

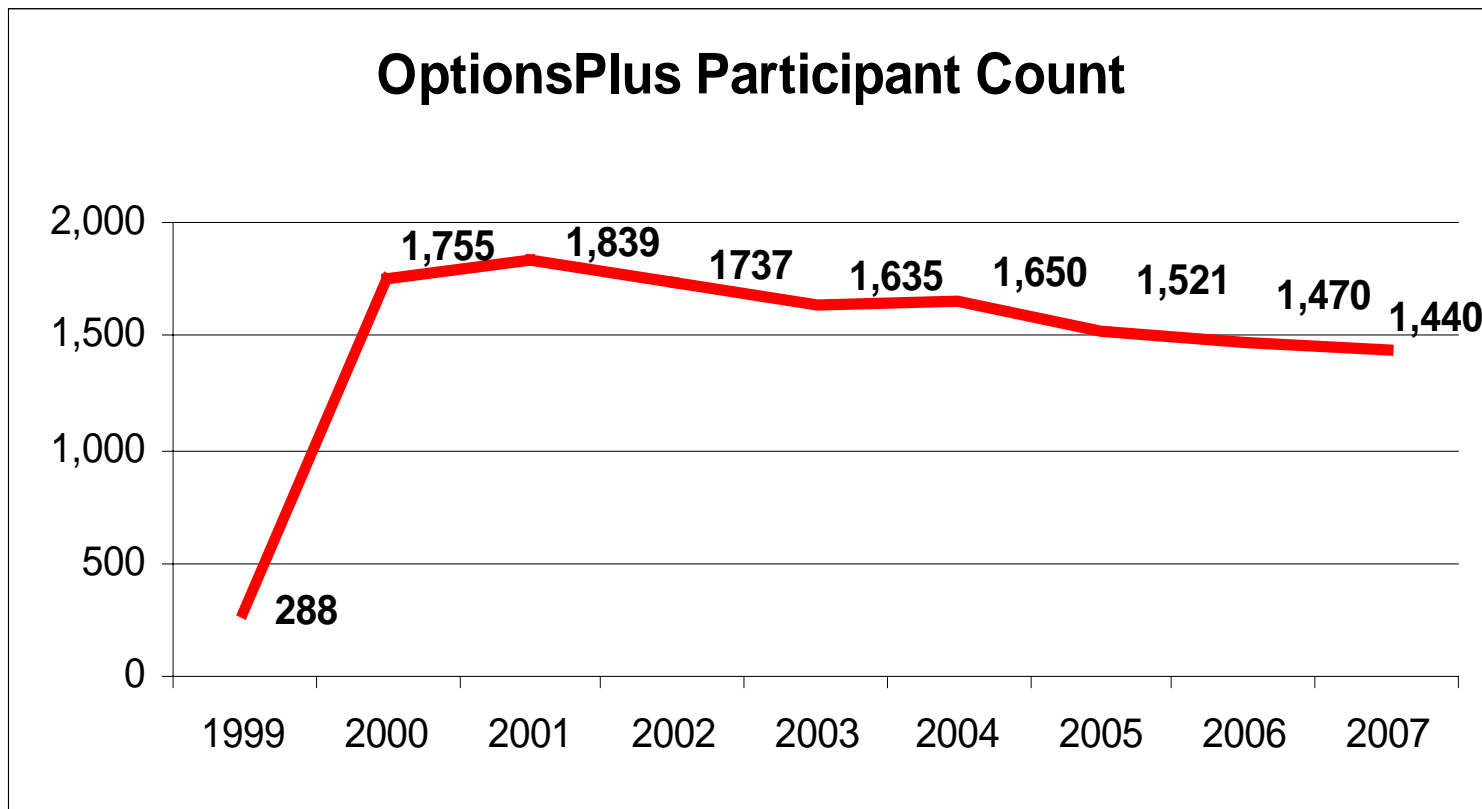
**SELF-DIRECTED
BROKERAGE WINDOW
(SDBO) REVIEW**

