TOP STORY

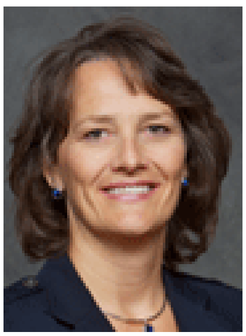
NAGDCA Testifies Before House Ways and Means Committee

The National Association of Government Defined Contribution Administrators, Inc. (NAGDCA) testified before the House Ways and Means Committee on the appropriateness of retirement plan fees. Mindy Harris, NAGDCA's President, presented the testimony.

The hearing focused on the impact that administrative and investment fees have on workers' ability to adequately save for their retirement. NAGDCA recently surveyed their members to look at fee disclosure, reasonableness of fees, and how Boards of defined contribution plans are comprised. The survey results were included in NAGDCA's testimony and are available on NAGDCA's website at www.nagdca.org.

"NAGDCA looks forward to working with Congress as they review the issue of fees in defined contribution plans, and as governmental entities ourselves, we always welcome an open and transparent process when it comes to managing and investing our public employee's retirement assets," said Mindy Harris, NAGDCA President.

PRESIDENT'S CORNER



As the Holidays come to an end, we often find ourselves reflecting on the past year and setting resolutions/goals for the year-to-come. I have found myself doing the same thinking about NAGDCA in 2007 and 2008. Our organization experienced many milestones for 2007. The Annual Conference was the largest that NAGDCA has ever seen with 811 attendees. NAGDCA established the Arthur N. Caple Foundation which is now a free standing organization, accepting tax deductible contributions. NAGDCA continues to offer high quality educational resources through its brochures and webcasts. A National Save for Retirement Week resolution was passed in the House and Senate. Also, for 2007 NAGDCA was called to testify before the House Ways and Means Committee regarding administrative fees in defined contribution plans. Being invited to testify was a high compliment to the organization, the dedication of our members, and NAGDCA's growing influence on Capitol Hill.

For 2008, NAGDCA has more exciting things to look forward to. The Executive Board has established the committees for 2008 and we anticipate great things from the group of volunteers that will lead these committees. NAGDCA is very fortunate to have so many members who are willing to volunteer their time to serve on a committee or task force and support the Association's mission and goals. If you expressed an interest in participating on a committee but have not yet been selected, please don't be discouraged. We have other task forces and committees ahead of us this year and will look to our untapped volunteer talent as these groups evolve. In other developments for the coming year, we have decided to increase from 3 to 4 webcasts, and the annual conference committee is looking at adding sessions for 403(b) and 401(a) conference attendees for our annual conference next September. The Publications Committee will develop educational brochures, highlighting important topics of the defined contribution community. The Survey Committee is working to develop multiple, smaller surveys to ease the demands of responding and obtain a wider cross section of response data so we can provide the fullest and most thorough information to legislators and other interested partners. Another goal that NAGDCA has set forth for 2008 is to broaden its membership by reaching out to the 403(b) community. This will be an extremely daunting task and any assistance that our current members can provide will be greatly appreciated.

The first NAGD*CAST* for 2008 will be on the Final 403(b) regulations and is coming up soon. It will be held on January 22, 2008 at 1:00 pm EST. More information about this educational opportunity can be found on the website.

I want to remind members to visit the NAGDCA web site for brochures and information about legislative issues, as well as the clearinghouse for RFPs, forms and DC information.

This is going to be an exciting year for those of us in the defined contribution industry, as well as NAGDCA as an association. I look forward to working with all of you as we move forward to create a stronger association that is better able to support and serve its members. As always, it is an honor to serve you and the association, and, on behalf of the Executive Board, *all the best* for a productive and prosperous 2008.

INDUSTRY VIEWPOINT

A Matter of Choice: In Search of the Optimal Investment Lineup

Provided by: Fidelity Investments

As America shifts from a reliance on defined benefit to defined contribution plans, the burden to save for retirement is being transferred to workers. The tools and vehicles are there. A vast choice of retirement products offers favorable tax treatment, convenience, broad asset allocation, dollar cost averaging, and potential long-term compounding.

Despite the opportunity, however, many individuals are their own worst enemy. They make critical mistakes. Some fail to join their employer sponsored retirement plan, passing up a tremendous benefit. Others join, but contribute too little, or they invest far too conservatively for a long-term goal. These participants are wrongly focused on short-term volatility or the loss of their investment principal, rather than the more serious long-term risk that their purchasing power could erode as a result of inflation. Throughout all this, inertia blocks many from making good decisions and acting. Many propose a defined contribution investment lineup that helps enable employees to become retirement ready no matter their level of sophistication or degree of interest in investing. This three-tiered framework begins with lifecycle funds, which are quickly becoming the default option for many participants, whether they enroll on their own or through an automatic enrollment program. Recently released regulations on Qualified Default Investment Alternatives (QDIA) from the Department of Labor will only help contribute to this trend by now providing safe harbor coverage to ERISA employers who establish a lifecycle, balanced fund, or managed account as their default fund. For now, though, most participants still create their own portfolio with a core lineup of diversified investment choices. With careful selection, you can provide broad diversification potential with about a dozen funds. This can accomplish the asset allocation task efficiently and with minimal risk of overwhelming or confusing participants[1]. For the most sophisticated and independent individuals who seek even more choice, a third tier—a self-directed brokerage account — can allow them to go well beyond the plan's core lineup. Because the first tier (lifecycle funds) and the third tier (self-directed accounts) are fairly straightforward, the rest of this article focuses on how to put together a framework for the second tier core lineup of choices. Overall, this tier should reflect three key themes: simplicity, balance and breadth. It should have a limited number of investment options that provide broad global coverage and include non-correlated asset classes.

1 Neither diversification nor asset allocation ensures a profit or guarantees against loss.

Fixed Income: On the conservative end of the risk spectrum, this asset class typically includes a money market or stable value fund. For the core of fixed income, some plans are content with a single broadly appealing bond fund. This could be a plain vanilla investment-grade bond fund. However, many investment professionals believe a core-plus bond fund can provide better potential returns without increasing risk appreciably because of its increased diversification. It would typically have 80% or so invested in investment-grade bonds as its anchor. The remaining 20% of assets would be in "plus" sectors, such as high yield bonds, emerging-markets debt or floating rate debt. If plan sponsors seek further diversification in fixed income, they could include a pure high yield bond fund and/or a government bond fund.

Domestic Equity: Begin with five basic building blocks – a large-cap index fund and active funds covering the large-cap core, large value, large growth and small-cap active segments. A large-cap index fund can provide broad sector-neutral market coverage at a low cost. Adding to this index fund, an active large cap fund would take sector, style and capitalization positions. This could introduce a different stream of returns. By adding style specific large value and large growth funds, participants would be able to diversify further and possibly tilt their portfolios towards one style or another. A well-diversified actively managed small-cap fund would broaden overall market coverage further. Together, these five funds would provide broad domestic equity coverage. If participants seek to diversify further, the lineup might also include small—or small/mid-cap—value and growth funds, which would marginally extend their portfolio's scope.

International Equity: Some plans offer a single broadly diversified non-U.S. stock fund. But many sponsors are exploring the vast world of additional international fund choices. These include value- and growth-oriented funds and a dedicated emerging markets fund. Some participants could gain from broader international exposure. While more than half of the world's investment opportunities are outside the United States, many retirement plan participants here have less than 10% of their portfolio allocated internationally. In addition to a broad actively managed fund, many plans would benefit from a pure emerging markets stock fund for access to the world's fastest growing economies, including China, India and Brazil. Emerging markets stocks historically have low correlation levels with those in more developed markets, which add to their diversification potential. Similarly, an international small-cap fund can add to a portfolio's return potential and its diversification over a full market cycle.

