previous relationship with one of two financial advisors





- Relationship with CTVS over the years and familiarity with the plan.
- Location of service representative (Houston & Austin, TX and Portland, OR)
- · Wide range of fund options
- · Solid quarterly plan reviews



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Advantages

- Advantages
 - 25 years in business (founded in 1985)
 - High level of technical expertise
 - Large percentage (40%) of clients are professional entities, such as physicians, attorneys, etc.
 - Total plan costs are evident and almost always the least expensive.
 - Pure service provider
 - Completely independent
 - Fund options are limitless with best price funds and no push towards certain fund families / funds.
 - No asset based revenue



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- · High Total Plan Costs
 - High administrative costs
 - High fund expenses
 - Vendor has revenue sharing potential to certain mutual fund families and therefore has biased interest.
 - Majority of plan expenses are asset based.
- No consistent educational meetings
- · Pooled account
- · Participant web site is average
- · Lack of target date funds
- · Business continuity (sold two times in five years)
- · Complexity of billing to CTVS



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- Disadvantages
 - Lack of local service individual
 - Average participant web site, but very similar to the Standard
 - Utilizes Sungard Corbel Relius for web site platform, which is the same participant web site foundation that is utilized by the Standard.



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- · Based in Northern California
- 1,100 Clients
- Over \$4.00 billion in managed 401k plans under PSI, Inc.
- 100% of business is servicing retirement plans.
- Vanguard's Selected Vendor for smaller Retirement plans.



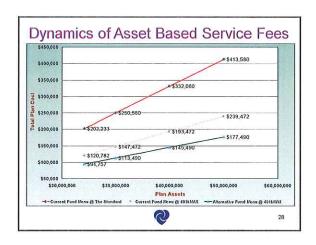
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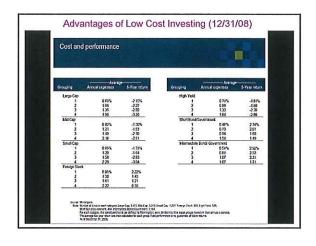
- Previous Medical Group
 - Surgical Associates of West Florida, PA Clearwater, FL – 14 General Surgeons
- Texas Clients
 - Medical Practices
 - North Texas Heart Center Dallas, TX area 18 Cardiovascular Physicians
 - · Texas Retina Associates Dallas, TX area 18 Physicians
 - Ex-Students' Association of The University of Texas ("The Texas Exes")

















Advantages & Disadvantages

- Advantages
- Solid participant web site
 Fidelity Investor Center in Austin, Texas

 The Arboretum
- Disadvantages
 - Majority of costs are asset based and embedded in the funds.

 - majority of costs are asset based and embedded in the funds. No guarantee of future total plan costs. Fidelity will review plan on annual basis to potentially reduce costs as the plan grows. Changing funds causes difficulty in trying to determine total plan costs, as moving to a non-Fidelity / low expense fund can cause other costs to occur.
 - More limited plan sponsor support and services due to CTVS' plan size, CTVS is a small client to Fidelity.
 - Requirement to use most Fidelity funds in order to have lower total
 - Funds are not expensive, but they are also not inexpensive

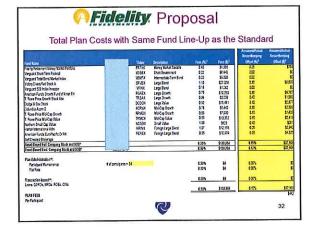


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- **Texas Medical Groups**
 - Diagnostic Clinic of Longview, PA (Longview, TX) - Over 60 physicians
 - Clinics of North Texas (Wichita Falls, TX) -Over 45 physicians
- **National Clients**
 - Tenant
 - Pfizer
 - Medco Health Solutions





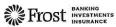




- · Frost Bank Austin, Texas
- Trustee, Investment / Financial Advisor, and Fiduciary
- 401(k) Clients = 271
- \$794 Million under 401k management
- M&I Institutional Trust Services
 - Kansas City, Missouri
 - Custodian Record Keeper
 - 401(k) Clients = 661
 - \$17.29 Billion under 401k management









- Frost Bank Austin / M&I Institutional Trust Services
 - Frost & M&I together represent 11 clients. All of their 401k recordkeeping clients have \$88.65 million in assets and 840 participants.
 - Local Clients
 - Flahive, Ogden, & Latson 21 Attorney Law Firm
 - · Fudd and Wisdon Actuaries

 - Neuropsychiatric Associates of Austin (4 Physicians) Frost client, but not an M&I Client
 Greater San Antonio Emergency Physician (47 Physicians) Frost Client that is converting to M&I currently
 Frost / M&I does not have a current medical group in Austin, TX







