

**Item 1 – Cover Page**



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This Brochure provides information about the qualifications and business practices of NEPC, LLC ("NEPC"). If you have any questions about the contents of this Brochure, please contact us at 617-374-1300.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

NEPC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about NEPC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This brochure includes several changes to our previous most recent brochure that was dated March 31, 2022. We updated Item 4 - *Advisory Business* to reflect current statistics on our assets under management/advisement.

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## Item 4 – Advisory Business

NEPC is an independent, full-service investment consulting firm. NEPC has been providing financial consulting services as its sole line of business since 1986, based on three main principles: maintain independence, provide proactive advice to help our clients meet or exceed their goals and objectives, and service our clients with seasoned professionals.

Our Mission Statement is simple: “We help our clients achieve their goals.”

NEPC is owned and controlled by its active partners. NEPC’s founder and Chairman Emeritus, Mr. Richard M. Charlton, retired from active involvement on January 1, 2016.

NEPC provides advice on both traditional and alternative assets. Services generally include the following:

- The development and/or refinement of investment policies, objectives and guidelines and their periodic review
- Asset-based asset allocation studies
- Liability-based asset allocation studies every three to five years
- Manager and custodian searches
- Quarterly investment performance reports and accompanying executive summaries
- Monthly flash reports
- Our annual investment conference

In general, NEPC does not provide investment management services in the context of managing a portfolio of individual stocks, bonds or other instruments; rather, NEPC provides customized investment advice, which often includes recommendations of specific third-party investment managers. For most clients, NEPC serves as a fiduciary under Section 3(21) of the Employee Retirement Income Security Act of 1974 (“ERISA”). NEPC does not serve as an attorney, accountant, tax adviser or insurance agent.

In addition to traditional advisory consulting services, NEPC provides some clients with discretionary or “OCIO” consulting services, which typically include the services listed above along with additional discretionary services described in Item 16 in this brochure. For discretionary clients, NEPC serves as a fiduciary under Section 3(38) of ERISA.

NEPC has created investment funds called Access Vehicles to allow discretionary clients to benefit from our scale through potentially lower investment manager fees and administrative costs. Because we aggregate assets from multiple discretionary clients, these clients can potentially pay lower fees to the underlying managers. They may also qualify for vehicles that have a higher minimum asset requirement than these clients would have on their own. And because these vehicles do not directly generate revenue for NEPC, we are not incented to use them except to benefit clients.

We outsource administration, custody and annual audits to third party service providers but NEPC acts as the investment adviser to each Access Vehicle in a discretionary capacity.

NEPC provides its consulting services to over 400 retainer clients with total assets of approximately \$1.4 trillion<sup>1</sup> which consist of approximately \$1,359 billion in advisory assets and \$60 billion in discretionary assets (or \$64 billion including the Access Vehicles).

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<sup>1</sup> As of 1/1/2023

## Item 5 – Fees and Compensation

NEPC offers fixed, hourly and asset-based fees. In addition, we offer performance-based fees to certain clients. When calculating either an asset-based fee or a performance-based fee, we rely on a valuation provided by an independent third party (typically the client's custodian bank) since NEPC does not determine asset values.

Fees are generally quoted on a full retainer basis, encompassing all the services provided by NEPC. On occasion, fees are quoted on a project basis for a defined time period or scope of work. Some clients choose to reimburse us for reasonable travel expenses, while others prefer that our fee includes travel. Certain clients may be subject to a minimum fee. In all cases, the fee is agreed upon prior to NEPC's retention and is specified in a written agreement with each client.

NEPC will generally bill its fees on a quarterly basis, to be paid in arrears. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. All our fees are quoted, paid and received in hard dollars.

NEPC does not have a standard fee schedule, and all fees are subject to negotiation, however the table below provides some general guidelines and typical fee ranges.

Service	Description	Fee Ranges
Performance Measurement	Periodic reports on investment performance.	The fee varies depending on the number of investment managers and size of the investment program.
Advisory Services	Advice on asset allocation and manager selection, and ongoing monitoring of the portfolio.	Generally 5 to 20 basis points on the total asset value*. Fees may be higher or lower depending on amount of assets, the type of investments utilized and the level of service desired.
Discretionary Services	All the services listed above, plus implementation of our team's advice. Delegated Services is a variation of this level of service.	Generally 10 to 50 basis points on the total asset value*. Fees may be higher or lower depending on amount of assets, the type of investments utilized and the level of service desired.
Other Services	Customized services as mutually agreed upon	Negotiable

\* May include amounts committed to private investments.

