

## TOP STORY

### **The 2009 NAGDCAST Series Begins – 403(b) Regulations: They're Here....Now What?**

NAGDCA is happy to announce its first of the NAGDCAST series for 2009. We will begin with an up-to-date look at the new 403(b) regulations; what they mean, where we are, and what we should expect. The IRS recently extended the deadline for plan sponsors to adopt new written plans or amend existing plans to satisfy the requirement of the final 403(b) regulations because of difficulties expressed by numerous plan administrators in meeting the current deadline of January 1, 2009. This extension will give plan sponsors additional time to put their plan documents in place.

Participants will hear from the California State Teachers Retirement System (CalSTRS) on how they are implementing the new regulations. Experts from the industry and IRS will also be on the webcast to offer guidance on issues facing employers.

Julia Durand, CalSTRS, will serve as the moderator and speaker. Other speakers include Bob Architect, IRS, and Pam Everhart, Fidelity Investments. Participants will be afforded the opportunity to ask questions at the end of the presentation via live call in or through the chat feature of the webcast.

NAGDCA would like to thank the sponsors of the 2009 NAGDCAST series. Without their support these events would not be able to take place. Please take a moment to visit their websites: [Prudential Financial](#), [ING](#), [Nationwide](#) and [TIAA CREF](#).

If you are interested in sponsoring the 2009 NAGDCAST series please [click here](#) or contact Kari Emmons at [kemmons@amrms.com](mailto:kemmons@amrms.com) or 859-514-9218.

All governmental entities (members and non-members) can participate for free. The cost of the webcast is \$75 for non-webcast sponsoring industry members and \$100 for non-members. Registration is now available on the NAGDCA website. A password is not required to register. [Click here](#) to register for the NAGDCAST.

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## **PRESIDENT'S CORNER**

*By: Alex Turner*



It's hard to believe all that has happened since we met at the 2008 Annual Conference in Baltimore, Maryland! In three short months, we have seen unprecedented political and economic changes that have created many challenges for us all. The focus on saving for retirement has taken on a special significance. More than ever, we are called upon to educate, assist and counsel our participants as they face the uncertainty of the markets.

With this in mind, the Executive Board is committed to maintaining NAGDCA as a leading information resource for governmental defined contribution plans. NAGDCA will continue its efforts to provide up-to-date, relevant information to its members through the website and clearinghouse, listserv, NAGDCASTS, and the annual conference.

The Board is also looking forward to maintaining NAGDCA's ongoing cooperative and collaborative relationship with the new Administration and the 111th Congress on retirement issues for all public employees. The Legislative Committee has drafted a letter setting forth our legislative priorities that the Board will send to all members of the new Congress. We are confident we will continue to have a strong voice on Capitol Hill, offering our expertise on defined contribution issues.

Further, NAGDCA will continue to work with the Congress in support of National Save for Retirement Week, first passed in the Senate in 2006, and passed by both the House and the Senate in 2007 and 2008. National Save for Retirement Week enabled state and local government employers across the country to create a heightened awareness of the importance of saving for retirement. In the upcoming year, it will provide a valuable opportunity to underscore the continued need for retirement savings with our plan participants, many of whom fear the current lack of economic stability. NAGDCA will urge Congress to reintroduce and pass this resolution for 2009.

The Arthur N. Caple Foundation will remain dedicated to retirement education. The Foundation will continue to award the ANC Scholarship, providing higher education students with funding to study financial or retirement planning and to participate in related learning opportunities. We also hope to expand the number of annual recipients and other educational opportunities.

In addition, the Foundation is working to identify research and information sharing initiatives that will enhance retirement education and readiness in the public sector. An exciting new ANC initiative is the establishment of an education presentation program, in which universities will allow NAGDCA representatives to conduct presentations in financial planning classes on the differences between public and private sector defined contribution plans. This program has already generated interest from five universities that have not previously been involved with the Foundation or NAGDCA.

This is going to be an exciting year for us all. I look forward to working with all of you as we move forward to meet the challenges the New Year will bring, and to create a stronger association that continues to support and serve its members. On behalf of all the Executive Board members, best wishes in the New Year!

