

T. G. B.

AGENDA COVER MEMO

Memorandum Date: January 9, 2007

Order Date: January 17, 2007

TO: Board of County Commissioners

DEPARTMENT: County Administration

PRESENTED BY: Lane County Deferred Compensation Committee, through Jayson Davidson, Consultant, Arnerich Massena & Associates, Inc.

AGENDA ITEM TITLE: IN THE MATTER OF LANE COUNTY 457 DEFERRED COMPENSATION PLAN – SELECTION OF GREAT-WEST RETIREMENT SERVICES AS THIRD PARTY ADMINISTRATOR FOR EXCLUSIVE PLAN SERVICES

I. MOTION

Approve the recommendation of the Lane County 457 Deferred Compensation Plan Committee to select Great-West Retirement Services as the exclusive provider of administration, recordkeeping, education and investment management services for the benefit of Plan participants.

II. AGENDA ITEM SUMMARY

The Lane County Board of County Commissioners is being asked to approve the selection of Great-West Retirement Servicessm (a division of Great-West Life & Annuity Insurance Company) as the new, single vendor for the County's 457 Deferred Compensation Plan. Further, the Board is asked to authorize the contract process that will allow the Committee and its Consultant to move forward with the drafting of a contract between Lane County and Great-West Retirement Services.

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

No one can recall whether Lane County's 457 Deferred Compensation Plan Services have ever been bid out; the contracts with the current vendors are open-ended. The County retained the services of an independent Consultant specializing in the government

market, Mr. Jayson Davidson, CFA, Arnerich Massena & Associates, Inc., to assist its County 457 Deferred Compensation Plan Committee in the evaluation of the two current providers, to seek competitive proposals for exclusive plan services and to conduct ongoing investment performance reviews and plan monitoring. A Request for Proposal was sent to 16 companies. Five proposals were received. Four finalists were invited to oral interviews. Great-West Retirement Services is recommended by the Committee for its superior recordkeeping and administration, investment selection and communication/ education services as outlined below.

B. Policy Issues

The primary objectives of the 457 Plan review and selection process were as follows:

- Minimize participant and plan expenses;
- Evaluate the benefits of consolidating all Plan assets with a single provider;
- Simplify investment menu;
- Provide for an orderly and timely transition as required;
- Provide group seminars and individual meetings on investment and retirement planning topics;
- Outsource County plan administrative functions as appropriate.

C. Board Goals

The new contract with Great-West will provide for significant savings by reducing the participant and plan expenses associated with investing in the plan. It is estimated that participants will save over \$250,000 annually and that the contract may provide for administrative offsets that could reduce indirect costs to the County. The new agreement will also provide for a contracted minimum number of service days, a customized plan Web-site and specific performance standards and penalties. Additionally, it will allow for more flexibility in choosing investment options in the construction of a prudent investment menu. We will look to replace many of the Plan's currently underperforming investment options with funds that have a history of superior performance relative to their predetermined benchmarks. Lastly, the new contract will make available new planning and advice tools that will help participants be better prepared for retirement.

D. Financial and/or Resource Considerations

There is direct financial impact to the County. There may be an actual savings in terms of management cost. The savings would be determined after the selection of the final fund line-up.

E. Analysis

Please see attached.

F. Alternatives/Options

The selection of Great-West Retirement Services for exclusive Plan services is recommended by the 457 Plan Committee for the reasons cited herein.

IV. RECOMMENDATION

The 457 Plan Committee and the independent Consultant recommend the selection of Great-West Retirement Services for exclusive Plan services by approval of the motion stated above. The reasons for the recommendation of Great-West are as follows:

- A. Great-West maintains a superior recordkeeping platform offering maximum investment fund selection flexibility. There are no proprietary fund requirements.
- B. Great-West is committed to full fee and revenue transparency. The revenue requirement to administer the plan for an exclusive three year contract with an option to renew for three years is 0.19%.
- C. The Committee, at its discretion, may establish a Custom Stable Value Fund Separate Account, managed by Great-West and held for the exclusive benefit of Lane County participants.
- D. Great-West will provide a local Education Counselor, approved by the Lane County Committee, living in or around Lane County. The local representative will provide services a minimum of eight days a month or 96 days a year.
- E. Great-West offers a focused strategy to improve participation rates, investment diversification and education with their *Four Dimension* service model. Using data from their recordkeeping system, Great-West will be able to measure four key "dimensions" of every plan: participation, optimizing participation through education, asset allocation and diversification, and retiree and beneficiary outreach. The service model focuses on establishing meaningful benchmarks, selecting tools to reach goals in each category, and provides for results that are measurable and quantifiable.
- F. Great-West supports County goals with outreach to persons with diverse backgrounds and abilities.
- G. Great-West provides comprehensive plan sponsor support services, a Plan Service Center and Great-West staff approves hardship and Qualified Domestic Relations Orders (QDRO). Plan compliance services are included with model plan documents and amendments.
- H. Great-West offers a fully transactional Web site for inquiries, transactions and targeted messaging.
- I. Great-West has a 24/7 Voice Response Unit, available in English and Spanish.

