

TOP STORY

2010 Annual Conference

The NAGDCA 2010 Annual Conference Committee developed a very successful conference this year. The conference held September 11-15 in Philadelphia, Pennsylvania focused on the theme "Retirement: Life, Liberty & the Pursuit of Happiness". Session topics centered on helping plan participants successfully reach their retirement goals.

More than 56 NAGDCA members served as speakers and over 100 guests joined us for the week for a total of 635 conference attendees. NAGDCA was honored to have both Representative Allyson Schwartz (D-PA) and the Mayor of Philadelphia, Michael Nutter, as special guests. Overall, the conference was a great success. If you weren't able to attend this year's conference be sure to check out our keynote presentation which is [online](#) now thanks to a sponsorship by ING and stay tuned for the annual conference report that will be available [online](#) in mid-November. The conference report will be a transcription of the following sessions; Washington Report, IRS Update, Stable Value Funds and Fixed Account Options, Target Date Funds – New Trends, and Keep Participants Saving for Retirement.



Attendees listened intently during the Opening Session.



Representative Allyson Y. Schwartz (D-PA) spoke on the importance of saving for retirement during the opening session at the conference. NAGDCA presented the Congresswoman with an award for her work in Congress to raise awareness on this issue.



"What's going on in Washington?" Conference attendees found out during the Washington Report General Session. (Moderator: Alex Turner, State of Arizona. Featured Speakers: Jennifer Eller, Groom Law Group; Susan White, NAGDCA Legislative Counsel.)



General Session: MARKET SIGNALS: What the Financial Markets are Telling us Now. (Keynote Speaker: Peter Ricchiuti, Investment Expert, Professor of Finance at Tulane University.) [Click here](#) to view a video of the presentation.



General Session: IRS Update – Activities and Regulations. (Moderator: Mindy Harris, Multnomah County, OR. Featured speakers: Marilyn Collister, Great-West Retirement Services; Cheryl Press, IRS)



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



One of NAGDCA's ten educational breakout sessions: Understanding Risks (Moderator: Jacob O'Shaughnessy, Arnerich Massena & Associates, Inc. Featured Speakers: Fredrik Axsater, BlackRock; David Fischer, State of New York; Jim Link, PFM Asset Management, LLC; Julian Regan, Marco Consulting.)



Attendees take a quick break between sessions to enjoy cupcakes in honor of NAGDCA's 30th Anniversary.

NAGDCA Arthur N. Caple Scholarship and the Student Mentoring Program at the 2010 NAGDCA Annual Conference

NAGDCA and the ANC Foundation recognize the following 2010 Scholarship Recipients.

Full Scholarship Winner – Graham Brown (University of Georgia)

Brown was selected by the ANC Foundation Board based on his demonstrated knowledge on retirement planning and commitment to the industry. Brown received \$1,000 to go towards his last year in graduate school at the University of Georgia where he is studying Family Financial Planning. He also received all-expense paid travel to the 2010 NAGDCA Annual Conference.

A travel stipend and conference registration was also awarded to the following students: Travis Hanson (Texas Tech University), Amanda Freeman (University of Georgia), Tim Griesdorn (Texas Tech University), and Thomas Wade Hill (University of Georgia).

Applications for the 2011 Scholarship Program will be accepted in Spring 2011.

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 in 2004.

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.



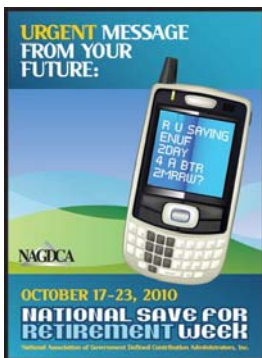
2009-2010 NAGDCA President, Ed Lilly, presents Graham Brown, a student at the University of Georgia, with a check for the Arthur N. Caple Scholarship.

Student Mentoring Program

Along with the presentation of the Arthur N. Caple Scholarship, 15 students from three different universities participated in the 2010 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 sixth year, NAGDCA has provided the Student Mentoring Program at the Annual Conference, and it was another great success. NAGDCA paired 15 students, representing three universities (Texas Tech University, University of Georgia, and William Patterson University), with two mentors from both the industry and government sector of the defined contribution community.

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.

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

This week, NAGDCA and its members are celebrating National Save for Retirement Week (October 17 - 23, 2010).

NAGDCA would like to hear what your plan has done to promote this very important week. Please send your information and sample materials to Kari Emmons (kemmons@amrms.com).

A NAGDCA task force worked hard this year to create promotional materials for plan sponsors to utilize during National Save for Retirement Week. The materials are downloadable and can be personalized. Please visit the [National Save for Retirement Week](#) page on the NAGDCA website for information.

PRESIDENT'S CORNER



Dear NAGDCA Friends,

The 31st Annual NAGDCA Conference in Philadelphia was a great success. More than 600 delegates attended the conference. Twenty-five NAGDCA government members and 31 industry members volunteered their expertise as panelists and moderators at the conference's general sessions, concurrent sessions, and member breakout sessions. It was also significant that 116 delegates attended for the first time this year. I am confident

they realized the benefit of the conference and will be back again next year.

We also celebrated NAGDCA's 30th anniversary during this year's conference with a decorated cake and cupcake cones during a break on Wednesday to recognize this significant anniversary. Just think about it – 30 years of offering a world-class conference, timely publications, and most recently, the addition of NAGDCA webcasts to state and local government plan sponsors. Ron Nichols, Gregg Seller, and Joseph Chadwick were honored for attending all 31 conferences.

The general session "Market Signals: What the Financial Markets Are Telling Us Now," presented by Professor Peter Ricchiuti, Professor of Finance at the Freeman School of Business for Tulane University, opened the conference with a bang. Not only was his presentation timely and educational, his humor had the room roaring with laughter. Mayor Michael Nutter also proved to be both engaging and humorous, and we were honored to have him speak. Congresswomen Allyson Schwartz (D-PA), who always makes time to meet with the board when we have our Capitol Hill visits, also spoke during the opening session about the importance of saving for retirement. She is one of the sponsors of the National Save for Retirement Week resolution, and we appreciate her support.

Once again the Arthur N. Caple Foundation awarded an outstanding student with a scholarship. Graham Brown, a graduate student at the University of Georgia, represents the future of the country. Bright and articulate, he made quite an impression on those who met him. Twelve students attended the annual conference this year. Thanks to all of you who served as mentors. It is a privilege to meet these outstanding students, and I think both the mentor and the student benefit from the relationship.

Your continued financial support of the Caple Foundation is greatly appreciated. The raffle was very successful and raised \$2,001 that will be matched by contributions from our industry partners Great West, ING, Marco Consulting Group, Nationwide, PFM Group, TIAA-CREF, ICMA-RC, and The Segal Company/Segal Advisors. Thanks to everyone who contributed prizes and bought t-shirts and raffle tickets and congratulations to all the winners.

I would like to welcome two new members to the executive board. Ed Rutherford, Chair, Larimer County, Colorado, Retirement Board, is the newly elected member-at-large representative and Mike Studebaker, Regional Vice President at Nationwide Retirement solutions, is the president of the Industry Committee. I look forward to working with both Ed and Mike in the coming year.

The terms for Alex Turner and Janet Kendall ended this year, and they will be greatly missed. Alex served on the board for six years, and as an attorney, he was a true asset to the board. I know he will continue to serve NAGDCA as a past president and an active member. Janet Kendall served on the executive board during 2009 and 2010 as the industry committee president and industry observer. Her knowledge of the industry and her sense of humor were greatly appreciated by other board members.

The 2010 National Save for Retirement Week (NS4RW) will be held in October again this year. Both the Senate and the House signed bipartisan resolutions naming the week of October 17-23 as National Save for Retirement Week. We would like to thank Allyson Schwartz (D-PA), Sam Johnson (R-TX), Mike Enzi (R-WY.), Kent Conrad (D-ND), and Ben Cardin (D-MD) again for their support. This is an opportune time to make your employees aware of the need to plan and save for their retirement. It's also a good opportunity to meet with your employees and find out what they need and expect from their DC plans. We know most of you hold events, and we hope you will continue to do so. For ideas and resources on NS4RW, visit the NAGDCA website.

With the current economic climate, many government employees face possible changes to their pension plans, and so the need to save for retirement in a defined contribution plan is more important than ever. It is up to plan sponsors to help employees realize that even while facing unpaid furlough days and salary freezes, it's important to be cognizant of the importance of saving for a financially secure future.

I look forward to a productive 2011 and to continue NAGDCA's success. We will continue to bring you NAGDCA web casts on topics of current interest, timely publications and brochures, and a conference in Albuquerque that will continue to offer the best and most current information to our members. Keep in touch with your executive board and all the updates on the NAGDCA website.

INDUSTRY VIEWPOINT

New Law Allows Governmental 457(b) Plans to Offer Roth Accounts

By: Joann Albrecht, CPC, QPA, Plan Technical Consultant, and Bob Beasley, CRC, CIC, Communications Consultant, Nationwide Retirement Solutions

Effective January 1, 2011 – technically, “in employee tax years beginning after December 31, 2010” – governmental 457(b) plan sponsors may allow employee contributions to designated Roth accounts in their plans. The new option was made possible when Congress enacted and on September 27, 2010, President Barack Obama signed the [Small Business Jobs Act of 2010](#).

The history of Roth retirement accounts dates back to the Taxpayer Relief Act of 1997, which established Roth IRAs, individual retirement arrangements that allow contributions that are not tax-deductible. Roth IRA withdrawals are generally tax-free, but not always and not without certain stipulations. The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) extended the Roth concept to 401(k) and 403(b) plans, in which after-tax elective salary deferral accounts have been available since 2006. The Small Business Jobs Act of 2010 further extends the Roth concept to governmental 457(b) plans.