Inflation Hedges: More and more plan sponsors are interested in so-called alternative asset classes. These include commodities, real estate and Treasury Inflation-Protected Securities (TIPS). These alternative assets add further diversification and can act as inflation hedges. For maximum diversification, some investment professionals have suggested a single multi-asset class real return fund that would include as wide a variety of instruments as possible.

Creating an Optimal Framework: Many investment professionals believe the combined building blocks outlined above can provide the framework for a DC plan's optimal investment lineup. Together these building blocks can provide broad market coverage and sufficient choice without providing an overwhelming number of options. The presence of three tiers will help provide a suitable option for employees at every level of investment knowledge and interest. The world of DC investing is rapidly changing. Now is an excellent time to re-evaluate your plan's investment lineup to ensure you are providing the best opportunities for your participants.

STUDY EXAMINES DIFFERENCES BY ETHNICITY AMONG RETIREMENT PLAN PARTICIPANTS

By Great-West Retirement Services

In one of the first studies of its kind, Great-West Retirement Services® recently outlined differences in savings behavior among participants of various ethnic groups enrolled in workplace defined contribution (DC) savings plans. The study found significant differences in savings behavior among White, African-American, Hispanic and Asian participants.

The study, a result of a longstanding association with Ariel Capital Management, LLC, encompassed a sampling of more than 20,000 active participants on Great-West Retirement Services' DC recordkeeping system. Participants had reported their ethnicity to their respective employers.

Results of the survey were presented at the Ariel-Schwab Black Investor Summit in New York, sponsored by Ariel Mutual Funds and The Charles Schwab Corporation.

"While we found many similarities among the ethnic groups studied, there were areas where the savings behavior of some groups was potentially less conducive to achieving retirement security than that of other groups," said Charles Nelson, senior vice president of Great-West Retirement Services.

For example, the study revealed:

- Measurable differences existed in average deferral rates by ethnicity.
    - The 1.9 percent deferral rate of African-American males was 58 percent less than the 4.5 percent deferral rate of White males – contributing to account balances that on average were 75 percent less for African-American males than for White males.
    - At 5.9 percent, Asian participants had the highest deferral rate.
- On average, African-American participants held the least-diversified plan investments, using just 1.7 investment options, and Hispanic participants were the most diversified, using 3.8 options, based on an average of 21 available options.
- White participants were three times more likely than African-American participants to roll their DC plan assets to an IRA or another qualified plan (35 percent versus 11 percent respectively) when taking distributions.
- Hispanic participants took more loans from their DC plan (24 percent) than any other group.

Nelson said Great-West Retirement Services conducted this initial study of ethnic savings behavior because "we believe that a one-size-fits-all approach to retirement savings may not be optimal with America's multi-ethnic population. The retirement plan industry, including service providers, plan sponsors and consultants, needs to understand the differences in ethnic utilization of DC plans and to tailor their products and services to meet the needs of all employees."

Nelson said, "We are taking the lead and will begin publishing an annual study on trends in retirement plan activities and utilization by various ethnic groups." He noted that Great-West Retirement Services will begin work in 2008 to allow all of its plan sponsor clients, including those in government markets, to submit ethnicity information and will include that data in the annual plan reviews it conducts with clients.

Gregg Seller, senior vice president of government markets for Great-West Retirement Services, said, "We see this initiative as the start of a process to create a dialogue among all interested parties so we can begin to address the differences that may have an impact on the retirement security of all government workers enrolled in DC plans, regardless of their ethnicity." He said governmental plan sponsors have asked to participate in the 2008 survey.

Seller added, "Behavior by ethnicity permits us to add further depth to our Four Dimension program, including better target marketing and outreach initiatives." He noted the Four Dimension service model, introduced two years ago, measures participation, asset allocation, education, and retiree outreach as key elements of each plan that may be benchmarked against other similar plans.

The Great-West Retirement Services study was conducted by an independent marketing firm, KK and Company, using data from July 1, 2006, to June 30, 2007. Participants studied had an account balance in a 401(k) or 403(b) plan. Participants of 457 plans will be included in future studies.

About Great-West Retirement Services
Great-West Retirement Services, a business unit of Great-West Life & Annuity Insurance Company, is the fourth-largest retirement plan record keeper in the United States, based on total participants, according to a ranking by Spectrem Group in January 2007. In all, Great-West Retirement Services provides 401(k), 401(a), 403(b) and 457 retirement plan services to 21,000 plans representing more than 3.4 million participants and $104 billion in assets at Dec. 31, 2006.

Great-West Life & Annuity Insurance Company, headquartered in metro Denver, serves its customers through a full range of retirement savings products and services, annuities, life and disability insurance and health care plans. It is an indirect, wholly owned subsidiary of Great-West Lifeco Inc. and a member of the Power Financial Corporation group of companies.

Alpha Dynamics: Evaluating the Activeness of Equity Portfolios

By: Mustafa Sagun, PhD, CFA and Scott P. Leiberton, CFA

In assessing the relative attributes of active equity investment strategies, many market participants rely on an incomplete tool kit. Common variability statistics such as tracking error and summary characteristics such as the number of holdings in a portfolio provide incomplete insights on the essence of active exposure. This is particularly the case for strategies that emphasize bottom-up stock selection rather than macro strategies such as sector rotation and market timing.

*In this paper we review two additional metrics; the **Coverage Ratio**, which measures aggregate overlaps between the weights of individual portfolio holdings and the weights of individual benchmark constituents, as well as the **Active Share Ratio**, which measures aggregate differences in portfolio holding weights versus the benchmark constituent weights. We examine the usefulness of these measures across a variety of practical applications such as single-manager and multi-manager portfolio comparisons, management fee evaluations, and long/short extension strategies. We find substantial merit in these tools not only for portfolio managers, but also for institutional investors, financial intermediaries and consultants.*

Mustafa Sagun is chief investment officer, equities and Scott Leiberton is a managing director, equities at Principal Global Investors.[1]

Introduction

The continuing evolution of risk management practices and tools in the investment management industry has led to an increased focus by many on tracking error as a key risk metric. The use of tracking error has become a standard industry norm to assess the degree of active management employed by investment managers relative to specified market benchmarks. However, the notion that tracking error is a measure of activeness involves some common misperceptions. By definition, tracking error measures the volatility of excess returns (alpha) of a portfolio over time. It is most commonly calculated as the standard deviation of monthly or quarterly excess returns. The more consistent the alpha generated, the lower the tracking error. The more erratic the alpha pattern, the higher the tracking error. While many investors view high tracking error as being synonymous with high potential outperformance and vice versa, the relationship is not perfectly linear.

Consider the hypothetical example of a manager that is able to generate remarkably consistent excess returns of 0.2% per month over many consecutive months. Annual outperformance of 2.4 % would certainly not be attainable without extra risk taking. Yet, because the excess return in this example is constant over time, the measured tracking error is zero. While this is an oversimplified example, it illustrates the point that tracking error is not a direct measure of risk, nor a measure of expected return. It is a measure of consistency, or more precisely, a measure of inconsistency.