- J. Great-West's marketing team is award winning. Communication materials include target marketing campaigns, educational seminars and services.
- K. Great-West offers behavioral based investment advisory services called *Reality Investing*[®] for triple solution tools for plan participants: guidance, advice and managed accounts.
- L. Great-West partners with Ameritrade for a Self-Directed Brokerage Option.

In addition, according to the Spectrem Group (May 2006), Great-West is the number five recordkeeper in the defined contribution plan market, based upon participant records, with over 3.2 million participant records kept. In the Government Market, Great-West is the number one provider of services to state governments, providing recordkeeping services to 15 states and the government of Guam. Great-West is the number two provider in the Government Market overall with over 1.3 million government plan participants.

V. TIMING/IMPLEMENTATION

After Board approval it will take approximately four to six weeks to finalize the provider service agreement. The account transition and participant education campaign will take an additional three to four months. The target date for full transfer of assets is May 1, 2007.

VI. FOLLOW-UP

After approval we will begin the contract drafting phase and will start planning the overall transition.

VII. ATTACHMENTS

- Americh & Massena, Inc. RFP Executive Summary Evaluation
- Pre-Interview Scoring
- Post-Interview Scoring
- Participant Meeting Powerpoint Explanation
- Board Order

Statement of Objectives

Request for Professional Services

Lane County, OR retained Arnerich Massena & Associates, Inc. to aid in completing a Request for Professional Services (RFPs) for the County sponsored 457 Deferred Compensation Plan. Arnerich Massena along with Lane County's Deferred Compensation Committee assembled a RFPs with the objectives of minimizing participant and plan expenses, evaluating the benefits of consolidating all plan assets with a single provider, simplifying the investment menu, providing participants with group seminars and individual meetings on investment and retirement planning topics, and outsourcing County plan administrative functions as appropriate.

The RFPs was issued to various providers; the providers listed below responded:

Great-West Life
The Hartford
ICMA Retirement Corp.
MetLife
Nationwide Retirement Solutions

This document contains a services, investment, and fee summary of the responses to the RFPs.

Executive Summary

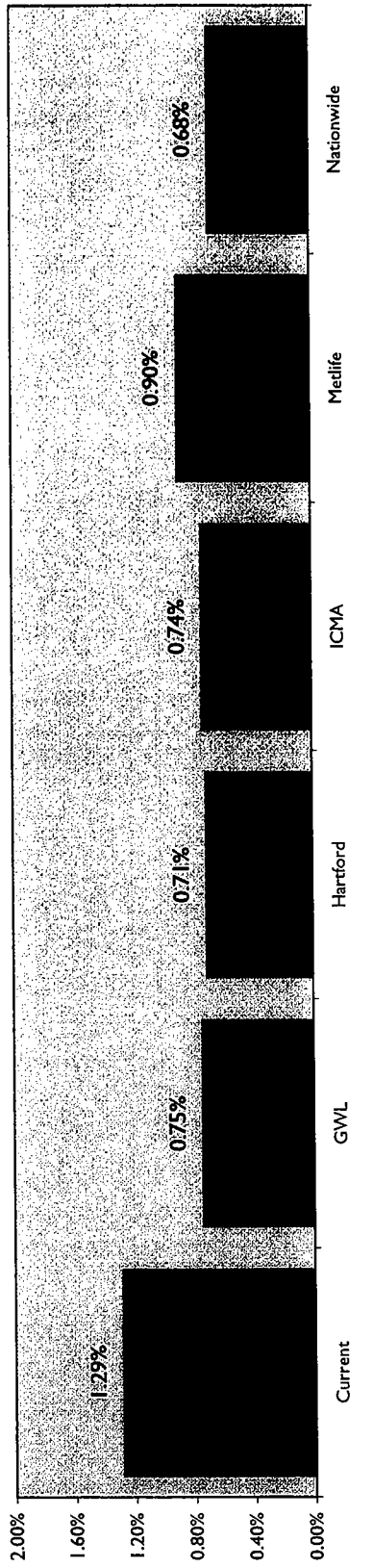
The weighted average Plan expenses for participants will be markedly reduced regardless of the vendor selected. Participants in the Plan were paying roughly 1.29% of assets per year. Based on the new proposals, participants will see a dramatic reduction in investment costs. Assuming the current plan allocation, the overall plan expenses, which include investment costs, will decrease by 40% or more depending on the vendor selected. This equates to roughly a \$250,000 cost savings per year or approximately \$135 per participant. MetLife's proposed investment menu does not generate sufficient revenue to meet administration costs. Therefore, an additional fee would need to be added to the overall cost.

