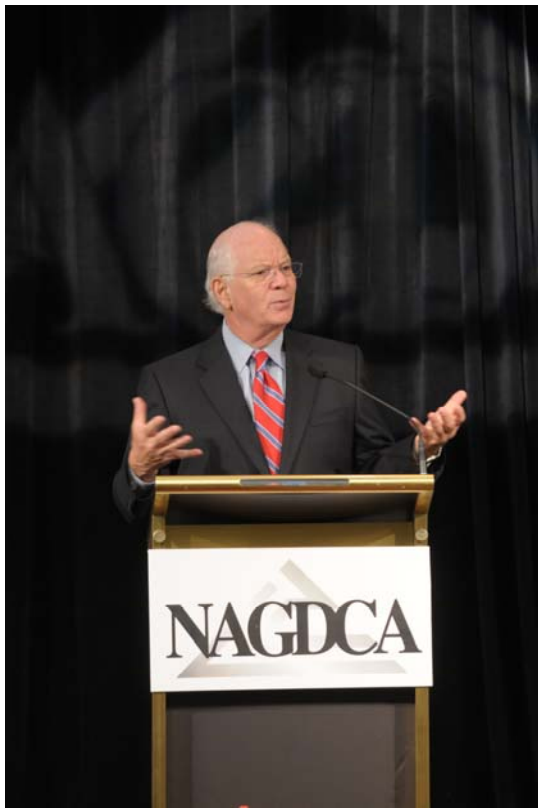
TOP STORY

2008 Annual Conference

The NAGDCA 2008 Annual Conference Committee developed a very successful conference this year. The conference held September 13-17 in Baltimore, Maryland, focused on the theme "O Say, Can You See… a Secure Retirement?" Session topics centered on helping plan participants successfully reach their retirement goals.

More than 54 NAGDCA members served as speakers and over 78 guests joined us for the week. Overall, the conference was a great success with delegate comments including "Great conference in every facet." and "Absolutely the best!"



Senator Benjamin Cardin, MD kicks off the 2008 NAGDCA Annual Conference!!!

Attendees listened intently during the Opening Session as Senator Benjamin Cardin gave his opening address.

NAGDCA members at the President's Reception which featured work by a local artist.

Members taking advantage of the Cyber Café sponsored by Fidelity Investments.

General Session on The 'DB-izing' of DC Plans. (Moderator: Craige Stone, State of Utah. Featured speakers: Richard Davies, Alliance Bernstein; Rod Crane, TIAA-CREF; Tim Berry, State of Indiana.)

NAGDCA's session on Stable Value, one of NAGDCA's ten educational breakout sessions. (Moderator: Polly Scott, State of Wyoming. Featured Speakers: Anthony Camp, ING; Chris Tobe, NEPC; Michael Wyatt, T. Rowe Price Associates, Inc.)

What a final night event!

NAGDCA Arthur N. Caple Scholarship and the Student Mentoring Program at the 2008 NAGDCA Annual Conference

NAGDCA and the ANC Foundation recognizes the following 2008 Scholarship Recipients.

Full Scholarship Winner - Stephanie Chapman (University of Georgia)

Chapman was selected by the ANC Foundation Board based on her demonstrated knowledge on retirement planning and commitment to the industry. Chapman received tuition to pursue her designation as a Certified Retirement Counselor CRC®, $1,000 to be used toward educational expenses for the upcoming school year, and all-expense paid travel to the 2008 NAGDCA Annual Conference.

A travel stipend and conference registration were also awarded to the following students: Jason Eagle (University of Georgia), George Williams James (University of Georgia), Nathan Kline (Virginia Tech University), Amanda Minter (University of Georgia), Brianna Sell (University of Georgia)

Applications for the 2009 Scholarship Program will be accepted in Spring 2009.

The ANC Foundation in partnership with the International Foundation for Retirement Education (InFRE), developed the criteria for the scholarship. To be considered, applicants must be enrolled as a full-time student at a university or college, be a junior or senior, be enrolled to continue university studies for the following semester, and be a U.S. citizen.

The scholarships commemorate the lifework of Arthur N. Caple, former Executive Director of the State of Maryland Supplemental Retirement Plans and NAGDCA Past President, who passed away three years ago.

For additional information about the scholarship program or to make a donation please visit the ANC Foundation website at www.caplefoundation.org.

The Arthur N. Caple Foundation was formed to advance knowledge in the field of public sector retirement security. The Foundation, established in 2006 as a supporting organization of the National Association of Government Defined Contribution Administrators (NAGDCA), supports both individual educational opportunities and research to expand knowledge related to the importance of retirement readiness. To accomplish its mission, the Foundation operates under the following principals:

- Retirement Education - The Foundation is to provide higher education students with funding to study financial or retirement planning and to create opportunities for the students to participate in related learning opportunities.

- Research and Information Exchange - The Foundation supports research, information sharing and collaborative endeavors that further retirement readiness and expand knowledge of retirement issues and solutions.

2007-2008 NAGDCA President, Mindy Harris, presents Stephanie Chapman, a student at the University of Georgia, with a check for the Arthur N. Caple Scholarship

Student Mentoring Program

Along with the presentation of the Arthur N. Caple Scholarship, 16 students from five different universities participated in the 2008 NAGDCA Student Mentoring Program. With the surge of financial planning programs found in universities throughout the United States, it has been a goal for NAGDCA to reach out to these individuals and introduce them, early on, to the benefits of NAGDCA and its membership. For the fourth year, NAGDCA has provided the Student Mentoring Program at the Annual Conference, and it was another great success. With the help of the International Foundation for Retirement Education (InFRE), NAGDCA paired 16 students, representing five universities (Texas Tech University, the University of Georgia, Virginia Tech, the University of Colorado at Denver, and Elizabeth City State University), with two mentors from both the industry and government sector of the defined contribution community.