Other Perspectives

Although tracking error is positively correlated with certain risk characteristics, and complex models are available to measure expected or "ex-ante" tracking error[2], additional metrics are needed to more accurately assess the risk/return profile, alpha potential and consistency of active equity portfolios. These include both statistical and qualitative metrics.

Statistical measures include Information Ratios (alpha per unit of tracking error), Treynor Ratios (return less risk-free return divided by realized beta), Sharpe Ratios (return less risk-free return, divided by standard deviation of return), and Batting Averages (number of time periods of outperformance as a percent of time periods observed), just to name a few.

From a qualitative perspective the most effective means for assessing any active strategy is to examine the differences between the portfolio and the reference benchmark. Common methods include comparing the sector allocation, country weightings, beta, capitalization and style measures. These are all quite effective means of measuring the systematic (macro) risk/return profile of portfolios, but do not specifically address idiosyncratic risk, or stock specific active exposures. Importantly, it is the latter that dominates many active management strategies, including those we employ at Principal Global Investors.

Perhaps the most common and widely used measure of stock specific risk is simply the number of stocks in a portfolio. Often this simple metric forms the basis of perceptions of a manager's "concentration" or "conviction". The prevailing conventional wisdom is that the lower the number of stocks the higher the conviction, and hence alpha potential. This perspective has significant flaws.

Consider for instance two hypothetical active investors: Manager A and Manager B. Both managers employ active U.S. large-cap strategies using the S&P 500 Index as the initial universe and designated benchmark. Manager A's portfolio holds 50 stocks, while Manager B holds 200 stocks. The conventional wisdom would suggest that Manager A is more "active" than Manager B, and by a wide margin. But, if upon closer examination of the portfolios we find that Manager A's portfolio is dominated by the largest stocks in the benchmark, while Manager B's portfolio is biased toward the smaller stocks in the benchmark, this would be in direct conflict with conventional wisdom. Manager B's portfolio would indeed encompass far more active risk than that of Manager A, other factors being equal.

For example, consider that the largest 50 stocks in the S&P 500 Index represent nearly 50% of the total market capitalization of the benchmark, while the smallest 250 stocks comprise less than 15% of total capitalization. In other words, half of the total market value represented by the index comes from only 10% of the stocks and less than 15% of the market value comes from half of the stocks. As a result, the so called "mega cap" stocks are a dominant driver of the beta, or systematic risk profile of the benchmark. The remaining index constituents tend to involve a greater degree of stock specific idiosyncratic risk with performance characteristics that are not as closely tied to the general direction of the market.

Relying on stock counts as a measure of active conviction also can lead to suboptimal portfolio construction. As articulated first in 1989 by Grinold's "Fundamental Law of Active Management" and then by many similar studies that have followed, the essence of active management is rooted in information management advantages. When such information management advantages exist, logic dictates that they should be applied as frequently as possible, and across the broadest opportunity set possible[3].

We believe it is critical to evaluate stock counts in the context of the breadth of the investment universe, the concentration of the reference benchmark and the nature of the underlying investment strategy. Simple rules of thumb do not suffice. While a 50 stock portfolio may be optimal for specialty strategies such as sector funds, managers of other, more diverse strategies such as global and small-cap portfolios may deliver even higher “active” exposure despite owning hundreds of individual stocks.

A Refined Approach

At Principal Global Investors, we have long recognized that tracking error and stock counts are not adequate to fully assess the activeness of a portfolio. Notably, we are often asked how we have been able to generate high levels of excess returns with a high degree of consistency, while maintaining broadly diversified portfolios, with relatively high stock counts, low tracking error and minimal systematic biases (sector, country, capitalization, beta, etc). The answer is simply maximizing stock specific (idiosyncratic) risk and skill (i.e. our ability to differentiate the performance potential of individual companies within economic sectors and geographic regions).

With this in mind, we have applied considerable attention to measures of idiosyncratic risk within portfolios over the years. Our long held view is that the most effective means to measure the activeness of a portfolio is to decompose it stock-by-stock and measure the precise overlaps and differences in portfolio weights relative to the reference benchmark. While the evaluation of overweight and underweight positions is intuitive at the individual stock level, it is less so in terms of the aggregate idiosyncratic risk profile of a portfolio. In our view the most effective and practical approach is to compare the intersection of the portfolio and benchmark to measure the aggregate overlaps and differences. This approach has been utilized in our portfolio construction process for several years.

We were pleased to see our long standing practice of distinguishing the “coverage” and “active” components of portfolios gain more industry recognition with the January 2007 publication of a working paper by Yale University researchers Cremers and Petajisto, entitled “How Active Is Your Fund Manager? A New Measure that Predicts Performance.” The authors utilized many of the same techniques that we use in practice day-to-day to assess the varying degrees of activeness among fund managers and the correlation with relative performance. The quantitative metric they eloquently labeled “Active Share” was found in their research to indeed have a strong predictive relationship with potential excess performance or lack thereof. Their Active Share serves as the mirror image of our old friend, the Coverage Ratio.

Active Share is defined by the percentage of the portfolio that is different than the benchmark. It is also defined as the opposite of Coverage Ratio, where Coverage Ratio is the sum of all “passive” stock weights in the portfolio calculated by the lesser of a stocks’ weight in the portfolio or in the index. Coverage Ratio measures the percentage of the portfolio that replicates the index, while Active Share Ratio measures the percentage of the portfolio that is different than the index. Within the context of traditional long-only portfolios, the sum of the Coverage and the Active Share ratios equal one, or 100% of a portfolio.

The following formulas illustrate the calculation of Coverage and Active Share Ratios.

Coverage Ratio (CR):

$$\mathbf{CR} = \sum_{i=1}^{n} \mathbf{Min}\ (\mathbf{Wp}_i \text{ or } \mathbf{Wb}_i)$$

Where: Wp is the portfolio weight, Wb is the benchmark weight, Min is the lesser of each weight, aggregated across all individual assets in the portfolio or benchmark.

Active Share Ratio (ASR):

$$\mathbf{ASR} = \tfrac{1}{2} \sum_{i=1}^{n} |Wp_i - Wb_i|$$

Where: |Wp – Wb| is the absolute value of the differences between the portfolio weight Wp, and the benchmark Weight Wb, summed across each asset in the portfolio or index, i. To adjust for the fact that all overweights, by definition have equal and offsetting underweights, we divide the sum by two.

In the context of a long-only portfolio where the aggregate value of the portfolio can be expressed as "1", the Active Share Ratio can be simply derived from the Coverage Ratio as follows:

$$\mathbf{ASR = (1 - CR)}$$

The resulting framework aggregates direct overlaps between portfolio holdings and benchmark weights to determine overall benchmark "coverage" with the remaining aggregation of portfolio weights representing the true stock specific "active" exposure of the portfolio.

For example, assume that a portfolio owns Stock A at a 4% weight and Stock B at a 2% weight. But then consider, if Stock A's weight in the benchmark is 3.5% and Stock B's weight is 0.5%. Then, 3.5% of the total 4% holding in Stock A does nothing but replicating the index performance while only 0.5% of the holding is actively searching for out performance relative to the index. In the case of Stock B, 1.5% of the holding represents active alpha exposure, or three times the contribution of Stock A. As we add up the components of a portfolio that overlaps with the index, we get a better picture of activeness of a portfolio from a stock selection perspective. In general, the lower the benchmark coverage is, the higher the stock specific alpha potential of a portfolio.

