TOP STORY

ANC Foundation Raffle

Once again this year at the NAGDCA annual conference there will be various raffles to raise money to support the Arthur N. Caple Foundation.

You can help by contributing an item or a monetary donation towards the raffle. We would like to have all donations by August 12, 2011. All donations are tax deductible. Examples of items include gift baskets, gift cards from national retailers, Nintendo Wii, etc. Government members are encouraged to contribute an item representative of their state. For more information contact Kari Emmons at kemmons@amrms.com or 859-514-9218.

The ANC Foundation provides scholarships to college students studying retirement and financial planning. In addition to the money the Foundation awards towards tuition, the scholarship winners are brought to our annual conference for them to participate and meet the government and industry leaders.

ANC Foundation Matching Donor Program

NAGDCA and the ANC Foundation invite you and your company to participate in the fourth annual matching donor program during this year's NAGDCA Annual Conference, September 10-14, 2011, in Albuquerque, NM. All industry members are invited to participate.

During the NAGDCA Annual Conference we will be encouraging attendees to donate to the ANC Foundation. Companies who sign up to participate in the program agree to match, up to their pledged amount, the donations pledged/received by both public and private sector conference attendees from Saturday, September 10 through Wednesday, September 14. After the conference, we will notify each private-sector donor of its total match contribution. All donations are tax deductible. To sign up, please contact Tracy Tucker at ttucker@amrms.com or 859-514-9210.

PRESIDENT'S CORNER

Greetings NAGDCA Members:

Summer is just around the corner, which means the annual conference can't be too far behind. You should have received your registration form recently; you can't miss it with all of the beautiful hot air balloons on the cover. You will notice some changes to this year's agenda; the conference committee lead by Julia Durand, current Vice-President of NAGDCA, is offering two separate session tracks on one day of the conference; one geared towards new attendees and the other to veteran attendees. Track A will focus on the basics of defined contributions (DC) plans while Track B focuses on topics such as Guaranteed Income Products, investments and fiduciary risks. We hope members will find these separate tracks helpful.

The Roth 457 is still a hot topic and it was discussed in length at the recent Industry Roundtable Meeting in Washington D.C. One of the break-out sessions focused entirely on this topic and some of the issues that arose were the Required Minimum Distributions (RMD) that is still required from defined contribution plans even for Roth contributions. Roth IRAs do not have that requirement. The group also discussed the conversion process that requires a distributable event before it can be processed rather than while the employee is still working. The RMD question was asked of guests at the meeting, including Mark Iwry, Senior Advisory to the Secretary of the Treasury and Deputy Assistant Secretary for Retirement and Health Policy, Tom Reeder, Tax Counsel, Senate Committee on Finance, and Aharon Friedman, Tax Counsel for the U.S. House Ways & Means Committee, The NAGDCA Board will most likely put this topic on its priority letter for next year's Capitol Hill visits to see if there is any opportunity to get it removed from DC plans. We want to be sure they understand that government plans want to keep their participants' money in the plan rather than rolling it out to a more expensive IRA, and the RMD requirement may lead some of them to roll out. While retirement plans were not designed as a vehicle to accumulate wealth and pass it on to heirs, we believe that our participants should have flexibility in their retirement savings accounts. Other topics covered by industry members included Fiduciary Oversight: Plan Governance and Fee/Revenue Transparency, Market Performance and Investor Expectations in the New Normal Economy, and Participant Understanding of Financial Products.

During the panel discussion with Aharon Friedman and Tom Reeder, the topic of "simplification" of DC plans came up. You may remember this topic from the early 2000's when the Bush administration introduced the idea of what I liked to call The Three Sisters, ERSA (Employer Retirement Savings Account), LSA (Lifetime Savings Account) and RSA (Retirement Savings Account). While the new plans may not look like that, this is an important issue to follow. As you know, 457 plans have unique provisions, such as the exemption from the 10% penalty, that we would like to keep, but as we start to look more like other DC plans, we have to remain mindful that it could work against us in the future.

