



**Form ADV, Part 2A  
Firm Brochure**

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This brochure provides information about the qualifications and business practices of Aon Hewitt Investment Consulting, Inc. If you have any questions about the contents of this brochure, please contact us at 312-381-1200 or by email at [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 ("SEC") or by any state securities authority.

Additional information about Aon Hewitt Investment Consulting, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that registration as an investment adviser with the SEC does not imply any certain level of skill, training or ability with respect to the provision of investment advisory services.

## **ITEM 2: MATERIAL CHANGES**

This section of Aon Hewitt Investment Consulting, Inc.'s Brochure ("Brochure") is intended to discuss and identify material changes that are made to the Brochure since our last annual update on April 1, 2013.

We will deliver, to our clients, a free annual updated Brochure that includes a summary of any material changes that are made to this and subsequent Brochures within 120 days of the close of our fiscal year. If you would like to request a copy of the most recent Brochure at any time, please contact Aon Hewitt Investment Consulting, Inc. at 312-381-1200.

There were no material changes made to this Brochure since our last update.

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#### ITEM 4: ADVISORY BUSINESS

Aon Hewitt Investment Consulting, Inc. is an 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 plc, is the sole owner of Aon Hewitt Investment Consulting, Inc., which operates under the Aon Hewitt business umbrella of Aon plc. As of January 2015, Hewitt EnnisKnupp, Inc. changed its legal business name to Aon Hewitt Investment Consulting, Inc.

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;
- Delegated Investment Solutions and Pension Risk Management;
- Annuities Placement Solutions; 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 foundation and endowments. In addition, we provide delegated management for defined benefit (pension) plans.

##### 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; and
- Provide instructions to their investment managers.

Our **Investment Policy Services** and **Global Asset Allocation Teams (“Teams”)** are composed of investment professionals with backgrounds in investment management, economics, and actuarial science including Ph.D.s, actuaries, economists, and investment consultants. These Teams are responsible for maintaining our “house” investment views and capital market assumptions. These Teams also provide 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.

We also combine these services along with our manager selection abilities to provide model investment portfolios, strategic asset allocation advice and related advisory services to certain retail providers that require an institutional vantage point that they are unable to achieve internally.

## Manager Structure and Selection

Our **Global Investment Management Team (“GIM 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 GIM Team includes a number of former fund managers, which we believe 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 below.

## 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.

## Fiduciary Services

Our **Fiduciary Services Team** works with clients and provides fiduciary oversight to help them meet their fiduciary responsibilities. Our fiduciary services include:

- Strategic planning;
- Fiduciary audits and operational reviews;
- Client and fiduciary training; and
- Board/Committee governance.

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

#### Client and Fiduciary Training

Our educational offerings include:

- Written reports that provide background information, alternatives and recommendations (along with the rationale for the recommendations) on a given issue.
- 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 Teams (Global Alternatives Team)** are part of the Global Investment Management 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.

#### Hedge Fund Advisory Services

We develop, expand and monitor client's asset allocation structures in opportunistic strategies (e.g., 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.

We also provide institutional investors with a hedge fund investment risk monitoring and implementation platform that allows for hedge fund investing with increased transparency and governance services. This service allows us to provide holdings level transparency, IMA guideline monitoring, risk oversight, integrated risk reporting and collectively negotiates management fees for our clients.

#### 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; and
- Transition structure and terms modeling, analysis, and negotiations.

#### Delegated Investment Solutions and Pension Risk Management

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, select investment instruments 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 including our defined contribution delegated service and hedge fund-of-funds.

For certain delegated clients, 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, similar to an annuity. They can be used by plan fiduciaries who are considering terminating or freezing future pension benefits. The financial institution essentially "buys" all or a portion of the assets and liabilities of the plan from the plan sponsor.

Aon Hewitt Investment Consulting, Inc. provides ongoing management of the investments for the defined benefit, defined contribution pension plans, and endowments and foundations. We partner with the client and are responsible for investment management of the plan assets.

Many plan sponsors hire us to construct a dynamic de-risking glide path that to help bring 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 seek to 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 goal of the glide path is to seek to improve the probability of reaching 100% funded 2 years earlier while protecting the downside risk.
- **Executing "Real-time":** AHIC'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 a client's dynamic policies. This results in a reduction in decision cycle times and a disciplined execution of plan strategies, which seeks to improve 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 pursue the highest quality execution available in the market.

Our **Delegated Portfolio 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 interest rate risk management portfolios utilizing derivatives, and monitoring portfolio positions from an asset-liability perspective.

Our U.S. Delegated Investment Team offers a defined contribution solution, **SimPlus Savings**, to sponsors of qualified delegated defined contribution plans. SimPlus Savings brings together several elements of the Aon Hewitt offerings in general, not only AHIC, to implement our best thinking for defined contribution plans. SimPlus uses a combination of funds with best in class investment managers, expanded buying power and a streamlined participant engagement to seek to improve participant retirement outcomes and reduce the risk exposure for plan sponsors. SimPlus can potentially reduce fund expenses to participants by offering institutional investment solutions and can help improve overall plan governance while reducing demands placed on the sponsor's investment committee.