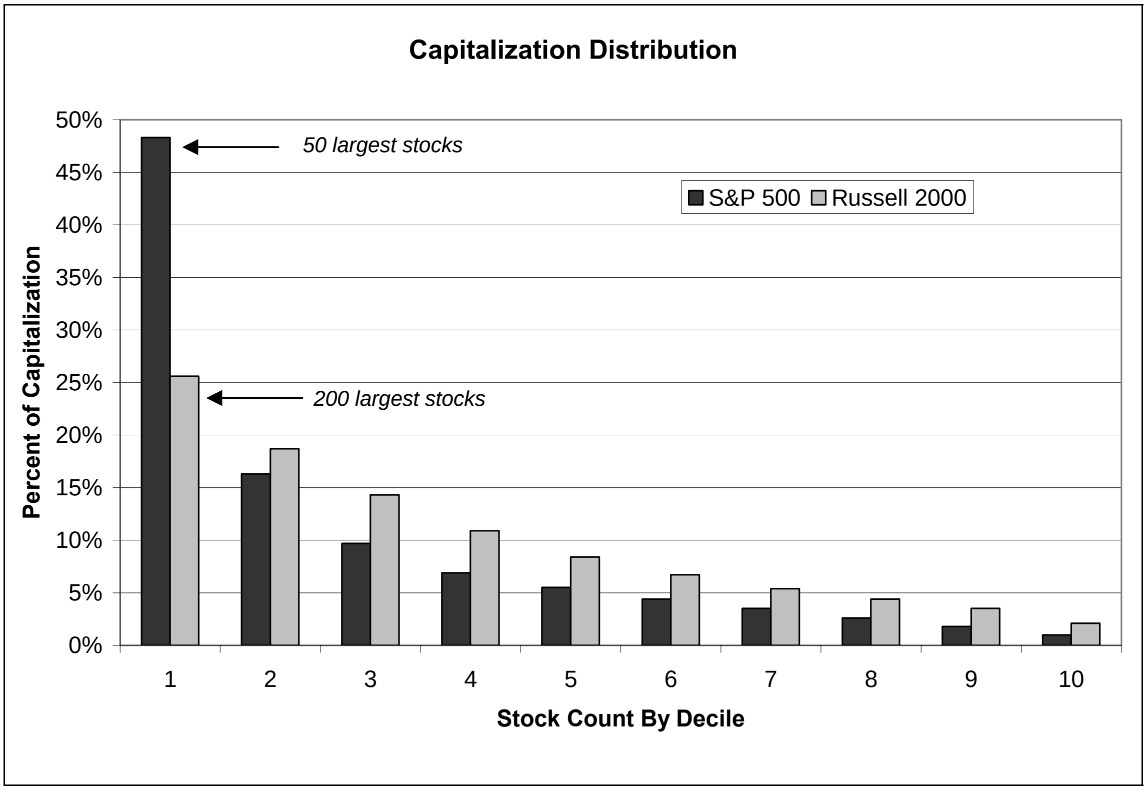
The table below illustrates this relationship across several stock examples.

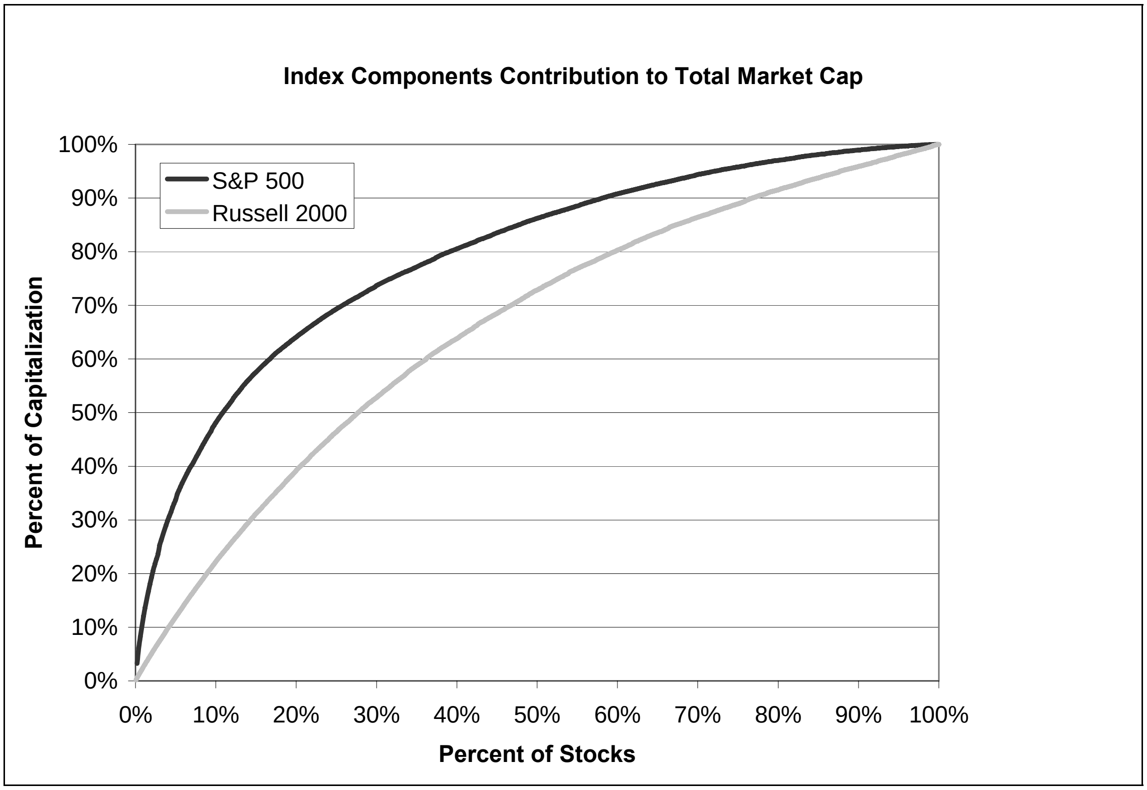
	Portfolio Weight	**Index Weight**	**Coverage Contribution**	**Positive Active**	**Negative Active**
Stock 1	4.0%	3.5%	3.5%	0.5%	0.0%
Stock 2	2.0%	0.5%	0.5%	1.5%	0.0%
Stock 3	1.0%	2.0%	1.0%	0.0%	1.0%
Stock 4	0.0%	1.0%	0.0%	0.0%	1.0%
¦	¦	¦	¦	¦	¦
Stock n	2.0	0.2%	0.2%	0.0%	1.8%
Total	100%	100%	40%	60%	60%

Active Share and Coverage Ratios play an important role in aligning risk management strategies with specific client objectives and desired degrees of active risk exposure. As base reference consider a passively managed index fund using a full replication strategy (owning every stock in the benchmark with identical weights in each). In this instance the resulting Coverage Ratio is 100%, and the Active Share is zero. From this reference point we are able to create a framework to evaluate the optimal levels of Coverage and Active Share relative to client objectives and risk tolerance.

Benchmark Concentration

One important implication is that optimal levels of Coverage and Active Share Ratios differ significantly depending on the nature of the underlying benchmark, and specifically the concentration levels of the largest stocks in the benchmark. Contrast, for example the top heavy, large-cap S&P 500 Index and the much less concentrated small-cap Russell 2000 Index. Note that the largest 50 stocks in the S&P 500 represent nearly 50% of its total market capitalization. By comparison, the largest 50 stocks in the Russell 2000 Index represent less than 7% of its total capitalization, and therefore, do not encompass the same systematic risk influence seen by the top holdings of the S&P 500 Index. The contrasting diversity of the two benchmarks is illustrated graphically in the accompanying charts.