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## **INDUSTRY VIEWPOINT**

### **Simple Communication Entices Participants to Provide Beneficiary Information**

*by Great-West Retirement Services®*

#### **The Challenge**

When the Commonwealth of Pennsylvania's Deferred Compensation Program decided to renew its partnership with their retirement services provider, Great-West Retirement Services®, they decided to address a nagging challenge – updating participant beneficiary information. Researching information transferred from the previous record keeper became a labor-intensive process. Although Great-West Retirement Services has made online beneficiary recordkeeping available since 2003, plan participants were not using it. So the Commonwealth took an opportunity to reach out to this segment of the participant base with a direct mail letter.

#### **The Solution**

Even though updating beneficiary information was an important initiative, the project didn't have a significant budget. According to Gregg Seller, senior vice president of Government Markets for Great-West Retirement Services, the retirement provider made a virtue of necessity and developed a simple, straightforward communication to encourage participants to designate a beneficiary. A one-page letter informed participants that they had no designated beneficiary on record with the program and told them they could easily designate beneficiary(ies) by completing an attached form or by going online to the program's Web site to provide the required information.

The mailing also included a postage-paid reply envelope that made it as simple as possible to return the form. In essence, the process cost the participants nothing but the few minutes needed to complete the form. The information collected with the paper form would then be uploaded to Great-West Retirement Service's online recordkeeping system.

The communication's low-key approach underscored the simplicity of the update process. The letter provided easy-to-follow instructions for the paper form and Web-based option. The letter also avoided overwhelming participants with facts and figures, simply stating that no information was on file for the participant.

### **The Results**

Over 14,800 program participants received the letter at their homes, and the response exceeded almost everyone's expectations. Even though the initiative's limited budget didn't allow for any follow-up communications, more than 4,300 recipients of the letter provided the missing information – a response rate of almost 30 percent.

According to Tony Hines, Assistant Director, State Employees Retirement System, Commonwealth of Pennsylvania, "The success of our beneficiary campaign shows that a well-designed, well-executed communication can improve the quality of service that sponsors provide." Seller added, "It also shows that a 'less is more' approach can sometimes be the best choice for motivating participants."

### **End Note**

While the designation of a beneficiary may seem to be a trivial issue, the lack of a proper designation in a retirement account can have significant consequences. In fact, a case recently went to the U.S. Supreme Court involving an account where a participant did not remove his wife as the beneficiary after they divorced. The participant died and his estate sought to claim the account assets. So, a simple initiative like the one initiated by the Commonwealth of Pennsylvania could help save many workers from complex problems in the future.

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### **Stable Value Fund Selection and Monitoring**

*By: Julie Klassen, ChFC, REBC, Regional Director, Market Development and Kent Morris, CFP, Vice President, Great-West Retirement Services*

Exercising due diligence for your Plan is very important in the best of times and absolutely critical now in what experts and pundits alike say is the most challenging economic climate since the Great Depression. The stock market is highly stressed, many high profile companies are merging, failing or being taken over and the credit markets are under extreme duress. As a Plan Sponsor, careful selection and monitoring of Plan investment options is always a fiduciary duty. With this in mind, we seek to share in this article some of our observations

about Stable Value Fund (SVF) selection and monitoring as well as best practices in the industry.

To paraphrase a familiar truism: There are things that we know we know; and there are things we know we do not know; and then there are things that we don't know that we do not know. As a Plan fiduciary can you positively respond to the following questions?

- ✓ An Investment Policy Statement (IPS) has been adopted for our Plan?
- ✓ Our Plan Advisory Committee (or Board) adheres to the investment policies as set forth by our Investment Policy?
- ✓ The IPS for our Plan provides for the selection and monitoring of a SVF and establishes SVF Investment Guidelines?
- ✓ A SVF portfolio holdings report is provided to our Committee (or in the case of a General Account product Company ratings and credit quality of the Company's General Account assets is known and monitored by our Committee)?
- ✓ Our Committee is advised of our SVF portfolio Market Value to Book Value (MV/BV) ratio on a regular basis?
- ✓ Is our MV/BV at or above historical norms?
- ✓ Our Committee seeks expert advice or counsel from qualified professionals, such as Plan Counsel, Independent Consultants, SVF managers and/or our Third Party Administrator (TPA) with respect to SVF selection and monitoring?

