



# Northern Capital

## Retirement Services

### FORM ADV Part 2A Firm Brochure

**December 4, 2024**

Item 1 – Cover Page

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This brochure provides information about the qualifications and business practices of Northern Capital Retirement Services, Inc. If you have any questions about the contents of this brochure, please contact Michelle Warner, Chief Compliance Officer, at (509) 456-2526 or (800) 826-9803 or via email to [michelle@northernwelcome.com](mailto:michelle@northernwelcome.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Northern Capital Retirement Services, Inc. also is available on the SEC's website at <http://www.adviserinfo.sec.gov>.

Northern Capital Retirement Services, Inc. is a registered investment adviser. Registration does not imply a certain level of skill or training.

## Item 2 – Material Changes

Northern Capital Retirement Services, Inc. updates and distributes our firm brochure annually or, in the event of material changes, more frequently. This section summarizes material changes, if any, to our brochure since our last annual update on March 20, 2024. Material changes to our brochure since our last update include:

- **Item 5 Fees and Compensation:** This section was updated for our fee schedule for new clients (after November 6, 2024) with a Washington State Medical Association membership (WSMA member). The fee schedule is (annual rate, tiered with no minimum) 0.450% on the first \$1,000,000 in billable assets; 0.315% on billable assets between \$1,000,000.01 and \$10,000,000; 0.180% on billable assets between \$10,000,000.01 and \$50,000,000; and 0.135% thereafter with no minimum. For Plans Managed by Investment Objective Models the fee will be based on the Investment Objective assigned. For all Investment Objective models the annual rate noted above will apply except for portfolios assigned a Pure Preservation Investment Objective, for which the fee schedule is 0.45% annually on the first \$500,000 of billable assets and 0.0% thereafter and for portfolios assigned a Cash Only Investment Objective, for which no fee will be assessed.
- **Item 14 Client Referrals and Other Compensation:** This section was updated to include Northern Capital Retirement Services' contractual relationship with WSMA as a promoter. As part of that agreement, WSMA receives payment for marketing activities and for clients that are referred to Northern Capital Retirement Services. For Promoter marketing activities, advertising on the Promoter's website and other marketing activities by the Promoter, the Promoter is paid an annual fee of \$20,000, paid in semi-annual installments. For each client that signs a Financial Advisory Agreement (FAA) with the Adviser, the Promoter is paid 10% of the invoice billed to the client from the Adviser. This fee is ongoing as long as the contract between the Promoter and Adviser is in effect and it is required that the client is a member of the Washington State Medical Association. If a client discontinues their membership with Washington State Medical Association, they have the option to continue to receive services from the Adviser, but will no longer be eligible for the Washington State Medical Association member rate.

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## Item 4 – Advisory Business

### A. Overview and Ownership

Northern Capital Retirement Services, Inc. (herein referred to as “NCRS”) offers comprehensive retirement plan services to employers, retirement plan sponsors, trustees and participants. NCRS specializes in a full range of retirement plan options including 401(k), 403(b), Defined Benefit (e.g., Cash Balance), SIMPLE IRA plans, and SEP retirement plans, working with their corresponding third-party administrators, recordkeepers, custodians and platforms.

Although founded in 2012, NCRS has been providing advisory services through its predecessor firm and current affiliate Northern Capital Management, Inc. since 1992. In 2012, NCRS was formed to focus separately and solely on retirement plans. James K. Wilson is the founder and principal owner of both firms.

### B. Types of Advisory Services

All clients (also referred to as “plan sponsor”) can receive consultation and assistance with determining the plan type that will best fit their needs (e.g., 401(k), SIMPLE IRA Plan). This is more common for start-up plans but can also be conducted for plans that are already established as well. In making a recommendation on the plan type, NCRS will take into consideration the client’s goals and the level of benefit they wish to provide to their plan participants (e.g., whether to provide an employer match or not). This process includes assistance with selecting the trust company or qualified custodian that will hold the plan assets. NCRS can also evaluate and make recommendations to assist the plan sponsor with the selection of other third parties such as record keepers, third party administrators (TPA), and other professionals. NCRS ultimately services the client as the Investment Advisor to the plan and works closely with other third parties in administering the plan.

Specific services each plan will receive are detailed in the client’s Financial Advisory Agreement (FAA). In general, services are provided based on the plan type and are described in greater detail below.

#### Services provided to 401(k) and 403(b) plans:

The 401(k) and 403(b) plans NCRS services most commonly utilize a “menu of investment options” (also referred to as the Designated Investment Alternatives and Qualified Default Investment Alternatives). Participants allocate their plan assets within the menu of investment options.

NCRS will work in collaboration with the plan sponsor to develop a written Investment Policy Statement (IPS). The IPS details the criteria used for selecting and monitoring the menu of investment options to be used by participants within the plan. The IPS is reviewed and maintained on an ongoing basis to ensure compliance with stated objectives.

To manage the menu of investment options, NCRS serves as an ERISA 3(38) Investment Manager. This means that our firm is granted discretionary authority to select asset classes, and investment options, according to the terms of the IPS. NCRS conducts ongoing due diligence on the menu of investment options and will make changes as we deem appropriate.

To assist the plan sponsor with their fiduciary obligations to the plan, NCRS will prepare an Annual Report and offer to present the information to the plan sponsor. Plan review meetings are offered annually and more frequently, upon request. General topics outlined in the report include:

- Identification of plan fiduciaries and covered service providers along with their roles and responsibilities.
- Review the Investment Policy Statement and plan investments.
- Overall plan fees and expenses as compared to benchmarks.
- Review participant education and communication strategies to ensure participants are properly informed about the plan, its features, and the menu of investment options available to them.

