

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

Tushar Bhatia, individually and as the representative of a class of similarly situated persons, and on behalf of the McKinsey & Company, Inc. (PSRP) Profit-Sharing Retirement Plan and the McKinsey & Company, Inc. (MPPP) Money Purchase Pension Plan,
Plaintiff,

v.

McKinsey & Company, Inc. and MIO Partners, Inc.,
Defendants.

No. 1:19-cv-01466-GHW-SN

NOTICE OF CLASS ACTION SETTLEMENT AND FAIRNESS HEARING

This is a notice of a proposed class action settlement in the above-referenced lawsuit.

Your legal rights may be affected if you are a member of the following class:

All participants and beneficiaries of the McKinsey & Company, Inc. Profit-Sharing Retirement Plan and the McKinsey & Company, Inc. Money Purchase Pension Plan (collectively, the “Plans”) at any time during the period from February 15, 2013 through September 18, 2020 (the “Class Period”), excluding the Trustees for the McKinsey Master Retirement Trust and members of the Administrative Committee for the Plans at any time during the Class Period, as well as persons who served on the Shareholders Council of McKinsey & Company, Inc. or the Board of Directors of MIO Partners, Inc. at any time during the class period.

PLEASE READ THIS SETTLEMENT NOTICE CAREFULLY.

- The Court has given its preliminary approval to a proposed settlement (the “Settlement”) for the Plans as a result of a class action lawsuit brought by a former participant in the Plans against McKinsey & Company, Inc. (“McKinsey”) and MIO Partners, Inc. (“MIO”) (collectively, “Defendants”), alleging violations of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). Defendants deny all claims, and nothing in the Settlement is an admission or concession on Defendants’ part of any fault or liability whatsoever. Defendants further maintain that they acted prudently and loyally at all times when acting in any fiduciary capacity with respect to the Plans.
- The Settlement provides, among other things, for a \$39.5 million settlement fund that will be allocated to eligible Class Members after any Court-approved deductions for attorneys’ fees and costs, administrative expenses, and class representative compensation. Class Members with one or more accounts with a positive balance (an “Active Account”) in the Plans as of August 5, 2020 (referred to herein as “Current Participants”) will automatically receive allocations directly to their accounts so long as they maintain a positive balance through the time Settlement monies are distributed. **Class Members who did not have an Active Account as of August 5, 2020 (referred to herein as “Former Participants”) must submit a claim form to be deemed an “Authorized Former Participant” and receive an allocation,** and may receive their allocation in the form of a check or a rollover. Current Participants who have an Active Account as of August 5, 2020, but who are determined to no longer have an Active Account at the time monies are distributed will be treated as “Authorized Former Participants” and will receive an allocation by check.
- The terms and conditions of the Settlement are set forth in the Settlement Agreement dated September 16, 2020. Capitalized terms used in this Settlement Notice but not defined in this Settlement Notice have the

meanings assigned to them in the Settlement Agreement. The Settlement Agreement is available at www.McKinseyERISAsettlement.com. Certain other documents also will be posted on that website. You should visit that website if you would like more information about the Settlement or the lawsuit. All papers filed in this lawsuit are also available for review via the Public Access to Court Electronic Records System (PACER), at <http://www.pacer.gov>, and can also be reviewed in person during regular business hours at the Office of the Clerk of the United States District Court for the Southern District of New York, 500 Pearl Street, Room 260, New York, NY 10007-1312.

- Your rights and the choices available to you — and the applicable deadlines to act — are explained in this Settlement Notice. Please note that neither McKinsey or MIO, nor any employees or representatives of McKinsey, MIO, or the Plans’ recordkeeper Alight, may advise you as to what the best choice is for you or how you should proceed.
- The Court still has to decide whether to give its final approval to the Settlement. Payments under the Settlement will be made only if the Court finally approves the Settlement and that final approval is upheld in the event of any appeal.
- A Fairness Hearing will take place telephonically on February 17, 2021 at 4:00 PM Eastern Time before the Honorable Gregory Woods, to determine whether to grant final approval of the Settlement and approve the requested Attorneys’ Fees and Costs, Administrative Expenses, and Class Representative Compensation. In order to call into the Fairness Hearing, you may dial 1-866-253-3270 (toll free) or 1-646-843-4609 and enter access code 5607713#. The date and time of the Fairness Hearing are subject to change by Court Order, but any changes will be posted at www.McKinseyERISAsettlement.com.
- Any objections to the Settlement, or to the requested Attorneys’ Fees and Costs, Administrative Expenses, or Class Representative Compensation, must be served in writing on Class Counsel and Defendants’ Counsel, as identified on page 6 of this Settlement Notice.