**Fee Differentials**: NEPC's annual fee for advisory or discretionary services could vary based upon various objective and subjective factors, including, but not limited to, the total amount of assets placed under management/advisement and the complexity of the engagement. NEPC may also propose to charge a flat fee based upon the same criteria. Similarly-situated clients could pay different fees. In addition, similar services may be available from other advisers for similar or lower fees.

**Additional Fees**: Investment managers, custodian banks and record-keepers charge management, custody and/or transaction fees. In addition to NEPC's investment advisory fee referenced above, clients will also incur these third-party fees in connection with their investment program.

**Access Vehicles**: With respect to the Access Vehicles described in Section 4, NEPC does not earn a fee for managing the portfolios. Clients invested in an Access Vehicle will pay organizational and administrative expenses like they would when investing in any third-party commingled fund. These expenses are allocated to investors on a pro-rata basis and are paid out of the assets of each Access Vehicle.

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

As noted in Item 5, in addition to fixed, hourly and asset-based fees, we offer performance-based fees. These fees connect our compensation to the success of the plan or, in the case of Liability Driven Investment (“LDI”) -related performance fees, to our success in closing the gap in a client’s funded status. The fee is agreed upon prior to NEPC’s retention by each client and is specified in a written agreement with each client.

Performance-based fee arrangements may create an incentive for NEPC to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. NEPC has procedures designed and implemented to ensure that all clients are treated fairly, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Some of the third-party investment managers that NEPC recommends from time to time also charge a performance-based fee.



### **Item 7 – Types of Clients**

NEPC provides investment advice to a variety of clients, including corporations, charitable organizations, healthcare organizations, public funds, Taft-Hartley Funds and high net worth individuals and families. These clients include several plan types including defined benefit, defined contribution, endowment, foundation, health and welfare, insurance, operating and taxable assets.

NEPC does not have a minimum account size for its clients.

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

Our client portfolios are generally designed to achieve specified target rates of return at predetermined risk levels. Accordingly, these portfolios generally contain domestic equities, fixed income and cash equivalents, international equities and global fixed income, real estate, alternative assets and various hedging strategies.

In its role as a consultant, NEPC seldom becomes involved at the security level with a client. Rather, we focus on the asset class, the interaction among asset classes and the traditional and alternative asset investment managers who have demonstrated proficiency managing the various asset classes.

For funds-of-funds, analysis is conducted at the fund-of-funds level and will not generally include a direct review of underlying funds.

NEPC seeks to identify top-tier investment managers through the work of our experienced research staff. It is a thorough and continuous process, with the following steps<sup>2</sup>:

- NEPC's search process typically begins with our research team screening both our proprietary internal databases and external databases for candidate managers that meet the minimum criteria.
- Next, we conduct a performance review by utilizing internally-developed and/or third-party systems. This enables the examination of each candidate manager's excess return stream, or "alpha," over time.
- Once we have identified a set of managers for further analysis, asset class specialists meet with each manager to assess the investment team, understand the firm's business focus, review investment philosophy, determine consistency of investment style, verify return attribution and liquidity, and dissect the investment process (see discussion of the "Five P's" below). If the manager meets the established criteria, we document the manager's investment thesis.
- The specialist then brings the manager to NEPC's centralized Due Diligence Committee for vetting. The Due Diligence Committee is made up of senior members of the firm, including Partners and Senior Consultants. Any outstanding issues or questions from the vetting session are pursued by the analyst and readdressed to the Committee. Successfully vetted investment managers are considered research-qualified and are added to a Focused Placement List ("FPL") at the research analyst's discretion.

The criteria we use to evaluate managers are based on what we sometimes refer to as the Five P's. They are:

- **People:** We want to be comfortable not only with the key individuals responsible for an investment product, but also the organization that holds them together. Our belief is that organizations that focus on stability and high levels of career satisfaction have a higher likelihood of outperformance. Ownership, incentives and overall professional stability, among other factors, are examined in considerable detail.

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<sup>2</sup> Steps may vary depending on the asset class under consideration.

- **Philosophy:** We believe it is important to understand the basic thesis that drives a manager's investment process. For example, we want to know if the manager fundamentally believes in growth, value, bottom-up or top-down investing, and whether or not that philosophy is consistent with the actual implementation.
- **Process:** We conduct considerable qualitative and quantitative analysis on the process followed by each firm we recommend to our clients. We are thoroughly familiar with the research, buy decision, portfolio construction and sell decision, and we compare managers on a consistent basis.
- **Performance:** The performance phase of our analysis takes place after the firm's people, philosophy and process pass muster. Strong performance is less relevant without a stable organization, an investment philosophy that makes sense, and a well-documented, repeatable investment process. When analyzing performance, we look at both up-market and down-market results.
- **Price:** Finally, we carefully analyze manager fee structures. We track all components of the fees our clients can be expected to pay, including management fees, entry/exit fees, performance fees and minimum fees. We also determine whether most favored nation fees are offered, and the degree to which managers are willing to negotiate fees.

