

# STATUS UPDATE

## Unbundled Implementation

**September 1, 2015**

### Background

Following the Recordkeeping and Custodian RFP projects, the Board selected Prudential and Bank of New York Mellon at the March 19, 2015 Board meeting. Both selections are contingent on successful contract negotiations. Some enhancements that will result from these contracts include:

#### Prudential

- Enhanced GoalMaker tool (e.g. investment flexibility, participant migration)
- Expanded retirement education meeting content (e.g. Closer Look at Social Security Benefits, other seminars)
- Field realignment including retiree advocate position developed
- Dedicated resource on site at DST
- Expanded targeted marketing (e.g. mailings, e-mail)
- Reduced participant fees
- Unbundled investment structure to provide increased transparency and control

#### Bank of New York Mellon

- Facilitate unbundled investment structure for increased transparency and control
- Improved reporting capabilities
- Improved investment compliance monitoring capabilities
- Custodian contract to provide clarity of responsibilities and fees

The targeted implementation date is Monday January 4, 2016.

### Updates

There are generally four work streams in process for the implementation. Progress made since the update in June includes:

- **Unbundling of Investments** – Declaration of group trust was approved on August 11. Staff is working with the investment managers on the contract re-papering process. Sign-off on investment schematic provided, with continuing discussion regarding consolidating the 457 and 401(k) stable value portfolios.

- **Custody Implementation** – Weekly implementation calls are led by BNY Mellon, and include staff, Prudential and Mercer. BNY Mellon to begin opening sub-custodian accounts in mid-September to provide lead time necessary for set-up in foreign markets. Contracting is underway leveraging terms from pension agreement as appropriate.
- **Recordkeeping Implementation** – Prudential participates in weekly implementation meetings. Recordkeeping fee structure alternatives are being considered.
- **Consulting Structure** – meeting held in June with staff, Mercer and IMD to discuss desired structure and role of new investment staff position (to be hired).

The project management for this implementation includes several components. Both Prudential and BNY Mellon have a project manager and implementation team; BNY Mellon maintains an implementation plan and an action items log for the transition; Mercer project manager assists with oversight.

### **Next Steps**

Work on the implementation in Q4 is expected to include:

- **Unbundling** – continue re-papering process with investment managers; development of agreements with Prudential and BNY Mellon; continue discussions with Galliard regarding consolidation of 457 and 401(k) stable value portfolios
- **Custodian** – continue work on account opening with investment managers and sub-custodians; determine accounting and reporting structure
- **Recordkeeping** – establish process for selected fee structure, planning for communications
- **Consulting Structure** – further refine structure alternatives for review with Board