### Stable Value Fund Selection

Before deciding on what SVF is best for your Plan it is important to compare the various types of SVF vehicles. The summary matrix below provides a high level overview of the three basic types of SVFs: Separate Account, Pooled Fund and General Account Products.

Product Feature	Separate Account	Pooled Fund	General Account
Investment Guidelines Set by Plan	Yes	No	No
Minimum Investment	Yes	No	No
Fee Transparency	Yes	Yes	No
Rate Crediting Method*	Typically, forward rate setting quarterly or unitized	Unitized	Typically, forward rate setting quarterly
Floor Rate Guarantee	0% (a floor rate can be offered)	No	May be offered

	via a general account contractual provision)		
Subject to Actions of other Plan Sponsors and its Participants	No	Yes	Yes
Termination Provision	Typically, in cash or "in kind" (book value scheduled payments are sometimes offered with a portfolio restructuring plan and prior notice)	Book value up to 12 months notice of plan sponsor termination	Payments typically available in installments or immediately with a Market Value Adjustment (MVA) or at book value with up to 12 months notice of plan sponsor discontinuance
Ability to "self-amortize" MVAs	Yes	No	Yes, via a rate adjustment
Subject to Claims of Company Creditors?	No	No	Yes

\*If a crediting rate is higher than what the underlying portfolio yield supports it will causes deterioration to the MV/BV.

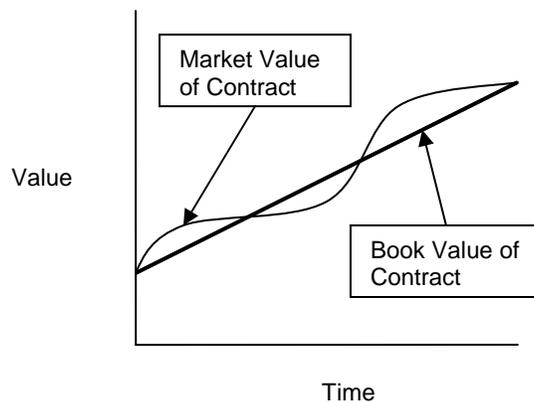
Based upon the above SVF features, it is important to prioritize what is most important for your Plan. SVF Investment Objectives are briefly described below:

*SVF Investment Objectives*

Typically, SVF investment objectives are to:

1. Earn a high level of return relative to the other objectives of the fund.
2. Provide sufficient liquidity to pay plan benefits.
3. Provide stable and predictable returns.
4. Preservation of principal.

*What are the basic components of a SVF?*



A glossary of SVF components or terms is below:

- ✓ **Book value** - amortized cost of the securities owned by a SVF fund, plus cash, plus accrued interest less the investment management fee.
- ✓ **Cash Buffer** – cash allocation in a SVF.
- ✓ **Duration and Average Maturity** – a time measure of a bond's interest rate sensitivity, based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. A bond's duration will typically be shorter than its maturity, with the exception of zero coupon bonds as maturity and duration are equal.
- ✓ **Equity Wash** – may be applicable when there are competing fixed options, i.e., SVF monies are “washed” in an equity fund or a bond fund with an average maturity of three years or more for 90 days, typically, before participants may direct SVF monies to a competing fixed option.
- ✓ **Fund Custodian** - company holding the assets, may establish the share price or valuation.
- ✓ **Fund Manager** - investment manager can be an individual (supported by portfolio analysts) or a team management structure.
- ✓ **GICs** – Guaranteed Investment Contracts (traditional GICS); also **Synthetic GICS** which are wrap contracts issued by banks and insurance companies; allow for book value withdrawals for qualifying participant activity.
- ✓ **Management Expense** – fee to manage the fund; is transparent with a separate account or pooled fund.
- ✓ **Market Value** - closing market price for each security in a SVF.
- ✓ **Market Value Adjustment (MVA)** – an interest rate adjustment formula that can cause actual crediting rates to increase or decrease in response to market conditions (a provision generally found in general account products).