One of the key aspects of this vendor review was to obtain a revenue commitment from each vendor. This is important from the standpoint of controlling expenses and it gives greater investment flexibility to the County's Plan. The result is the use of cheaper share classes and more institutionally oriented investment options. Each of the vendors has indicated their willingness to allow investment fund flexibility. Arnerich Massena will provide a total investment review and recommendation once a final candidate has been selected.

Arnerich Massena & Associates and staff members at the County scored the various sections of the RFPs. A summary of the scores is on page 5. We will discuss the results with you as well as some items to consider before making finalist selections. Final pricing, services and investment line-up may be subject to further negotiations.

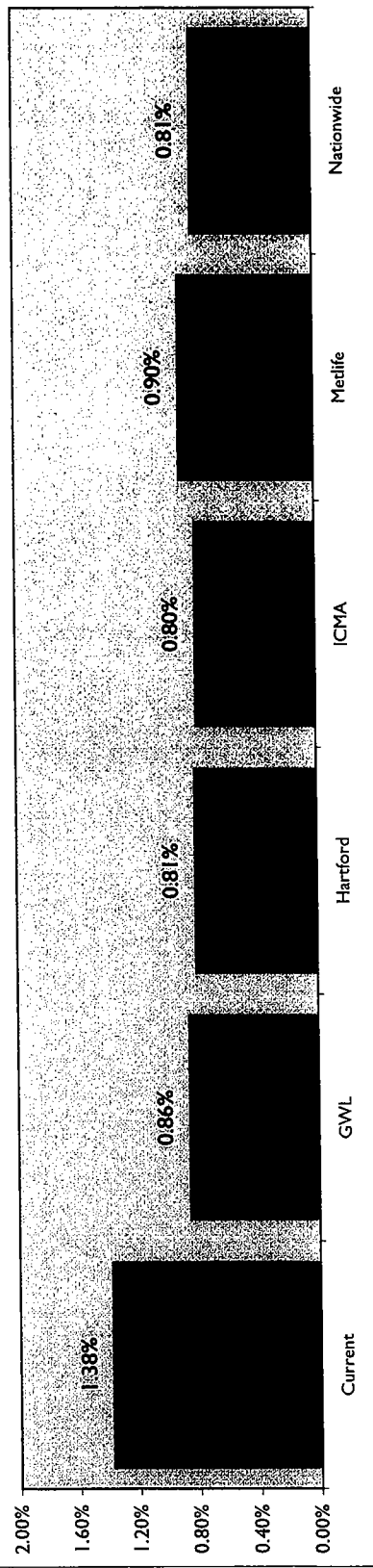
Estimated Total Cost as a % of Assets

This represents the total annual \$ costs for both the Participant and Plan, divided by the total assets in the Plan. This assumes a 60 month Fixed Account transition.



