

True Partners

Committed to **YOUR SUCCESS**



**PROPOSAL FOR**

**Royersford Borough**

Non-Uniformed and Police Pension Plans



December 21, 2023

 **Conrad Siegel**

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# Conrad Siegel™

December 21, 2023

Donna Zeigler  
Manager  
Royersford Borough  
300 Main Street  
Royersford, PA 19468

Dear Donna:

Thank you for your consideration of Conrad Siegel's proposal to provide actuarial and investment advisory services for the Borough's pension plans. At Conrad Siegel, your primary contacts are not relationship managers or salespeople – they are true subject matter experts with designations in their respective fields of expertise. We strive to build a strong partner relationship with each client.

**You deserve a Team** - Conrad Siegel has more depth than any other Pennsylvania municipal pension plan provider. Your relationship with us will not depend on the health or availability of one individual. There will be a dedicated team that will know the details of your plan. We have a team of five fully credentialed actuaries that work with PA municipal pension plans. Assisting our actuaries is a team of actuarial analysts who are currently studying to become fully credentialed actuaries. By having multiple individuals that are familiar with your plan, you have a team servicing the plans to provide you with the accessibility and personalized approach that you deserve.

**Seamless Transition** – Our dedicated transition team will have a simple, coordinated process where no detail is overlooked while keeping you informed of the progress and the status of the transition.

**Effective, Responsive Communication** - We speak in a way that is personable and inviting, encouraging questions and collaboration. We recognize it is more than a matter of simply providing timely and accurate reports. We strive to keep you well-informed with concise communications that focus on what you need to know, why you need to know it, and what you can do about it.

Thank you again for your consideration of our proposal and we would welcome the opportunity to discuss the details of how Conrad Siegel would partner with Royersford Borough.

Yours sincerely,



Ashley A. Wise, FSA, CERA, EA, MAAA  
Partner & Consulting Actuary



David P. Lytle, FSA, CFA, MAAA  
Partner & Chief Investment Officer

AAW:DPL:dkw  
Encl.



## **Responder's History, Ownership, and Organization**

## 1. Briefly describe the organization, the year it was founded, location of its headquarters and other offices, years in business, its ownership structure, and business focus.

Conrad Siegel was founded in 1963 by Conrad M. Siegel. Connie established the firm based on the principles of direct access to the owners of the firm, fee-for-service work, no hidden costs, and solid and independent advice. Today, Conrad Siegel remains a consultant-owned corporation, owned in substantially equal shares by 19 of the consultants who are active in the business and work directly with our clients. Our firm has grown into one of the largest employee benefit firms of the Mid-Atlantic Region.



Our reputation has been built on providing personalized, independent consulting services for over 60 years. Putting our clients' interests first is important to us. You can be assured that our advice, recommendations and services will be delivered with this in mind. At Conrad Siegel, choosing partnership over profit has rewarded us with the indelible relationships that allow us to truly partner with over 1,500 clients on a firm-wide basis. Our clients include both private and public sector organizations providing services for defined benefit pension plans, defined contribution retirement plans, health and welfare benefits, other post-employment benefit (OPEB) plans and investment management.

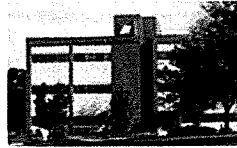
Our wholly owned, SEC registered, Conrad Siegel Investment Advisors, Inc. was formed in 2002 and has been providing investment advisory services for municipal pension funds since its inception. Over the past 21 years, our firm has enjoyed phenomenal growth with current assets under management exceeding \$7.7 billion as of June 30, 2023. We attribute this growth to our independence, our clients' belief in our investment philosophy and approach, and the quality of services we provide.