The Small Business Jobs Act of 2010 permits employers that sponsor 401(k) or 403(b) plans to allow participants to directly transfer, i.e. convert, a taxable eligible rollover distribution (ERD) into their designated Roth account, with some caveats. The transfer must be made after September 27, 2010 from a non-designated Roth account in the same plan, be eligible for rollover and meet the rollover requirements.

Participants in governmental 457(b) plans, however, will not be able to take advantage of in-plan conversions/rollovers to designated Roth accounts until after 2010, and even then, only if the plan:

- Has established a designated Roth elective deferral account within the plan, and
- Permits the conversion of pre-tax contributions to Roth elective deferral contributions within the same plan.

Since participants must be eligible for an eligible rollover distribution, governmental 457(b) participants would generally not be eligible for an in-plan conversion distributions until they have terminated employment with the employer sponsoring the 457 plan.

Tax Implications of Eligible Rollover Distributions

A key feature of the Small Business Jobs Act of 2010 is that governmental 457(b) plan participants will be able to move an eligible taxable rollover distribution (ERD) to a designated Roth account without being subject to the 10% early distribution tax – a benefit 401(k) and 403(b) plan participants have enjoyed since January 1, 2006.

The Act also offers 401(k) and 403(b) plan participants an opportunity not available to 457(b) participants. For 2010 only, participants that roll over an ERD within their 401(k) or 403(b) plan can include:

- Half of the taxable amount of the rollover in 2011 gross income and half in 2012 gross income, or
- The entire taxable amount of the rollover in 2010 gross income.

Taxes on the conversion from pre-tax contributions to 457 designated Roth account will be due in the year of the conversion. Participants in a 457 plan will not be able to spread their tax liability over their 2011 and 2012 tax years.

Participants in 403(b) or 401(k) plans that choose to include these amounts in their 2010 gross income may not revoke that election after the due date, including extensions, of their 2010 federal income tax return. Participants should be aware that they may owe estimated taxes on the taxable amount of the rollover for the year or years it is included in gross income and could incur an underpayment tax penalty.

Key Action Points Plan Sponsors May Want to Consider

- Sponsors must amend their plan documents to reflect the changes, if they want to offer them.
 - It appears that the Internal Revenue Service may provide guidance to sponsors for this in-plan conversion. Plan sponsors should watch for this guidance.
- Plan administrators will need to separately track and report Roth accounts; recordkeeping systems may need to be modified to accept designated Roth contributions and conversion/rollovers.

- Employers may need to modify plan materials and communications, and offer additional employee education concerning the Roth concept and its availability in their plans.

TABLE: Roth Elective Deferral Accounts, In-Plan Conversions and Roth IRAs

The following table summarizes in-plan conversions of pre-tax salary deferrals to designated Roth elective deferral accounts in 401(k), 403(b) and governmental 457(b) plans as well as Roth and deemed Roth IRAs.

Topic	Designation Roth Elective Deferral Accounts	In-Plan Conversion to Roth Elective Deferral Account	Roth and Deemed Roth IRAs
<i>Definitions</i>	<p>Roth elective deferral contributions within an eligible retirement plan are:</p> <ul style="list-style-type: none"> ➤ Subject to most of the rules that govern the 401(k), 403(b) or 457(b) plan ➤ After-tax elective salary deferrals ➤ Coordinated with pre-tax elective deferral limits ➤ Included in participant's gross income at the time of deferral. ➤ Do not affect Roth IRA contributions. 	<p>Allows participants to convert/roll over taxable eligible rollover distributions to a Roth elective deferral account within the same plan.</p>	<p>Roth IRA A tax-favored individually owned account that accepts non-deductible after-tax contributions from taxpayers who meet prescribed income requirements.</p> <p>Deemed Roth IRA A separate account or annuity maintained under an employer-sponsored retirement plan to accept voluntary employee after-tax contributions and that meet the requirements of a Roth IRA. It is subject to Roth IRA rules and those of the employer's retirement plan rules. or a traditional IRA. Both traditional and Roth deemed IRAs may be included in:</p> <ul style="list-style-type: none"> ➤ 401(a) qualified plans, including 401(k) plans, ➤ 403(b) plans, and ➤ Governmental 457(b) plans.
<i>Effective Date for Designated Roth Accounts</i>	<p>Governmental 457(b) Plans Beginning after Dec. 31, 2010.</p> <p>401(k) & 403(b) Plans Have been available since 2006.</p>	<p>401(k) & 403(b) Plans After September 27, 2010 Governmental 457(b) Plans Tax years after 2010.</p>	<p>Roth IRA Since 1998 Deemed Roth IRA Plan years beginning after 2002</p>
<i>Availability</i>	<p>May be included only in governmental 457(b), 401(k) and 403(b) plans as part of the elective salary deferral account.</p>	<p>Plan must have a provision for in-plan conversions and have established a designated Roth account before in-plan conversion amounts may be contributed to the plan's designated Roth account.</p>	<p>Roth IRA Available to taxpayers whose modified adjusted gross income falls within prescribed limits for annual ongoing contributions, excluding rollovers and conversions. Deemed Roth IRA Same as Roth IRA. Employers may establish eligibility requirements for the deemed Roth IRA that differ from the employer's retirement plan.</p>
<i>Requirements</i>	<p>Designated Roth accounts may be established only in plans that offer employee pre-tax elective deferral</p>	<p>Distribution must be a taxable eligible rollover distribution, and plan must have a Roth</p>	<p>Roth IRA Contributions held in Roth IRAs cannot be part of a traditional deductible or</p>

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	<p>contributions and are subject to the plan's eligibility requirements. Elective deferrals must be designated as a Roth elective deferral or pre-tax elective deferral before contribution is made to the plan.</p> <p>Roth elective deferrals must be accounted for separately within the plan's elective deferral account Included in the deferral limits (\$16,500 for 2010).</p>	<p>elective deferral account Plan may specify other to eligible rollover distributions that may be converted and contributed to the plan's designated Roth account In plan Roth conversions are treated as rollovers and do not count in the plan's annual contribution or catch-up limits.</p>	<p>non-deductible IRA. Deemed Roth IRA Same as above. Contributions, earnings and charges are tracked separately in the deemed Roth IRA and not part of the employer plan or the deemed traditional IRA. Note: Deemed Roth IRAs may be held in the same trust that holds traditional deemed IRAs provided that the IRA trustee maintains separate accounts and each IRA is designated as either a Roth or traditional IRA.</p>
<i>Automatic Enrollment</i>	Permitted	N/A	<p>Roth IRA—N/A Deemed Roth IRA May be used with deemed traditional and Roth IRAs.</p>
<i>Coordination with Other Elective Deferral Plans</i>	<p>401(k) and 403(b) Plans Pre-tax and designated Roth elective deferrals are coordinated with each other under all 401(k) and 403(b) plans.</p> <p>457 Plans Pre-tax and Roth deferrals are coordinated under all 457(b) plans.</p>	Not subject to plan's annual contribution limits or any deferral coordination rules.	<p>Roth and Deemed Roth IRAs Coordinated with all contributions to other IRAs both Roth and traditional IRAs, including deemed IRAs.</p>
<i>100% Vesting</i>	Required.	Required.	Required.
<i>Allocation of Forfeitures, Matching and Employer Non-Elective Contributions to Roth Elective Deferral Account</i>	Not permitted.	Not permitted.	<p>Roth IRA – N/A Deemed Roth IRA Matching contributions or forfeitures from the employer's qualified plan cannot be allocated to the deemed Roth IRA.</p>
<i>Loans, Hardships and Unforeseeable Emergency Distributions</i>	May be used for loans, hardships and unforeseeable emergency distributions if plan permits.	N/A	<p>Roth IRAs and Deemed Roth IRAs Not applicable. IRAs cannot be used as collateral for any type of loan. Hardship and unforeseeable emergency distributions are not necessary because IRA accountholders can access the money in their IRAs for any reason at any time.</p>
<i>Conversion of Pre-Tax Elective Deferrals to Designated Roth Elective Deferrals</i>	See in-plan conversions.	Plan may permit the taxable portion of an eligible rollover distribution to be converted and contributed to the plan's designated Roth elective deferral account.	<p>Roth and Deemed IRAs Traditional IRAs may be converted to Roth IRAs regardless of an individual's tax filing status or modified adjusted gross income after 2009.</p>
<i>Conversion of Roth Elective Deferrals to Pre-Tax Deferrals</i>	No.	No.	<p>Roth or Deemed Roth IRAs Roth and Deemed Roth IRAs can be re-characterized as traditional or deemed traditional IRAs.</p>

Topic	Designation Roth Elective Deferral Accounts	In-Plan Conversion to Roth Elective Deferral Account	Roth and Deemed Roth IRAs
<i>Conversion of Other Pre-Tax Contributions</i>	See in-plan conversions.	The plan document must specify if other taxable eligible rollover distributions can be converted and rolled into the Roth elective deferral account.	N/A
<i>Catch-up Contributions (Dollar Limit)</i>	<p>Age 50+ Catch-up Coordinated 401(k) and 403(b) catch-up contributions, both pre-tax and Roth deferrals cannot exceed \$5,500 for 2010.</p> <p>457 plan Catch-up cannot exceed \$5,500 for 2010 for Age 50+ Catch-up contributions to all 457 plans.</p> <p>Special 457 catch-up Pre-tax and Roth elective deferrals, including Special 457 Catch-up, cannot exceed a total of \$33,000 for 2010.</p>	<p>N/A Catch-up contributions may be converted when they are eligible to be distributed from the plan in an eligible rollover distribution.</p>	<p>Roth and Deemed Roth IRAs Total IRA catch-up contributions to all IRAs (Roth and traditional including deemed IRAs) cannot exceed \$1,000.</p>
<i>Withdrawal Restrictions</i>	Same as those for pre-tax elective deferrals.	Same as those for pre-tax elective deferrals.	<p>Roth IRA / Deemed Roth IRA Distributions are available at anytime but may be subject to taxes and penalties.</p>
<i>Required Minimum Distributions</i>	Apply to both participants and beneficiaries.	Apply to both participants and beneficiaries	<p>Roth and Deemed Roth IRAs Accountholders are not subject to RMDs. Beneficiaries are subject to RMDs.</p>
<i>Tax-Free (Qualified) Distributions</i>	Distributions of contributions and earnings to participants from the Roth account are tax free if contributions have been in the Roth elective deferral account for a period of at least five (5) tax years and the participant is at least 59½ years old at the time of the distribution. The five-year period begins with the first taxable year the contribution is included in a participant's gross income.	N/A	Tax-free distributions are available from a Roth or deemed Roth IRA provided the first contribution made to any Roth or deemed Roth IRA has been held in the IRA for five (5) tax years and the accountholder is at least 59½ years old.
<i>Taxation of Earnings for Non Qualified Distributions</i>	Earnings are taxable when distributed from the plan if the requirements noted in "Tax-Free (Qualified) Distributions" (immediately above) are not met.	N/A	<p>Roth IRA and Deemed Roth IRAs Distribution of earnings prior to age 59½ will be taxable and subject to a 10% early distribution tax. The exceptions to this tax are those that apply to IRAs and non employer retirement plans.</p>
<i>Eligible Rollover Distributions</i>	Permitted to other Roth elective deferral accounts and Roth IRAs.	Required for in-plan conversion.	<p>Roth and Deemed Roth IRAs Can only be rolled over to other Roth IRAs</p>
<i>Distribution Tax Reporting</i>	IRS Form 1099R.	IRS Form 1099R.	<p>Roth and Deemed Roth IRAs Distributions are Reported on IRS Form 1099R.</p>