#### Annuities Placement Solutions

Our **Annuities Placement Solutions Team** leverages 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 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 (e.g., Vendor Evaluation and Fee Benchmarking)
- Custodian Selection
- Manager Agreement Review
- Asset Transfer Oversight (at client direction)
- Asset Liability Studies
- Recordkeeper Selection

### Amount of Managed Assets

As of December 31, 2013, we had approximately \$29.9 billion of assets under advisement on a discretionary basis. In addition, we have the authority to manage private equity assets for one client to a target level of \$859 million; approximately \$360 million is invested as of September 30, 2013 (data as of December 31, 2013 is not yet available at this time).

## **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; and
- 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 arrears, 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: Typically, a client may terminate its advisory relationship 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 Hewitt 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 our 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 Relationship above regarding return of any unearned advisory fees.

A limited number of AHIC employees are also 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**

Aon Hewitt Investment Consulting, Inc. does not charge performance-based fees.

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

Aon Hewitt Investment Consulting, Inc. generally provides investment advisory services to banking or thrift institutions, pooled investment vehicles, pension and profit sharing plans, charitable organizations, corporations, government entities, investment companies, and endowments and foundations. We also serve Hospital systems, Taft-Hartleys, 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.

Aon Hewitt Investment Consulting, Inc.'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, the 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 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. The Global Investment Management Team's manager evaluation process assesses 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.

## **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

Aon plc (Aon) is a global provider of risk management, insurance and reinsurance brokerage, and human resources solutions and outsourcing services. These services are provided through direct and indirect subsidiaries. As discussed above in Item 5, we offer a number of Delegated (outsourced chief investment officer or OCIO) solutions to our clients. As a result of these solutions, certain employees of ours hold securities licenses with Aon Benfield Securities, Inc., a registered broker-dealer and an indirect subsidiary of our ultimate parent Aon plc (Aon). Interests in the Aon Hewitt Group Trust are also offered through Aon Benfield Securities, Inc., which is not remunerated for this service.

Hewitt Financial Services, LLC (HFS) is a FINRA registered broker-dealer and is a wholly owned subsidiary of Hewitt Associates, LLC, branded as Aon Hewitt and an affiliate of Aon. HFS, among other things, supports Aon Hewitt by offering and providing securities brokerage services to certain Aon Hewitt 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 Aon Hewitt. HFS also supports an on-line tool called DC Nexus. This tool allows clients to access detailed analytical tools, educational materials, and an auction feature, but no Aon Hewitt investment recommendation are available through the tool. Both asset managers and Aon Hewitt defined contribution recordkeeping clients utilize DC Nexus free of charge. In the event that defined contribution client assets are placed into investment strategies through DC Nexus, the asset manager pays an ongoing fee to Aon Hewitt. Aon Hewitt and HFS have agreed to forgo any potential revenue from the DC Nexus platform for AHIC clients. In all circumstances involving HFS, our compensation is not effected in any way by the presence of HFS' relationship with the client.

Aon Retirement Plan Advisors, LLC (ARPA) is a registered investment advisor, and like us, is a wholly owned subsidiary of Aon Consulting, Inc. ARPA provides investment consulting services primarily to smaller retirement plans (typically under \$75 million in plan assets) and to companies providing certain executive benefits to their employees. We have no financial relationship with ARPA.

Aon Hewitt Financial Advisors, LLC (AFA) is a registered investment advisor and is a wholly owned subsidiary of Hewitt Associates, LLC. AFA provides investment advisory services to plan participants through a sub-advisory relationship with Financial Engines Advisors L.L.C., which may also be used by our clients through SimPlus Savings, which is described below. The plan participants that are served by AFA are members of defined contribution plans that are provided plan administration services by Aon Hewitt. We do not benefit in any way from these relationships.

Aon Hewitt offers our defined contribution (DC) clients a bundled solution, which could combine the services of AHIC, HFS, and AFA called SimPlus Savings under one master agreement, with each respective service offered separately through a schedule of services. This solution allows plan sponsors to share or delegate certain fiduciary obligations, including investment manager selection and oversight. SimPlus Savings also features comprehensive administration solutions, including DC plan recordkeeping and participant services. Our fees are based upon total plan assets and we do not receive any additional fees based upon any other Aon Hewitt services utilized under this bundled solution. All fees associated with this service are fully disclosed to Plans and their participants.