- ✓ **“Put” Option** – Typically, a 12 month notification provision is utilized in pooled or commingled stable value fund products to protect the remaining investors in the fund as well as the wrap issuer(s). A put provision seeks to benefit from any positive impact of withdrawals and to minimize any negative impact. Any gains from the sale of the underlying bonds in a falling rate environment remain in the fund. Conversely, any losses from the sale of underlying bonds in a rising rate environment, i.e., when interest rates rise above the yield on the fund and the market value of the underlying bonds fall below the book value of the fund, the remaining investors absorb the loss to the fund via a slight reduction in the fund’s yield. As such, the pooled funds require 12 months notice that the plan wants to withdraw from the fund. The fund then has up to 12 months to pay out the funds or the fund can pay anytime sooner. During this period the plan continues to earn the return on the fund without penalty and participants are still able to transfer and withdraw their balances daily at book value.
- ✓ **Quality Distribution** – set by rating agencies of underlying securities consistent with the Investment Guidelines.
- ✓ **Revenue sharing or Administrative Reimbursement Revenue** – determined by the fund, the Plan Sponsor and/or the TPA.
- ✓ **Sector and Duration Distribution** - portfolio can be comprised of government securities (GNMA, FNMA, FHLMC, etc.), United States Treasury Securities including Treasury Bills, Notes, Bonds, and Strips, United States Agency securities, Mortgage Backed Securities (MBS), Collateralized Mortgage Obligations (CMOs), Asset Backed Securities (ABS), Guaranteed Interest Contracts (GICs), bank instruments or FDIC options, corporate securities and cash. Emerging market debt and junk bonds are not typically permitted in SVFs in the Government Market.
- ✓ **Trading Agreements** - a recordkeeping agreement.
- ✓ **Valuation Frequency** - forward rate setting or unitization (like a money market fund).
- ✓ **Weighted Average Quality** - typically AAA or AA in Government Markets.
- ✓ **Wrapper or Book Value Liquidity Guarantees** – a guarantee of book value payments at the participant level.

### **Stable Value Fund Monitoring**

Many investment fund managers and Plan Sponsors use a short term index to “benchmark” SVF performance. The returns after investment management fees can be compared to the returns of three-year treasury notes, on a constant maturity basis, or other indices, such as T-bills, the Hueler index, the Ryan GIC index, bond indices or other.

### **Multi-Manager Structure and Wrap Contracts**

As plan assets grow ultimate diversification may be accomplished via a multi-manager SVF structure. A multi-manager approach is structured so that the two or more SVFs are blended and seen as one at the participant level. Each SVF manager may provide its own wrapper or a global wrap provider may be sought. Given recent credit market conditions many wrap issuers are holding back on the issuance of new wrap contracts, or at least charging a higher fee for the wrap. Historically, wrap issuers require a MV/BV ratio of at least 95%. Typically, in a multi-manager structure, one SVF manager acts as the lead manager, manages the cash buffer and utilizes the expertise of the other SVFs as sub advisors to the portfolio.

## In Summary

It is important to understand that a fiduciary is not responsible for the actual performance of a fund. A fiduciary is responsible for having a rationale or policy for the selection and monitoring of investment options. One SVF manager calls its SVF product the “don’t hurt me” option. This is expected by Plan Sponsors and its participants and beneficiaries alike.

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## A Fresh Look at TIPS: Inflation Protection and Diversification for Multi-Asset Portfolios

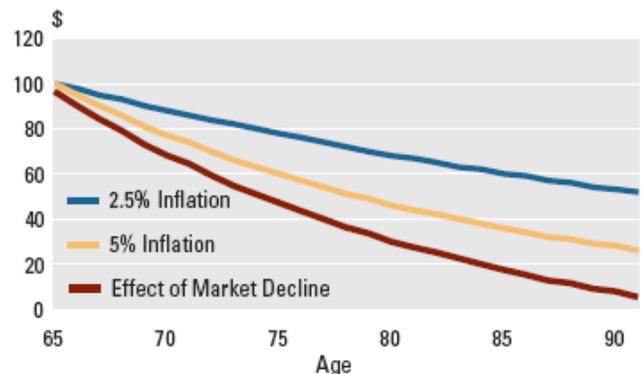
*By: Allison Moran, Wellington Management*

Inflationary periods, even those marked by relatively modest inflation, can have two devastating effects on investment assets. First, as demonstrated in **Figure 1**, there is the impact of rising prices on real spending power. If an investor retires at age 65 and lives to the age of 90, \$100 of savings at retirement would be worth \$53 at the end of that period assuming 2.5% inflation. If inflation averaged 5%, the \$100 would be worth just \$28. Second, notwithstanding the current environment of market and economic extremes, inflationary periods are also typically periods of equity market underperformance. So as real spending power is declining, total portfolio value may be as well (**Figure 1**). Treasury Inflation-Protected Securities (TIPS) provide a solution on both counts by offering a hedge against inflation and improving a portfolio’s diversification.

