

**Part 2A of Form ADV: Firm Brochure**

**Hewitt EnnisKnupp, Inc.**

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03/29/2012

This brochure provides information about the qualifications and business practices of Hewitt EnnisKnupp, Inc. If you have any questions about the contents of this brochure, please contact us at 847-295-5000 or [David.Testore@aonhewitt.com](mailto:David.Testore@aonhewitt.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Hewitt EnnisKnupp, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 105596.

## **ITEM 2: MATERIAL CHANGES**

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 03/29/2012, is our disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content from our prior disclosures on Form ADV.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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#### ITEM 4: ADVISORY BUSINESS

Hewitt EnnisKnupp, Inc. is a SEC-registered investment adviser with its principal place of business located in Illinois. We provide professional services to primarily pension and defined contribution plans. In 2010 Hewitt EnnisKnupp, Inc. succeeded to the business of Ennis Knupp & Associates, Inc., Hewitt Investment Group, LLC and Aon Investment Consulting, Inc.. Aon Consulting, Inc., a subsidiary of Aon Corporation, is the sole owner of Hewitt EnnisKnupp, Inc., which operates under the Aon Hewitt business umbrella of Aon Corporation.

We provide advice to clients (typically tax-exempt investors) on many matters related to their investment programs and operations, including:

- Investment Policy Planning and Asset Allocation;
- Manager Structure and Selection;
- Performance Review and Manager Monitoring;
- Fiduciary Services;
- Alternative Asset Advisory Services;
- Discretionary Investment Services and Pension Risk Management; and
- Projects.

More information on each of these services is provided below. Our related services include defined contribution services, master trustee/custodian evaluation, and asset transition services. We also have considerable experience in formulating spending and investment policies for endowments. In addition, we provide discretionary management for defined benefit (pension) plans. More information on this service is provided below.

##### Investment Policy Planning and Asset Allocation

We help clients to:

- Define and control risk for their specific requirements;
- Diversify their assets;
- Develop investment objectives and a statement of investment policy;
- Meet cash flow needs efficiently; and
- Provide appropriate instructions to their investment managers.

Our **Investment Policy Services** and **Global Asset Allocation Teams** are composed of investment professionals with backgrounds in investment management, economics, and actuarial science including Ph.D.s, actuaries, economists, and investment consultants. The Teams are responsible for maintaining our “house” investment views and capital market assumptions. The Teams also provides timely, proactive advice and research to our consultants regarding the investment implications of changes in capital markets. Additional responsibilities include providing top-down, strategic investment advice, researching new investment strategies, and monitoring portfolio positions from an asset allocation perspective.

## Manager Structure and Selection

Our **Global Investment Management Team** consists of individuals dedicated to researching and evaluating investment managers worldwide. Our Global Investment Management Team continually monitors and rates the fund managers' products. The team includes a number of former fund managers, which provides further insight for understanding managers.

We periodically review the number and types of managers and funds used by clients, paying careful attention to efficiency, costs, and management oversight. We assist the client in screening, interviewing, and selecting manager candidates that meet each client's needs. We also assist in preparing written manager guidelines and performance objectives.

In certain circumstances, clients may delegate to us the authority to allocate assets and hire or fire managers. Please see the section on our delegated services at the end of this section.

## Performance Review and Manager Monitoring

We conduct ongoing discussions with client investment managers, focusing on investment performance and organizational issues such as changes in ownership, retention of professional staff, fee changes, new products, etc. We evaluate all managers in the context of their objectives and guidelines and specifically comment on factors effecting performance. We inform clients of important developments and, when appropriate, recommend changing managers.

In certain circumstances, clients may give us the discretionary authority to allocate assets and hire or fire managers.

## Fiduciary Services

Our **Fiduciary Services Team** works with clients on strategic planning, fiduciary audits, trustee education and plan governance matters.

### Strategic Planning

We assist in the design of strategic plans and development of mission statements and core values as well as reasonable and achievable goals and objectives. We will assist in the implementation of the plans and the evaluation of their success.

### Fiduciary Audits and Operational Reviews

We review the client's major systems, assess their effectiveness and appropriateness, and provide recommendations for improvement. The systems we review include:

- Investment portfolio objectives, asset allocation, and policy;
- Investment operations and processes;
- Board oversight, policies, and principals; and
- Organization, staffing structure, and policies.

