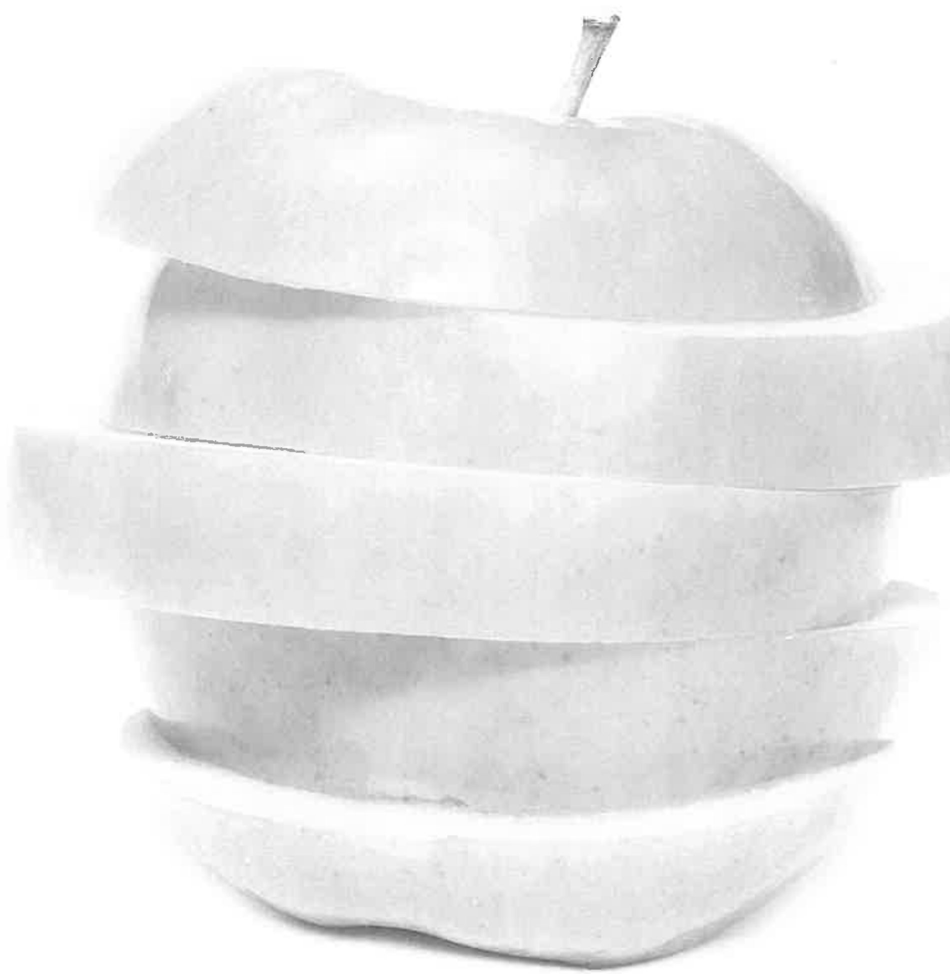
XYZ Corporation

Investment and Administration Services for Defined Contribution Plans

Executive Summary

Analysis of RFP Responses



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Appendix – 2010 Committee Retreat Education Materials

Introduction

The XYZ Corporation and Buck Consultants has published a request for proposal ("RFP") for investment and administration services in connection with XYZ Corporation's Defined Contribution Plans. The purpose of this report is to provide recommendations and analysis to XYZ Corporation's evaluation committee.

The following organizations have submitted proposals:

- **Vendor 1**
- **Vendor 2**
- **Vendor 3**
- **Vendor 4** (incumbent)
- **Vendor 5**
- **Vendor 6**
- **Vendor 7**

Proposers were asked to respond to a 100+ item questionnaire and provide additional information in the form of attachments relating to fees, investments, performance guarantees and other topics. Due to the amount of information requested and the number of proposers this report does not contain all of the information provided by each proposer. This report contrasts and analyzes the proposals that were received and presents the evaluation committee with recommended finalists, proposal scoring guidance, and potential interview questions.

XYZ Corporation has received competitive bids from multiple qualified bidders. We expect that this process will result in lower plan costs which will benefit employees that choose to participate in the plan.

Vendor Qualifications

In general the responses to Vendor Qualification (Questions 1-20) were acceptable and Buck believes that any of the proposers are capable and qualified to administer the plan. There were, however, differences in the quality of answers provided. This section covered a wide range of questions including:

- History of firm
- Experience with similar size plans
- References
- Relationship manager
- Transition timeline
- Credit rating
- Fiduciary status
- Others

We cover a subset of the total questionnaire content; provide our scoring of proposals for the section, and make general comments as to why we scored some proposals higher than others. We will follow a similar format throughout the other sections of this report as well.