Our organizational structure consists of the following:

- Board of Directors
- Management Committee
- Five lines of business committees covering investment advisory services, defined benefit plans, defined contribution plans, health and welfare plans, and other post-employment benefit plans
- Three support committees covering human resources, compliance, and information technology
- Over 100 employees on a firm wide basis

While this structure provides a distinct and clear division of responsibilities, we do not operate in autonomous silos. In fact, all areas of our firm work closely with one another. The synergy that exists throughout our organization is one of the firm's greatest strengths. This synergy is also a key factor in our ability to provide quality services in a cohesive manner to help our clients achieve their strategic human resource and financial goals.

Conrad Siegel maintains two offices, one in Harrisburg, PA and one in Lancaster, PA. All of the work for this engagement will be performed out of our Harrisburg office.



501 Corporate Circle  
Harrisburg, PA 17110



201 Granite Run Drive  
Lancaster, PA 17601

## **2. What is the total asset base and number of municipal pension funds on which you consult?**

Conrad Siegel started providing investment advisory services in 2002 and gained our first PA municipal defined benefit pension plan in 2004. Our firm began in 1963 with actuarial consulting on qualified defined benefit pension plans. We also have a long history working with Pennsylvania governmental pension plans which date back to the early 1980s when our founder, Connie Siegel, was hired as a consultant for the Commonwealth of Pennsylvania leading up to the creation of the Public Employees Retirement Commission. He was also instrumental in the drafting of Act 205 of 1984, which governs the way Pennsylvania municipal pension plans are funded and administered. In addition, our close working relationship with the Auditor General's office has been invaluable when working to get a resolution quickly for our clients when the need arises. Conrad Siegel provides investment advisory services to 37 public pension plans as of June 30, 2023, with over \$343 million in assets. We provide actuarial consulting to nearly 300 public pension plans. All of our public pension plan investment advisory clients are located in Pennsylvania.

**3. Identify the consultants and other key staff who would be involved in serving our account. Provide brief resumes of these individuals.**



**Ashley A. Wise, FSA, CERA, EA, MAAA, FCA**  
**Partner & Consulting Actuary**  
ashleywise@conradsiegel.com

**Ashley** has 17 years of experience with PA municipal pension plans. She specializes in corporate defined benefit and municipal pension plans. She works with private sector employers, tax-exempt organizations, and municipal clients and is proficient in actuarial valuations and pension accounting for corporate and municipal defined benefit pension plans and related defined benefit pension calculations and projections.

Ashley is problem-solver at heart and a natural people-person, so it's fitting she is a member of the transition team that provides smooth transition and a positive experience for new clients. The team works closely with Conrad Siegel's IT staff to enhance systems, make a better product, and create more efficient processes.



**David Lytle, FSA, CFA, MAAA**  
**Partner & Chief Investment Officer**

davidlytle@conradsiegel.com

**David** is an investment consultant for defined benefit and defined contribution pension plans as well as investment accounts for corporations. He is also a member of Conrad Siegel's internal investment research team that examines market conditions, asset allocations, and investment funds.

He transitioned to the investment line of business and went on to also earn the Chartered Financial Analyst® designation. His combined retirement and investment experience provide David with a diverse skill set.

David's experience within the firm is broad and varied lending a well-rounded perspective on his clients' challenges. Before earning his FSA designation in the Quantitative Finance and Investment trace, David was working with our defined benefit pension clients on the actuarial valuation side of the firm.

True to the Conrad Siegel way of working, David truly enjoys working with clients, applying his special experience and knowledge to gain new perspectives. David feels the best reward is the confidence his client leaves a meeting with knowing their investments are in good order. When he's not running the numbers, you might bump into him out for a run or at your local golf course.