OBJECTIVES

- Provide background on current program
- Compare fees/services of alternatives

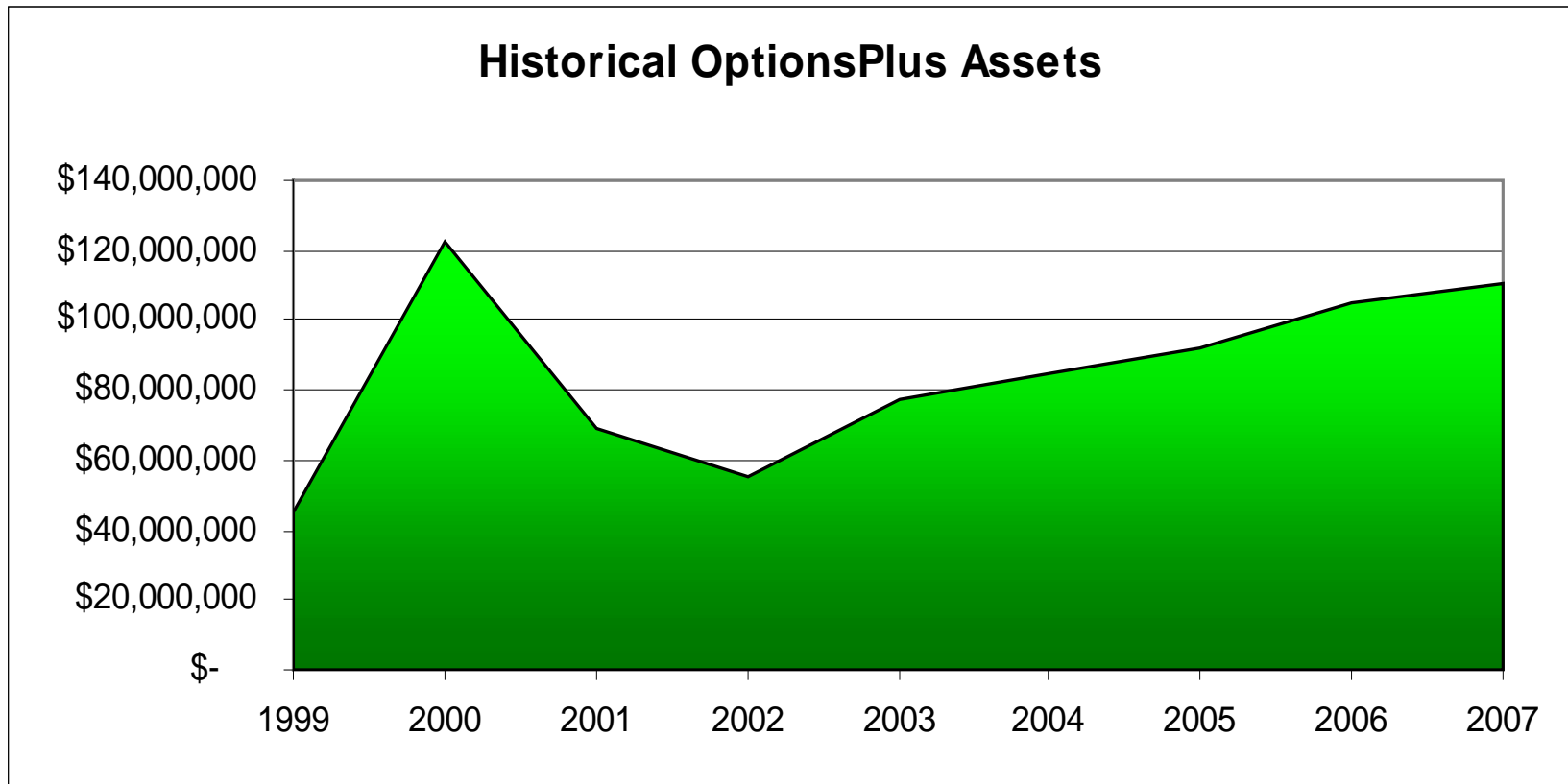
BACKGROUND

- **Current SDBO in place since 1999**
- **Current Participation: 1,440, or 4% of all participants**