Some of the students who were in attendance at the 2008 Annual conference.

The students and their mentors attended a specially planned session that introduced the students to NAGDCA and its many benefits, while opening a channel of communication between the students and their mentors. Mentors were also encouraged to take some time out of their busy conference schedules and help the students network with fellow attendees, offer themselves as future resources, and provide onsite support for the students while at the conference.

Students were invited to attend sessions with their mentors to gain a better understanding of current issues.

The students and mentors were both polled on their experience, and from the responses that were received, this program will continue to expand and develop in years and conferences to come.

National Save for Retirement Week

Join NAGDCA, and its members in recognizing National Save for Retirement Week (October 19-25, 2008).

NAGDCA would also like to hear what your plan has done to promote this very important week. Please send your information and sample materials to Tracy Tucker (ttucker@amrms.com).

A NAGDCA task force has been hard at work, creating promotional materials for plan sponsors to utilize during National Save for Retirement Week. The materials are downloadable and can be personalized. Please visit http://www.nagdca.org/retirementweek/ for information on the National Save for Retirement Week.

PRESIDENT'S CORNER

We had a great 29th NAGDCA Annual Conference! The speakers, sessions, events, facilities - and Baltimore itself - were all top-notch! Please read the "Top Story" in this newsletter highlighting the conference, and take a look at the great conference photos that have been posted on the website.

I am delighted that our total conference attendance was 800. 58 speakers presented 19 topics in 29 sessions. Continuing education credits were offered for the third year. There were 47 leadership recognition awards representing the best practices in the administration of 457, 401(a) and 403(b) plans. And, 39 people participated in the future of our plans – the student mentoring program, representing five universities.

In addition, we had a unique first time event – the community outreach event sponsored by Nationwide Retirement Solutions. I think everyone participating in the event thoroughly enjoyed the opportunity to give something back to the community, and to connect with the people of Baltimore.

I also want to thank everyone who donated to the Caple Foundation, and allowed us to make full use of the matching donations offered by AIG Retirement, Great-West, ICMA-RC, ING, Nationwide, Prudential, the Segal Company/Segal Advisors, and TIAA-CREF. Thanks to you all! Please take the opportunity to support the Caple Foundation, by visiting https://www.amrms.com/ssl/anc/donate/index.cfm.

Welcome to our new Executive Board members – Tom Mueller, Sanitation Districts of L.A. County, was elected member-at-large just prior to the Annual Conference. Janet Kendall of ING is the new Industry President. In addition, the Executive Board unanimously appointed Julia Durand of CalSTRS to fill the remaining year of the vacant member-at-large position. Julia received the second-highest vote in the recent member-at-large election. It's great to see that service on NAGDCA committees and the Board are attracting members who are committed to advancing the interests of defined contribution plans.

And, to top everything off, the National Save for Retirement Week (NS4RW) resolution was passed in the Senate just after the Annual Conference, joining the companion House Resolution passed in June. A nationally recognized Save for Retirement Week has proven to be a great tool in highlighting the awareness and importance of saving, and provides a particularly valuable opportunity to address some of the economic concerns many of our participants have. For more information on NS4RW, which is October 19-25, 2008, please visit http://www.nagdca.org/retirementWeek/, where you will find brochures, games and ideas to promote your plans.

I also want to take the opportunity to note another great resource, the National Financial Education Network database, http://www.flecnationalnetwork.org/ Your NAGDCA website id/password can be used to log in, access, and load materials to the database. I encourage all of you to submit your financial literacy materials to be shared among peers and colleagues.

To summarize other recent events as well as what is coming up in the near future, we have released our latest NAGDCA Note entitled, "Target Date Funds: Does It Hit a Bull's-Eye Within Your Plan?" NAGDCA's third brochure for 2008, "Limits and Coordination of Retirement Savings Plans," is now also available online. NAGDCA has also posted the results of the recent "NAGDCA 2008 Survey of Defined Contribution Plans II." This is in addition to Part I, which was released earlier this year.

NAGDCA will be doing a fourth webcast for 2008 on the Pension Protection

Act, regarding Target Date Funds. This webcast will be scheduled for the end of November or the first part of December.

And, the NAGDCA website will have a fresh, new look by the end of the year. Several website enhancements are planned over the next few months, the first of which is a redesign of the homepage. In the meantime, continue to check out what's going on at www.nagdca.org.

I am very honored that you have given me the opportunity to serve as the NAGDCA president throughout the coming year, and I look forward to working with your Executive Board on our issues. Together, we will continue working to help our participants obtain financial security for their retirement.

Let's remember our Mission Statement:

NAGDCA's mission is to unite representatives from state and local governments along with private sector organizations that service and support defined contribution plans. NAGDCA provides an environment to foster growth in professional development of its members through networking with peers, educational opportunities and information sharing that includes comprehensive publications, reports and surveys. NAGDCA will promote and support federal legislative initiatives for the advancement of retirement plans.