**4. Describe the turnover that your organization has had over the last five years with consultants that provide the requested investment advisory and actuarial services.**

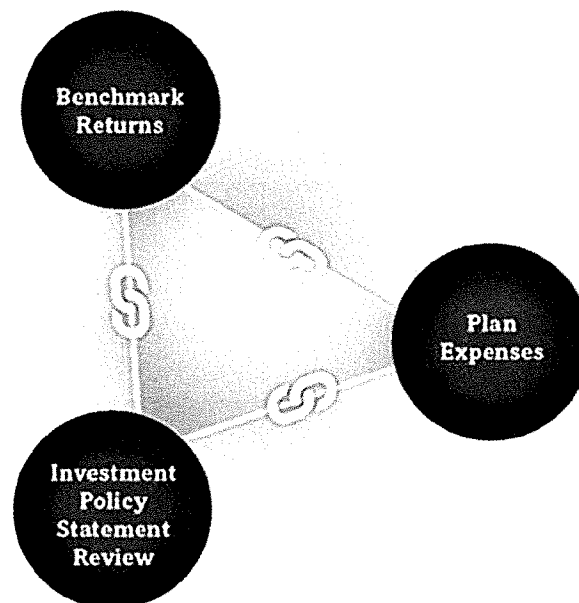
Turnover among our consultants is practically non-existent. We have an unparalleled reputation for providing municipal pension services for Pennsylvania municipalities and governmental units. We are proud to state that there have been no significant developments in our organization with respect to ownership changes or personnel reorganizations. Dave Lytle was promoted to Chief Investment Officer in 2019 but was already working on Conrad Siegel's internal research team. He was also made a firm partner in 2020. In fact, throughout the entire history of our firm, we have not lost a partner other than due to retirement or an untimely death. Our policy is to maintain continuity in the relationships developed between our consultants and their clients. Our clients appreciate this continuity in service and the benefits derived from a clear understanding of their goals and objectives.

**5. Within the last five years has your organization or an officer or principal been involved in any business litigation or other legal proceedings relating to your professional activities? If so, provide an explanation and indicate the current status.**

From time-to-time Conrad Siegel has been the subject of investigations, business litigation, or other legal proceedings related to our professional activities. Within the last five years, our firm has not been ruled against or admitted fault in any cases. There are no current cases at this time.

**Transparency among the investment committee**

so all responsibilities are documented.





## **Investment Policy and Philosophy**

## 1. Describe the investment philosophy you would employ for this portfolio.


We have the ability to customize each client's portfolio to their specific characteristics but do have principles that apply to all of our client's accounts.

- **We are not market-timers.** We develop a strategic asset allocation and practice regular rebalancing. Since retirement plan funds are a long-term proposition, we believe it is important to have the investment strategy be long-term as well.
- **Fee conscious investing.** Whether an allocation is invested in all index funds or a mix of index and non-index funds, we recognize the importance of controlling investment related expenses. Multiple studies have shown correlations between high fees and poor performance.
- **Broad Diversification.** Our approach to diversification applies both to asset classes (such as Domestic Equity, Developed ex-US Equity, Emerging Markets) and at the fund level, concerning the number of underlying holdings and asset class coverage compared to the benchmark.
- **We invest in investment-grade fixed income.** High-yield fixed income, formerly known as junk bonds, has a much higher correlation to equity markets compared to government and investment grade corporate bonds. The result is that this asset class often decreases in value during times of market stress, when the fixed income portfolio is the most important. We recognize the importance of fixed income in a portfolio and the benefits of diversification and stability.
- **Equity Index Funds.** Conrad Siegel is comfortable running on either fully indexed allocation or an allocation with an index core that is supplemented by non-index funds. Index funds minimize cost and provide market-like returns. When using non-index funds, we emphasize their use in less efficient asset classes (emerging markets, international small cap equities, and corporate bonds).
- **Conrad Siegel invests in publicly traded mutual funds and exchange traded funds (ETFs).** These types of investments provide diversification, daily pricing and liquidity, and SEC oversight.

Our investment philosophy is very straightforward. We employ a long-term approach that is based on utilizing broadly diversified, low cost mutual funds. Our approach is a hands-on, personalized client driven process that will emphasize a close working relationship with the Township to develop an allocation that looks to meet long-term goals and the risk/return characteristics of the investment committee.