NCRS also offers a host of services to the participants of the plan. These services include:

- Enrollment materials such as orientation booklets and forms.
- Educational support focused on plan features, investment options, plan mechanics, and distribution options.
- Investment advice and assistance with allocating within the menu of investment options.
- Unlimited access by phone or email to the NCRS team.
- Education and news articles posted to our website, distributed by email and/or via social media channels.

#### Services provided to SIMPLE IRA and SEP IRA plans:

All assets within a SIMPLE IRA or a SEP IRA plan are held in IRA accounts that belong to the participants. As a result, NCRS does not manage the assets held in these accounts. Instead, our role is to assist the plan sponsor by assisting in the setup of new plans and providing education to participants of the plan, commonly on an annual basis. These services include:

- Enrollment materials such as orientation booklets and forms.
- Educational support focused on plan features, plan mechanics, and distribution options.

The plan sponsor and participants can contact our firm at any time for consultation about the plan.

#### Services provided to Defined Benefit plans (e.g., Cash Balance plans):

Defined Benefit plans are managed according to an Investment Objective model that is selected based on plan information to include participant demographics and plan goals. All plan assets are “pooled” together and held in a single trust account on behalf of all participants. The plan sponsor is required to make sure actuarially determined contributions to the plan on behalf of participants occur and are invested in such a way to match actuarially determined “benefits” owed to participants in retirement.

NCRS will work in collaboration with the plan sponsor to develop a written Investment Policy Statement (IPS). The IPS is used to establish an investment strategy that reflects the plan’s investment objectives for management of the plan. The IPS is reviewed and maintained on an ongoing basis to ensure compliance with stated objectives.

NCRS will then discretionarily manage the plan assets consistent with the selected Investment Objective. See Item 16 – Investment Discretion for more information on this process.

#### C. Tailoring of Advisory Services and Investment Solutions

Advice and services are tailored to each client’s needs and based on the type of plan. If a client wishes to impose restrictions on investing in certain securities or types of securities, this will be documented in the Investment Policy Statement.

#### D. Wrap Fee Programs

NCRS does not participate in wrap fee programs.

#### E. Assets Under Management

Total assets under management as of October 31, 2024:

|                           |               |
|---------------------------|---------------|
| Discretionary Assets:     | \$264,820,563 |
| Non-Discretionary Assets: | \$ 0          |
| Total Assets:             | \$264,820,563 |

## Item 5 – Fees and Compensation

### A. Compensation for Advisory Services and Fee Schedule

NCRS is compensated by charging a management fee based on the amount of assets that we manage. This is called our “advisory fee” or “management fee.” NCRS does not participate in revenue sharing arrangements.

#### Fee Schedule – Standard

Our standard annual rate is tiered with no minimum:

- 0.50% on the first \$1,000,000
- 0.35% on assets between \$1,000,000.01 and \$10,000,000
- 0.20% on assets between \$10,000,000.01 and \$50,000,000
- 0.15% thereafter

For Plans Managed by Investment Objective Models the fee will be based on the Investment Objective assigned. For all Investment Objective models the standard annual rate noted above will apply except for the following:

- For portfolios assigned a Pure Preservation Investment Objective the fee schedule is 0.5% annually on the first \$500,000 of billable assets and 0.0% thereafter.
- For portfolios assigned a Cash Only Investment Objective no fee will be assessed.

#### Fee Schedule – Washington State Medical Association (WSMA) membership (new clients only)

Our fee schedule for new clients (after November 6, 2024) with a Washington State Medical Association membership (WSMA member) is an annual rate, tiered with no minimum:

- 0.450% on the first \$1,000,000 in billable assets;
- 0.315% on billable assets between \$1,000,000.01 and \$10,000,000;
- 0.180% on billable assets between \$10,000,000.01 and \$50,000,000;
- 0.135% thereafter with no minimum

For Plans Managed by Investment Objective Models the fee will be based on the Investment Objective assigned. For all Investment Objective models the WSMA Member annual rate noted above will apply except for the following:

- For portfolios assigned a Pure Preservation Investment Objective the fee schedule is 0.45% annually on the first \$500,000 of billable assets and 0.0% thereafter.
- For portfolios assigned a Cash Only Investment Objective no fee will be assessed.

The fee schedules can vary based on factors such as account type, investment objective, account size or other special circumstances. Non-standard fee schedules are negotiable and subject to approval by the Chief Operations Officer.

When NCRS charges a fixed percentage with graduating tiers, the fixed percentage drops at specified breakpoints as levels of assets under management are reached. Our firm can also elect to charge a fixed percentage without the graduating tiers.

For additional information on Investment Objective models see Item 8 – Methods of Analysis Investment Strategies and Risk of Loss.

NCRS considers cash (e.g., money market and cash sweep funds) to be an asset class and includes cash positions in our fee calculation when the balance is within a portfolio that is assigned an Investment Objective other than Cash Only or a menu of investment options. In times of low interest rate environments, it's possible our fee will exceed the yield generated by this asset class. However, as noted above, when the cash position is held within a portfolio assigned a Cash Only Investment Objective, the position will not be assessed a fee.

## **B. Calculating Your Fee and Paying Your Bill**

For most accounts, fees are charged every six months on a lagging basis including new accounts that have not been fully funded for the entire six-month period. The fee is calculated based upon the assets as of the billing date, without regard to additions or withdrawals during the prior six-month period. If the custodian cannot accommodate a six-month billing period NCRS will charge fees based on the custodian's allowed billing frequency. The billing period will be specified in the Financial Advisory Agreement.

When calculating the fee, illiquid securities are generally valued at \$0 due to a lack of marketability and difficulties in obtaining and verifying an accurate current price.

