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This Brochure provides information about the qualifications and business practices of Envestnet Retirement Solutions, LLC ("ERS"). If you have any questions about the contents of this Brochure, please contact us at 312-827-7957. 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 ERS also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## **Item 2 – Material Changes**

This Item discusses only specific material changes that are made to this Brochure and provides clients with a summary of such changes.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting ERS Compliance at (312) 827-7957 or [support@investnetrs.com](mailto:support@investnetrs.com).

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#### **Item 4 – Advisory Business**

ERS is an investment management firm registered as an investment adviser with the SEC in 2013; ERS provides investment management and investment advisory services to retirement plan sponsors (“Plan Sponsors”) for use with the Plan Sponsors’ plans (each a “Plan”). As of March 31, 2014, ERS had \$140,000,000 in discretionary assets.

ERS is a subsidiary of its parent company Envestnet, Inc. (NYSE:ENV), a publicly held company.

#### ***The Programs***

Plan Sponsors, as the primary fiduciary for each Plan, engage ERS to provide services for the respective program (collectively, the “Programs”) as described below.

In the Programs, ERS provides the responsible plan fiduciary (“Plan Fiduciary” or “RPF” [not sure why we even use “Plan Fiduciary” since I don’t see that term again, whereas RPF is all over the document and never defined]) (or an authorized delegate thereof) an investment policy statement template (the “IPS”) according to which ERS shall provide advisory services. ERS advises according to the IPS and ERS is not responsible for confirming whether the RPF has adopted the IPS.

The IPS will set forth the minimum number of general investment options and asset class categories offered to Plan participants. The goal of the IPS is to provide a menu of investments to allow for the creation of diversified portfolios designed to provide for long-term appreciation and capital preservation. This is achieved through a mix of equity and fixed income exposures. Changes in ERS’s due diligence methodology shall be stated in the Quarterly Monitoring Report. ERS shall make a copy of the most recent IPS methodology available upon the Plan Sponsor’s request.

Plan Sponsor is responsible for determining the proper share class to utilize in the Plan. Mutual Funds may offer more than one “class” of shares. Each class represents the same interest in the mutual fund’s portfolio; however, the plan advisor may be compensated differently depending on what classes of shares are chosen. ERS does not make recommendations on and shall have no responsibility for; the class of shares utilized. ERS shall utilize, in its fund recommendations, the share classes in the Program that have been provided by the Plan Sponsor.

In performing the fund selection or recommendation services (described below), ERS is limited to the investment options available through the Plan recordkeeper’s platform and does not have authority or obligation to select any investment options that is not available through the Plan recordkeeper’s platform. The plan sponsor is responsible for the selection of the recordkeeper and platform, not ERS.

In performance of advisory services under the Programs, ERS is acting as a fiduciary to the Plan under both the Employee Retirement Income Security Act of 1974, as amended, (“ERISA”) and the Investment Advisers Act of 1940 (“Advisers Act”). Therefore, ERS acts with the care, skill, prudence, and diligence that a prudent man, with the same capacity and the same information, in a similar situation would act.

ERS does not act as, nor has ERS agreed to assume the duties of, a trustee or the “Plan Administrator,” as defined by ERISA. ERS has no discretion to interpret the Plan documents, to determine eligibility or participation under the Plan to provide participant disclosures or communications, to ensure contributions are timely received by the Plan or to exercise any other action with respect to the management, administration or any other aspect of the Plan.



ERS does not provide any advisory services related to the following types of assets: employer securities; real estate (except for real estate funds and publicly traded REITs); self-directed brokerage accounts; participant loans; non-publicly traded partnership interests; guaranteed investment contracts; other non-publicly traded securities (other than collective trusts and similar vehicles); or other hard-to-value securities or assets.

#### ***Discretionary Fiduciary Services: 3(38) Program***

In the 3(38) Program, ERS acts as an “investment manager” (as defined in Section 3(38) of ERISA) with respect to the performance of the discretionary fiduciary services. ERS reviews the investment options available through a Plan and notifies the Plan’s recordkeeper as to ERS’s instructions to add, remove and/or replace specific “core” investment options offered to Plan participants; according to the criteria set forth in the IPS.

ERS will retain final decision-making authority with respect to removing and/or replacing investments in the core lineup. The RPF will not have responsibility to communicate instructions to any third-party, including the Plan’s recordkeeper, custodian and/or third-party administrator.

#### ***Non-Discretionary Fiduciary Services: 3(21) Program***

ERS will act as a fiduciary “investment adviser” as defined in §3(21) of ERISA. However, Plan Sponsor will retain final decision-making authority with respect to removing and/or replacing Plan investments. ERS will not have any further responsibility to communicate instructions to any third-party, including the Plan’s record keeper, custodian, and/or third-party administrator.

