

PSATS Municipal Pension Trust Proposal for Professional Services

PSATS MUNICIPAL PENSION TRUST APPLICATION FORM

A. Narrative Response to RFP.

This RFP has been responded to by both Nationwide and Summit Financial. Given the integration of the services provided to PSATS, we believe a joint response will best illustrate the strengths of each organization and their ability to partner to provide services to PSATS and its member firms.

Nationwide[®], a Fortune 500 company based in Columbus, Ohio, is one of the largest insurance and financial services companies in the world. Nationwide's *On Your Side* promise is more than a successful 38 year-old slogan. It's a broad-based promise of service to our customers and partners, and our associates deliver on this promise every day. Our dedication began in 1926, when we saw a better way to provide consumers a choice in seeking competitive services. Throughout our history, we have built our brand by going the extra mile for our customers. This attitude drives everything we do and is the true meaning of our *On Your Side* slogan.

With over 30,000 employees, we serve consumers' insurance and financial needs through three primary businesses: domestic property and casualty insurance, life insurance and retirement savings, and asset management. We also are engaged in strategic investments. Nationwide[®] provides a full range of insurance and financial services, including auto, homeowners and commercial insurance, life insurance, annuities, retirement plans, mutual funds and employer-related administrative services.

Nationwide Financial ("NF") is a leading provider of financial services products and long-term retirement savings solutions. NF currently provides retirement plan services to more than 2.6 million participants representing over 45,000 plan sponsors and nearly \$80 billion in assets under management as of June 30, 2010.

NF is recognized as a strong brand with a commitment to provide simpler solutions for customers and distribution partners. Our industry-leading product and service offerings provide us the ability to combine investments, protection and retirement solutions.

NF strives to make it easier for customers to build safety and security around what matters most, so they can live confidently. We approach NF's commitment to be *On Your Side* through advocacy by understanding, guiding and anticipating our customers' needs.

To provide superior service and education in the Pennsylvania area, NF works in cooperation with Summit Financial Corporation ("Summit") as one of its premiere Preferred Pension Administrators ("PPA"). Summit and Joe Bonasera will continue to provide



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services and education to PSATS while NF continues to bring innovative investment products to the public sector retirement market.

NF's and Summit's key areas of focus are:

- **Customer Focus**—Getting smarter about what consumers we target, how we build products, how we deliver an *On Your Side* experience in conjunction with our PPAs.
- **Distribution Effectiveness**—Being more focused on the right firms and delivering new distribution capabilities.
- **Operational Simplicity**—Continuously upgrading our critical systems and improving our processes while remaining focused on plan sponsor and participant needs.

B. Responder's history, ownership and organization.

List your firm's complete name, address, telephone and fax numbers. Briefly describe the organization, the year it was founded, location of its headquarters and other offices, its ownership structure and affiliation with other companies.

Summit Financial Corporation

7 New England Executive Park

Burlington, MA 01803

Phone: (781) 229-9500

Fax: (781) 229-2700

Email: JBonasera@summitfinancialcorp.com

Summit Financial Corporation is an organization comprised of three companies and experienced personnel providing financial services to corporations and their employees/ participants.

The firm was founded in the later part of 1993 when the company employing the founder for 21 years ceased providing pension services. The three organizations are:

Summit Financial, a third party pension administration firm, currently servicing over 400 plan sponsors across the US with defined benefit and defined contribution plans. The service includes administration, investments (selection/ monitoring/ fiduciary responsibility), consulting, compliance, employee education and individual retirement planning.

Summit Benefit Solutions is an employee benefits brokerage business. Services include negotiating benefits and rates for clients, administration (Cobra, adds/ terms, HR resources), plan design consulting, web tools for plan participants, etc. Summit



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Financial and Summit Benefit Solutions are S corporations and owned 100% by Joseph Bonasera.

Summit Financial Strategies is a tax and wealth management firm. Services include providing tax consulting and compliance to individuals and corporations, along with wealth management services to individuals. The business is responsible for client assets in excess of \$90M. Summit is affiliated with Ogilvie Security Advisors, Chicago Illinois for broker dealer services and supervisory compliance with FINRA. Pershing is the custodial firm holding all client assets. This firm is owned 24% by Peter Manning CPA, CFP, President; 24% by Brian Babcock VP Summit Financial and 52% by Joseph Bonasera, President Summit Financial.

Nationwide Financial

5900 Parkwood Pl

Dublin, OH 43016

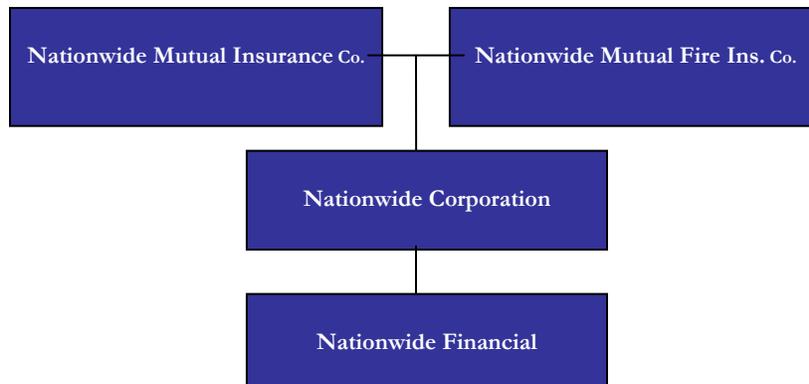
Phone: (800) 626-3112

Fax: (614) 435-4197

Email: rsimon@nationwide.com

NF, a wholly owned subsidiary of Nationwide Corporation, located in Dublin, OH is dedicated to serving customers with an array of innovative, long-term investment and retirement products. Our public and private sector retirement investment operation have enjoyed notable growth in recent years. This is due mainly to long-term investment assets, which grew from \$5 billion in 1987 to over \$78.2 billion as of June 30, 2010.

NF is currently structured in the following manner:



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1. Provide a brief operational history of your firm and any affiliated entities.

Summit Financial and its registered investment advisors are responsible for client assets totaling over \$1.3 billion, excluding assets of clients in Summit Financial Strategies. These assets include defined benefit and define contribution plan assets.

Summit provides administration to approximately 300 defined contribution clients and over 100 defined benefit clients. Consulting services are provided to all clients and actuarial services to all qualified defined benefit and non-qualified defined benefit plans. Summit does not and will not provide custody of any assets. All custodial services are provided by large well known financial firms, including Fidelity, Nationwide, Prudential, T Rowe Price, Hartford, ING, Vanguard, Great West, Mass Mutual and others.

Nationwide is one of the largest providers of financial services and property and casualty insurance providers in the United States. We're ranked No. 118 on the Fortune 500 with 2009 revenues exceeding \$20 billion. The wide range of our businesses and breadth of our distribution network help us to naturally diversify and mitigate risk. The businesses we're in — from annuities, life insurance and retirement plans to banking, mutual funds and property and casualty insurance — provide us with numerous sources of earnings and cash flows without being overly exposed to any single business or risk.

Nationwide Mutual Insurance Co. ("NMIC"), our parent company, is as financially sound as the ratings below reflect:

Agency	Rating	Rank	Received	Affirmed
A.M. Best	A+ "Superior"	2nd strongest of 16	1/1/72	3/25/10
Moody's	A1 "Good"	5th strongest of 21	12/19/08	8/3/10
Standard & Poor's	A+ "Strong"	5th strongest of 22	7/25/01	7/22/10

Nationwide Life Insurance Co. ("NLIC"), as product provider, is also on solid financial ground and its strength and credit ratings are strong. Here are the current ratings:

Agency	Rating	Rank	Received	Affirmed
A.M. Best	A+ "Superior"	2nd strongest of 16	10/17/02	3/25/10
Moody's	A1 "Good"	5th strongest of 21	3/10/09	8/3/10
Standard & Poor's	A+ "Strong"	5th strongest of 22	12/22/08	7/22/10

These ratings and rankings reflect rating agency assessment of the financial strength and claims-paying ability of NMIC and NLIC and are subject to change at any time. They are not intended to reflect the investment experience or financial strength of any variable account, which is subject to market risk. Because the dates are only updated when there's a change in the ratings, the dates above reflect the most recent ratings we have received.