TIPS were designed to capture upside surprises in the consumer price index (CPI) and pass them through to bondholders. But TIPS also behave differently than traditional fixed income securities in various market environments. During periods of negative equity returns, for example,

**Figure 1**

### Taking a Toll on an Investor’s Spending Power and Portfolio Value



TIPS have typically outperformed nominal bonds (bonds with yields unadjusted for inflation, such as Treasuries) as well as equities.

Given their dual inflation-hedging and diversification benefits, TIPS warrant strong consideration for multi-asset portfolios, such as lifecycle or target-date portfolios for retirement investors.

### TIPS Refresher: How Do They Work?

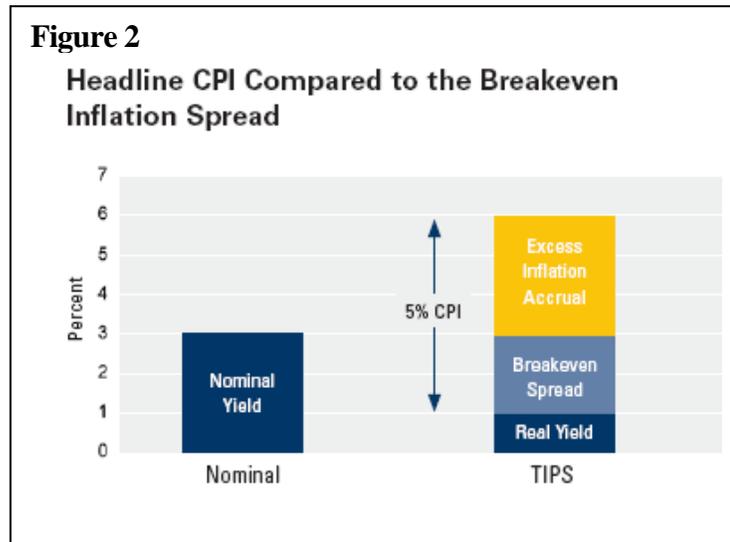
TIPS have been in existence for more than 10 years, yet confusion remains regarding how they protect against inflation. Namely, how does the lower yield on TIPS effectively hedge inflation as compared with nominal Treasuries that often have a higher yield? And how does the difference between the yield of the two bonds, known as the breakeven inflation spread, compensate for inflation when it is at times lower than current levels of inflation?

TIPS pay a fixed coupon, or real rate, and have a principal amount that grows over time at the rate of inflation based on the CPI. Because the coupon is applied to the inflation-adjusted principal, the semiannual payment may increase over time as well. The yield on a Treasury bond is fixed rate, reflecting both the real rate and inflation at the time of purchase, but the face value remains unchanged over the life of the bond.

While the yield on a Treasury bond most likely will be higher than the yield on an equivalent maturity TIPS, there is more to the story. Essentially, TIPS investors earn a fixed yield (real rate) in addition to the inflation rate. This full benefit of TIPS is realized at maturity (or upon sale on the secondary market), when TIPS investors are compensated for the bulk of any increase in inflation.

The difference between TIPS and Treasuries yields is the implied inflation rate, commonly referred to as the breakeven inflation spread. This is the rate of inflation an investor must earn each year on average until the bond matures in order for the investor to be indifferent about owning a TIPS or a Treasury. The breakeven inflation spread is often compared to current levels of inflation and provides useful information as to market expectations for future inflation.

When headline inflation is higher than the breakeven inflation spread, TIPS investors enjoy the benefit, earning a higher rate of income. This incremental amount is called the excess inflation accrual. For example, over the previous market cycle, the breakeven inflation spread for five-year TIPS averaged approximately 2.5%. Over the same time period, the CPI was significantly



higher (**Figure 2**). The difference was passed through to TIPS investors in the form of higher monthly income.

### TIPS vs. Treasuries

TIPS prices react to changes in interest rates differently than nominal bonds, depending on whether the rate changes are driven by a perceived change in inflation or by growth expectations. **Figure 3** illustrates the expected performance of TIPS versus Treasuries in different market scenarios.