## 2. Describe your asset allocation process for pension investments.

All of our asset allocation models are derived from our own research. The asset classes we use and the allocations among them are dependent on an optimized risk and return approach we use to construct them. Our portfolios can be either standardized or unique to any individual client. For example, taking into consideration the integration of the plan's liability stream and funding status: for a pension plan that has a long-term horizon, our typical starting point is 65% equities (domestic and foreign) and 35% investment grade fixed income. We have clients that invest more conservatively, but discourage higher than 70% equity due to the extra risk for minimal return. While we have a standard model, we work with each client to determine if they are most comfortable with an all index approach, or have an investment style that should include funds that employ active management. We will also discuss whether the asset allocation should be market weighted or have exposure to certain sub-asset classes (value/growth style, large/small size, developed/emerging markets, etc.) to try to generate a return premium in the long run.



Conrad Siegel believes in Strategic Asset Allocation. We do not practice tactical asset allocation. When we make recommendations, it is with the belief that they can increase return and/or reduce risk over longer time frames. Conrad Siegel offers custom portfolios with a consistent philosophy. The recommendation process starts with an all index model as a starting point for each client. We then walk through the decisions related to active management and whether to use "tilts" or market like exposure within each sub-asset class. With a defined contribution plan like Clay Township's pension plan, we recommend an all index approach due to the shorter time horizon that corresponds employee turnover and lump sum distributions at retirement. This process will result in a target allocation comprised of funds from our recommended funds list.

**3. How many investments are on your approved list and what are the guidelines you impose on the investment managers?**

Conrad Siegel screens investment options for our recommended funds list using Morningstar Office. Morningstar Office currently has data on nearly 25,000 mutual funds and Conrad Siegel also considers CITs and ETFs on applicable platforms. Conrad Siegel monitors funds on the recommended funds list against the criteria in our clients' investment policy statement. When looking to add or replace funds to the recommended funds list, our internal research team uses these quantitative screens, qualitative reviews, and discussions directly with the fund companies.

**4. Provide three references that we may contact where you provide investment management services and employ a philosophy which you have described above.**

## **5. Confirm that your base services include preparation of an investment policy and list the key components of the policy.**

Our services include working with you through fiduciary liability issues by developing an investment policy statement (IPS) that is customized for the investment objectives and guidelines of your pension funds. We are happy to help you review your existing document or use our template for defined benefit municipal pension plans as a starting point. A sample of our IPS template is attached along with this proposal and a list of the sections of our template IPS are provided below this response. Summary of Sections in Conrad Siegel IPS

- Plan Summary
- Purpose of Investment Policy Statement
- Investment Objectives
- Plan Objectives
- Roles and Responsibilities
- Selection of Investment Advisor
- Selection of Investments
  - Includes criteria where compliance is reported on a quarterly basis.
- Prohibited Investments
- Asset Allocation
- Rebalancing
- Investment Monitoring and Reporting
- Total Expenses and Fees
- Benchmark Indices
- Investment Advisor Termination
- Coordination with the Plan Document

## **6. Will you state in writing that you will act as a fiduciary of our investment program?**

We are independent investment consultants. As such, you can be assured that our advice will be in your best interests. Because we are independent consultants, this allows us to act either as a 3(21) or 3(38) fiduciary and share in the investment responsibility. This will be listed in writing within our investment advisory agreement with the Township.

## **7. Describe your proposal regarding custodial services. Include a description of how monthly payments and lump sums are issued, including tax withholding and submission, as well as tax reporting to IRS and to retirees.**

Conrad Siegel partners with Charles Schwab to provide a full range of custodial services and to provide administrative services for monthly preparation and distribution of payments to retirees:

- **Diversified Menu of Funds** - We have access to thousands of no-load mutual funds from hundreds of mutual fund families.
- **Custody of Assets** - The assets are safeguarded in one of the world's largest depositories.
- **Certified Trust Statements** - Charles Schwab will issue certified trust statements to assist your plan's auditor in preparation of the annual audit report.
- **Check Issuing Services** - Charles Schwab will distribute benefit payments to retirees. Any IRS Form 1099-Rs, or other reporting requirements will be prepared and distributed directly to participants.