NCRS will provide you with an itemized bill that includes a description of how the fee was calculated and the total amount due. Methods of payment include:

- **Automatic Fee Deduction:**

The plan sponsor can elect to have fees deducted automatically. Plans authorize the third-party administrator to process requests from NCRS to automatically deduct fees from the plan or participant accounts. Fees deducted can be verified by using independent brokerage statements from the trust company or qualified custodian and third-party administrator reports. Authorization can be revoked at any time and the plan sponsor can request to pay by check instead.

- **Pay by Check:**

Plan sponsors that have elected to pay by check will receive an itemized bill on each billing cycle and a request for payment.

## **C. Additional Fees and Expenses**

In addition to our fees, clients are responsible for the fees and expenses charged to the plan by third parties such as trustee custodians or qualified custodians, recordkeepers, and third-party administrators, etc. These fees can include custodial fees, brokerage commissions, fees and expenses charged by mutual funds and exchange traded funds, plan menu change fees and clearing fees. Advisory clients pay these fees and expenses in addition to the management fee we charge.

Item 12 – Brokerage Practices further describes the factors that NCRS considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions or transaction fees).

## **D. Fees Paid in Advance**

NCRS does not charge fees in advance. Because NCRS does not charge fees in advance, but rather on a lagging basis, you are only billed for services up to and including your termination date.

## **E. Compensation for the Sale of Securities or Other Investment Products**

NCRS, and employees of the firm, do not receive compensation for the sale of securities or other investment products.

The firm is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, the firm will only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees.

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

NCRS does not charge performance-based fees or engage in side-by-side management.

## Item 7 - Types of Clients

NCRS provides services to the following types of clients:

- Defined Contribution Plans such as Profit Sharing, 401(k), 403(b), 457
- SIMPLE IRA Plans/SEP Plans
- Defined Benefit Plans (e.g., Cash Balance Plan)

There is no minimum plan size or account size for new clients.

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

### A. Method of Analysis

NCRS utilizes an Investment Committee which consists of the Investment Adviser Representatives and is led by our Chief Investment Officer. Investments and the Investment Objective model allocations are established and reviewed on an ongoing basis by the Investment Committee.

Some Plan Sponsors create an in-house group of people to serve the retirement plan in evaluating the recommendations made by our firm, selecting and monitoring service providers for the plan, and other fiduciary tasks. If this in-house group is called an “Investment Committee” it is important to note it is different than the Investment Committee described throughout this brochure.

The Investment Committee employ a host of tools when selecting and monitoring investments. The process of selection, review, and testing is the same for all service model types. The main sources of information used in our research include FactSet products, Morningstar products, Fi360 products, financial newspapers, and other research publications and websites (both paid and non-paid subscriptions).

### Types of Investments

Investments commonly include open-end mutual funds that are no-load/noncommissioned products and exchange traded index funds. However, advice can also include stable value funds, closed-end funds, exchange listed securities, debt securities such as corporate, municipal or governmental bonds, money market funds and certificates of deposit or debt other than commercial paper. Investments are not guaranteed. Investing in securities or debt instruments (directly or in the form of mutual funds, exchange traded funds, etc.) involves risk of loss that clients should be prepared to bear.

### Mutual Funds and Exchange Traded Funds

Investments, primarily open-end mutual funds and exchange traded funds are selected by our Investment Committee through a vetting process. The initial review includes but is not limited to reviews of expenses, transaction fee/commission vs. non-transaction fee/commission arrangements, risk rating, performance relative to other funds considered peers or benchmarks, and management tenure if applicable.

Mutual funds and exchange traded funds that have been selected and approved for use undergo ongoing quarterly reviews. The Investment Committee utilizes a third-party scoring system provided by Fi360, known as the Fi360 Fiduciary Score®, to monitor these types of investments. This is a peer percentile ranking of an investment against a set of quantitative due diligence criteria. The Fi360 Fiduciary Score® Average is a one, three, five or ten-year rolling average of an investment’s score.

When an investment has a failing Fi360 Fiduciary Score® a more thorough analysis will be conducted as this is an indication that the investment is not adhering to a combination of the below score criterion:

- Operations
  - **Inception Date:** At least a 3-year track history
  - **Manager Tenure:** At least a 2-year track history (most senior manager's tenure)
  - **Net Assets:**  $\geq 75$  million under management (total across all share classes)
  - **Composition:**  $\geq 80\%$  allocation to primary asset (not applied to all peer groups)
  - **Style:** The current style box matches the peer group (not applied to all peer groups)
- Expenses
  - **Prospectus Net Expense Ratio:** Placed in the top 75% of its peer group
- Risk
  - **Alpha – Broad Market (3 Year):** Placed in the top 50% of its peer group
  - **Sharpe (3 Year):** Placed in the top 50% of its peer group
- Performance
  - **Return (1 Year):** Placed in top 50% of its peer group
  - **Return (3 Year):** Placed in top 50% of its peer group
  - **Return (5 Year):** Placed in top 50% of its peer group

Ultimately, the decision to retain or replace an investment cannot be made by a formula. It is the Investment Committee's confidence in the investment's ability to perform in the future that ultimately determines whether to retain or replace an investment.

### Other Investments

The Investment Committee utilizes fundamental investment analysis when selecting other investment types. Most commonly, this is used for individual stock recommendations. The sources of information can include FactSet products, Morningstar products, financial newspapers, other research publications and websites (both paid and non-paid subscriptions), research material prepared by outside entities including custodians and earnings analysts, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, company Press Releases, investment company sales and advertising literature, and/or discussions with individuals deemed to have expert or specialized knowledge. The underlying financial health of a company or asset is considered. This includes industry, products, revenues, earnings, future growth potential, return on equity, profit margins, earnings per share, historical dividend payouts, and so on, to determine an asset's underlying value, potential for future growth, and/or anticipated dividend income. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of factors considered when evaluating the investment. Investing in securities or debt instruments involves risk of loss that clients should be prepared to bear.