Topic	Designation Roth Elective Deferral Accounts	In-Plan Conversion to Roth Elective Deferral Account	Roth and Deemed Roth IRAs
			Trustee must provide IRS Forms 5498 annually reflecting account activity and if a RMD will be required in the following year.
<i>Plan Amendment Requirements</i>	By the last day of the plan year in which designated Roth account becomes effective, unless subsequent guidance for 457(b) plans indicates otherwise.	Unless IRS guidance is provided otherwise, same as for designated Roth accounts.	Roth IRA – N/A Deemed Roth IRA By the last day of the plan year in which deemed IRA becomes effective.

References

Small Business Jobs Act of 2010

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h5297enr.txt.pdf

(101 pages, 357KB)

Technical Explanation of the Tax Provisions in the Act from the Joint Committee on Taxation

<http://www.jct.gov/publications.html?func=startdown&id=3707>

Final Designated Roth Contribution Regulations

http://www.irs.gov/pub/irs-regs/td_9237.pdf (22 pages, 255KB)

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INDUSTRY VIEWPOINT

Focus Group Explores Auto Enrollment in Public Sector Plans

By: Mary Willett, for the Automation of DC Plans Task Force:

Kurt Walten, NAREIT, Chair
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 Brian McCleave, Prudential Financial
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Today, there is a greater awareness among state and local government employers that participant-directed retirement savings vehicles (Section 457, 403(b) and 401(k) plans) are an important component of the total retirement benefits package. Helping employees understand the value of these plans and the need to start

saving and investing for retirement sooner rather than later have become priorities for many public sector employers.

Achieving this goal, however, can be difficult. A majority of state and local government workers do not participate in their supplemental plans as participation rates are often less than 30%.¹ Many employers have initiated enhanced educational efforts in an effort to motivate employees to invest for retirement. This approach, however, does not appear to be making a significant difference to the number of workers who elect to participate in their 457, 403(b) and 401(k) plans.

Private sector employers have improved employee participation in 401(k) plans by adopting one or more automated features in their plan design to:

- Enroll new employees upon initial eligibility.
- Enroll existing employees that have failed to take actions.
- Increase deferrals annually, up to a set percentage of income.
- Rebalance investments to match a pre-established portfolio.

Various studies are showing that a significant percentage of private sector employers have implemented these automated features as a means of improving plan participation rates and helping employees establish an appropriate investment portfolio. For example, recent surveys² show that:

- Approximately 40% to 50% of employers have adopted automatic enrollment.
- About 18% of large employers (companies with 1,000 or more employees) automatically enroll all employees (both new and existing workers).
- Between 60% and 70% of employers select target-date funds as the default option.
- The “opt out” rate in large employer plans is less than 10% of employees who are automatically enrolled.
- The average default contribution rate is 3% of pay.

Adopting automated features in defined contribution plans within the public sector has not yet taken off to the same degree. It should be noted that defined contribution plans (Section 401(k) type plans) are often the only retirement plan available to private sector employees while state and local government employers generally provide a defined benefit plan as the primary benefit, often with required contributions from employees, and the defined contribution plan is considered supplemental.

Interest in the public sector, however, is increasing as a number of state and local government employers have initiated automatic enrollment designs in their defined contribution plans and others are seriously considering this approach. In fact, 24% of plans that responded to the 2010 NAGDCA Defined Contribution Survey indicated that they had, at a minimum, “very seriously considered” auto enrollment. And of these

¹ NAGDCA 2010 Defined Contribution Plan Survey Report

² Towers Watson 2010 Defined Contribution Survey - <http://www.towerswatson.com/united-states/press/2376> and the PSCA 53rd Annual Survey of Profit Sharing and 401(K) Plans <http://www.marketwire.com/press-release/PSCA-Releases-53rd-Annual-Survey-of-Profit-Sharing-and-401K-Plans-1320932.htm>

plans, 12.7% have already implemented auto enrollment for new employees and 2.5% have implemented the feature for both new and existing employees. A recent focus group discussion with most of these plan sponsors at the 2010 NAGDCA Annual Conference explored the issues they faced when initiating automatic enrollment designs. The following provides a brief overview of this group's discussion.

⇒ ***What are the reasons for adopting automatic enrollment for your plan?***

Generally, the reason employers are initiating automatic enrollment is because they believe participation is important for employees' financial security in retirement and the plan's participation rates were too low. The employer and/or governing board for the plan established a goal to improve employee retirement savings through an auto enrollment arrangement.

⇒ ***Does auto enrollment apply to all employees or just new hires?***

Currently, auto enrollment for plans only applies to new employees. It was noted that one state legislature was concerned that applying this to existing employees could provide a hardship, particularly on those with the lowest earnings. It was suggested that one way to address all employees was to initiate auto enrollment on an annual basis during open enrollment periods for other employee benefits.

⇒ ***What is the default contribution rate?***

The default contribution rates that public sector employers have established are a flat, fixed dollar amount of \$25 per month or \$15 per pay period, or 1% of pay. These rates are significantly lower than the private sector average of 3% of pay and it was felt that a higher deferral would be too expensive for many employees.

Some noted a concern about the low default deferral rate as it appears employees do not adjust their deferral amount once they are auto enrolled. One plan noted that less than 12% of employees who were automatically enrolled in July 2007 have adjusted their deferral amount (initiated at \$15 per pay period).

⇒ ***Did unions or employee groups have issues about auto enrollment?***

Of the employers that have implemented auto enrollment, their employees are not in unions. However, it was noted that their employee groups were not opposed to auto enrollment and, in fact, one state employee association had established a platform that endorsed auto enrollment before a bill was introduced in the state legislature to permit this.

For those employers not yet implementing auto enrollment, it was noted that some employee groups feared it would be the first step in reducing or replacing the primary defined benefit plan, even though it was generally recognized that this benefit alone is not sufficient for a financially secure retirement.

⇒ ***What is your default investment option?***

Most plans are using target date funds based on the individual employees' date of birth as the default investment. One plan noted that they use a money market fund as the initial default investment for the first 90 days, during which time the employee can opt out and get a full refund of their deferrals plus investment earnings. Because the contributions for this plan are in a money market account, there is less concern about

investment losses during this opt-out period. After 90 days, the assets are transferred to age-appropriate target date funds unless other instructions have been provided by the employee.

⇒ ***Does your plan also provide automatic escalation of deferrals?***

Currently, auto escalation is not part of the plan designs, although one employer noted this is being considered. Most agreed, however, that this should be a voluntary option that could be offered as a simple “check the box” election that would automatically increase deferrals by a set amount or percentage on an annual basis.

⇒ ***How have employees reacted? Any complaints?***

All agreed that employees have been very receptive to the automatic enrollment process and the selection of the default investment. None have received complaints or negative reactions from employees or employee groups. One employer noted that employees are often surprised at how little impact the auto deferrals have on their take home pay.

⇒ ***Do you consider your auto enrollment approach successful?***

The answer to this was a resounding yes! Some statistics that were shared include: 1) 74% of those auto enrolled remain in the plan; 2) after one year, only 8.1% have opted out; 3) only 3% have opted out.

Research Demonstrates Benefits

A growing body of evidence on the benefit of auto features is building from diverse sources such as the Employee Benefits Research Institute (EBRI), the Center for State and Local Government Excellence, and Mercer Consulting, to name a few.

- Excerpt from *EBRI's April 2010 Issue Brief*. “The Analysis indicates that the adoption of automatic enrollment in 401(k) plans is likely to have a very significant positive impact (even greater than EBRI projected in 2008) in generating additional retirement savings for many workers, especially for young and low-income workers.”
http://www.ebri.org/publications/ib/index.cfm?fa=ibDisp&content_id=4495
- Excerpt from Mercer July 2010 Study: “...participants who utilized ‘best practices’ such as automatic rebalancing and deferral increase during the recent market downturns realized greater account increases, by as much as 26 percentage points on average, versus other participant populations, based on data from October 2008 through April 2010.”
<http://www.mercer.com/press-releases/1384955>
- Excerpt from the Center for State and Local Government Excellence’s September 2010 report, “*Adopting Auto Enrollment in the Public Sector*”, which is particularly compelling and relevant because it focused on South Dakota’s Supplemental Retirement Plan (SRP), a public sector defined contribution plan. “Although still in its early stages, it is already clear that auto enrollment is positively affecting participation rates in the SRP. Prior to the change, about 20 percent of all eligible employees participated in the SRP. Eight months after the passage of auto enrollment legislation, 91 percent of new, eligible employees whose units chose to implement auto enrollment participated in the plan and remained in it. In striking contrast, only 1 percent of employees in governmental units that had not implemented auto enrollment voluntarily enrolled in the SRP. Opt-out rates suggest employee satisfaction with the policy. Of the 1,172 new hires that were enrolled, 102 opted out, an 8.7 percent opt-out rate.”
http://www.retirementmadesimpler.org/Library/RMS_South_Dakota_Study_090810_FINAL.pdf

Public sector employers can use resources, such as those above, to gain a perspective on both the potential benefits of auto features as well as best practices should they choose to implement them.