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a. What is the total asset base of the pension funds on which you consult?

Summit Financial and its registered investment advisors are responsible for client assets totaling over \$1.3 billion, excluding assets of clients in Summit Financial Strategies. These assets include defined benefit and define contribution plan assets.

b. How many pension plans do you provide administrative services for? Actuarial services? Consultative services? Custodial services?

Summit provides administration, consulting, educational and investment services to approximately 300 defined contribution clients and over 100 defined benefit clients. Actuarial services are provided for each defined benefit client along with administration, consulting, investments and education for participants.

NF provides recordkeeping, administration, and custodial services for more than 45,000 plans sponsors across the United States.

c. Provide a listing of all government or municipal pension funds, including amount of assets, for which the firm currently acts as an advisor, administrator, custodian and/or actuary.

Summit provides retirement services to the 9 governmental entities. PSATS is one of those clients. Summit has selected to work with NF for investment custody, benefit payments and recordkeeping on the PSATS plan for their experience and business presence in the State of Pennsylvania.

Due to privacy issues and timing, client information will not be released without written approval by the client. Upon written client approval, PSATS will be provided with this information.

Due to privacy concerns, NF does not provide a complete listing of clients and their contact information in our RFP responses. NF does provide retirement plan services and products to more than 24,300 governmental plans with assets of over \$65 billion and over 1.6 million participants.

d. Describe your firm's level of experience and knowledge of the particular elements of the Township's pension program.

Summit is very knowledgeable about the elements and issues facing the PSATS plan and the townships receiving the services. Summit and its staff bring a wealth of plan knowledge to PSATS and have worked in conjunction with PSATS for more than 30 years (actuarial and administration). To clarify this

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statement Rich Collins (actuary) and Sue Audette (administrator) have been employed by Summit for 7 years and Allmerica/ State Mutual prior to Summit.

Actuarial and investment expertise is a requirement as many of the township supervisors responsible for decision making need additional time to fully understand all of the issues regarding costs/ benefits and suitable investment allocation/ diversification for their township. The servicing requires treating each township individually as they all have different needs, objectives and risk tolerance. It's also critical to meet the time constraints faced by the township supervisors. Many educational meetings or consulting meetings occur after business hours to accommodate supervisors' schedules. An important element in helping township supervisors is the ability to take a complex issue and make it clear to people who do not work in the actuarial or investment field every day.

Providing education in an easy to comprehend and user-friendly format is a critical element for the success of the plan. Supervisors need to understand all of the issues before they make a prudent decision for their individual townships.

Another critical opportunity that is important for the PSATS program is to have the ability to educate the townships on the benefits of offering a supplemental 457(b) deferred compensation plan in addition to the defined benefit pension already being offered. Providing both plans where the employee and township contribute helps participants prepare for a more financially sound retirement future.

A large part of the service is provided directly to PSATS where Summit works very closely with Diane Calhoun in servicing member townships. This is important for a number of critical reasons. One, we understand that we represent PSATS and our service reflects on the PSATS organization. Summit constantly strives to provide the highest level of professionalism, integrity and honesty to earn PSATS confidence and trust and that of the township members.

Summit also realizes that its service and responsiveness to Diane Calhoun/PSATS directly impacts the perception that townships have of the PSATS Program. In order to maintain and grow the program this attention to service is critical.

e. Describe your level of experience in advising clients on recognized defined contribution programs.

Summit's defined contribution clients represent 75% of its client base. These plans include 401(k), 457(b), 457(f), 401(a) and 403(b) plans. Summit's staff members are Certified Pension Consultants ("CPC") or are actively pursuing the CPC designation. The PSATS program will continue to be serviced by a familiar

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and experienced team of professionals from Summit to maintain continuity and excellence.

Summit has never lost a client relationship for a service related issue.

Please refer to Section B, question #7 of this response to review resumes for the Summit staff members who will be working with the Trust and its participating townships.

2. Describe the range of activities of your firm and any affiliated entities.

Should PSATS elect to retain Summit and NF as their service providers, a major benefit will be the continuing high level of service and performance that the members of the Trust currently receive:

Summit provides a wide variety of services to the members as outlined below:

- Plan Actuarial and Administration – Encompasses all compliance, reporting and actuarial services to PSATS and member townships.
- Investment selection, monitoring, and fiduciary responsibility – Services are provided both to PSATS Trustees and member townships. For townships, Summit provides service on an individual basis to insure that their individual investment preferences/suitability concerns are incorporated into their plan's portfolio.
- For the trustees, the Nationwide Retirement Clear Advantagesm program provides investment flexibility, high quality money manager, web access for member townships and fee transparency. Summit will work with the Trustees for the selection and monitoring of fund options. This is a fiduciary role for the trustees and Summit's investment advisor.
- Compliance Consulting – Ensuring that individual plan sponsors within PSATS and the trust are in compliance under current regulatory guidelines
- Employer education – Encompasses individual meetings with each participating employer in the Trust, regional meetings, and investment seminars. Since Summit has been working with PSATS, many successful educational meetings have been held throughout the Commonwealth for PSATS members. Prior to Summit's tenure with PSATS, this service was not provided.
- Employee education – With the commencement of the 457 program, Summit provides employee education for many townships regardless of size to help promote and grow the program.
- Plan Document Assistance – Issuing IRS approved plan documents for each township to reflect their specific benefit, rights, and features. Provide amendments as needed for changes required or requested.
- Service – Be a trusted partner to PSATS insurance and retirement services.

NF's offer to PSATS utilizes the Nationwide Retirement Clear Advantagesm program. The Nationwide Retirement Clear Advantagesm program, a new standard of excellence in

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retirement plans, includes the benefits of services that Nationwide currently provides to PSATS' plan and offers the following advantages and features:

- Plan investment management services through Nationwide Investment Advisors, LLC, with Wilshire Associates Incorporated as Portfolio Strategist.
- A wider selection of investment options including retail mutual funds.
- Institutional class investing, typically only available to large plans.
- No proprietary fund requirements.
- Fee transparency and clear disclosure.
- Tools to assist you with your fiduciary obligations with easy online access
- Multiple levels of Trust and Custodial Services through Nationwide Trust Company, LLC ("NTC").

In addition, NF's operations area has processes in place to ensure the delivery of quality products and services, including:

- Double-data entry of participant enrollment data
- Complete quality checking of all financial and non-financial data input on a pre-flow basis at Nationwide®
- Electronic confirmations are transmitted the following business day
- Administrative consultant follows reconciliation procedures
- Daily "suspense" monitoring and reporting internally and externally
- Measurement of all data entry for each individual and service team, with results included in each team member's performance evaluation
- Published standards for transaction processing, electronic download information and customized statements
- Regular, comprehensive internal control system by our internal auditing department
- Annual evaluation by an outside accounting firm of adherence to internal audit procedures and SAS 70 documentation
- All processes are fully documented and in compliance with Sarbanes-Oxley

The Nationwide Retirement Clear Advantagesm program offers real value to the Trust and its participating townships while allowing the members to select the level of service support from NF that is appropriate in combination with Summit's services to meet their individual plan's needs.

3. Is your firm, or any affiliated entity, a registered investment advisor with the SEC under the Investment Advisors Act of 1940?

While Summit is not a registered investment advisor under the Investment Advisors Act of 1940, Summit has 16 employees that are registered investment advisors through Ogilvie Security Advisors, Chicago Illinois.