### Participant Directed Plans

For plans that offer a menu of investment options to participants, NCRS selects the investments that will be made available to participants (also referred to as the Designated Investment Alternatives and Qualified Default Investment Alternatives) based on the Method of Analysis described above.

### Pooled or Trustee Directed Retirement Plans

Plans where balances are invested *for* participants rather than allowing participants to self-direct are managed by an Investment Objective ("IO") strategy. The asset allocation for the strategy is described below.

### Asset Allocation/Portfolio Composition

Asset allocation is how we balance risk and reward by dividing up investments into different asset classes according to goals, risk tolerance and investment horizon. The three main asset classes are stocks,

bonds, and cash. Additional asset classes can be used. Each asset class has different levels of risk and return and will behave differently over time. The Investment Committee reviews the investment strategies available. Ranging from the most aggressive investors to highly risk adverse investors, "Investment Objective Models" ("Models") are created. All allocation models are offered with long-term investing as the focus and long-term trends in mind. Short-term model changes are not a prominent part of our asset management approach as we do not attempt to "time the market" with short market movements or intraday trading and prefer longer-term allocation strategies. Proactive wealth-preservation such as "selling to cash" is not part of Asset Allocation/Portfolio Composition. This creates risk in market corrections and downturns.

### Management by Investment Objective Models

The Investment Committee meets regularly to review the Investment Objective models available and confirms the target allocations for each. Some Investment Objectives have a Base *and* Plus allocation model available. The *Plus* model will increase equity exposure above the Base model. This is used if the client desires to be slightly more aggressive than other clients in the Investment Objective model but not so aggressive as to require a change to Investment Objective completely.

When the plan becomes a client, trustees complete a Financial Advisory Agreement including questions that help us confirm your investment objectives, risk tolerance and select an appropriate Investment Objective for the plan, as well as detail any cash reserves, cash minimums, custom allocation model instructions, and account or investment restrictions.

### Socially Responsible Investing

Socially Responsible Investing involves avoiding investments in companies that produce or sell products that have negative social impacts in favor of those that have positive social impacts.

For plans that offer a menu of investment options, and the plan sponsor wishes to include a socially responsible fund in the menu, the Investment Committee will identify funds that have an above average or higher Morningstar sustainability rating. Those funds are then analyzed using the Method of Analysis described above and an investment will be selected to fill that asset class within the menu.

## B. Material Risks

With all investments there are inherent, unavoidable, and often unforeseeable risks. These risks will vary depending on the nature of the investment, the strategy pursued, the type of instrument used to pursue or give effect to that strategy, the conditions and performance of the U.S. and global economies, as well as the performance/financial condition of the individual company or entity issuing the security. With all investments the value of the investment at the time of sale will fluctuate and might be greater or less than the value at the time of purchase.

Primary risks inherent in investing in the types of securities used for client accounts include, but are not limited to:

- Risk of loss of principal
- Interest-rate risk
- Credit risk
- Reinvestment risk
- Economic risk
- Political risk
- Market disruptions
- Exchange disruptions or malfunctions
- Currency risk (principally for foreign securities)
- Liquidity risk
- Risk of default
- Financial and business risk of investing in individual companies or securities
- Inflation risk
- Market volatility

Performance can also be affected by government legislation or regulation directly or indirectly to include changes in investment adviser or securities trading regulation; or change in the U.S. government's guarantee of ultimate payment of principal and interest on certain government securities.

Additional risks include inaccurate data used by the Investment Committee while making recommendations (despite our efforts to verify information as accurate). While NCRS seeks to assess the merits of investing in a security or recommending a third-party investment manager based upon an assessment of the perceived risks and potential rewards, there are no assurances that our assessments will be correct or that subsequent events or company, market, or investment manager changes will not render the assessment incorrect later. Any past success of a particular investment strategy or methodology does not imply or guarantee future success.

### **C. Additional Risks to Consider for Particular Types of Securities**

**Fixed Income Investing:** In addition to the risks discussed above, fixed income market risks include:

- The duration of these securities affects risk, with longer term securities generally more sensitive to interest rates and more volatile than shorter term securities.
- A rise in interest rates can cause fixed income investments to decline in value. When interest rates are low, the income distribution can be reduced.
- Investing in cash or money markets as an alternative fixed income allocation can create a negative rate of return in low interest rate environments.

**Index Funds:** An index mutual fund (open, closed or exchange listed) aims to replicate the movements of an index of a specified financial market or benchmark. Risk factors in addition to those above include but are not limited to muted returns and tracking errors.

**Fund of Funds:** A "Fund of Funds" is a mutual fund with underlying investments comprised solely of other mutual funds. Risks in addition to those above include but are not limited to higher fees and lower returns for investors.

**Commodities, including Precious Metals:** Investments in commodities, including precious metals, vary. Some investments purchase the commodity directly, some through companies producing or developing the commodity (e.g., mining stock), and some through derivatives. Risks in addition to those above include but are not limited to loss of principal, leverage, and high volatility.

**Socially Responsible Investments:** Investments that claim to invest in a socially responsible manner tend to mirror the political and social climate of the time. If the investment is based on a social value, then the investment could suffer if that social value falls out of favor among investors.

## **Item 9 - Disciplinary Information**

NCRS has no disciplinary history to report. NCRS is required to disclose any legal or disciplinary events that are material for a client or prospective client's evaluation of our advisory business or the integrity of our firm. Our firm and personnel have no reportable disciplinary events to disclose at the present date.