The ANC Foundation Board has chosen the scholarship recipients for this year. Jack Reilly, a student at the University of Georgia, was the top winner. He will receive a $1,000 scholarship along with expenses to attend the annual conference and to cover the Certified Retirement Counselor (CRA) certification program. The other five winners who will receive scholarships to attend the conference are: Benjamin Cummings, Tom McClean, and Dominique Young, Texas Tech, Meaghan Dominick, University of Georgia, and Cindy Mota, William Paterson University of New Jersey.

The NAGDCA Board met on June 9-11 in Jackson Hole, Wyoming. At this meeting, we discussed changes to the ANC scholarship, the 2012 budget which will be presented at the annual conference, and AMR's Workplan Agreement, and other topics important to our members.

INDUSTRY VIEWPOINT

DOL Fee Disclosure Regulations: Considerations for Public Retirement Plans

John Saeli, Vice President, Marketing Services & Industry Analytics, ICMA-RC

The Department of Labor (DOL) released final regulations for fee disclosures to participants and interim final regulations for disclosures to plan sponsors in 2010. Final plan sponsor fee disclosure regulations are expected to be released early this fall and to be effective January 1, 2012. Participant fee disclosure regulations also will be effective January 1, 2012 for calendar year plans, with a 120-day transition period to furnish initial disclosures to plan participants.

While the DOL's fee disclosure regulations apply to ERISA plans and therefore will not be binding on public retirement plans or their providers, they do in many ways provide a best practice template for the public sector. As transparent organizations subject to public scrutiny, local governments will likely find the more in-depth and consistently formatted disclosures that may be prompted by the regulations to be beneficial to their plan and its participants. This article provides a summary of key features of the DOL's fee disclosure regulations, and does not constitute advice on what may or may not be necessary to fully adhere to the regulations.

Fee Disclosure to Plan Sponsors

Fee disclosure provides information necessary for plan sponsors to effectively meet their fiduciary responsibilities. The DOL's interim final regulations under Section 408(b)(2) of ERISA requires covered service providers to disclose fees to plan fiduciaries: 1) in advance of entering, renewing or extending a plan service arrangement and 2) no later than 60 days from the date the provider is informed of a change to information required in the initial disclosure. Under the regulations, plan sponsors must receive:

- a description of the services to be provided;
- a statement, if applicable, that the service provider will or expects to provide services as an ERISA fiduciary or as an investment adviser registered under the Investment Advisers Act or any state law;
- a description of all direct and indirect compensation reasonably expected to be received; and
- a description of the manner in which compensation will be received (for example, direct deduction from accounts).

Under the regulations, providers must render basic fee information for each investment alternative they record keep, including the expense ratio, transaction fees (such as loads and redemption fees), and any other ongoing fees. In addition, providers, their affiliates and subcontractors that are a party to a service contract are required to provide a description of direct and indirect compensation they expect to receive for record-keeping services. Direct compensation is payment received from the plan, such as a per participant fee. Indirect compensation is payment received from any source other than the plan or the plan sponsor, such as 12b-1 and shareholder services fees received from mutual funds.

Compensation may be expressed as a dollar fee, formula, percentage of covered plan assets, or a per capita charge. If compensation cannot be reasonably expressed in such terms, it can be disclosed by any other reasonable method that contains sufficient information to allow a fiduciary to evaluate the reasonableness of the compensation. If there is no explicit fee for record-keeping services, a reasonable and good faith estimate of the cost for this service must be provided.

Fee Disclosure to Participants

The DOL's final regulations on fee disclosure to participants under Section 404(a)(5) of ERISA require plan sponsors to disclose plan costs to eligible employees and participants. It is expected that plan sponsors typically will delegate responsibility for making such disclosures to their plan providers.

Under the regulations, plan fiduciaries or their designee will be required to disclose to participants: 1) instructions on how to provide investment direction, 2) information about plan-level administrative expenses charged against participant accounts, and 3) information about expenses that may be charged individually to accounts (per participant fees, ancillary service fees and fund redemption fees). Participants also must receive the following investment-related information for each investment option accessible through the plan:

- asset category (i.e., large cap growth);
- fund performance with index benchmark returns for one-, five- and 10-calendar-year periods;
- fee and expense information;
- a website address with additional information; and
- a glossary of investment terms.