Our affiliate, Nationwide Investment Advisors, LLC ("NIA"), is an SEC-registered



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investment adviser and offers the discretionary Advice Program to plan sponsors regarding the management of assets in defined benefit plans and other trustee-directed retirement plans should the Trust or any of its members elect to utilize this option for an additional fee. Under the Advice Program, NIA has retained a Portfolio Strategist to develop and maintain Portfolios offering various risk and return profiles for defined benefit plans and similarly situated investors. NIA has hired Wilshire Associates Incorporated ("Wilshire"), as the Portfolio Strategist.

Wilshire Associates Incorporated ("Wilshire"), as the Portfolio Strategist

- Founded in 1972 with assets under management of over \$56 billion as of December 31, 2009
- A leading provider of investment products and services to more than 500 organizations in more than 20 countries, with combined assets of approximately \$5 trillion⁽¹⁾
- A professional in the field of asset allocation, investment manager selection and risk management, catering to the institutional marketplace
- Developer of the Wilshire 5000 Total Market Index(SM), the first comprehensive U.S. stock index

(1) The assets, based on the more than 500 organizations to which Wilshire provided investment products and services, are as of December 31, 2008, based on published data in the December 28, 2009 issue of *Pension and Investments*.

Content within this response should not be construed as an endorsement, by any entity, of NIA or the investment advisory services it provides.

In addition to NIA, the following Nationwide affiliates are also SEC-registered investment advisors:

- Nationwide Securites, LLC
- Nationwide Fund Advisors
- Nationwide Asset Management, LLC

4. **Within the last five (5) 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 or disposition.**

Summit has not been involved in any litigation or other legal proceeding relating to professional activities within the last five years.

NF is currently involved in lawsuits common to the industry, which stem from routine business practices associated with administering employee benefit plans. These suits have not had an impact on our ability to service any of our plans nor does NF foresee them

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having an impact on our ability to service the PSATS plan. There is one material litigation item that relates to NF's handling of ERISA plans, as described below.

On August 15, 2001, NFS and NLIC were named in a lawsuit filed in the United States District Court for the District of Connecticut entitled Lou Haddock, as trustee of the Flyte Tool & Die, Incorporated Deferred Compensation Plan, et al v. Nationwide Financial Services, Inc. and Nationwide Life Insurance Company. In the plaintiffs' sixth amended complaint, filed November 18, 2009, they amended the list of named plaintiffs and claim to represent a class of qualified retirement plan trustees under ERISA that purchased variable annuities from NLIC. The plaintiffs allege that they invested ERISA plan assets in their variable annuity contracts and that NLIC and NFS breached ERISA fiduciary duties by allegedly accepting service payments from certain mutual funds. The complaint seeks disgorgement of some or all of the payments allegedly received by NFS and NLIC, other unspecified relief for restitution, declaratory and injunctive relief, and attorney's fees. On November 6, 2009, the Court granted the plaintiff's motion for class certification and certified a class of All trustees of all employee pension benefit plans covered by ERISA which had variable annuity contracts with NFS and NLIC or whose participants had individual variable annuity contracts with NFS and NLIC at any time from January 1, 1996, or the first date NFS and NLIC began receiving payments from mutual funds based on a percentage of assets invested in the funds by NFS and NLIC, whichever came first, to the date of November 6, 2009. On November 23, 2009, NFS and NLIC filed a rule 23(f) petition asking the Second Circuit Court of Appeals to hear an appeal of the District Court's order granting class certification. On December 2, 2009, NFS and NLIC filed an answer to the 6th Amended Complaint and a third amended counterclaim. On January 29, 2010, the Companies filed a motion for class certification against the four named plaintiffs, as trustees of their respective retirement plans and against the trustees of other ERISA retirement plans who become members of the class certified in this lawsuit, for breach of fiduciary duty to the plans because the trustees approved and accepted the advantages of the allegedly unlawful revenue sharing payments. On July 23, 2010, the District Court denied the Companies motion for class certification and dismissed the counterclaim. On August 6, 2010, the Companies filed a motion for reconsideration of the ruling on the motion for certification of counterclaim defendant's class certification order and also filed a motion for leave to amend the answer to the plaintiff's sixth amended complaint and third amended counterclaim. These motions were denied on November 8, 2010. On October 20, 2010, the Second Circuit Court of Appeals granted NLIC's 23(f) petition agreeing to hear an appeal of the District Court's order granting class certification. On October 21, 2010, the District Court dismissed NFS from the lawsuit. On October 27, 2010, the District Court stayed the underlying action pending a decision from the Second Circuit Court of Appeals. NLIC continues to defend this lawsuit vigorously.

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5. **If your firm, or any affiliate, is a broker/dealer, do you trade for client accounts through this broker/dealer?**

NF affiliate, Nationwide Investment Services Corporation (“NISC”), is a registered broker dealer. All trades through the Nationwide Trust Company, FSB (“NTC”), as plan custodian, are placed through NISC.

Summit is not a registered broker/dealer.

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

Summit brings a wealth of industry and PSATS specific knowledge to the Trust and its members. The following Summit Associates will be providing services to the plan.

Joseph F. Bonasera

President

jbonasera@summitfinancialcorp.com

Phone: (781) 761-1623

Joseph Bonasera founded Summit Financial in 1993 to provide clients with the kind of personalized attention that he hadn't found in his previous 20 years working in the financial services industry. He built Summit Financial on two key concepts: first that every client should feel like they are the only client, and second that the corporate environment should be one that supports the personal growth and professional fulfillment of every member of the Summit Financial team.

Summit Financial's strength lies in the handpicked team of people who, like Joe, are motivated to succeed, effective communicators, respectful of their clients and co-workers, and strive to be the best they can be.

Joe has over 35 years of experience in the sales, service, and administration of employee benefit and retirement plans - the most rewarding of which have been the past seventeen years running Summit Financial Corporation.

Educational and Professional Background:

Bowdoin College - B.A. Economics 1973

Northeastern University - M.B.A. 1981

Bentley College - M.S.T. 1983

FINRA Securities Licenses, Series 7, 6, 63, 65

Joe maintains the following professional designations awarded by The American Society of Pension Professionals & Actuaries (ASPPA): Qualified Plan Administrator (QPA) and Qualified Plan Financial Consultant (QPFC). Joe is also an Accredited Investment



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Fiduciary Analyst (AIFA), a designation that signifies he demonstrates the knowledge to assess whether an investment fiduciary conforms to a global fiduciary standard of excellence.

Douglas C. Norberg

Vice President, Sales
dnorberg@summitfinancialcorp.com
Phone: (781) 761-1629

Doug is a Vice President of Sales with Summit Financial's Retirement Plan Services division. He brings close to twenty years of experience working in the retirement plan industry. Prior to joining Summit Financial Corporation in 1997, Doug was Vice President of Sales with MassMutual's Retirement Services division in two of their large target markets, Dallas, Texas, and Philadelphia, Pennsylvania.

The passion and commitment that Doug brings to all of his business relationships are a reflection of the love he has for his work. He knows what it means to deliver services to his clients built on a solid foundation of trust and real value. Over the years, he has earned the respect of his clients by carefully aligning Summit's unique service model to address and meet their unique service needs. His independence along with the fierce dedication he presents to his clients has enabled him to transform his relationships from that of a vendor to a trusted advisor and educator.

Educational and Professional Background:

Syracuse University - Bachelor of Science, Economics and Politics
FINRA Securities Licenses: Series 7, 6, 63, 65

Doug maintains the following professional designations awarded by The American Society of Pension Professionals & Actuaries (ASPPA): Qualified 401(k) Administrator (QKA) and Qualified Plan Financial Consultant (QPFC)

Doug is also an Accredited Investment Fiduciary Analyst (AIFA), a designation that signifies he demonstrates the knowledge to assess whether an investment fiduciary conforms to a global fiduciary standard of excellence. Doug is a member in good standing with the ASPPA and fi360.

