

## TOP STORY

### NAGDCA Seeks Qualified Speakers for the 2010 Annual Conference

The National Association of Government Defined Contribution Administrators (NAGDCA) is now seeking moderators, facilitators and panelists for its 2010 Annual Conference in Philadelphia, Pennsylvania on September 11-15, 2010. This year's theme is Retirement: Life, Liberty and the Pursuit of Happiness. Through the hard work of the 2010 planning committee, the conference is sure to be an educational experience, and will offer clarification on many ongoing issues. Along with ten concurrent sessions (offered twice during the conference), five government breakout sessions and four general sessions will be offered. Knowing that our members want to be apprised on all issues, concurrent sessions at this year's conference will cover a wide range of topics including;

- Successful RFP Design
- Communications with Participants
- Social Networking and its Place in Plan Administration
- Stable Value Funds and Fixed Account Options: Best Practices
- Understanding Risks
- Building the Ideal Retirement Plan/ Fund Lineup
- Defined Contribution – Hot Topic
- Keep Participants Saving for Retirement
- Preparing for the Inevitable: Security/off site storage, contingency planning (swine flu, ice storms, etc.)
- Is your organization ready for the new retirement environment?

[Click Here](#) to access the speaker solicitation form. Forms must be submitted by April 30, 2010 for consideration. If you have questions regarding the speaker selection process, call Kari Emmons at 859-514-9218 or e-mail ([kemmons@amrms.com](mailto:kemmons@amrms.com)).

[Register Today!](#) Conference registration and hotel reservations are now open. The conference rate is \$219/night, for single or double occupancy. You can visit the [NAGDCA website](#) for more information.

#### ***Mark your Calendar:***

Webcast: Legislative Update of Defined Contribution Plans  
April 22, 2010  
3:00pm – 4:30pm EDT

Industry Roundtable Meeting  
April 22-23, 2010  
The Washington Court Hotel on Capitol Hill  
525 New Jersey Avenue N.W.  
Washington, DC 20001

Annual Conference  
September 11 – 15, 2010  
Philadelphia Marriott Downtown  
1201 Market Street  
Philadelphia, PA 19107

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## PRESIDENT'S CORNER



Dear NAGDCA Friends,

Spring is arriving and bringing new life and vitality with it. So it is with NAGDCA too. Many activities and initiatives are in full swing thanks to the efforts of many NAGDCA members.

The Legislative Committee has developed the **2010 NAGDCA Legislative Program** to highlight issues that are important to our membership. Those issues include:

- Enactment of a Roth 457 option. 401(k), 403(b), and the Federal Thrift Saving Program all are permitted to offer a Roth options within their plans that allow participants to save for retirement with both pre- and post-tax contributions. Extending this savings option to 457 plans will provide this important benefit to public employees. The Senate passed legislation that includes a Roth 457 provision on March 10. We are continuing our efforts to win passage in the House.
- Passage of a 2010 National Save for Retirement Week Resolution.
- Maintaining the exemption from the 10 percent early withdrawal penalty.
- Allowing non-spousal beneficiaries to roll assets to 457, 401(k) and 403(b) Plans. The Pension Protection Act permitted non-spousal beneficiaries to roll assets obtained as a beneficiary to an IRA, and EGTRRA acknowledged that the consolidation of retirement assets is valuable to those with multiple retirement savings accounts. It would be similarly valuable to non-spousal beneficiaries to consolidate their beneficiary assets to their 457(b), 401(k) or 403(b) accounts.
- Increase eligibility for the low income savers tax credit, to allow more lower-income individuals the opportunity to save.

**The NAGDCA Executive Board traveled to Washington, DC** in mid-March to present its Legislative Program to senior congressional staff members and representatives of the Department of Treasury. In addition, we were delighted to meet with Representative Allyson Schwartz (D-PA) who is the prime sponsor of the National Save for Retirement Week resolution in the House and Representative Sam Johnson (R-TX) who is a co-sponsor of the resolution.