The culmination of our evaluation process is the investment thesis that we develop. We believe that, like stocks or bonds evaluated by active investment managers, we should have levels of conviction about managers and their ability to outperform. The evaluation process outlined above coupled with the interviews and due diligence we conduct with and on investment managers allows us to form opinions about the managers with whom our clients work.

Managers that prove favorable based on the Five P's may subsequently be recommended for a client portfolio, but only if they are a good "fit" within the investment program. Factors include return expectations, risk tolerance, liquidity needs, and legal or regulatory constraints. The fit is also determined by the correlation between each candidate's performance and the risk and return characteristics of the other managers in the client's investment program.

NEPC also considers two other factors as part of its research process:

- **ESG.** The global focus on Environmental, Social and Governance ("ESG") factors has caused NEPC to integrate ESG factors into our process, and strategies rated by NEPC receive an ESG Score in addition to an investment rating.
- **Diversity, Equity & Inclusion ("DEI").** We believe that DEI will drive long-term success, and our clients' investment programs will benefit from skilled portfolio management sourced from a variety of backgrounds and perspectives.

**Please Note: Investment Risk.** Investing in securities involves a risk of loss that clients should be prepared to bear. Clients should also understand that alternative assets (including hedge funds, real estate and private equity) are often illiquid or subject to lock-ups, and are not subject to the same regulatory requirements as registered investment vehicles. We work with clients to mitigate the risk of loss through diversification, asset allocation decisions and the use of hedging strategies. Clients should not assume that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by NEPC) will be profitable or meet any specific target or level of performance.

**Travel Restrictions and their Impact on Meetings.** The 2020 outbreak of the novel coronavirus (COVID-19) and associated travel restrictions caused us to modify the research process described above. When travel is restricted, we will conduct certain meetings using phone calls and video technology. We expect this approach to continue even when we can travel safely. We do not believe that these changes hinder our ability to follow our research process or perform reasonable monitoring. From time to time we may engage an external research firm to help us identify new investment opportunities or perform due diligence on our behalf.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of NEPC or the integrity of NEPC's management. NEPC has no information applicable to this Item.

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

NEPC is an independent firm and has no information applicable to this Item.

From time to time, NEPC may work with a client, or a client who has an affiliate, that could be considered a money manager. NEPC generally provides the same services to these clients that we do to most clients; that is, we advise the employee retirement plans of these companies, or provide advice on the selection of third-party investment managers. We do not consider these relationships to present a material conflict of interest; however, all such relationships are disclosed to any client that is considering an investment with a firm that falls into this category.

## Item 11 – Code of Ethics

NEPC maintains a Code of Ethics that provides all employees with guidance on proper conduct in fulfilling its obligation as a fiduciary to its clients and in complying with SEC rules. The Code of Ethics stresses the importance of avoiding activities, interests and relationships that might interfere with, or give the appearance of interfering with, making decisions in the best interests of NEPC clients. Employees are reminded that they must always (1) place the interests of clients first, (2) conduct all personal securities transactions in full compliance with the Code of Ethics, and (3) avoid taking inappropriate advantage of their position. Among other things, the Code of Ethics requires employees to:

- disclose material facts and actual or potential conflicts that may affect the services provided to clients;
- act in the best interests of clients and place the interests of clients above the interests of NEPC personnel whenever a conflict may be present;
- not engage in any activity that conflicts with the interests of clients;
- avoid taking inappropriate advantage of their position (e.g., by using knowledge of a client's portfolio transactions to profit by the market effect of those transactions); and
- conduct all personal trading in full compliance with the Code of Ethics, including all pre-trade clearance and reporting requirements.

The Code of Ethics also requires employees to make certain disclosures regarding their trading and personal portfolios, restricts investments in private placements and new issues, and restricts the acceptance of gifts.

NEPC's Code of Ethics is administered and enforced by its Chief Compliance Officer. All employees must acknowledge the terms of the Code of Ethics annually, or as material amendments occur. A copy of the Code of Ethics will be provided to any client or potential client upon request.

NEPC's officers and employees may purchase, sell or hold investment accounts or interests in privately offered investment funds that are managed by third-party investment advisory firms recommended from time to time by NEPC to its clients. This could present a potential conflict of interest to NEPC. Accordingly, NEPC has implemented policies pursuant to which such accounts and investments are reviewed prior to opening and periodically thereafter. In addition, securities trading by employees (including any investments in privately offered funds) is subject to the requirements of NEPC's Code of Ethics.