INDUSTRY VIEWPOINT

NAGDCA would like to recognize and congratulate the 2008-2009 Industry Committee:

President: Janet Kendall, ING
Vice President: Kurt Walten, NAREIT
Secretary: Michael Studebaker, Nationwide Retirement Services
Treasurer: Rod Crane, TIAA-Cref
Member-at-Large: Alex Hannah, ICMA-RC
Member-at-Large: Julie Klassen, Great-West Retirement Services
Past President: Tim Rouse, Fidelity

The "Good Old Days"

By: Janet Kendall, CEBS, ChFC | *Consultant & Industry Relations, ING*

Life was much less complicated just a few years ago. Remember the "good old days?" Do you recall, for example, "Retiree Health Benefits?" (Liability? Say what?) Remember when 457 plans had only a handful of proprietary investment options to choose from? Remember too the days of care free 403(b) plans? Worries? Plan sponsors had none. (Surely of the 10,500+ vendors offered by the plan, at least one should have a good selection of funds to choose from). Ah yes, and remember when Consultants and Financial Advisors delivered positive investment return information? (Where to put the surplus? - A problem indeed!)

Times have changed. And they continue to change every day, it seems. The market is up 1,000 points one day, down 700 the next. But think of this - couldn't it be possible that we might all be better off as a result of these changing times? As a result of the wisdom we gain from these challenging days, couldn't we end up being stronger? Couldn't the result be that we end up better equipped to deal with tomorrow's retirement challenges? How can we not emerge from this change and turmoil as better and more seasoned people in our jobs as Administrators, Vendors and/or Consultants and Advisors? How can plan participants go through this difficult period without becoming infinitely more knowledgeable and informed about their own retirement?

Perhaps, just perhaps - as a result of what we are going through today, retirement security might just be closer to be being realized ultimately.

The NAGDCA organization and its members, will lead and grow in ways we can't even imagine right now. It will be a tough year, no doubt. But we all learn through experience, and as an organization we are, as always, continuing to lead the drive for the very best retirement ideas and policies for the future. I truly believe, as a result of the "gains" from this year's experience, that someday we will in fact look back, and will refer to this turbulent year as part of the "good old days."

I thank you for the opportunity to serve as this year's Industry Committee President. It's going to be a great year - *really*!

Spanish-Speakers: Addressing Their Fear of Retirement Planning and Investing

By: Margarita Hughes, CRC **|** *Education Counselor, Innovest*

There is a dual benefit in employees participating in their employer sponsored retirement plan ("retirement plan"). Employers obtain the immediate benefits of increased participation, and employees get an immediate tax benefit but also get a long term benefit of building a retirement nest egg. However, with the increasing numbers of Spanish speaking employees in the United States (US), employers are challenged to construct an effective education plan that communicate the benefits of retirement plan participation and increase the level of understanding of Spanish speaking employees.

Typical education plans address common reasons for low participation retirement plans which include:

• Many employees don't start thinking about retirement savings until much later in life
• Interruptions in saving due to frequent job changes
• Lack of confidence in the economy
• Poor/no understanding of the plan

For Spanish speaking employees, these reasons along with language barriers and cultural beliefs compound the problem. After all, the culture of which or that which most Spanish speaking employees were raised did not emphasize the importance of retirement plans and may not have acknowledged the existence of these plans. In addition, it is important to understand that within this culture a primary means of education is word of mouth. Personally, I was raised in this culture and experienced my parent's financial and retirement planning perspective. Commonly, the decision to participate within a plan will be based on whether their supervisor participates – essentially this person is trusted and his opinion is valued. The opposite is also true – if their supervisor doesn't participate, that is an indication to many not to participate. Understanding and having insight into these cultural differences helps employers create an education program that will be positively received. Again, the employer benefits with increased participation and the employee gets the benefit of creating a nest egg for retirement.

Addressing language barriers goes beyond translating existing presentations to Spanish. The Spanish speaking community has many misconceptions related to participating in retirement plans. Education programs and presentations that do not address these, could reinforce the misconceptions and fail to increase participation in the plan.

Common misconceptions among Spanish speaking employees:

• Need to be formally educated to understand retirement plan and investments
• Only wealthy individuals or Americans save
• Financial system of the US designed to benefit others more than me
• Money saved will not be received if return to home country
• Mistrust of banks that hold their money and would rather have the cash in hand

Some of the misconceptions listed above are tied to their cultural beliefs originating from living or being raised by parents that lived outside the US. One of these beliefs, results from living in a system where only the wealthy had the resources to invest and save for the future. We are talking about people whose livelihood depends on every penny of their paycheck and financial planning (looking beyond the next paycheck) is a concept that is foreign to them. With this in mind, retirement education needs to be designed in a way that helps them get past their mindset and become comfortable with the concept.

In addition, the education program should be presented as SIMPLE as possible. In other words, investment terms can be intimidating and we want participants to understand and apply the concepts. So it is important to explain complex concepts in SIMPLE terms so participants benefit from the education workshops. Misconceptions limit, not just Spanish speaking participant, but most participant's ability to capitalize on the benefits of participating in a retirement plan.

An effective retirement plan education program for Spanish speaking employees requires the employer to invest time to design a program that meets the unique needs of Spanish speaking employees. Employers must understand and appreciate the language barriers but perhaps more importantly, the cultural beliefs Spanish speaking employees face and incorporate these into their education program. This approach to retirement education for Spanish speaking employees develops trust and will help Spanish speaking employees embrace the benefits of a retirement plan (and most importantly increase participation). Certainly by creating education workshops that takes these misconceptions into consideration will prove to be an effective way to reach out to Spanish speaking participants and begin to make a difference in participation rates. •

Margarita Hughes, CRC is an Education Counselor at InSight Employee Benefit Communications, a division of Innovest Portfolio Solutions. InSight provides participant education services to employees of public and private sector organizations. InSight is based in Denver, Colorado. Margarita can be reached at 303-694-1900 or margaritah@innovestinc.com

Weathering market downturns — Handling market fluctuations with confidence.