Daniel N. Fowler

Vice President of Account Management
dfowler@summitfinancialcorp.com
Phone: (781) 761-1628

As Vice President of Account Management in the Retirement Plan division, Dan leads one of Summit's teams of Account Managers. Dan has over 15 years of experience in the retirement plan industry and has been with Summit since 1998. Prior to joining Summit he worked for a pension consulting firm in New Jersey and was responsible for the administration of more than 125 defined contribution and defined benefit plans. Dan is



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responsible for the consulting, design, implementation, conversion, administration and compliance for the following types of retirement plans: 401(k), 403(b), 457, money purchase, defined benefit and non-qualified deferred compensation.

Educational and Professional Background:

Bentley College - Master of Business Administration (MBA) with a concentration in Financial Planning

Bentley College - Master of Science in Financial Planning (MSFP)

Bowdoin College - Bachelor of Arts majoring in Math and Economics

FINRA Securities Licenses: Series 7, 63, 65

Dan maintains the following professional designations awarded by The American Society of Pension Professionals and Actuaries (ASPPA): Certified Pension Consultant (CPC); Qualified Pension Administrator (QPA); Qualified Plan Financial Consultant (QPFC); and Qualified 401(k) Administrator (QKA). Dan also maintains the Accredited Investment Fiduciary Analyst™ (AIFA®) awarded by Fi360. Dan has been a member in good standing with the American Society of Pension Professionals and Actuaries since 1999.

Jason A. Denton

Senior Consulting Actuary

jdenton@summitfinancialcorp.com

Jason A. Denton graduated from the University of Rhode Island with a Bachelor of Science with highest distinction in Mathematics in 1994 and a Master of Science in Mathematics in 1996. Prior to joining Summit Financial Corporation as a Senior Consulting Actuary, Jason was the Director of Actuarial Services with The Angell Pension Group and a Benefits Consultant and Actuary with Watson Wyatt Worldwide. Jason has nearly 15 years of experience advising companies with one to over 100,000 employees in the design, compliance, funding and administration of their retirement programs including qualified and nonqualified pension plans as well as postretirement welfare plans. His clients have covered a wide spectrum of retirement issues including multiemployer union groups, non-electing church plans, governmental, small professional service groups and multi-national conglomerates.

Jason is a Fellow of the Society of Actuaries and an Enrolled Actuary.

Scott Boulay

Senior Consulting Actuary

sboulay@summitfinancialcorp.com

Scott Boulay is a Senior Consulting Actuary with Summit Financial Corporation. He has more than 15 years of experience and was previously employed by CIGNA, Towers Perrin, and Watson Wyatt where he served as the company's East Regional Training Coordinator. Scott graduated with distinction with a B.S. in Actuarial Mathematics from



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Worcester Polytechnic Institute. He is an Associate of the Society of Actuaries (ASA), a Member of the American Academy of Actuaries (MAAA), an Enrolled Actuary (EA), and has been a frequent speaker at industry meetings about plan design alternatives; including cash balance plan design, the impact of global aging, and the future of U.S. retirement systems.

Scott's responsibilities include qualified retirement plan design, funding, compliance and administration, as well as the design and implementation of post-retirement medical benefit arrangements and non-qualified plans for executives. His clients range in size from owner-only businesses to multi-national firms with thousands of employees and include Blue Cross Blue Shield of Rhode Island, Allmerica Financial, and Nortek, Inc.

Susan E. Audette

Senior Account Manager
saudette@summitfinancialcorp.com
Phone: (781) 761-1653

Sue is a Senior Account Manager in Summit Financial Corporation's Defined Benefit Retirement Plan Services division. She brings over thirty years of experience in the retirement plan industry. Prior to joining Summit Financial in 2007, Sue worked as a Client Relationship Manager with Allmerica Financial Company's retirement and investment division in Worcester, Massachusetts.

Educational and Professional Background:

Newton College of the Sacred Heart - Bachelor of Science, Sociology

Doug Johnson

Sales Consultant
djohnson@summitfinancialcorp.com
Phone: (781) 761-1655

Doug is a Sales Consultant in Summit's Retirement Plan Services division. Having joined the Summit team in 2007, Doug focuses his efforts on business development and assisting plan sponsors efficiently manage all aspects of their retirement plan, including plan design, investment due diligence, and employee education.

Educational and Professional Background:

Bowdoin College - Bachelor of Arts, Government & Legal Studies (minor in Economics)
Boston College - Carroll School of Management, Currently pursuing Master of Business Administration
FINRA Securities Licenses: Series 7, 63

Doug currently maintains the Qualified Plan Financial Consultant (QPFC) designation



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awarded by The American Society of Pension Professionals & Actuaries (ASPPA). Doug is a member in good standing with ASPPA.

David B. Mulkern

Senior Account Manager
dmulkern@summitfinancialcorp.com
Phone: (781) 761-1624

Dave is a senior account manager in Summit's Retirement Plan Services division. He brings seventeen years of experience in the retirement plan industry. Prior to joining Summit Financial Corporation in 2004, Dave held compliance, conversion, and administration roles with several third-party administration firms.

Educational and Professional Background:

University of New Hampshire, Whittemore School of Business - Master of Business Administration

Canisius College - Bachelor of Arts, History and Political Science

The Institute for Employee Benefit Training

Employee Benefits Plan Program Diploma

FINRA Securities Licenses, Series 6, 63

Dave currently maintains the following professional designations awarded by The American Society of Pension Professionals & Actuaries (ASPPA): Qualified 401(k) Administrator (QKA), Qualified Pension Administrator (QPA), and Certified Pension Consultant (CPC). Dave is a member in good standing with ASPPA.

7. Do any of your investment consultants have portfolio management or plan sponsor experience? Please give details.

All of the investment advisors at Summit have worked with plan sponsors and their employees to build suitable and diversified portfolios. With respect to working with townships, understand that investment education is a pre-requisite for the governing authority to make prudent investment decisions regarding their retirement assets is paramount. Most townships are very conservative in their investment election and tend to default to the guaranteed account. Those that have availed themselves of the education or have supervisors that are investment astute tend to perform the fiduciary function more effectively. They understand the risk and return of equities and also the diversification process to mitigate large losses. Summit has worked and will continue to provide this education to help townships attain the return consistent with their level of risk tolerance. The level of risk tolerance in any township depends upon the township's budget and the flexibility of funding at higher levels when the market is decreasing asset values, as well as risk tolerance of the individuals making the decisions. The township governing authority has the fiduciary responsibility to act in the best interest of their plan participants. Summit and PSATS has helped many perform this function very well.

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Summit's recommendations are based upon the Modern Portfolio Theory. The first decision of a township, after the education process, is to define the appropriate asset allocation. That is, amount of assets allocated to stocks, bonds and the guaranteed account. Once this decision is made, the portfolio should be diversified to reduce the risk of large losses. In this case assets are diversified among large, mid and small cap money managers, US, developed and emerging foreign investments. Portfolios will also have an exposure to REIT and commodities. On the fixed income side portfolio will have exposure to corporate, government, high yield, foreign and emerging market debt.

In each asset class the portfolio will consist of passive (Vanguard index funds) and active managers. The objective is to have active managers with a history of providing excess returns over the passive benchmark. Past performance does not guarantee future results.

At the trustee level the funds available to townships will be monitored based upon an Investment Policy Statement. If necessary the trustees will add, remove or place on "watch list" the money managers as appropriate. It is Summit's responsibility to work with the trustees on this fiduciary function. Summit believes that its service and advice to the trustees regarding investments places the investment advisor in a fiduciary role.

This is also the case for the Trustees 457(b) program and PSATS Association plans.