Payment Instructions are setup at Charles Schwab on a recurring basis or on a one-time basis. Conrad Siegel's system tracks the amount of monthly payments within the Plan and automatically uploads trades to Charles Schwab the day before payments are issued to participants. This removes the need for a transaction account and allows us to keep Plan assets fully invested with a 0% cash target. As part of our services, Conrad Siegel will setup new payments, modify existing payments as necessary, and process lump sum payments. Completed retirement paperwork or details of modification to existing payments (tax withholding, address change, direct deposit, etc.) will just need to be forwarded to Dave Lytle's attention. Tax withholding, tax reporting, and the issuing of 1099-R tax forms are all handled by Charles Schwab. We also subscribe to a service that allows us to be notified of any retiree deaths. When Conrad Siegel provides both actuarial and investment advisory services to a plan, the benefit payment process can become more efficient from a Township perspective.

**Actuarial Services**

## **1. How many years has the firm been providing actuarial services to Pennsylvania municipalities?**

Conrad Siegel has been providing actuarial services for municipal government entities in Pennsylvania for 60 years.

## **2. How many Pennsylvania municipal retirement plans is the firm currently providing actuarial services?**

We work with nearly 300 municipal pension plans, all in Pennsylvania. This provides us with perhaps the largest database of best practices that Pennsylvania municipalities are using in the design, funding, and administration of their pension plans.

## **3. Describe your knowledge and experience with Act 205 and Act 600.**

Our founder, Connie Siegel was hired as a consultant for the Commonwealth of Pennsylvania leading up to the creation of the Public Employees Retirement Commission. He also was instrumental in the drafting of Act 205 of 1984, which governs the way Pennsylvania municipal pension plans are funded and administered. We are well-versed and able to help with even the most complex provisions, fiscal obligations, and reporting requirements under Act 600 and Act 205. And our close working relationship with the Auditor General's office has been invaluable when working to get a resolution quickly for our clients when the need arises. Our municipal consultants have combined over 100 years of service with municipal pension plans. We understand Pennsylvania's municipal pension plan system and believe our expertise with Pennsylvania's Act 205 is second to none.

## **4. Describe the number of actuaries from the firm that provide actuarial services to PA municipal retirement plans.**

A total of 20 professionals, both enrolled actuaries and actuarial analysts, provide actuarial support and actuarial calculations for Pennsylvania municipal retirement plans. One of the keys to your satisfaction with the services provided by our firm will be the qualified professionals with whom you directly interact on a regular basis. At Conrad Siegel, our practice is to assign an owner in the firm to act as one of your Consulting Actuaries. This very simple but important approach demonstrates our commitment to exceeding your expectations.

## **5. Provide three references that we may contact where you provide Act 205 actuarial services.**

These are the same references provided earlier in the proposal for investment advisory references. These are all joint clients of Ashley and Dave. If you would actuarial-only references, additional references can be provided.

## **Fees**



1. Please identify all fees for all services requested in this RFP. These fees should include both direct and indirect fees, whether paid to you or to another entity. Please specify in terms of both dollar amounts and percent of asset fees. Complete the following chart, which includes the fee column (express as both dollar amount and % of assets) and the explanation column, where we are looking for a complete explanation as to how the fee in that category is being calculated.