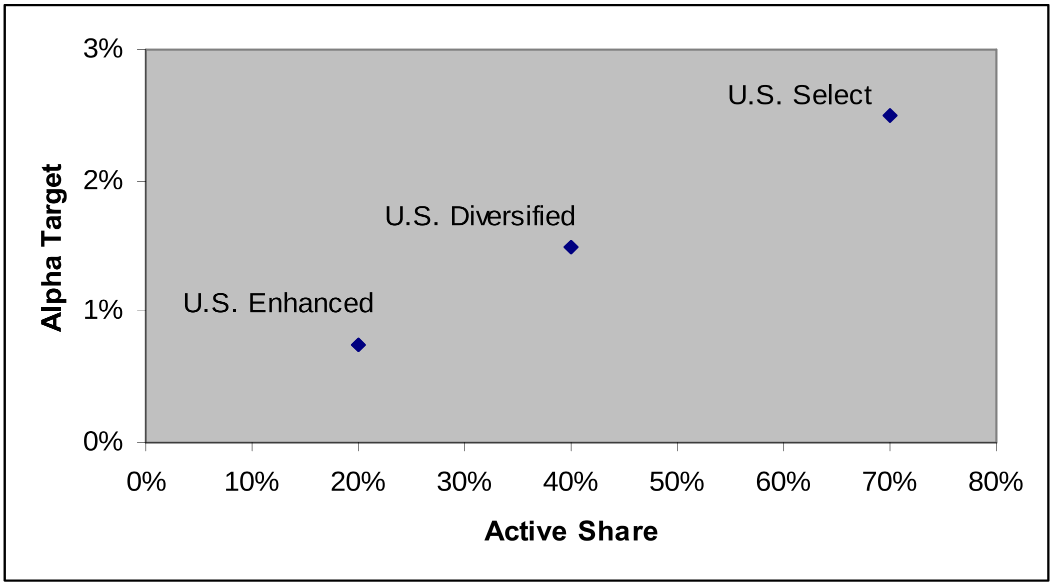




Benchmark concentration significantly influences the optimal levels of Active Share and Coverage for any particular risk/return profile. This is consistent with the notion that market efficiency varies, and less efficient (more diverse) market segments offer greater potential to add value through active management. For instance, our experience indicates that small-capitalization portfolios can maintain Active Share in excess of 80% and Coverage Ratios below 20% without introducing unintended systematic biases. Incidentally, it is no coincidence that many of our small-cap portfolios have the lowest Coverage Ratios, despite having relatively high numbers of individual holdings[4]. Again, the optimal level of stocks is a function of the diversity of the investment universe, the breadth of the investment process, and the desired level of Coverage and Active Share.

By comparison, our research suggests that most large-cap portfolios require additional coverage of 10-20% to avoid systematic beta biases associated with mega cap stocks that dominate the benchmarks. As a result our high alpha active Global, International and US portfolios generally have Coverage Ratios of 20-40% and Active Share of 60-80%. For clients seeking more risk controlled or enhanced index strategies, we simply adjust the coverage upward to achieve the desired risk/return profile.

For instance, we currently offer three distinct strategies benchmarked to the S&P 500 Index, as highlighted in the accompanying table:



	Alpha Target	Active Share	Coverage Ratio
U.S. Select	2.50%	70%	30%
U.S. Diversified	1.50%	40%	60%
U.S. Enhanced	0.75%	20%	80%

Long/Short Extensions

Active Share and Coverage Ratios also have merit in the evaluation of alternative portfolio structures, such as market-neutral funds, extension strategies that relax the long-only constraint while maintaining beta neutrality (commonly referred to as 120/20 and 130/30 portfolios) and virtually any strategy that employs short selling and/or leverage. The key distinction is that the Coverage Ratio and the Active Share Ratio will not sum to 100% for these types of portfolios. Rather, their sum will reflect the "Total Market Exposure" (TME) of the strategy.

Consider for instance a long/short extension 130/30 portfolio. As the moniker implies, 130/30 portfolios allow for 30% of the initial capital allocation to be used to engage in short selling. In turn, the proceeds of the short sells are reinvested in approximately 30% additional long exposure. The result is a portfolio with 130% long exposure and 30% short exposure or 160% TME. In this context, the overall market beta of the portfolio remains close to 1.0, similar to traditional long-only portfolios. However, the alpha potential of the strategy becomes leveraged by approximately 160%. Recognizing that all exposure associated with short sells is by definition active, the result is a substantial increase in active share without additional increases in coverage, assuming that the short sell proceeds are reinvested solely in stocks in which the manager already is overweight. Therefore, if the manager maintains a Coverage Ratio of 40% and an Active Share Ratio of 60% in a traditional long-only portfolio, the corresponding measures in a 130/30 portfolio would be a Coverage Ratio of 40% and an Active Share Ratio of 120% (i.e. 60% + 30% + 30% = 120%). In other words, Active Share becomes the sum of total long and short exposure less coverage within the long portfolio. In this example, the 130/30 extension strategy doubles the alpha potential with no change in benchmark coverage.

Modified Active Share (ASR):

$$ASR = (TME – CR)$$

Where: TME is the total market exposure of the portfolio, including short selling and leverage; and CR is the Coverage Ratio.

Fee Comparisons & Multi-Manager Applications

Active Share and Coverage Ratios can also play a useful role in the evaluation of multi-manager structures utilized by most institutional investors. It is a long standing industry practice to combine multiple active equity strategies that are deemed to be complementary in nature, with the goal of providing active alpha while maintaining broad "market like" diversification characteristics. One of the greatest challenges posed in such structures is the avoidance of "index like" performance while paying premium active management fees. The combination of a high alpha "value" manager with a high alpha "growth" manager seems intuitively appealing. However, if the value manager's overweighted holdings simply offset many of the growth manager's underweights, and vice versa, the result can be an expensive high coverage portfolio with limited alpha potential.

The table below illustrates the relative costs of two global equity portfolios, one utilizing a multi-manager structure, the other relying on a single global manager.

	Assets	Avg Fee *	Expense	Coverage **
US Core	$200,000,000	0.43%	$860,000	15%
US Growth	$100,000,000	0.53%	$530,000	7%
US Value	$100,000,000	0.51%	$510,000	7%
US Small-Cap	$100,000,000	0.78%	$780,000	3%
Int'l Core	$200,000,000	0.55%	$1,100,000	15%
Int'l Growth	$100,000,000	0.63%	$630,000	7%
Int'l Value	$100,000,000	0.62%	$620,000	7%
Int'l Small-Cap	$100,000,000	0.84%	$840,000	3%
Total	$1,000,000,000	0.59%	$5,870,000	64%
Global Core	$1,000,000,000	0.44%	$4,400,000	35%
Difference		(0.15%)	($1,470,000)	(29%)

** Management fee comparisons are based on the median fees for each category for the given mandate size as published in the 2006 Global Fee Study by Mercer Investment Consulting.*
** * Coverage figures are hypothetical overlap with overall global universe.*

A notable observation is that Coverage Ratios and Active Share Ratios provide more direct perspective on the degree of overlapping positions within strategies employing multiple managers, unlike traditional risk metrics such as tracking error and correlations. The challenge for plan sponsors and intermediaries is to ensure that the resulting level of Active Share for the combined portfolio provides adequate alpha potential to justify the incremental cost. If the resulting portfolio has coverage in excess of 60-70%, a simplified manager structure and or an enhanced passive strategy may result in a more optimal risk/reward profile at a lower level of total expense.