If the change in interest rates is perceived to be a result of an increase in inflation expectations, TIPS are expected to outperform maturity-matched Treasuries. This is because changes in inflation are captured by the structure of inflation-indexed bonds. In 1999, for example, nominal Treasury rates backed up as deflation worries turned into inflation fears. For the year ended December 31, 1999, TIPS handily outperformed maturity-matched Treasuries.

**Figure 3**

#### Expected TIPS Performance vs Treasuries

	Due to Changing Inflation Expectations	Due to Changing Growth Expectations
Interest Rates Rise	TIPS outperform	TIPS match Treasuries
Interest Rates Decrease	TIPS underperform	TIPS match Treasuries

When the change in interest rates is due to growth-driven real rate adjustments, TIPS tend to trade more in line with nominal Treasuries. One example of this behavior was in the third quarter of 1998. Rates dropped dramatically in response to global and market events and inflation expectations dropped as well. In fact, deflationary fears skyrocketed. During this quarter, TIPS lagged duration-equivalent Treasuries by a substantial margin.

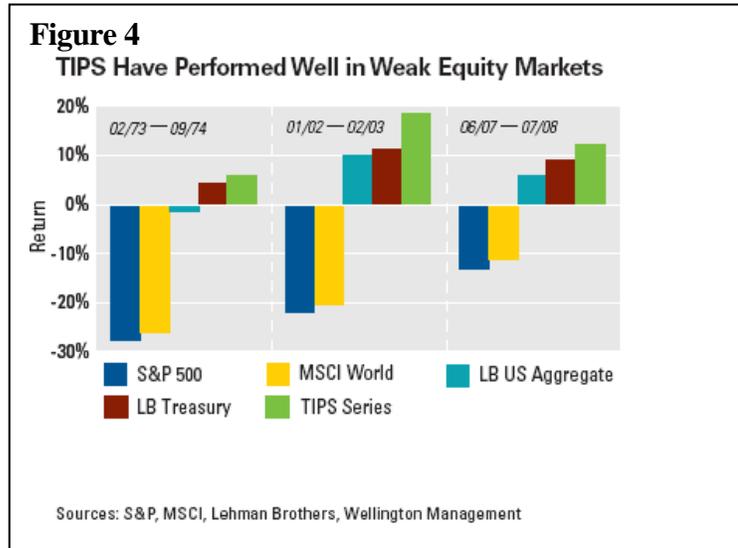
TIPS are insulated from both the fears and the reality of higher inflation. Real rates can be thought of as a proxy for economic growth, where the faster an economy's real growth rate is, the higher the required real rate of return needs to be. TIPS can be expected to outperform nominal Treasuries in environments of rising nominal yields driven by upward adjustments in inflation (rather than growth) expectations and, conversely, to suffer relative to standard bonds when nominal yields fall due to deflationary concerns.

### TIPS vs. Equities

While the performance of TIPS is often compared to their nominal bond counterparts, their performance relative to equities should also be considered. Stocks have an important role in multi-asset portfolios, as they have historically provided significant absolute returns while outperforming inflation. The role of bonds is to provide diversification and income while reducing the overall risk of the portfolio.

While bonds typically return less than equities, their role is especially important when stocks are expected to underperform. Historically, bonds tend to perform better than stocks during periods of economic weakness, lending to their diversification benefit. What's more, periods of equity weakness tend to coincide with periods of rising inflation, making the inflation-protecting aspects of TIPS more attractive. **Figure 4** highlights three such periods.

Over the past 35 years, TIPS and nominal bonds have had similar correlations to equities.<sup>1</sup> This might suggest that investors could be indifferent about TIPS and nominal bonds, but a closer look finds that during periods in which stocks had extreme negative returns, TIPS have substantially outperformed nominal bonds (**Figure 4**). Specifically, we analyzed periods over the past 35 years in which there were significant equity market sell-offs that were accompanied by macroeconomic factors, particularly inflation.