ERS will cross-reference a Plan’s investment option information with investment analytics criteria and the IPS as necessary, in no case less than quarterly, in order to determine the appropriateness of a Plan’s investment options. ERS will provide a quarterly electronic communication to the Plan Sponsor that confirms the Plan investment option review resulted in either (1) a recommendation to maintain the existing Plan investment options, or (2) a recommendation to replace one or more of the Plan investment options with an alternative investment.

#### ***Managed Plan Portfolios***

ERS will construct diversified asset allocated portfolios to be populated with some or all of the funds available under the plan or other funds not readily available under the plan if allowed by the recordkeeper. ERS will act as an “investment manager” (as defined in Section 3(38) of ERISA) with respect to the construction and performance of the Plan Level Managed Portfolios. ERS will construct portfolios based on the limited funds available to the plan on the recordkeeping system and will not be responsible for advising on the funds available unless ERS has been retained by the plan sponsor to provide 3(38) Discretion services as described above.

ERS will retain final decision-making authority with respect to asset allocations of the portfolios and will make adjustments when necessary. The Plan Fiduciary will be relieved of any responsibility to communicate instructions to any third-party, including the Plan’s recordkeeper, custodian and/or third-party administrator.

#### ***Managed Plan Portfolios with Third-Party Strategists***

A Plan may also select that ERS perform the function described for Managed Plan Portfolios pursuant to the investment strategy of a third-party investment manager (each a “Third-Party Strategist”). ERS will enter into a license and servicing agreement with the Third-Party Strategist, whereby the Third-Party Strategist, acting as an investment model provider, constructs an asset allocation and selects the underlying investments for each



portfolio (the “Strategist Model”). Envestnet acting as the “investment manager” (as defined in Section 3(38) of ERISA) performs overlay management of the Strategist Models by monitoring the investment strategy, implementing trade orders, periodically updating and rebalancing each Strategy Model pursuant to the direction of the Third-Party Strategist. Envestnet may, from time to time, replace existing Third Party Strategists and cannot guarantee the continued availability of Strategist Models.

### ***Qualified Individual Life Target Solution (“QuILTS™”)***

QuILTS are a participant level version of Managed Plan Portfolios that are intended to satisfy the requirements of qualified default investment alternatives (“QDIAs”). As with the Managed Plan Portfolios, ERS will act as an “investment manager” fiduciary (as defined in Section 3(38) of ERISA) with respect to the construction and performance of the QuILTS accounts. ERS will construct portfolios based on the limited funds available to the plan on the recordkeeping system.

Under the QuILTS program, ERS will utilize specific participant data to determine the default Managed Plan Portfolio most appropriate for each individual. Data that can be electronically extracted from the plan recordkeeper, TPA or plan sponsor (e.g. age, salary, deferral/contribution rate, account balance, defined benefit plan if any, etc.) will be combined with publicly available data such as standard mortality and estimated Social Security income to create a more robust analysis. Such analysis begins with a statistically significant number of simulations using Envestnet PMC’s capital market assumptions to derive corresponding Managed Plan Portfolios; we then determine which portfolios have an acceptable probability of satisfying a pre-determined level of retirement income. It is likely that many of the possible combinations of retirement ages, retirement income and deferral rates will result in portfolios that have an acceptable probability of success, so each acceptable combination is ranked using a patented ERS scoring process. Participants will be provided with these results and informed that they will be defaulted into the highest ranking Managed Plan Portfolio (i.e., the lowest risk portfolio with an acceptable probability of satisfying the target retirement income level) in accordance with the regulations governing QDIAs, unless the participant affirmatively provides investment instructions in accordance with plan provisions.

The ERS QuILTS software program also allows participants to refine the optimization process by adding more personalized goals such as retiring earlier or later, saving more or less, taking more or less risk in terms of acceptable downside loss, or being satisfied with less retirement income. The participant can then assign the relative importance of each. In addition, the participant can include pension payments from other retirement plans and other outside assets, adjustments to estimated Social Security benefits, future salary increases, or expected age of death. Once entered, ERS will re-optimize and make a new determination as to which of the Managed Plan Portfolios is most appropriate and direct a re-investment of the participant’s account as necessary. The algorithmic methodology for this optimization process is proprietary to ERS and has received protection from the US Patent Office, patent # 8,498,928 issued July 30, 2013. ERS will deliver the QuILTS advice to you using our software platform that allows you to personalize your goals.

### ***QuILTS with Third-Party Strategists***

A Plan may also select that ERS perform the function described for QuILTS pursuant to the investment strategy of a Third-Party Strategist serving as a sub-advisor. ERS will enter into a license and servicing agreement with the Third-Party Strategist, whereby the Third-Party Strategist, acting as an investment model provider, constructs a Strategist Model. Envestnet acting as the “investment manager” (as defined in Section 3(38) of ERISA) performs overlay management of the Strategist Models by monitoring the investment strategy, implementing trade orders, periodically updating and rebalancing each Strategy Model pursuant to the direction of the Third-Party Strategist.

