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Date: July 20, 2016
To: Board of Retirement
From: Stan Conwell, Financial & Investment Officer
Subject: Mutual Fund Fee Savings

Mutual Fund Fee Savings as of June 30, 2016

Attached are two schedules which estimate the mutual fund fee savings for fiscal year 2017 based on assets as of June 30, 2016 using the fee structure in place as of July 1, 2015 as a benchmark. An estimate of the FY 2016 fee savings is also provided.

The first report details the estimated savings based on changes of existing funds that occurred when the fund company introduced new share classes or investment vehicles. The second report shows the estimated fee savings that can only be obtained with a custodian bank. Two of the estimated fee savings, Janus Research and Janus Enterprise, entail moving into mutual funds which can only be accessed via a custodial bank. The remaining items of estimated fee savings, RS Investment and Janus Research, involve moving into separately managed accounts (SMAs) which can also only be accessed with a custodian bank.

In the coming months, staff and the investment consultant will be reviewing the entire portfolio of managers in order to optimize the efficiency and effectiveness of the portfolio. This review may identify additional opportunities to utilize SMAs. Conversion to SMAs is expected to occur once the review is complete, recommendations presented and feedback received from the Board. Until the completion of this review process, we will delay implementation of SMAs as there are transition costs involved.

Estimated Mutual Fund Fee Savings				
Fund	Market Value 6/30/2016	Fee reductions during FY 2016	FY 2017 Fee Savings Estimate	FY 2016 Fee Savings Estimate
AB US Small Growth	\$ 6,747,672	0.18%	\$ 12,146	\$ 10,122
Harbor Cap Appreciation	23,389,026	0.05%	11,695	975
Harbor International	21,647,328	0.05%	10,824	902
Prudential Small Cap Value	12,390,093	0.02%	2,478	2,065
Oakmark International	19,986,713	0.20%	39,973	26,649
Fidelity Low-Priced	5,012,567	0.10%	5,013	-
Fee Savings SubTotal			\$ 82,128	\$ 40,712

Estimated Mutual Fund Fee Savings with Custodial Bank				
Fund	Market Value 6/30/2016	Fee reductions during FY 2016	FY 2017 Fee Savings Estimate	FY 2016 Fee Savings Estimate
Janus Research	\$ 23,822,180	0.07%	\$ 16,676	\$ -
Janus Enterprise	5,548,511	0.07%	3,884	-
Fee Savings SubTotal			\$ 20,559	\$ -
Possible SMA Savings with Custodian Bank				
RS Investments	\$ 4,642,215	0.18%	\$ 6,356 ¹	\$ -
Janus Research	23,822,180	0.12%	26,578 ¹	-
Fee Savings SubTotal			\$ 32,934	\$ -

Grand Total Without SMAs			\$ 102,687	\$ 40,712
Grand Total With SMAs			\$ 135,621	\$ 40,712

¹ Includes SMA Fee from State Street