By: Hartford Life Insurance Company and Hartford Securities Distribution Company, Inc

No matter how much you have invested in your retirement plan, keeping your eye on the financial markets makes sense. But markets fluctuate daily, and market downturns can test your confidence. Predicting the duration and lasting effect of any downturn is extremely difficult. So when you think market changes are serious enough for you to take action, it's best not to go it alone.

If possible, talk with a financial professional to see how market declines may affect your portfolio. By keeping your focus on your long-term interests, you may avoid making decisions based on emotions alone.

Keep it in perspective.

Market performance changes daily—and so does news coverage of market events. While a slow news day can change the way market moves are reported, it is important to see the market in the context of long-term trends.

Keeping these investment basics in mind can also help you maintain a balanced outlook.

- know your goals
- take your time
- diversify your portfolio
- stick to your plan

Review your goals and timeframe.

A market downturn gives you a chance to review the goals and timeframe you had in mind when you started investing. If the goals—say, college bills or retirement—are still several years off, you may want to do nothing and ride out the downturn.

If some of your investment timeframes are approaching, you may want to speak with a financial professional about adjusting your portfolio to help insulate against future losses. But keep in mind that even if you have a shorter timeframe, abandoning the stock market during a downturn may not be the best idea, as you may miss the opportunity to make up for any losses you've incurred.

Time on your side.

Time is one of an investor's greatest allies, so knowing when you need your money is almost as important as knowing why you need it. Over nearly all long-term periods—five, 10, 20 years and more—stock returns, as represented by the Standard & Poor's 500 Index (S&P 500), have outpaced inflation.[*]

So, while a market downturn may result in some short- to intermediate-term losses, your long-term returns might still be in line with your retirement goals. Lower stock prices during a market downturn can also be a buying opportunity. The key is knowing the value of time—and using it to your advantage.

Historically, there's been no better way to reduce the risk of stocks and enhance potential returns than through long-term investing.[**]

Keep your portfolio in balance.

Smart investors also know that diversification—investing in different types of investments and markets—allows them to pursue opportunity while providing a level of protection against heavy losses in any one investment. Take a look at your portfolio with a financial professional, if possible, to make sure you've got an appropriate investment mix for your goals and risk tolerance. Keep in mind that diversification doesn't protect against loss in a declining market.

Stick to your plan.

If you're properly prepared with a long-term plan, the best response in a down market may be to do nothing.

Whatever you do, stay informed. A stock market downturn can test your confidence, but it's no time for hasty actions. A disciplined, long-term program is your best strategy for weathering short-term changes in any investment climate.

[*] Source: Lipper. Common stocks generally have provided an opportunity for more capital appreciation than fixed income investments but have also been subject to greater market fluctuations. The S&P 500 is an unmanaged, commonly used measure of common stock total return performance. It is not possible to invest directly in an index. Hypothetical results are for illustrative purposes only and are not intended to represent the future performance of any investment option.

** Keep in mind that investments in stocks can fluctuate in value and, when redeemed, may be worth more or less than the original cost. Past performance is no guarantee of future results. "The Hartford" is The Hartford Financial Services Group, Inc. and its subsidiaries, including issuing company

Hartford Life Insurance Company and Hartford Securities Distribution Company, Inc. ("HSD"). **HSD** (member NASD and SIPC), a registered broker/dealer affiliate of The Hartford, has established certain service programs for retirement plans, including defined contribution employee retirement benefit plans, through which a sponsor or administrator of a Plan may invest in mutual funds on behalf of Plan Participants.

Retirement programs can be funded by group variable annuity products (HL-14991; NY & FL; HL-14973; HL-15811; HVL-11002 and HVL-21002 series; HVL-14000; HVL-14001; HVL-20000; HL-17402; HL-14848; HL-17402; HL-15420 |with Rider HL-16957) and group variable funding agreements (HL-16553 and HL-16553 ((NY)), as applicable, issued by Hartford Life Insurance Company (Simsbury, CT). Group variable annuity contracts are underwritten and distributed by Hartford Securities Distribution Company, Inc., where applicable. Retirement programs can be funded by group fixed annuities (HL-19799) issued by Hartford Life Insurance Company (Simsbury, CT) and can also invest in mutual funds through custodial accounts.

Building a Better DC Plan with Institutional Best Practices

By: Wellington Management

As defined contribution *(DC) plans come to represent the majority of retirement savings, there is a growing focus on encouraging savings and applying leading investment practices to achieve an appropriate replacement income ratio for plan participants. In the following interview, Wellington Management Director of Defined Contribution Business Development Jim Sia draws on his 15 years in the DC market to explain how to make DC a success for participants. In addition, Rick Wurster, a portfolio manager in Wellington Management's Asset Allocation Group, outlines the investment approach he applies to target-date solutions and his objective of closing the gap between defined benefit (DB) and DC returns. Putting the historic transformation of DC into perspective, Jim and Rick provide insights for plan sponsors interested in the next chapter of retirement savings.*

Q: Jim, how do you assess the changes we're seeing in the DC world as traditional DB plans are frozen or eliminated?
Jim: Retirement has been moving away from something that was predictable and managed for you to something participants control: their DC investments. While that may scare some, it is also an opportunity to provide a better retirement. It places greater emphasis on individuals saving properly, getting the most out of their investments, and protecting their assets in retirement.

Target-date funds are a big step toward taking the guesswork out of investing and putting the focus on saving. Moreover, I think the next wave of target-date approaches will be positioned to produce better returns in a more consistent way than today's approaches. Next generation design needs to smooth the ride for participants, so they don't feel the downside as much as they do today.