Active Share and Tracking Error Combined

The Coverage Ratio and Active Share Ratio provide a simple framework to measure the activeness of a portfolio from a stock picking perspective. Tracking error, on the other hand, better reflects the systematic risk in a strategy such as market timing (beta), sector rotation, country allocation, style tilts, etc. Although our research indicates that the most reliable and consistent source of alpha comes from stock selection, many other managers engage in non-stock picking activities under the umbrella of “bottom-up” investing. Analysis of Coverage and Active Share can help investors identify true stock pickers from others who have built systematic biases other than residual stock volatility in their portfolios. For example, an active strategy with an Active Share Ratios within the range of 60% to 80%, along with a tracking error of 7% may indicate the existence of systematic risks such as sector rotation and market timing in addition to stock picking when compared to a strategy with a 3% tracking error that is focused solely on stock selection.

Assuming high risk-adjusted alpha is desired, investors should prefer the lowest attainable level of tracking error for a given level of alpha. In turn, the objective of the investment manager should be to consistently deliver a similar level of Active Share (alpha potential) with the lowest tracking error possible at that level of activeness. In this way, managers can maximize their information advantages resulting in strategies with high information ratios, or alpha relative to alpha volatility.

As noted previously, alpha potential for active stock selection strategies is best measured by the Active Share of the portfolio, while its consistency is determined by tracking error. Using tracking error both for alpha potential and risk in alpha potential would result in ineffective decisions. Thus, the key to delivering high information ratio strategies is to keep the Active Share high and the tracking error low.

Conclusion

Our research indicates that Active Share effectively measures the excess return potential of a portfolio while tracking error captures the consistency of this excess return potential. Although these two measures are often highly correlated with one another, the use of both measures provides better insight about the alpha potential of a portfolio and its consistency. In short, Coverage Ratios and Active Share Ratios are important metrics to be used to assess the activeness of a portfolio, or a combination of portfolios, and therefore, are worthy additions to the risk management tool box of investment managers, plan sponsors and consultants alike.

Endnotes

1. The views expressed herein are those of the authors, and may not reflect those of the Principal Financial Group, its affiliates and subsidiaries.

2. Measures of tracking error are often misunderstood. The term “ex-post” tracking error refers to historical observed excess return volatility, while “ex-ante” tracking error refers to predicted excess return volatility. In the case of the latter, an ex-ante tracking error of 5% would imply that there is a one standard deviation probability (68%) that portfolio returns will be within plus or minus 5% of the benchmark returns, and a two standard deviation probability (95%) that portfolio returns will be within plus or minus 10% of the benchmark return. Measures of ex-ante tracking error may significantly overstate or understate actual outcomes.

3. Constable and Armitage provide additional insights on this concept in their 2006 study “Information Ratios and Batting Averages.”

4. In the Yale working paper by Cremers and Patajisto, the authors did not segregate large-cap from small-cap funds. As a result their conclusions differ somewhat from our experience.

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WASHINGTON REPORT

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

Washington is locked in another showdown between the Democratic Congress and Republican Administration. Funding for the federal government has not run out only because Congress has passed a series of Continuing Resolutions to fund all departments and activities. In addition the continuing fight over the State Children’s Health Insurance Program (SCHIP)—a bi-partisan agreement that had been hammered out by Congress over many months— has paralyzed many other bills and many other issues and priorities remain unresolved and will likely remain unresolved until January. It is likely that a large omnibus package will be required to pass all the remaining appropriations bills for fiscal year 2008 to keep the government open.

2008 will also be a relatively short year legislatively with the looming presidential elections. Not only are a record number of sitting members running, but for the first time in recent history there is no sitting president or vice president running growing the primary field as well. The upcoming elections will also slow down legislation action, as leaders will look to protect vulnerable members from having to vote on any controversial legislation and open them up to any further attacks by challengers.

NAGDCA Testifies Before House Committee on Ways and Means

NAGDCA President Mindy Harris was called to testify before the House Committee on Ways and Means in an October 30 hearing titled “On the Appropriateness of Retirement Plan Fees.” Harris talked about the recent NAGDCA survey on fees, telling the Committee, according to NAGDCA’s survey, that state and local government plan sponsors are very aware of fees and disclosure of fees is a regular and ongoing practice in the vast majority of public plans.

Harris also testified regarding the "prudent man" standard under which the fiduciary must act. In the NAGDCA survey over 2/3 of total respondents rated their administrative fees as reasonable and over ¾ of respondents rated the investment fees as reasonable.

In addition to NAGDCA, there were thirteen other witnesses from both public and private sector. The first panel of witnesses was from the federal government and they testified to what the government is planning regarding rule making and guidance. The final two panels had witnesses that represented public plans, private plans as well as individual companies retirement plans. These witnesses all testified to the appropriateness and disclosure of fees that the plans charged.

All three panels featured a question and answer session with the members of the Committee. Due to pending votes and the fact that Ms. Harris was on the final panel only two members remained to ask questions follow-up questions. Representative Sam Johnson (R-TX) asked Harris if NAGDCA thought that state and local plans needed to be governed by ERISA or some other federal oversight function? Ms. Harris answered that there is no need for additional oversight as the plans are public and have their own fiduciary oversight. As a result all fee and disclosure matters are open and available. Representative Richard Neal (D-MA) asked if NAGDCA thought that increased federal requirements regarding disclosure of fees would help state and local plans cut down on the need to use consultants? Ms. Harris answered that smaller plans may always have to rely on outside consultants due to the lack of internal resources. However, increased disclosure, if it is reasonable, could help in some cases.

Senate Special Committee on Aging Hearing

On October 24 the Senate Special Committee on Aging held a hearing titled "Hidden 401(k) Fees: How Disclosure Can Increase Retirement Security." Chairman Herb Kohl (D-WI) stated at this hearing that according to a recent AARP study less than 20% of plan participants even know they are paying fees. In addition 2/3 of people with retirement plans only have 401(k) plans. The Chairman also noted that he, along with Senator Tom Harkin, (D-IA) was introducing a bill that would require full disclosure and they were hopeful that as a result there would be more competition and lower fees.

Senator Gordon Smith (R-OR) mentioned that with 401(k) plans the responsibility lies with the individual more than with the plans' sponsors. This may be one of the reasons that the nationwide savings rate last year was -1%. Senator Smith discussed his pending legislation to allow additional automatic enrollment provisions for plans that are not covered by the automatic enrollment provisions in the Pension Protection Act of 2006. The legislation would also allow long-term part-time employees to enroll in the plans.

All of the witnesses emphasized that the key is to make the disclosure clear, comprehensive, and at the same time make it readable. Many indicated concerns that providers may only want to fulfill the legal requirement to disclose "drowning" individuals in paper; in hopes that much will remain unread and, therefore "hidden".

National Save For Retirement Week

National Save for Retirement was celebrated during the week of October 21-27 with events nationwide. Senators Smith and Conrad (D-ND) cosponsored the Senate Resolution and Representatives Allyson Schwartz (D-PA) and Sam Johnson (R-TX) cosponsored the companion resolution in the House. The week before Save For Retirement Week, Representative Johnson gave a speech on the House floor as a way of introduction and encouraged people to save more for retirement.

Various state and local governments not only held events to encourage retirement savings but they also passed resolutions and proclamations similar to the ones passed by the federal government for there own jurisdictions.