YOUR LEGAL RIGHTS AND OPTIONS UNDER THE SETTLEMENT:	
OUR RECORDS INDICATE YOU ARE A FORMER PARTICIPANT. YOU MUST MAIL A CLAIM FORM POSTMARKED ON OR BEFORE FEBRUARY 8, 2021 TO RECEIVE ANY MONIES FROM THE SETTLEMENT	<u>Our records indicate that you are a Former Participant Class Member.</u> You must mail a Former Participant Claim Form postmarked on or before February 8, 2021 to receive your share of the Net Settlement Amount. The Former Participant Claim Form is included with this Notice. If you do not mail the Former Participant Claim Form postmarked on or before February 8, 2021, you will forfeit your share of the Net Settlement Amount.
YOU CAN OBJECT (NO LATER THAN JANUARY 20, 2021)	If you wish to object to any part of the Settlement, or to the requested Attorneys’ Fees and Costs, Administrative Expenses, or Class Representative Compensation, you must write to Class Counsel and Defendants’ Counsel (as identified on page 6 below) about why you object. Class Counsel will file your objection with the Court.
YOU CAN CALL INTO A TELEPHONIC HEARING ON FEBRUARY 17, 2021	You may also call into the telephonic Fairness Hearing and speak at the Fairness Hearing on February 17, 2021. You may call into the hearing and speak at the hearing at the discretion of the Court without filing a notice of your intention to appear, but you will not be permitted to make an objection if you do not comply with the requirements for making objections.

The Class Action

The case is called *Bhatia, et al. v. McKinsey & Company, Inc., et al.*, Case No. 1:19-cv-01466-GHW-SN (the “Class Action” or “lawsuit”). It has been pending since February 15, 2019. The Court supervising the case is the United States District Court for the Southern District of New York. The individual who brought this lawsuit is called the Class Representative, and the entities he sued are called Defendants. The Class Representative, Tushar Bhatia, is a former participant in the Plans. The named Defendants are McKinsey and MIO. The Class Representative’s claims are described below, and additional information about those claims is available at www.McKinseyERISAsettlement.com.

The Settlement

Following mediation with a neutral party, a Settlement has been reached. As part of the Settlement, a Qualified Settlement Fund of \$39,500,000 will be established to resolve the Class Action. The Net Settlement Amount is \$39,500,000 minus any Administrative Expenses (including taxes and tax expenses), Court-approved Attorneys’ Fees and Costs, and Class Representative Compensation. The Net Settlement Amount will be allocated to Class Members according to a Plan of Allocation to be approved by the Court.

Statement of Attorneys’ Fees and Costs, Administrative Expenses, and Class Representative Compensation Sought in the Class Action

Class Counsel has devoted many hours to investigating the facts, prosecuting the lawsuit, and negotiating the Settlement. They have advanced all costs necessary to pursue the case, and have not been paid for any of their time while the case has been pending.

Class Counsel will apply to the Court for payment of Attorneys’ Fees for their work in the case. The amount of fees that Class Counsel will request will not exceed twenty-five percent of the Qualified Settlement Fund (\$9,875,000). In addition, Class Counsel will also seek to recover their costs and the administrative expenses associated with the settlement. Any Attorneys’ Fees and Costs and Administrative Expenses awarded by the Court will be paid from the Qualified Settlement Fund.

Class Counsel also will ask the Court to approve a payment, not to exceed \$15,000, for the Class Representative who took on the risk of litigation and committed to spend the time necessary to bring the case to conclusion. Any Class Representative Compensation awarded by the Court also will be paid from the Qualified Settlement Fund.