## Item 10 - Other Financial Industry Activities and Affiliations

NCRS is an affiliate to registered investment adviser, Northern Capital Management, Inc. ("NCM"). SEC registration does not imply a certain level of skill or training. NCM offers a full range of wealth management and investment advisory services to individual clients, families, corporations, and foundations. These services include portfolio management as well as comprehensive financial and retirement planning, wealth transfer planning, and education planning. The firms share resources including offices and staff. This affiliation presents conflicts of interest when we place trades for both firms, make rollover recommendations between firms or when we recommend an engagement with our affiliated firm.

### Block Trading Conflicts of Interest

When possible, trade orders for accounts are aggregated and submitted as a block trade. This ensures all clients receive the same execution price. We are unable to block trades for clients of NCRS with clients of NCM, therefore block trades in the same security on the same day for both firms will cause one firm to trade ahead of the other. As a result, clients of each firm will potentially receive different prices. These instances are rare, but our policy to address this conflict of interest is to alternate the firm that trades first.

### Rollover Recommendation Conflicts of Interest

From time to time, plan participants request information regarding distributions or rollovers from their retirement plan managed by NCRS as well as investments a participant has in an outside or former employer retirement plan. One of the options available in the educational materials provided is to rollover the assets to an IRA that is managed by our affiliate NCM. If this option is selected, NCM will earn a new advisory fee or increase its current advisory fee as a result of the rollover. This presents a conflict of interest as we have an economic incentive to encourage plan participants that are terminating or retiring to roll their plan assets managed by NCRS into an IRA that will be managed by our affiliate NCM. In addition, if a participant chooses to rollover assets into an IRA, it is possible they will pay higher advisory and/or fund expense fees. While we believe the fees charged are fair and reasonable for the service provided, higher fees can diminish overall returns and there is no guarantee new investments in an IRA will outperform the investments offered within the retirement plan.

To address these conflicts of interest, we have policies and procedures in place that prohibit firm personnel from making rollover recommendations to a participant of a plan NCRS manages as a 3(38) Investment Manager. Only rollover education can be provided in that circumstance and the participant must select which rollover option is best for them. We do this by providing the participant with all available distribution and rollover options including:

- maintain the balance within the existing retirement plan
- rollover the balance to an IRA, including an IRA managed by NCM
- rollover the balance to a new employer's retirement plan
- distribute the balance (cash out)

We urge the participant to carefully review all information regarding their rollover options and the associated fees before making a decision. Plan participants are under no obligation to rollover retirement plan assets to an account managed by us or our affiliate NCM.

### SIMPLE IRA and SEP IRA Plan Conflicts of Interest

NCRS offers services to SIMPLE IRA and SEP IRA plans. All assets within a SIMPLE IRA or a SEP IRA plan are held in individual IRA accounts that belong to the participants. NCRS' participant services are limited to providing enrollment materials and education regarding plan design and features. As a result, NCRS does not manage the assets held in the individual IRA accounts and therefore does not earn any compensation. This presents a conflict of interest as we have an economic incentive to encourage plan participants to have their IRA account managed by our affiliate NCM.

To address this conflict of interest, plan enrollment materials will include the participants' option to either have their account managed by our affiliate NCM or self-manage their account.

## Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

### A. Code of Ethics

NCRS has established a Code of Ethics for our personnel that imposes a high standard of business conduct on us and our employees and emphasizes our fiduciary duty to our clients. The Code includes provisions regarding prohibitions on insider trading, personal trading activity in employee and employee-related accounts, and compliance with laws. Our Code of Ethics emphasizes that employees have a duty to place the interests of our clients first.

Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between us and our clients.

A copy of our Code of Ethics is available to current or prospective clients upon request by contacting our Chief Compliance Officer.

### B. Participation or Interest in Client Transactions

By policy we do not participate in principal transactions or agency cross transactions. Employees are prohibited from buying and selling directly to or from a client account.

### C. Personal Trading

The Code establishes rules of conduct for all employees. It is designed to govern personal securities trading activities, among other things. According to the Code, employees agree to conduct their affairs, including their personal securities transactions, in such a manner as to avoid:

- Serving their personal interests ahead of clients.
- Taking inappropriate advantage of their position with the firm.
- Prohibited or undisclosed conflicts of interest.
- Any abuse of their position of trust and responsibility.

The purpose of the Code is to preclude activities leading to or give the appearance of undisclosed conflicts of interest, illegal insider trading and other forms of prohibited or unethical business conduct.

Under the Code of Ethics, each employee (i.e., employee, director, partner, or officer), employee's spouse, or employee's immediate family members residing in the same household who is either under 18 or is supported financially by the employee or their spouse, is allowed to trade for their own accounts in securities which are recommended to and/or transacted for clients. The Code requires pre-clearance of all Initial Public Offerings (IPOs) and Private or Limited Offerings.

### D. Personal Trading Simultaneously with Clients

Because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. To mitigate this conflict, employees buying or selling the same security on the same day as a client account, must do so by aggregating their trade with those of our clients (known as a "block trade"). A block trade ensures all participants receive the same price. If employees did not participate in the block trade, the employee must wait until the next business day to place their trade. If the block order was partially filled, shares for employee and employee related accounts will only be included in the allocation with clients when allocated on a pro rata basis. If a random allocation is more efficient due to allocation size (e.g., only a small number of shares were executed), then all trades for employee and employee related accounts are excluded from the allocation that day.

To supervise compliance with the firm's Code of Ethics, we require that employees provide annual securities holdings reports and quarterly transactions reports to the firm's Chief Compliance Officer. All supervised persons must acknowledge the terms of the Code of Ethics annually, or as amended, and are required to follow the Code of Ethics.

