

Proven Partnering Practices for Best-in-Class Retirement Programs



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Session Topic

The challenge of managing costs, reducing risk and ensuring compliance, within a complex regulatory and legislative environment while still achieving high participant satisfaction is a great one.

This case study explores the dynamics of treasury, finance, and human resources partnering techniques utilized by PATH, an international nonprofit organization and leader in global health innovation. Attendees of this session walk away with best practices that generate a 98% participation rate and high asset retention while building a framework for measuring the success of the 401(k) plan and strategies to effectively communicate with participants.

Plan Sponsor Perspective

Andre Mueller, CPA
Senior Manager
Global Accounting Operations



Accelerating health equity

An introduction to PATH's work



/IFP 2018

PATH accelerates global health through innovation

We harness our
entrepreneurial insight,
scientific and public
health expertise, and
passion for health
equity...

...to save the lives of
women and children.

PATH





With a focus on:

- Cancer
- Diabetes
- Diarrheal disease
- Early childhood development
- Epidemic preparedness
- Heart disease
- HIV/AIDS
- Human papillomavirus
- Influenza
- Japanese encephalitis
- Malaria
- Maternal and newborn care
- Neglected tropical diseases
- Nutrition
- Sexual and reproductive health
- Tuberculosis
- Water, sanitation, and hygiene



Specializing
in designing,
developing, and
scaling solutions in
five core areas:

Vaccines

Diagnostics

Drugs

Devices

Health systems

About PATH

150
MILLION

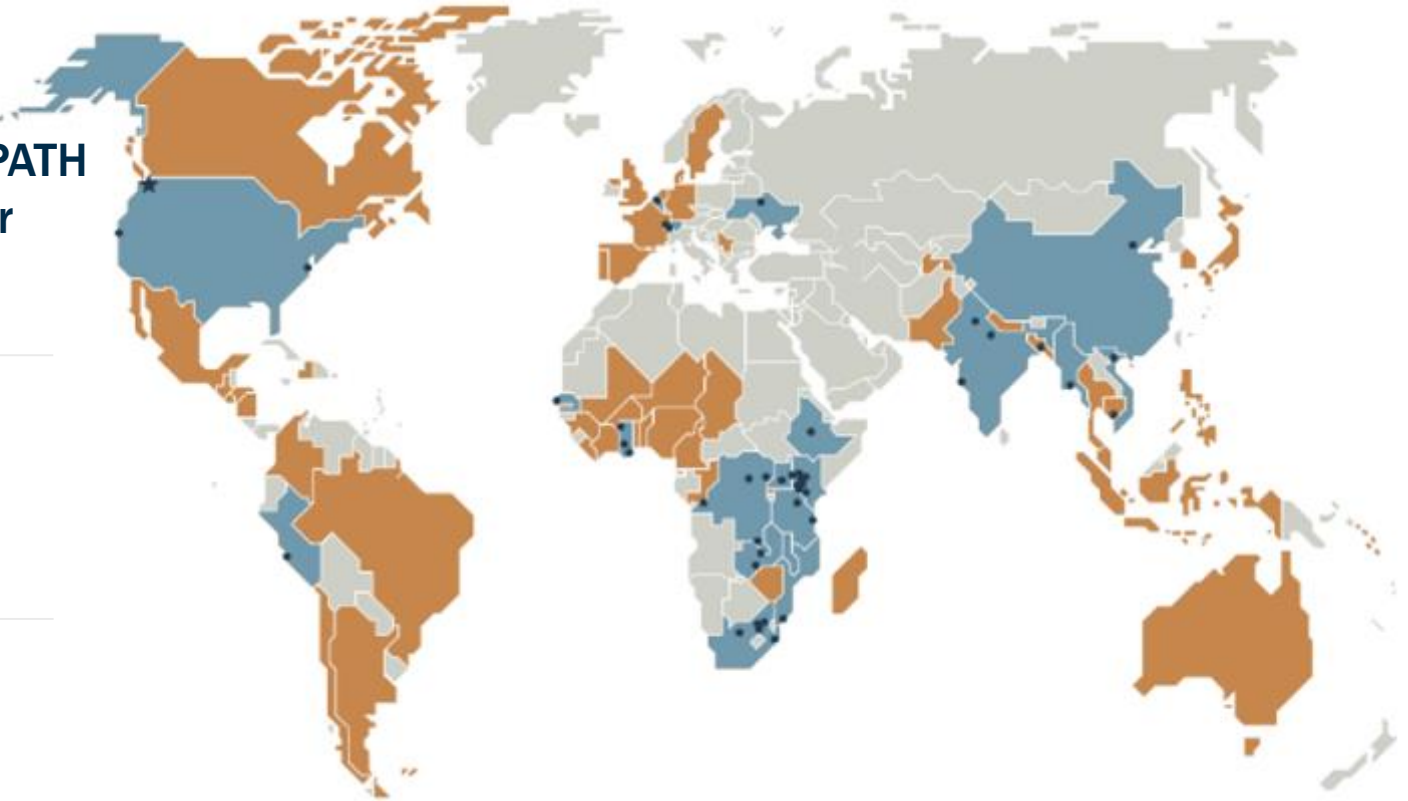
Average number of people reached by PATH and our partners per year since 2011

70+

Countries where PATH works

2,000+

PATH partners around the world—including 60+ corporate partners



About PATH

108

System and service
innovation projects
in our portfolio

81

Products and
technologies in
our pipeline

1,600

PATH employees

\$349
MILLION

PATH's 2017 revenue

Our vision: A world where innovation ensures that health is within reach for everyone.

PATH in action



Priming a local manufacturer to fill a critical market gap

PATH helped Serum Institute of India build the technical capacity to produce high-quality, low-cost vaccines for India and beyond. As the company has grown, so has its economic impact.



Preparing a nation to take on Ebola

The Democratic Republic of the Congo embedded a PATH technical advisor in its health ministry to build data-use capacity, a partnership that prepared decision-makers to launch an unprecedented response to a recent Ebola outbreak.



Rolling out public health initiatives on a global scale

In concert with the World Health Organization, UNICEF, and dozens of countries, PATH is helping governments build capacity to scale up policies and services that will make interventions to improve early childhood development universal.

Vaccines

15-year collaboration between PATH and GlaxoSmithKline led to the first malaria vaccine candidate recommended by the World Health Organization for a pilot implementation program in Africa. If licensed for use, it would be the first vaccine against a human parasite.



Drugs

Sanofi shipped nearly 51 million antimalarial treatments to Africa with a semisynthetic form of artemisinin developed by PATH and cross-sector partners.



Diagnostics

PATH and the Siemens Foundation Fellowship are nurturing the next generation of global health innovators. The Siemens Foundation-PATH Fellowship places undergraduate and graduate STEM students in PATH's Diagnostics Lab and pairs them with mentors at Siemens and PATH.



Devices

The MSR® SE200™ Community Chlorine Maker was co-designed by PATH and outdoor gear manufacturer MSR to bring low-cost community water solutions to the global market.



System & Service Innovations

PATH and the Tableau Foundation are working alongside the government of Zambia to help the country eliminate malaria through a collaboration that combines Tableau's cutting-edge digital tools, training, and financial support with PATH's on-the-ground expertise and experience with cross-sector partnerships.



PATH 401(k) Metrics

1981

PLAN INCEPTION

Single Defined Contribution Plan. Money Purchase Pension Plan transferred into 401(k).

2005

Target Date Funds adopted as Default.

\$191
MILLION

Assets in plan 9/30/18. Single central payroll, well diversified.

1,104

Plan participants 9/30/18, active + termed. US employees in Seattle (HQ), San Francisco and Washington DC.