Vendor Qualifications (cont'd)

Experience with similar plans (Questions 3 & 4)

Vendor	Total Full Service and Recordkeeping Assets	Clients Include
Vendor 1	>$140 Billion	XYZ XYZ XYZ XYZ
Vendor 2	>$45 Billion	XYZ XYZ XYZ XYZ
Vendor 3	>$35 Billion	XYZ XYZ XYZ
Vendor 4	>$35 Billion	XYZ XYZ XYZ
Vendor 5		XYZ XYZ XYZ
Vendor 6	~1.2 Billion	
Vendor 7	>$150 Billion	XYZ XYZ XYZ

Buck's Comments:
Vendor 6 is a significant recordkeeper in the 403(b) plan space and their total recordkeeping assets would be substantially larger had they included their 403(b) book of business. We believe that other vendors (excepting Vendor 5) have combined assets from among DC plan types (e.g., 401(k), 401(a), 403(b), 457(b)).

XYZ Corporation has received proposals from multiple qualified organizations. We do not view any of these proposers as unqualified.

Vendor Qualifications (cont'd)

References (Question 16)

Vendor	Current References (plan assets, # of participants)	Former Client References
Vendor 1	XYZ ($334m, 7,833) XYZ ($3.2b, 40,317) XYZ ($2b, 23,874)	XYZ ($237m, 10,445) XYZ (~$800m, 30,749)
Vendor 2	XYZ XYZ XYZ	
Vendor 3	XYZ ($428m, 3,931) XYZ ($1.1b, 14,570) XYZ ($526m, 14,907) XYZ ($681m, 8,256) XYZ ($470m, 10,750)	XYZ ($13m) XYZ ($14m)
Vendor 4	XYZ (~$890m, 22,089) XYZ ($276m, 9,843) XYZ ($514m, 26k) XYZ ($408m, 7,644) XYZ ($275m, 10,413)	XYZ ($1.5b, 30,000) XYZ ($169m, 5,755)
Vendor 5	XYZ ($388m, 3,809) XYZ ($2.2b, 43,000) XYZ ($607m, 8,086) XYZ ($357m, 5,295) XYZ ($795m, 8,887)	Vendor 5 will provided terminated references if selected as a finalist.
Vendor 6	Not visible in physical or electronic version of proposal.	
Vendor 7	"We will be happy to provide reference information as we are selected to be one of the institutions that will continue in the search process" • Service 21 clients with over $500 million in Plan Assets	

Vendor Qualifications (cont'd)

Credit Rating (Question 19)

Vendor	Moody's	A.M. Best	Standard & Poor's	Fitch
Vendor 1	Aa3	A+	AA	AA
Vendor 2	A3	A	A	A-
Vendor 3	"Not Applicable, As a non-profit, non-stock corporation, VENDOR 3 is not rated by rating agencies"			
Vendor 4	A2	A	A	A-
Vendor 5	A2	A+	AA-	A+
Vendor 6	AA	A++	AAA	AAA
Vendor 7	Aa2	NA	AA	AA-

Buck's Comments:

We consider an organization's credit rating as a proxy for its financial stability. If Vendor 3 is selected as a finalist we recommend requesting additional information on the financial health of their organization. We do not have major concerns about Vendor 3's lack of a credit rating, but we recommend additional due diligence.

Vendor Qualifications (cont'd)

Scoring

We scored each question in this section for the seven proposals, and produced the following scores:

Vendor	Buck's Score
Vendor 1	4.4
Vendor 2	3.7
Vendor 3	4.3
Vendor 4	4.3
Vendor 5	3.9
Vendor 6	3.5
Vendor 7	4.0

Notes on Scoring

We generally felt that Vendor 1, Vendor 3, and Vendor 4 had the best and most complete responses among the proposers. Vendor 5 received a lower score, in part, because they did not agree to as many performance guarantees as the other bidders. Vendor 6 received a lower score, in part, because they did not offer a plan level newsletter (component of performance guarantees), and had a preference for offering decentralized account support.

Follow up Items

- We would recommend obtaining additional information from Vendor 3 on their financial condition.
- Vendor 1's Errors and Omissions Liability insurance appears to be expiring between the RFP release date and ultimate implementation date, and we would confirm that addition cover is in place.
- Vendor 1 mentioned in their answer to question #20 that they are including a new type of investment option in the proposal which is still pending regulatory approval. We would clarify whether XYZ would be able to opt-out of that and select an investment vehicle with a longer performance history instead.

Participant Education and Support Services

In general the responses to Vendor Qualification (Questions 21-29) were acceptable and Buck believes that any of the proposers would be able to provide participant education.