Q: McKinsey recently projected that DC assets would rise from the 2006 level of US$4.1 trillion to between US $7.8 trillion and US $8.5 trillion by 2015. What do those eye-popping numbers mean for DC plan sponsors?
Jim: I think it's fair to ask if plan sponsors are really ready for that jump. Structural changes in DC plan design, like automatic enrollment and savings escalation, as well as a shift in employer contributions from DB to DC, will obviously have a huge impact on plan size. The average

US$500 million plan today, which has, say, 60% participation and a 5.5% savings rate, will see participation climb to about 90%, its savings rate increase to 10%, and assets double to US$1 billion in the next seven years.

Yet it is precisely that asset growth that will spark a paradigm shift in which plan sponsors will stop focusing on the inputs of a DC plan and turn their attention to the plan's outputs. In other words, as DC assets begin to represent a greater share of the average employee's retirement income, the replacement income ratio a plan produces will become the central concern of plan sponsors as opposed to the plan's menu of investment options.

Q: What are the benefits of transforming a laundry list of DC investment options into a target-date structure?
Jim: In the short term, I think it will improve outcomes for participants through lower-cost solutions, more sophisticated premixed options, and greater simplicity. A longer-term benefit would be what I call a better "worst one year." Many participants evaluate their experience in a 401(k) plan by their worst year, not by their average return over time. But if a plan sponsor, advised by a professional consultant or investment manager, structures a more diversified solution, they can make the worst one year appreciably better while often improving expected return.

Q: What are some of the best practices from DB plans that can be applied to DC plans?
Rick: We know from our research that there has been about a 1 – 3% shortfall in the returns of DC plans compared with those of DB plans. We found the number-one driver of this difference was the breadth of asset classes that DB plans have exposure to versus DC plans. For example, DB plans have been invested in a greater percentage of non-US equities, including emerging markets, and have had greater exposure to small cap, private equity, TIPS, and real assets like commodities. A second difference is the use of active management. DB plans often use an active risk budget where they include some passive management to allow for greater levels of active risk in strategies like hedge funds. While hedge funds may not be appropriate for DC, the concept of risk budgeting, and balancing active and market risks, is very relevant, though not often applied. This focus on how allocations to certain asset classes contribute to risk can create far more efficient portfolios with approaches that are not only more flexible in capturing new return opportunities but provide greater downside protection and better performance potential across different market environments.

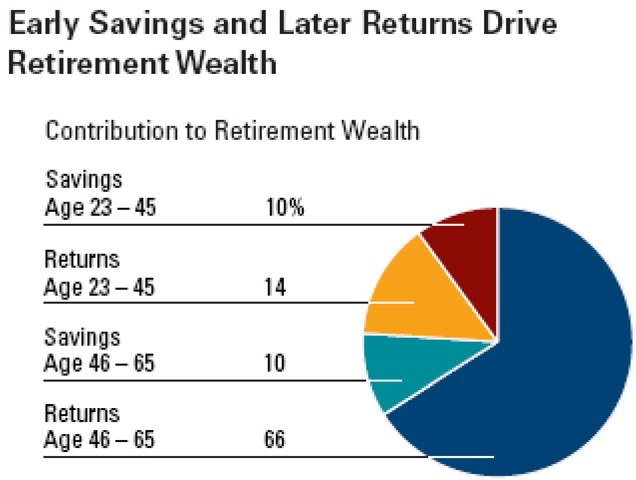
Q: What are some of the key considerations plan sponsors should address when considering a lifecycle or target-date investment option for their plan?
Rick: The number-one question for plan sponsors is whether to adopt a custom, bundled, or hybrid solution. Various factors can make custom funds attractive: plan sponsors might have scale or the capacity and expertise to build custom target-date funds; alternatively, they might have a unique plan demographic or just a desire to build something non-traditional. For many others, choosing a bundled product is the way to go because of the potential cost efficiencies and simplicity.

The second-biggest question is whether active or passive strategies should be employed. We always remind plan sponsors when it comes to this issue that the most important decision that gets made in a lifecycle or target-date fund – deciding the right asset mix – is never a passive decision. In that sense, all target-date funds are active.

Q: As plan sponsors become more interested in their plans' outputs than inputs, how will that affect their communication with participants?
Jim: The first job of the new educational message in the DC market is to make participants better savers. We know from our research that about three-quarters of the retirement pot of gold comes from what a participant has saved from ages 25 to 45 and the returns earned from 46 to 65 (**Figure 1**). We also know that, beyond getting the asset allocation right, there's a huge opportunity to provide participants with a smoother ride or greater downside protection. That's

especially important because when they do take action, participants typically end up pulling out, saving less, or moving to less risky strategies at the wrong time.

Figure 1:



Note: Based on average of simulated retirement outcomes for an average participant using return data from 1970 – 2005. Based on index returns at Wellington Trust Target Series asset allocation. Assumes average participant has average annual savings of 11% with company match, begins participation in plan at age 23, has initial income of US$25,000, and real income growth of 1%.

Sources: S&P 500, LB Aggregate, LB Govt/Credit, Ibbotson Intm Govt, MSCI EAFE, MSCI Emerging Markets

Q: One of the most complex and yet critical design aspects of a target-date fund is creating an appropriate glidepath. What should plan sponsors look for when it comes to assessing a glidepath?
Rick: We've spent a lot of time thinking about glidepath structure, which we decompose into four distinct stages: early accumulation, preretirement, early retirement, and late retirement. In the first stage, the goal should be asset appreciation with as little downside as possible. Here we believe in using as broad a set of asset classes as possible. We also believe in using TIPS as a complement to equities. Most target-date funds end up being dominated by equity risk, so it's attractive to have something that behaves much differently than equities. TIPS are built to do well when growth is low and inflation is high, the worst environment for equities.

