

Deferred Compensation Plan BOARD REPORT 12-39

Date: July 9, 2012
To: Board of Deferred Compensation Administration
From: Staff
Subject: Great-West Rollover Account Maintenance Fee

*Board of Deferred
Compensation Administration
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Recommendation:

That the Board of Deferred Compensation Administration receive and file a report from Great-West Retirement Services regarding account maintenance fees for rollover accounts.

Discussion

Great-West recently notified staff that due to a recordkeeping error a maintenance fee on accounts rolled into the Deferred Compensation Plan was not being applied to participant accounts. The annual \$25 rollover account maintenance fee (assessed quarterly) is included within the service agreement between the City and Great-West, and is meant to cover administrative expenses as rollover funds need to be tracked separately for tax reasons.

Great-West does not plan to assess these fees retroactively, but will correct the oversight and begin to assess the fee beginning late September 2012. Great-West has prepared a communication to be sent to approximately 2,200 participants who have rolled in funds and will be affected by this fee. Great-West will be notifying these participants in early August; a copy has been attached to this report for the Board's information.

Submitted by: _____
Esther Chang

Reviewed by: _____
Steven Montagna

Approved by: _____
Alejandrina Basquez



Securities when offered, are offered through GWFS Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company.

DATE: July 2, 2012
TO: Board of Deferred Compensation Administration
FROM: Usha Archer, Great-West Retirement Services
RE: Rollover Fee Assessment

Background:

During the course of implementing the fee reduction on the Deferred Compensation Plan, Great-West discovered that one of the fees provided for within our service agreement with the City had not been implemented for participants with balances greater than \$10,000. This is a \$25 account maintenance fee for funds rolled into the Deferred Compensation Plan from a participant's pre-tax account outside of the City's Plan, such as an IRA, 401(k) or 403(b). This fee covers the administrative expenses involved in tracking and applying unique tax rules for differing money types.

There are approximately 2,200 participants that currently have rolled in dollars within the Plan. We will be notifying them in early August of the fee assessment to commence in late September 2012 (see attached draft correspondence). We will not be applying the fee retroactively. An account maintenance fee of this type is standard within the industry and Great-West's fee is competitive.

Great-West regrets the oversight and will work diligently to address any participant questions and concerns.

August 1, 2012

Dear City of Los Angeles Deferred Compensation Plan Participant,

Our records indicate that we maintain a rollover account for you with your Deferred Compensation Plan account. This is a result of your having previously rolled in pre-tax funds from an outside account, e.g. an Individual Retirement Account (IRA), 401(k) from a previous employer, or other similar account.

Great-West record-keeps this account as a separate "money type" in the City's Plan because the tax treatment for different money types varies. Unique money types are subject to a \$25 annual account maintenance fee. We have recently determined that our recordkeeping system has not been applying the \$25 account maintenance fee to your account. This is being corrected, and effective September 2012, we will begin applying this fee at a rate of \$6.25 per quarter (\$25 annually) for each rollover money type. This fee will be in addition to our regular administrative fees. We will not apply this fee retroactively for prior periods in which it should have been taken.

You have the option of rolling over these rolled-in accounts to another provider of your choice at any time before or after this quarter fee is initiated. However, be advised that account maintenance fees of this type and amount are fairly standard within the industry.

Please accept our apologies for any confusion. If you have any questions regarding this matter, we welcome calls to our local service team at (888) 466-0381. Thank you for your ongoing participation in the City of Los Angeles Deferred Compensation Plan.

Sincerely,

Great-West Retirement Services