Enrollment Representatives (Question 23)

Vendor	Response
Vendor 1	"Yes. We will provide on-site enrollment meetings at multiple locations as needed..." "The minimum education level required ... ... is a bachelor's degree" ".. also required to maintain FINRA Series 6 and 63 registrations..."
Vendor 2	"The Vendor 2 will provide two full-time dedicated Education Specialists..." "... Qualifications include college education or equivalent experience..." ".. .are required to have appropriate FINRA registrations and licensing..."
Vendor 3	"Yes. Enrollment representatives will meet with XYZ employees at each location." "...required to have a Bachelor's degree or equivalent work experience..." "On-site representatives are required to maintain FINRA Series 6 and 63 licenses."
Vendor 4	"Yes, Vendor 4 provides two dedicated representatives to meet with employees..." "One of the two representatives for XYZ holds his CFP designation" Required to meet "all Federal and State licensing requirements"
Vendor 5	" "College degree or equivalent work experience" "FINRA Series 6 and state securities registrations..."
Vendor 6	"Vendor 6's participant support staff works with clients to develop and implement communications programs such as individual counseling sessions and financial and retirement education seminars"
Vendor 7	"Yes ... we will assemble a team specifically for XYZ." "required to obtain a Series 6 and 63 investment licenses."

Buck's comments: Some vendors require enrollment representatives to have a university degree while others accept "equivalent work experience." It is not clear that every vendor is promising that enrollment representatives would be 100% dedicated to XYZ, and Buck suggests that this would be a good finalist interview question. In general, we believe that proposers are offering qualified representatives.

Participant Education and Support Services (cont'd)

Third party advice (Question 24)

Vendor	Response
Vendor 1	Our wholly owned subsidiary, ABC, using a program powered by Ibbotson Associates, provides three different options for XYZ participants… Online Investment Guidance, Online Investment Advice and Discretionary Managed Accounts
Vendor 2	The Vendor 2 also offers plan sponsors Morningstar Retirement Manager, an interactive investment guidance (product) for plan participants that is available on the plan web site … a contract for this service is signed between Morningstar and the Plan Sponsor
Vendor 3	"Yes, Vendor 3 offers Fund Advice to participants as part of our Guided pathways program. Guided Pathways combines the expertise of Vendor 3 with the state-of-the-art planning and investment analytics provided by Ibbotson Associates"
Vendor 4	"Yes, Vendor 4 offers investment advisory services through Morningstar Associates, LLC an unaffiliated, independent investment advisor, and a wholly owned subsidiary of Morningstar, Inc." Product offers both advice and managed accounts.
Vendor 5	"Yes, we offer third-party investment advice through Financial Engines, an online investment advisor. The investment advice methodology used by Financial Engines is based on theories, models and techniques developed by" Nobel Laureate Bill Sharpe
Vendor 6	"VENDOR 6 provides a full-service, integrated program through its Advice and Planning Services suite of solutions. We have partnered with Ibbotson Associates, a world-class, third-party, registered investment advisor renowned for its independent advice engines"
Vendor 7	We offer three advice services: AdviceTrack (a personalized managed account solution offered in conjunction with Morningstar Associates, LLC), Morningstar Retirement Manager^{SM} Guide and Morningstar Manager SM Advice

Buck's comments: All proposers offer some type of guidance, advice, or managed account functionality. We recommend at the finalist stage clarifying whether each service provides guidance or advice, the entity providing the service (subsidiary or independent third-party), and whether or not the service provider is a fiduciary with respect to its services.

Participant Education and Support Services (cont'd)

Kiosks (Question 25)

Proposers generally agreed to XYZ's requests relating to on-site kiosks. Vendor 7's answer was slightly more unclear as to what they were proposing:

> "Vendor 7 will establish web-based access for those employees who do not have internet access at home or in the workplace. We will work with XYZ to implement security protocols that meet Vendor 7's standards and protect participant privacy and security. We anticipate that XYZ will provide the internet connectivity for the internet access sites"

If Vendor 7 is selected as a finalist, Buck recommends clarifying expectations with respect to XYZ's desire to have kiosks in place for participants.

Quarterly Participant Statements (Question 27)

Vendor	Quarterly Statements (yes/no)	Days Available after Quarter End
Vendor 1	Yes	15 Business Days
Vendor 2	Yes	10 Business Days
Vendor 3	Yes	10 Business Days
Vendor 4	Yes	15 Calendar Days
Vendor 5	Yes	12 Business Days
Vendor 6	Yes	
Vendor 7	Yes	12 Business Days

Buck's Comments: Multiple vendors indicated that statements would often be available in electronic format. We are comfortable with the delivery times offered by proposers.

Participant Education and Support Services (cont'd)

Scoring

We scored each question in this section for the seven proposals, and produced the following scores for this section:

Vendor	Buck's Score
Vendor 1	4.6
Vendor 2	4.3
Vendor 3	4.4
Vendor 4	4.6
Vendor 5	4.6
Vendor 6	3.7
Vendor 7	4.2

Notes on Scoring

We generally felt that proposers offered solutions consistent with XYZ's expectations. Vendor 7 was scored slightly lower than the other firms, in part, due to its answer to Question #26 where it did not appear to make a statement about the number of transition meetings it would plan. Vendor 7 also may not have included sample plan newsletters as an appendix to its proposal.