Fee and expense information for each investment must include:

- the amount and a description of each shareholder-type fee directly charged (i.e., sales loads, surrender charges);
- total annual operating expenses expressed as a percent of assets;
- total annualized operating expenses expressed as dollar amount for a $1,000 investment; and
- statements that a) fees and expenses are only one of several factors that should be considered when making investment decisions, and b) cumulative fees and expenses can substantially reduce the growth of the participant's retirement account.

These disclosures must be made for variable investments, including stable value and money market funds, but not investments with a fixed return (such as CDs). For investments with a fixed rate of return, individuals must receive 1) the fixed or stated annual rate of return, 2) the term of the investment, and 3) the extent to which the issuer reserves the right to change the rate of return. The benchmarking requirement does not apply to these investments. In lieu of fee and expense information, for these securities individuals must receive the amount and a description of shareholder-type fees, and a description of any purchase/sale restriction or limitation.

In order to facilitate consistency without mandating a single approach to formatting fee disclosure, the DOL regulations provide a safe harbor comparative chart format. Many providers are working from the model format as they structure their fee disclosures.

The above disclosures must be made to all individuals eligible to participate in the plan on or before the date on which a participant or beneficiary can first direct his or her investments, and at least annually thereafter. Individuals must also receive quarterly disclosure of any plan-level administrative fees and any fees assessed directly from participant accounts in the immediately preceding quarter, either through a confirmation or on their quarterly statement.

The above disclosures generally must be made in hard copy unless the participant consents to electronic receipt or uses a computer as an integral part of their job. The DOL has begun the process of evaluating regulations regarding electronic delivery of information and disclosures, which may in the future make electronic delivery of disclosures more prevalent.

Additional information for each designated investment alternative must be made available on a website. In general, this provides a more comprehensive view of each investment alternative, including, for example, information about the alternative's portfolio turnover rate and the alternative's principal strategies and principal risks. The website information must also be available on request in hard copy.

Additional Considerations

While adherence to the regulations should make it easier for plan sponsors and participants to better understand and consider plan fees and expenses, strict observance by public sector plans and their providers may not be practicable or cost effective.

For instance, plan sponsor fee regulations mandate that fee changes (including fund expenses and revenue levels) be disclosed within 60 days. Rather than building systems to make disclosures on that basis, many providers could deliver such information more cost-effectively through their existing quarterly report cycle.

With regard to participant fee disclosure, the requirement that disclosures be made to all eligible employees may not be practicable in many instances. Public sector plan sponsors typically do not give providers access to the non-participant contact information that would be necessary to make such disclosures. An alternative may be to provide fee disclosures to employees within kits already provided in the enrollment process.

The DOL's fee regulations provide an opportunity for better fee disclosure to public employers and participants and are designed to enhance their understanding of a critical component of the total value delivered by their plan. It is important for plan sponsors and their providers to work together to transmit enhanced disclosure in a manner that assists fiduciaries as they review plan costs and provider revenues and helps participants as they make enrollment, contribution and investment decisions.

WASHINGTON REPORT

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

The State of Congress

The split government in Washington has caused gridlock in Congress. With the two parties so far apart on nearly every issue Congress has been at a standstill since January and, while little in the way of legislation has passed both chambers, there are ongoing budget negotiations taking place. The fiscal 2010 appropriations bills were finally agreed and signed by the President—averting a government shutdown. However, it is unclear, at this time when the federal fiscal year 2011 appropriations measures that fund the government will be agreed to and the new fiscal year is due to begin October 1.

At major issue is the looming vote on raising the U.S. debt ceiling and the Republican controlled House and Republican leadership in the Senate are insisting on trillions of dollars in cuts and restructuring Medicare and Medicaid as part of a deal to vote to increase the debt ceiling. Democrats and the White House have agreed to major cuts, but, at this point in the discussions, they are not supporting major restructuring of these programs and many would like to see revenue on the table as part of the solution to solving the budget impasse—thus far, Republicans have ruled out revenues as part of any package.