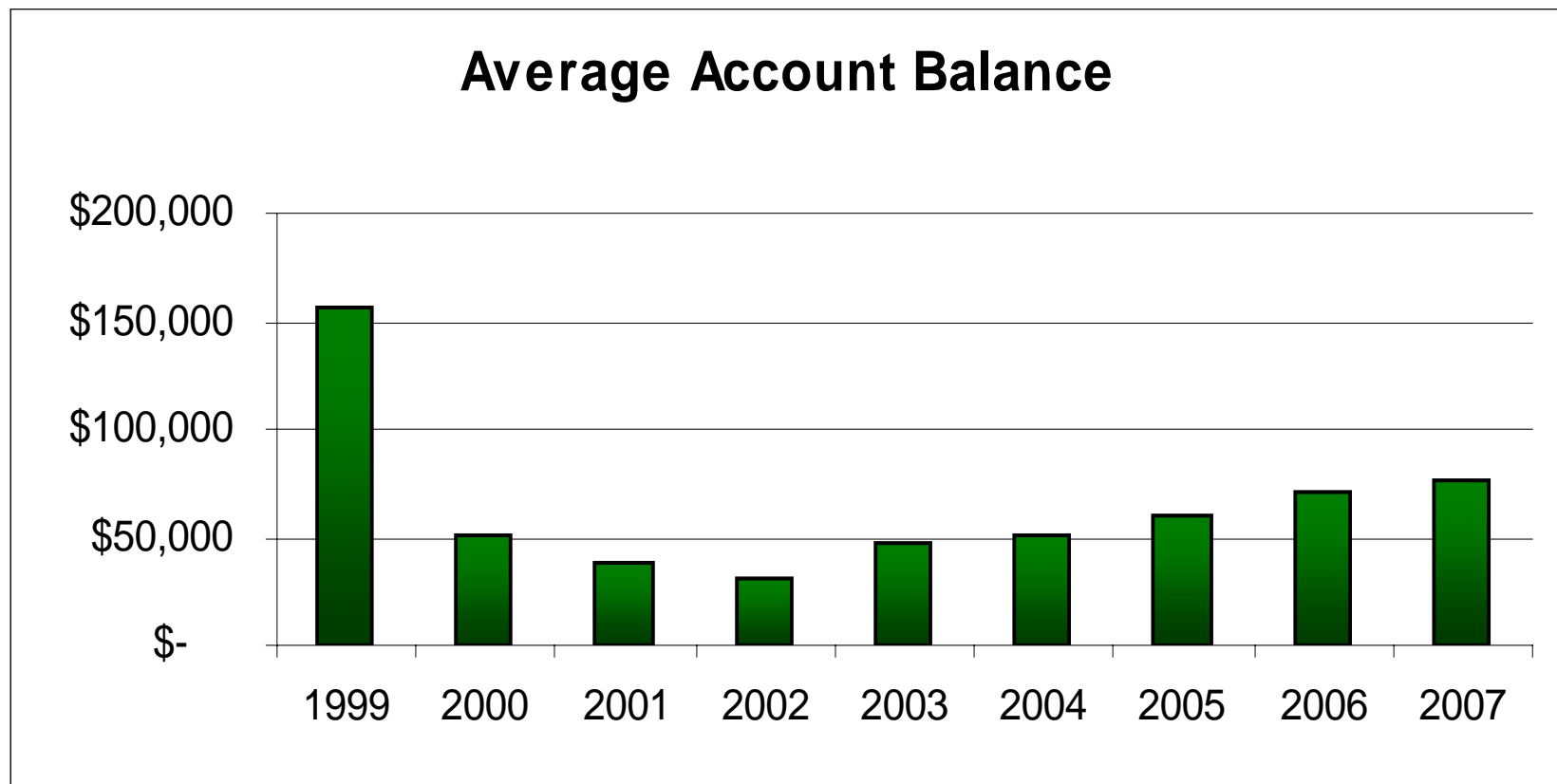
BACKGROUND (continued)

