



Qualified Retirement Plan Solution

...

THROUGH CLS AND EMPOWER



CLS
INVESTMENTS



EMPOWER
RETIREMENT™

Why Choose CLS as Your 3(38) Investment Manager?

Through CLS's qualified retirement plan solution, CLS becomes your plan's ERISA 3(38) investment advisor, which means we take on management of your plan's investment offerings according to an established investment policy.

AS A 3(38) FIDUCIARY, CLS:

- Takes on the management of plan assets, including selecting, monitoring, and replacement of all fund options.
- Allows you, as the plan sponsor, to select from two target date series options that CLS will monitor using separate criteria from that of the lineup.
- Provides you with an opportunity to add CLS's risk-based models to your plan offering. These models will utilize the investments available in your plan's core lineup and employ CLS's Risk Budgeting Methodology. That means the models are managed according to the risk range each of your employees fall into.

WHAT DOES THIS MEAN FOR YOU?

- Your trustee will only be responsible for selecting and monitoring the 3(38) fiduciary (CLS).
- You and your advisor are no longer responsible for investment selection, monitoring, and replacement decisions.
- Your employees within the plan will be provided with diversified plan options that are in line with your investment policy statement.

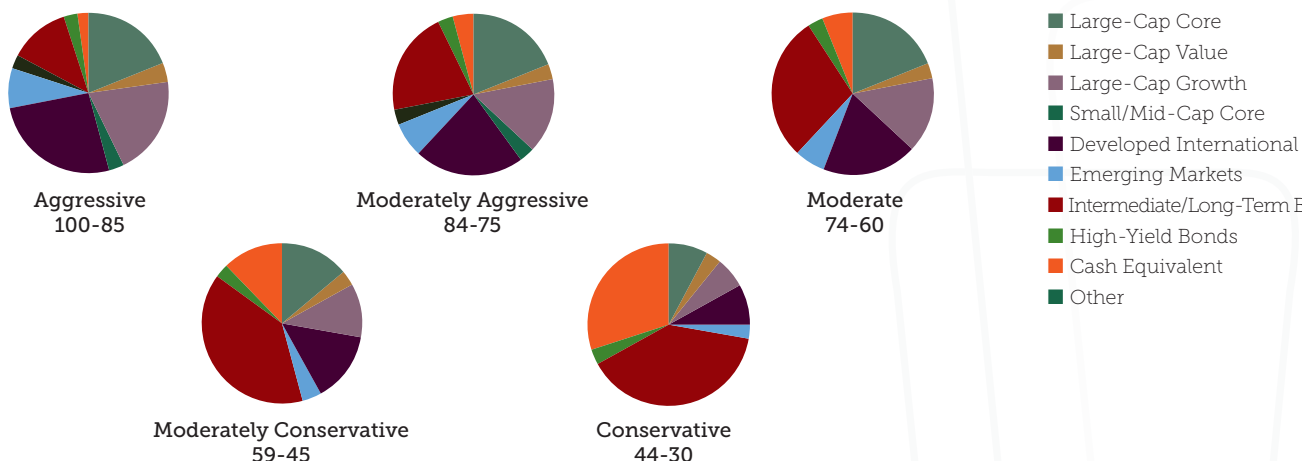
CLS Core Lineup and Target Date Series Options

When you use CLS and Empower's qualified plan solution, you receive access to CLS's core lineup of investments. These investments include low-cost index fund options that offer exposure to major asset classes that are beneficial to portfolios over a full market cycle. In addition to the CLS core lineup, you will also receive access to one of two target date series options.

CLS Risk-based Models Option

After selecting CLS as your 3(38) investment advisor, you will have the opportunity to add CLS's risk-based models to your qualified plan offering. These five models utilize the funds that are available within the CLS core lineup, but allow participants to be placed into a model according to their individual risk budget scores. The risk budget, which is determined by completing a risk profile, is based on the participant's financial goals, investment time horizon, and capacity for risk.

Within our risk-based models, CLS uses its risk budgeting investment methodology, which seeks to help plan participants manage risk while also seeking to optimize returns. CLS investment strategists and portfolio managers – many of whom hold the Chartered Financial Analyst (CFA) designation – are experienced financial professionals who spend countless hours conducting research and due diligence.

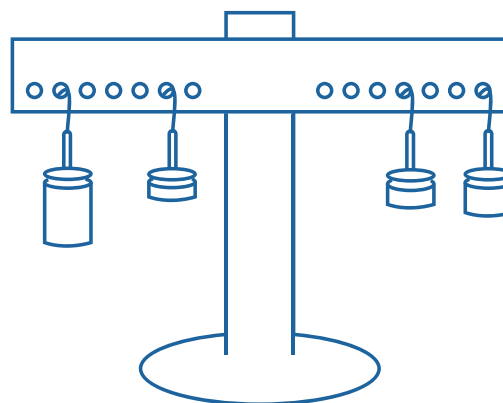


Any sample allocations displayed in this work are meant to serve as examples. Actual holdings may differ. This information should not be considered investment advice.