Hearings on State and Local Budgets and Defined Benefit Plans

The House Committees on Ways and Means and Oversight and Government Reform have held a number of hearings on state and local budgets. Many of these hearings, while technically looking at various budget issues, were mainly focused on state and local government pension plans and how much of state and local budgets these plans consume. There were suggestions that defined benefit pension plans were a main source of government budget shortfalls, however, numerous witnesses testified that, on a plan by plan basis, there were a few plans that were in bad shape but the majority of plans were not a cause of budget shortfalls.

Tax Reform
Both Senate Committee on Finance Chairman Baucus (D-MT) and House Committee on Ways & Means Chairman David Camp (R-MI) have indicated an interest in tax reform—and it seems that if tax reform moves forward, that there is interest among all parties in reforming individual, as well as corporate rates. The Senate Committee on Finance and the House Committee on Ways and Means have both been holding hearings and will likely hold hearings at some point on retirement related issues. At this point, given the budget debate and the hearing schedule, it is not likely that a tax measure would begin to move until late this fall or early next year.
The Department of the Treasury (DOT) has, reportedly, drafted a tax reform proposal, but at this time, the draft is embargoed and no real details are known. If the DOT draft follows the department's earlier white paper and the President's Deficit Commission recommendations, it is very possible that the Administration may propose "simplification" and combining defined contribution plans, something that NAGDCA is watching closely. For a review of this issue and other NAGDCA priorities please visit nagdca.org

National Save for Retirement Week
As reported earlier, the House of Representatives, in January, voted to ban commemorative resolutions. As a result the House will not pass a resolution this year commemorating National Save for Retirement Week. The Senate does not have that rule in place and NAGDCA will continue working with the Senate to pass a resolution for 2011.

NAGDCA has talked with the Department of Treasury about an Administration proclamation regarding savings for retirement and those discussions continue. Additionally, we are working with our National Save for Retirement Week resolution sponsors and supporters in Congress to encourage such a collaboration with the Administration.

Swap and Municipal Advisor Rules
In May, the SEC and CFTC released their proposed swap rules that were called for in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub.L. 111-203). NAGDCA opposes including wrap contracts in the definition of a swap and while the proposed rules do not deal directly with this issue the study that was required by Dodd-Frank is still being conducted.

As reported earlier, NAGDCA's Executive Committee had an opportunity to meet with staff members at the SEC in Washington and present the association's positions on both wrap contracts and swaps and the SEC proposed municipal advisor rule.

Legislative Webcast
NAGDCA held its annual Legislative Webcast in April and this year we were pleased that Cheryl Press, Senior Counsel in the IRS Office of Chief Counsel, was able to join and answer NAGDCA member questions on Roth 457, required minimum distributions, in plan Roth conversions and other issues of interest to NAGDCA. The discussion also focused on NAGDCA's legislative priorities for 2011 (see nagdca.org) and included a legislative update as well with a review of congressional and administrative activities.

Industry Roundtable
On May 12-13, NAGDCA held its seventh Industry Roundtable. Speakers that participated on the Legislative Panel included the Department of the Treasury, Deputy Assistant Secretary for Retirement and Health Policy, Pension Counsel for Senate Committee on Finance Majority, and Tax Counsel, House Committee on Ways & Means Majority. We will continue to work with these

committees and the Department of Treasury to represent NAGDCA's concerns, particularly in the event that tax reform materializes.

Around the Country

Enhanced Focus through Enhanced Site

Provided by Ohio Deferred Compensation

As 457 plans, we all work hard to encourage our participants to focus more on retirement and savings planning. At Ohio Deferred Compensation (Ohio DC), we launched our new, enhanced Ohio457.org website on April 9 to help our participants stay focused.

We partnered with our service provider, Nationwide Retirement Solutions (NRS), to create the new website from the ground up. As part of our comprehensive communications plan, we began discussing goals for a new website in late 2009 and included these in the plan, which was finalized for 2010-2012.