In addition to the above affiliations, a number of investment management firms we review and may recommend are our clients or clients of Aon or firms with which Aon may have vendor or other business relationships. We maintain strict standards and processes to avoid any perceived conflicts of interest associated with our recommendations of firms that may do business with Aon in any capacity. These processes include a core ethical culture emphasizing our fiduciary responsibilities, the diligence and awareness of our senior management team, financial statements that are separately created from other aspects of Aon, review of all client engagements

and GIM recommendations by senior management and our compliance team and our Code of Ethics discussed in Item 11. Information and access barriers exist so that Aon account executives, those who have responsibility for a client or other business partner relationship, have little to no access to members of our GIM team. No Aon organization account executive can cause an investment manager not otherwise subject to the GIM team's 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. We do not provide investment consulting services to investment management firms in connection with the offerings to their customers, but only do so after arms-length negotiations at market prices.

We conduct periodic reviews of our investment management research database to ensure that recommendations of any investment management firm that also happens to be a client of Aon are not disproportionate to other similar firms.

Finally, we pay Aon for all expenses incurred by us 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. Some of our non-consulting executive officers and directors are also employed in various corporate capacities by Aon or Aon Hewitt, in those entities' capacity as 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.

#### **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 our Code of Ethics to any client or prospective client upon request to the Chief Compliance Officer.

## 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.

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 Aon Hewitt Investment Consulting, Inc. 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 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 (for example, investment research). Aon Hewitt Investment Consulting, 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 one of our consultants.

On an annual basis, our compliance department reviews client's investment policy statements and compares them to actual client asset allocations. In addition, senior management also periodically reviews a sample of accounts to evaluate for appropriate investment allocations and other safeguards.

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**

From time to time we may receive a client referral from certain of our affiliates, such as Aon Risk Services, Hewitt Associates LLC, or Aon Consulting Inc., all of which are subsidiaries of Aon. In these situations, we may compensate the referring consultant for the referral. Payments are in the range of 5% to 25% of the fees paid by the referred client during the first year after the referral. Actual payment is dictated by the role of the referring consultant and internal Aon organizational compensation policies, as well as by SEC regulations.

We have engaged a third-party to provide background research and initial introductions for one of our solutions. Any payments made are paid solely by AHIC and are not dependent on final client engagement. No client funds are used to pay for this referral assistance.

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

Generally, each AHIC client appoints a third party qualified custodian for the client's funds and securities. However, pursuant to SEC custody rules, we are deemed to have custody in limited circumstances involving certain pooled investment vehicle clients for whom AHIC serves in a capacity as general partner, managing member or a role of similar capacity. In these circumstances, all assets of each such client are held by a qualified custodian, and account statements are delivered at least quarterly directly from the qualified custodian to the independent representative designated by the client to receive such statements on behalf of the client. Underlying investors of the pooled investment vehicle clients will also receive statements from AHIC, and such clients and underlying holders should compare the account statements provided by AHIC and those received by the independent representative with respect to questions regarding the client's holdings.

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

We provide a service to certain institutional clients' investment portfolios, 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. We provide our delegated service offering to both defined benefit and defined contribution plans, as well as select other clients.

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 meet certain other requirements as set forth in the AHGT Trust Agreement, including having a minimum \$35 million in assets available to invest.



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

For certain other delegated clients, we may enter into agreements with investment managers outside of the AHGT. 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 or that the investment alternatives available through AHGT do not meet the investing needs of the client.

We also sponsor the Aon Hewitt Offshore Fund of Hedge Funds ("FOHF"). FOHF is designed to complement a client's core portfolio with downside protection when other asset classes may underperform. The FOHF, which is available to certain sophisticated investors, is composed of investments among thirteen different sub-advisors allocated by our investment team and aligned according to the following styles: Multi-Strategy, Global Macro/Trading, Event Driven and Equity Long/Short. We receive no additional fees from the FOHF investments apart from our standard advisory fees based on total assets.

In addition, SimPlus Savings utilizes the Aon Hewitt Collective Investment Trust ("AHCIT") to provide the "best-in-class" investment solutions to clients. The AHCIT offers a collection of bank collective trust funds, for which Reliance Trust Company serves as trustee and investment manager. Reliance has retained us to provide investment advisory services with respect to the funds and ultimately select the sub-advisors.

The AHCIT generally utilize a "multi-manager" approach whereby each fund gains exposure to its targeted asset class by investing directly through one or more sub-advisors and/or indirectly through underlying investment vehicles, in percentages that we determine, subject to the approval of the Reliance Trust Company, as trustee. Each sub-advisor acts independently from the others and uses its' own distinct investment style in selecting securities.

Clients of SimPlus Savings can offer various AHCIT funds in their line-up for possible participant investment. The AHCIT offers various funds in three general fund categories as follows:

- Asset Class Funds, consisting of seven primarily actively managed funds;
- Objectives-Based Funds, consisting of three objectives-based funds; and
- Retirement Solution Funds, or eleven target retirement date funds set at 5 year intervals.

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 delegated 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, which allows us 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 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.

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