Consider, for example, the downturn of the early 1970s, which was marked by debilitating inflation. The S&P 500 declined nearly 28% between February 1973 and September 1974, while Treasuries gained 4.2% and, by our calculations, TIPS would have gained 6%. More recently, the S&P 500 lost 13.25% between June 2007 and July 2008, while Treasuries gained 9.15% and TIPS gained a very healthy 12.16%.<sup>1</sup>

Subsequent to this analysis, extreme market events in the second half of 2008 turned the focus from inflation to deflation concerns. The strong performance of TIPS experienced a reversal due to a combination of fundamental and technical factors. Pressure from the sell-off in commodities, a stronger US dollar, and unfavorable seasonal factors all led to weaker TIPS prices.

But while we do expect inflation to decrease in the near term due to weakness in the economy, TIPS remain attractive for long-term investors. The extensive government measures to pump liquidity into the financial system raise inflation concerns, for example, and point to the value of TIPS as a key element of a well-constructed multi-asset portfolio. For investors near or in retirement, they offer substantial purchasing power protection. And for investors holding heavy equity allocations, TIPS may be a better balance to stocks than traditional fixed income securities.

-Allison Moran, Fixed Income Investment Director

*Allison Moran is a fixed income investment director at Wellington Management. She works with the firm's US investment-grade investment styles, ranging from short to core duration strategies, as well as TIPS portfolios. Allison received her MBA from the MIT Sloan School of Management and her BS in mechanical engineering from Worcester Polytechnic Institute.*

Endnotes:

<sup>1</sup>A proxy of TIPS returns prior to inception (calculated as nominal bond yields less inflation) was used through February 1997. Barclays Global Inflation Index was used from March 1997 through September 1997. Lehman Brothers TIPS Index was used from October 1997 on.

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## **WASHINGTON REPORT**

*By: Susan J. White & Jonah Mainzer, Susan J. White & Associates, Inc.*

### **Washington, DC update**

#### **Presidential Election**

The election of Barack Obama as the 44<sup>th</sup> President has not only invigorated the Democratic Party but with the size of the electoral victory President-Elect Obama may well have a national mandate for reform. The current state of the economy and a possible economic stimulus will be at the forefront of any legislation passed at the start of the 111<sup>th</sup> Congress.

#### **Congressional Elections**

The unpopularity of President Bush seemed to trump low Congressional approval ratings as Democrats were able to make gains in both Chambers of Congress. Committee leadership for key committees will not change in either Chamber and in the only major leadership election in the House Representative Eric Cantor (R-VA) was elected as Minority Whip replacing Representative Roy Blunt (R-MO) who chose not return as Minority Whip.

In the Senate, Democrats currently have gained six seats and one more seat is currently in the middle of a recount. Additionally, President-Elect Obama's senate seat currently remains unfilled and with the recent indictment of Governor Rod Blagojevich it is unknown how long that will remain unfilled. Democrats were unable reach the filibuster proof sixty seats and will therefore have to work with Republicans

Senator Gordon Smith (R-OR) was defeated in his bid for a third term. During his two terms in the Senate, Senator Smith has been on the forefront for retirement issues and it was with his leadership that National Save for Retirement Week was first passed in 2006.

In the House, Democrats gained twenty-one seats giving them 257 moving into the 111<sup>th</sup> Congress. Enough House seats are held by conservative "Blue Dog" Democrats that the Democratic leadership will not have cart blanche to pass any new spending but will still have to abide by the "Pay-go" rules that were put in place for the 110<sup>th</sup> Congress.

## **Cabinet**

President-Elect Obama has named about half of his cabinet positions and most of these choices are expected to have bi-partisan Senate approval. Timothy Geithner, President of the Federal Reserve Bank of New York has been chosen as Secretary of the Treasury and a former Secretary, Lawrence Summers, has been named as Director, National Economic Council.

## **Looking Forward**

In the final weeks of the 110<sup>th</sup> Congress attempted to pass a limited bailout to help the automakers in Detroit. Long negotiations produced an agreement between the Administration and Congressional Democrats but a number of Senate Republicans opposed the measure and without the necessary 60 votes the measure did not pass the Senate. A new bailout, combined with an economic stimulus, is expected to take up a majority of time in the first weeks of the Obama Administration. President-Elect Obama is expected to tackle the war in Iraq and health care reform early in his Administration as well.