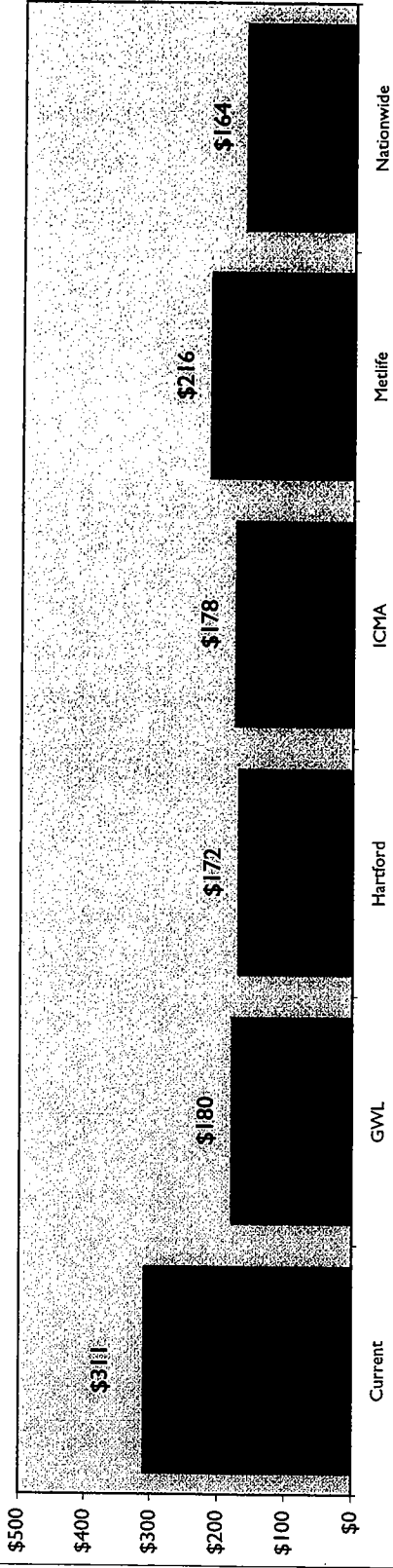
Estimated Average Expense Ratio

This represents the average investment expense ratio for the vendors' proposed fund lineup. This assumes a 60 month Fixed Account transition.



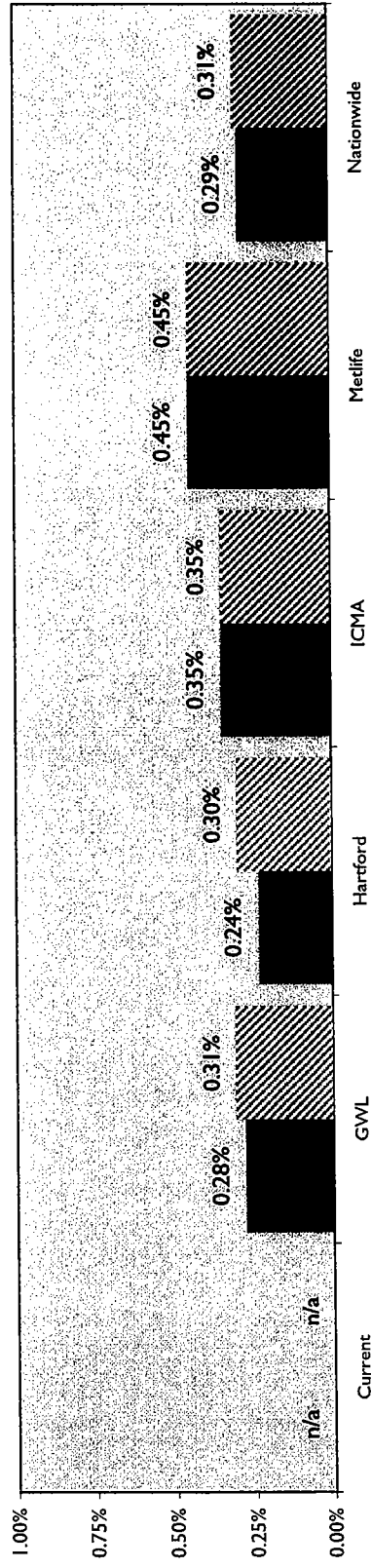
Estimated Annual Per Participant Costs

This cost represents the total costs, both asset-based and hard dollar costs, divided by the total number of participants. This assumes a 60 month Fixed Account transition.



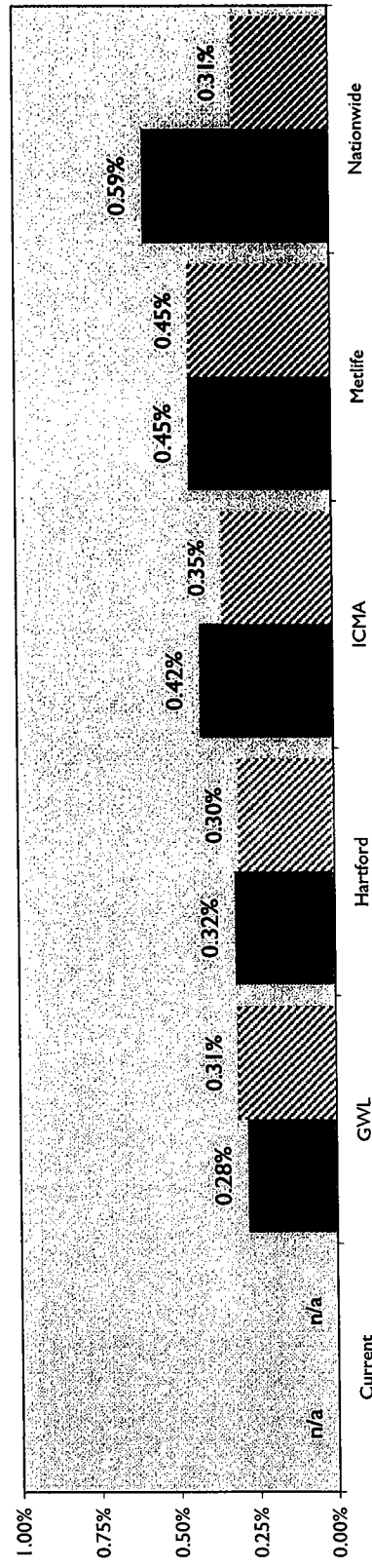
Estimated Revenue Commitment/Generated as a % of Assets - 60 month Fixed Account Transition