A full and formal application for Attorneys’ Fees and Costs, Administrative Expenses, and Class Representative Compensation will be filed with the Court on or before December 21, 2020. This application will be made available at www.McKinseyERISAsettlement.com. You may also obtain a copy of this application through the Public Access to Court Electronic Records System (PACER) at <http://www.pacer.gov>, or by appearing in person during regular business hours at the Office of the Clerk of the United States District Court for the Southern District of New York, 500 Pearl Street, Room 260, New York, NY 10007-1312.

1. Why Did I Receive This Settlement Notice?

The Court caused this Settlement Notice to be sent to you because our records indicate that you may be a Class Member. If you fall within the definition of the Class, you have a right to know about the Settlement and about all of the options available to you before the Court decides whether to give its final approval to the Settlement. If the Court approves the Settlement, and after any objections and appeals are resolved, the Net Settlement Amount will be allocated among Class Members according to a Court-approved Plan of Allocation.

2. What Is The Class Action About?

In the Class Action, the Class Representative claims that Defendants failed to prudently and loyally manage the Plans’ investment lineup in the best interests of participants and beneficiaries, gave an improper preference to

investment options managed by companies affiliated with the Plans' sponsor, McKinsey, and failed to monitor the Plans' recordkeeping expenses.

The Defendants deny all claims and assert that they have always acted prudently and in the best interests of participants and beneficiaries. Defendants believe that the Plans' investment options performed well, and that the Plans' fees were reasonable and appropriate.

3. Why Is There A Settlement?

The Court has not reached a final decision as to the Class Representative's claims. Instead, the Class Representative and Defendants have agreed to the Settlement. The Settlement is the product of extensive negotiations between the Class Representative, Defendants, and their counsel, who were assisted in their negotiations by a neutral private mediator. The parties to the Settlement have taken into account the uncertainty and risks of litigation and have concluded that it is desirable to settle on the terms and conditions set forth in the Settlement Agreement. The Class Representative and Class Counsel believe that the Settlement is best for all Class Members. Nothing in the Settlement Agreement is an admission or concession on Defendants' part of any fault or liability whatsoever. The Settlement has been entered into to avoid the uncertainty, expense, and burden of additional litigation.

4. What Does The Settlement Provide?

Under the Settlement, McKinsey or its insurers will pay \$39,500,000 into a Qualified Settlement Fund to resolve the claims of the Class. The Net Settlement Amount (after deduction of any Court-approved Attorneys' Fees and Costs, Administrative Expenses, and Class Representative Compensation) will be allocated to Class Members according to a Plan of Allocation to be approved by the Court (as explained further at Question 5 below). Allocations to Current Participants who are entitled to a distribution under the Plan of Allocation will be made into their existing accounts in the Plans. Authorized Former Participants who are entitled to a distribution may receive their distribution as a check or, if available and they elect, as a rollover to a qualified retirement account.

In addition, the Settlement provides that prospectively as of the Settlement Effective Date: (1) for a period of no less than three years, Defendants shall retain an independent investment consultant to provide ongoing review of the investment options in the Plan, and review and approve any communications to participants regarding the Plans' investment options; (2) for a period of no less than three years, all expense reimbursements by the Plans to McKinsey, MIO, or any other affiliated person or entity will be reviewed and approved by an independent fiduciary, who shall have final discretion to approve or reject reimbursements; and (3) before the expiration of the current recordkeeping agreement for the Plans, McKinsey will issue a request for proposal for recordkeeping services for the Plan.

All Class Members and anyone claiming through them will fully release the Plans as well as Defendants and the Released Parties from Released Claims.

The governing release terms are found within the Settlement Agreement, which is available at www.McKinseyERISAsettlement.com. Generally, the release means that Class Members will not have the right to sue the Plans, Defendants, or related parties for conduct during the Class Period arising out of or relating to the allegations in the lawsuit. The entire Settlement Agreement is available at www.McKinseyERISAsettlement.com.

5. How Much Will My Distribution Be?

The amount, if any, that will be allocated to you will be based upon records maintained by the Plans' recordkeeper. Calculations regarding the individual distributions will be performed by the Settlement Administrator, whose determinations will be final and binding, pursuant to the Court-approved Plan of Allocation.