SDBO assets total \$110 million, 4% of Plan assets



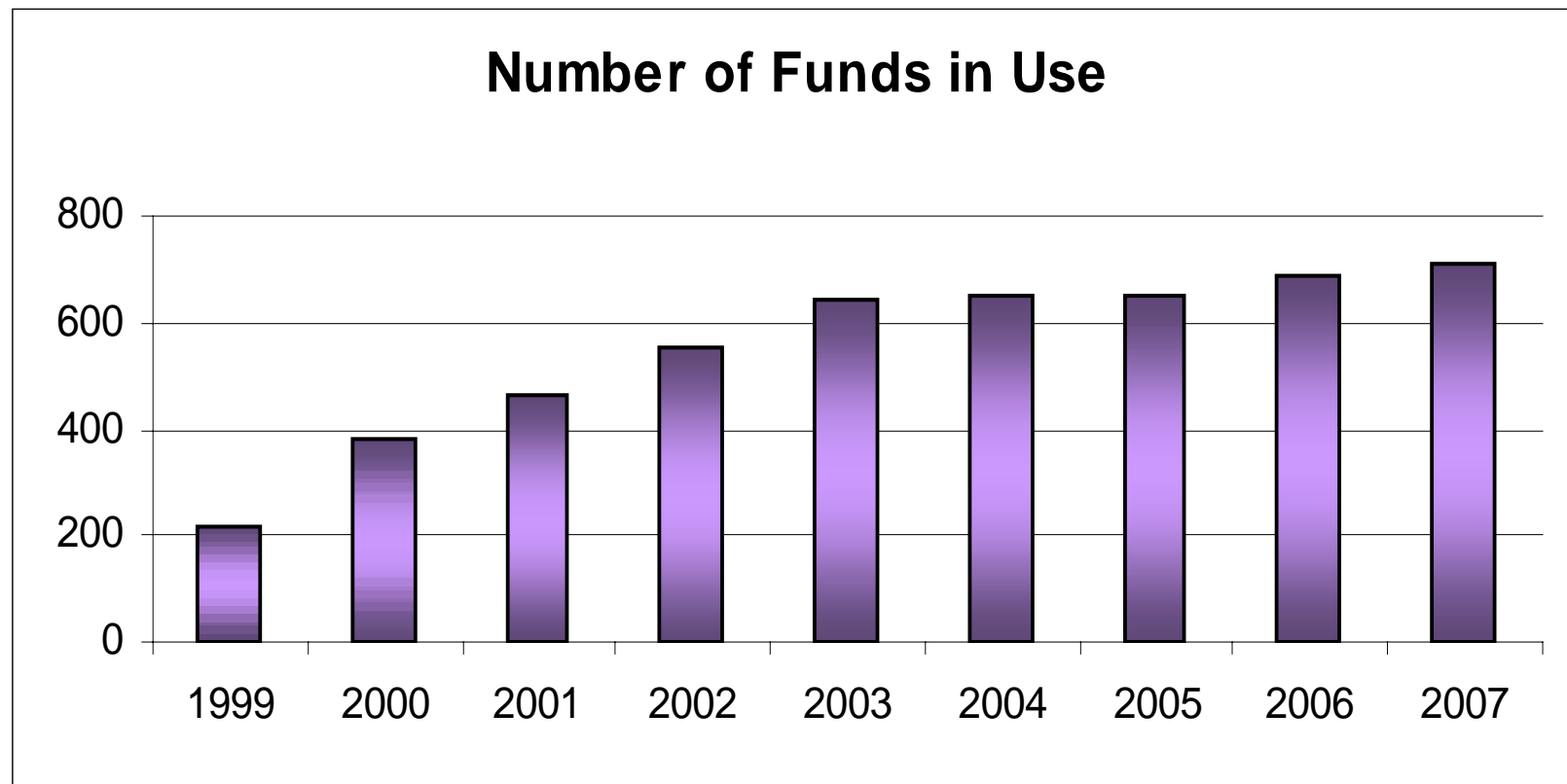
BACKGROUND (continued)