In the preretirement phase, investment returns are more important than at any other stage, yet so is the protection against big down markets. In early retirement, the key is protecting against inflation and large drawdowns while providing capital appreciation to allow for the assets to last for more than 30 years of retirement. In the late-retirement stage, your yield should meet your retirement goals and there should be little investment risk. We recommend that plan sponsors look to their glidepath to provide all of these things: attractive returns with risk-minimizing features; inflation protection; and a high replacement income ratio.

Q: What are some of the more innovative aspects that we might see in future iterations of target-date funds?
Rick: Eventually, I think you will see even more creative strategies bear fruit in a target-date context. One might be to use leverage to reduce, rather than increase, risk. An example of this would be purchasing inflation breakevens as an inflation hedge. You're taking on leverage but in a risk-mitigating way.

Additionally, I expect we'll see more protection-based products that guarantee certain replacement income ratios 40 years out – on the order of a mini DB plan. So while there's still some distance DC plans must cover to catch up with best practices from the institutional DB world, I'm confident that gap will be bridged as DC plans outstrip DB plans in number and size, and target-date funds become the option of choice within those DC plans.

WASHINGTON REPORT

By Susan J. White and Jonah Mainzer, Susan J. White and Associates, Inc.

Financial Crisis, Bailout and Economic Stimulus

After working with the White House to pass a $700 billion bailout package while the Nation and the world continue to face a financial crisis of unprecedented proportions, Congress has turned its attention toward passing economic stimulus legislation right after the elections. Members of Congress and key committees are also beginning to focus on defined contribution plans and whether they provide adequate retirement security, given the recent major drops in the stock market and the tremendous losses in Americans' savings and retirement holdings.

Before leaving for the fall elections, two important committees held hearings on issues related to defined contribution plans:

The Senate Health, Education, Labor and Pensions Committee—up until now—publicly silent on 401(k) fees—held hearings—an indication that they may be inclined to work with the House on legislation in the new Congress in 2009.

Following on the heals of the federal bailout effort, Representative George Miller (D-CA), the Chairman of the House Education and Labor Committee held hearings on the role of defined contribution plans and whether they offered a safe haven for Americans trying to save for retirement. Miller, an advocate and sponsor of fee disclosure legislation, promises to continue to pursue legislation.

Numerous national press stories have also focused on defined contribution plans—and most specifically—401(k) plans. Senator John McCain (R-AZ), the Republican candidate for President also waded into the debate with his own proposal aimed at protecting retirees affected by the downturn in the economy by allowing 401(k) participants an additional year before being required to take distributions.

All of this ensures that the 2012th Congress will pursue matters related to disclosure of fees and protection of retirement assets, questions of the roles of defined contribution plans and defined benefit plans and how investments and financial decisions are made across the board.

In line with these efforts, the House Ways and Means Committee held a roundtable to review IRS activities related to defined benefit plans, audits and regulations. NAGDCA attended the roundtable that included representation from the Committee's Chairman, Charles Rangel (D-NY, Representative Pomeroy (D-ND) who chaired the roundtable, majority and minority staff, the Department of the Treasury, the IRS and representatives of various state defined benefit plans.

They agreed to continue to discussions and to jointly monitor activities related to IRS stepped up audits and regulatory efforts.

November elections and Economic Stimulus Legislation

With the congressional elections looming, Congress has left town to campaign; however, House Speaker Pelosi and Senate Majority Leader Reid have announced that each chamber will reconvene in a Lame Duck session starting the week after the elections. Pelosi announced today that the House will hold hearings and begin work on economic stimulus legislation that will include infrastructure funding and aid to states and local governments and tax cuts or rebates to boost spending. Although the President has stated his opposition to such legislation, it is hoped by congressional leadership that an election favoring Democrats this year will add impetus to a compromise on such legislation.

This year's Congressional elections appear to be more predictable than the Presidential election. Democrats are expected to make gains in both chambers of Congress but with Congress's approval rating in the low teens these results are far from certain. In the Senate, the breakdown is currently 49-49 with two independents caucusing with the Democrats. Optimistic Democrats feel that they can pick up the nine seats necessary to reach the sixty seat threshold which would remove the threat of a filibuster but that is unlikely a gain of four or five seats is expected.

In the House of Representatives, Democrats currently hold a 235-199 advantage with one vacancy that is expected to remain Democratic. Current polling shows a gain of roughly ten seats for Democrats which would not be enough to override a Presidential veto in a McCain Administration.

Retirement Proposals

The sagging economy has been the main focus recently of both campaigns and as a result neither campaign has many retirement proposals currently on the table. The recent news showing that people's retirement accounts have been substantially reduced has begun to turn this around to a certain extent.

The McCain campaign, as mentioned earlier, proposed protections for 401(k) participants earlier this week. In an effort to stay close to Republican ideology, McCain would not raise taxes and would attempt to supplement Social Security with personal investment accounts—a proposal that appears less and less likely in light of the current economic crisis and Democrats, who have traditionally been opposed to such an effort, most likely gaining seats in Congress.

Senator Obama is opposed to the privatization of Social Security and would require full disclosure of company pension investments. He would also support automatic workplace pensions and expand incentives for retirement savings.

National Save for Retirement Week

This is the third year that NAGDCA has lobbied for a National Save for Retirement Week (NS4RW) Resolution. After quick passage of the Resolution in the House of Representatives, the NS4RW Resolution was held up in the Senate and then passed unanimously.