We will create a report of findings and recommendations for delivery to the governing body.

We will assist the client in selecting trustees and recordkeepers for fiduciary accounts.

### Client and Fiduciary Education

Our educational offerings include:

- Written reports that provide background information, alternatives and recommendations (along with the rationale for the recommendations) on a given issue.
- Special research or educational materials on topics to discuss with a client's staff or committees.
- A client conference that covers a variety of investment-related topics.
- Quarterly in-house education sessions held in our offices.

### Board/Committee Governance

We assist the client in developing governance manuals, policies, procedures, and monitoring methods appropriate to the client's oversight responsibilities and reporting structure. We also provide services to support our clients' administration of their fiduciary requirements, such as maintaining meeting minutes and compliance calendars.

### Alternative Asset Advisory Services

Our **Global Hedge Funds, Private Equity and Real Estate Team**, part of the Global Manager Research Team. The Global Alternatives Team is responsible for maintaining qualitative assessments on alternative manager strategies and keeping abreast of and advising on the conditions in these markets.

We provide advice on partnership interests in private equity, venture capital arrangements, hedge funds, leveraged buyout funds, and distressed securities funds.

With the exceptions of mutual funds and non-public securities, we do not typically provide advice on specific securities investments. In designing a client's investment policy, we will typically consider many types of investments, unless instructed by the client to limit our advice to particular sectors or industries. Our investment recommendations are not limited to any specific product or service offered by any particular broker-dealer or insurance company.

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability. In particular, we note that many private equity investments and real estate investments have limited liquidity and are not appropriate as investments for clients that may need ready access to cash not met through other investments.

#### Hedge Fund Advisory Services

We have assisted many of our clients in developing, expanding and overseeing their asset allocation structure in opportunistic strategies (i.e., real and absolute return, global tactical asset allocation, long/short equity including market neutral and 130/30 style funds, commodities, convertible arbitrage and funds-of-funds). We seek to integrate our understanding of each of our client's goals, risk tolerances, and risk qualities of existing investments and structures with our extensive manager research and monitoring capabilities. Our approach is to take a broad perspective on this opportunity set covering not only a wide variety of hedge funds, but also those strategies that use "hedge fund like" approaches to investing. In prior years we have conducted over 500 manager meetings annually with a due diligence process that includes a rigorous examination of investment strategy, fund leadership and operational due diligence.

#### Private Equity Advisory Services

We review and develop a client's private equity investment policy, asset allocation, and portfolio design. We conduct a global private equity fund selection and due diligence within each sub-sector, as well as coordinate legal review and negotiation of terms and conditions. We provide the client with performance reporting, portfolio analysis, independent valuation and comprehensive portfolio company review. We also perform secondary sale assistance in addition to private equity education and market analysis, including commentary on current issues. We invest the client's assets in collective private equity investment funds that qualify as "venture capital operating companies" under applicable Department of Labor regulations.

#### Real Estate Advisory Services

We develop a client's real estate portfolio investment objectives, programs, and policies. Our real estate investment strategic planning and implementation services include:

- Investment pacing, size, and investment strategy diversification;
- Investment vehicle analysis and planning;
- Property and portfolio leverage planning;
- Manager search, selection and monitoring;
- Performance measurement and attribution analysis;
- Topical real estate research and market analysis;
- Transition structure and terms modeling, analysis, and negotiations.

## Delegated Investment Services

We design and manage certain institutional clients' investment portfolios. For these client relationships, we are delegated the authority to hire investment managers, terminate investment managers, and rebalance portfolio assets, subject to the client's investment policy statement and other terms outlined in the investment consulting agreement. Please see Item 16 for more information about our delegated services.

We evaluate the need for guaranteed investment contracts, and assist the client in negotiating such contracts. Guaranteed interest contracts are agreements by a financial institution, typically an insurance company, to pay a fixed benefit for life, like an annuity. They are commonly considered by plan fiduciaries that are either terminating or considering freezing future pension benefits. The financial institution essentially “buys” the assets and liabilities of the plan from the plan sponsor.

Hewitt EnnisKnupp provides ongoing management of the investments for the defined benefit pension programs. We partner with the client and assume responsibility for plan liabilities, investment management, and operations to manage the cost, risk, and stated governance process of the client's defined benefit plans.