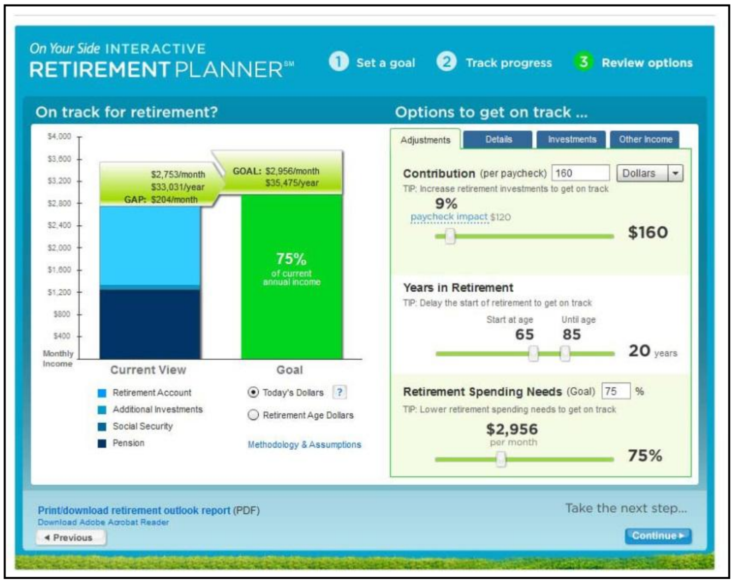
We also listened to our participants in ongoing surveys and focus groups. Participants said they wanted a site that's easier to navigate with quick access to account and market information, fewer pop-up windows, targeted information, short videos and other multimedia, and a more eye-catching design. Our participants now have:

- **Targeted user content** in the "Personal Planning Center" based on who they are and where they are in their retirement planning process
- **Account login option** on every page
- **Three new calculators,** including an Interactive Retirement Planner, Cost of Waiting Calculator, and College Savings Calculator
- **Mobile optimization**
- **Enhancements for multimedia**
- **Up-to-date,** contemporary design
- **Easier-to-navigate** pages
- **ADA** compliance
- **Quick access** to investment and market information

We now have the capability for enhanced website tracking. This data allows us to better understand usage patterns, trends, and topics of interest to continually improve the participant experience and make ongoing adjustments to the site based on this data. Also, the web team is currently working on some short videos on a variety of topics and finalizing an interactive PDF about target date funds to post on the site.

"Our goal was to listen to our participants and then to provide the tools that will help them feel more confident as they plan for retirement," said Executive Director Keith Overly.

One of the new tools, the Interactive Retirement Planner, allows participants to analyze their current retirement savings and experiment with variables that impact their account, such as when they plan to retire and how much investment risk they're willing to take.



The calculator helps participants make informed decisions right then and there. They can change their numbers to see what alternative outcomes might be, see if they have a retirement savings gap, and find out how different decisions now can bring about different outcomes for their retirement future.

Participants can input pension and Social Security benefits, if applicable. They can adjust a sliding bar to see a variety of outcomes before printing and/or saving their results as a PDF.

Mr. Overly added, “We believe that offering these tools along with clear, concise, layered communications on our new site and in all of our educational materials will help our participants stay focused on retirement planning. Then those who need it or are interested can seek out more in-depth information to help them make more informed decisions.”

Ohio DC currently provides retirement savings to more than 190,000 active and retired public employees and currently has more than $8.6 billion in assets under management.

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
Nebraska Public Employees Retirement System

Local Government
Road Commission for Oakland County, MI
City of Mountain View, CA

Primary Industry
State Street Global Advisors

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 NAGD*CAST*s. NAGDCA's interactive, web-based educational programs.

- An interactive Website at www.nagdca.org that provides current information on federal activities, meetings, members, RFPs, presentations and more!

- An electronic clearinghouse with resources that offer answers and perspectives on various issues by showing actual practices used by members across the country

- Legislative representation in Washington, DC

ABOUT THE CONTRIBUTOR

The Contributor is published quarterly by the National Association of Government Defined Contribution Administrators, Inc. (NAGDCA). NAGDCA encourages the submission of articles on topics relating to defined contribution/deferred compensation retirement savings/plans. Articles that appear under the by-line of an individual express the opinions of the author and not those of NAGDCA as an organization. The deadline for submissions for the next issue is December 19, 2008. Articles should be approximately two pages in length and should be submitted in Word format. Please direct all newsletter items and questions to NAGDCA, 201 East Main Street, Ste. 1405, Lexington, KY 40507. You may also e-mail submissions to Kari Emmons at kemmons@AMRms.com or contact her at 859-514-9161 with any questions or comments.

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