Follow up Items

- We would confirm whether bidders enrollment representatives would be dedicated to XYZ, or if they would have other responsibilities as well. Some vendors were clearer on this point than others in their proposals.
- Question #24 indicates that XYZ would like to have third-party investment advisory services available directly to participants, as is currently the case. It is not clear whether these services would be provided by a third-party or by a subsidiary of each vendor, and we recommend clarifying this point at the finalist interview stage. We also recommend clarifying whether the advice provider is a fiduciary with respect to those services.

Administration, Recordkeeping and Custodial Services

In general the responses to questions regarding Administration, Recordkeeping and Custodial Services (Questions 30-68) were reasonable and we scored proposers in a fairly narrow range. Although there are a large number of questions in this section we found few instances where the quality of proposer's responses was meaningfully different.

Roth Feature (Question 39)

Vendor	Will your system allow for Roth contributions?
Vendor 1	Yes
Vendor 2	Yes
Vendor 3	Yes
Vendor 4	Yes
Vendor 5	Yes
Vendor 6	Yes
Vendor 7	Yes

Tax Information (Question 40)

Vendor	Does your system provide all required tax data for plan distributions?
Vendor 1	Yes
Vendor 2	Yes
Vendor 3	Yes
Vendor 4	Yes
Vendor 5	Yes
Vendor 6	Yes
Vendor 7	Yes

Administration, Recordkeeping and Custodial Services (cont'd)

Questions for additional consideration by Deferred Compensation Staff

- Administrative review of new loan requests (Question 34)
- Payroll feed formats (Question 41)
- Loan administration process (Question 42)
- Contribution limits (Question 43)

Buck's comments: In addition to other questions we recommend staff closely evaluate proposer's answers to the questions mentioned above. We were satisfied with the responses provided by the proposers; however, we recognize that staff will ultimately be dealing with the selected firm on a regular basis with respect to these issues.

Administration, Recordkeeping and Custodial Services (cont'd)

Recordkeeping Platform (Questions 46 & 47)

Vendor	System	How long have you used current system?	Customizable?	Who is responsible for maintaining system?
Vendor 1	(proprietary)	1991	Yes	Vendor 1
Vendor 2	DST TRAC (non-proprietary)	2007	Yes	Vendor 2/DST
Vendor 3	OmniPlus (non-proprietary)	1998	Yes	Vendor 3
Vendor 4	OmniPlus (non-proprietary)	1987*	Yes	SunGard/Vendor 4
Vendor 5	OmniPlus (non-proprietary)	1993	Yes	Vendor 5
Vendor 6	OmniPlus (non-proprietary)	2004		Vendor 6
Vendor 7	(proprietary)	1999	Yes	Vendor 7

Buck's Comments: We believe that all vendors are using a credible recordkeeping system and note that many are using some form of Omni which is a product of SunGard. Vendor 1 suggested in their response that their proprietary system may create a cost advantage relative to firms using non-proprietary platforms.

*Vendor 4's responses refer to both the OmniPlan and OmniPlus systems, and they may be in the process of implementing the newer OmniPlus platform. We would confirm this if Vendor 4 was invited to interview along with related questions such as how many clients have been transitioned to the new platform and whether or not there were implementation issues that could impact XYZ's plan.

Administration, Recordkeeping and Custodial Services (cont'd)

Plan Sponsor Real-Time Access (Question 58)

Vendor	Can XYZ have real-time access (via Internet or direct connection) to participant account information, such as account balances, contributions, rollovers, etc.?
Vendor 1	Yes
Vendor 2	Yes
Vendor 3	Yes
Vendor 4	Yes
Vendor 5	Yes
Vendor 6	Yes
Vendor 7	Yes

Call Center Hours of Operation (Question 63)

Vendor	What are your call center hours of operation?	Weekends?
Vendor 1	6 a.m. to 5 p.m. Pacific Time	No
Vendor 2	5 a.m. to 5 p.m. Pacific Time	No
Vendor 3	Typo, need to clarify with VENDOR 3	
Vendor 4	5 a.m. to 6 p.m. Pacific Time	No
Vendor 5	5 a.m. to 6 p.m. Pacific Time	No
Vendor 6	5 a.m. to 7 p.m. Pacific Time	6am - 3pm PT Saturdays
Vendor 7	4 a.m. to 8 p.m. Pacific Time	No

Administration, Recordkeeping and Custodial Services (cont'd)

Scoring

We scored each question in this section produced the following scores:

Vendor	Buck's Score
Vendor 1	4.3
Vendor 2	4.2
Vendor 3	4.2
Vendor 4	4.3
Vendor 5	4.3
Vendor 6	3.9
Vendor 7	4.1

Notes on Scoring

We scored proposals in a relatively narrow range in this section.

Follow up Items

We would ask follow up questions about the items below if the Vendor was selected as a finalist:

- Vendor 7 may not be offering to accept as much responsibility as other vendors in their processing of hardship withdrawal requests. We would confirm expectations relating to administration of hardship withdrawals if Vendor 7 was invited to interview (Question #33).