First bar represents the total annual revenue required and the second bar represents the total annual revenue generated from the plan.



Estimated Revenue Commitment/Generated as a % of Assets - MVA Absorbtion

First bar represents the total annual revenue required and the second bar represents the total annual revenue generated from the plan.



Lane County, OR Scoring

Request for Professional Services

Question	Points Allocated	Great-West Live	Hartford	ICMA	MetLife	Nationwide
General Firm Information	10	7	7	8	8	6
Diversity in Employment	10	8	7	9	8	9
Participant Services	50	39	37	42	40	42
Investment Line-up/Flexibility	35	29	29	28	28	28
Fees & Expenses	55	41	44	33	26	38
Plan Sponsor/Administrative Services	30	27	26	26	23	25
Transition/Conversion	10	7	6	9	7	9

Total Scores	200	158	155	155	140	156
		1st	3rd	3rd		2nd

Pre-Interview Scoring

Lane County, OR Scoring

Request for Professional Services

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Participant Services	50	39	37	42	40	42
Investment Line-up/Flexibility	35	29	29	28	28	28
Fees & Expenses	55	43	40	37	26	38
Plan Sponsor/Administrative Services	30	27	26	26	23	25
Transition/Conversion	10	7	6	9	7	9

Total Scores 200 160 152 159 140 156

1st

4th

2nd

3rd

Post-Interview Scoring

Lane County
457 Deferred Compensation Plan

BUILDING A BETTER PORTFOLIO

Objectives

- Evaluate the benefits of consolidating all plan assets with a single provider.
- Simplify and enhance investment menu as necessary.
- Provide appropriate number of group seminars and individual meetings on investment and retirement planning topics.
- Enhance educational and planning tools.
- Minimize participant and plan expenses.

Enhancements

- It is estimated that participants will save over \$250,000 in investment costs annually.
- More representative on-site service days.
- Customized Lane County website.
- Specific service performance standards and penalties.
- More flexibility in choosing investment options and controlling fees.
- New financial planning and advice tools.

Enhancements

- Great-West is committed to full fee and revenue transparency.
- We may establish a Custom Stable Value Fund separate account, managed by Great-West and held for the exclusive benefit of Lane County participants.
- Great-West will provide a local Education Counselor, approved by the Lane County Committee, living in or around Lane County. The local representative will provide services a minimum of eight days a month or 96 days a year.

Enhancements

- Great-West offers behavioral based investment advisory services called *Reality Investing*® for triple solution tools for plan participants: guidance, advice and managed accounts.
- Great-West partners with Ameritrade for a Self-Directed Brokerage Option.