Much like a scale keeps weight balanced, risk budgeting ensures that the amount of risk in the portfolio is equal to the level appropriate for the client's individual financial goals and investment time horizon.

- On the left side of the CLS risk budgeting scale, the investor's risk budget is represented along a continuum from aggressive to conservative.
- On the right side, asset classes are represented along the same continuum, which accounts for the fact that some stocks assume lower risk than some bonds.

When markets change and different asset classes become attractive, moves are made within the portfolio in an attempt to take advantage of those areas that are relatively attractive. If a move makes the portfolio too aggressive or too conservative, a reciprocal adjustment is made to keep the portfolio within its specified risk budget range.



Fund Selection and Monitoring Process

CLS follows a disciplined approach to seeking, screening, selecting, monitoring, and replacing fund options within the plan.

- Seeking Diversification: CLS seeks funds that offer global diversification among the major asset classes an investor may want exposure to over a full market cycle.
- Screening: By completing an initial screening of each fund, CLS is able to review and identify investments within each asset class that meet our criteria.
- Assessing & Selecting: CLS utilizes a fund selection process to assist in manager/investment selection. Investments that have shown a consistent performance and style history, are attentive to fund costs, and are from large, reputable organizations are selected.
- Monitoring & Replacing: Every investment is monitored and reviewed regularly by CLS's Investment Team, who looks at a variety of information including expense ratio, portfolio turnover, total return, size of the fund, and more. When the number of established criteria* are not met, the fund will be placed on our "watch list." After the fund remains on this list for eight consecutive quarters, it will be removed and replaced. The investment policy statement will detail all of the criteria within the plan.

Fee Schedule

PLAN INVESTMENTS	FEE
\$1M - \$5M	10 bps
\$5M - \$10M	8 bps
\$10+	5 bps
For CLS-managed portfolios, an additional 10 bps will be charged only to participants making elections into the models.	

*For CLS's core lineup, funds are placed on the watch list when 4 out of 8 established criteria are not met. For CLS's target date series options, funds are placed on the watch list when 3 out of 7 established criteria are not met.

Benefits of Professional Money Management

SMARTER INVESTING

For participants who do not have the time, investment expertise, or desire to manage their own retirement accounts, CLS and Empower’s qualified plan solution can serve as an answer to these critical components of prudent asset management.

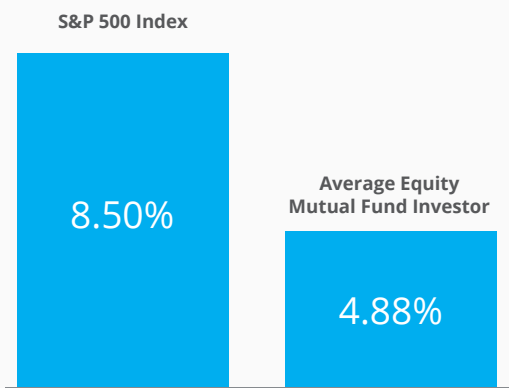
Managed options are important within a retirement plan, as research has shown that most investors do not invest optimally. In fact, a study conducted in 2018 by Dalbar, Inc. showed that between 1994 and 2014 individual equity (stock) mutual fund investors achieved an average return of 4.88%, while the S&P 500 returned 8.50%. To help ensure that employees are on track to meet their retirement goals, it is critical that they have the option to turn over management of their retirement assets to a professional investment manager.

The use of managed accounts can also greatly affect participant returns. For example, an AON Hewitt study found that plan participants who used some form of help, including managed accounts, achieved returns nearly 3% higher than those who did not receive help. What may seem like a small difference in return in the short term can have a large impact over time, as evidenced below.

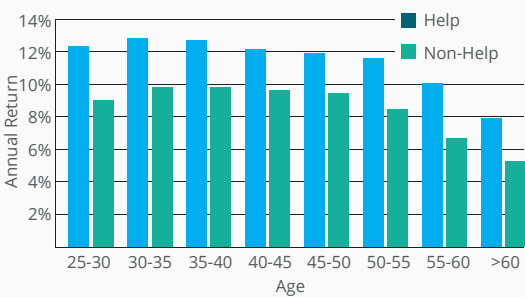
To what can we attribute these higher returns? According to a Vanguard study³ of 40,000 participants, managed accounts have a notable affect on returns due to increased equity exposure and savings rates, as well as a reduction in portfolio risk levels and costs. Of the participants surveyed, it was reported that:

- 60% increased their projected 10-year retirement wealth by an average of 30%.
- 30% earned value through a reduction in portfolio risk.
- 40% made an active savings decision at enrollment.
- 1/3 chose to increase their savings rate by an average of 3%.
- 60% saw a reduction in average fund fees.
- Expense ratios were reduced by an average of 0.06%.