C. Services.

1. Describe your firm's proposal to arrange for custodial services

NTC, a division of Nationwide Bank, was established on September 1, 1998 to provide new and existing clients with trustee and custodial services. NTC offers directed (non-discretionary) trustee services to the plan. Its duties are to hold and preserve the assets of the plan, assuring plan assets are distributed only in compliance with the plan document and federal law, as directed by a plan fiduciary or its authorized representative. NTC is not a named fiduciary within the meaning of Section 402(a) of ERISA with respect to the administration and management of a plan, and has no responsibility for such matters. Please refer to the NTC Program Agreement for a detailed description of our fiduciary responsibilities.

2. Describe your firm's ability and proposal to provide investment and related services

Nationwide Investment Advisors, LLC ("NIA"), a SEC-registered investment adviser, can offer the discretionary Advice Program to PSATS and its member townships (for an additional basis point fee) regarding the management of assets in defined benefit plans and other trustee-directed retirement plans. Under the Advice Program, NIA has retained a Portfolio Strategist to develop and maintain Portfolios offering various risk and return profiles for defined benefit plans and similarly situated investors. NIA has hired Wilshire Associates Incorporated ("Wilshire"), as the Portfolio Strategist.



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Prior to establishing an advisory account under the Advice Program, the Plan Sponsor must complete Parts I and II of the Advice Program Questionnaire. The Questionnaire is a tool developed by the Portfolio Strategist to assist the Plan in its selection of a Portfolio designed to meet the investment objectives of the Plan, as well as to indicate any reasonable restrictions the Plan may wish to place on the management of its assets. Based on the Plan Sponsor's responses, the Questionnaire will suggest an investment strategy and corresponding Portfolio. The Plan Sponsor is solely responsible for approving the Portfolio identified through the Questionnaire, or if it chooses, selecting a different Portfolio.

NIA will not take discretion over the Plan Account until NIA receives required enrollment materials, including the Investment Advisory Agreement, completed Questionnaire (Parts I & II), and all account information, in good order, as determined solely by NIA.

PSATS and its member townships may access this service for an additional .25 bps fee. The .25 basis points is for existing NF clients only. New clients are assessed a .50 bps fee.

For more information about NIA's Advice Program, please consult NIA's Form ADV, Part II and Schedule F in the **Investment Management Services** exhibit.

Fiduciary Tools

NF can provide several fiduciary tools to help you understand the fiduciary obligations involved in sponsoring and maintaining a retirement plan. Key among the resources we provide is The Nationwide Financial Fiduciary SeriesSM. The Seriessm is designed to help plan sponsors understand the fiduciary obligations imposed by the Employee Retirement Income Security Act of 1974 – commonly known as ERISA.

With the The Nationwide Financial Fiduciary SeriesSM and the experience of Summit's advisors, member townships will have access to experienced professionals that work providing this service to many firms every day.

This comprehensive collection of print and web-based resources contains such customizable online tools as:

- **The Model Investment Policy Statement Template** to help you draft a written statement providing guidelines and standards that plan fiduciaries will use when selecting and monitoring the plan's investment options and service providers
- **The Fiduciary Responsibility Success Quiz** to test your understanding of your fiduciary obligations

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- **The Q&A Brochure** to assist in communicating retirement plan information to your employees
- **The Due Diligence File Checklist** to help ensure you are investigating and documenting plan-related decisions
- **The Plan Fiduciary Meeting Checklist** to help you document the activities and decisions made of any plan fiduciary meetings
- **Your Quarterly Plan Checkup** that provides an overall view of the activity of your plan each quarter

3. Describe your firm's ability and proposal to provide administrative and consultative services

Summit will continue to provide services, which are essential to the operation and administration of the PSATS defined benefit plan. Among these are plan consultation, plan design, administrative support, asset allocation advisory assistance and plan reporting, which includes actuarial valuations, MMO, Act 205 and annual accounting of plan assets. Summit and NF, in cooperation, will also provide employee communications such as, participant benefit statements, benefit calculation services (which includes benefit distributions); direct deposit and tax reporting.

Summit's actuaries and consultants are fully knowledgeable of Act 44 and the issues it presents to townships. We are prepared and have advised townships accordingly. Our proposal is a full service arrangement, which provides for all services included in our annual fees. Unlike many service providers, we do not charge hourly rates for any service. Our model is that we become part of the team and do what is necessary to meet individual township needs. This includes actuarial studies for new and existing townships, investment education, discussion and analysis of plan design issues to assure consistency between the plan document and employer objectives, technical assistance in all plan matters, updates to plans as a result of recently passed legislation and any services associated with the normal administration of a retirement plan. We will also provide an IRS prototype plan document and Summary Plan Description ("SPD") for all townships to replace the current resolution/ plan agreement.

4. Describe your firm's ability and proposal to provide actuarial services

Summit's dedicated team of retirement benefit experts includes three actuaries with over 60 years of combined experience working to advise and administer pension programs like those sponsored by PSATS, including a 30 year working relationship with PSATS. Our staff has partnered with PSATS to provide actuarial consulting and administrative support to all aspects of the defined benefit plans, including Act 205 valuations and filings, Minimum Municipal Obligation exhibits, GASB reporting and Act 44 administrative improvement plans.

The PSATS client team has been expanded over the last few years to include two additional actuaries, who, we believe, have helped continue Summit's track record of

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exceptional service. Our staff is always available, consulting on projects ranging from providing quotes for potential new programs or analyzing and reviewing any possible program changes with Township officials from both a cost and employee impact perspective. Unlike a number of our competitors, we do not charge additional fees for our consulting services – our clients never have to worry about being “on the clock” when any question or issue arises. At Summit Financial, we feel that our dedication, attention to detail, timeliness and ability to deftly respond to issues truly sets us apart from our competitors.

5. Describe your firm’s ability and proposal to provide communication services in aid of preserving and expanding the Trust’s municipal pension program

Communication and education are critical components of a successful retirement program. Summit views PSATS’ mission to provide education to member townships as a priority. We believe our role in representing PSATS is to provide consistent high quality education to help supervisors with plan design and investment decisions, as well as, employees in understanding benefits of both the defined benefit plan and 457(b) plans.

Depending upon the nature of the visit, Summit will rely on Diane Calhoun to determine if a visit is appropriate or if we could handle the service with a web based conference call. For example: Bedford township was being “pitched” by a local investment advisor. In this case, we made a personal visit and won the confidence and trust of the supervisors with much assistance from the local investment advisor, who continually told the supervisors that PSATS was “right and we knew our business”.

For more global education, Summit feels it is beneficial to hold regional educational seminars, as recommended in the past, to help supervisors understand their fiduciary responsibility and give them the tools to understand and make the plan design and investment decisions for their township. Obviously, most townships will need close attention and consulting as they work toward making these decisions. We feel it is our responsibility in representing PSATS to provide this service.

To date, we feel that Summit has not disappointed any township when meetings were requested. Some meetings have been one to one at the township and others have been held electronically (web based conference call). On occasion, we have asked for the assistance of NF for 457(b) plan seminars. NF has over 40 employees doing education meetings throughout the Commonwealth and has committed those resources to PSATS as Summit needs them.

Regarding the 457(b) plan, Summit has presented educational seminars for many prospective and member townships at no additional cost to PSATS. While this is labor and cost intensive, Summit believes that there is no way to educate all PSATS members on this beneficial option without feet on the ground. Here again, the resources of NF are available to us when requested.

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NF has also contributed substantially toward the marketing effort by printing brochures and enrollment booklets for us to use to promote the 457(b) plan to townships. The annual conference pension seminars are always well attended. This is another opportunity to market the PSATS Program and provides valuable information for attendees. Generally, two seminars are provided to cover each program.

D. Fees.

1. **Please provide a fee proposal for the services outlined in this request. Explain cost breakdown for:**

Summit's and NF's fees to provide the services discussed in this response are outlined below.

Summit Fees:

Investment Services	0.15% (15 bps)
All of Services	0.85% (85 bps)

NF Fees:

Administrative, Recordkeeping, & Custodial Services	0.30% (30 bps)
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The average mutual fund investment fee for a plan is .40% (40 bps) making the total average cost to PSATS and its member townships 1.85% (185 bps) inclusive of the .15% (15 bps) that is provided to PSATS to offset the plans expenses.

