

# Certification of Reasonableness of Plan Services

for

~~First Capital, LLC~~ 401(k) Plan

For the period ended  
December 31, 2013



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November 7, 2014

To: **[REDACTED]**  
**[REDACTED]**  
Vice President, HR & Compliance  
**[REDACTED]**  
6100 Goodwood Blvd.  
Baton Rouge, LA 70808

We have evaluated the services provided to H&J Capital, L.L.C. 401(k) Plan to determine if they meet the requirements of the Employee Retirement Income Security Act of 1974, as amended ["ERISA"] Section 408(b)(2) which requires that they be "*necessary for the establishment or operation of the plan and no more than reasonable compensation is paid therefor*".

Based on evaluations concluded on November 7, 2014, it is our opinion that, services provided **do** meet the three standards of being 1) necessary 2) reasonable and 3) that compensation paid for these services is reasonable.

Detailed findings from our evaluations are included in the report that accompanies this letter. You should review these findings and if you concur with them make a note of that fact in the Acknowledgement below, describe any action you take and retain this report containing your acknowledgement in your permanent records. Please contact DALBAR if you disagree with the findings in this report.

Our opinion regarding the plan and its services is based on information provided by H&J Capital, L.L.C. 401(k) Plan and confirmed through public sources where feasible. Any material change or discrepancy in this information could change our opinion.

Very truly yours,

DALBAR, Inc.

**Acknowledgement**

I/We have reviewed the evaluations contained in this report and concur with its findings.

I/We have taken the following actions in response to these findings:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

See further information in attachments

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Signature Date

## Introduction

This report demonstrates compliance with these regulations and presents the results of DALBAR's Fee Disclosure Evaluation & Recommendation ("Evaluation") process which is based on information provided by the responsible fiduciary as defined in ERISA ("Plan Sponsor"). The intent of the report is to document performance of duties required by ERISA 408(b)(2) fee disclosure regulations and make recommendations when appropriate.

Please see the "Computations and Assumptions Guide" for explanations of information reported here.

## Background

Federal government regulations now require Plan Sponsors to actively monitor and evaluate the reasonableness of their employees' retirement plans based on specific guidelines. Failure to comply subjects Plan Sponsors to severe fines, taxes and penalties.

## Methodology

Information used in this analysis was obtained from H&J Capital, L.L.C. 401(k) Plan.

The determination of reasonableness is performed by the calculation of the "Target Price" for the plan that incorporates a number of quantitative and qualitative variables (X-Factors). The calculation uses a statistical fee benchmark as its starting point and applies various X-Factor weightings based on the facts and circumstances applicable to this specific plan. There are more than fifty X-Factors that are grouped into three categories:

### ***Success in Achieving Retirement Goals***

These X-Factors lead to a secure retirement of employees and include the time until retirement, level of plan contributions, participation rates, investment quality and asset allocations. They influence the replacement income percentage at retirement.

### ***Meeting Plan Sponsor & Participant Needs/Preferences***

Plan sponsors are not required to offer a retirement plan and neither are employees required to use one, if it is offered. The voluntary nature of the plan makes it necessary to be responsive to the needs and preferences of both plan sponsors and employees. This category of X-Factors consists of those that encourage plan sponsors to offer and support the retirement plan and those that encourage use by employees.

### ***Reducing Exposure to Risks and Liabilities***

These X-Factors protect plan sponsors from taking actions or failing to act in ways that cause a fiduciary breach or non-compliance.

## Assumptions

The following assumptions were used in calculating the target price for this plan:

<u>Retirement Related</u>		<u>Annual Investment Returns</u>	
Annual Income Inflation	3%	Equities	7%
% of Retirement \$ in Plan	75%	Fixed Income	4%
Expected Retirement Age	65	Stable Value	3%
Retirement Withdrawal Rate	5%	Cash Equiv.	2%
		Blended Investments	5%

## Plan Summary

Name and contact information for Plan Sponsor:

██████████  
 Vice President, HR & Compliance  
 Global Life Insurance Group  
 185 Goodwood Blvd  
 Baton Rouge, LA 70806

Name of plan:	██████████ 401(k) Plan
Type of plan:	401(k)
Total number of participants in plan including beneficiaries:	167
Estimated or actual value assets in plan:	\$5,455,764
Estimated average participant age:	40
Estimated average deferral rate:	4.30%
Average annual income of participants:	\$55,000
Number of non-participating eligible employees:	9

Service Providers:

- Record keeper - Fidelity
- Administration - Fidelity
- Investment Platform - Fidelity
- Trustee - Fidelity
- Custodian - Fidelity
- Participant Services - SEIA
- Investment Advice - SEIA
- Investment Management - Various Mutual Funds and ETFs

## Computation of Target Price

<b>Statistical benchmark used</b>	<b>\$45,000</b>
Summary of X-Factors:	
Success Factors:	+ 7%
Needs & Preferences	
Relationship Factors	+18%
Service quality	+ 6%
Scope of services	- 0%
Risk Factors	+ 8%
<b>Target price for this plan</b>	<b>\$62,100</b>

## Findings Summary

The following are the principal findings from the Evaluation. Further details are presented in the Recommendations, Plan Improvements and Test Results sections that follow.