Average account balance is \$76,829



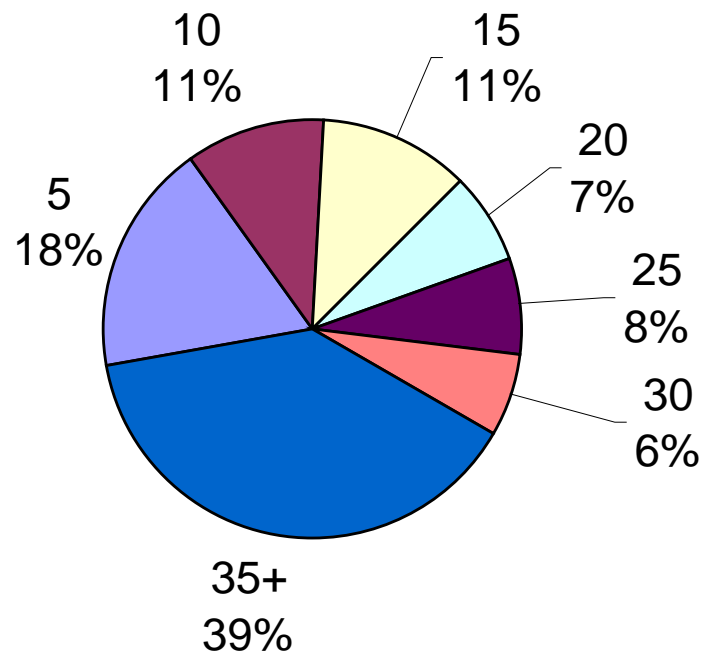
BACKGROUND (continued)

Currently 713 funds (out of approximately 1,500 available) are in use



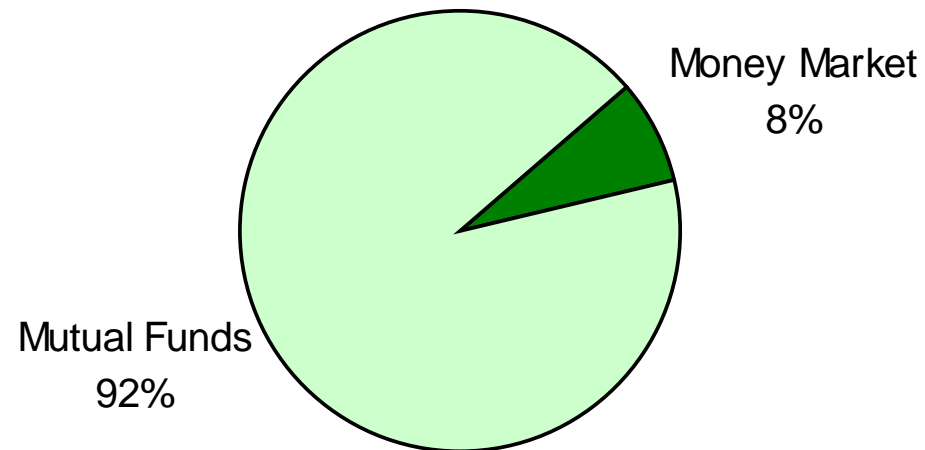
BACKGROUND (continued)

Trading Activity: # of Round-Trip Trades



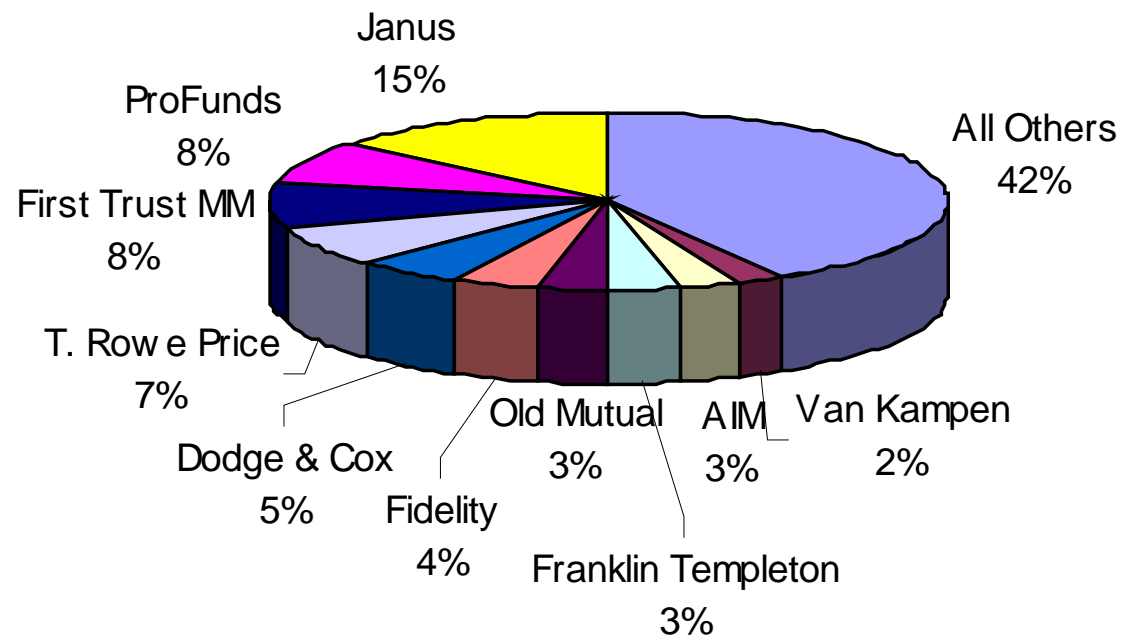
BACKGROUND (continued)