We also offered NAGDCA's continued assistance on the issue of fee disclosure. State and local governments, by virtue of their open bid processes, public meeting and public record requirements, have well-established open and transparent fee disclosure practices. We look forward to continuing to work with Congress on this issue.

Finally, the Executive Board also met with Beth Almeida, Executive Director of the National Institute of Retirement Security (NIRS). NIRS conducts research on public employee retirement issues and currently focuses on defined benefit plans. There is a natural relationship between NIRS and NAGDCA in that retirement security needs both a pension and savings. We hope to build a collaborative relationship with NIRS on mutually compatible issues.

**Thank you to those who completed the 2010 NAGDCA survey.** The results of this survey are presented in our discussions during our Washington meetings and demonstrate our ability to provide data that is representative of public sector defined contribution plans.

The Membership Committee recommended and the Executive Board approved **a new Member**

**Initiative.** NAGDCA members who successfully recruit a new member will be entitled to a \$50 reduction in their annual dues or conference registration for each new member. When you recruit a new member, make sure they identify you on their membership application form to assure that you qualify for the incentive benefit.

The very important and much anticipated **Legislative Webcast** will be held on April 22 at 3 PM EDT and will feature Susan White, NAGDCA's Legislative Representative, and Kevin O'Conner, Assistant to the General President Government Affairs & Public Policy at the International Association of Fire Fighters. Alex Turner will be the moderator.

NAGDCA **Collegiate Education Program** is in its second year. Presentations will be made at Kansas State University on April 8 by Rick Rodgers and Eastern Illinois University on April 12 by Mary Willett and Rick Boersma. In addition, a web based version of the presentation is being produced and will be available by the end of April. Jack Schafroth, OR, is doing the presentation voice over. This program introduces college students to the world of defined contribution plans in the public sector.

Plans for the 2010 Conference entitled **Retirement: Life, Liberty and the Pursuit of Happiness** are coming right along. The Conference Committee has selected the general and breakout session topics and the speaker solicitation will be released soon. Please review the topics and volunteer to speak on those issues in which you are interested and feel most qualified. The 2010 Conference will have a great deal to offer and Philadelphia is a great town. Make 2010 your best Conference experience ever.

As members of NAGDCA, I encourage you to network with your fellow administrators and experience the variety of educational programs and opportunities NAGDCA has to offer. NAGDCA strives to keep its members up to date of the latest issues surrounding the defined contribution community and it is our goal to act as an educational resource for individuals throughout the industry. For more information on any of NAGDCA's upcoming events or deadlines, please visit [www.nagdca.org](http://www.nagdca.org) or contact NAGDCA at 859-514-9161.

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## INDUSTRY VIEWPOINT

### **Fee Equity: Has Your Board/Committee Considered It?**

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

In these challenging economic times, many plan sponsors have revisited their analyses of plan costs relative to third party administrators or record keepers, consultants, legal counsel and investment providers. Plan sponsors seek to manage internal costs associated with plan administration, and if any excess plan revenues exist, use the excess to defray plan costs. Fee transparency is also currently under scrutiny in various forms in Congress as it relates to mutual fund shareholder service fees. Target date funds and stable value fund fees are areas of additional focus. But has your Board or Committee considered *fee equity* as it relates to how vendor payments are collected across all plan assets and used to cover plan costs?

Consider the following:

- Should a participant solely invested in a non revenue producing fund get a "free ride," compared to a participant who invests in a fund that pays revenue sharing, assuming all vendor fees are not explicit?
- Should a participant who invests primarily in a fixed option, pay proportionally a greater share of plan expenses if bearing the affect of a proprietary margin, or actually pay less than the average participant expenses, if administrative reimbursement fees are not collected from the fixed option?