INDUSTRY VIEWPOINT

Take Control of Your DC Plan: Designing Successful Target-Date Strategies



By Stacy Schaus, CFP®, PIMCO

We've come a long way in the evolution of retirement investments, an evolution that started more than two decades ago with one-size-fits-all balanced strategies and the emergence of target-risk strategies (e.g., conservative, moderate and aggressive). More recently, the industry has overwhelmingly gravitated toward target-date strategies, which are geared toward the participant's expected time horizon to retirement rather than risk tolerance, and adjust their asset allocations automatically over time to become more conservative as the targeted retirement date approaches.

Passage of the Pension Protection Act of 2006 also added considerable momentum to the growth of target-date strategies in defined contribution (DC) plans. The legislation supports automatic enrollment programs using a Qualified Default Investment Alternative (QDIA), which includes target-date strategies among others. Today, nearly four out of five plan sponsors offer target-date strategies, with three-quarters of those using these strategies as their plan default.¹

Going Custom

While many mutual fund providers have stepped up with pre-packaged target-date funds, plan sponsors are increasingly deciding to create their own custom target-date strategies as a mix of their core investment options. There are several significant reasons for plan sponsors to develop a custom approach, including the control it gives over the investment lineup, the ability to tailor the asset allocation to the plan participants' demographics and a reduction in overall plan costs. Many plan sponsors particularly appreciate the ability to leverage core manager selection and monitoring, to blend investment structures and styles and to broaden asset diversification beyond the plan's core investment lineup.

Some plan sponsors may have the internal investment capabilities to create the dynamic asset allocation model, or "glide path," for custom target-date strategies. However, the majority of plan sponsors will likely need to engage the consultant community for advice and comprehensive support. Most consultants have developed the capability to design and modify the initial and ongoing glide path, as well as an ability to help determine the number of target-date strategies that should be offered, the array of underlying asset classes that should be employed and the time frame for rebalancing.

Indeed, the increasing prevalence of custom target-date strategies can be seen in the number of consultants offering these services. In a recent PIMCO survey of DC consultants, 90% said they offer custom strategy

consulting and 82% can act as fiduciaries for custom services such as managing a plan's glide path.

Building a Custom Strategy

While the potential benefits of custom strategies are clear, the work required to create them often is not. It is important to recognize that creating custom investment blends is not new; large plan sponsors have taken this approach in one asset category or more since DC plans' inception. Custom funds require the plan sponsor to address several issues:

- **Structuring, Developing and Monitoring Asset Allocation:** By creating custom strategies, plan sponsors gain ultimate control in managing the glide path as well as the underlying core lineup. They are able to tap into investment options such as stable value and investment structures such as collective investment trusts (CITs) that are not accessible within packaged mutual funds. In an effort to enhance diversification and reduce volatility, plan sponsors may decide to add diversifying assets such as commodities, real estate or even less liquid alternatives into the custom strategies. Consultants can help a plan sponsor determine the number of strategies the plan may want to offer, the sufficiency and appropriateness of core investments, the initial and ongoing asset allocation or glide path and the rebalancing time frames. The plan sponsor may employ the consultant to act as a fiduciary, or even as a discretionary investment manager.
- **Establishing and Maintaining Operations:** Custom target-date strategies are relatively simple to set up from an administrative perspective. These strategies employ a similar approach as blended-manager institutional core strategies, which have been supported by record keepers and trustees for decades. There are two basic ways in which target-date strategies can be set up:
 - Model Portfolio Approach (some may call this the “paper portfolio” approach) – a record-keeping system solution where the plan administrator creates a set of model target-date portfolios using all or a portion of the core funds.
 - Trust Unitization Approach (some may call this the “custodial model” approach) – a trust *and* record-keeping system solution where each target-date portfolio is set up as a separate account within the trust and as an individual investment option on the record-keeping system, using all or a portion of the core funds. This approach also offers the option to include investment strategies outside of the core fund lineup.

Some record-keeping providers offer a combination of these two approaches where, for example, the investment and rebalancing tasks normally provided by the trust are performed by the record keeper. Exploring with your record keeper the approaches they support is an important step in designing the custom target-date strategies that you envision.

- **Designing Participant Education and Communication:** Communication requirements for custom strategies are similar to the requirements for other institutional options, including separately managed accounts and collective investment trusts. Communications at a high level should start by helping determine whether the target-date strategy is the best option for a particular participant. The communication should clearly lay out the choices and then provide opportunities for participants to dig deeper into the specifics of each strategy, including the underlying investment details and risk factors. The goal is to guide employees to the option that best meets their needs, and to ensure alignment as appropriate with the final QDIA regulations, Employee Retirement Security Act (ERISA) Section 404(c) and form S-8 disclosure requirements. Successful communication plans may include a mixture of written, Web, phone and in-person support.
- **Considering Cost Implications:** Investment consultants believe many plans can reduce expenses by creating custom target-date strategies using the plans' own institutional core strategies. Consultants and plan sponsors have estimated the net savings especially for larger plans to be between 20% and 65% relative to using packaged target-date funds. However, each plan is different and has to do a full analysis of its own

costs, taking into account fees for consulting, record keeping, trustee services, communications, legal support and the cost of staff who are dedicated to the project. Plan sponsors should also consider whether they want to encourage plan participants to remain invested in the plan even after termination or at retirement, which may result in significant additional assets, and can in turn reduce the overall plan cost.

▫ **Addressing Legal Issues:** As with other plan investment options, custom target-date strategies require legal support to ensure regulatory, fiduciary and structural considerations are met. In addition to ensuring compliance with plan guidelines and the law, specialized legal professionals may be needed to review the implications of regulatory requirements and safe harbor rules for asset allocation, and to review plan documents.

Custom target-date strategies make sense for many organizations, especially for midsize and large plans that desire optimal asset management control and have the buying power to lower plan costs. As plan assets grow, the value of a custom approach becomes more critical. While custom strategies are a relatively recent development in comparison with balanced or target-risk funds, the operations and supporting communication methods are not. DC plans have for decades created blended manager options and communicated about these investment blends.

Plans that are interested in developing target-date strategies do not have to go it alone. A range of services from investment managers and consultants are available, and plans can choose the exact degree of third party services that are needed to complement the plan sponsor's in-house capabilities. By creating custom target-date strategies, plan sponsors can make retirement investments that are lower in cost, have the potential to be more diversified, follow a more optimal glide path and are tailored to the demographics of plan participants. The ultimate goal is a higher probability of meeting your plan participants' retirement income needs.

¹ Source: Casey Quirk/PSCA Survey, June 2009

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INDUSTRY VIEWPOINT

Retirement Confidence among Public Sector Employees

By: Paul J. Yakoboski, Principal Research Fellow, TIAA-CREF Institute

Earlier this year the TIAA-CREF Institute surveyed 500 public sector employees regarding their retirement planning and saving, as well as their confidence in their retirement income prospects. The survey was developed from the annual *Retirement Confidence Survey* conducted by the Employee Benefit Research Institute and Mathew Greenwald & Associates. A representative sample of individuals employed by states and localities was surveyed; the [full report](#) can be accessed at the Institute's [website](#).

State and local governments are bastions of retirement plan sponsorship for their employees, with the defined benefit (DB) framework being the dominant plan type. Eighty-six percent of state and local government employees participate in an employment-based retirement plan. By comparison, 51% of private sector workers participate in a plan. Among public sector participants, 92% are in a DB plan and 20% are in a

defined contribution (DC) plan, meaning that only 8% participate in a DC plan alone. So when sponsored in the public sector, DC plans tend to supplement a DB plan. Recent economic conditions, however, have impacted the ability of state and local governments to fully fund sponsored DB plans and amortize investment losses experienced in the financial markets. These conditions served as the backdrop for the survey.

Compared with U.S. workers in general, state and local government employees tend to be more confident in their retirement income prospects—21% are very confident that they will have enough money to live comfortably throughout retirement, 45% are somewhat confident, 21% are not too confident and 13% are not at all confident. By comparison, 16% of U.S. workers are very confident regarding their retirement income prospects, while 46% are not too or not at all confident.

Higher confidence in the public sector can certainly be attributed, at least in part, to the greater prevalence of employment-based retirement plans. At the same time, given the 35 percentage point gap between public and private sector participation rates, it is somewhat surprising that the confidence gap is not larger. This may be due to concern over the funding of public pension plans in light of the fiscal pressures confronting state and local governments, and uncertainty created by growing calls for changes in the design of public sector retirement benefits.

Given increasing interest in the potential transfer of retirement benefit provision to the DC model, it is noteworthy what public employees value in a retirement savings plan—76% rate the financial strength and stability of the company providing investments as very important and an additional 19% consider it somewhat important; 59% view the provision of objective investment advice as very important and 33% consider it somewhat important.

Concern over paying for medical expenses in retirement lowers overall confidence. Retirees could need \$200,000 or more to cover premiums for insurance supplementing Medicare, as well as co-payments, deductibles and other out-of-pocket expenses. In the public sector, 22% of workers are very confident in having the financial resources to cover retiree medical care, 41% are somewhat confident, 21% are not too confident and 15% are not at all confident. These figures are lower than confidence in affording basic expenses during retirement and mirror overall retirement income confidence levels. Public employee confidence in affording retiree medical care exceeds that of all U.S. workers. This is likely driven by the expectation among 59% of state and local employees, compared with 35% of all workers, that they will have employer-provided health insurance in retirement. But given this relative expectation level, expressed confidence again seems low and again this could result from financial pressures faced by states and localities.