ERS will utilize specific participant data to determine the default Managed Plan Portfolio most appropriate for



each individual, as described above.

Envestnet cannot guarantee the continued availability of Strategist Models.

### **Participant Fiduciary Services - *Personalized Individual Managed Accounts ("PIMA™")***

PIMA accounts provide a personalized retirement strategy for participants within a retirement plan. ERS will act as an “investment manager” (as defined in Section 3(38) of ERISA) with respect to the construction and performance of the Managed Participant Accounts. As with all Managed Portfolios, ERS will construct portfolios based on the limited funds available to the plan on the recordkeeping system.

PIMA accounts are delivered using the aforementioned proprietary software platform that regularly updates relevant information from the recordkeeping platform and allows participants to personalize their goals and the relative importance of each, and will be assigned a predetermined managed plan portfolio. Calculations used to develop this complete retirement strategy are based on the asset class assumptions within the software (not specific investments). We deliver the PIMA advice to you using our software platform that allows you to personalize your goals.

Whereas the QuILTS program satisfies the QDIA safe harbor rules at the Plan level, it is each participant’s sole and final decision as to whether to invest in a PIMA account, once invested, ERS will adjust holdings in the investment alternatives over time as necessary because of changes in plan investment alternatives, changes in asset allocation models, changes in participant personal information, or other similar factors.

### ***PIMA with Third-Party Strategists***

ERS also makes PIMA accounts available pursuant to the investment strategy of a Third-Party Strategist. ERS will enter into a license and servicing agreement with the Third-Party Strategist, whereby the Third-Party Strategist, acting as an investment model provider, constructs a Strategist Model. Envestnet acting as the “investment manager” (as defined in Section 3(38) of ERISA) performs overlay management of the Strategist Models by monitoring the investment strategy, implementing trade orders, periodically updating and rebalancing each Strategy Model pursuant to the direction of the Third-Party Strategist.

Envestnet cannot guarantee the continued availability of Strategist Models.

### **Item 5 – Fees and Compensation**

ERS’s fee is determined based upon the nature of the services being provided. The standard fee schedules for the Programs are as follows, but lower fees may be separately negotiated. A minimum fee may be implemented:

#### **FEE SCHEDULE**

<b><i>3(38) Discretionary Management Program ("3(38) Discretion")</i></b>	<b>Annual Fee Paid Quarterly</b>
Up to \$50,000,000	6 basis points on plan assets
Over \$50,000,000	Negotiated on a case-by-case basis

  

<b><i>3(21) Fiduciary Advice Program ("3(21) Advice")</i></b>	<b>Annual Fee Paid Quarterly</b>
Up to \$50,000,000	6 basis points on plan assets
Over \$50,000,000	Negotiated on a case-by-case basis



<b>Managed Plan Portfolios</b>	<b>Annual Fee Paid Quarterly (\$2,000 minimum)</b>
\$0 - \$25,000,000	15 basis points on plan assets
\$25,000,001 - \$100,000,000	12 basis points on plan assets
Over \$100,000,000	Negotiated on a case-by-case basis

<b>Managed Plan Portfolios with Third Party Strategist</b>	<b>Annual Fee Paid Quarterly</b>
All Assets	6 basis points on plan assets
	Plus Strategist fee ranging from 15 – 60 basis points
	Certain Strategist may negotiate a higher or lower fee

<b>Qualified Individual Life Target Solutions (“QILTS”)*</b>	<b>Annual Fee Paid Quarterly (\$2500 minimum)</b>
\$0 - \$25,000,000	20 basis points on plan assets*
\$25,000,001 - \$100,000,000	17 basis points on plan assets
Over \$100,000,000	Negotiated on a case-by-case basis
Includes ERS acting as a 3(38) or 3(21) fiduciary to the Plan, plus K4 Plan Goals advice software to pinpoint where within model management glide-path or risk-based portfolio participant should be placed	

<b>Quilts with Third Party Strategist</b>	<b>Annual Fee Paid Quarterly</b>
All Assets	6 basis points on plan assets
	Plus Strategist fee ranging from 15 – 60 basis points
	Certain Strategist may negotiate a higher or lower fee

<b>Personalized Individual Managed Accounts (“PIMA”)</b>	<b>Annual Fee Paid Quarterly *</b>
ERS as Investment Manager	40 basis points on participant assets
	*\$20/participant minimum

<b>PIMA with Third Party Strategist</b>	<b>Annual Fee Paid Quarterly</b>
All Assets	6 basis points on plan assets
	Plus Strategist fee ranging from 15 – 60 basis points
	Certain Strategist may negotiate a higher or lower fee

Unless otherwise agreed to with the Plan, the fees for ERS services (the “Program Fee”) are billed in arrears on a quarterly basis based on the value of Plan assets (including interest paid or accrued) on the last business day





of the prior calendar quarter. ERS will perform a good faith fair market value of the Plan assets based on the applicable recordkeeper. The Plan Sponsor is responsible for authorizing the Plan recordkeeper to debit and remit the payment of fees to ERS. In certain limited instances, ERS may arrange to directly invoice the Plan.