Advantages & Disadvantages

- Advantages
 - Local bank
 - CTVS's relationship with Frost Bank
- Disadvantages
 - Local Bank is only providing financial / investment advice.
 - High total plan costs due to middle man being involved.
 - Asset based fees no guarantee of total plan fees as the CTVS plan grows.
 - Brokers are commissions selling a product and not fiduciaries
 - Outsource cross-testing because of uniqueness of plan



INSURANCE GROUP

- · A branch office local to Austin, Texas
- Main corporate headquarters are in Harlingen, Texas
- Retirement plan vendor of choice
 - ING & American Funds

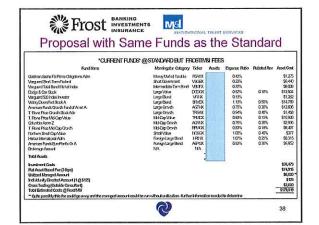


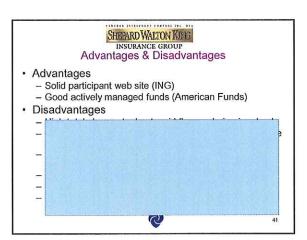


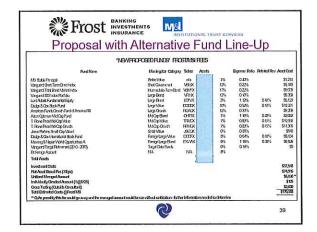




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- \$196,000 in total plan costs with in-kind fund line-up
- Savings of only \$6,000 annually vs. the Standard
- \$170,000 in total plan costs with similar fund line-up, but brought lower quality funds to maximize cost reductions
 - Vanguard 500 Index to BNY Mellon US Stock Index III
 - Victory Diversified Stock Fund to ING Growth & Income Portfolio
 - Vanguard Total Bond Market Index to BNY Mellon US Bond Index III





- Not a lot of fund flexibility
- · No index funds
- · Need outside TPA



Aycock Financial Group – Ten Proposals

- Wells Fargo
- Oppenheimer
- American Funds Group
- · Diversified Investment Advisors (AEGON)
- · Nationwide Financial
- Prudential
- · ING
- MassMutual
- Ascensus
- Fidelity Advisor

**** All of the above plans were in the \$165,000 to \$180,000 range of annual costs ****



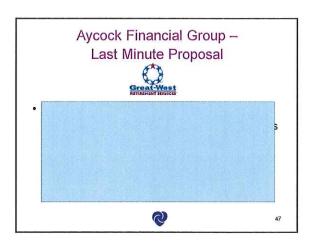
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Aycock Financial Group

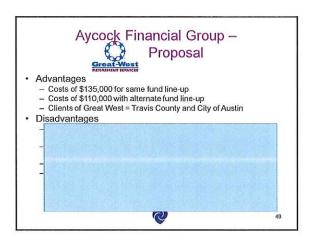
- · Aycock Financial Group
 - Based in Austin, Texas
 - Steve Aycock, CFP
 - Son of Doug Aycock, ChFC, CLU who has been CTVS' insurance broker (health) for over 10 years



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Aycock Financial Group — Advantages & Disadvantages • Advantages — Brought multiple vendor proposals to CTVS — Local to Austin, TX • Disadvantages —



CEO's Retirement Plan Vendor Recommendation to the Finance Committee







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Documents from Pension Specialists, Inc.

- · Sample Plan Review
- · Investment Options Mutual Funds
- · Sample Fund Alternatives
- · Implementation Fees



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- Bring Pension Specialists, Inc. into CTVS to present to the CTVS Finance Committee what services they can provide.
- After Pension Specialists, Inc.'s presentation, approach the Standard about our review of the CTVS retirement plan and what they can do to improve the existing plan.
- · Mr. Ricchini to check references on retirement plan vendors.
- CTVS Finance Committee to make a decision and recommend it to the CTVS Board of Directors.
- Once a final decision is made to change retirement plan vendors, it will take approximately 90 to 120 days to convert the plan to a new vendor.



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Suggested Articles to Read / Reference

- Hewitt Associates: Be a Responsible Fiduciary: Ask the Right Questions About 401(K) Plan Fees
- · Morningstar: Cost & Performance
- Wall Street Journal Employees Succeed in Trimming 401k Fees
- · Statesman.com: The Enduring Wisdom of John Bogle
- Morningstar: Fund Flows
- San Francisco Magazine: The Best Investment Advice You Will Never Get
- Eugene Fama & Kenneth French: Luck vs. Skill in the Cross Section of Mutual Fund Returns



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Local Austin Medical Group Retirement Plan Vendors

- Capital Anesthesiology Associates Charles Schwab
- · Austin Heart The Standard
- · Austin Gastro The Principal
- · Austin OB/GYN & Fertility Fidelity
- Austin Oral Surgery Schwab / Schultz Collins Lawson Chambers, Inc / Milliman
- · Urology Austin Peachtree Wealth Advisors
- · Capital Surgeons -
- · Austin Radiology Associates -