To receive a distribution from the Net Settlement Amount, you must either be a (1) “Current Participant” in the Plans as of August 5, 2020 or (2) an “Authorized Former Participant” who timely completes and returns a Claim Form, or (3) a Beneficiary or Alternate Payee of a Current Participant or an Authorized Former Participant.

The Net Settlement Amount will be divided *pro rata* among eligible Class Members based, in part, on each eligible Class Member’s weighted account balance invested in MIO Funds during the Class Period. These funds include the following: Special Situations, Special Situations – EL, Special Situations – EL, MC, and Active Global Equities.

Each eligible Class Member’s *pro rata* share of the Net Settlement Amount shall be calculated as follows: For each Authorized Former Participant and Current Participant, the Settlement Administrator shall determine an *Average Settlement Allocation Score*. For purposes of making this determination, a *Settlement Allocation Score* shall be calculated for each quarter during the Class Period, which shall be the sum of 15 points (if the Eligible Class Member had an Active Account at the end of the quarter) plus 0.0020 points for every dollar invested by the Eligible Participant in MIO Funds at the end of the quarter (up to a maximum of 300 points).¹ A Participant’s *Average Settlement Allocation Score* shall be the average of the Participant’s *Settlement Allocation Scores* during the Class Period, weighted by the percentage of days in the quarter for partial quarters at the beginning and end of the Class Period. The full Plan of Allocation is set forth in the Settlement Agreement, which is available on the settlement website at www.McKinseyERISAsettlement.com. Additional information regarding the Plan of Allocation is also set forth in the memorandum of law and the declarations that were submitted in support of Plaintiffs’ motion for preliminary approval of the settlement. Those materials are also available on the settlement website.

There are approximately 33,000 Class Members. Note that if you are an Alternate Payee pursuant to a Qualified Domestic Relations Order, your portion of the Settlement will be distributed pursuant to the terms of that order.

The Net Settlement Amount will also depend on the amount of any Attorneys’ Fees and Costs, Administrative Expenses, and Class Representative Compensation that are awarded by the Court, as these will be paid out of the Gross Settlement Amount of \$39,500,000. Class Counsel will file a motion for an award of Attorneys’ Fees and Costs, Administrative Expenses, and Class Representative Compensation at least 30 days prior to the deadline for objections to the Settlement. This motion will be considered at the Fairness Hearing. Class Counsel will limit their application for Attorneys’ Fees to not more than 25% of the Gross Settlement Amount. Class Counsel also will seek to recover all actual and anticipated litigation costs and administrative expenses associated with the Settlement. In addition, Class Counsel will seek compensation for the Class Representative of no more than \$15,000. The Court will determine the amount of fees, costs, administrative expenses, and Class Representative compensation that will be awarded, if any. All papers filed in support of the requested Attorneys’ Fees and Costs, Administrative Expenses, and Class Representative Compensation will be made available on the settlement website at www.McKinseyERISAsettlement.com and will also be available for review via the Public Access to Court Electronic Records System (PACER), available online at <http://www.pacer.gov>.

6. How Can I Receive My Distribution?

Whether you need to submit a claim form to receive your distribution depends on whether you are considered a “Current Participant” or a “Former Participant.” **According to our records, you are a Former Participant. Therefore, you must return a valid, timely Former Participant Claim Form to receive your share of the Settlement. The Former Participant Claim Form is included with this Notice.**

7. When Will I Receive My Distribution?

The timing of the distribution of the Net Settlement Amount is conditioned on several matters, including the Court’s final approval of the Settlement and any approval becoming final and no longer subject to any appeals in any court.

¹ The maximum *Settlement Allocation Score* for each quarter thus will be 315 points (15 + 300).

An appeal of the final approval order may take several years. If the Settlement is approved by the Court, and there are no appeals, the Settlement distribution likely will occur within six months of the Court's Final Approval Order.

There will be no payments under the Settlement if the Settlement Agreement is terminated.

8. Can I Get Out Of The Settlement?

No. The Class has been certified for settlement purposes under Federal Rule of Civil Procedure 23(b)(1). Therefore, as a Class Member, you are bound by the Settlement (if it receives final Court approval) and any judgments or orders that are entered in the Class Action. If you wish to object to any part of the Settlement, you may write to counsel about why you object to the Settlement, as discussed below.