AROUND THE COUNTRY

Featured interview is with **John LaCara,** *Director, DC Plans Commonwealth of Massachusetts*

Moderated by: Stacy Schaus, CFP®*, PIMCO Senior Vice President and Defined Contribution Strategist*

Tailored to Fit

We talk with John LaCara, director of the Commonwealth of Massachusetts deferred compensation plan. John shares with us the structure of their 457 and other retirement plans. He discusses why and how they tailored target-date strategies to their demographics. He also notes the importance of their defined contribution plan in creating sufficient retirement savings.

DC Dialogue: John, thank you for joining us. We're very interested in hearing about the DC plan offered by the Commonwealth of Massachusetts. Please tell us a bit about it and the people it serves.

LaCara: It's a retirement savings program authorized under Section 457 of the Internal Revenue Code and Massachusetts General Laws. The plan has approximately 91,000 full-time participants and 182,000 part-time participants with total assets of $4.3 billion. It allows eligible employees to save money for retirement on a pre-tax basis through salary deferrals with their employers. It's available to employees of the Commonwealth of Massachusetts or any governmental body, such as cities and towns. Over 600 non-state entities participate in the plan.

Participants include public safety officers, elected officials, public university professors and administrators, and municipal employees. Many participants also belong to a defined benefit plan, and some can join other DC plans such as a 403(b).

DCD: There's a reasonably diverse group of individuals with different educational backgrounds in this plan. But it also sounds like this DC plan is not necessarily the primary retirement savings vehicle.

LaCara: The DC plan supplements our DB program. The plan's central function is to offer a broad array of quality investment options, minimize participant administrative and investment costs, and help employees save and invest for retirement. Because it's an unbundled plan – and can leverage investment relationships within our DB plan – we're able to offer institutionally priced investment vehicles.

DCD: We see many private employers bring in auto-enrollment programs, as well as contribution escalation and target-date strategies. Do you offer these as well?

LaCara: We offer an auto-*rebalance* program, and we intend to implement an auto-enrollment program in the future – most likely using our new target-date strategies as the default option.

DCD: Auto-enrollment is a newer concept for public plans. How did you become interested in this approach?

LaCara: Governmental plans generally have a lower participation rate than private-sector plans – mainly because most government plans don't match participant contributions. Nonetheless, we do want to make people aware that savings are important and that future retirement income from other sources may be insufficient to meet retirement needs.

It's very important that people also save in their 457 plans. We hope that, once we implement auto-enrollment, we'll be able to create some positive inertia and increase awareness.

DCD: What are some of the primary differences between a 457 plan and a regular 401(k)?

LaCara: The main difference, from a tax perspective, is that a 457 plan isn't subject to the 10-percent premature withdrawal penalty that you face with a 401(k). However, unlike a 401(k), you must leave your money in a 457 plan unless you separate from service or retire. Money access is different.

DCD: Otherwise, a 457 can roll over to an IRA. When the money is within a 457, it works in a manner similar to the 401(k), correct?

LaCara: That's right. It's just as portable as a 401(k) because we can accept 401(k) and IRA rollovers, as with similar plans.

DCD: You try to get people to save more for retirement, and view the 457 as an effective way to help people do that, using a DC-type plan. What are some differences in how you manage your DC plan, compared to how a private employer manages its plan?

LaCara: Private-sector DC plans increasingly are becoming, or have become, the primary savings vehicle and retirement income source for private-sector employees. With this transfer of risk and responsibility from employer to employee, the risks are viewed differently. For example, we need to look at shortfall risk differently if DB payments no longer serve as retirement replacement income. This may impact policies pertaining to compensation and benefits, such as the appropriate level of employee matching. However, we haven't seen a vast migration from DB to DC occur in the public sector. DB payments still serve as the primary source of retirement income and affect how we view risk factors.

Overall, there aren't many differences. We're both working toward the same goal: providing a quality retirement plan at minimal cost.

DCD: In the private space, as DC plans become the primary retirement savings source, sponsors increasingly are adding target-date strategies to their plans. Have you introduced target-date strategies as well?

LaCara: Yes. In July, we launched our custom target-date strategies. Prior to this, the plan offered three risk-based lifestyle funds – conservative, moderate and aggressive – with static asset allocations among four asset classes. These risk-based funds represented just 6 percent of total plan assets.

We decided to create target dates to allow for broader asset diversification and to simplify the fund-selection process. By leveraging existing relationships with investment managers, we built the target-date funds using institutionally priced investment funds. The approach also allows us to maintain control of the underlying investments and tailor the glide path to plan demographics.

DCD: How is a tailored approach to target-date strategies different from a packaged product?

LaCara: A prepackaged mutual-fund product, for example, doesn't consider a specific DB payment in retirement. We wanted to account for this benefit in the glide path. Also, while state employees tend to have greater employment certainty, their wage levels tend to be lower. So employment risk and wage-level assumptions are different.

We couldn't control a retail, prepackaged target date's assumptions. But by providing our demographics to a glide-path or lifecycle manager, the manager can use that information to build a glide path tailored to our demographic base.

With that in mind, custom strategies aren't a panacea. Managed accounts may be more effective on an individual basis.

Target-date strategies are tailored to individuals who don't have the time, desire or experience to develop their own portfolios. The strategies are for people who want to put their money away, not worry about it, know that professionals are managing it, and then revisit it, perhaps once a year or each quarter.

DCD: You have a DB plan, greater income certainty, and a lower wage base. So, are your custom strategies more, or less, aggressive in their allocations to different asset classes than the allocations of typical packaged target-date products?

LaCara: The combined factors determined the ultimate glide path. Our glide path starts at 95 percent equity, which is probably a little more aggressive than typical prepackaged products.

DCD: What is the glide-path composition at retirement age?

LaCara: Sixty percent equity. However, the glide path isn't just for the accumulation phase. It's also for the retirement phase – when shortfall risk becomes a factor. We need to manage this DC money throughout a participant's lifetime, not just to the point when they stop working.

DCD: You have relationships with different investment managers. What types of investment strategies do you have in your lineup?

LaCara: We wanted to use our own investment managers because we believe our plan offers a best-of-breed lineup. We also have very advantageous pricing, and a good mix of passively and actively managed funds.

The target-date funds' asset allocations consist of eight investments from our lineup, including domestic large-cap equity, domestic small-cap equity, international equity, domestic bond, REIT, high-yield debt, TIPS, and money market. Of these, the REIT and high-yield funds are actively managed.

DCD: How did you decide on the REIT, TIPS and high-yield asset classes?

LaCara: We added them to the plan to give participants access to additional asset classes and the ability to further diversify their portfolios. As part of the target-date strategies, the asset classes provide the same diversification and inflation-protection benefits.

DCD: Makes sense. How did you design your initial glide-path structure?

LaCara: We issued a request for proposal because we wanted to hire a lifecycle manager to design it for us. We required the lifecycle manager to act as investment manager and fiduciary. We interviewed firms and provided them with our plan demographics. Using some of the information discussed earlier, the candidate proposed a tailored glide path for us.

DCD: As you looked at the various firms that provide glide-path oversight, did you seek a glide-path manager for its expertise, or was it legally necessary to have one?

LaCara: It was based on policy. We needed somebody to act as an investment manager and fiduciary. When we compared firms, we considered depth of research and track record at providing similar services for other entities. The ability to provide assistance with marketing and communications was also a major factor.