## Item 12 - Brokerage Practices

### A. Custodians and Brokers We Use

NCRS does not maintain custody of your assets that we manage or on which we advise, although we could be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15—Custody, below). Your assets must be maintained in an account at a qualified custodian, generally a broker-dealer or bank.

#### How we select brokers/custodians

NCRS's ("we"/"our") responsibility to monitor best execution relies primarily upon our review process for selecting qualified custodians for retirement plan assets. These custodians provide brokerage services to our retirement plans for the execution of transactions.

When considering whether the terms that a custodian provides are, overall, most advantageous to you when compared with other available providers and their services, we consider a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, other fees, etc.)
- Reputation, financial strength, security and stability
- Prior service to us and our clients
- Services delivered or paid for by the custodian
- Availability of other products and services that benefit us

NCRS reviews and monitors custodian fees as well as these additional services in our effort to minimize costs for the plan while maximizing other benefits to plan sponsors, plan participants and NCRS.

#### Custodians and Brokers for Participant Directed Retirement Plans

Custodians for participant directed retirement plans also known as "Trust Companies" or "Trustees," hold plan assets in trust in either a single account for the retirement plan or in individual participant accounts. The plan sponsor hires a third-party administrator ("TPA") and/or record keeper to track ownership of the account assets according to each plan participant. The plan utilizes a menu of designated investment alternatives for participants to choose from to allocate their funds. Requests for transactions are submitted directly by the participant to the record keeper. The record keeper then submits the transactions to the custodian for execution. NCRS does not place any transactions directly with the custodian.

The custodians providing brokerage services to our participant directed retirement plans are:

- Charles Schwab Trust Bank
- Matrix Trust Company

To the extent a participant directed retirement plan can transfer to these custodians, NCRS will require the use of such custodians. However, if a client would like to keep their plan with a specific custodian that NCRS does not have a preexisting relationship with, NCRS will review the request, provide a cost

comparison of the custodians, and elect to accept or deny. Should the client choose to remain with their existing custodian, and in the event the custodian charges higher fees than our recommendation, we will document the reasons and the client will confirm the review of the lower cost options. In some cases, a recommended custodian could have lower fees but the cost to transfer the plan from the existing custodian and corresponding record keeper outweighs the ongoing savings of lower fees, thus the client elects to maintain their existing custodian.

**Your brokerage and custody costs:** The custodian or trust company charges an annual custody fee to the retirement plan. Custody fees can be a fixed dollar amount, a percentage of assets held in custody, or a combination of the two depending on the arrangement. Plan trustees can elect for the plan to pay the custody fees or pass the fees through to the plan participants. The custodian works directly with the TPA to process the fees, including fee deductions from participant accounts. NCRS does not receive any portion of the custody fee or fees charged by the third-party administrator or record keeper.

### **Custodians and Brokers for Pooled or Trustee Directed Retirement Plans**

Custodians for pooled or trustee directed retirement plans hold plan assets in trust in a single account for the retirement plan. The plan sponsor hires a third-party administrator ("TPA") and/or record keeper to track ownership of the account assets according to each plan participant. The plan is managed by NCRS on a discretionary basis following the client's stated Investment Objective. Transactions are submitted by NCRS directly to the custodian.

For pooled or trustee directed retirement plans, we recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. To the extent you can transfer assets to Schwab we will require you do so. If you hold assets at a qualified custodian other than Schwab, and are unable to transfer, we have the option to manage the account or not and limitations to service will apply.

We are independently owned and operated and are not affiliated with Schwab or any other qualified custodian. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as your custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we will assist you in doing so. Conflicts of interest associated with this arrangement are described below as well as in Item 14 (Client referrals and other compensation). You should consider these conflicts of interest when selecting your custodian.

**Your brokerage and custody costs:** For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Certain trades (for example, many mutual funds and exchange traded funds) do not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Features Program.

We are not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. Although we are not required to execute all trades through Schwab, we have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "How

we select brokers/custodians"). By using another broker or dealer it is possible that you would potentially pay lower transaction costs.

**Products and services available to us from Schwab:** Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. However, certain retail investors are able to get institutional brokerage services from Schwab without going through us. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services are generally available at no charge to us. Following is a more detailed description of Schwab's support services:

- **Services that benefit you.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.
- **Services that do not directly benefit you.** Schwab also makes available to us other products and services that benefit us but do not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts and operating our firm. They include investment research, both Schwab's own and that of third parties as well as discounts on certain third-party research products. We use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:
  - Provide access to client account data (such as duplicate trade confirmations and account statements)
  - Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
  - Provide pricing and other market data
  - Facilitate payment of our fees from our clients' accounts
  - Assist with back-office functions, recordkeeping, and client reporting
- **Services that generally benefit only us.** Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:
  - Educational conferences and events
  - Consulting on technology and business needs
  - Publications and conferences on practice management and business succession
  - Access to employee benefits providers, human capital resources, and insurance providers
  - Marketing consulting and support

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also discounts or waives its fees for some of these services or pays all or a part of a third party's fees.

Schwab also provides us with other benefits, such as:

- Occasional business entertainment of our personnel
- Discount for the Fi360 Toolkit
- Free access to DocuSign
- Trade error costs less than \$100

If you did not maintain your account with Schwab, we would be required to pay for these services from our own resources.

**Our interest in Schwab's services:** The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services and these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The fact that we receive these benefits from Schwab is an incentive for us to recommend the use of Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that taken in the aggregate, our recommendation of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How we select brokers/custodians") and not Schwab's services that benefit only us. We have adopted policies and procedures designed to ensure that our use of Schwab's services is appropriate for our clients.