NAGDCA worked closely with the Senate Assistant Majority Leader's Office and with the sponsors of the Resolution to ensure final passage. The efforts of Senators Smith and Kent Conrad (D-ND) undoubtedly played a key role in the release of the resolution and its final passage. Senator Ben Cardin (D-MD)—a long time champion of state and local government defined contribution plans—also worked closely with us to win final passage of NS4RW in the Senate.

Administrative Fees

Although no legislation passed this year, both the House and the Senate held various hearings throughout the year and are planning on reintroducing legislation that was introduced this year. The House Committee on Education and Labor passed H.R. 3185, the 401(k) Fair Disclosure for Retirement Security Act of 2007, out of Committee but the full House never took up the measure and Chairman George Miller (D-CA), one of the bill's original sponsors, has promised to bring the bill back up again next year. Additionally, the Senate Committee on Health, Education, Labor and Pensions recently held a hearing titled "401(k) Fee Disclosure: Helping Workers Save for Retirement" and are looking at the issue.

One note on the Miller bill is that it amends the Employee Retirement Income Security Act of 1974 (ERISA) therefore it does not impact NAGDCA members at this time. In order to do so, it will need to be joined with another measure coming out of Ways and Means and, in that regard, can be used as a starting point for legislation that does include governmental defined contribution plans.

Roth 457

The Roth 457 provisions were not passed into law this year as the House Committee on Ways & Means was strongly opposed to them. However, the Senate added the provisions to various pieces of legislation throughout the year and it has always been thought that the measure may well appear next year as it is a revenue raiser. This may well change given the increased attention to defined contribution plans in the context of the ailing economy and the losses faced by Americans in their 401(k)s. Congress may be less likely to approve such efforts.

The House Committee on Oversight and Government Reform also recently passed legislation that would allow Roth provisions for federal employees. This legislation did not pass the entire House but is another strategy open to NAGDCA in the future. Ways & Means opposed this legislation as well and argued that as there were tax provisions the legislation should have come out of that committee.

NAGDCA Board Members Meet in Washington in July

During the second week of July, members of the NAGDCA board flew into Washington for a series of meetings with the Department of the Treasury, IRS, the Senate Committee on Finance, and the House Committee on Ways & Means. These meetings were in follow-up to the NAGDCA Industry Roundtable held in May and were focused on 403(b) plans. Additionally, a meeting was held with Senator Gordon Smith's (R-OR) staff to discuss National Save for Retirement Week issues.

Summary

NAGDCA will continue to weigh in with Congress and the new Administration regarding the role of state and local government defined contribution plans, the need for financial literacy during these difficult financial times as well as the need for transparency and prudent investment strategies.

We will monitor all efforts aimed at fee disclosure and protecting participants related to their retirement savings in the new Congress.

AROUND THE COUNTRY

2008 Leadership Awards from Coast-to-Coast

This is truly an Around the Country article which reaches from coast-to-coast. At the 2008 NAGDCA Annual Conference, 37 plans from across the country were recognized for their innovative and outstanding achievements in celebrating National Save for Retirement Week, effective communication, and/or plan design & administration in defined contribution/deferred compensation.

The NAGDCA Leadership Recognition Awards were established in 2000 to highlight plans who are making huge strides in improving communication and education about their defined contribution/deferred compensation plans. A new feature to the NAGDCA awards program in 2008 was a special *Award of Distinction* which was presented to the top three plans in each category.

Nominations from both government and industry members came pouring in as soon as nominations opened. All nominees ranging from 401(k) to 403(b) to 457 plans, whose innovations have resulted in a sound improvement in their plans, were recognized with an award at the 2008 Annual Conference.

2007-2008 NAGDCA President, Mindy Harris, presents the State of Texas with their 2008 Awards of Distinction.

2008 Leadership Recognition Award Winners

NS4RW Leadership Award Winners
Special Award of Distinction:
Monroe County, New York - National Save for Retirement Week Campaign 2007

State of Oregon - National Save for Retirement Week Display and Open House

County of Ventura, California - 2007 National Save for Retirement Week

Other Award Winners:
US Conference of Mayors - USCM Save For Retirement Campaign Toolkit

State of New Jersey - National Save for Retirement Week campaign

City of Tucson, Arizona - National $ave 4 Retirement Week

Plan Design and Administration Leadership Award Winners
Special Award of Distinction:
Commonwealth of Virginia – Commonwealth of Virginia 457 Plan Automatic Enrollment

State of Ohio – Ohio Deferred Compensation on the Ohio Business Gateway

State of Texas – Texa$aver Automatic Enrollment

Other Award Winners:
City of Los Angeles – New Customized Plan Materials for the Employees of the City of Los Angeles

City of New York, NY – Roth NYCE IRA

City of Seattle – Risk Management Training
Lane County, OR – Transition to a new retirement services provider

State of Arizona – State of Arizona 401(a) Supplemental Defined Contribution Plan

State of Connecticut – "Connecting to your Future"

Suffolk County, NY – On-Line Access to Board Training Manual

Effective Communication Leadership Award Winners
Special Award of Distinction:
Lane County, OR – Transition to a new retirement services provider

State of New Jersey – Retirement Readiness campaign

State of Texas – Texa$aver Automatic Enrollment

Other Award Winners:
City & County of San Francisco – Charting Your Own Course! PowerPoint Presentation

City of Aurora, CO – Retirement Ready

City of Austin, TX – City of Austin Retiree Outreach Postcard

City of Los Angeles – New Customized Plan Materials for the Employees of the City of Los Angeles

City of New York, NY – Pre-Arranged Portfolios Brochure

City of Phoenix – 2007-2008 City of Phoenix Beneficiary Campaign
City of Portland – "Small Change Big Difference"