DCD: Many companies are interested in setting up custom strategies. However, we often hear the common concerns, "We don't have an extensive staff and it's just too much work." How large is your staff and how much work was it to set up the strategies?

LaCara: We don't have an extensive staff either. Our department consists of two people. But we used a consultant to help us search for vendors.

We did a lot of planning for the custom strategies before we issued the RFP. We verified that our custodian was capable of striking a daily net asset value for these types of strategies, and confirmed that the record keeper could add the funds to their systems and accept and process the trades.

We also notified the investment managers of our intention to add these to our plans and that it would alter trading activity in the managers' funds.

DCD: Depending on how a company's record-keeping system works, some establish custom strategies within the system, while others use an outside trust company to establish a trust with the assets. Which approach did you take?

LaCara: We only had to add the new target-date funds' names to the system. Essentially, we reengineered the risk-based funds into a target-date series and added assets classes to the lineup. Once we'd established the new target-date strategies, we mapped participants' assets from the risk-based funds into one of 11 target-date vintages based on participant age.

DCD: How extensively did you discuss how to best map participants to the new strategies?

LaCara: Marketing for the new target-date strategies focused on participant age when selecting a fund. We used the same methodology for the mapping process.

DCD: Returning to operations, did you have any funding issues? Did you require an asset-level threshold before you could get each of the 11 strategies off the ground?

LaCara: We use existing manager relationships and mapped assets from the risk-based funds, so it wasn't an issue.

DCD: Do you provide the matrix, or glide-path asset allocations by age, to the record keeper, and then it implements the matrix directly into the system?

LaCara: That's right. We provide to the record keeper the asset allocation for each fund. The record keeper mapped each participant's risk-based portfolio into a specific fund based on participant age.

DCD: How does that work on an ongoing basis with your outside glide-path investment manager? How often does the manager provide instructions to shift the balance?

LaCara: We meet with the lifecycle manager periodically to review the glide path and performance, as well as the assumptions used to determine the glide path. The glide-path manager provides the record keeper with the asset allocations for each quarter.

DCD: You mentioned that a managed-account program may be even a better approach than target-date strategies. Should sponsors offer managed-account advice or other services and tools in addition to the strategies?

LaCara: Absolutely. Multiple solutions can help when you're trying to meet the demands of various investor behaviors. We offer free asset-allocation services, both one-on-one and in seminars. People can do the same thing online. Complete a risk-profile questionnaire, and the system generates a recommended portfolio. If a participant wants a more comprehensive financial plan, we also offer a "for-a-fee" service. The participant meets with a financial planner who looks at all retirement assets and develops a financial plan.

DCD: Where do you find people who offer that service?

LaCara: Our third-party administration and record-keeping agreement provides advice services. We try to issue an RFP for these services every three to five years, at least.

DCD: Sounds great. On the communication front, you said creating information about your new target-date strategies is complicated. How do you look at broader communication issues?

LaCara: We also developed a new marketing campaign to accompany the launch of the target-date strategies. The basic premise is that participants now have two paths to investing for retirement. Path 1 is to select a target-date portfolio based on age. Path 2 tells them how, with assistance, to build and monitor a personal portfolio. We wanted to contrast the differences between the ease of selecting a target-date portfolio and the effort required to do it yourself.

DCD: How do plan participants compare information about the 11 target strategies you offer?

LaCara: We developed fact sheets for each investment and strategy in our plan, so people can compare them easily. Our record-keeper/third-party administrator creates them, in conjunction with the lifecycle manager. Our field representatives distribute the fact sheets, which also are available online.

DCD: Your plan participants have an apples-to-apples information sheet that your record-keeper updates automatically. After it's set up initially, do you still need to be involved?

LaCara:Yes. Whenever it requires a revision. We review each quarterly update.

DCD: Now that your strategies are up and running, how much ongoing effort does your custom approach require?

LaCara: We like the custom approach because due-diligence and oversight support requirements aren't extensive. Due diligence on the underlying investment managers is the same as it was prior to offering the strategies. The only additional component is supervising the relationship with the glide-path manager, the only new vendor in the process.

The beauty of customizing your own strategies is not wearing yourself thin by adding, say, a target-date fund series with seven underlying funds not offered in your core lineup. That would require far more work.

DCD: So your core, DC-option, due-diligence process remains in place. Do you use many of the same managers in the DB plan as the DC plan?

LaCara: Yes. We try to leverage relationships as much as possible.

DCD: Are you considering introducing other assets classes from your DB plan into the DC plan?

LaCara: Not at this time. We already offer REITs, TIPS and high yield. If you'rereferring to, say, alternative investments or commodities, I'm not sure if we'd add those to the DC plan as stand-alone investment choices. However, down the road, you never know. They might be a good addition to the target-date funds' asset allocations.

DCD: You use all institutional strategies. Have you calculated the all-in cost to offer this type of a solution?

LaCara: Our all-in cost is under 25 basis points. In some cases, compared to the retail sector, our costs are three to four times lower than prepackaged products.

DCD: Do you have advice for other plan sponsors as they consider creating custom strategies? Would you do anything differently?

LaCara: We wouldn't have done anything differently. It worked out very well. We came up with a great offering in the end. In fact, the target-date strategies are even more successful than I anticipated. To make it a successful endeavor it's very important to coordinate with the various vendors.

DCD: Are your participants happy with the offering?

LaCara: I think so. They seem attracted to the idea that it's a simple solution to making investment choices.

DCD: Why might a public plan be more interested than a private plan in creating its own asset mix?

LaCara: The plan can take into consideration the unique aspects of its demographics, such as a DB component. Another reason is to leverage existing relationships. Whether it's public or private, the plan likely has the same desire to use best-of-breed investment managers and to lower plan costs.

DCD: Can smaller companies implement the plan you describe?

LaCara: Smaller plans can do it – especially if they have an existing DB relationship.

DCD: Do you unitize your assets with the DB plan?

LaCara: No. But we aren't prevented from using the same managers or vendor.

DCD: Thank you, John, for sharing so much about your programs.

LaCara: My pleasure. Thank you.

About the PIMCO DC Practice
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There is no guarantee that these investment strategies will work under all market conditions and each investor should evaluate their ability to invest for a long-term especially during periods of downturn in the market. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those shown.

NAGDCA Member Benefit Spotlight

To remind members of benefits they receive that they may not be aware of, we will be spotlighting a benefit of membership in each edition of *The Contributor*. For more information on this or any benefit of membership, please visit our website at http://www.nagdca.org/ or contact NAGDCA staff at (859) 514-9161.

Information

- The Contributor, NAGDCA's quarterly newsletter that provides the latest information on association issues, members and legislative matters

- An interactive Web site at www.nagdca.org 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

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.

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MainePERS

NAGDCA Local Government Primary Member

Leeann Shackelford
City of Arlington

Bill Louie
East Bay Regional Parks District

NAGDCA Government Secondary Member

Susan Cooper
Commonwealth of Pennsylvania

John Milazzo
MainePERS

NAGDCA Local Government Secondary Member

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ABOUT THE CONTRIBUTOR

The Contributor is published quarterly by the National Association of Government Defined Contribution Administrators, Inc. (NAGDCA). NAGDCA encourages the submission of articles on topics relating to defined contribution/ deferred compensation retirement savings/plans. Articles that appear under the by-line of an individual express the opinions of the author and not those of NAGDCA as an organization. The deadline for submissions for the next issue is March 21, 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 Robert Hansel at rhansel@AMRms.com. Please contact Robert Hansel at 859-514-9161 with any questions or comments.

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