Many plan sponsors hire us to construct a dynamic de-risking glide path that brings the plans to a fully funded status, while reducing uncompensated risks, and in many cases, reducing the economic cost of plan benefits. The dynamic de-risking glide path is directly incorporated into the client's investment policy to formalize the strategy, permit execution, and ensure the highest levels of governance. In setting the glide path, we use a customized liability measure reflecting the client's desired objectives:

- **Potential Reduction in Economic Cost:** In many cases, the dynamic de-risking glide path, daily monitoring, and swift execution of the preapproved glide path may reduce the plans' economic costs over time by reducing uncompensated risks and volatility.
- **Improve Probability of Reaching 100% Funded While Decreasing Risk:** The glide path improves the probability of reaching 100% funded 2 years earlier while protecting the downside risk.
- **Executing “Real-time”:** Aon Hewitt's delegated governance model and daily monitoring capabilities are key to implementing a dynamic de-risking glide path. We are able to take full discretion for the selection, implementation, and replacement of investment managers to execute your dynamic policies. This results in a reduction in decision cycle times and a disciplined execution of plan strategies, which improves benefit security to plan participants, and in many cases, delivers lower economic cost and volatility to plan sponsors.

Our **Delegated Investment Team** is dedicated to the development, implementation and execution of our best thinking for our clients. The team includes a variety of expertise including a number of former fund managers, which provides further insight for understanding managers. This solution also utilizes best in class investment managers, tools and providers to provide the highest quality execution available in the market.



Our Delegated Pension **Management Team** leverages the expertise of dedicated individuals with backgrounds in investment management, actuarial science, and investment banking. The team is responsible for managing risk in general, including: performing asset-liability analyses, designing custom swap portfolios, and monitoring portfolio positions from an asset-liability perspective.

#### Annuities Placement Services

Our **Annuities Placement Services Team** leverage the expertise of dedicated individuals with backgrounds in insurance, risk management, actuarial science and finance. The team has extensive experience assisting clients in selecting annuity providers using the protocol established by the Department of Labor in its Interpretive Bulletin No. 95-1 (“DOL 95-1”) dealing with the selection of the “Safest Available Annuity Provider”. While precise “rankings” are not available, information received from insurers indicates that we are generally among their largest sources of quote activity for this type of business.

The team specializes in implementing annuity arrangements for terminating defined benefit plans as well as partial settlements for ongoing plans. We evaluate the need for guaranteed interest contracts, and assist the client in negotiating such contracts. Guaranteed interest contracts are agreements by a financial institution, typically an insurance company, to pay a fixed benefit for life, like an annuity. They are commonly considered by plan fiduciaries that are either terminating or considering freezing future pension benefits. The financial institution essentially “buys” the assets and liabilities of the plan from the plan sponsor.

#### Projects

We provide some of the services described above (for example, policy consulting, manager selection and governance) on a project basis. We also provide the following services on a project basis:

- Investment Program Review
- Defined Contribution Services
- Custodian Selection
- Manager Agreement Review
- Asset Transfer Oversight (at client direction)
- Asset Liability Studies
- Recordkeeper Selection

#### Amount of Managed Assets

As of March 12, 2012, we were actively managing \$14.4 billion of clients' assets on a discretionary basis. In addition, we have the authority to manage private equity assets for one client to a target level of \$500 million; approximately \$150 million has been invested as of September 30, 2011.

We do not directly manage assets on a non-discretionary basis.

## ITEM 5: FEES AND COMPENSATION

Fees for our services may be charged as a percentage of assets in the client's account, as an hourly fee, or as a flat fee. All fees are negotiated in advance and will vary depending on a number of factors, including:

- Complexity of the assignment;
- Number of plans;
- Number of investment managers;
- Nature and frequency of meetings and reports.

### Asset-Based Fees

Asset-based fees typically range from 0.01% to 0.10% of assets we advise on a traditional basis. Asset-based fees typically range up to 0.45% of assets we manage on a delegated basis. These fees are typically billed quarterly, in arrears.

### Hourly Fees

Hourly fees typically range from \$200 - \$800 per hour, and are billed monthly, in arrears.