**ANNUAL/ONGOING based on 2 defined benefit pension plans with a total of \$5.3M in assets**

Description	Fee	Explanation
<b>Custodian</b>		\$500 per account plus 0.05% of assets.
Direct cost for custodial services	0.07% / \$3,770	Charles Schwab charges \$1 per ACH / \$3 per check for recurring payments. Fee based on 10 monthly direct deposit payments. <sup>1</sup>
<b>Investment Advisory</b>		Flat dollar fee indexed with CPI in future years.
Direct cost for investment advisory services	0.29% / \$15,450	
<b>Mutual Fund Expenses</b>		This is the dollar weighted average expense based on all index approach. <sup>3</sup>
Individual mutual fund fees	0.06% / \$3,162	
<b>Investment Expenses</b>		Not Applicable
Fees for underlying investments outside of mutual funds (separate account manager fees, etc.)	0.00% / \$0	
<b>Annual Actuarial/ Administration</b>	0.17% / \$9,250	Covers recurring services provided to the Borough's defined benefit pension plans. Fees will be indexed with CPI in future years. <sup>2,3</sup>
<b>TOTAL ANNUAL FEES</b>	<b>0.59% / \$31,632</b>	This represents the total "all in" fee.

<sup>1</sup> Additional fees associated with benefit payments are \$5 per ACH / \$10 per check for non-recurring participant payments, and \$10 per ACH / \$20 per check for a stopped payment. This fee includes the 1099-R tax form.

<sup>2</sup> Non-recurring projects will be quoted on an as needed basis.

<sup>3</sup> This is the annual actuarial fees for both the Police and non-uniformed plans. Conrad Siegel can also provide the annual work needed for the Borough's OPEB plans for an additional annual cost of \$2,000.

**2. Do you receive any direct or indirect compensation from investment product providers?**

Conrad Siegel is an independent firm that does not offer proprietary funds. We receive no third-party commission, nor do we have any exclusive affiliation with any financial institution, broker/dealer, money manager, or mutual fund company so that we can offer our clients investment recommendations that are in their best interests. We do partner with Charles Schwab to provide custodial services for our investment clients but receive no compensation from Charles Schwab. Charles Schwab is one of the world's largest depositories of assets. On a regular basis, we perform an in-depth evaluation of our relationship with

Charles Schwab to ensure they are still providing the best execution for our clients, relative to the cost of their services.

**3. Describe any limits on the above services and any additional fees that the plans may incur for other potential services.**

We do not anticipate any additional charges for our services but would disclose additional fees to the Township before commencing work on any such projects.

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\* All investment advisory services and fiduciary services are provided through Conrad Siegel Investment Advisors, Inc. ("CSIA"), a fee-for-service investment adviser registered with the U.S. Securities and Exchange Commission with its principal place of business in the Commonwealth of Pennsylvania. Registration of an Investment Advisor does not imply any level of skill or training. CSIA operates in a fiduciary capacity for its clients. Investing in securities involves the potential for gains and the risk of loss and past performance may not be indicative of future results. CSIA and its representatives are in compliance with the current notice filing registration requirements imposed upon registered investment advisors by those states in which CSIA maintains clients. CSIA may only transact business in those states in which it is noticed filed, or qualifies for an exemption or exclusion from notice filing requirements. Any subsequent, direct communication by CSIA with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides. For additional information about CSIA, please refer to the Firm's Form ADV disclosure documents, the current versions of which are available on the SEC's Investment Adviser Public Disclosure website ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)) and may also be made available upon request.

Fee estimates are provided for illustrative purposes only. Your actual costs will be determined by the specific fee schedule in your client agreement.

All referenced data reflects information as of June 30, 2023, unless otherwise notes. Any testimonials do not refer, directly or indirectly, to CSIA or its investment advice, analysis or other advisory services. No award, ranking or designation referenced herein is to be interpreted as an endorsement, testimonial, recommendation or referral with respect to CSIA, its representative or its investment advisory services. CSIA is not affiliated with or an agent of any of the issuing entities of such awards, rankings or designations, and no fee was paid for CSIA's inclusion or consideration. The criteria for the rankings, awards and/or designations referenced above can be found at [conradsiegel.com/csia-disclosure](http://conradsiegel.com/csia-disclosure).