Investment Holdings



BACKGROUND (continued)

Investment Holdings



Benefits of Current SDBO Model

- **Can invest 100% of account in SDBO**
- **Unlimited trading for flat \$75 annual fee**
- **Bi-weekly contributions direct-transferred to SDBO**
- **“Big fish in little pond”**
- **No broad trading restrictions (other than those imposed at fund-level)**

Weaknesses of Current SDBO Provider

- **Service levels far behind competitors**
- **Low money market rates**
- **Limitations on data interactions w/Great-West**

Examples of Service Level Deficiencies **in Current SDBO**

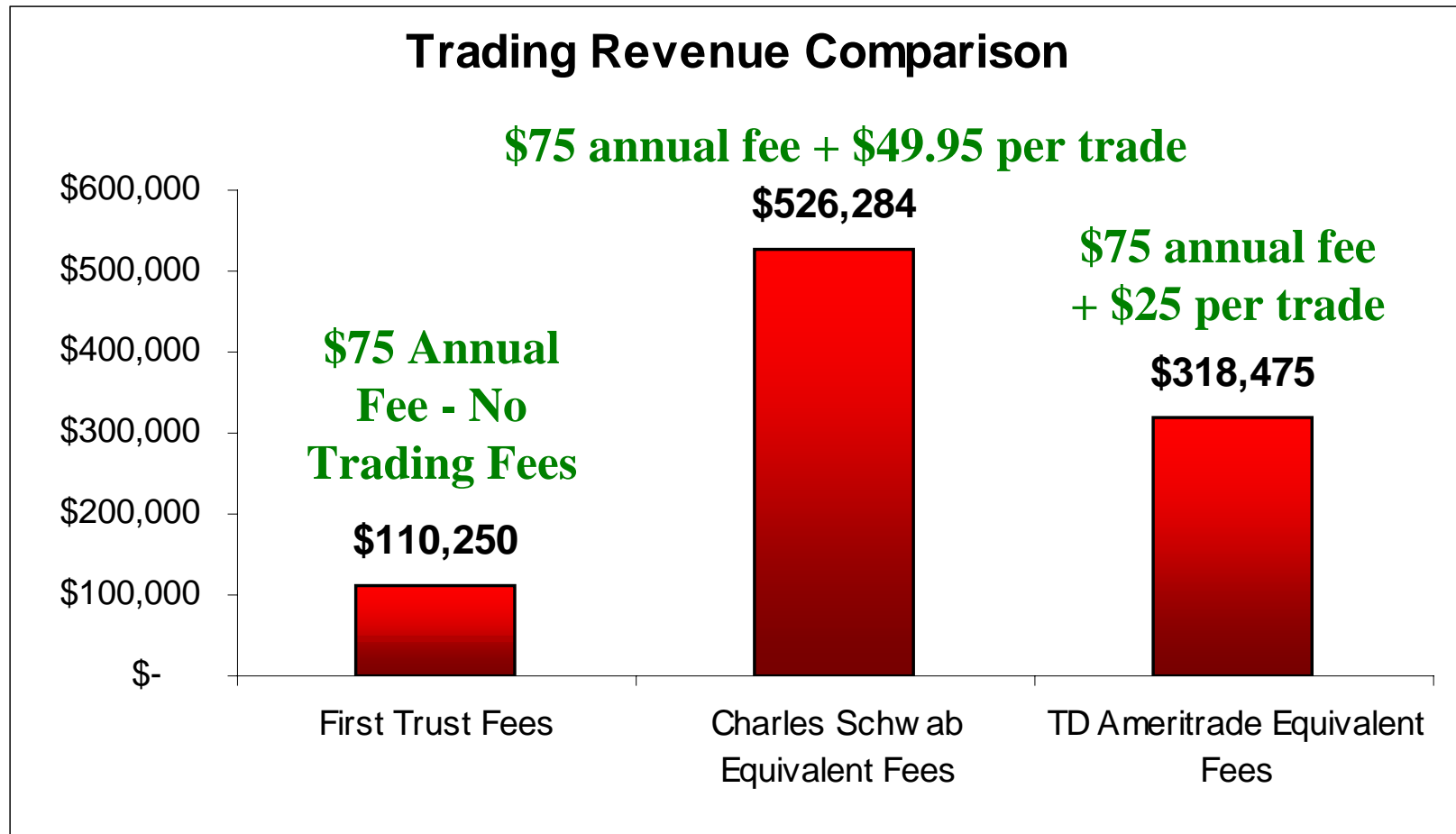
- **Statement/confirmation quality**
- **Web resources**
- **Account updates/trade deadlines**