Should PSATS or its member townships elect to utilize the NIA Advice Program, an additional 0.25% (25 bps) will be assessed.

a. Administrative

Included in the Summit and NF fees as outlined above.

b. Investment Management

Included in the Summit fees as outlined above.

c. Transaction Costs

There are no additional transaction costs.

d. Consulting

Included in the Summit fees as outlined above.

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e. Custodial

Included in the NF fees as outlined above.

f. Actuarial

Included in the Summit fees as outlined above.

Summit Fees, exclusive of NF, investment, and PSATS

Investment services to Trustees and townships which include drafting Investment Policy Statements for townships and the Trustees, Quarterly Fiduciary Due Diligence reports to select and monitor funds available in the program, asset allocation and diversification assistance to governing authorities of townships, a fiduciary role for the selection and monitoring of funds made available, model portfolios built to help townships with investment decisions and investment educational seminars as requested are included in the fee of 15 bpts or approximately \$300 per township.

All other services including administration, consulting, actuarial services, plan document preparation, SPD, amendments requested or mandated educational seminars, trustee meetings, township meetings, convention presentations, etc., are included in the fee of 85 bpts with a cap of \$2000 on average for each township during the three years following the contract date. Currently the average cost per township is about \$1600 per year for these services.

2. Are you willing to guarantee your fees for a specific period of time?

NF

The average assets in the plan are reviewed annually prior to the contract anniversary, per the provisions stated in the Program Agreement. If average assets in the plan fall below \$5,000,000, the asset fee will increase according to the Asset Fee table stated in the program agreement. If the average assets are \$5M and above the asset fee will not change.

3. Provide an hourly fee schedule for any additional services not included in the basic scope of services.

Our proposal is a full service arrangement, which provides for all services included in our annual fees. Unlike many service providers, we do not charge hourly rates for any service. This includes actuarial studies for new and existing townships, investment education, discussion and analysis of plan design issues to assure consistency between the plan document and employer objectives, technical assistance in all plan matters, updates to plans as a result of recently passed legislation and any services associated with the normal administration of a retirement plan. We will also provide an IRS prototype

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plan document and SPD for all townships to replace the current resolution/plan agreement.

E. Investment policy, research and reporting.

1. Describe your firm's approach to investment research. Please indicate relationship; if any, with researchers/academics outside your firm.

Both Summit and NF will provide research and reporting as described below.

Summit evaluates money managers by analyzing quantitative data (performance, risk, style drift, fees, benchmarking, etc.) provided by third party firms such as Morningstar, Fi360, Zephyr, and the Fiduciary Series. Summit regularly meets with representatives and PM's of the mutual fund firms for qualitative analysis which includes people, investment process, investment philosophy, product objective, etc. Summit also has access to the investment staff at Ogilvie Securities Advisors for their opinions.

Part of our process is the continuous reading of a select group of economists' reports.

NF, as product provider, monitors the funds made available through Nationwide products on a regular basis. This monitoring utilizes Morningstar, Zephyr Style Advisor and MPI Stylus in conjunction with a proprietary review process. Key evaluation criteria include:

- Performance
- Track record style
- Consistency
- Risk
- Fees
- Asset size
- Fund management
- Marketing

Other core categories that could result in additional monitoring of the fund include:

- Significant change in firm ownership
- Significant personnel turnover
- Significant change in philosophy
- Significant under-performance relative to a peer group
- Significant change in risk profile

2. How do you evaluate investment managers?

As a product provider, NF uses a four-part proprietary approach to manager selection, including but not limited to:

- Quantitative Research helps to identify managers who can deliver superior performance through different market conditions.

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- Qualitative Review includes a series of interviews with key people at the firm to discuss their Investment Process as well as confirming the results of our quantitative research.
- Risk Analysis offers a multidimensional view of the opportunities and challenges that come with working with any specific firm.
- Review ensures the managers we are reviewing perform up to our expectations based on our Quantitative and Qualitative assessment.

Summit uses similar techniques and also considers the analysis and data provided by the large investment firms.

3. Describe the educational services to the Trust and individual participants which you expect to provide within the quoted fee.

Summit provides a wide variety of educational services to PSATS members within the quoted fee as outlined below:

- **Investment selection, monitoring, and fiduciary responsibility** – Services are provided on an individual basis to each member of PSATS to insure that their individual preferences are incorporated into their investment offerings through the Nationwide Retirement Clear Advantagesm program
- **Compliance Consulting** – Ensuring that individual plan sponsors within PSATS and the trust are in compliance under current regulatory guidelines
- **Employer education** – Encompasses individual meetings with each participating employer in the Trust, regional meetings, and investment seminars. In 2010, Summit conducted over 60 meetings throughout the Commonwealth for PSATS members.
- **Employee education** – Summit provides employee education for 457 plan members and prospective members, as needed/ requested by PSATS.
- **Monitoring and updating plans on Legislative and Regulatory Updates**

In addition, Summit has provided the following services to PSATS with no additional compensation:

- **PSATS Trustees 457(b) Plans** – initial analysis to compare market competitors to a potential PSATS program; meetings with Executive Director and trustees to consider the options and expectations; vendor selection, pricing models, plan design, plan documents, plan administration, fiduciary due diligence and analysis on fund options, regional seminars to promote plan, on site employee meetings at numerous townships to promote PSATS and the plan
- **PSATS Trustee DB Plan** – Act 44 consulting, cost/liability projection to change plan features of affected townships; writing administrative improvement letters for submission to the state retirement system; Cable TV presentations on Act 44; negotiations with NF to begin a revenue sharing plan to help offset PSATS

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administration costs, \$8,000 to support annual convention in 2010, \$2500-\$3000 toward the golf tournament in prior years

- **PSATS Association DB:** actuarial studies comparing DB/DC accrued benefit charts 2007,2008 and 2010; frozen plan cost/liabilities, 5 year cost projections; participant benefit comparisons DB vs. DC plan; termination liability calculations, defined contribution analysis to determine the annual contribution rate to make up lost benefit under a frozen plan and under a reduced formula
 - **PSATS Association 457 Plan:** tax research and consultation time with PSATS accountant, Aaron Grumbling, pertaining to D. Sanko's deferral contribution by PSATS
4. **Describe your firm's asset allocation process for pension investments. Be sure to address the development of investment policies, portfolio structure, and guidelines for investment managers.**

As part of our offer to PSATS, NF provides access to the discretionary NIA Advice Program to plan sponsors regarding the management of assets in defined benefit plans and other trustee-directed retirement plans should the Trust or any of its members elect to utilize this option for an additional fee.

Prior to establishing an advisory account under the Advice Program, the Plan Sponsor must complete Parts I and II of the Advice Program Questionnaire. The Questionnaire is a tool developed by the Portfolio Strategist to assist the Plan in its selection of a Portfolio designed to meet the investment objectives of the Plan, as well as to indicate any reasonable restrictions the Plan may wish to place on the management of its assets. Based on the Plan Sponsor's responses, the Questionnaire will suggest an investment strategy and corresponding Portfolio. The Plan Sponsor is solely responsible for approving the Portfolio identified through the Questionnaire, or if it chooses, selecting a different Portfolio.

For more information about NIA's Advice Program, please consult NIA's Form ADV, Part II and Schedule F in the **Investment Management Services** exhibit.

Separately, NF provides tools that can be used with Summit's educational services to develop individual investment policies and portfolio structures to meet the individual townships needs and preferences.

5. **What is your firm's position on indexing?**

Summit utilizes both an index and an active manager for each asset class. Indexing is a valuable cost reduction tool. The addition of the active manager to the mix allows for inclusion of funds that can assist in providing higher returns.

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6. What is your firm’s process for establishing client objectives and developing the Investment Objective Statement?