- Vendor 3's process for tracking contribution limits may be less pro-active than other vendors; we would confirm this process (Question #43).

- Vendor 1 and Vendor 2's call centers close at 5 p.m. Pacific Time which is earlier than some of the other vendors (Question #63).

- Vendor 4 mentions both the OmniPlan and OmniPlus platforms in its RFP response. In addition, Vendor 4 is implementing its "EASE" administration system. We would ask follow-up questions relating to which system Vendor 4 is using, and how the new system implementation is working.

Stable Value Fund

Introduction

The stable value fund carries a 30% weight in the XYZ's scoring framework, and it will be an important component of the total evaluation. The stable value fund a most popular option in XYZ's plan with over $200 million in participant balances as of December 31, 2010. In addition, stable value funds have unique characteristics which we will discuss as we move forward with the evaluation process. Buck has spent considerable time consulting to the Committee with respect to stable value fund features, the structure of the current stable value fund, the contractual limits of the current stable value fund, as well as other stable value topics. We will briefly review some of the stable value information we have previously provided to the Committee because we feel it will be useful to the evaluation committee.

Stable Value Review

1. Stable value funds are designed to provide greater returns than money market funds, while protecting investors from the volatility associated with bond funds.

2. The underlying portfolio of a stable value fund consists of short-term and intermediate-term bonds. The stable value portfolio will have a longer average maturity and duration than a money market portfolio.

3. Participant account balances are increased by the crediting rate which is announced in advance (book value performance). The crediting rate is designed that it will not be negative which provides the "principal stability" of a money market fund.

   - The crediting rate is determined by a formula which considers a number of inputs:
     - Current yield on portfolio
     - Fees
     - Market value of assets
     - Book value of assets
     - Duration of portfolio

4. The market value of fund assets fluctuates with market conditions (market value performance). Depending on market conditions it is possible for the market value of assets to experience a negative return.

5. The difference between the crediting rate and actual market value performance leads to a market-to-book value ratio that will generally differ from 100%.

   - When the market value of assets is greater than the book value of assets there is a surplus.
   - When the market value of assets is less than the book value of assets there is a deficit.

6. Unfortunately, the current stable value fund had a market-to-book value ratio of 93.9% as of December 31, 2010, which limits the options available to XYZ.

7. XYZ could terminate the current stable value fund and replace it with a different option in the near term; however, participants would be subject to a "market value adjustment."

   - Participants would receive less than 100 cents on the dollar for their investment in the existing stable value fund.

Stable Value Review

8. The Plan currently offers three "custom lifestyle" portfolios of varying risk levels (conservative, moderate, and aggressive) which are comprised of the other investment options available within the plan.
    - The conservative and moderate custom lifestyle portfolios contain an allocation to the current stable value fund.
    - Changes to the stable value fund also affect participants invested in the conservative and moderate custom lifestyle portfolios.

9. XYZ has several available options if it chooses to terminate the current stable value fund:

    - Option 1: terminate the fund and replace with a different stable value fund or a money market fund.
        - This option is available at any time, irrespective of the RFP process, but would result in a market value adjustment for stable value and custom portfolio investors.

    - Option 2: elect contractual "book value settlement" over duration of stable value fund.
        - XYZ could force Vendor 4 to cover the difference between the market value of assets and the book value of assets over a period of approximately five to ten years; the actual length of time would depend on interpretation of contract provisions.
            - We view "book value settlement" as a last resort option and we do not recommend this course of action, it may be useful to preserve this option.

    - Option 3: transfer assets in-kind to a new stable value manager.
        - This option entails transferring the portfolio to a new stable value manager who will attempt to manage the assets to correct the differential between market and book values.
            - Participants would not be subjected to negative "market value adjustment" at the time of transfer.
            - The current contract between XYZ and Vendor 4 would be terminated, and XYZ would give up the option to elect book value settlement at a future date (Option 2) and likely would not receive a similar option from the new provider.

Stable Value Review

10. XYZ could retain the current Vendor 4 stable value fund, either by:
    - Selecting Vendor 4 to continue as recordkeeper after September 30, 2012
    - Selecting a different recordkeeper that is willing and able to administer the current Vendor 4 stable value fund

11. Different prospective vendors have suggested different courses of action with respect to the stable value fund, and some vendors are not able to propose a stable value product because the current market-to-book value ratio is less than 100%.

12. Stable value funds generally prevent or restrict the use of "competing funds" which are often considered to be money market funds or short-term bond funds.
    - Some stable value funds will not allow a money market fund to be available within the same plan.
    - Nearly all stable value funds will require a "90 day equity wash" if a "competing fund" is offered within the plan.

13. Stable value funds generally have different withdrawal provisions for "participant initiated events" and "plan sponsor initiated events"
    - Participants can generally elect a transfer within their own account and withdraw money from a stable value fund when the market-to-book ratio is less than 100%, and they will not be subjected to a negative market value adjustment.
    - If the market-to-book value ratio is less than 100% a plan sponsor cannot terminate the fund without incurring a market value adjustment. If a plan sponsor causes some other event which is later determined to be a "plan sponsor initiated event," withdrawals from the fund may be subject to market value adjustments.

