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**FRANK PICARELLI**  
Senior Vice President  
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January 10, 2019

Kerry P. Eagan  
Chief Administrative Office  
Lancaster County Nebraska  
Board of Commissioners  
555 South 10<sup>th</sup> Street, Suite 110  
Lincoln, NE 68508

**Re: Segal Marco Advisors Consulting Services for Lancaster County  
Nebraska Employees 401(a) and 457 Pension Programs**

Dear Kerry:

This letter describes our consulting services for providing an annual investment and administration review of the Lancaster County 401(a) and 457 Employees Pension Programs.

### **Fiduciary Due Diligence**

Ensuring that your employees are receiving the maximum benefits and rewards from the County's 401(a) and 457 Employees Pension Programs is a major challenge. Retirement Savings Plans must provide attractive and diverse investment options.

As a fiduciary of the Plan, it is of importance to exercise due diligence in periodically monitoring the investment options of the Plan and the overall administration services that are being provided by the Plans service provider. The services described in this letter will help fulfill your fiduciary responsibility and provide an audit trail and supporting documentation on the decision-making process related to your service arrangement and contracts with Prudential.

In summary, the review services are designed to address the need for and provide evidence of the Committee's efforts to comply with their fiduciary responsibilities to ensure that the plan participants are offered diverse and competitive investment options that are all supported by comprehensive administration services at lowest possible cost to the participants.

The following is a description of our services as they would apply to a one time project to review the overall administration services, investment options, costs and Prudential as a firm in providing turnkey services for the 401(a) and 457 Programs.

### **Performance Review:**

- Benchmark the current recordkeeping fees that are in place with Prudential to comparable fees in today's market place for Plans of similar size.
- Evaluate the credit ratings of Prudential to other insurance organizations to validate their overall financial status
- Review current administration services and evaluate their performance standards for processing participant transactions
- Assist in the negotiations of more favorable pricing structure and revenue requirements to administer the Plans.
- Evaluate the current on site staff and participant advisory services
- Compare each investment option's results to appropriate market indices and universes of similarly managed vehicles;
- Verify investment style of each option;
- Measure the risk characteristics of each investment option;
- Historical performance with a focus on consistency;
- Segal System scoring system on the investment options;
- Evaluate fund expense ratios and eligibility for lower share class opportunities;
- Monitor the book to market value differential, holdings, sector allocations, credit ratings related to the Prudential Gibraltar Stable Value Fund;
- Evaluate the current Stable Value Fund's investment management fees and interest rates to obtain more favorable rates and fees based on asset growth in

the Stable Value Funds since its inception with Prudential and benchmark to similar size Stable Value Funds

- Reviewing service standards and ensure vendor compliance to contract terms and conditions.
- Recommend alternatives for dealing with any of the issues noted above and assist in any related contract negotiations for enhanced services, fees and increased rates of return in the stable value fund.

In summary, our process will provide all of the necessary information to validate the Plans to what is currently being provided by the leading service providers in the 457 deferred compensation and 401(a) pension market place.

In addition, to the services proposed, we will be taking a closer examination of the structure of the Stable Value Fund to identify opportunities to enhance current proposed rates, the impact of alternatives rate calculations methods, fair market to book value differentials to ensure that the plan participants are receiving best possible interest rates.

For 2019 we are also looking forward to addressing the concept of moving the Plan to a fully transparent fee level model approach, this project will provide you with all of the necessary information for making an informed decision as to current industry best practices for allocating all of the administration costs with lowest possible share class management fees.

We will continue to work with the Committee to establish a mutual agreeable schedule to present our evaluation to accommodate the Committee's schedule.

### **Professional Fees**

Our fee for conducting the services outline in this letter is **\$30,000**. **This fee includes all costs and travel related expenses to attend one meeting and any required conference calls during the project.** This fee schedule is based upon our hourly time charges to perform the required services and also includes the costs to conduct fund searches as may be required as a result of our findings. This arrangement can be automatically renewed at the expiration of the initial term upon consent of the County.

Upon your review, if you should have any questions or need additional information, please feel free to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Frank Picarelli".

Frank Picarelli  
Senior Vice President