State and local government workers are more likely than all working Americans to be retirement savers (74% vs. 60%, respectively), but they are not necessarily better planners. Fifty-one percent of public sector employees have tried to determine the savings they need to fund a comfortable retirement, only slightly more than the 46% of U.S. workers who have attempted such a calculation. So while the majority of public employees are saving for retirement, many appear to be saving without a plan or target. Those who have

tried to determine the savings they need, however, are more confident that they are saving the right amount. Among public employees currently saving for retirement, 19% are very confident that they are saving the right amount and 50% are somewhat confident. But 26% of those who have attempted a savings need calculation are very confident regarding the amount they are saving compared with 8% of those who have not.

Public sector confidence regarding the investment of retirement savings, as opposed to the amount being saved, is somewhat higher—21% of those who have saved are very confident that they are investing wisely, 58% are somewhat confident and 20% are not confident.

Thirty-two percent of state and local employees sought professional investment advice within the past year. But advice received is not necessarily advice followed—30% followed all the advice, 54% followed most of it, 15% followed some and 1% followed none. A key to follow-through appears to be confidence in the independence and objectivity of the advice. Fifty-nine percent are very confident that the advice received was independent and objective; among these, 36% generally followed all the advice. By comparison, 22% of the 37% somewhat confident in the independence and objectivity of the advice followed all of it.

When it comes to financial knowledge and comfort zones, 42% of public sector workers are confident making retirement-related financial decisions by themselves after considering information and advice from others. Only 15% are confident going a step further by doing the research and making the decisions on their own. The other most common self-assessment is a preference among 33% to partner with a financial professional in jointly making such decisions. Eight percent feel the need for a financial professional to decide for them.

INDUSTRY VIEWPOINT

Target Date Funds: An Update

By: Richard A. Turner, Vice President and Deputy General Counsel, VALIC

Target date funds, which have grown increasingly popular with plan sponsors in both the public and private sector, have been receiving increasing levels of attention lately in the wake of recent market upheavals, and particularly from two United States regulators: the Securities and Exchange Commission (SEC) and the Department of Labor (DOL). Much of the attention seems intended to remind investors of certain important investment concepts that apply to these funds just as they apply to most funds, including:

- All funds are not alike: two funds with exactly the same target date could have very different investment allocations, allocation trajectories, and fees.
- Investors should not treat investments in these funds as if they are on autopilot: they should remain engaged in understanding and reviewing these and other investment alternatives over time.

The two regulators held a joint hearing on the subject of these funds in 2009, and in May of this year jointly released an investor bulletin seeking to help educate current and potential target date fund investors.

After providing a brief introduction to the subject, including a discussion of such concepts as “glide paths” (a description of the fund’s process for seeking to reduce investment risk and volatility over time as it approaches the target date, and sometimes going beyond that date) the joint investor bulletin providing the following summary of important considerations for target date fund investors:

- **Consider your investment style.** Do you want to play an active role in managing your investments, or do you prefer the more hands-off approach of a target date fund? Keep in mind, however, that even with a target date fund; it is important to monitor the fund’s investments over time.
- **Look at the fund’s prospectus to see where the fund will invest your money.** Do you understand the strategy and risks of the fund, or of any underlying mutual funds held as investments?
- **Understand how the investments will change over time.** Are you comfortable with the fund’s investment mix over time? In particular, make sure you understand when the fund will reach its most conservative investment mix and whether that will occur at or after the target date. Does your level of risk tolerance match how aggressive or conservative it is?
- **Take into account when you will access the money in the fund.** How does the fund’s investment mix at the target date and thereafter fit with your plans for the future, whether they are to withdraw your money at retirement, or to continue to invest?
- **Examine the fund’s fees.** Do you understand the costs for both the target date fund and for any mutual funds in which the target date fund invests?

The SEC has also issued proposed requirements for marketing and advertising materials regarding the registered versions of these funds (nonregistered versions can include allocation models, as well as funds offered under public employer plans and 401(a) pension plans), under Rules 34b-1, 156 and 482.. Those requirements include:

- **Creating a new definition of a target date fund** where none had existed in Rule 482 previously, modeled in large part on prior DOL guidance regarding Qualified Default Investment Alternatives (QDIAs): “(A) Target Date Fund means an investment company that has an investment objective or strategy of providing varying degrees of long-term appreciation and capital preservation through a mix of equity and fixed income exposures that changes over time based on an investor’s age, target retirement date, or life expectancy.”
- **Defining another new term: landing date.** This is defined as the date that the fund reaches its final allocation, which may be on or after the target date.
- **Describing statements as potentially misleading depending upon:**
“(i) The emphasis it places on a single factor (such as an investor’s age or tax bracket) as the basis for determining that the investment is appropriate; or (ii) Representations, whether express or implied, that investing in the securities is a simple investment plan or requires little or no monitoring by the investor.” (Rule 156(b)(4))
- **Requiring additional disclosures for materials that place a “more than insubstantial focus” on one or more target date funds, including:**

- Advising an investor to consider, in addition to age or retirement date, other factors, including the investor's risk tolerance, personal circumstances, and complete financial situation;
- Advising an investor that an investment in the Target Date Fund(s) is not guaranteed and that it is possible to lose money by investing in the Target Date Fund(s), including at and after the Target Date; and
- Unless otherwise disclosed, advising an investor whether, and the extent to which, the intended percentage allocations of the Target Date Fund(s) among types of investments may be modified without a shareholder vote.
- Providing illustrations of percentage asset allocations (intended or actual) on or after the target date, as well as a table, chart or graph demonstrating allocations over specified time periods, including identification of landing points as referenced above.

As could be expected, the SEC also requested comments regarding several subject areas and questions. The DOL is also expected to issue guidance regarding these funds in the near future.

INDUSTRY VIEWPOINT

Target-date fund glide paths: Dissecting the "to versus through" debate

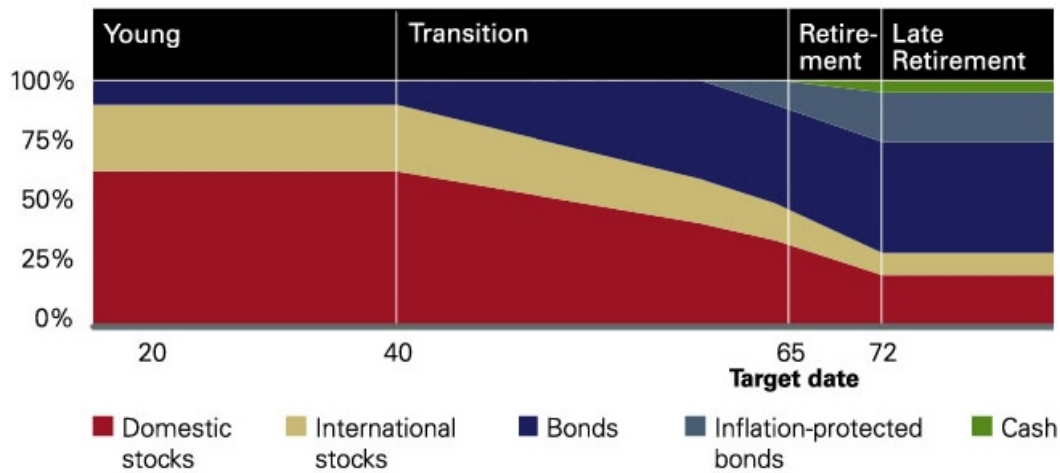


By John Ameriks, PhD, Head, Vanguard Investment Counseling & Research

The 2008-2009 bear market has sparked lively debate within some investment circles over the optimal glide path for target-date funds (TDFs). Some very vocal critics have argued that target-date portfolios should drastically reduce their equity position as investors reach their designated retirement year. Under this approach, target-date allocations would flatline at a very low—or zero—level of equity exposure once an investor retires. Investors approaching and in retirement would consequently be invested in a more conservative, lower-risk portfolio.

In contrast, a predominant school of thought maintains that equities should continue to play a significant role in investors' allocations, even after they have retired. Under this approach, investors nearing retirement would have significant equity allocations with a glide path that continued to evolve beyond retirement and gradually decreased equity exposure in retirement.

Vanguard's view is that investors in retirement need significant exposure to equities. For instance, as you can see below, Vanguard Target Retirement Funds offer significant equity exposure at an investor's designated retirement year—50%, which is gradually reduced over seven years to 30% and remains constant thereafter.



Note: Assumes that the target date of the fund corresponds with the year that the participant retires and turns 65.

A critical factor in glide path design is recognizing that most investors nearing retirement and recent retirees still have the ability to alter their retirement plans—though far less than younger investors—if absolutely necessary. And even after age 72, investors should still consider having modest exposure to equities in their target-date funds to diversify their portfolios and provide the potential for long-term growth.

There are four key reasons why glide path construction such as that of the Vanguard Target Retirement Funds continues to offer a meaningful equity allocation for investors later in life.

1. **The role of Social Security.** It is critical to remember that retirees generally hold much of their overall wealth in the form of relatively safe, inflation-indexed Social Security benefits, and many will receive some defined benefit plan income for years to come. Their overall portfolios can be better diversified by maintaining exposure to the stock market in their retirement accounts.
2. **Life expectancy:** With the average life expectancy now reaching the early 80s, a majority of retirees need their assets to last at least 15 years, while a significant minority will require asset growth for up to 30 years. Many investors are likely to continue to value the growth potential that stocks offer for many years in retirement.
3. **Spending needs:** With cost-of-living increases and health care costs rising faster than the rate of inflation, there is a strong case for retiree portfolios having both income and growth objectives. During a 20-year time frame with moderate inflation of 3%, prices will double. Investors who become too conservative could see their standard of living decline quite dramatically by the time they reach their 80th birthday.
4. **Participant behavior:** A Vanguard survey reveals that less than half (47%) of fully retired investors made a withdrawal from any of their long-term accounts during the past year. If you isolate withdrawals from an IRA or employer-sponsored plan, the number drops to less than one-third of

investors.¹ A surprisingly small percentage are tapping their long-term retirement accounts on a regular basis, especially before age 70½ when required minimum distributions (RMDs) kick in. This behavior suggests that continued growth is an important objective for a majority of retirees holding these accounts.

