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November 24, 2010

Steven Montagna  
Plan Manager  
Deferred Compensation Plan  
City of Los Angeles  
200 N. Spring Street, Room 867  
Los Angeles, CA 90012

RE: City of Los Angeles Deferred Compensation Plan and  
Pension Savings Plan  
Contract Extension Proposal

Dear Steven:

Thank you for the opportunity to present a proposal for the extension of our contract providing Recordkeeping, Administration and Communication Services for City of Los Angeles Deferred Compensation and Pension Savings Plan.

Based on our discussions over the last several weeks, we are pleased that we can provide additional operational and communication efficiencies to the City's program. Since 1999, when we were originally awarded the contract with the City, we've been able to implement administrative enhancements such as delivering electronic deferral feeds to the City (previously in paper) and moving distribution approvals from paper to electronic approval.

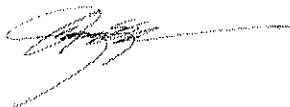
Assets in the City's plan have grown from about \$1.5 billion in 1999 to now over \$2.7 billion, and participation growth from about 25,000 participants in 1999 to over 40,000 today. Within that same time period Great-West has also seen tremendous growth. We have grown from being the 12<sup>th</sup> largest recordkeeper to now the 4<sup>th</sup> largest recordkeeper of defined contribution plan participants in the United States, and are now the #1 provider in government 457 plans in terms of

assets under administration.\* This has created lower costs in our recordkeeping service that we can pass onto our clients.

The City's Deferred Compensation Plan will become a leader in going "green" by continuing to increase participant and plan sponsors to utilize electronic means to manage their accounts and administer their plans. Our proposal is based on achieving additional electronic efficiencies over the next several years where we believe that greater web utilization will result in declining costs in recordkeeping, less interaction with client service representatives and reduced operations, postage and production costs. Through the direct cost savings and environmental benefits of these efficiencies to the Plan we expect to provide an even more robust customer service and education experience to participants and employees alike.

We hope this meets the Board's expectations and would be pleased to discuss this with you in more detail. We look forward to hearing from you.

Sincerely,



Gregory E. Seller  
Senior Vice President  
Government Markets  
GES/mp

cc: Kent Morris, Vice President, Western Region  
Rob Dwyer, Director, Market and Strategic Development  
Lisa Tilley, Director, National Accounts  
Usha Archer, Regional Director, Glendale Region  
Gary Robison, Regional Director, City of Los Angeles

\*PlanSponsor.com 2010 survey, ranking recordkeepers by participants

**City of Los Angeles  
Deferred Compensation Plan Proposal**

Our pricing proposal is as follows:

<b>457 Plan (98994-01)</b>	<b>Price</b>	<b>Reduction From Current Price</b>
<i>Current</i>	\$ 39.75	N/A
1 Year Extension	\$ 39.35	1.0%
2 Year Extension	\$ 38.56	3.0%
3 Year Extension	\$ 37.76	5.0%
4 Year Extension	\$ 37.37	6.0%
5 Year Extension	\$ 36.97	7.0%

Our proposal includes the following:

- Price for a particular year extension can be held for subsequent extensions.
  - o For example, if the City chooses a 2-year extension at \$38.56 per participant annually, and upon expiration of that extension requests an additional 1-year extension, Great-West will hold the same price (\$38.56) for the additional 1 year.
  
- Web-based Transaction Confirmations
  - Movement to more web transactions creates fewer calls to client service and reduces postage costs for non-mailing of web confirmations.
  - Based on approximately 30,000 web-initiated transactions.
  - Assume continued increase in web-initiated versus CSR-initiated transactions as a percent of total transactions.
  - Participants will continue to receive screen confirmation of transaction but not a mailed paper confirmation.
  - Paper confirmations continue for transactions generated via VRU or client service representative in Denver.
  
- Online Participant Distribution Initiation
  - Creates a reduction in paper forms and self service for participants.
  - Participants initiate full or partial distribution requests online (currently paper). Paper requests will continue to be available.
  - Approval of request continues by the City via Great-West's web-based Plan Service Center.

- Online Participant Enrollment
  - Creates a reduction in paper forms and self service for participants.
  - Employee enrollment into the Plan via Plan's web site using group PIN.
  - PIN provided by City to new hires and all eligible employees.
  - Assume online enrollments for new and existing employees would be the primary method for enrollment.
  
- Electronic Statement Growth
  - Will reduce production and mailing costs of printed statements.
  - Marketing campaign to increase participants opting in for electronic statements.
  - Participants must opt in via the Plan's web site.
  - Assume increase in electronic statement usage from current usage of 7% to 50% over 5 years.
  - If Plan achieves electronic statement usage of 75% or more, Great-West will reduce the annual per participant fee by \$0.40 as soon as practicable at the time the usage target is achieved.
  
- Other recordkeeping services continue as provided in our current contract.
  
- Maintenance of existing local and Denver staffing levels and service commitments.
  
- Communication/Marketing Services
  - The following changes are *proposed*:
    - Online participant surveys conducted every other year (currently one annual participant survey conducted via mail and paper).
    - Two special mailings annually, assuming an average cost of \$6,000, one of which may be a targeting campaign.
  
  - The following items are proposed to be *maintained*:
    - Custom web site
    - Custom quarterly newsletters
    - Existing custom design for enrollment, web site, and four communication materials/flyers (currently KeyTalk/Web use, Profile Portfolio, \$25 Dollar Plan, DROP brochure), designed exclusively for the City.
    - Production of 5,000 enrollment kits and insert pieces in English
    - Production of existing Spanish language pieces in PDF
    - Four custom educational presentations

- Communication of one fund change mailing to all plan participants per year
- Custom distribution brochure
- The following items from the previous contract are proposed to be *eliminated*:
  - Fifteen payroll statement stuffers
  - Fifteen special mailings
- The following is not included in our proposal
  - Any additional special mailings or additional targeting campaigns beyond described above and as directed by the City.

*Plan-Directed Electronic Quarterly Statements*

As discussed, the City desires to opt all participants into electronic statements. For many years, Great-West has offered participants the ability to opt for electronic statements. Great-West continues to review this issue from a number of regulatory and legal standpoints. We have concluded from all the regulatory codes available that participants must make the active choice for electronic statements and a plan sponsor cannot default all participants into electronic statements. The SEC has similar rules on electronic delivery includes notice, access and delivery of information to plan participants. Most problematic is that there can be no presumption that all individuals have access to the internet to accept delivery of statements. Great-West will continue to monitor this issue for any changes.

Therefore, our proposal only includes paper statements. However, as noted above, we have included a pricing structure that allows for active marketing of the electronic statement feature to all participants to encourage participants to opt into this service. Based on achieving certain growth annually, we are able to provide pricing breakpoints.

**Pension Savings Plan Pricing Proposal**

We propose to keep the existing services in place as well as a price of 1.58% annually per participant for the *Pension Savings Plan*.

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Securities, when offered, are offered through GWFS Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company. Great-West Retirement Services refers to products and services provided by Great-West Life & Annuity Insurance Company and its subsidiaries and affiliates.