Pensions&Investments

BEST IN CLASS
401(k)
PLANS PONSOR

DCIA
Defined Contribution
Institutional Investment
Association

PATH
10▲0♦//20

THE 2016
EXCELLENCE
& INNOVATION
& AWARDS

IFP 2018

PATH 401(k) Metrics

98%
Participation

As of 9/30/18

6%
Auto Enroll

Employees achieve
maximum employer
match.

\$173
Thousand

Average Participant
Balance as of 9/30/18.

12%
Employer

4% match + 8% discretionary

Pensions & Investments

BEST IN CLASS
401(k)
PLANS SPONSOR



PATH
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DCIA Defined Contribution
Institutional Investment
Association

/IFP 2018

Finance

Compliance & Administration

- **401(k) Plan Ex-Officio**
- **Payroll**
- **Contributions**
- **Plan Reconciliation**
- **Financial Modeling**
- **Plan Audit/Tax Filing**
- **Admin Budget Review**
- **Quarterly Meeting with Investment Consultant**



HR

Participant Experience

- **Consistent Messaging**
 - Coordinates On-Site Trainings
 - Onboards New Hires
- **Provides Pulse Checks for Areas of Improvement**
 - Attraction/Retention
 - Future Workforce Vision – Testing
 - Employee Feedback
- **Quarterly Meeting with Investment Consultant**
 - Reviews Periodic Plan Communications
 - Communications Calendar - Current & Future



Treasury

Investment Management

- **Investment Lead**
 - Fund Performance
 - Economic Outlook/Legislative & Regulatory
 - Investment Policy Statement
- **Manage by Exception**
 - Dashboard
 - Key Plan Metrics/Risk Assessment
- **Quarterly Meeting with Investment Consultant**



Investment Consultant

Investment & Retirement Plan Expert

- **Engages & Supports Finance, HR & Treasury**
- **Mitigates Plan Sponsor Risk**
- **ERISA Prudent Expert - Investments**
- **Monitors Reasonableness of Fees**
- **Provides Industry Perspective for Areas of Improvement**
- **Proposes Plan Design Features**
- **Prepares Meeting Materials & Minutes**



PATH 401(k) Governance

- **Professional Services Enhance Good Governance**
 - Independent Consultant
 - Auditor
 - ERISA Attorney, independent of Recordkeeper
- **Strategic Planning**
 - Quarterly Committee Meetings
 - Pre-Meetings & Agenda
 - Work Plan



Investment Consultant Perspective

Mary Ellen Mullen, CFA
Principal
Bridgebay Consulting LLC

PATH
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Registered Investment Advisor

Advise Institutional Clients Only

Experienced, Practitioner Consultant



Sole Focus is Investment & Retirement

/IFP 2018

Partnering Examples

Best Practices

Accomplishments

- Investment Process/Managing Costs
 - Investment Policy Statement
 - QDIA: Target Date Funds & DOL
 - Fund Menu
 - Broker Window Elimination
- Limiting Leakage
 - No Loans
 - Hardship Withdrawals
 - Age 59 ½ In-Service Withdrawals
- Adding Employer Match True-Up

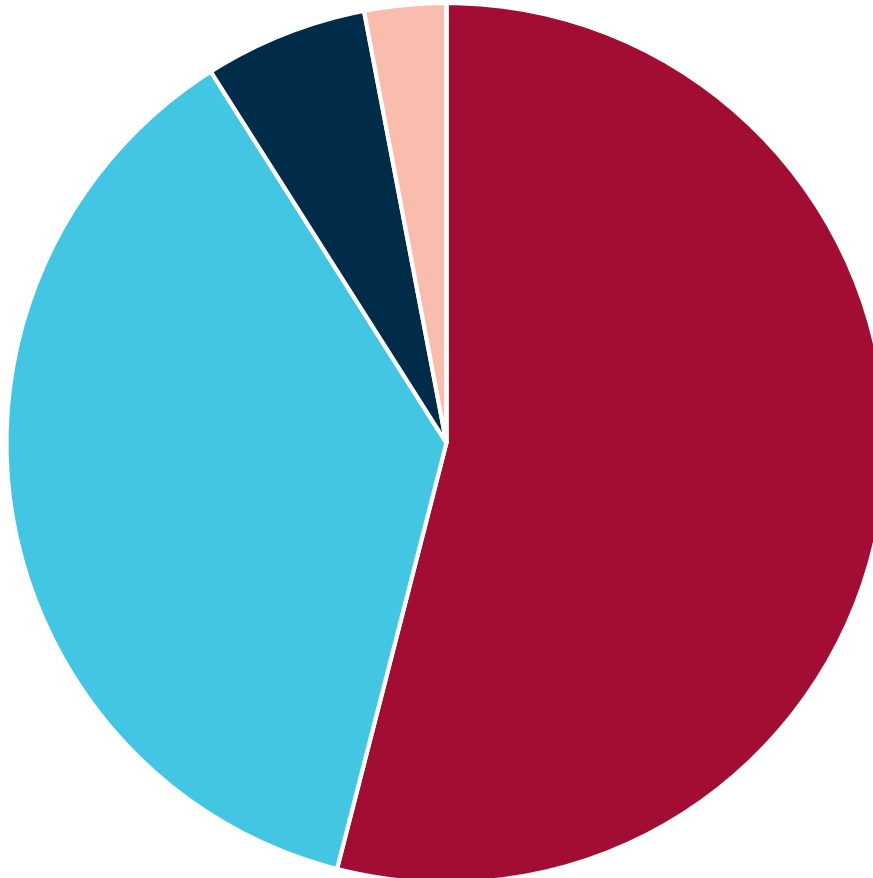
Work Plan

- Plan Features
 - Add After-Tax Employee Contributions?
 - Add Financial Wellness – Why? Why Not?
 - Managed Accounts?
- Plan Design
 - Annual 1% Auto Boost?
 - Keep QACA Safe Harbor?

Appropriate Asset Allocation

Investment Dashboard – Quarterly Meeting

As of 9/30/18

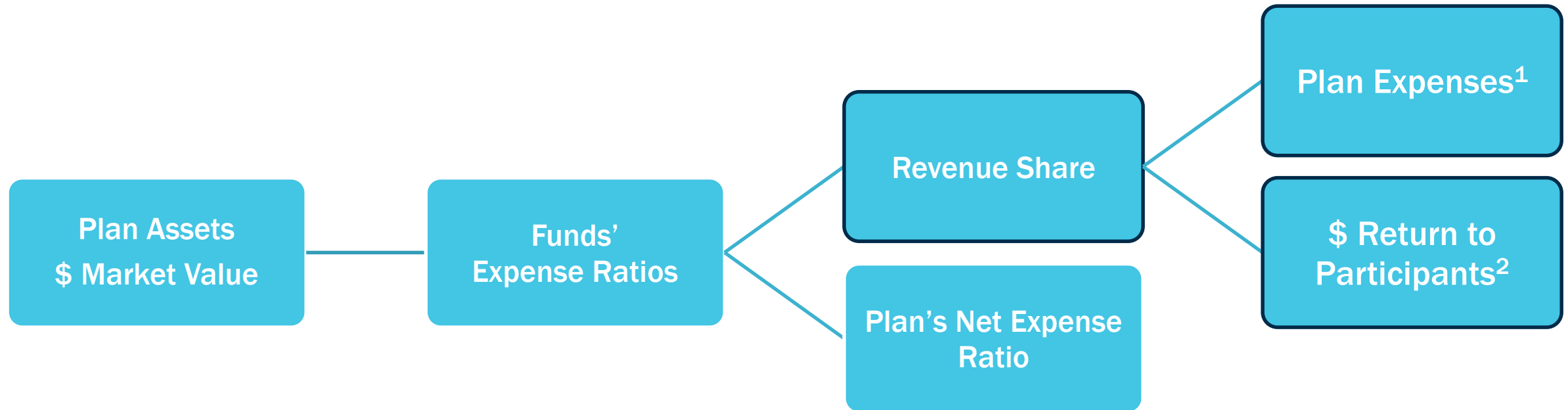


- Target Date = 54%
- Equity = 37%
- Fixed Income = 6%
- Stable Value = 3%
- Other = 0% (Forfeitures, ERISA Budget)