Summit will continue to work with each individual member township of PSATS to create individual Investment Objective Statement that are unique to the township’s need, resources, and objectives. Utilizing the tools and documents provided by NF, Summit will assist the township in identifying their objectives, risk tolerance, and the investment structure that best suits their funding levels.

7. Will your firm be a fiduciary to the program?

Summit assumes a fiduciary role for the selection and monitoring of funds; to provide fund options to mitigate the risk of large losses; to follow the process and methodology stated in the investment policy statement.

Nationwide offers directed (non-discretionary) trustee services to the plan. Its duties are to hold and preserve the assets of the plan, assuring plan assets are distributed only in compliance with the plan document and federal law, as directed by a plan fiduciary or its authorized representative. Nationwide is not a named fiduciary within the meaning of Section 402(a) of ERISA with respect to the administration and management of a plan, and has no responsibility for such matters.

8. Will investment management fees be inclusive of trade executive, custody, reporting, and investment advice, or will each be billed separately?

The management fees outlined below will be inclusive of trade execution, custody, reporting, and investment advice. Summit’s and NF’s fees to provide the services discussed in this response are outlined below.

Summit Fees:

Investment Services	0.15% (15 bps)
All of Services	0.85% (85 bps)

NF Fees:

Administrative, Recordkeeping, & Custodial Services	0.30% (30 bps)
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The average mutual fund investment fee for plan is .40% (40 bps) making the total average cost to PSATS and its member townships 1.85% (185 bps) inclusive of the .15% (15 bps) that is provided to PSATS to offset the plans expenses.

Should PSATS or its member townships elect to utilize the NIA Advice Program, an investment management fee of 0.25% (25 bps) will be assessed.



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9. Describe the due diligence process utilized in the selection of investment products.

Using proven methodology previously available to only the large plan market, the Nationwide Fiduciary Series encompasses a comprehensive and systematic process that enables investment fiduciaries to prudently select, evaluate and monitor funds based on fiduciary best practices.

Six evaluation measures for each fund are condensed into a user-friendly format: a batting average. This is done by evaluating each equity, bond and hybrid fund in the Standard & Poor's (S&P) Microcap database on a quarterly basis using six measures that quantify relative operating expenses, total returns, and risk-adjusted performance.

For each of the six evaluation measures, all equity, bond and hybrid funds are rated using percentile rankings ranging from 1% (best) to 100% (worst) within their respective S&P style classification (peer group) to determine each fund's relative performance. The methodology uses percentile rankings because percentile rankings are more meaningful: funds should be measured against the appropriate peer group of funds with similar objectives and investment styles.

Each evaluation measure is then converted into an easy-to-understand batting average for presentation purposes. The six measures are totaled and then averaged to compute each fund's overall batting average within its S&P style classification. This means each measure is equally weighted or worth 1/6th of the total.

The batting average is designed to measure a fund's consistency over time. That's why the batting average includes short-term, intermediate-term, and long-term measures. The concept behind the batting average is to look for funds that have consistently performed well relative to their peers over time and can remain on the plan's roster.

To ensure that funds are evaluated prudently and comprehensively, the evaluation measures involve performance analysis over both trailing and rolling time periods. Performance analysis over trailing time periods uses data from a specific snapshot in time, such as one particular calendar year. Alternatively, rolling time periods involve rolling windows of time with various beginning and ending points. For example, rolling three-year periods would involve data from 1999, 2000, and 2001 as one three-year window, then 2000, 2001 and 2002 as the next three-year window, 2001, 2002 and 2003 as the next, and so forth.

Rolling periods are used in three of the six evaluation measures, primarily for longer-term measures, to eliminate what is known as end-point sensitivity associated with trailing performance data. In other words, performance returns may not be overly influenced by recent good or bad performance. Managers must consistently outperform their peers in a variety of market cycles, not just the most recent.

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Evaluation measures and batting averages are not computed for cash equivalents, index funds, or certain funds with less than three years of performance history. Past performance (three-month, one-year, three-year, five-year, 10-year or since inception) in relation to each fund's appropriate benchmark is provided for monitoring purposes. Total returns for cash equivalents and funds with less than three years of history are benchmarked against the appropriate S&P peer group returns. Total returns and tracking errors are reported for all index funds, benchmarked against each fund's appropriate market index.

If a parent share class exists for funds with less than three years of performance history, performance for the parent share class will be provided. In this instance, funds names will be denoted with an asterisk and disclosure will indicate that alternative share class performance was reported in place of the true share class.

The batting average is the primary indicator of whether the fund passes the IPS criteria. However, additional information is provided in the form of warning signs to help indicate if the fund will continue to outperform its peers. Generally, when selecting between two similar funds with similar batting averages, the plan fiduciary may wish to choose the fund with fewer warning signs. The following fund screening criteria (fund warning signs) are evaluated and monitored to reveal potential risks and provide relevant information to assist plan fiduciaries in making prudent investment elections.

Warning Signs

High operating expenses	A warning sign indicates the fund's expenses are above the peer group average
High portfolio turnover (equity):	A warning sign indicates the fund's portfolio turnover is higher than 90% of its peer group's portfolio turnover. High portfolio turnover indicates frequent trading and could lead to increased transaction costs for funds
High performance volatility (equity, bond, hybrid):	A warning sign indicates the fund's three-year standard deviation of returns (risk) is higher than 90% of its peer group
High individual holding concentration (equity; hybrid):	A warning sign indicates the fund holds more than 10% in one security, or more than 50% in the top 10 holdings, or less than 40 total holdings, which may raise concerns about the fund's diversification
High economic sector concentration (equity, hybrid):	A warning sign indicates that the fund holds more than the greater of 25% of assets or 1/5 times its peer group average in any one sector
Low style purity (equity):	A warning sign indicates that the fund's performance has varied significantly from the performance of its peer group's benchmark index. If the fund does not follow its stated style it may be difficult to use in an asset allocation program

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Low asset base (equity, bond, hybrid):	A warning sign indicates that the fund has less than \$50 million in assets
Low manager tenure (equity, bond, hybrid):	A warning sign indicates that the fund manager’s tenure is less than one year
High duration bet (bond, hybrid):	A warning sign indicates the fund’s duration is more than 1.5 years longer or shorter than its peer group. Duration can be looked at as the payback period for a fund’s bond holdings – the average bond maturity adjusted for interest payments
Low credit quality average (bond, hybrid):	A warning sign indicates that the current S&P average bond credit rating is less than single A

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

Our Relationships with the Mutual Funds

Nationwide Financial Services, Inc.’s life insurance and trust company subsidiaries (collectively referred to as the “Nationwide companies”) offer a variety of retirement products exclusively to retirement plans through the Nationwide Group Retirement Series, which include: i) mutual fund platforms offered by Nationwide Trust Company, FSB, and ii) unregistered group variable annuity contracts issued by Nationwide Life Insurance Company. (The group annuity contracts and the mutual fund platforms are referred to collectively as “retirement products” and include Nationwide Retirement Resource, Nationwide Retirement Innovator, Nationwide Retirement Clear Advantage, Nationwide Retirement Advisor and Nationwide Retirement Manager).

The variable accounts, trust accounts, or custodial accounts (the “Accounts”) that accompany the retirement products offer a variety of investment options, and purchase and sell shares of certain mutual funds in the aggregate each day so that the performance of the investment options corresponds to the performance of those mutual funds. When the Accounts aggregate these transactions, the mutual fund does not incur the expense of processing individual transactions that it would incur if it sold its shares to the public directly. This expense is instead incurred by the Nationwide companies.

The Nationwide companies also incur the distribution costs of selling the retirement products, which benefits the mutual funds by providing contract owners and participants with investment options that correspond to the underlying mutual funds. An investment adviser or subadviser of a mutual fund or its affiliates may provide the Nationwide companies with wholesaling services that assist in the distribution of the retirement products and may pay to participate in educational and/or marketing activities. These activities may provide the adviser or subadviser (or their affiliates)

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with increased exposure to persons involved in the distribution of the retirement products.