Pension reform is not currently a top priority for a new Obama Administration but he does oppose privatizing Social Security. Obama has indicated that he would

also ask individuals with salaries higher than \$250,000 to pay between 2-4% more, split between employer and employee, into Social Security to insure solvency. Other possible reforms include reforming corporate bankruptcy laws to protect workers and retirees, create automatic workplace pensions, expand retirement savings incentives for working families and preventing age discrimination

### **National Save for Retirement Week**

The defeat of Senator Smith leaves National Save for Retirement Week without a Republican Senator as co-sponsor. NAGDCA is currently seeking a new Republican Senate sponsor to ensure that this resolution remains bi-partisan. We will continue to work with Senator Conrad (D-ND) and Chairman of the Senate Committee on the Budget as the other major co-sponsor of the Resolution.

Representative Allyson Schwartz (D-PA) and Representative Sam Johnson (R-TX) were both re-elected to the House and we will work with them to ensure their continued co-sponsorship in that chamber.

### **Technical Corrections**

After many months, both the House and Senate were passed H.R. 7327 (The Worker, Retiree, and Employer Protection Act of 2008). This legislation includes technical corrections affecting cash balance plans, asset smoothing and market rates of return for governmental plans.

Provisions of the bill include: allowing single-employer plans three years to phase in pension funding target percentages under the Pension Protection Act of 2006 (PPA), permitting single-employer plans to temporarily adjust PPA's plan contribution, distribution, and projected earnings provisions, allowing multiemployer plans to freeze the funding status of their plans to allow time for economic recovery, letting multiemployer plans elect a three-year extension of current amortization rules to help offset asset losses in 2008, temporarily suspend limits on benefit accruals for participants in under funded pension plans and implementing technical corrections to provisions of the PPA affecting cash balance pension plans, asset smoothing, market rates of return for governmental plans, and other issues.

### **403(B) Regulations**

The IRS recently announced that they are extending the deadline to satisfy the recent 403(b) regulations to December 31, 2009. The IRS will consider plans as having fulfilled the requirements if during 2009 the plan sponsor operates the

plan in accordance with a reasonable interpretation of the regulations and if the plan sponsor makes its best effort to retroactively correct any failures in 2009.

NAGDCA looks forward to working with the 111<sup>th</sup> Congress and with the new Administration. We will continue to monitor issues related to fees, transparency, pension reform and other matters that have been raised on Capitol Hill and will continue to be the voice for state and local government defined contribution plans as those discussions move forward.

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## **AROUND THE COUNTRY**

### **State of California to Issue a RFP for LCG Equity Investment**

The State of California's Department of Personnel Administration (DPA) anticipates releasing a RFP soliciting bids for a Large Capitalization Growth Equity (actively managed) strategy for the Savings Plus Program, the State's \$5.7B defined contribution plan.

DPA selects investments through a competitive process that considers the firm's background and experience; investment strategy, philosophy, and process; investment performance; fees; operational information; and finalist interviews. The Agreement resulting from this RFP will be for a five-year period beginning July 1, 2009, with the option to extend the contract for two additional one-year periods.

For a bid package, please visit [www.cscr.dgs.ca.gov/cscr](http://www.cscr.dgs.ca.gov/cscr) on or after **January 30, 2009**. Select "View By Contract Number Or Agency" then select "Agency" and scroll to "Department of Personnel Administration" and click the submit button. If you're unable to download the bid package because you don't have a username and password, follow the instructions for "click here to register for a username and password." If you're still unable to download after following the instructions, e-mail [sarahreader@dpa.ca.gov](mailto:sarahreader@dpa.ca.gov) to request a hard copy.

Final proposals are anticipated to be due by 4:00 p.m. (PT) on March 2, 2009.

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## **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](http://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
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## **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**

Fay Godwin  
University of Texas

### **Local Government Primary Member**

Tracy A. Schulze  
County of Napa

Renee Wheeler  
City of Loveland

### **NAGDCA Government Secondary Member**

Kaci Lantz  
State of Tennessee

### **Student Member**

Robert Noonan  
George Mason University

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## **ABOUT THE CONTRIBUTOR**

*The Contributor* is published 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 March 20, 2009. 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 Kari Emmons at [kemmons@amrms.com](mailto:kemmons@amrms.com). Please contact Kari Emmons at 859-514-9218 with any questions or comments.

Editors:

Kari Emmons  
NAGDCA Project Coordinator

Tracy Tucker  
NAGDCA Association Director

Chris Walls  
Senior Publications & Website Coordinator