While certain assets (as described in Item 4) may be excluded from the fiduciary services, the Program Fees shown above will be applied to the full value of all assets in the applicable Plan, as the Plan Sponsor receives ancillary administrative benefits such as reporting and analytics on all Plan assets.

### ***Termination***

The terms and conditions for each Program contain termination provisions. An agreement may be canceled by either party at any time, for any reason, upon receipt of 30 days prior written notice. In the event that ERS is billing in advance, ERS will make a prorated refund of any pre-paid monthly/quarterly program fee, based upon the number of days remaining in the month/quarter after the termination date. ERS does not charge a liquidation fee if securities are to be delivered in-kind, otherwise certain commissions and/or fees may be charged by the broker-dealer liquidating security positions.

### ***Other Issues Relating to Fees***

The cost of investment advisory services provided through the Programs may be more or less than the cost of purchasing similar services separately. The total asset amount in a Plan is the main factor impacting the relative cost of the Program to a particular Plan.

The Program Fee does not cover certain charges associated with securities transactions, including: (i) dealer markups, markdowns or spreads charged on transactions in over-the-counter securities; (ii) costs relating to trading in certain foreign securities; (iii) the internal charges and fees that may be imposed by any Funds, (such as fund operating expenses, management fees, redemption fees, 12b-1 fees and other fees and expenses. Further information regarding charges and fees assessed by Funds may be found in the appropriate prospectus or offering document) or other regulatory fees; (iv) brokerage commissions or other charges imposed by broker-dealers or entities other than the custodian if and when trades are cleared by another broker-dealer; (v) the charge to carry tax lot information on transferred mutual funds or other investment vehicles, postage and handling charges, returned check charges, transfer taxes; stock exchange fees or other fees mandated by law, and (vi) any brokerage commissions or other charges.

Plan Sponsor is responsible for determining the proper share class to utilize in the Plan. Mutual Funds may offer more than one "class" of shares. Each class represents the same interest in the mutual fund's portfolio; however, the plan advisor may be compensated differently depending on what classes of shares are chosen. ERS does not make recommendations on and shall have no responsibility for the class of shares utilized. ERS shall utilize, in its fund recommendations, the share classes in the Program that have been provided by the Plan Sponsor.

In addition to the redemption fees described above, a Plan may incur redemption fees, when the portfolio manager to an investment strategy determines that it is in the Plan's overall interest, in conjunction with the stated goals of the investment strategy, to divest from certain mutual funds prior to the expiration of the minimum holding period of the funds. Some mutual funds also assess redemption fees to investors upon the short-term sale of its funds. Depending on the particular mutual fund, this may include sales for rebalancing purposes. Please see the prospectus for the specific mutual fund for detailed information regarding such fees.

For smaller Plans, a minimum fee may apply to the Program Fee or fees charged by the custodian. Minimum fees are expressed in annual amounts, but are determined and assessed based on the Plan asset value at the



end of each quarter. For example, if a Plan has a \$100 minimum annual Program Fee, it will be assessed a minimum of \$25 every quarter. Therefore, if a Plan has large asset inflows or outflows during the year that cross the minimum asset value threshold, it is possible for a Plan to be assessed a minimum fee for a particular quarter even if at the end of the year a look back over the Plan's average balance for the entire year would have placed it above the minimum asset value threshold.

In pursuing the Strategist Model, the Third Party Strategist may utilize underlying mutual funds or exchange traded funds advised by the Third-Party Strategist or its affiliate(s) ("Proprietary Funds"). In such situations, the Third-Party Strategist or its affiliate(s) may receive fees from the Proprietary Funds for serving as investment advisor or other service provider to the Proprietary Fund (as detailed in the Proprietary Fund's prospectus). These fees will be in addition to any portfolio management fees that a Third-Party Strategist receives for its ongoing management of the Strategist Model and creates a financial incentive for the Third-Party Strategist to utilize Proprietary Funds.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

ERS does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **Item 7 – Types of Clients**

ERS provides investment management and investment advisory services to Plans and plan participants. As described in Item 5, ERS may charge a minimum fee.

#### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

##### ***3(38) Discretionary Management Program ("3(38) Discretion")***

##### ***3(21) Fiduciary Advice Program ("3(21) Advice")***

ERS uses its proprietary, "S.C.O.R.E." Model, investment selection process. The proprietary SCORE Model is used to evaluate all plan designated investment alternatives (Funds, ETFs, Index Funds, CITs, etc.) in each category approved for ERS Plan Fiduciary Solutions. The S.C.O.R.E. Model's results are continually vetted and refined, incorporating both quantitative and qualitative factors and placing a premium on managers with the following characteristics:



The selection of the underlying criteria within each of the five primary categories and the weighting of the criteria listed above will be determined by ERS and may be adjusted from time to time at the discretion of ERS without amending or restating the IPS

### ***Managed Plan Portfolios***

#### ***Qualified Individual Life Target Solution ("QuILTS")***

#### ***Personalized Individual Managed Accounts (PIMA)***

ERS creates efficiently allocated Asset Class Portfolios (ACP) that provide the basic framework for the Managed Plan Portfolios, QuILTS and PIMA managed account programs when ERS acts as investment manager to these programs. These portfolios are created using proprietary capital market assumptions (CMA) to estimate expected returns, standard deviations, and correlations that represent the long-term risk/return forecasts for the asset classes used within the ACP.

The expected returns, standard deviations, and correlations created from the capital markets assumptions process are used to create portfolios at various risk levels using a mean/variance optimization (MVO) approach. Rather than simple mean-variance optimization, a resampled (also called bootstrap) version of MVO is used. Constraints based on the relative market capitalization of various asset classes are used in the optimization process to ensure that the constructed portfolios are optimal, given our capital markets assumptions, without straying far from the market portfolio.

ERS's approach to estimating CMAs and constructing asset allocation models is based on the following general assumptions:

- The global capital markets are largely efficient in the long run, where the efficiency of the markets is measured by the Capital Asset Pricing Model (CAPM).
- While the global capital markets are efficient in the long run, there might exist identifiable shorter-term inefficiencies in the capital markets.

- Risk premium are time-varying.

The six-step ERS process is run annually using statistically advanced techniques to combine information coming from theory, data, forecasts by recognized economic analysts, and ERS's own views into overall estimates of the capital market assumptions.

Step 1	Estimating Standard Deviations and Correlations
Step 2	Russell 3000 (or equivalent) Expected Return Forecasting
Step 3	Reverse optimization
Step 4	Fixed Income Views
Step 5	Black-Litterman Process
Step 6	Expected Return Forecasting for Alternative Asset Classes

A simple MVO approach produces portfolios that are very sensitive to even slight changes in the expected return assumptions. This problem is exacerbated by the fact that all the estimates of expected returns (as well as standard deviations and correlations) contain estimation error. To counter the inherent instability of the MVO approach, we use portfolio optimization in combination with bootstrap statistical methods. The portfolios resulting from this process are designed to be optimal under a broad variety of conditions and are far more stable over time than simple MVO-generated portfolios.

Another part of the portfolio creation process may include a variety of diversifying asset classes such as commodities, REITs, emerging markets equities, and high-yield fixed income if available on the investment platform available to the plan. Each diversifying asset class is assigned to roll up either to fixed income or to equity. Any combination of risk level and asset class can be easily created by rolling up across stock/bond allocation levels to create more or less risky portfolios and rolling up to reduce the number/complexity of asset classes.

### ERS Investment Assessment Process for Single Asset Class Funds

Funds are classified by style representative of asset classes used in asset allocation models. The fund classification is based on information obtained from widely recognized and reputable independent third-party financial data sources. The classification process allows funds to be measured against their peers. Within each class, we evaluate each fund based on multiple factors and their levels of importance. Both the factors used and the relative importance are based on research by ERS and are described in more detail below. Funds receive a weighted score for each factor, the sum of which provides a single unique score for each fund. These scores are then used to rank order the funds with higher scores preferred over lower scores.

ERS ranks thousands of funds, but only a limited number are generally available in the plan. The ranking process is totally independent of the selection process used to determine the funds available in the plan. Using the ranking system described above, ERS recommends the funds that are available which score the highest in each asset class.

Examples of some of the factors reviewed for each investment available are listed below.

### Equity Investments

**Expense Ratio** – Low expenses are better.

**3 Year Standard Deviation** – A commonly used measure of returns volatility or risk where lower is better.

**3-Year Sharpe Ratio** – A commonly used measure of risk-adjusted return where higher is better.

**Price/Cash Flow** – A commonly used valuation measure using a comparison of the stock price compared to the cash flow generated from a business. A pooled investment reports an average value across the fund holdings



and lower is better.

**3 Year Total Return NAV** – This is a measure based on the net return after expenses and the Net Asset Value of the investment.

### **Fixed Income Investments**

**Expense ratio** – Lower is better

**Trailing 12 month distribution yield**– Higher is better

**3 Year Total Return NAV** - This is a measure based on the net return after expenses and the Net Asset Value of the investment.