Proponents of an ultra-conservative TDF strategy, however, often point to the recent bear market, which saw the returns of target-date funds for investors nearing retirement fall an average of more than 20%, as a major selling point for a more cautious approach. There is no denying that most broadly diversified, professional managed investment portfolios were hit hard in the financial crisis of 2008, including many defined benefit plans and endowments. Many described these events as the worst markets in more than a generation. But the number of investors who invested all of their savings on December 31, 2007, and then spent it all a year later is likely negligible. And even a modestly longer term view on investment performance provides a very different perspective: For example, the Vanguard Target Retirement 2010 Fund has returned an annual average of 4.24% since its inception in June 2006.²

Ultimately, despite the fact that very conservative target date fund approaches are available, there simply are no significant assets invested in the few that end exposure to equities in retirement. Once you get past some focused marketing efforts and 20/20 hindsight, you'll find that there really is no 'to versus through' controversy. Virtually all target-date funds offer retirees well-diversified portfolios with some equity exposure well into retirement for a variety of reasons that resonate strongly with both individual investors and plan sponsors alike.

¹ Vanguard, 2009. *Spending the nest egg: Retirement income decisions among older investors*. Vanguard Center for Retirement Research, Malvern, PA.

² As of September 30, 2010. One-year performance through September 30, 2010 was 9.83%. Expense ratio 0.17%.

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at www.vanguard.com/performance.

Investments in Target Retirement Funds are subject to the risks of their underlying funds. The year in the fund name refers to the approximate year (the target date) when an investor in the fund would retire and leave the workforce. The fund will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. An investment in Target Retirement Funds is not guaranteed at any time, including on or after the target date.

All investments are subject to risk.

Diversification does not ensure a profit or protect against a loss in a declining market.

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INDUSTRY VIEWPOINT

The Role of Roth in Defined Contribution Plans

By Pamela Hess, CFA, Director of Retirement Research, Aon Hewitt, and Valerie Kupferschmidt, JD, Benefits Counsel, Aon Hewitt

Most financial experts agree that a Roth savings feature can provide a significant benefit to a variety of savers—across various ages and pay levels. Although governmental 457(b) plans do not allow Roth contributions today, effective January 1, 2011, with the enactment of the Small Business Jobs and Credit Act of 2010, those plans will have the option to add a Roth contribution feature. The Act will also allow certain qualified participants to convert before-tax and after-tax money to a Roth account within a plan.

In the private sector, the Roth feature has been available to plan sponsors since 2006 (for 401(k) and 403(b) plans). Among early adopters, participant usage of Roth has been robust, especially among newly enrolling employees. With recent legislative enhancements and proven success among participants, Roth is expected to be a standard part of defined contribution plans in the coming years, including among 457(b) plans.

Background on Roth Provision

Roth contributions were introduced to 401(k) and 403(b) plans beginning January 1, 2006, and were made permanent with the Pension Protection Act of 2006. Corporate plan sponsor adoption began in 2006, and currently nearly one-third of 401(k) plans offer a Roth feature. This number is expected to escalate significantly in 2011. With the recent passage of the Small Business Jobs and Credit Act of 2010, governmental 457(b) plans will be able to offer this feature in 2011 and beyond.

A Roth feature allows participants to make after-tax contributions to their 457(b) plan, which accrue earnings tax-free and allow for tax-free distributions in retirement if the Roth account is held for at least five years and distributed after age 59½. Apart from differences in tax treatment, Roth and before-tax contributions bear many similarities:

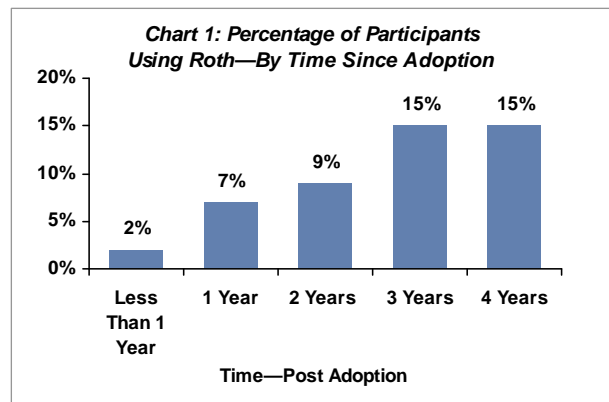
- Roth contribution limits are the same as employee before-tax contributions—up to \$16,500 for 2010, significantly higher than the Roth IRA contribution limit of \$5,000.
- Plan sponsors may match Roth contributions.
- Loans and certain withdrawals from Roth accounts are permitted.
- Roth contributions and associated earnings are available for tax-free, penalty-free distributions when an individual reaches age 59½, dies or suffers a disability (if the account is at least five years old).

The evolution of Roth in the employer plan environment also includes the concept of Roth conversions. The Pension Protection Act created the opportunity for employer plan savings to be converted directly to a Roth IRA, and interest in these Roth conversions has grown even stronger since the income limits went away at the end of 2009. Now, the same law that will allow Roth features to be added to governmental 457(b) plans also gives plans with a Roth feature the option of allowing conversions of before-tax plan money to the plan's Roth account. For governmental 457(b) plans, this means that any plan money that employees can convert to a Roth IRA will be able to be converted to the plan's Roth 457(b) account—allowing those employees to continue to benefit from lower costs, protections and features of a 457(b) plan.

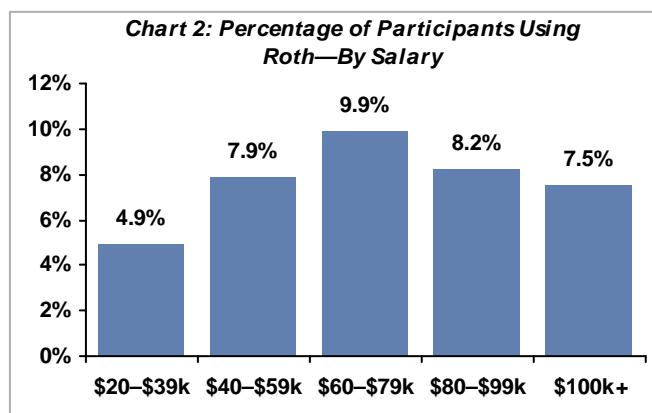
Employee Usage

Aon Hewitt analyzed participant behavior among 20 large 401(k) plans that had implemented Roth, covering 504,000 eligible employees. The study found that where available, in total, 7.4% of active workers elected to save in the plan's Roth account. Usage was substantially higher among newly enrolled workers (nearly 13%).

Overall participant usage tends to grow through years one and two, and then stabilizes after three years. Chart 1 shows the overall participant utilization post adoption, with 7% of participants making Roth contributions one year post implementation and 15% on average three years after. It appears to plateau at three to four years and remain steady; however, little is known at this point given the Roth's limited tenure.



Usage of a Roth 401(k) feature varied significantly by company—ranging from 4% to 22% of participants. Most companies that saw low Roth usage either recently implemented the feature or automatically default their new hires into a before-tax option (rather than Roth). Plans with relatively higher usage had been early adopters of Roth and/or were organizations with more financially savvy populations. It is notable that most of the early adopters were insurance, financial services, or professional services organizations.



Younger participants are more likely to use a Roth 401(k) feature than older participants. In addition, those earning between \$60,000 and \$80,000 had the highest usage of a Roth 401(k) feature. However, considerable adoption was also seen in all income levels above \$40,000 (Chart 2).

Slightly more than half of the Roth contributors also contributed to before-tax accounts. New enrollees and younger participants were more likely to make all contributions to a Roth account versus splitting their contributions between Roth and before-tax accounts, compared to existing participants and older workers. Those who split their contributions

between a Roth 401(k) and a before-/after-tax account usually had a higher contribution rate than those who contributed solely to a Roth account.

Conclusion

Given its relatively short history, a Roth option has proved beneficial to a meaningful segment of plan participants within the 401(k) marketplace. The Roth feature is becoming increasingly prevalent in 401(k) and 403(b) plans, and it is likely to become an inherent feature within 457(b) plans given recent legislative changes and the popularity of Roth in other defined contribution plans.

As governmental 457(b) plans begin adopting Roth, it requires thoughtful planning, implementation and communication. The following are helpful considerations to make a Roth implementation a success:

- Communicate with employees on the introduction of a Roth using multiple channels, including email, postal mail, employee newsletters, internal/benefit websites and workshops.
- Educate employees about Roth contributions. For example, provide a comparison of Roth and before-tax contributions, share examples of who might want to make Roth contributions, explain the benefit of tax diversification and address frequently asked questions about a Roth.
- Provide modeling tools to help employees make educated savings decisions. Modeling tools can help employees understand the impact to their paychecks and long-term tax impact in retirement.

INDUSTRY VIEWPOINT

Managing Retirement Income

By: Mary Willett, CRA, CRC

Should plan sponsors provide counseling and/or advice to retirees or soon-to-be retirees on how to manage their accumulated assets for lifetime income? Should distribution choices include a guaranteed lifetime income option? These are just two of the topics explored in the NAGDCA Pre-Conference Workshop "Retirement Planning Advice" on Sunday September 12th. This article offers some highlights from this workshop, which will be available online through the InFRE Web site at www.infre.org later this year [NAGDCA members receive a 30% discount on InFRE programs available through the Web site by using code NAGDCA30%.