AVERAGE ANNUAL RETURNS, 2007-2017¹



MEDIAN RETURNS²



THE VALUE OF INVESTMENT HELP²

ORIGINAL INVESTMENT AT AGE 45	WEALTH AT AGE 65: NO INVESTMENT HELP	WEALTH AT AGE 65: INVESTMENT HELP
\$10,000*	\$42,100	\$71,400

**This example assumes a difference in returns of 2.92% between investors receiving investment help and those who are not. This example is an illustration of how investment help could assist an individual investor. It is not meant to show the expected behavior of a portfolio. The illustration is based on sample data and does not reflect actual trading.*

INCREASED PARTICIPATION RATES

By offering managed accounts in your retirement plan, your employees are often more likely to participate. As shown below, employees are more likely to utilize managed retirement accounts and target date series options than to pursue online advice.

Automatic enrollment can also help boost plan participation rates. According to the NAGDCA, a recommended practice is to “automatically enroll all new employees in a defined contribution plan, and place them in managed accounts.” CLS believes that choosing auto enrollment is a critical component of helping your employees save for retirement.

In addition to increasing participation rates, employees enrolled in plans with automatic features tend to stay in the plan longer. In fact, the NAGDCA noted that, in one major state plan, fewer than 8% of participants opted out of managed account services when auto enrollment was available at the time of employment.

CLS offers options within its core lineup and risk-based models that can serve as qualified default investment alternatives (QDIA), which can increase your organization’s fiduciary protection. Through this QDIA, if a new employee does not enroll in your retirement plan, a percentage of his or her wages (that you specify) is automatically regularly invested into the specified fund(s) or model(s). The participant still has the ability to create a risk profile or opt into an alternative model, but you are assured that all participants are placed into suitable investments at initial enrollment.

USAGE OF VARIOUS TYPES OF INVESTMENT “HELP” AMONG COMPANIES SURVEYED IN A 2011 AON HEWITT STUDY²

	TARGET DATE FUNDS	MANAGED ACCOUNTS	ONLINE ADVICE
Company A	5.9%	9.6%	13.1%
Company B	1.4%	16.4%	3.1%
Company C	17.9%	10.1%	7.5%
Company D	2.2%	14.8%	4.3%
Company E	27.9%	13.5%	2.9%
Company F	12.7%	13.2%	5.1%
Company G	0.5%	10.7%	5.5%
Company H	3.0%	50.2%	2.4%

Communication & Support

In addition to professional money management, here is what you can expect from CLS in terms of ongoing communication and support.

QUARTERLY MONITORING REPORTS

Every quarter you and your financial advisor will be given a quarterly monitoring report including information on how the funds performed, based on the criteria set in your investment policy statement. Actionable items within the investments, if any, will also be reported in this document.

INVESTMENT POLICY STATEMENT

Upon request, CLS will review your investment policy statement (IPS) with you and/or your investment committee. Although an IPS is not required by the Department of Labor, CLS offers an IPS that details our responsibilities and the criteria we will use to make sure your plan's investments stay within the established guidelines.

REGULAR COMMENTARY

- Each quarter, CLS produces a quarterly newsletter that will be made available to your employees.
This publication, authored by CLS's investment and analytics teams, provides insight on financial planning strategies, timely market news, portfolio investment themes, and more.
- Each week, CLS releases a market outlook recapping market activity from the prior week, month, or quarter, as well information on various investment topics. You and your employees are invited to subscribe to this multi-media publication.

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ABOUT CLS

CLS INVESTMENTS (CLS) IS A THIRD PARTY INVESTMENT MANAGER, ETF STRATEGIST, AND LONGTIME TRUSTED PARTNER IN THE FINANCIAL INDUSTRY.

CLS was founded with one specific mission, which has endured as our guiding principle: to be a trusted partner with financial advisors and deliver innovative investment solutions and reliable portfolio management to individual investors.

Since 1989, CLS's active asset allocation approach, broad array of customizable strategy offerings, and risk management proficiency have led financial professionals to entrust their clients' portfolios to CLS. Today, more than 35,000 investors depend on CLS to manage their investment portfolios and help them reach their financial objectives.

1989

Founded

\$8.9B*

Assets Under Management

45K+

CLS clients

12

Portfolio Managers & Analysts

*as of 6/30/19

¹Quantitative Analysis of Investor Behavior 2018, Dalbar Inc.

²AON Hewitt: Help in Defined Contribution Plans: 2006 Through 2010

³Vanguard: The Value of Managed Account Advice, August 2015

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Contact Us Today



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