*What is fee equity and how can the equitable assessment of fees be determined?*

Fee equity is a fairly complex topic, yet it has received relatively little attention. One view is that participants are given equal access to plan services, e.g., web site, voice response unit and customer service representatives, and as such, participants should share plan costs equally. Other fees, such as those for loan maintenance or for a self-directed brokerage account option, are charged only to participants who utilize these options.

Specifically, fee equity may be defined as an assessment of how plan revenue is generated by individual participant accounts and their associated investment options compared to plan costs. Typically, there is a correlation between the revenue generated by a fund and the expense of a fund.

*The equitable assessment of fees is not easy to determine and is best illustrated by reviewing a few examples:*

**Example Number 1 – All plan expenses paid from revenue sharing generated from plan investment options.**

Compare two participants with unique asset allocations with the only difference being the revenue generated by the investment options. There is potential for fund selection bias when the need for plan revenue is considered along with an analytical analysis of fund expense and performance. Unless all vendor fees are explicit, fund revenue is expected to provide for the record keeping and communication services for the plan. If non revenue producing funds are chosen by one participant, and another participant chooses funds that are revenue producing, then fee equity is not realized. See an example below:

	<b>Hypothetical Fund</b>	<b>Hypothetical Fund Revenue</b>	<b>Sample Account Balance</b>	<b>Revenue Generated by a Participant</b>
<b>Participant One</b>	Fund A	Pays 0.00%	\$50,000	\$0.00
<b>Participant Two</b>	Fund B	Pays 0.25%	\$50,000	\$125.00

**Example Number 2 – A requirement of a proprietary fixed or variable fund product.**

The current trend in fixed options is the establishment of a separate account or pooled stable value fund. Such funds offer the greatest fee and revenue transparency. Many plans retain general account fixed product options. General account options generally do not offer fee transparency. The margin or difference between what a portfolio earns and the rate credited to participants is generally not disclosed, similar to deposit accounts. Plan sponsors are usually unable to determine what the general account margins are, and in fact, margins may be “pinched” or reduced depending on the current interest rate environment as well as by the revenue needs of the offering company. As such, plan participants pay an unknown fee with these types of products.

On the variable fund side, there is fee transparency with the investment management expense and with the applicable revenue sharing. What is not readily transparent is what portion of the investment expense covers actual costs and what is profit.

**Example Number 3 – Explicit fee choices passed through to the participant.**

Plan record keeping or administrative fees may be collected in basically three ways:

1. Per participant dollar fee;
2. Percentage of assets based fee on all plan assets;
3. Combination of the two.

Though per participant or “per head” fees are frequently considered, often an asset base fee is implemented. Per head fees may appear to be cost prohibitive to new participants where the fee

assessed would seem disproportionate to a new participant's beginning account balance. Conversely, a participant with a relatively large balance would pay substantially more where both participants have access to similar services.

Both asset based fees and per participant charges may be partially or completely offset by the fund revenue paid by the underlying funds and consideration should be given to whether there is a total fee offset. With an asset based fee, a record keeper would typically contract for the revenue produced by the underlying plan assets; the assumption being that plan assets will grow over time. The risk with a per head fee is that a plan could be in a deficit position, if fund revenue does not completely offset the per head charge (assuming there is no direct or explicit charge to participants).

#### **Example Number 4 – Attempt at fee equity arrangements.**

Some record keepers offer various fee collection arrangements in response to plan sponsor interest in fee equity. For example, a combination of fixed and asset based fees is feasible. Additionally, asset based fees may be "capped" at an agreed upon asset level.

Increasingly, plan sponsors are also interested in crediting excess revenue, i.e., the difference between plan costs and revenue produced from a plan's fund line-up, back to participant accounts. How these credit backs are allocated should also be reviewed. Should the credit back be allocated by fund, or should excess revenue be "weighted" to each participant, regardless of individual participant fund selection? Alternatively, should credits be structured in such a way as to attract new participants?