Mary Willett, CRA, CRC, presented the workshop and authored this article. Mary is an industry consultant and is working with InFRE on several projects, including updating the CRA course material. Mary has been a member of NAGDCA for about 20 years and her bio can be found at www.willettconsulting.com.

Everyone agrees that retirement is changing. People are living longer, they are more active in retirement, and retirees are often sandwiched between caring for aging parents and continuing to help their children and grandchildren. What this means is that they have even more unknown variables that should be considered when deciding how much income will be needed to support a retirement lifetime.

Public sector employers have typically considered the supplemental plan to be something that participants will use to provide extra income for retirement, while the benefits they receive from primary retirement plans and Social Security (if available) will meet employees' basic needs. But is this really true today, and more importantly, tomorrow?

Why This Is Important

Policy makers and legislators in state and local governments are facing tough budget situations. Defined benefit (DB) plans are being closely scrutinized because of their long-term costs to the employer. Public sentiment is also driving some concern over DB plans as few private sector employees are offered similar benefits and the public sector benefit structure is often considered too generous.

More than 24 state and local government retirement systems have reported cutting pension benefits in 2010. Many systems are raising the employee contribution rates to the DB plan and/or reducing benefits for future employees. Some governmental employers are attempting to reduce current employee and retiree benefits, although these are being challenged in court.³ For example, four states – Minnesota, Colorado, South Dakota and Illinois – have reported they are eliminating or reducing (temporarily or permanently) retiree cost-of-living adjustments that are normally provided annually on pension annuities.

Considering these potential changes to primary retirement benefits, the supplemental plans are becoming a vital component of retiree income. In addition to helping employees prepare for retirement by accumulating assets in 457, 403(b) and 401(k) plans, plan sponsors also need to help participants understand how these dollars can be used to meet their financial needs throughout retirement years.

Surveys Suggest Help Is Needed

Recent studies that explore the need for expanded services and new products regarding the de-accumulation phase generally show that participants are looking for guidance from their retirement plans on distribution decisions and payout options that provide guaranteed lifetime income. For example, a recent survey⁴ of 401(k) plan participants illustrates views on retirement savings and distributions as follows:

- 62% believe they will have more years in retirement than they will need their retirement income to last.
- 57% would prefer to receive a steady stream of income in retirement compared to 9% that prefer lump-sum distributions.
- 82% say they have little or no experience in managing assets of \$100,000 or more.

Another survey⁵ of people between the ages of 44 to 75 showed the following:

- 61% fear running out of money more than death.
- 57% worry they won't have enough money for retirement, with 47% being afraid they will have insufficient income to cover basic living expenses.
- 80% would choose a product that provides a 4% return and a guarantee against losing value over a product with 8% return and vulnerability to market downturns.

Decisions Are Complicated

When helping participants with retirement income decisions, two of the most important questions that need to be addressed are: *"How long does my money need to last?"* and *"How much can I take out of my account each year to last the rest of my lifetime?"*

Thinking about longevity issues is difficult and often the example of average life expectancy is used as a guide. This, however, can be misleading as the following illustration explains.

A 65 year old has an average life expectancy of 20 years. But this means about half will live less than 20 years and half will live more. For 65 year old couples, there is a 50% chance one will live to age 92 and a 25% chance that one will live to 97.

The second question as to how much can be taken from a retirement account to avoid outliving assets is equally confusing. Generally workers have no idea and guess about the amount they can withdraw. Typically their guess is too high, with some surveys showing a third or more of participants believing they can take 10% and up from their account balance each year and still have it last throughout their retirement lifetime. The truth is that there is a 90% chance that money will last 30 years if the maximum withdrawal rate is 4% (as adjusted for inflation each year). For example:

³ Lawsuits have been filed in Colorado, Minnesota and South Dakota regarding changes that have been made to the benefits being received by public sector retirees

⁴ BlackRock's second annual Survey of 401k Participant Attitudes and Behaviors
http://www.401khelpcenter.com/press_2010/pr_blackrock_062910.html

⁵ "Reclaiming the Future" report from Allianz Life Insurance Co. of North America, based on a poll of 3,257 people;
<https://www.allianzlife.com/MediaCenter/ReclaimingTheFuture.aspx>

A participant has a \$500,000 account balance and elects a 4% withdrawal rate that will be adjusted each year for inflation. In the first year, his distribution is \$20,000. The second year, a 3% inflation factor applies and his distribution is \$20,600.

Conclusions

As supplemental plans increase in importance to employees financial future in retirement, state and local government employers should do more to help them with difficult retirement income management decisions. Providing enhanced guidance services and expanding distribution choices to provide a guaranteed lifetime income option are two topics that will continue to receive considerable attention going forward. For plan sponsors, there is no absolute right or wrong answer in regard to helping participants with their decisions. However, doing nothing may no longer be an option.

WASHINGTON REPORT

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

Elections

With the mid term elections a month away, Congress has adjourned so that members from both sides of the aisle can go home to campaign. Lawmakers will return in November for a Lamé Duck session after the elections, as they have a backlog of work to complete, including passage of the thirteen appropriations bills that fund the federal government. The government is currently being funded by a Continuing Resolution that continues funding at this year's levels and expires on December 3rd.

It is likely that the Lamé Duck session will stretch well into December when Congress hopes to pass a more comprehensive omnibus package, to take the place of passing every appropriations bill separately. Congress has also discussed the possibility of passing a tax extenders package—renewal of a number of expiring tax provisions such as the research and development tax credit—and some health related items—all which could be made a part of the omnibus bill— but it is unclear how much members will want to do after the elections.

Small Business Relief Legislation

In September Congress passed [H.R. 5297](#) (The Small Business Jobs and Credit Act of 2010) which was signed into law on September 27. This measure authorizes the provision of lower interest loans to banks who will provide credit to small businesses. The legislation also authorizes a Roth 457 plan for state and local government employees, effective on a non-mandatory basis January 1, 2011.

Establishment of a Roth 457 as another savings option for public employees has been a major priority of NAGDCA's for several years. Please see this [link](#) for the congressional Joint Committee on Taxation description of the Roth 457 provision.

National Save for Retirement Week

[H. Res. 1481](#), calling for a National Save for Retirement Week (NS4RW) during the week of October 17, was introduced on June 28 by Representatives Allyson Schwartz (D-PA) and Sam Johnson (R-TX). The Resolution was sent to the Committee on Ways and Means and the then to the full House where it passed

under suspension of the rules on July 28. Please see this [link](#) for a copy of Representative Schwartz's statement on NS4RW.

In the Senate, Senators Kent Conrad, (D-ND), Chair of the Senate Committee on the Budget and a member of the Senate Committee on Finance and Mike Enzi, (R-WY), the ranking Republican on the Senate Committee on Health, Education, Labor and Pensions and a member of the Senate Committee on Finance, introduced a companion measure, [S. Res. 649](#), on September 27 which went directly to the floor and was passed by Unanimous Consent. Senator Ben Cardin (D-MD) signed on as a cosponsor as well. Please see this [link](#) for a copy of Senator Conrad's statement on NS4RW.

NAGDCA has pointed out, in its advocacy efforts on Capitol Hill, that the Resolution this year is more important than ever and, while the economy makes this more difficult, the need to save has not changed.

Fee Disclosure

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. No movement had occurred on that bill since the bill was successfully reported by the Committee. However, parts of it were added to a tax extender/jobs legislation bill that passed the House over the summer. The provisions were ultimately removed by the Senate, although the Senate has never yet passed tax extenders legislation. It remains to be seen whether the tax extenders bill will move forward and whether—after protests from Chairman Miller about the Senate's actions dropping the disclosure provisions—whether something will indeed pass this year.

These sections would have required additional disclosure to both plan administrators and participants. In particular these provisions would require a written statement to the plan administrator describing the services to be provided and the total annual revenue to be collected by the service provider. For plan participants this would require the plan administrator to provide employees with a notice describing the plan and characteristics of each investment option. Included in this notice would be a plan fee comparison chart. Plan administrators must also provide employees with a quarterly benefit statement that includes information on each investment option that the employee is invested in. Small plans are only required to provide annual statements.

Meantime, the Department of Labor has issued regulation on fee disclosure, with additional guidance pending. For an in depth review of the regulatory process on fee disclosure, please see this [link](#) for Jennifer Eller's presentation at NAGDCA's recent annual conference Washington Update session.

Annual Conference

NAGDCA recently held its annual conference and NAGDCA was honored by having Representative Allyson Schwartz come and speak at the general session. At this session, NAGDCA presented Representative Schwartz with a plaque honoring her for her work on retirement issues. We look forward to continuing to work

with Representative Schwartz, Representative Sam Johnson and Senators Conrad, Enzi and Cardin and we thank them for their support on saving for retirement concerns.

AROUND THE COUNTRY

News from InFRE: Updated Certified Retirement Administrator Curriculum

Are you looking for training and education for you and your staff on the design and administration of public sector primary and supplemental retirement plans?

InFRE is currently updating the Certified Retirement Administrator (CRA) curriculum to better serve the public sector retirement plan administrator audience. The four courses that make up the CRA educational program are being refocused to address the unique retirement benefits of state and local government employers and will be rolled out over the next 12 to 18 months in print, elearning and live classroom training formats.

In this ever changing environment – particularly legislative and regulatory changes – there are many challenges that state and local government employers face. This results in an increased need for education and training on the design and administration of primary and supplemental retirement benefits. At the same time, employer budgets are tightening and it is more difficult to find funding for training programs. To address this, InFRE is tailoring the CRA educational program for the public sector audience to provide a menu of choices to better meet your needs.