## **Item 12 – Brokerage Practices**

NEPC has no information applicable to this Item. We do not engage in direct trading of individual securities or select brokers to execute trades.



### **Item 13 – Review of Accounts**

NEPC reviews client accounts on a periodic basis and provides a detailed performance measurement report to most of our clients on a quarterly basis. Personal presentations are scheduled at the request of each client, and normally occur at least quarterly. All client relationships are covered on a team basis, ensuring both continuity and consistency.

Account reviews evaluate traditional and alternative manager performance, the impact of policy and fund structure on overall plan performance, and the overall market environment. The performance appraisal process focuses initially on plan structure and diversification, and subsequently on the performance of managers within each asset class and their interaction with one-another. In conducting these reviews, market and/or peer group comparisons are used, when available, to understand both return and risk measures.

In servicing our clients, we generally use our Investment Performance Analysis (“IPA”) report, designed to our specifications but programmed and maintained by Investment Metrics, LLC. These reports feature extensive risk diagnostics, including various measures of volatility, market sub effects, risk-adjusted returns, a wide variety of portfolio characteristics and their respective influences on performance.

As stated above, reviews normally occur on a periodic basis. In addition to regular meetings with clients, NEPC will often schedule supplementary meetings upon the occurrence of extraordinary events within the client’s portfolio, such as the departure of key personnel from an investment manager.

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

NEPC has no information applicable to this Item. NEPC does not use a third party to solicit business and does not accept or pay referral fees or commissions.

### **Item 15 – Custody**

NEPC has no information applicable to this Item. Neither NEPC nor any related person holds any funds or securities for clients. For our discretionary clients (see Item 16), we often have authority to transfer monies between investment manager accounts, but we are generally not permitted to withdraw money from the client's portfolio and we are not deemed to have custody of client assets.

## Item 16 – Investment Discretion

In general, NEPC acts on an advisory basis and does not manage client assets or engage in trading activities. For certain clients, however, NEPC acts as a discretionary advisor or outsourced Chief Investment Officer (“OCIO”). These “discretionary services” could include responsibility for such functions as asset allocation, rebalancing, and manager selection or termination. As a *manger of managers*, NEPC, on behalf of the client, allocates assets among unaffiliated separate account managers and private investment funds that maintain day-to-day discretionary trading authority for the designated assets, consistent with the client’s guidelines.

For a discretionary client, NEPC acts as a fiduciary under ERISA Section 3(38). In all such instances we rely on an investment policy statement approved by the client and follow NEPC’s standard procedures to formulate advice. Before our advice is implemented, it is reviewed by a centralized internal decision-making group to maintain appropriate checks and balances.

A plan sponsor or other type of investor may elect to give NEPC discretion for several reasons. This type of arrangement can make sense for clients who don’t have expertise in-house, want to outsource day-to-day plan transactions, or simply are short-staffed. NEPC’s level of discretion varies by client, and ranges from full discretion over all asset classes and managers to discretion over just one particular asset class, such as private equity. The client retains responsibility for approving an investment policy document, and NEPC generally assumes responsibility for all other investment decisions. Our services generally do not include legal advice or functions carried out by a third-party administrator such as anti-money laundering checks, or KYC and OFAC compliance. The client will execute a Certificate of Authority to grant NEPC the level of authority desired by the client.

As part of NEPC’s discretionary advice service offering, NEPC may act as a sub-advisor, providing advice on the selection of investment managers. In this type of client relationship, the General Partner or Investment Manager of an investment fund may hire NEPC to evaluate and select managers that the Investment Manager would subsequently hire to manage some, or all, of the investment fund.

In the event that an advisory client of NEPC invests in a fund sub-advised by NEPC, the advisory client will receive a waiver or fee rebate to ensure that NEPC is not incented to offer conflicted advice by recommending a fund that will generate duplicate fees.

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

As a matter of firm policy and practice, NEPC does not have any authority to and does not vote proxies on behalf of advisory clients. Plan sponsor clients retain the responsibility for receiving and voting proxies for all securities maintained in client portfolios. NEPC may from time to time provide advice to clients regarding proxy voting services or the clients' voting of proxies.

NEPC votes mutual fund proxies for certain discretionary clients. In these cases, NEPC will vote in the best interest of shareholders, as determined by NEPC in accordance with its written proxy voting policy. NEPC authorizes the clients' investment managers to vote proxies for individual securities.

## **Item 18 – Financial Information**

As a registered investment adviser NEPC is required in this Item to provide you with certain financial information or disclosures about its financial condition. NEPC has no financial condition that impairs its ability to meet contractual and fiduciary commitments to clients, and NEPC has not been the subject of a bankruptcy proceeding.