### Condition of the Plan

The level of participation and contribution, plan costs, diversity of investments, plan features and compliance with regulations indicate that the plan condition is:

✓ **Excellent**

### Fee Disclosure Compliance

Compliance with regulations to obtain fee disclosures from all covered service providers is:

✓ **Good**

### Other Observations

In conducting the Evaluation, the following observations were made:

✓ Deferral rates are below the industry average.

## Recommendations

The Evaluation has identified the need to take the following actions:

- ✓ **None**

## Plan Improvements

Adopting or eliminating the features indicated below should be considered in order to improve the effectiveness of the plan:

Plan Feature	Currently In Plan	Consider the Action	For this Reason
Automatic Enrollment	Yes	No Action	
Automatic Escalation of Contributions	Yes	No Action	
Electronic Document Delivery	Yes	No Action	
Safe Harbor (eliminates ADP & ACP testing)	No	No Action	
Loans	No	No Action	
Hardship Withdrawals	Yes	No Action	
Self-Directed Brokerage	No	No Action	
Roth (taxable contributions)	No	No Action	
Participant Advice by Computer Model	No	No Action	
Face to Face Participant Advice	Yes	No Action	
Catch-up Contributions	Yes	No Action	
In-service Distributions	Yes	No Action	
Pre-retirement Counseling	Yes	No Action	
Matching Contributions	Yes	No Action	
Enrollment/Education Meetings	Yes	No Action	
Automatic Rollovers (for terminated employees)	Yes	No Action	

## Test Results

Tests are conducted in five broad categories. These categories represent the information necessary to determine if service arrangements are reasonable.

**Note:** The numbers in parentheses (6.1) following the title of each category identifies the section of the Computations and Assumptions Guide where method of determination is described.

The basis for establishing each of these categories are:

✓ **Completeness, Accuracy and Usability** (6.1.0)

Completeness -408(b)(2)(c)(1)(i) prohibits use of Covered Service Providers unless proper disclosures are made.

Accuracy -408(b)(2)(c)(vii) requires that errors or omissions are corrected within 30 days.

Usability -404 and 408(b)(2) require a Plan Sponsor to decide whether it has enough information to determine whether the cost of services paid for by the plan is reasonable.

✓ **Plan's Success** (6.2.0)

A plan that cannot be reasonably expected to meet the overarching goal of employee retirement security is by definition unreasonable.

✓ **Necessity of Plan Services** (6.3.0)

408(b)(2) requires that services used by a plan are necessary.

✓ **Comparability of Costs** (6.4.0)

408(b)(2) requires that no more than reasonable compensation is paid for services.

✓ **Judgment of Reasonableness** (6.5.0)

The ability to exercise this judgment is the stated goal of the regulation.

### Completeness, Accuracy and Usability

Service Provider	Disclosure Received	Required Information	Consistency	Information Accessibility
Fidelity	Yes	Excellent	Excellent	Excellent
SEIA	Yes	Fair	Fair	Fair

### Plan's Success

Plan Success Factor	This Plan	Normal Level
Participation Rate	94%	87%
Deferral Rate	4.30%	6.80%
Replacement Income %	28%	22%

### Necessity of Plan Services

Service	Service Provider	Quality	Fiduciary	Necessary	Basis for Necessity*
Recordkeeping	Fidelity	Excellent	No	Yes	A, B, C
Administration	Fidelity	Excellent	No	Yes	A, B, C, D
Investment Platform	Fidelity	Good	Yes	Yes	B
Trustee	Fidelity	Excellent	No	Yes	A, D
Custodian	Fidelity	Excellent	No	Yes	A, D
Participant Services	SEIA	Excellent	Yes	Yes	B, C
Investment Advice	SEIA	Excellent	Yes	Yes	B, C
Investment Management	Various Mutual Funds and ETFs	Good	No	Yes	A, B, D

\* **A** -Establish or Operate the Plan      **B** -Produce Successful Results for Participants  
**C** -Respond to Participants' Demand      **D** -Comply with Regulations



### Comparability of Costs

Service Provider	Current Estimate	Target Price	% Difference
<ul style="list-style-type: none"> <li>✓ Fidelity</li> <li>✓ SEIA</li> </ul>	\$46,374	\$62,100	-25.3%

### Judgment of Reasonableness

Consideration	Finding	Conclusion
Potential Conflicts of Interest	None identified.	<b>Satisfactory</b>
Resolution Method	N/A	N/A
Completeness, Accuracy, Usability	All 408(b)(2) disclosures received	<b>Satisfactory</b>
Plan Success	The deferral rate is below normal level.	Attention is suggested
Necessity	All services are necessary.	<b>Satisfactory</b>
Comparability	The plan's expenses are 25.3% below the Target Price.	<b>Satisfactory</b>

## DALBAR

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