9. Do I Have A Lawyer In This Case?

The Court has appointed the law firm Nichols Kaster, PLLP in Minneapolis, Minnesota as Class Counsel in the Class Action. If you want to be represented by your own lawyer, you may hire one at your own expense.

10. How Will The Lawyers Be Paid?

Class Counsel will file a motion for an award of Attorneys' Fees and Costs, Administrative Expenses, and Class Representative Compensation at least 30 days prior to the objection deadline. This motion will be considered at the Fairness Hearing. Class Counsel will limit their application for Attorneys' Fees to not more than 25% of the Qualified Settlement Fund. Class Counsel also will seek to recover all actual and anticipated litigation costs and administrative expenses associated with the Settlement. In addition, Class Counsel will seek compensation for the Class Representative of no more than \$15,000. The Court will determine the amount of fees, costs, administrative expenses, and Class Representative compensation that will be awarded, if any. All papers filed in support of the requested Attorneys' Fees and Costs, Administrative Expenses, and Class Representative Compensation will be made available on the settlement website at www.McKinseyERISAsettlement.com and will also be available for review via the Public Access to Court Electronic Records System (PACER), available online at <http://www.pacer.gov>.

11. How Do I Tell The Court If I Don't Like The Settlement?

If you are a Class Member, you can object to the Settlement (or to the proposed Attorneys' Fees and Costs, Administrative Expenses, and Class Representative Compensation) by mailing a written objection to Class Counsel and to Defendants' counsel at the addresses below. Class Counsel will then file your objection with the Court in connection with their motion for final approval. In that filing, Class Counsel will also respond to your objection. Your written objection must be mailed to Class Counsel and Defendants' Counsel no later than **January 20, 2021** to be considered.

CLASS COUNSEL	DEFENDANTS' COUNSEL
NICHOLS KASTER, PLLP Attn: McKinsey Plan Settlement 4700 IDS Center 80 South 8th Street Minneapolis, MN 55402	MORGAN LEWIS Jeremy P. Blumenfeld 101 Park Avenue New York, NY 10178

12. When And Where Will The Court Decide Whether To Approve The Settlement?

The Court will hold a telephonic Fairness Hearing at 4:00 PM Eastern Time on February 17, 2021, which can be accessed by dialling 1-866-253-3270 (toll free) or 1-646-843-4609 and entering access code 5607713#. At the Fairness Hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate. The Court also will consider the motion for Attorneys' Fees and Costs, Administrative Expenses, and Class Representative Compensation. If there are objections, the Court will consider them then. The date and time of the Fairness Hearing are subject to change by Court Order, but any changes will be posted at www.McKinseyERISAsettlement.com.

13. Do I Have To Attend The Fairness Hearing?

No, but you are welcome to call in. You may also make an appearance through an attorney. If you send an objection, you do not have to call into the Fairness Hearing to talk about it. As long as you mailed your written objection on time, the Court will consider it.

14. May I Speak At The Fairness Hearing?

Yes, you may speak if recognized by the Court. You do not need to submit a notice of your intention to appear in order to speak at the hearing, but you must comply with the requirements for making an objection (set forth above) if you wish to object.

15. What Happens If I Do Nothing At All?

If you are a "Former Participant" as defined on page 1, and you do nothing, you will be bound by the Settlement of the Class Action and the release of claims if the Settlement is finally approved, but you will not receive any money. Former participants must timely submit a claim form to receive monetary compensation.

16. How Do I Get More Information?

If you have questions regarding the Settlement, you can visit www.McKinseyERISAsettlement.com, call 1-855-460-1240, or write to the Settlement Administrator at McKinsey ERISA Settlement, P.O. Box 2010, Chanhassen, MN 55317-2010. All papers filed in this lawsuit are also available for review via the Public Access to Court Electronic Records System (PACER), at <http://www.pacer.gov>, and can be reviewed in person during regular business hours at the Office of the Clerk of the United States District Court for the Southern District of New York, 500 Pearl Street, Room 260, New York, NY 10007-1312.