Fee Comparison

First Trust:	\$75 per participant annually (\$75 goes to First Trust) Zero trading Fees
Ameritrade:	\$75 per participant annually (\$75 goes to Great-West) + Trading Fees
Schwab:	\$75 per participant annually (\$75 goes to Great-West) + Trading Fees

Fee Comparison

Based on 8,329 trades (2006)



Fee Comparison

But First Trust must also earn revenue from money market fund...

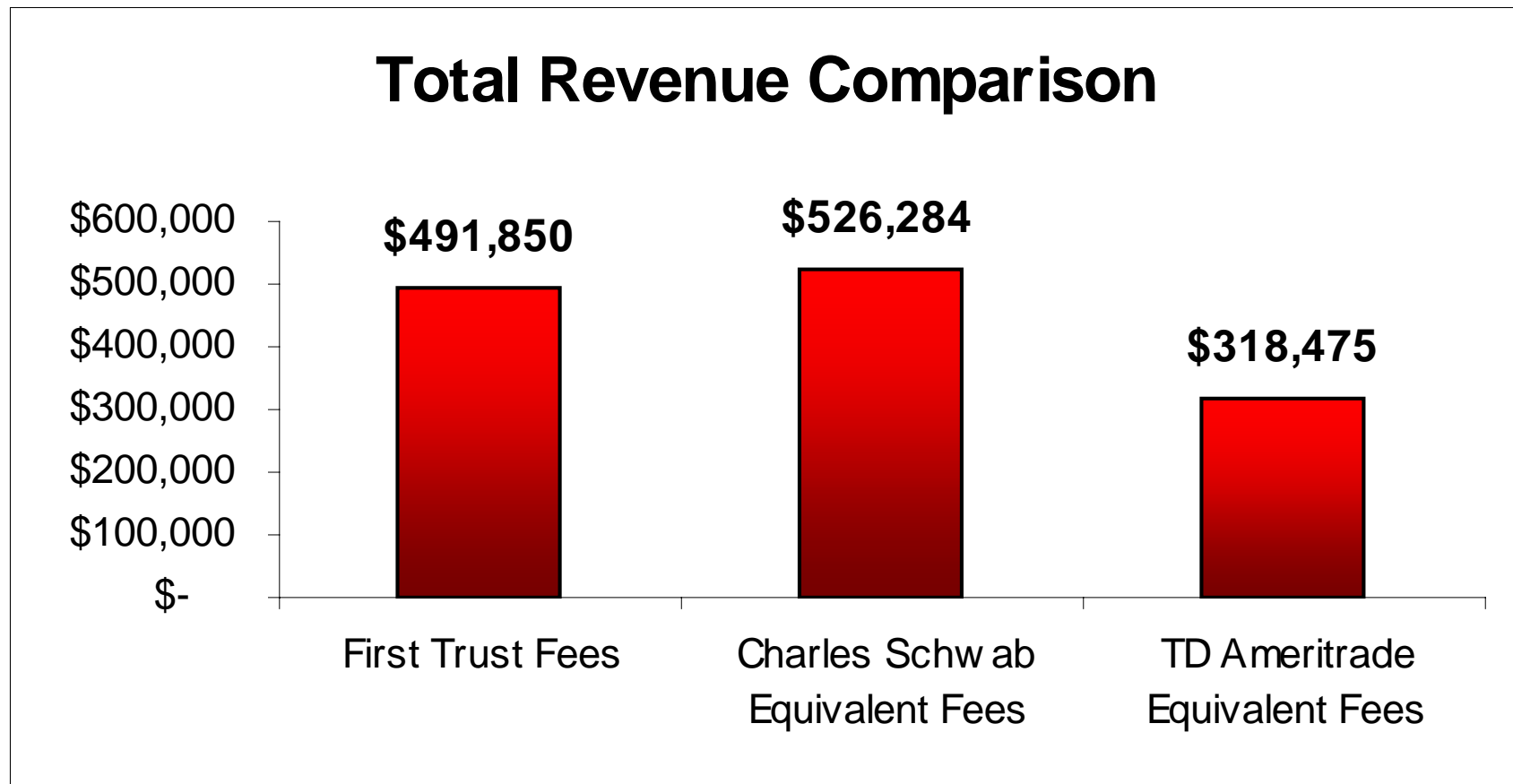
Current Money Market Yields:

First Trust:	0.35%
Ameritrade:	4.45%
Schwab:	4.73%

Current \$\$ in First Trust Money Market: \$9.0 million

Fee Comparison

Including assumed revenue from MM Fund:



Fee Comparison

- Those in First Trust MM subsidizing other SDBO participants
- However, because Great-West would charge a \$75 annual fee with a new provider, changing providers assures that most SDBO participants would see an apparent fee increase with just a single trade (unless they only utilized no transaction-fee funds).

SDBO Comparison

Investments

	Ameritrade	Schwab	OptionsPlus
NL/NTF	1,300	2,400	1,500
Load Funds	13,000	3,200	0
Stocks/Bonds	Yes	Yes	No

SDBO Comparison

Participant Services

	Ameritrade	Schwab	OptionsPlus
State-of-art web tracking & research tools	Yes	Yes	Limited
Call Center Hours	5:00 - 4:00 PST	6:00 - 5:30 PST	6:30 - 4:00 PST

SDBO Comparison

Organizational Qualifications

	Ameritrade	Schwab	OptionsPlus
Experience	28 yrs generally - 5 for 2,500 DC plans, 20,000 accounts	12 yrs - 8,800 DC plans, 122,000 accounts - Largest U.S. provider of SDB accounts	Since 1999 - City of L.A. largest client

SDBO Comparison

Fees

	Ameritrade	Schwab	OptionsPlus
Mutual Funds - Web	\$ 25.00	\$ 49.95	n/a
Stocks - Web	\$ 15.00	\$ 25.00	n/a
Cost of 5 Mutual Fund "Round-Trip" Trades	\$ 250.00	\$ 499.50	\$ 75.00

SDBO Comparison

Plan Sponsor Services

	Ameritrade	Schwab	OptionsPlus
Restrict to Mutual Funds Only	Yes	Yes	Yes
Restrict to Mutual Funds + ETFs only	No	Possibly soon	No

Key Dilemma

- **Current SDBO provider services probably not at level of a \$2.8 billion plan, BUT...**
- **Changing providers raises fees on all participants, AND**
- **Great-West not willing to administer dual providers on anything more than temporary basis**

Possible Next Steps

- **Survey SDBO participants to gauge whether they would be willing to pay higher fees**
- **Use RFI to explore an independent relationship with an SDBO provider separate from Great-West**

Should Stock Trading Be Allowed?

Arguments For:

- May prevent some retiree rollovers
- Not uncommon in 401(k) world
- SDBO intended for active, not average, investors

Arguments Against:

- Much higher levels of risk & potential losses
- Rare in the 457 world
- If even professional investors have difficulty beating the market, how many of our investors will end up being successful?