#### **In Summary**

A plan sponsor has discretion over its plan and plan assets. A plan sponsor's fiduciary responsibility is to select investment options for the exclusive benefit of its plan participants and beneficiaries. Perhaps fee equity needs further study in consideration of these obligations.

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## **WASHINGTON REPORT**

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

With Congress finishing up health care reform and transitioning into jobs based legislation it appears that pension and retirement related issues are still on the backburner and may not be taken up until after elections in November.

The economy is now the Administration's number one priority and a series of jobs bills are currently working their way through Congress. The first bill has already been signed into law and one of the bills currently working its way to the President contains the Roth 457 provision that is a NAGDCA legislative priority.

### **Executive Board Visit**

On March 15-16, the NAGDCA Executive Board held its annual legislative visit and held a series of meetings to discuss the NAGDCA legislative priorities. NAGDCA President Edward Lilly provided these in letters during the meetings held over the two days. The priorities include National Save for Retirement Week, Roth 457, the Saver's Credit and maintaining the exemption from the 10% penalty for public safety officers. Meetings were held with Representative Allyson Schwartz (D-PA), Representative Sam Johnson (R-TX), majority and minority tax counsel for both the Senate Committee on Finance and the House Committee on Ways and Means, minority counsel to the Senate Committee on Health, Education, Labor and Pensions, the Joint Committee on Taxation and the Department of the Treasury.

### **National Save For Retirement Week (NS4RW)**

During the Executive Board meetings, Representatives Schwartz and Johnson reaffirmed the importance of National Save for Retirement Week and NAGDCA will be working with them to

reintroduce the Resolution later in the spring. This would follow the same timeline as last year and allow ample time for planning events during that week in October.

NAGDCA also met with Senate Committee on Health, Education, Labor and Pension (HELP) Senior Counsel for Senator Mike Enzi (R-WY), Ranking Member of the Committee. Enzi was the Republican cosponsor of NS4RW last year and has indicated continued interest, with Senator Kent Conrad (D-ND) and Chairman of the Senate Committee on the Budget, in the lead as in years before. Once health reform is completed in the Senate, NAGDCA will begin work with Conrad and Enzi—proposing action on the Resolution in late spring or early summer.

### **Roth 457**

NAGDCA continues to advocate for a Roth 457 option for state and local government employees. It is currently part of the second jobs bill, [H.R. 4213](#), The American Workers, State, and Business Relief Act of 2010.

The Senate Committee on Finance has supported this provision for a number of years, as it sees the Roth as an important additional savings tool. Importantly, in the current tight federal budget climate, the Roth 457 provision also raises federal revenue over a ten-year period. The House Committee on Ways and Means in the past has opposed the provision, but a provision last year allowed federal workers to take part in the Roth plans and this may soften opposition. NAGDCA hopes that, in conference, the Senate will support the provision and the House will not oppose it—allowing the provision to remain in legislation that will likely be sent to the President for signature soon.

### **Fee Disclosure and Investment Advice**

The House Committee on Education and Labor, led by Chairman George Miller (D-CA) passed [H.R. 2989](#), the 401 (k) Fair Disclosure for Retirement Act of 2009. The bill is currently before the House Committee on Ways & Means where it has not moved and it is unknown if the Committee will take up the bill this year.

In the Senate, Chairman Tom Harkin (D-IA), Senate Committee on Health, Education, Labor and Pensions, last year introduced [S. 401](#), The Defined Contribution Fee Disclosure Act of 2009, but no action has been taken on the bill and the Senate has indicated that it will not move on fee legislation this year.

### **Saver's Credit**

Representative Earl Pomeroy (D-ND) introduced [H.R. 1961](#), The Savings for American Families' Future Act of 2009. The bill is before the House Committee on Ways & Means but has not moved since it was introduced. Earlier this month Senator Kirsten Gillibrand (D-NY), introduced [S. 3090](#), A bill to amend the Internal Revenue Code of 1986 to expand the availability of the Saver's Credit and to make the credit refundable, which is currently before the Senate Committee on Finance.