**3 Year Sharpe Ratio** - A commonly used measure of risk adjusted return where higher is better.

Each investment receives a relative importance score for each of the relevant factors. The sum of the product of these scores and their corresponding factor weights provides a single unique score for each investment. The investments are then ranked by their overall scores to create the rankings within the plan.

### **ERS Investment Assessment Process for Target Date Funds**

Target date funds are generally broken down by age or retirement date ranges. Many of the age recommendations assume a retirement age of 65 or close to it so either age or retirement age recommendations can be closely correlated. The recommendations of the fund families as to which fund is appropriate for each age range is based on different target glide path for each fund within a single target date group of funds. There are variations of this approach for recommending a fund, but the important point is that these generic recommendations do not take into account the personal situation of each participant.

ERS takes into account other information provided by the participant going online or directly from the recordkeeping system. Using that additional information and the target glide path for each target date fund in the plan, ERS is able to make a personalized recommendation for a target date fund. The calculations and simulations are based on the target glide path for each individual year as provided by the fund families. The fund recommendation will never be for a fund that is for an age younger than a participant's actual age, but may be for a fund that would be for someone older if age were the only criteria used. For example someone in their 50s would not receive a recommendation for a fund that age alone would match to someone in their 30s, but might receive a recommendation for a fund that would be recommended to someone in their 60s based on age alone. This approach provides a personalized recommendation that is based on necessary risk and not a generic age based risk recommendation.

### ***Risk of Loss***

Investing in securities involves risk of loss (including loss of principal) that each client should be prepared to bear. Typical investment risks include market risk typified by a drop in a security's price due to company specific events (such as an earnings disappointment or a downgrade in the rating of a bond) or general market activity (such as occurs in a "bear" market when stock values fall in general). Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Fixed-income strategies are subject to interest rate risk and the inherent credit risk related to the underlying credit worthiness of the various issuers and the volatility of the bond market.

Certain types of investment strategies have particular types of risk. Strategies that invest in international securities involve special additional risks, including currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks. Strategies that invest in small capitalized companies involve risks, including relatively low trading volumes, a greater degree of

change in earnings, and greater short-term volatility. Smaller companies typically have a higher risk of failure, and are not as well established as larger blue-chip companies. Growth strategies can perform differently from the market as a whole and from other types of stocks and can be more volatile than other types of stocks. High-yield bond strategies invest in lower-rated debt securities (commonly referred to as junk bonds) and involve additional risks because of the lower credit quality of the securities in the portfolio. Clients should be aware of the possible higher level of volatility and increased risk of default. Concentrated, non-diversified or sector strategies invest more of their assets in a few holdings involve additional risks, including share price fluctuations, because of the increased concentration of investments. The lack of industry diversification subjects the client to increased industry-specific risks. Finally, municipal investment strategies can be affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities.

*Risks for all forms of analysis.* ERS's securities analysis methods rely on the assumption that the companies whose securities purchased and sold, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While ERS is alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

#### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of ERS or the integrity of ERS's management. ERS has no legal or disciplinary action that must be disclosed in response to this Item.

#### **Item 10 – Other Financial Industry Activities and Affiliations**

ERS also provides other products and services to Plan Sponsors and other financial professionals in the role as a third-party service provider to assist them with administering their business needs.

ERS provides a web-based, customizable reporting and management platform to advisors of ERISA plans. This platform includes current AUM reporting, asset allocation, investment policy statements, scorecard and quarterly investment monitoring reports.

ERS maintains a proprietary software system (K<sup>4</sup> Plan Goals) to conduct individual participant calculations for an overall retirement strategy. ERS may also provide access to K<sup>4</sup> Plan Goals on a stand-alone basis for providers, recordkeepers, or advisors when an entity other than ERS chooses to utilize such calculations to provide customized QDIAs and/or Managed Accounts or other individual investment advisory services.

ERS also provides a model management system as part of the web-based platform including unitization of portfolios for certain custodians for which ERS has entered into contract. ERS charges a fee to these custodians for these non-fiduciary services. In some instances, ERS may act as a fiduciary investment manager to some plans for which it also provides unitization services for portfolios. When ERS acts as either a 3(21) Advice or 3(38) Discretionary fiduciary as outlined above, it will charge fees in accordance with the Fee Schedule below in addition to any non-fiduciary fees described above.

ERS may compensate certain plan providers for providing secure access to their information systems, plan and participant data and for providing communication materials directly to plan sponsors and participants. The amount of the reimbursement is generally a percentage of the revenue received by ERS in connection with the services provided to clients of the plan providers. The compensation paid to these providers is for administrative and technology services only and is not to be construed as an endorsement or solicitation by the provider of ERS or any specific advisory services.