### Soft Dollar Arrangements

Section 28(e) of the Securities Exchange Act of 1934 allows an advisor to cause an account to pay higher commissions if the advisor determined in good faith that the amount of commission is reasonable in relation to the value of brokerage and research services provided by such broker-dealer (also referred to as "soft dollars").

NCRS does not maintain any soft dollar arrangements. This means clients do not pay higher transaction fees or commissions charged by the custodians for brokerage services received by NCRS. Our firm receives research and brokerage services that enhance the investment advice provided to clients, but this is in exchange for assets held in custody and is not connected to transactions.

### Brokerage for Client Referrals

NCRS has no arrangement regarding referrals with custodians or broker-dealers. When a referral is made to or from any of these entities, no compensation is received or paid as a result. NCRS has no obligation to maintain any specific amount of business (including the amount of assets held with the custodian or the volume of trading activity) in response to client referrals.

### Directed Brokerage

NCRS does not permit clients to direct transactions to a specific broker-dealer for execution.

### Trade Error Policy

It is the firm's policy to exercise the utmost care when handling client orders and correcting transactions when a trade error occurs. From time to time, an error in submitting a trade can occur. If a trade error occurs in a client account, the party responsible for the error will bear the cost of correcting the error. If we are responsible for the error, we will bear the cost and clients will always be made whole.

## B. Block Trades and Aggregation of Client Orders Policy

Whenever feasible, trade orders will be aggregated together. This occurs when trade orders to purchase or sell the same security for multiple clients is needed at the same time. Block orders merge client transactions into a single aggregated trade that is executed in one block trade. The block trade creates one price per share to be received by all participating clients. Once the block order is executed, the aggregated transactions are separated out and allocated to each client account. In the event a block order does not completely fill, trades are allocated to various accounts using an objective method (e.g.,

pro rata or random allocation) to ensure over time one group of clients does not receive preferential treatment over another.

The aggregation or blocking of client transactions allows an advisor to execute transactions in a more timely, equitable, and efficient manner. The policy of the firm is to aggregate client transactions where possible and when advantageous to clients, however in some cases certain accounts will trade ahead of other accounts. Delays in trades for any reason can negatively or positively impact returns due to market fluctuations. Circumstances that will impact our ability to aggregate orders and/or the timing in which we submit orders:

- **Investment Objective Models:** If we are unable to aggregate all clients together for purposes of block trades in a single trading day, we will randomize client-wide or within Investment Objectives over the length of the trading initiatives. For projects where we are trading based on Investment Objective models, the clients with the most exposure will be traded first. (e.g., when we are trading for an equity-oriented project, Investment Objectives with the most exposure to equities are traded first and vice versa).
- **Market Volatility:** In fast moving markets, when increasing equity exposure in positions across all client accounts, aggressive models are often traded first while more conservative models are traded after. Conversely, when decreasing equity exposure, conservative models are often traded first and the most aggressive models are traded last.
- **Affiliates:** We are unable to block trades for clients of Northern Capital Retirement Services, Inc. with clients of our affiliate, Northern Capital Management, Inc., therefore block trades in the same security on the same day for both firms will cause one firm to trade ahead of the other. These instances are rare, but our policy to address this conflict of interest is to alternate the firm that trades first.

## Item 13 - Review of Accounts

### A. Frequency and Nature of Review

Our Advisors have primary responsibility for managing the relationship with each advisory client. Advisors are supported by a Plan Representative and Plan Administrator who assist with monitoring and servicing the retirement plan. Our Investment Committee regularly reviews the securities held in client accounts. See Item 8 Methods of Analysis, Investment Strategies and Risk of Loss for more information on this process.

Pooled or trustee directed retirement plans where balances are invested on behalf of participants (rather than allowing participants to self-direct) are managed based on the client's Investment Objective. These accounts are reviewed periodically by our Portfolio Managers for portfolio cash flows, security weightings, investment actions and restrictions to ensure adherence to client stated investment objectives or limitations.

### B. Factors that Trigger a Review

Client accounts, goals and objectives are also reviewed more frequently in response to various events, including, but not limited to, a change in market, political or economic conditions, or a change in an advisory client's circumstances or financial goals.

### C. Reporting

Clients receive statements and confirmations directly from their custodian or third-party administrator no less than quarterly. In addition to the statements and confirmations that clients receive from their custodian, NCRS provides quarterly reports delivered electronically via an online client portal for those clients that have signed up for the portal. Quarterly reports summarize account assets, performance, asset allocation, weighting, and change in value of the account. Reports can also be delivered to clients at any other time upon client request.

On an annual basis, NCRS provides all participant directed retirement plans with a written Annual Report that contains summary plan information as well as detailed reviews and corresponding recommendations for items such as:

- Investment Policy Statement (IPS)
- Plan fees and expenses
- Plan structure
- Menu of investment options and/or plan assets

## Item 14 - Client Referrals and Other Compensation

### A. Economic Benefits

We receive an economic benefit from certain custodians in the form of the support products and services they make available to us. These products and services, how they benefit us, and the related conflicts of interest are described above under Item 12 Brokerage Practices. The availability to us of these products and services is not based on us giving investment advice, such as buying securities for our clients.

We receive an economic benefit from our periodic attendance at the Capital Group (American Funds) Symposiums. These conferences typically include our Advisors, other internal professionals, as well as other Registered Investment Advisers, American Funds employees and other third-party vendors. These conferences are first and foremost intended to provide education on best practices and growth of our business, workshops on investment, portfolio construction and business-management practices, and an opportunity to engage with American Funds investment professionals on a macro level. The conferences provide opportunities for vendors and other third-party service providers to advertise their products. American Funds will reimburse expenses including airfare, ground transportation or mileage reimbursement, lodging as well as meals provided during the symposium. Although participation is not preconditioned on the achievement of a sales target for attendance, attendance could nonetheless be deemed a conflict as the marketing and education activities conducted, and the access granted at the conferences could create a conflict of interest by creating an incentive to allocate client assets to American Funds. We minimize the conflict of interest by utilizing the same process of selection, review, and testing for American Funds as all other funds and investment types as detailed in Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.