NAGDCA members receive a 30% discount on the training and education programs available through the InFRE Web site. To receive the discount, use the code **NAGDCA30%**

The program will continue to include the following four core courses:

1. *Retirement Plan Design*: Covering history and legislative overview of retirement plans; explaining features and requirements of all types of defined benefit and defined contribution retirement plans
2. *Investments*: Discussing trustee-directed and participant-directed investments within retirement plans; explaining portfolio management theories, investment policy statements, risk and return, as well as selection and monitoring criteria
3. *Plan Operations*: Detailing plan administration and the role of an administrator; contracting for services; administration of distributions and special events; implementing changes to plan design; evaluating and monitoring the retirement plan
4. *Compliance, Reporting and Ethics*: Providing an overview of government regulations and reporting requirements; plan compliance in operation and form; IRS correction programs; role of independent professionals; ethics for administrators

In addition to the core curriculum, InFRE will provide continuing education opportunities for plan administrators on a periodic basis to supplement the core curriculum. These updates will address current legislative and regulatory issues as well as trends within the public sector retirement plan community. All training efforts will be provided via written materials as well as elearning, live online meeting, and live classroom workshops.

Watch for more information about the CRA education program on the InFRE Web site at www.infre.org and in future issues of the *NAGDCA Contributor*.

CONTINUING EDUCATION CREDITS AVAILABLE AT www.infre.org

Fulfill your annual CRC® and CRA® ethics and other CE requirements with InFRE! Do you need to submit ethics CE when you renew your certification this year? Regularly \$45 and \$35, InFRE's two-credit ethics courses are now available in online and print format for only \$29! Offer expires November 15th.

Need a few more CRC® or CRA® CE credits in order to renew? Now through November 15th all \$49 elearning courses are \$29! Featuring practical and engaging content delivered by leading experts, you can earn retirement-specific CE anytime, any day – wherever you are! You'll earn 1.5 CE hours for most courses upon passing the online quiz.

AROUND THE COUNTRY

Tips for communicating an automatic enrollment program to participants

By The Employees Retirement System (ERS) of Texas

Like many government plans, we believe in the three-legged-stool concept when describing retirement savings. This strategy recognizes that a combination of a pension, Social Security and personal savings can provide a stable income flow during retirement.

Despite this, many workers don't know how much they need to save for retirement, and 54 percent report that their total savings and investments – excluding the value of their primary home and any pension – is less than \$25,000, according to the Employee Benefit Research Institute's March 2010 Retirement Confidence Survey.

Auto enrollment communication check list

- ✓ Create a cross-departmental project team and appoint a project manager
- ✓ Foster solid relationships among departments
- ✓ Agree on goals, strategies and tactics
- ✓ Allow flexibility in packaging messages
- ✓ Rollout a mix of communications

Our goals include encouraging participants to boost the “personal savings” leg of their stool, and in particular, their voluntary retirement plan savings. The Texas state legislature helped address this by passing a bill requiring that all new state employees automatically be enrolled into the TexaSaver 401(k) Plan. The bill stipulates that these individuals contribute at least 1 percent to a default investment product. Regardless of whether automatic enrollment is legislated or not, if you're planning to communicate this type of program, the following steps might be helpful.

1. **Set up a cross-departmental project team and ensure that it includes a project manager.** Rolling out automatic enrollment affects many departments. Consider involving staff from information technology, benefits, legal, plan administration, communications and your retirement plan provider. Importantly, a project manager also is critical. This individual's responsibilities include creating and executing work plans, identifying resources and assigning responsibilities, and reviewing deliverables. He or she plays a key role in ensuring the team successfully introduces and communicates your automatic enrollment program.
2. **Foster solid relationships among your organization's various departments.** For example, agency management and benefits coordinators are instrumental in communicating benefit plan information, so ensure that you address their needs and concerns. Helpful communications to these two audiences might include letters describing the automatic enrollment process, e-mail status updates from you and your retirement provider, sample messages and forms that agency leadership and benefits coordinators can use to communicate with participants, inserts to agency procedure manuals and new hire materials, and detailed contingency plans. The enthusiastic support and commitment of departments across your organization is a critical factor in your program's outcome.

3. **Agree on communication goals, strategies and tactics.** Above all, successfully implementing automatic enrollment is the primary goal. Other goals might include growing and maintaining participation, promoting your default investment option, and communicating information effectively. Helpful strategies and tactics might consist of gaining the support of key influencers, using multiple mediums to communicate and, as mentioned earlier, developing contingency plans. It's important to track goals. This way, strategies and tactics can be modified as needed to ensure key deliverables are attained.
4. **Encourage flexibility in packaging messages.** To illustrate, in our situation, agencies were responsible for keeping track of acknowledgements that newly hired employees had been notified of their automatic enrollment, so we let each agency decide whether to develop its own form or use language we provided. Agencies work directly with their respective employees. As a result, they know what works and doesn't work. You can help them by providing tools such as templates, but it's advantageous to defer to their expertise. For example, one agency may take a template message and e-mail it verbatim to employees' offices. Another agency, whose employees work offsite, may tweak the message then mail it to their homes. It's important to be flexible in other components as well. For instance, make sure your record keeper can accommodate future initiatives such as automatic escalation. Keep in mind you may want to enhance other recordkeeping aspects as well. For example, we allow participants to opt-out within 90 days and receive a full refund. Ensure that your business partners can provide this same type of flexibility.
5. **Rollout a mix of communications.** Some individuals continually check e-mails, others prefer two-way communications more apt to occur in meetings, and still others opt to read articles and publications. Given this, it's important to offer a mix of communications. Tools to consider include websites and webinars, newsletters, brochures, confirmation statements, Q&As, letters and e-mail updates. A mix of in-person, electronic and print communications vehicles provide both variety and helps ensure employees' information-gathering preferences are addressed.

By following these simple steps, more than [45] percent of employees eligible for automatic enrollment through our program are contributing toward the "personal savings" leg of their stool, and with three strong legs – pension, Social Security and personal savings – we're confident they'll have the greatest chance of enjoying a stable income flow throughout their retirement.

AROUND THE COUNTRY

"Where should I put my money?"

By: Brayton Connard, SPHR, Monroe County Deferred Compensation Plan

It's the most common question Plan Administrators receive from employees once they finally convince them to become participants. It's also a question we can't answer because of prohibitions on offering investment advice, and it leaves many new participants frustrated and confused.

The Monroe County Deferred Compensation Plan is a \$144 million 457 defined contribution plan for our 4,600 full-time employees that supplement their retirement membership in a statewide defined benefit pension. Finding an answer to the "where do I put my money?" dilemma led our plan to add target date funds to our line-up for the first time.

Until 2007, our plan did not have a targeted diversified choice for the participant who knows they should be investing, but doesn't have the familiarity with key financial concepts such as asset allocation, risk tolerance and time horizon. When our plan changed administrative services agents we also reviewed our fund line-up and participant investment allocations with an eye toward addressing this short-coming.

Well over a third of our participants were in the fixed account option, without regard to age or retirement horizon. After passage of the Pension Protection Act and subsequent regulations broadened options for Qualified Default Investment Alternatives (QDIAs), we decided to significantly enhance our lineup with target-date based mutual funds.

We conducted a thorough review of target date families, focusing on the composition of the funds, the quality of the fund company and its management team, investment philosophy, investment consistency, the glide

path, performance and fees. Our provider choice was Retirement Target Collective Investment Trust funds, which invest directly in stocks and bonds rather than through proprietary funds. In addition, these funds had a long track record of strong performance, and low fees.

Because we did not previously have target date funds, we did not map any participant assets into our new target based funds when we transitioned vendors. However, we chose the target date funds as our default investment option. We believe that this decision had two significant positive impacts on our plan.

First, participation in our plan for full-time employees has increased, by 8% in the three years ending June 30, 2010, which we believe is due to both the enrollment efforts of our provider and the ease in which novice investors can now build a diversified portfolio for the long-term.

Second, the aggregate investment of our plan for full-time employees has become more diversified, with the allocation of assets to balanced/asset allocation funds (including target date funds) increasing from just 4.3% to 14.5% of total plan assets in the three years ending June 30, 2010. At that later date, assets in target date funds had grown to \$19.3 million, or 13.4% of total plan assets, the largest category of plan investments after the stable value fund. In fact, with target date funds as our default option, more than 70% of new enrollees chose the target date funds as their investment option in the year ending June 30, 2010.

Target funds are by no means participants' only option. We offer a competitive array of mutual funds covering each of the major style boxes and a stable value fund with a guaranteed floor crediting rate of 4.75%. Our mutual funds on average out perform their peers and have lower fees.

"Where should I put my money?" Overwhelmingly our employees have answered that question by choosing target date funds. Participants are voting with their dollars, demonstrating their confidence in, and satisfaction with, our new, easy to use family of target date funds.

Adding target date funds to our plan line-up has been a tremendous success and fulfilled the needs of our plan participants.

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 that provides current information on federal activities, meetings, members, RFPs, presentations and more!
- Access to continuing education credits for the CPE and CFP at NAGDCA's annual conference and for the CRC and CRA through NAGDCA's affiliation with the International Foundation for Retirement Education (InFRE)
- 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

New Mexico Educational Retirement Board

Local Government Primary Member

City of Baltimore

City of Tempe

Washington County

Moffat County

Maricopa County

Southeastern Pennsylvania Transportation Authority

Fairfax County Government

NAGDCA Primary Industry Member

Industrial Medium

ProManage LLC

Emerge Financial Group

Janus Capital Company

Fiduciary Guidance Counsel

Goldman Sachs

Divot Enterprises Insurance and Financial Services

Financial Soundings

NAGDCA Associate Industry Members

AllianceBernstein

Allianz Global Investors Distributors LLC

BlackRock

BNY Mellon

Clifton Gunderson LLP

Divot Enterprises Insurance and Financial Services

Dwight Asset Management Company

Emerge Financial Group

Fidelity Investments

Great-West Retirement Services

Hartford Life Insurance Company

Hewitt Associates LLC

Hyas Group

Industrial Medium

ING

INVESCO

MFS Investment Management

Money Tree Software

Nationwide Retirement Solutions

Neuberger Berman Management Inc

PFM Asset Management LLC

Prudential Retirement

RV Kuhns and Associates

TD Ameritrade

TIAA-CREF

T Rowe Price

ABOUT THE CONTRIBUTOR

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