

PLAN INVESTMENT OPTIONS

1) Control of plan assets

a) Trustee directed

- i) Pooled accounts
- ii) All participants receive the exact same rate of return on account balances
- iii) Valuation - usually annual, but can be quarterly
- iv) Each money source can have different direction

b) Participant directed

- i) Individual accounts (FBO - For Benefit Of "Name of Participant")
- ii) Each participant has their individual rate of return
- iii) Valuation - usually daily, but can be quarterly or annual
- iv) Each money source can have different investment direction

2) Investments

a) Brokerage accounts – Charles Schwab, Merrill Lynch, Morgan Stanley,

- i) Brokers tend to us proprietary funds
 - (1) Up front loads
 - (2) Deferred sales charges
 - (3) 12b-1 fees
 - (4) Transaction fees

b) Mutual Funds

- i) TRowe Price – Century TPA Program
 - (1) No load, no 12b-1 fees, no deferred sales charge
- ii) Oppenheimer, American Funds, Transamerica, Great West, Fidelity
- iii) May have a lesser level of participant education, support, information, etc.

c) Group Annuities - ING; John Hancock; Lincoln Financial; Mass Mutual; Principal

- i) Pure investment vehicles
- ii) The term "Annuity" is misnomer
- iii) Multi mutual fund platform
 - (1) No load, no deferred sales charge
 - (2) Provider may charge a Daily Asset Charge - "DAC"
 - (3) May charge \$15 per participant annual fee
 - (4) May charge declining sales charge upon TOTAL liquidation of contract
- iv) Total expenses are a combination of "DAC" and underlying fund expenses
 - (1) "DAC" decreases as assets increase
 - (2) "DAC" adjusted on policy anniversary
- v) Very high level of participant assistance
 - (1) Enrollment Meetings
 - (2) Quarterly news letters
 - (3) Enrollment booklets
 - (4) Quarterly statements - can be mailed directly to participants

d) Investment Managers

- i) Require higher account balance – (\$100,000 or more)
- ii) Cannot track contributions via source
- iii) Management, brokerage & mutual fund fees may apply
- iv) Daily valuation usually not available
- v) May not provide enrollment meetings or individual advise

e) Custom program – Back Office Daily Record Keeper

- i) Greatest number of options - choose from over 8000 plus mutual funds & ETF's
- ii) Higher administrative cost
- iii) Flexibility to allow for cost shifting from employer to employees
- iv) Quarterly statements - can be mailed directly to participants
- v) Internet access & toll free voice response are provided