14. Some commingled stable value funds have "12-month put" options which allow plan sponsors to withdraw from a fund at full book value with 12 months' notice even if the market-to-book value ratio is less than 100%.
    - The current Vendor 4 stable value fund does not have a 12-month put feature.
    - XYZ is unlikely to find a new fund that offers this feature given the current market-to-book ratio, but may be possible in the long-term if and when market-to-book ratio reaches 100%.

Stable Value Review: Vendor 1

- Vendor 1 is proposing a transfer "in-kind" to a new separate account under their management.
    - No negative market value adjustment at time of transfer.
    - XYZ would likely give up its ability to elect a "book value settlement" phase at a later date.
- Vendor 1 would manage the assets and attempt to correct the market-to-book value difference.
- Vendor 1 has experience transitioning Vendor 4 stable value fund separate accounts.
- It is not clear if Vendor 1 would be willing and able to recordkeep existing Vendor 4 stable value fund.
- Vendor 1 is proposing fees of 0.28% on the custom separate account.
- Vendor 1 has proposed mapping the custom lifestyle portfolios into a new set of target date funds, which might subject participants in the lifestyle funds to a market value adjustment.
    - If custom portfolio mapping was delayed, Vendor 1 may revise its pricing proposal.
- Vendor 1 has a long-tenured stable value management team with good track-record.

Advantages	Disadvantages
1. Long-tenured manager 2. Attractive performance record 3. Low fees 0.28% 4. Experience transitioning Vendor 4 accounts	1. Custom lifestyle portfolio mapping might result in negative "market value adjustment" or re-pricing if delayed 2. XYZ would likely give up option to elect "book value settlement" at a future date

Finalist interview/follow-up questions:

1. Would XYZ be able to select Vendor 1 as a recordkeeper but retain Vendor 4 as stable value manager until the market-to-book value ratio recovered to 100%?
2. Would XYZ be able to select any external stable value manager it desired if market-to-book recovered to 100% in the future? In other words, is stable value management "bundled" under Vendor 1's pricing proposal?
3. Would XYZ have a "book value settlement" option available if it transferred assets in-kind to management by Vendor 1?
4. Would XYZ have the option of retaining a separate money market fund?
5. Please elaborate on process for mapping custom lifestyle portfolios.

Score: 3.5

Stable Value Review: Vendor 2

- The Vendor 2 would likely be able to recordkeep existing Vendor 4 stable value fund.
- The Vendor 2 is proposing an INVESCO Stable Value Trust which is a commingled fund vehicle.
    - Invesco is a well-respected stable value fund manager.
- Vendor 2 does not directly address market-to-book value issue in proposal:

    "The Market Value portion of this question requires additional detail and context for which The Vendor 2 can arrange an in-depth conference call with Invesco's Portfolio Management Team"
- XYZ would likely have a choice between retaining current Vendor 4 product until market-to-book value ratio reaches 100%, or incurring a market value adjustment to facilitate a more rapid transition.
- It is unclear if INVESCO would be interested in managing separate account if market-to-book value ratio was below 100% as is currently the case.
- INVESCO disallows any "competing fund" options in the plan, so XYZ would not be able to offer a money market fund alongside the stable value fund as is currently the case.

Advantages	Disadvantages
1. Invesco is a well-respected stable value manager 2. Vendor 2 can likely administer current Vendor 4 stable value fund	1. Given current market-to-book value ratio, it is not entirely clear what The Vendor 2 is proposing 2. It is not clear what The Vendor 2 is proposing with respect to the custom lifestyle portfolios, a portion of which is invested in stable value

Finalist interview/follow-up questions:

1. What information would you need to confirm whether or not The Vendor 2 could administer the current Vendor 4 stable value fund? When would The Vendor 2 be able to confirm this?
2. XYZ would likely not be able to invest in the INVESCO Stable Value Trust without either repairing the current market-to-book value ratio to 100% or incurring a market value adjustment. In light of this, what solution is The Vendor 2 proposing?
3. Is INVESCO interested in managing the separate account if assets were transferred in-kind while the market-to-book value ratio was below 100%?

Score: 2.5

Stable Value Review: VENDOR 3

- VENDOR 3 would likely be able to recordkeep existing Vendor 4 stable value fund, providing Vendor 4 approves.
- VENDOR 3 is not proposing a transition plan.
- If market-to-book ratio reached 100%, XYZ would be able to use:
  - VENDOR 3's proprietary Fund,
  - A non-proprietary stable value fund (open architecture)

Advantages	Disadvantages
1. VENDOR 3's proprietary fund is a reasonable stable value fund 2. VENDOR 3 would allow the selection of a non-proprietary stable value fund 3. VENDOR 3 would allow a money market fund to be offered in plan	1. VENDOR 3 is not proposing a transition plan, and XYZ would have use current Vendor 4 stable value fund or experience a negative market value adjustment

Finalist interview/follow-up questions:

1. What information would you need to confirm whether or not VENDOR 3 could administer the current Vendor 4 stable value fund? When would you be able to confirm this?