### B. Referrals

From time to time, clients, various professionals, and firms ("promoters") introduce prospective clients to NCRS. On occasion, NCRS will provide compensation (e.g., bottle of wine, gift baskets, gift cards) as a "thank you" for the referral. Providing even nominal compensation, creates a conflict of interest that must be disclosed. In the event such compensation is provided, the prospective client will receive a disclosure statement informing them of the nature of the relationship between our firm and the party who referred them, as well as information related to the compensation that was provided.

NCRS has contracted with the Washington State Medical Association (WSMA) to promote our services to their members. As part of that agreement, WSMA receives payment for marketing activities and for clients that are referred to NCRS per the following schedule:

- For Promoter marketing activities, advertising on the Promoter's website and other marketing activities by the Promoter, the Promoter is paid an annual fee of \$20,000, paid in semi-annual installments.
- For each client that signs a Financial Advisory Agreement (FAA) with the Adviser, the Promoter is paid 10% of the invoice billed to the client from the Adviser. This fee is ongoing as long as the contract between the Promoter and Adviser is in effect and it is required that the client is a member of the Washington State Medical Association. If a client discontinues their membership with Washington State Medical Association, they have the option to continue to receive services from the Adviser, but will no longer be eligible for the Washington State Medical Association member rate. Such payment generally occurs on a semi-annual basis.

## Item 15 – Custody

Under securities regulations, we are deemed to have custody of a plan's assets if the plan authorizes us to instruct the qualified custodian or trust company to deduct our advisory fees directly from the plan's account or participant accounts. All plan assets are maintained at the qualified custodian or trust company approved by the client. These entities maintain actual custody of plan assets.

Clients will receive account statements directly from the qualified custodian or trust company at least quarterly. Clients should carefully review those statements promptly when received. We also urge clients to compare custodian account statements to the periodic reports clients receive from NCRS and other third-party providers for accuracy. Our reports can vary slightly from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

## Item 16 - Investment Discretion

### Discretionary Authority

An advisor who renders discretionary investment management to an employee benefit plan is defined as an investment manager in Section 3(38) of ERISA. NCRS as a 3(38) investment manager is authorized with discretion via an executed Financial Advisory Agreement (FAA) to implement recommendations and strategies without the approval of other plan fiduciaries. In a defined contribution plan, this means NCRS can select, monitor, remove, and replace investment options offered to plan participants. This discretion includes committing the plan to implementation costs charged by third party administrator or record keeper services.

Although a 3(38) arrangement frees the plan sponsor from the time and fiduciary responsibilities involved in selecting and monitoring plan investment options and the liability associated with these decisions, ERISA requires that plan sponsors and/or trustees maintain fiduciary responsibility and exercise prudence and judgment in choosing and monitoring the 3(38) investment manager.

**3(38) Investment Manager:** This fiduciary role accepts the legal responsibility and liability with regard to the investments in the plan. As Investment Manager for the plan, NCRS assumes sole fiduciary responsibility regarding investment decisions made on behalf of the plan. This arrangement does not remove the Plan Sponsor from their responsibility to monitor NCRS as the investment manager. The process of selecting and engaging a 3(38) investment manager is a fiduciary responsibility that remains with the plan sponsor. All fiduciaries to the plan have an ongoing obligation to ensure actions taken on behalf of the plan do not violate ERISA. The Plan Sponsor should refer to: ERISA 404(a), IRC 4972, and the Investment Company Act of 1940 and State Laws. Contained within the language of the law, the definition of 3(38) Fiduciary includes 3(21) Fiduciary services.

Discretionary authority is granted to NCRS in the following situations:

**Participant Directed Plans:** When plans offer a menu of investment options to participants and participants self-direct (choose) their investments, NCRS, as described above is granted discretion over the menu of investment options offered to plan participants. This discretion gives NCRS authority to select, monitor, remove, and replace those menu options for the plan. NCRS offers advice to plan participants upon request but does not have discretion over the participant or their individual investment choices.

**Pooled or Trustee Directed Retirement Plans:** NCRS is granted discretion to manage plan assets where balances are pooled together and invested on behalf of participants rather than allowing participants to self-direct.

For accounts managed by Investment Objective models, if a client requests a non-discretionary trade the trade will be placed by the end of the business day on which the client provides instruction or grants

approval. Non-discretionary trade requests will not be aggregated (placed with other client trades in a block). For more information about our block trades and aggregation policy see Item 12 - Brokerage Practices.

#### **Account Restrictions**

Periodically clients will desire to restrict trading for one or more specific securities within their account. All restrictions are limited and must be made in writing on the Financial Advisory Agreement.

#### **Allowed Investment Restrictions**

- Non-discretionary: A position coded as "Non-discretionary" requires the firm to contact you prior to trading.
- Unmanaged: A position coded as "Unmanaged" is a client-directed asset and the client has full responsibility for managing and trading the position.
- Clients are permitted on a limited basis to impose restrictions on specific companies, industries, or sectors.

### **Item 17 - Voting Client Securities**

NCRS has no authority to vote proxies on behalf of advisory clients. Upon request, NCRS will assist regarding proxy matters, but the plan sponsor always retains proxy voting responsibilities on behalf of the plan. The plan sponsor will receive proxy information directly from the custodian.

### **Item 18 - Financial Information**

NCRS is required in this Item to provide you with certain financial information about its financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients and have not been the subject of a bankruptcy proceeding.