ERS is under common control with the following entities that are engaged in the securities or investment advisory business. Certain directors and members of executive management of ERS also serve as directors and/or executive management of these entities:

Envestnet Asset Management, Inc. ("EAM"), Registered Investment Adviser 35 E. Wacker Drive, Suite 2400, Chicago, IL 60601  
Firm CRD #111694

Portfolio Brokerage Services, Inc. ("PBS"), Registered Broker/Dealer 1801 California St., 23<sup>rd</sup> Floor, Denver, Colorado 80202  
Firm CRD #18554

Portfolio Management Consultants, Inc. ("PMC"), Registered Investment Adviser 1801 California St., 23<sup>rd</sup> Floor, Denver, Colorado 80202  
Firm CRD #107747

Envestnet Portfolio Solutions, Inc. ("EPS"), Registered Investment Adviser 75 State Street, 6th Floor Boston, MA 02109  
Firm CRD #109662

Portfolio Management Consultants, Inc. and PBS are wholly-owned subsidiaries of PMC International, Inc. ("PMCI") whose principal business address is 1801 California St., 23<sup>rd</sup> Floor, Denver, CO 80202.

EAM, EPS, ERS and PMCI are wholly-owned subsidiaries of Envestnet, Inc., whose principal business address is 35 E. Wacker Drive, Suite 2400, Chicago, IL 60601.

EAM serves as the investment advisor to a mutual fund family: The PMC Funds, consisting of the PMC Core Fixed Income Fund and the PMC Diversified Equity Fund (information available at [www.investpmc.com](http://www.investpmc.com)).

EAM also serves as the advisor to a series of Collective investment Trust portfolios:

PMC Pathway Aggressive Growth Fund (A Reliance Trust Company Collective Fund) PMC Pathway Moderate Balanced Fund (A Reliance Trust Company Collective Fund)

PMC Pathway Retirement Income Fund (A Reliance Trust Company Collective Fund)

PMC Pathway Target Date 2015 Fund (A Reliance Trust Company Collective Fund) PMC Pathway Target Date 2020 Fund (A Reliance Trust Company Collective Fund) PMC Pathway Target Date 2025 Fund (A Reliance Trust Company Collective Fund)

PMC Pathway Target Date 2030 Fund (A Reliance Trust Company Collective Fund) PMC Pathway Target Date 2035 Fund (A Reliance Trust Company Collective Fund) PMC Pathway Target Date 2040 Fund (A Reliance Trust Company Collective Fund)

PMC Pathway Target Date 2045 Fund (A Reliance Trust Company Collective Fund) PMC Pathway Target Date 2050 Fund (A Reliance Trust Company Collective Fund)

Judson Bergman is a director of ERS and CEO of Envestnet, Inc. Mr. Bergman serves as a Trustee for the RS Guardian Funds. Mr. Bergman is not involved in the investment decision process or otherwise in a position to influence any fund recommendation that ERS may provide.

Claiborne "Chip" Morton serves as a Senior Consultant to ERS. Mr. Morton is also registered as an independent representative of Raymond James Financial Services, Inc. Mr. Morton maintains advisory relationships with the Plan Sponsors he serviced prior to working with ERS, but is not actively pursuing opportunities with new Plan Sponsors.



Brandon Thomas is a member of the ERS Investment Policy Committee and maintains securities licenses held by Envestnet's affiliated broker-dealer, Portfolio Brokerage Services, Inc. (PBS), however he does not transact business through, or receive any compensation from PBS.

The following members of the ERS Investment Policy Committee are engaged in investment-related outside business activities and receive additional compensation from the outside investment-related business:

Robert Bernstein (Co-founder, Chief Investment Strategist, Envestnet Retirement Solutions) is engaged in, and receives compensation for, the following activities; (i) board member to Fay Financial, LLC. Fay Financial which provides mortgage loan management services, including mortgage loan acquisition, liquidation, and restructuring services, (ii) advisory board member to Power Capital Partners, LLC, a global power infrastructure development business and fund general partner, and (iii) advisory board member to RS Advisory, a business strategy consulting and financial product development

Ryan Clark started and remains registered with Fiduciary Associates, LLC (d/b/a Arcis Wealth Management) which provides financial advisory services to employer sponsored retirement plans including but not limited to the following plan types; 401k, 403(b), 457, defined benefit, money purchase plans, employee stock ownership plans (ESOP), 409A Nonqualified Deferred Compensation Plans. Fiduciary Associates provides services similar to ERS, but is not actively pursuing opportunities within the retirement plan space.

#### **Item 11 – Code of Ethics**

ERS employees or related persons may have accounts with investment managers that ERS recommends to clients as part of its investment programs. This means that ERS employees or related persons may buy or sell securities that clients also own in their accounts. Investment decisions for ERS personnel may not be made at the same time or in the same manner as those made for clients.