Score: 3.0

Stable Value Review: Vendor 4

- VENDOR 4 is the current stable value manager.
- Underperformance in 2008 was caused in part to non-agency mortgage-backed securities in the portfolio.
- VENDOR 4 subsequently replaced the management team responsible for its stable value accounts.
  - The new management team has performed well since 2009.
  - However, current market-to-book value situation is attributable in part to the performance of the prior Vendor 4 management team.
- The current stable value portfolio is managed to a "core plus" mandate.
  - This portfolio has longer term bonds (more interest rate sensitivity) and more credit-sensitive bonds (more credit risk) than the typical stable value fund.
- VENDOR 4 is willing to consider changing the stable value strategy to make the underlying portfolio more conservative, but Vendor 4 would like to wait for the market-to-book value ratio to improve before making substantial changes.

Advantages	Disadvantages
1. Vendor 4's new management team has performed reasonably well 2. XYZ would retain "book value settlement" option 3. XYZ would be able to use money market fund alongside stable value fund 4. VENDOR 4 has proposed reducing total fees associated with this account from 0.80% to 0.47% 5. VENDOR 4 may be willing to let XYZ consider non-proprietary stable value funds in future	1. Market-to-book value ratio declined under VENDOR 4 's management (although prior management team has been replaced) 2. Fees of 0.47%, while significantly lower than current fee level 0.80%, are higher than some other options

Finalist interview/follow-up questions:

1. Would XYZ be able to select any external stable value manager it desired if market-to-book recovered to 100% in the future? In other words, is stable value management "bundled" under VENDOR 4's pricing proposal?

Score: 3.5

Stable Value Review: Vendor 5

- Vendor 5 would likely be able to recordkeep existing Vendor 4 stable value fund, providing Vendor 4 approves.
- Vendor 5 is not proposing a transition plan or a stable value fund:

  "Due to the current state of the Vendor 4 stable value fund offered, Vendor 5 is unable to propose a stable value fund"
- Vendor 5 is proposing that the custom lifestyle portfolios would be mapped into their proprietary asset allocation program. It is not clear whether participant's stable value exposure in the custom lifestyle portfolios would be subjected to a market value adjustment in that mapping.

Advantages	Disadvantages
1. Vendor 5 would likely be able to recordkeep the current Vendor 4 stable value fund 2. XYZ would retain "book value settlement" option while current Vendor 4 stable value fund was used	1. Unclear how the stable value component of the custom lifestyle portfolios would be handled 2. Not proposing a stable value option at this time

Finalist interview/follow-up questions:

1. Would XYZ be able to select any external stable value manager it desired if market-to-book value ratio recovered to 100% in the future? In other words, is stable value management "bundled" under Vendor 5's pricing proposal?
2. What information would you need to confirm whether or not Vendor 5 could administer the current Vendor 4 stable value fund? When would you be able to confirm this?

Score: 2.5

Stable Value Review: VENDOR 6

- VENDOR 6 may or may not be able to recordkeep the existing Vendor 4 stable value fund.
- Difficult to read VENDOR 6's proposal due to formatting issues.
- VENDOR 6 is proposing a guaranteed annuity contract which is backed by the assets of a separate account.
- VENDOR 6 launched this stable value product during the second quarter of 2010.
- Total assets invested VENDOR 6 Stable Value were $49.7 million as of December 31, 2010.
- VENDOR 6 does not list an expense ratio for the VENDOR 6 Stable Value product, possibly because it is an annuity contract. However, this makes fee evaluations more difficult.
- VENDOR 6 appears to be offering to amortize the difference between market and book in the Vendor 4 stable value fund over a period of five years, but at an addition 0.38% annual fee to participants.

Advantages	Disadvantages
1. Amortization of market-to-book value difference would be one solution 2. VENDOR 6 may be able to recordkeep existing Vendor 4 stable value account	1. VENDOR 6 Stable Value fund appears to be a newer product, with a smaller asset base and shorter performance history 2. Annual fees of 0.38% to amortize market-to-book difference over five years are significant

Finalist interview/follow-up questions:

1. Would XYZ be able to select any external stable value manager it desired if market-to-book recovered to 100% in the future? In other words, is stable value management "bundled" under Vendor 5's pricing proposal?
2. What information would you need to confirm whether or not Vendor 5 could administer the current Vendor 4 stable value fund? When would you be able to confirm this?
3. Can you provide more information on the fees associated with the VENDOR 6 Stable Value product?