Managing Costs

ERISA Budget Account
Fees Reviewed Quarterly

Representative Diagram



¹ERISA eligible expenses includes recordkeeping, audit, ERISA counsel, fiduciary education & investment advisor

²Fund Level Pro Rata Method – Equitable Allocation of Plan Expenses by rate

Manage By Exception

Investment Dashboard - Quarterly Meeting

Excess Returns		Category Average						Market Index					
#	Date Fund Name (Alphabetical)	Morningstar Calculation Benchmark	Ticker	3 Yr	5 Yr	7 Yr	10 Yr	(No Fees) Calculation Benchmark	3 Yr	5 Yr	7 Yr	10 Yr	
1	A Socially Responsible Bond	Intermediate-Term Bond	ACBDI	1.11	0.86	0.87	0.22	BBgBarc US Agg Bond	1.08	0.80	0.92	0.23	
2	B Socially Responsible Equity	Large Blend	BCISI	0.83	2.01	2.38	2.20	Socially Responsible Equity Index	-0.26	-0.33	-0.33	-0.55	
3	C Value Equity	Large Value	CDDVI	1.50	1.67	2.36	2.65	Russell 1000 Value	1.33	1.04	1.21	1.92	
4	D Growth Equity	Large Growth	DTRBC	4.96	4.47	4.30	3.41	Russell 1000 Growth	2.19	2.40	2.06	1.19	
5	E Active Equity	Large Blend	EPRDG	1.44	1.04	1.34	1.37	Russell 1000	-0.66	1.06	0.79	0.44	
6	F Global Technology	Technology	FPRGT	4.40	7.49	5.95	6.25	MSCI ACWI/Information Technology	3.25	7.15	5.04	7.20	
7	G Government Money Market Mutual*	Money Market - Taxable	GPRRX	-0.01	-0.01	-0.01	0.03	ICE BofAML US 3M Trsly Bill	-0.31	-0.19	-0.16	-0.11	
8	H International Discovery	Foreign Small/Mid Growth	HPRID	3.25	3.32	2.56	2.37	S&P Global Ex US Small	3.93	3.36	3.98	2.85	
9	I Mid-Cap Growth	Mid-Cap Growth	IRPMG	1.81	2.82	2.84	3.22	Russell Mid Cap Growth	0.51	1.51	1.23	1.58	
10	J Mid-Cap Value	Mid-Cap Value	JTRMC	2.62	2.10	1.48	1.78	Russell Mid Cap Value	1.54	0.91	0.00	0.74	
11	K Overseas Stock	Foreign Large Blend	KTROS	0.98	1.23	1.25	1.57	MSCI EAFE	0.48	0.68	0.55	1.04	
12	L Retirement 2005	Target-Date 2000-2010	LTRRF	0.55	0.68	0.80	1.02	S&P Target Date 2010	0.19	0.23	0.21	0.55	
13	M Retirement 2010	Target-Date 2000-2010	MTRRA	0.97	1.26	1.33	1.31	S&P Target Date 2010	0.60	0.81	0.74	0.84	
14	N Retirement 2015	Target-Date 2015	NTRRG	1.14	1.67	1.77	1.93	S&P Target Date 2015	0.56	0.90	0.84	0.84	
15	O Retirement 2020	Target-Date 2020	OTTRRB	1.74	2.19	2.13	2.05	S&P Target Date 2020	0.73	1.13	1.04	0.92	
16	P Retirement 2025	Target-Date 2025	PUTRRH	1.55	1.99	1.97	2.00	S&P Target Date 2025	0.68	1.29	1.15	0.95	
17	Q Retirement 2030	Target-Date 2030	QTRRC	1.52	2.11	2.12	2.20	S&P Target Date 2030	0.65	1.35	1.22	1.03	
18	R Retirement 2035	Target-Date 2035	RTRRJ	1.27	1.82	1.78	1.82	S&P Target Date 2035	0.46	1.27	1.13	1.02	
19	S Retirement 2040	Target-Date 2040	STRRD	1.30	1.94	2.01	2.13	S&P Target Date 2040	0.37	1.22	1.10	1.06	
20	T Retirement 2045	Target-Date 2045	TTRRK	1.13	1.61	1.62	1.77	S&P Target Date 2045	0.30	1.05	0.95	1.04	
21	U Retirement 2050	Target-Date 2050	UTRRM	1.10	1.64	1.75	1.88	S&P Target Date 2050	0.07	0.74	0.69	0.87	
22	V Retirement 2055	Target-Date 2055	VTRRN	0.88	1.30	1.31	1.60	S&P Target Date 2055	-0.07	0.57	0.50	0.72	
23	W Retirement 2060	Target-Date 2060+	WTRRL	0.76				S&P Target Date 2060	-0.17				
24	X Small-Cap Stock	Small Growth	XOTCF	1.00	0.09	1.38	2.92	Russell 2000 Growth	1.13	-0.83	0.11	1.75	
25	Y Multisector Bond	Multisector Bond	YRPSI	0.59	0.40	0.27	0.39	BBgBarc US Agg Bond	1.92	1.43	1.46	1.45	
26	Z Stable Value CIT	SA Stable Value	F00000Z2M4	0.23	0.38	0.43	0.60	FTSE Treasury Bill 3 Month	1.08	1.37	1.63	2.19	
27	AA Emerging Markets Equity Index*	Diversified Emerging Mkts	AATEQL	0.88	0.92	0.15		MSCI EM	-0.07	-0.04	-0.29		
28	AB Developed International Eq Idx1*	Foreign Large Blend	ABTCIE	0.53	0.63	0.80	0.71	MSCI EAFE	0.04	0.08	0.10	0.17	
29	AC S&P 500 Index*	Large Blend	ACVINI	2.35	2.11	2.22	1.78	S&P 500	-0.03	-0.03	-0.03	0.00	
30	AD Short-Term Treasury Bond	Short Government	ADV FIR	0.25	0.22	0.24	0.13	BBgBarc 1-5 Yr Treasury	0.01	-0.12	-0.17	-0.32	

* Index and Government Money Market Fund underperformance vs. their Market Indexes is explained by fees. Market Indexes do not contain embedded fees.