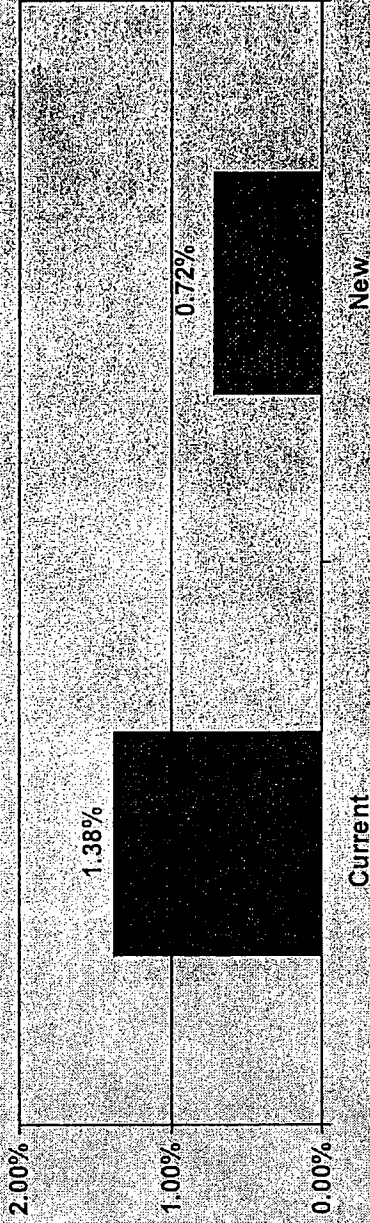
Proposed New Sample Fund Menu

Asset Category	Fund Name	Ticker	Expense Ratio
Stable Value	Great West Stable Value	n/a	0.49%
Total Return Bond	PIMCO Total Return Admin	PTRAX	0.68%
High Yield Bond	MetWest High Yield M	MWHYX	0.75%
Large Cap Value	American Beacon Large Cap Value PA	AAGPX	0.86%
Large Cap Blend	Hartford Capital Appreciation	HIACX	0.70%
Large Cap Growth	Fidelity Contrafund	FCNTX	0.97%
Large Cap Growth	American Funds Growth Fund R4	RGABX	0.70%
Mid Cap Value	BB&T Mid Cap Value A	OVEAX	1.15%
Mid Cap Growth	Munder Mid Cap Core Growth Y	MGOYX	1.12%
Small Cap Value	Munder Small Cap Value Y	MCVYX	1.08%
Small Cap Growth	Trendstar Small Cap	TRESX	1.40%
International Value	Dodge & Cox International Stock	DODEX	0.72%
International Growth	Forward International	FFINX	1.23%
Global Equity	Oppenheimer Global Opportunity A	OPGIX	1.39%
Socially Responsible	Neuberger Berman Socially Responsible Trust	NBSTX	1.17%
Total Return Bond Index	BGI Debt Index	n/a	0.25%
Large Cap Index	BGI Equity Index	n/a	0.18%
Mid Cap Index	BGI Mid Cap Index	n/a	0.25%
Small Cap Index	BGI Small Cap Index	n/a	0.25%
International Index	BGI EAFE Equity Index	n/a	0.18%
Asset Allocation	Customized Income	n/a	0.85%
	Customized 2010		(estimated)
	Customized 2020		
	Customized 2030		
	Customized 2040		

BUILDING A BETTER PORTFOLIO

Estimated Average Participant Fee Savings

Weighted Average Expense Ratio



Estimated average annual savings per participant: \$159

Next Steps

- Finalize Fund Line-up and Service Agreement
- Establish Fund Mapping
- Additional Provider Communication/Education Sessions

Questions

BUILDING A BETTER PORTFOLIO

IN THE BOARD OF COUNTY COMMISSIONERS
OF LANE COUNTY, OREGON

ORDER NO. 07-1-17-

) IN THE MATTER OF LANE COUNTY
) DEFERRED COMPENSATION PLAN
) SELECTION OF GREAT-WEST
) RETIREMENT SERVICES AS THIRD
) PARTY ADMINISTRATOR FOR
) EXCLUSIVE PLAN SERVICES

WHEREAS, Lane County has previously established deferred compensation plans to enable employees to defer a portion of their compensation into retirement plans in a tax-deferred manner, and

WHEREAS, with all of the changes that have occurred in the laws regulating deferred compensation plans since the inception of the County deferred compensation program, bringing increased responsibilities for management and administration of these plans, and with an increased fiduciary risks, it became apparent that it would be prudent for the County to do a competitive selection for the third party deferred compensation service provider and to reduce the number of providers to one, and

WHEREAS, the County, through its Deferred Compensation Plan Committee has conducted such a competitive selection and has recommended engaging Great-West Retirement Services as the County's third party administrator for exclusive deferred compensation plan services, ,

NOW, THEREFORE IT IS HEREBY ORDERED that Lane County awards Great-West Retirement Services a contract for professional services as its provider of administration, recordkeeping, education and investment management services for the benefit of the County 457 Deferred Compensation Plan participants, and it is further

ORDERED that the County Administrator is delegated authority to execute contracts with Great West Retirement Services to implement this award.

DATED this _____ day of January, 2007.

Chair, Lane County Board of
Commissioners

APPROVED AS TO FORM

Date 1/9/07 Lane County


OFFICE OF LEGAL COUNSEL