NAGDCA supports expansion of the Saver's Credit and has provided a number of recommendations on how to ensure deposit of the credit into current defined contribution arrangements.

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## **AROUND THE COUNTRY**

### **State of California to Issue RFP for Government Money Market Fund**

The State of California's Department of Personnel Administration (DPA) plans to release a RFP to solicit bids for a Government Money Market Fund for the Savings Plus Program, the State's \$6.8 billion defined contribution plan.

The investment(s) awarded through this RFP process will replace Savings Plus' current investments in the STIF-Cash, which is a fund-of-funds investment option.

The strategy should be designed to outperform the performance of the 90-day Treasury Bill Index. To achieve this goal, investments in First Tier Government Securities, which are issued or guaranteed as to principal or interest by the United States, are allowable for this mandate. In addition, securities offered by agencies that are backed by the government, but not explicitly guaranteed, are permissible. Proposals must comply with the maturity and diversification restrictions and requirements as defined by Rule 2a-7.

DPA will consider institutionally managed mutual funds and low-cost retail mutual funds that can operate in a daily-valued recordkeeping environment.

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 January 1, 2011 with the option to extend the contract up to two additional one-year periods. It's possible that assets will transfer after the inception of the contract period.

To obtain the RFP bid package, visit [www.bidsync.com](http://www.bidsync.com) on or after April 21, 2010. Select the "Bid Search" link. In the "SEARCH" box type "700-10-02" and click the *Search* button. If you're unable to download the bid package, e-mail [kathiemullen@dpa.ca.gov](mailto:kathiemullen@dpa.ca.gov) to request a hard copy.

Final proposals are anticipated to be due by 4:00 p.m. (PT) on May 31, 2010.

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## **NAGDCA MEMBER SPOTLIGHT**

### **Wes Morrill**

#### **What do you do in the retirement industry?**

Currently serving as Chair of the Monterey County (California) Deferred Compensation Plan. In addition, a member of the Board of Directors of the Monterey County Employees Credit Union - where we try to encourage members to "Save", and Chair the Monterey County Management Council Salary and Benefits Committee. In my previous professional career, I was an officer for many years in a TPA and employee benefit consulting firm in the Bay Area serving both the private and public sectors.

#### **How has your membership in NAGDCA benefited you/your entity?**

We're able to better communicate current investment trends, regulatory issues, and new ideas to our Board and to our 4,700 employees. We're presently trying to get California added to the States that permit automatic enrollment in Section 457 plans. To date and during an election year, we've not been able to garner enough support but will continue to pursue amending the garnishment laws.

#### **What is your favorite NAGDCA memory?**

Seeing the difference in the mood of the attendees in 2009 from the conference in Baltimore in 2008 as the financial sector was in chaos. I think everyone used all their "minutes" on their cell phones that week! PS> The Great West Reception this year was special! :-)

#### **If you could meet anyone in the world for a cup of coffee and an hour of conversation, who would you like to meet?**

Queen Elizabeth (cup of tea), Supreme Court Justice Clarence Thomas, and the late John Muir. Individually or together :-)

#### **How do you like to spend time away from work?**

Traveling with my bride of two years - Susie. Unsuccessfully trying to keep my golf game in some

shape similar to that of the past as a PGA professional. Skiing in the Sierras, and beach glass hunting at our local beaches.

Complete a Member Spotlight Questionnaire at <http://www.nagdca.org/content.cfm/id/anniversary>.

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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
- Free or discounted participation in NAGDCASTs. NAGDCA's interactive, web-based educational programs.
- 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!!!

### Local Government Primary Member

City of Westminster

### NAGDCA Primary Industry Member

BlackRock  
BNY Mellon  
Calamos Investments

### NAGDCA Associate Industry Member

Fiduciary Guidance Counsel

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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 May 24, 2010. 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).

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