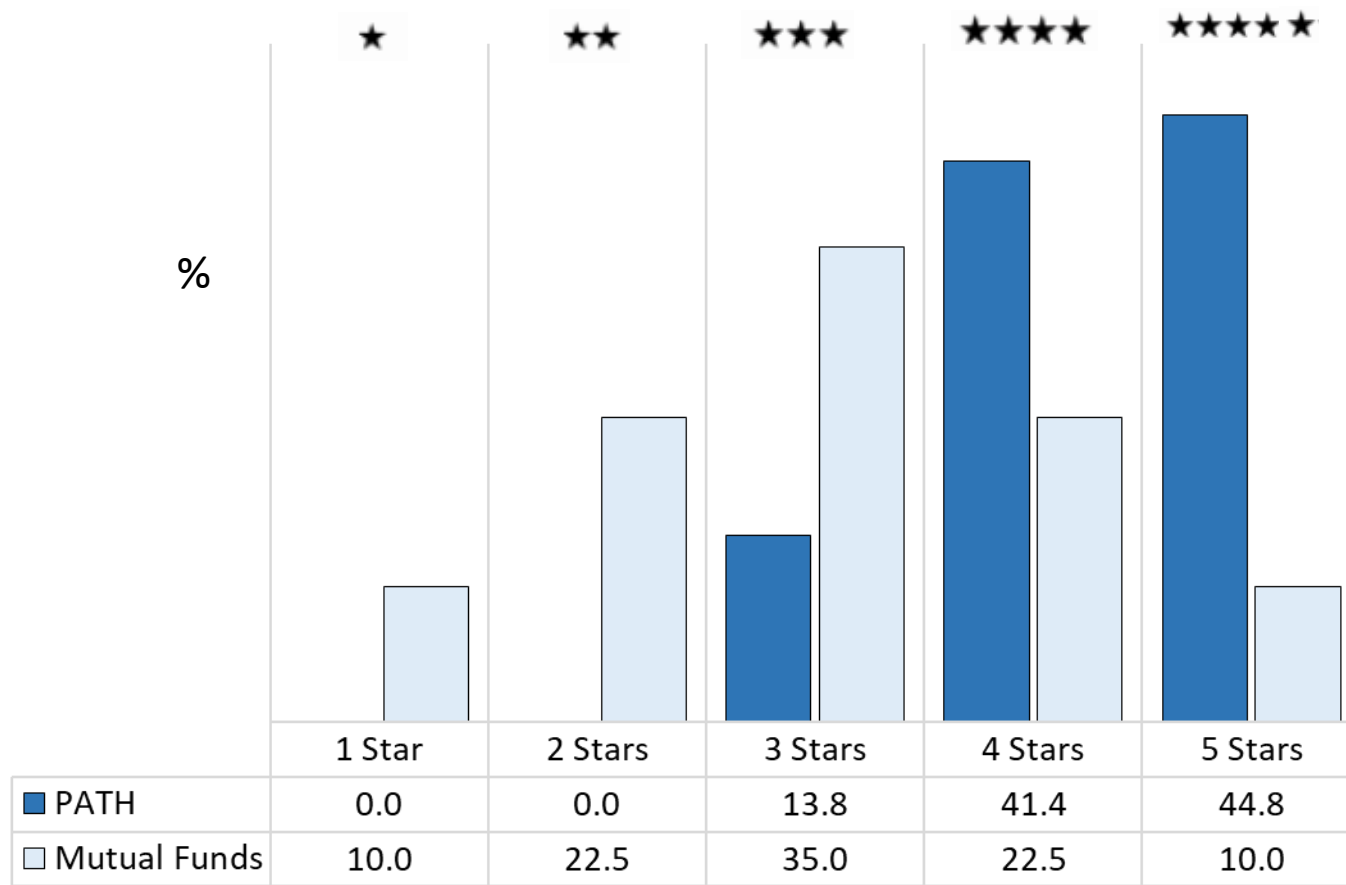
* Index and Government Money Market Fund underperformance vs. their Market Indexes is explained by fees. Market Indexes do not contain embedded fees.

Key
Beat/Meet Benchmark
Below Benchmark

- Funds (Alphabetical)
- Benchmarks
 - Category Average
 - Market Index
- Long Term Time Horizon
- Key
 - Meet/Beat Benchmark
 - Below Benchmark

Fund Category Ratings

Investment Dashboard - Overall Ratings



Keep IPS Current

Investment Policy Statement
At Least Annual

#	Parameter	Description
1	Performance	vs. Market Index Benchmark.
2	Performance	vs. a Peer Universe Benchmark (e.g. Morningstar, Lipper, fi360).
3	Style Drift	Inconsistency of investment management process.
4	Manager Changes	New portfolio manager(s) whether individuals, team and/or firm.
5	Manager Changes	Material change in Management. Organizational stability.
6	Regulatory Changes	Anticipated or actual SEC/Other Penalties, Sanctions, Investigations.
7	Plan Characteristics	Unique to PATH.
8	Fund Operations & Economics	Facts that impact the potential long term success of the fund (e.g. asset size, fees).
9	Other	Reasons not detailed above.

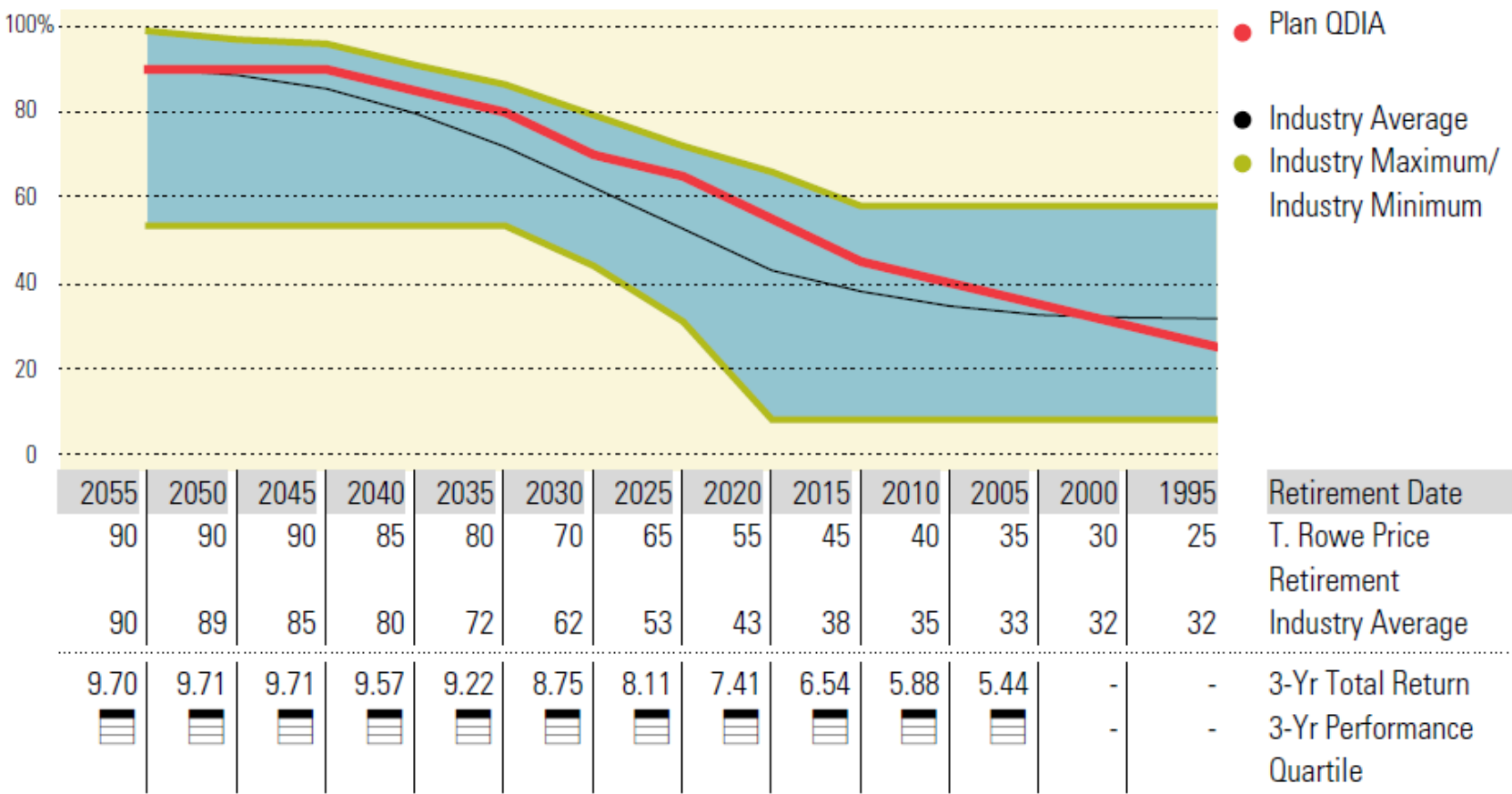
QDIA: Target Date Funds & DOL

- Annual Target Date Review & Affirmation (Deep Dive)
- Ensure QDIA is appropriate as prescribed by Department of Labor.



