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# DEFERRED COMPENSATION PLAN BOARD REPORT 07-41



Date: October 23, 2007  
To: Board of Deferred Compensation Administration  
From: Staff  
Subject: Self-Directed Brokerage Option

Recommendation:

That the Board of Deferred Compensation Administration direct staff and Great-West Retirement Services to prepare a transition plan and recommendations for migrating the City's Self-Directed Brokerage Option (SDBO) from the current provider to one of the other providers available through Great-West.

Discussion:

At the Board's August 21, 2007 meeting, the Board authorized staff to develop a Request for Information for an independent SDBO service provider and directed staff to work together with Great-West to develop a proposed survey regarding the SDBO. However, in the interim staff has been in discussions with Great-West regarding recent changes in ownership with the provider of the incumbent SDBO provider, First Trust, that staff now believes dictate a different course of action.

The City's SDBO is part of its contract with Great-West. The City does not have an independent relationship with the SDBO provider, First Trust, and its "OptionsPlus" program. Great-West has two other SDBO providers that it makes available to its clients, including TD Ameritrade and Charles Schwab.

As Board members are aware from prior discussions, First Trust recently sold a large portion of its self-directed brokerage business to TD Ameritrade (see attached news release from Fiserv). First Trust is a wholly owned subsidiary of Fiserv, Inc. Great-West representatives recently contacted First Trust to verify that the City's account was not part of this sale and would be retained by First Trust. First Trust management did confirm this, but indicated that this was only true for the short term, and that plans are in place to effect an ownership change to First Industrial Bank.

The ownership change to First Industrial Bank is expected to be completed in late 2007/early 2008). Fiserv had advised Great-West it is anticipated that the ownership of First Industrial Bank will transfer from Fiserv, Inc. to an individual named Bob Beriault who is currently part of the executive management team at Fiserv, Inc. The ownership change must be approved

by the Colorado Division of Banking and the FDIC. First Trust has further indicated that no significant changes or enhancements are anticipated to the OptionsPlus service platform at this time.

In staff's view, the ownership change is sufficient justification for the City to end its participation in OptionsPlus and make the transition to one of the other SDBO options available through Great-West. First of all, the City's SDBO "OptionsPlus" account is the only one currently held by First Trust. This means that First Trust is not offering them to any other entity. Being the sole client of any provider suggests that the provider of those services is unlikely to be a long-term concern and significantly raises the risk that they could choose to abruptly end their services. Doing so could well force the Plan and OptionsPlus participants out of the account under less than optimal circumstances. In addition, the fact that this account will ultimately be held by a single owner also creates an even higher level of uncertainty. Finally, First Trust had made clear that no enhancements or improvements to the platform are contemplated, so remaining with OptionsPlus effectively consigns participants to a static and (as has been previously noted to the Board by staff) sub-standard program.

As a result, staff is recommending that the Board agree to terminate the OptionsPlus program and direct staff and Great-West to develop and return to the Board with a transition plan. Because in staff's view the OptionsPlus situation is no longer a question of choosing between the fees and services of different providers, but rather a matter of exiting a program which is no longer viable, staff further believes that the survey and RFI efforts should be terminated. The focus for the Plan should now be on effectively communicating the reasons for the change and the services to be offered under a new provider.

As part of its transition plan the Board will need to resolve two questions: (1) whether the platform should be moved to TD Ameritrade or Charles Schwab, which are the two other alternatives available to the City; and (2) what range of investment choices will be made available to Plan participants (the most important decision to be made concerns whether stock and bond trading will be opened up to Plan participants). With direction from the Board, staff will proceed with developing a presentation and recommendations for a future Board meeting.

Submitted by: \_\_\_\_\_  
Steven Montagna

Approved by: \_\_\_\_\_  
Maryanne Keehn