Commonwealth of Kentucky – Kentucky Public Employees' Deferred Compensation Authority Dual Participant Communication Initiative

Commonwealth of Massachusetts - SMART Plan Transition

County of San Diego, CA – Quick Enroll Program

County of Santa Barbara – "A Scenic View of Your Retirement" Marketing Materials

East Bay Municipal Utility District – Benefits University and HR Connection website

Howard County, MD – Howard County Saver's Credit Initiative

Johnson County, KS – Johnson County Defined Contribution Program – Save Toward a Richer Tomorrow

Milwaukee County, WI – Fee Holiday Awareness Campaign

State of Florida, Project 1 – Bonus Program

State of Florida, Project 2 – Surveys of Participants

State of Florida, Project 3 – Survey of Participants Leaving the Plan

State of Florida, Project 4 – DROP fliers

State of Florida, Project 5 – Poster-distributed to HR offices throughout the state

State of Hawaii – Lifecycle Funds Promotional Campaign

State of New Mexico – New Mexico State Employee Community Communications

State of New York – Distribution Plan Related to Proceeds Received from the PBHG Fair Fund Settlement

State of North Carolina – Annual Benefits Statement

State or Oregon – Postcard

State of Wisconsin – The WDC Program: An Alternative to Your 403(b) Plan

State of Wyoming – Managing Retirement Benefits

Washoe County, NV – Improving Participant Knowledge

To view examples of these award winning programs please visit the NAGDCA Clearinghouse and search the 2008 Leadership Award winners. Also, more extensive information can be retrieved on particular plan websites or by contacting the award winners for samples:

http://www.nagdca.org/users/clearinghouse/index.cfm

NAGDCA Member Benefit Spotlight

To remind members of benefits they receive throughout the year, NAGDCA spotlights a benefit of membership in each edition of *The Contributor*. For more information on this or any benefits of membership, please visit our website at http://www.nagdca.org/ or contact NAGDCA staff at (859) 514-9161.

Information

- Career Center - Post job openings and review resumes
- The Contributor, NAGDCA's quarterly newsletter that provides the latest information on association issues, members and legislative matters
- An interactive Web site at www.nagdca.org that provides current information on federal activities, meetings, members, RFPs, presentations and more!
- An electronic clearinghouse with resources that offer answers and perspectives on various issues by showing actual practices used by members across the country
- Legislative representation in Washington, DC

New Members

Please visit the NAGDCA on-line directory for member's full contact information. You will need a username and password to access the information. Join me in welcoming our new members!!!

State Government Primary Member
Tara Hagan
State of Nevada

Tracy Dicenso
Commonwealth of Massachusetts

Local Government Primary Member
Bernie Knobbe
Los Angeles Unified School District

Carol Khoury
Nassau County

Jennifer V Kerr
City of Lakeland

John Ralston
University of Louisville

Patricia A Brosamer
City of West Palm Beach

Pete Adler
City of Arvada

Stephen Brayman
Charles County Government

Wes Morrill
Monterey County

NAGDCA Government Secondary Member
Allison Picard
Kings County

Andrew Clinger
State of Nevada

Brian Berghoff
State of Washington

David Avant
State of South Carolina

Dean Carothers
Monterey County

Diane Comeaux
State of Nevada

Georgina Bouton
State of Texas

Kyle Seymour
State of Michigan

Lorrie Tingle
State of Mississippi

Luke Dean
William Paterson University

Mark Besh
City of Phoenix

Peter Bassett
San Mateo County

Randy Zamzow
Howard County

Ruth Lytton
Virginia Tech

Todd Allen
Howard County

Yolanda Dickinson
State of Kansas

NAGDCA Primary Industry Member
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AEGON Institutional Markets Inc

Carol Boykin
Bolton Partners Investment Consulting Group Inc

Gregory Settle
Aon Investment Consulting

Jayson Davidson CFA
Hyas Group LLC

John Stanley
Federated Investors

Julian Regan

Regan Governance, LLC

Lisa Rosenthal
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Mark A Cox
Charles Schwab & Co Inc

Mike Hanus
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Paul Eisenhardt
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JanusINTECH Institutional Asset Mgmt

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Brian Merrick
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Fidelity Investments

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Great-West Retirement Services

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Hyas Group LLC

Debra Wright
Prudential Financial

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Arnerich Massena & Associates Inc

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Bolton Partners Investment Consulting
Group Inc

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John Borne
Nationwide Retirement Solutions (NRS)

John Turk
AIG Retirement

Karl Kroner
Great-West Retirement Services

Kathryn Trussell
First Financial Benefit Inc

Kristy Dinh
Prudential Financial

Mark Scalercio
Hartford Life Insurance Company

Mathew Condos
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Mitchell Zielezinski
Charles Schwab & Co Inc

Mukunda Loprinzi
Arnerich Massena & Associates Inc

Paul Nacario
Prudential Financial

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ABOUT THE CONTRIBUTOR

The Contributor is published quarterly by the National Association of Government Defined Contribution Administrators, Inc. (NAGDCA). NAGDCA encourages the submission of articles on topics relating to defined contribution/deferred compensation retirement savings/plans. Articles that appear under the by-line of an individual express the opinions of the author and not those of NAGDCA as an organization. The deadline for submissions for the next issue is December 19, 2008. Articles should be approximately two pages in length and should be submitted in Word format. Please direct all newsletter items and questions to NAGDCA, 201 East Main Street, Ste.

1405, Lexington, KY 40507. You may also e-mail submissions to Robert Hansel at rhansel@AMRms.com. Please contact Robert Hansel at 859-514-9161 with any questions or comments.

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