Win/Win:
Retirement Readiness

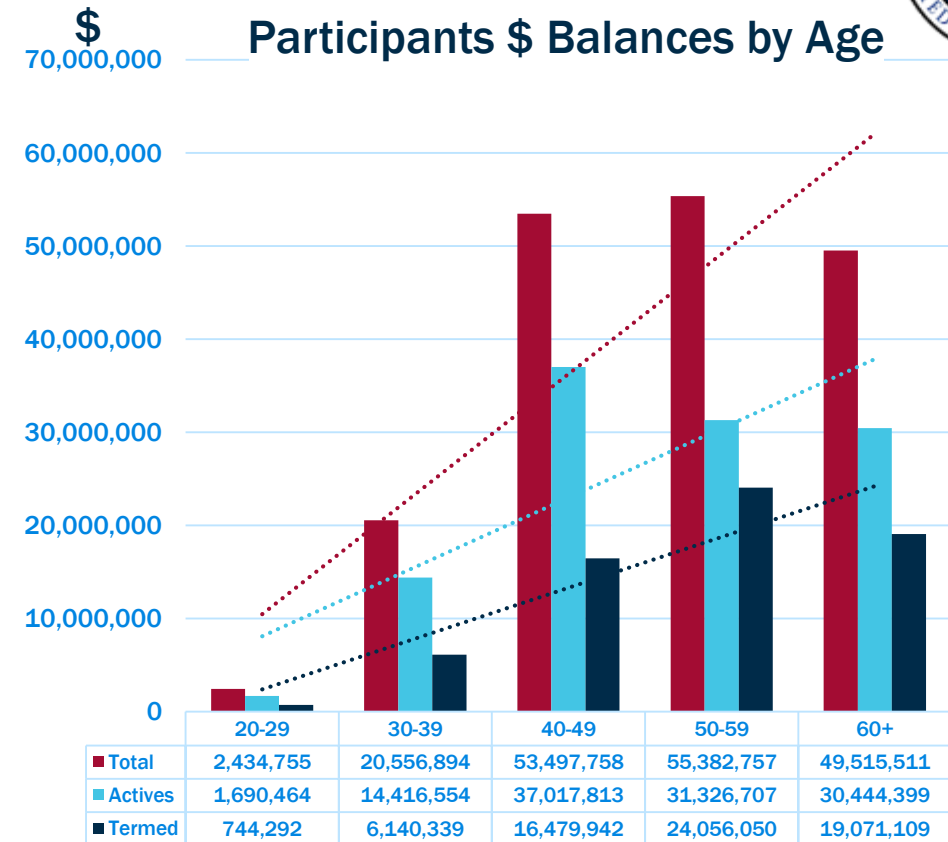
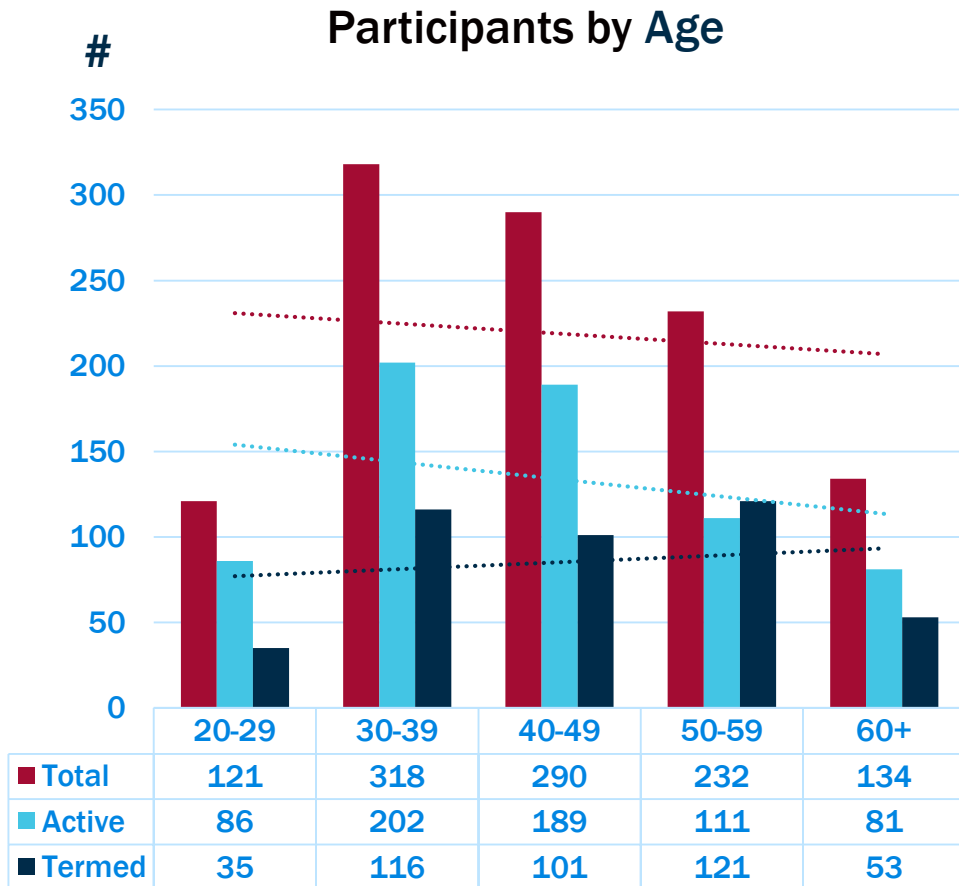
Strategic Glide Path Total Equity Exposure