### Flat Fees

Flat fees typically range from \$75,000 to \$400,000, and are either billed quarterly, in advance, or in installments negotiated with the client for the duration of a particular project.

Fees for discretionary private equity management do not include any carried interest (in other words, any portion of the profits from the private equity investments) or any other compensation related to the private equity program.

## GENERAL INFORMATION ON FEES

Negotiability of Fees: Our fees are negotiable.

Fee Calculation: The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client (Section 205(a) (1) of the Investment Advisers Act of 1940, as amended).

Termination of Advisory Relationship: A client may cancel its advisory at any time upon no more than 30 days prior notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Such fees are prorated based on the number of days left in the billing period

Investment Manager Fees and Expenses: All fees paid to us for investment advisory services are separate and distinct from the fees and expenses charged by investment management firms (mutual funds, collective investment trusts, separate account managers, as well as the managers we choose for the Aon Group Trust) to

their investors. These fees and expenses are described in each fund's prospectus, in the case of mutual funds, or other disclosure materials, in the case of the other types of managers.

Custody and Brokerage Fees and Expenses: Clients should note that investment advisory fees are separate and apart from custody and brokerage charges that may be assessed by third parties, including Bank of New York/Mellon (when investing in the Aon Hewitt Group Trust). Please see the sections on custody and brokerage below.

Advisory Fees in General: Clients should note that similar advisory services may (or may not) be available from other registered investment advisers for similar or lower fees.

Limited Prepayment of Fees: Clients may prepay our fees in advance. However, under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered. See Termination of Advisory Services above regarding return of any unearned advisory fees.

Certain of our consultants are affiliated with Aon Benfield Securities, Inc., (ABS) which is a registered broker-dealer and our affiliate. Their affiliation with ABS relates solely to their services with respect to distribution of interests in the Aon Hewitt Group Trust. Although affiliated with ABS, our representatives receive no compensation from ABS or from clients for these services. We do reimburse ABS for expenses it incurs in connection with our consultants' affiliation.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Hewitt EnnisKnupp, Inc. does not charge performance-based fees.

## **ITEM 7: TYPES OF CLIENTS**

Approximately 58% of our clients are corporations, 21% are governmental entities and 8% are endowments and foundations. The majority of the remaining 13% of our clients are primarily non-for-profit. We also serve Hospital systems, Taft-Hartleys and a select few high net worth individuals, none of whom are affiliated with our business, and other public and private entities.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### Methods of Analysis

We advise clients on broad investment objectives and the selection and monitoring of advisers and/or investment managers. Clients should refer to the disclosure documents of recommended advisers and investment managers for information on their methods of analysis, sources of information and investment strategies.

Hewitt EnnisKnupp's Global Investment Management team focuses the majority of its research on qualitative assessment, striving to thoroughly understand the organizations and teams that are responsible for investment performance.

The focus of the qualitative criteria includes:

- Special emphasis is placed on understanding the incentive structure and team dynamic to determine the likelihood of team stability
- A better understanding of the experience;
- Skill level, interpersonal skills and attitudes of the general partners;
- The quality of the group's deal flow with respect to intrinsic quality and competition for the opportunities;
- The due diligence and decision-making process employed by the group when it makes investments in companies; and
- The compensation arrangements among the general partners and their staff, including determining whether proper incentives are in place for superior long-term performance, among others.

In addition, Hewitt EnnisKnupp's Global Investment Management team focuses on obtaining a thorough understanding of the research and investment process. In doing so, we are able to effectively evaluate periods of relative performance deviations thereby allowing for valuable proactive consulting for clients rather than a "chasing performance" mentality that plagues many investors. To truly understand investment management firms, it is the Global Investment Management team's belief that time must be spent face to face with the people at these organizations to determine their talent and commitment to client results.

Our researchers also spend a lot of time quantitatively analyzing managers. The quantitative analysis is not performance screening to find "hot" managers. The team utilizes a variety of proprietary and third-party databases to measure risk and performance to better understand *how* a product performs and if it is in line with the style of management it pursues. The team runs portfolio attribution at the holdings level in an attempt to better understand drivers of results and challenge portfolio managers on their research and portfolio positioning. Hewitt EnnisKnupp's Global Investment Management team's manager evaluation process assess each manager's:

- Perceived skill;
- Fund size/competing accounts;
- Cost;
- Team;
- Performance evaluation;
- Product fit;
- Attractiveness of targeted stage;
- Strategy;
- Ownership and sharing of carried interest;
- Stability of team;
- Quality and depth of management;
- Culture; and
- Quality of service.