ERS or a related person of ERS may purchase or sell securities that are recommended to, or purchased, or sold for clients. Personal securities transactions by persons associated with ERS are subject to ERS's Code of Ethics. The Code of Ethics includes various reporting, disclosure and approval requirements, described in summary below. ERS designed these requirements to prevent or mitigate actual or potential conflicts of interest with clients. The Code of Ethics applies not only to transactions by the individual, but also to transactions for accounts in which such person or the person's spouse, minor children or other dependents residing in the same household have an interest. Compliance with the Code of Ethics is a condition of employment.

In accordance with Securities and Exchange Commission rules relating to recordkeeping by investment advisors, ERS requires prompt reports of all securities transactions identified in the Code of Ethics as "Reportable Securities" transactions. ERS further requires that all brokerage account relationships be disclosed, that ERS receive duplicate confirmations of transactions and custodial account statements, and annual certifications of compliance with the Code of Ethics from all access persons. Transactions in U.S. government securities, bankers acceptances, bank certificates of deposit, commercial paper, high quality short-term instruments, including repurchase agreements, index-based futures/options, options/futures on treasury notes and bills or currency options/futures, shares of open-end mutual funds and commodities are excluded from the reporting requirements.

The responsibilities of ERS's Compliance & Ethics department include overseeing the regular monitoring and verification of compliance of covered persons with the requirements of the Code of Ethics, and reporting material violations to ERS's senior management. Covered transactions of the Compliance & Ethics department will be approved by another officer (or designee) of ERS. In addition to reporting and





recordkeeping requirements, the Code of Ethics imposes various substantive and procedural restrictions on Reportable Securities transactions. The Compliance & Ethics department may recommend to management the imposition of more severe sanctions, including suspension of personal investing privileges, or termination of employment, in the case of certain types of violations.

A copy of ERS's Code of Ethics can be obtained by contacting ERS:

Envestnet Retirement Solutions  
35 E. Wacker Drive, Suite 2400  
Chicago, Illinois 60601  
(312) 827-7957  
support@envestnetrs.com

### **Item 12 – Brokerage Practices**

ERS's use of any particular broker/recordkeeper/custodian is directed by the Plan Sponsor under ERISA 3(16). ERS does not require the use of any particular broker/custodian, provided ERS is operationally linked with the entity. The plan sponsor is responsible for the selection of the recordkeeper and platform, not ERS.

ERS does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

For Plans where ERS is providing 3(38) discretionary services (as described in Item 4), ERS directs the recordkeeper or custodian performing the trades, as applicable, for all Plan assets in the aggregate.

### **Errors**

Although ERS takes reasonable steps to avoid errors, occasionally errors do occur. ERS seeks to identify errors and works with the Plan Sponsor and/or clearing custodian to correct the error affecting any account as quickly as possible, in order to put the Plan assets in the position they would have been in had the error not occurred. All losses resulting from an error will be reimbursed to the Plan immediately after corrections are made, while any market gains that result from the correction of such error will inure to the benefit of the Plan unless the error is identified prior to settlement and is moved to the error account of the custodian or ERS.

### **Item 13 – Review of Accounts**

Please see Item 4 above for a description of the review of accounts for the Non-Discretionary Fiduciary Services: 3(21) Program and the Discretionary 3(38) Program.

### **Item 14 – Client Referrals and Other Compensation**

ERS may compensate Claiborne “Chip” Morton – ERS Senior Consultant for referring potential clients to our firm.

ERS may also compensate subsidiaries of Envestnet, Inc. that are registered investment advisers for referring potential clients to ERS.

The following people have a minority ownership interest in Envestnet Retirement Solutions, L.L.C. In addition, they act as ongoing consultants to ERS for which they may receive compensation. Because of their status, ERS classifies these individuals as “affiliated”:



Kent Fitzpatrick  
Robert Ward  
Mari Ivan

In addition, Messrs. Fitzpatrick and Ward attend meetings of the Board of Members and may receive additional compensation for the promotion of ERS.

#### **Item 15 – Custody**

ERS does not custody assets of client accounts. If authorized by the Plan Sponsor, ERS has the ability to debit fees directly through the submission of a billing file to the plan custodian, however, ERS does not have authority to possess or take actual custody of Clients' funds or securities. Plan sponsors and plan participants should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains Client's investment assets. Envestnet urges you to carefully review such statements.

#### **Item 16 – Investment Discretion**

As further described in Item 4 above, under ERS's 3(38) Program, ERS exercises limited discretion over Plan assets. In performing discretionary management services, ERS is acting as the Investment Manager (as that term is defined in Section 3(38) of ERISA) and as a fiduciary to the Plan and shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

#### **Item 17 – Voting Client Securities**

As a matter of firm policy, ERS does not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to Plan investment assets, Plan Sponsors maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the investment assets. Plan Sponsors are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

#### **Item 18 – Financial Information**

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about ERS's financial condition. ERS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.