Source: Morningstar

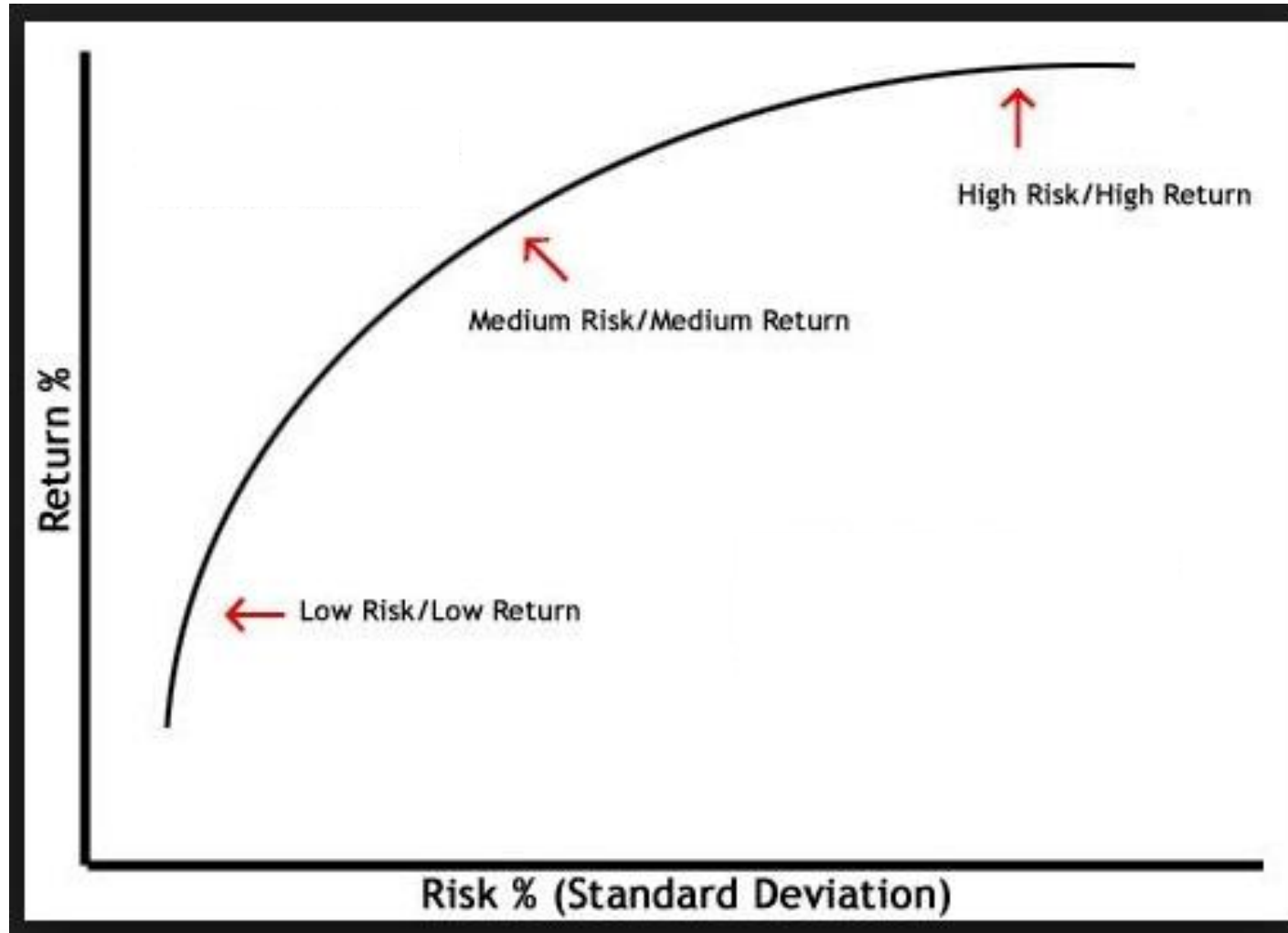
PATH 401(k) Plan Demographics

Ensure Appropriate Target Date QDIA per DOL



As of 3/31/18

Funds for “Build It” Participants

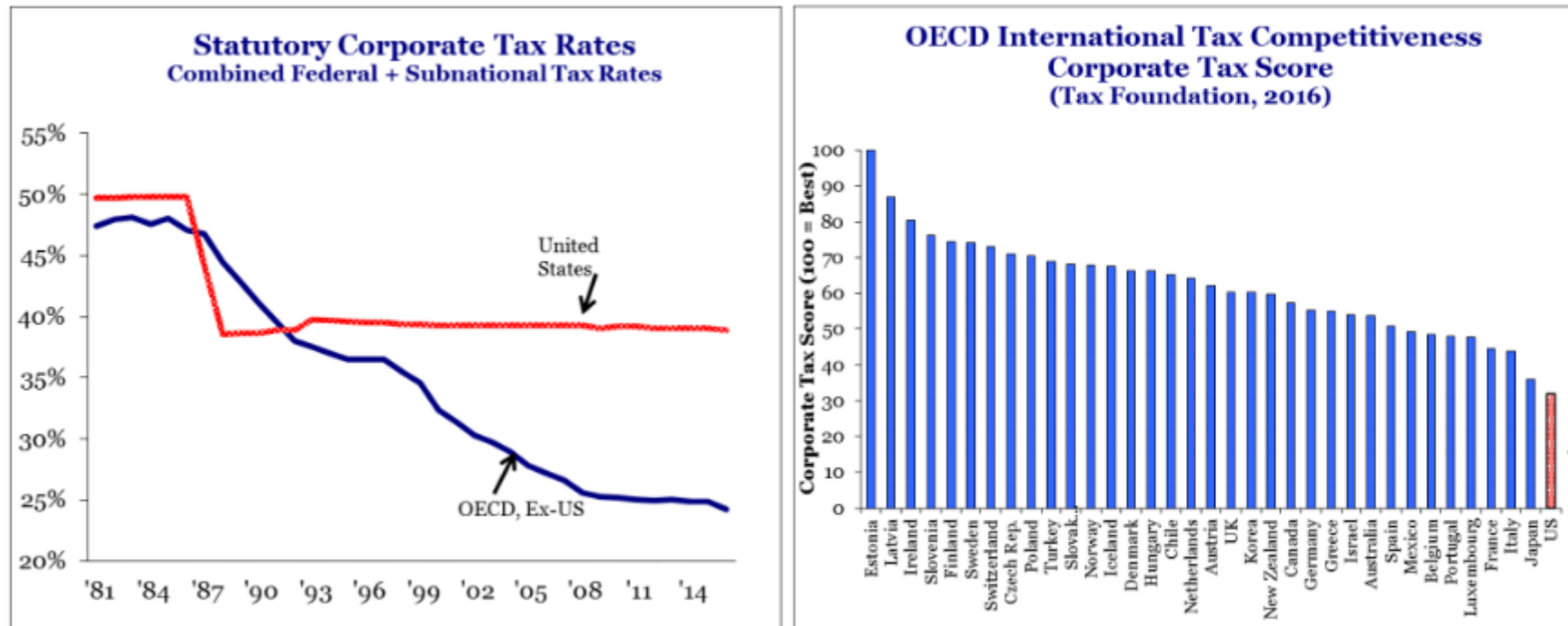


Market Environment

Appendix - Tie Recurring Sections to Timely Topics

Tax Reform Top Trump Priority

The US is the least competitive OECD country when it comes to tax treatment of corporations. As the other OECD countries have lowered their tax rates the US has held steady. Republicans want to accomplish corporate tax reform, not just a rate cut.