The qualitative criteria that are calculated and evaluated include internal rates of return, cash flow multiples, and distributions which are benchmarked across a number of variables including fund type.

By evaluating these quantitative measures, the team gains a better understanding of how a manager may perform in a certain environment or how well a manager should fit within a portfolio context. Furthermore, an ongoing evaluation of qualitative and quantitative characteristics helps to evaluate if a manager continues to fit the role for which it was originally hired.

This dual evaluation allows the Global Investment Management team to give clients a clear and accurate picture of the investment managers. Five areas of focus are extensively probed: organization, investment teams, investment process, risk considerations, and performance. This is accomplished via a lengthy on-site interview process by multiple researchers.

Our securities analysis methods rely on the assumption that the issuers/distributors of securities we consider for clients, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

#### **ITEM 9: DISCIPLINARY INFORMATION**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Some of our non-consulting executive officers and directors are also employed in various corporate capacities by our ultimate parent company, Aon Corporation (Aon), a global insurance and consulting company, as well as their subsidiaries Aon Consulting, Inc. and Hewitt Associates LLC, each of whom are leading providers of a variety of human resource management consulting services, including actuarial and benefit plan consulting services, insurance, communications and management consulting and benefit plan administration. Aon Consulting and Hewitt Associates work cooperatively and serve their markets jointly as "Aon Hewitt."

We pay Aon Hewitt for all of our expenses incurred by it that relate to the operation of our business, including: costs associated with: total employee compensation; supervised persons licenses; rent and utilities; furniture and equipment; computers; and telephones. All such expenses, and allocation methodologies thereof, are governed by an expense sharing agreement between us and Aon Hewitt.

A number of investment management firms we may recommend to our clients are clients of Aon and/or its subsidiaries, including Aon Consulting and Hewitt Associates. We maintain strict standards to avoid any perceived conflicts of interest associated with our recommendations of clients of our parent or affiliated firms.

Aon organization account executives have little to no access to members of our Global Investment Management (“GIM”) team. No such Aon organization account executive can cause an investment manager not otherwise subject to the GIM’s team review to be considered for investment by one of our clients. None of our employees’ compensation is tied in any way to the selection of an Aon client firm as an investment option to be considered by one of our investment clients. Nor do any of our employees get compensated for “cross-selling” other Aon organization services to any client.

In addition, we conduct a periodic review of our investment management research database to ensure that there appears to be no favoritism in the recommendation of any investment management firm that also happens to be a client of any of our affiliates.

We may provide investment advisory services to the benefit plans of investment management firms whose funds we may recommend to our clients. We do not provide investment consulting services to investment management firms in connection with the offerings to their customers.

As previously noted, certain employees of ours hold securities licenses with Aon Benfield Securities, a registered broker-dealer, which is an indirect subsidiary of Aon. Interests in Aon Hewitt Group Trust are offered through Aon Benfield Securities.

Aon Retirement Plan Advisors, LLC (ARPA) is a registered investment advisor, and like us, is a wholly owned subsidiary of Aon Consulting. ARPA provides investment consulting services primarily to smaller retirement plans (typically under \$25 million in plan assets and in associated with companies providing certain executive benefits to their employees. ARPA does purchase manager research from us.

Aon Hewitt Financial Advisors, LLC (AHFA) is a registered investment advisor, and like us, is a wholly owned subsidiary of Aon Consulting. AHFA provides investment advisory services to plan participants through utilizing software known as Financial Engines, which is designed and maintained by a sub-advisor. The plan participants that are served by AHFA are members of defined contribution plans that are provided other services by Aon Consulting.

Hewitt Financial Services LLC (HFS) is a registered broker-dealer and is a wholly owned subsidiary of Hewitt Associates. HFS’ services are not provided, however, in conjunction with our investment advisory services. HFS, among other things, supports Hewitt Associates by offering and providing securities brokerage services to certain Hewitt Associates defined contribution plan clients. In all such situations, any revenue received by HFS is offset dollar-for-dollar against administration fees otherwise due and owing Hewitt Associates. Our compensation in such arrangements is not effected in any way by the presence of HFS’ relationship with the client.

#### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

We have adopted a Code of Ethics expressing our commitment to ethical conduct. Our Code of Ethics describes the firm’s fiduciary duties and responsibilities to clients, and sets forth our practice of supervising the personal securities transactions of our supervised persons with access to client information. Our officers, directors and

employees may buy or sell securities for their personal accounts identical to or different than those held by our clients. It is our policy that no supervised person shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients.

To supervise compliance with our Code of Ethics, we require that anyone associated with this advisory practice with access to advisory recommendations provide annual securities holdings reports and quarterly transaction reports to the firm's Chief Compliance Officer. We require these access persons to also receive approval from the Chief Compliance Officer prior to investing in any IPOs or private placements.

We require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Our Code of Ethics further includes the firm's policy prohibiting the misuse of material non-public information. Any individual not in observance of the above may be subject to discipline.

We will provide a complete copy of its Code of Ethics to any client or prospective clients upon request to the Chief Compliance Officer at our principal address.

## **ITEM 12: BROKERAGE PRACTICES**

Apart from certain non-public private equity investments, we do not directly determine individual securities to be bought or sold, or the amount of such securities to be bought or sold. However, we may indirectly influence the securities bought or sold, the amount of the securities bought or sold, the broker dealer used, and the commission rates paid. This occurs in those situations where we are retained by qualified retirement plan clients to have the discretionary authority to retain or terminate investment managers providing services to the client plan. In practice, the actual decisions are made by the investment managers that we hire, but we may influence such decisions through the redistribution of the amount of assets allocated to a particular investment manager.

Trade aggregation occurs when the broker is permitted to aggregate a customer's trades with those of other customers. These efficiencies often result in lower trade costs for the customers but may influence the timing of a transaction. The investment managers we may select in connection with our discretionary investment consulting services are allowed to aggregate customer trades subject to our review of their trading and brokerage practices and subject to them following applicable rules and regulations regarding these practices. We periodically review their adherence to these practices.

Discretion over private equity investments is limited to the percent allocation to the private equity class which is dictated in our clients' investment policy statements. We therefore do not select broker-dealers or block client trades as part of these services.

HFS is responsible for establishing its own pricing and fee schedule for the services it provides. We do not receive any direct or indirect compensation from HFS.

From time to time, we will recommend broker dealers to investment advisory clients, typically retirement plan clients whose portfolios are managed by a separate investment adviser who is not affiliated with Applicant. There are typically two different scenarios in which we are hired by a pension client to recommend a broker

dealer: (1) to assist pension clients with the transition between investment managers; or (2) to assist pension clients with the funding of new portfolio positions. We will solicit and review bids from independent third party broker dealers. The specific brokerage needs can vary between each pension client, but the primary factors considered in making final recommendations are typically (1) the competitiveness of execution rates (2) the quality of previous executions provided and/or (3) how efficiently the broker dealer transitions the portfolios with minimal market impact. Our fees for this service are fully disclosed. We do not recommend affiliated broker dealers or receive direct or indirect compensation from any recommended broker dealers.

“Soft-dollar” arrangements are those in which brokerage commissions are utilized to pay for services or other benefits which the adviser would have to pay for itself (example, investment research). With soft dollar arrangements, the adviser may have an incentive to select or recommend a broker-dealer based on the adviser’s interest in receiving the research or other services, rather than the adviser’s clients’ interest in receiving the most favorable execution. Hewitt EnnisKnupp, Inc. does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

#### **ITEM 13: REVIEW OF ACCOUNTS**

We will negotiate the frequency of account reviews with each client. Additional reviews may be triggered by material market, economic or political events, or by changes in the client’s circumstances. All accounts are reviewed by a Consultant.

The nature and frequency of reports will be negotiated with each client. Most commonly, reporting is provided quarterly, but the client may request reports more frequently (monthly) or less frequently but no less frequently than annually.

#### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Sometimes we will receive a client referral from certain of our affiliates, such as Aon Risk Services, a subsidiary of Aon. In these situations, we will compensate our affiliate and the referring consultant for the referral. Payments are in the range of 10% to 25% of the fees paid by the referred client during the first year after the referral. Actual payment is dictated by role of the referring consultant and internal Aon organizational compensation policies, as well as by SEC regulations.