Types of Payments the Nationwide Companies Receive

In light of the above, certain mutual funds or their affiliates make payments to the Nationwide companies (the “payments”). The amount of these payments is typically based on an agreed-upon percentage of assets times the amount of the assets that the Accounts invest in the mutual funds, but in some cases may involve a per participant fee or a combination of asset-based fee and per participant fee. These payments may be used for any corporate purpose, which includes reducing the price of the retirement products, paying expenses that the Nationwide companies incur in promoting, marketing, and administering the retirement products, and achieving a profit.

The Nationwide companies receive the following types of payments:

- Mutual fund 12b-1 fees, which are deducted from mutual fund assets;
- Sub-transfer agent fees or fees pursuant to administrative service plans adopted by the mutual fund, which may be deducted from mutual fund assets; and
- Payments by a mutual fund’s adviser or subadviser (or its affiliates). Such payments may be derived, in whole or in part, from the advisory fee that is deducted from mutual fund assets and reflected in the mutual fund charges.

Furthermore, the Nationwide companies benefit from assets invested in Nationwide’s affiliated mutual funds (*i.e.*, Nationwide Mutual Funds) because their affiliates also receive compensation from the mutual funds for investment advisory, administrative, transfer agency, distribution, and/or other services. Thus, the Nationwide companies may receive more revenue with respect to affiliated mutual funds than unaffiliated mutual funds.

The Nationwide companies took these anticipated payments into consideration in determining the charges they impose under the retirement products (apart from fees and expenses imposed by the mutual funds). Without these payments, the Nationwide companies would have imposed higher charges on their retirement products.

Amount of Payments the Nationwide Companies Receive

Most mutual funds or their affiliates have agreed to make payments to the Nationwide companies, although the applicable percentages may vary from mutual fund to mutual fund and some may not make any payments at all. Because the amount of the actual payments the Nationwide companies receive generally depends on the amount of assets invested by the Accounts in the mutual funds, the Nationwide companies may receive higher payments from mutual funds with lower

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percentages (but greater assets) than from mutual funds that have higher percentages (but fewer assets).

The following paragraphs describe the range of payments that the Nationwide companies received from the mutual funds and their affiliates (as a percentage of the average daily net assets of the mutual fund attributable to the retirement products) for the year ended December 31, 2009.

NATIONWIDE RETIREMENT CLEAR ADVANTAGE

The payments to the Nationwide companies ranged from 0.00% to 0.40% of assets. For this product, Nationwide elected to reduce its standard product charge by a discount substantially equal to the amount of fund payments made to Nationwide.

The above ranges do not include any amounts that Nationwide companies may receive from investment advisers or subadvisers of the mutual funds or their affiliates to participate in educational and/or marketing activities.

Identification of Mutual Funds for Our Retirement Products

The Nationwide companies identify a menu of potential mutual funds that correspond to the investment options for their retirement products. They may consider several criteria when identifying those mutual funds, including some or all of the following: investment objectives, investment process, investment performance, risk characteristics, investment capabilities, experience and resources, investment consistency, and fund expenses. Another factor the Nationwide companies consider during this process is whether the mutual fund's adviser or subadviser is one of their affiliates or whether the mutual fund, its adviser, its subadviser(s), or an affiliate will make payments such as those described above. The identification criteria vary by line of business and retirement product. In some cases, the Nationwide companies identify mutual funds based on requests and recommendations made by retirement plan sponsors and/or their advisors.

There may be mutual funds with lower fees, as well as other retirement products that offer mutual funds with lower fees. You should consider all of the fees and charges of a retirement product in relation to the features and benefits of that product when making your decision to invest. Please note that product and mutual fund fees and charges have a direct effect on the investment performance of your retirement product. A fund prospectus contains the investment objectives, risks, charges and expenses. Please read the fund prospectus carefully before investing.

10. Comment on your firm's philosophy re portfolio structure, for municipal pension plans.

Summit will continue to work with each individual member township of PSATS to create individual Investment Objective Statement that are unique to the township's need, resources, and objectives. Utilizing the tools and documents provided by NF,



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Summit will assist the township in identifying their objectives, risk tolerance, and the investment structure that best suits their funding levels.

11. Describe your firm's performance reporting and evaluation services.

NF provides Plan Sponsors access to reporting on the Internet Service Center ("ISC"). The ISC can be found at www.nationwide.com/planlogin.

Through the ISC, Plan Sponsors have access to the following reports:

- Plan Balance and unallocated account balances
- Previous 5 quarterly Plan statements
- Fund performance, Unit Values, Trading Policies

In addition, Plan Sponsors can also perform the following tasks:

- View Plan History
- Access Fiduciary Series
- Process Contributions through FastPay
- Upload files
- Set up electronic delivery

Additional reporting can be made through NTC depending upon the level of service you request.

12. What methods and sources of data do you use in calculating investment performance of a client's portfolio? How often are performance reports produced and delivered? Include a sample performance evaluation report in the appendix of your response.

NF will provide plan statements with investment performance results on a quarterly basis to all PSATS participating townships. The quarterly plan statements include the following features:

- Total plan assets
- Total contributions
- Additional credits (if applicable)
- Outstanding loan balance (if applicable)
- Investment Gain/Loss
- Plan performance during the reporting period
- Plan performance year to date
- Total assets by investment class
- Account Activity by Fund
- Investment Performance by fund

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NF utilizes the mid-month method of calculating returns and updates these online on a monthly basis..

Please refer to the **Plan Sponsor Statement** exhibit for a sample statement.

F. Scope of services. Please indicate whether your firm proposes to provide the following services within the quoted fee.

1. Act 205 Actuarial Services.

Yes. Summit will provide this service to PSATS and its members.

2. Prepare the annual pension information reports pursuant to GASB 25 & 27 for submission to the Municipality appointed auditor.

Yes. Summit will provide this service to PSATS and its members.

3. Prepare the Act 205 Actuarial Valuation Reports (Form PC-210C and PC-203C) as required by Act 205 for submission to the Pennsylvania Employee Retirement Commission.

Yes. Summit will provide this service to PSATS and its member.

4. Prepare the biennial Act 205 Actuarial Valuation Reports for submission to the participating municipalities.

Yes. Summit will provide this service to PSATS and its members.

5. Prepare the Ad-Hoc Post-Retirement Adjustment Certification Forms (Form AG-490, AG 64, Ag-PO 500, and AG-FF 600).

Yes. Summit will provide this service to PSATS and its members.

6. Timely Minimum Municipal Obligation reports as required by Act 205.

Yes. Summit will provide this service to PSATS and its members.

7. Attend participant and Trustee meetings upon request.

Yes. Summit will provide this service to PSATS and its members.

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8. **Process all benefit calculations, including but not limited to, those calculations for retiring employees, employee separations, and changes in pension benefits due to COLA.**

Yes. Summit will provide this service to PSATS and its members.

9. **Prepare annual benefit statements for all active participants by August 1st of each year.**

Yes. Summit will provide this service to PSATS and its members.

10. **Maintain a list of all active, retired and terminated vested members of each plan, and include their date of entry into the plan, annual wages, members' contributions, accumulated contributions, pension benefits and separation dues.**

Yes. Summit will provide this service to PSATS and its members.

11. **Update the Trust and participating municipalities on any changing legislation and regulations that are relevant to the administration of the pension plans.**

Yes. Summit will provide this service to PSATS and its members.

12. **Provide a copy (or the original if available), in the original format, of all files, correspondence, and records, at no cost to the Trust and/or participating municipality, within thirty (30) days upon termination of appointment as actuary.**

Yes. Summit will provide this service to PSATS and its members.

13. **Provide consultative and participant communication services as needed.**

Yes. Summit will provide this service to PSATS and its members.