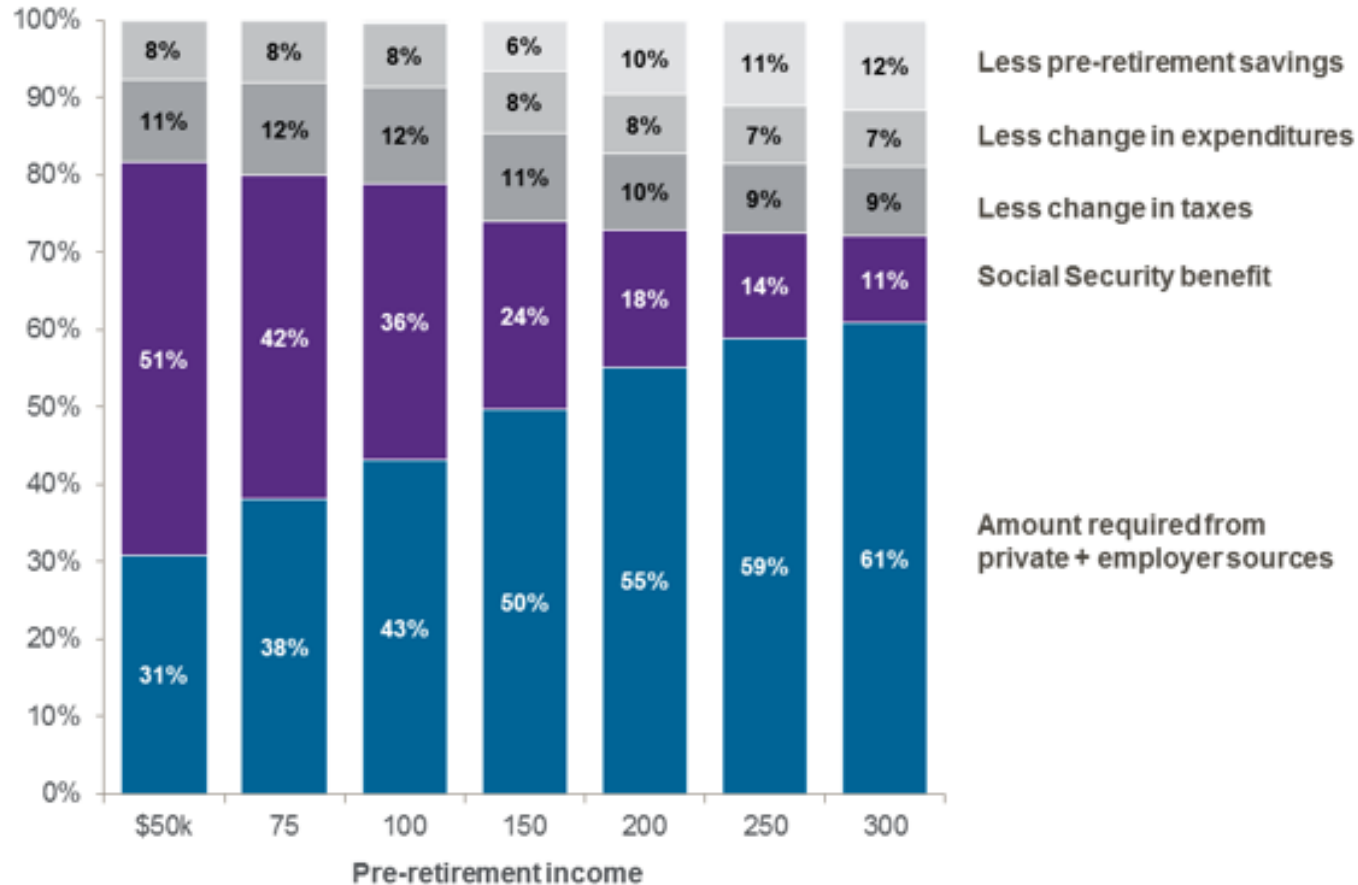
Headquartered in Paris, France, the Organization for Economic Co-operation and Development (OECD) is an intergovernmental economic organization with 35 member countries, founded in 1960 to stimulate economic progress and world trade. It is a forum of countries describing themselves as committed to democracy and the market economy, providing a platform to compare policy experiences, seeking answers to common problems, identify good practices and coordinate domestic and international policies of its members. Most OECD members are high income economies with a very high Human Development Index (HDI) and are regarded as developed countries. Source: Strategas

Legislative & Regulatory

Appendix - Tie Recurring Sections to Meeting Agenda

PATH's Average Income ~ \$100,000

Higher Income Households Must Save More to Replace Current Income



Source: Social Security Administration, JP Morgan

Limiting Leakage



- **No Loans**
- **Hardship Withdrawals (IRS Safe Harbor)**
 1. **Medical** care expenses for the employee, the employee's spouse, dependents or beneficiary.
 2. Costs directly related to the purchase of an employee's **principal residence** (excluding mortgage payments).
 3. **Tuition**, related educational fees and room and board expenses for the next 12 months of postsecondary education for the employee or the employee's spouse, children, dependents or beneficiary.
 4. Payments necessary to prevent the **eviction** of the employee from the employee's principal residence or foreclosure on the mortgage on that residence.
 5. **Funeral** expenses for the employee, the employee's spouse, children, dependents, or beneficiary.
 6. Certain expenses to **repair** damage to the employee's principal residence.
- **Age 59 ½ In-Service Withdrawals**

Close Broker Window

Eliminate High Costs & Fiduciary Risk

Situation: Recordkeeper Changing Broker Window Provider, Low Utilization

Considerations	+	-
Safety Valve for Off Menu Investing*	Yes	
404(c) Compliant		No
Institutional Pricing		No
In the Spirit of Fiduciary Rule		No

**Participants Have Alternatives Outside the Plan (e.g. IRAs, non-retirement savings)*

Employer Match True-Up

Listening to Participants

Employee
Expectation

Participant < Age 50	Annual	Monthly
Salary	120,000	10,000
IRS 402(g)(1)	18,000	1,500
Employer 4% Match	4,800	400
Catch Up Contribution	0	0
Total Retirement Contribution	22,800	1,900



Participant > Age 50	Annual	Monthly
Salary	120,000	10,000
IRS 402(g)(1)	18,000	1,500
Employer 4% Match	4,800	400
Catch Up Contribution	6,000	500
Total Retirement Contribution	28,800	2,400

Method		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	True Up	Total
< Age 50	Participant Not Making Catch Up Contribution															
	IRS 402(g)(1) Payroll Contribution	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500			18,000
	Employer 4% Match on \$120,000/12	400	400	400	400	400	400	400	400	400	400	400	400			4,800
	Catch Up Contribution	0	0	0	0	0	0	0	0	0	0	0	0			0
	Total															22,800
≥ Age 50	Participant Making Catch Up Contribution															
	IRS 402(g)(1) Payroll Contribution	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	0	0	0			18,000
	Employer 4% Match on \$120,000/12	400	400	400	400	400	400	400	400	400	0	0	0	3,600		3,600
	Catch Up Contribution	0	0	0	0	0	0	0	0	0	2,000	2,000	2,000			6,000
	Total															27,600
Spillover Best Practice	Participant Making Catch Up Contribution															
	IRS 402(g)(1) Payroll Contribution	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	0	0	0			18,000
	Employer 4% Match on \$120,000/12	400	400	400	400	400	400	400	400	400	0	0	0	3,600	1,200	4,800
	Catch Up Contribution	0	0	0	0	0	0	0	0	0	2,000	2,000	2,000			6,000
	Total															28,800

Adding After Tax Employee Contributions



- Current: \$30,500/\$36,500
- Proposed: \$55,000/\$61,000
- Roth 401(k) to Roth IRA
- Retirement Planning – RMDs
- Subject to Discrimination Testing