#### **ITEM 15: CUSTODY**

Although our firm does not have actual custody of client accounts, customers who do invest in the Aon Hewitt Group Trust will receive quarterly statements from the Trust’s custodian, Bank of New York/Mellon. We encourage you to carefully receive your statements.

#### **ITEM 16: DISCRETIONARY INVESTING**

We provide a service to defined benefit (pension) plans, where we are delegated the authority to hire investment managers, terminate investment managers, and rebalance portfolio assets, subject to the client’s investment policy statement and other terms outlined in the investment consulting agreement. We select, approve and



monitor these investment managers pursuant to the client's investment guidelines, which are developed with our assistance. As the delegated portfolio manager, we execute and deliver any and all agreements necessary for the investment, and we direct the client-appointed custodian to acquire, hold, sell, transfer, exchange, and dispose of the investments.

One vehicle through which we deliver our delegated investment consulting services is the Aon Hewitt Group Trust (AHGT). Bank of New York/Mellon serves as the directed trustee. The AHGT consists of one or more separate investment funds established from time to time by us. To participate as an investor in the AHGT, the participating client must be a qualified pension plan contracting with us for discretionary investment advisory services, and must be certain other requirements as set forth in the AHGT Trust Agreement, including having a minimum \$25 million in assets available to invest. Presently, the AHGT consists of eleven investment funds: Long Credit Bond Fund, Small & Mid Cap Equity Fund, Emerging Markets Equity Fund, High Yield Bond Fund, Large Cap Equity Index Fund, Non-U.S. Equity Fund, Large Cap Equity Fund, Global Real Estate Fund, Intermediate Credit Bond Fund, 20+ U.S.T. STRIPS Fund and Small Cap Equity Index Fund.

We receive no revenue from the AHGT. We only receive investment advisory fees directly from the client or its trust.

For other pension clients, we may enter into agreements with investment managers outside of the AHGT. Looking ahead, the primary reasons why a delegated client may not be recommended to invest through AHGT are that they don't have sufficient assets to qualify as investors and that the investment alternatives available through AHGT do not meet the investing needs of the client.

We also provide a service whereby we have been delegated the authority to oversee the investment management of a portfolio geared to perform similarly to a target date maturity fund. These funds are common in defined contribution (including 401(k)) retirement plans. These funds are designed to reduce their risk over time as the investor gets closer to retirement age. These funds are typically named after the "target" retirement year of the plan participant or investor (i.e., the "2025 Fund"). Rather than rely upon one investment manager's investment funds, clients who hire us for this service look for us to assist them in using many of the other funds available for investment in the plan to build a "customized" target date portfolio. We will assist the plan's fiduciary committee with developing the "glide path" or the planned investment strategy of the portfolio and be given discretionary authority to adjust the asset allocation of the portfolio to meet the ranges dictated by the glide path.

We also assist some of our pension clients by being given the delegated authority over private equity investments made by these plan clients. This delegated authority is limited to the percent allocation to the private equity class that is dictated in the client's investment policy statements. For this service, we require with written authority to determine which securities and the amounts of securities that are bought or sold in a client's account.

Clients delegate to us the investment authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

#### **ITEM 17: VOTING CLIENT SECURITIES**

We do not vote proxies that are sent by companies that are but one security holding in a pool of investments managed by an investment manager we recommend. Investment managers selected by the client are typically

responsible for voting these client proxies. As the overwhelming majority of our clients are qualified retirement plans, the plan trustee is responsible for administration matters related to proxy voting.

When the investment manager's own fund issues a proxy regarding fund level matters (e.g., changes to prospectus, board of directors, etc.), we will vote that proxy on behalf of the client. The client plan's trustee will continue to be responsible for handling all necessary administration and communication of such proxies to us.. Clients should refer to the disclosure documents of recommended investment managers for information on their proxy voting policies. However, we may provide clients with consulting assistance regarding proxy issues.

Clients should note that we will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held or previously were held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

#### **ITEM 18: FINANCIAL INFORMATION**

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include financial statements.

Hewitt EnnisKnupp, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.