\$100,000/Yr Salary
2018



Financial Wellness

Focus of 92% Plan Sponsors in 2017

ADVANCED



INTERMEDIATE



BEGINNER



Financial Wellness

Considerations When Selecting A Provider



Integration with Other Benefits



Multimedia Resources



Communication Frequency



Data-Reporting Capabilities



Budget or Cost

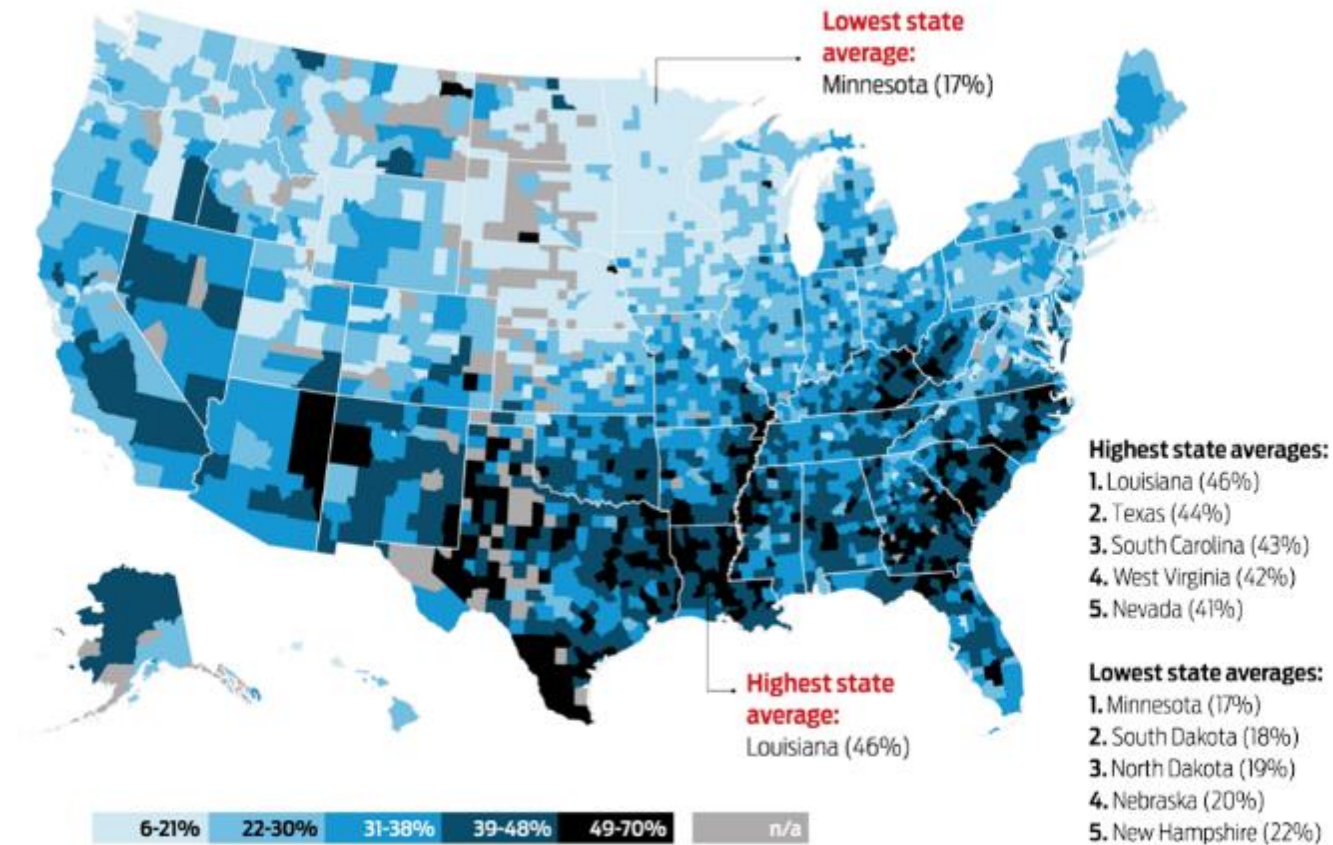


Business Model

Financial Wellness

Finding a Fit

Where Americans Are Falling Behind on Debt



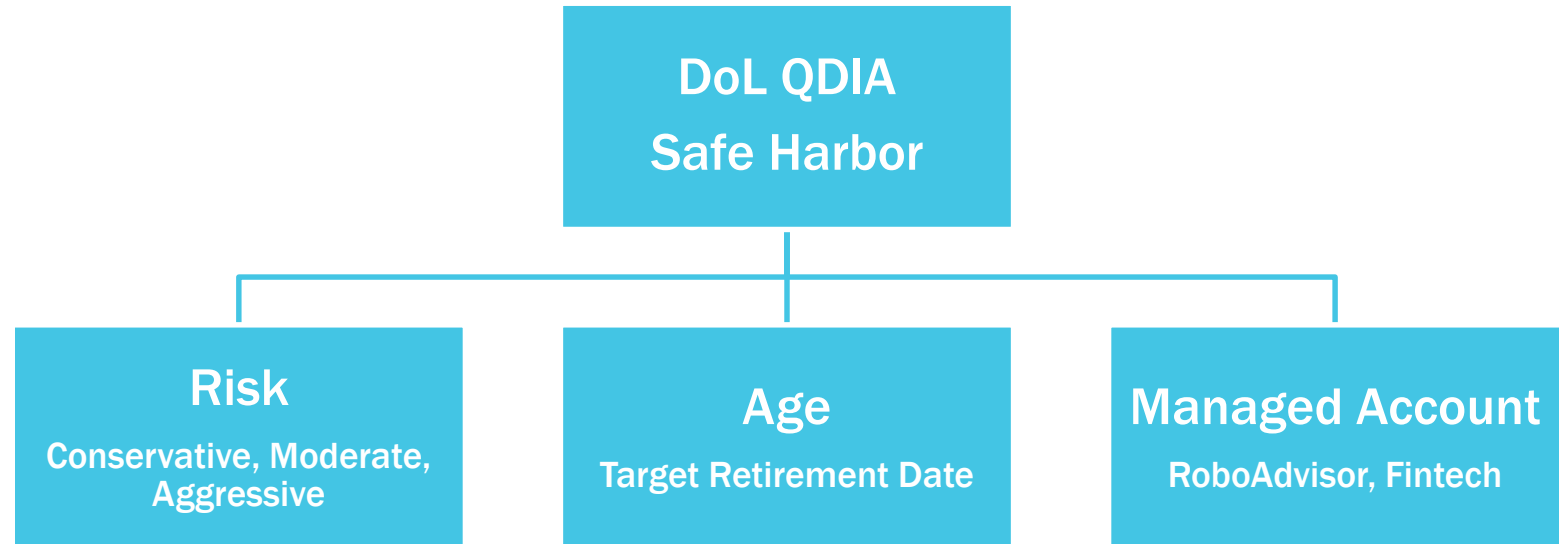
Percentage of Americans with debt in collections, by U.S. county. One in three Americans hold debt in collections, and they owe a median amount of \$1,450. | Data: Urban Institute

Customization with Managed Accounts

Individual Circumstances – e.g. spouse, assets outside the plan, longevity, legacy.

Emerging Trends:

- Hybrid Default – younger enrolled in target date, switch to individually managed later
- Financial Wellness – combined with Managed Accounts
- Retirement Income – inclusion of an annuity product
- Bundled vs. Unbundled



Plan Design Potential

Current	Future
<p>QACA: Safe Harbor – No ADP & ACP Tests</p> <p>Employee Contribution:</p> <ul style="list-style-type: none">• Eligibility 3 months after hiring (monthly pay)• 6% Auto Enroll (up from 3%)• Pre Tax (Roth 401(k) or combination) <p>Employer Match:</p> <ul style="list-style-type: none">• Formula: 100% 1st 2%, 50% next 4%• 1 Yr Vesting• Pre Tax <p>Employer Contribution:</p> <ul style="list-style-type: none">• Discretionary• 8%• 5 Yr Vesting• Pre tax <p>Forfeitures:</p> <ul style="list-style-type: none">• Reduce Employer Match Contribution	<ul style="list-style-type: none">• 1% Annual Auto Boost?• Continue QACA Safe Harbor?• Cap Auto-Escalation at 15% (Opt Out)• Employer Contributions Auto to After Tax? Not Pre Tax?

Source: JPMorgan

Proven Partnering Practices Takeaways

1. Strong partnerships lead to trust and effective Plan administration
2. Employee input fosters Plan satisfaction
3. Work Plan focuses on achievable goals
4. Quarterly meetings optimize administration and stakeholder participation
5. Pre-Meetings reduce time wasted during committee meetings
6. Attention to Plan Design, Technology and Legislative/Regulatory changes minimize risk
7. Optimized governance allows for effective and agile decision making
8. Small but continuous improvements lead to Best-In-Class Retirement Programs