Score 2.0

Stable Value Review: Vendor 7

- Vendor 7 would likely be able to recordkeep the current Vendor 4 stable value fund.
- Vendor 7 is offering its proprietary stable value fund.
    - This is a commingled vehicle which would require 100% market-to-book value ratio or negative market value adjustment for XYZ to implement.
    - Buck has a favorable opinion of this product, and has recommended it in the past to other clients.
- Vendor 7 is not proposing a transition plan.
- Buck believes that Vendor 7 has experience transitioning Vendor 4 stable value separate accounts; however, we do not see commentary on this topic in Vendor 7's proposal.
- Vendor 7 would allow the use of proprietary or non-proprietary stable value products.

Advantages	Disadvantages
1. Vendor 7 would likely be able to recordkeep the current Vendor 4 stable value fund 2. XYZ would retain a "book value settlement" option if the Vendor 4 fund was retained 3. Vendor 7 offers a high quality stable value fund that would be available if and when market-to-book value ratio reaches 100%	1. Vendor 7 is not proposing a transition plan 2. Vendor 7's proposed stable value fund would require a negative market value adjustment to use in the short-term

Finalist interview/follow-up questions:

1. Would XYZ be able to select any external stable value manager it desired if market-to-book recovered to 100% in the future? In other words, is stable value management "bundled" under Vendor 5's pricing proposal?
2. What information would you need to confirm whether or not Vendor 7 could administer the current Vendor 4 stable value fund? When would you be able to confirm this?

Score 3.0

Stable Value Review: Scoring

To summarize, we scored the stable value section of each proposal according to the table below:

Vendor	Buck's Score
Vendor 1	3.5
Vendor 2	2.5
VENDOR 3	3.0
VENDOR 4	3.5
Vendor 5	2.5
VENDOR 6	2.0
Vendor 7	3.0

Investments and Fees

In general we felt that bidder's responses to questions relating to Investments and Fees were reasonable. There are differences in the aggregate level of administration fees required by each vendor. These differences are significant in some cases and had a large impact on our scoring of the proposals. We will first review bidder's responses to several selected questions and then consider the overall administration fees required by each potential vendor.

Self-Directed Brokerage Accounts (SDBA) (question 89)

	Vendor/Partner	Annual Fee	Transaction Fees?
Vendor 1	TD Ameritrade or Charles Schwab	$50	Yes
Vendor 2	Charles Schwab	$50	Yes
VENDOR 3	(proprietary)	$50 one-time fee $35 annual fee if no trading activity during calendar year	Yes
Vendor 4	TD Ameritrade	$50	Yes
Vendor 5	Vendor 5 (proprietary)	$100	Yes
VENDOR 6	Pershing		
Vendor 7	Vendor 7 (proprietary)	$100	Yes

Investments and Fees (cont'd)

Non-proprietary mutual funds (Questions 90 & 91)

	Do you offer non-proprietary investment funds?	Are there plan-level proprietary fund requirements?
Vendor 1	Yes	No
Vendor 2	Yes	No
VENDOR 3	Yes	No
Vendor 4	Yes	No
Vendor 5	Yes	No
VENDOR 6	Yes	No
Vendor 7	Yes	No

Buck's comments: We would confirm with any vendor selected as a finalist whether they have proprietary fund requirements with respect to target-date funds and the stable value funds. We generally believe that vendors have indicated they have no proprietary fund requirements, but we would still confirm this at the interview stage.

Investments and Fees (cont'd)

Fee Guarantees (Questions 95)

	How long are your Fees guaranteed?
Vendor 1	Length of Contract
Vendor 2	Length of Contract
VENDOR 3	5 one-year contract terms
Vendor 4	Follow-up question
Vendor 5	"We typically guarantee our administrative fees for two years."
VENDOR 6	"Fees guaranteed for the length of the contract plus four one-year renewals."
Vendor 7	"We guarantee our fees for three years, assuming no material or significant changes to the assumptions used"

Buck's comments: We would clarify with Vendor 4 whether or not they would be willing to guarantee their 0.09% administration fee requirement for a period of time. We would also ask Vendor 5 if they would be willing to consider an administrative fee guarantee for a period longer than 2 years, which would be consistent with the other proposals received by XYZ.

Investments and Fees (cont'd)

Revenue Sharing Amounts (Questions 97, 98 & Attachment E)

	Will you be able to provide an expense reimbursement to XYZ?	Will XYZ be able to adjust size of expense reimbursement by changing fund lineup?	Required Fee to Administer the Plan (not including XYZ's expense reimbursement)
Vendor 1	Yes	Yes	0.07% (7 basis points)*
Vendor 2	Yes	Yes	0.12% (12 basis points)
VENDOR 3	Yes	Yes	0.092% (9.2 basis points)
Vendor 4	Yes	Yes	0.09% (9 basis points)
Vendor 5	Yes	Yes	0.114% (11.4 basis points)**
VENDOR 6	Yes	Yes	0.12% (12 basis points)***
Vendor 7	Yes	Yes	0.18% (18 basis points)****

* Vendor 1 may be willing to lower this requirement to 0.06% (6 basis points) if they are not required to supply an office. We would follow up on this detail if Vendor 1 was selected as a finalist.

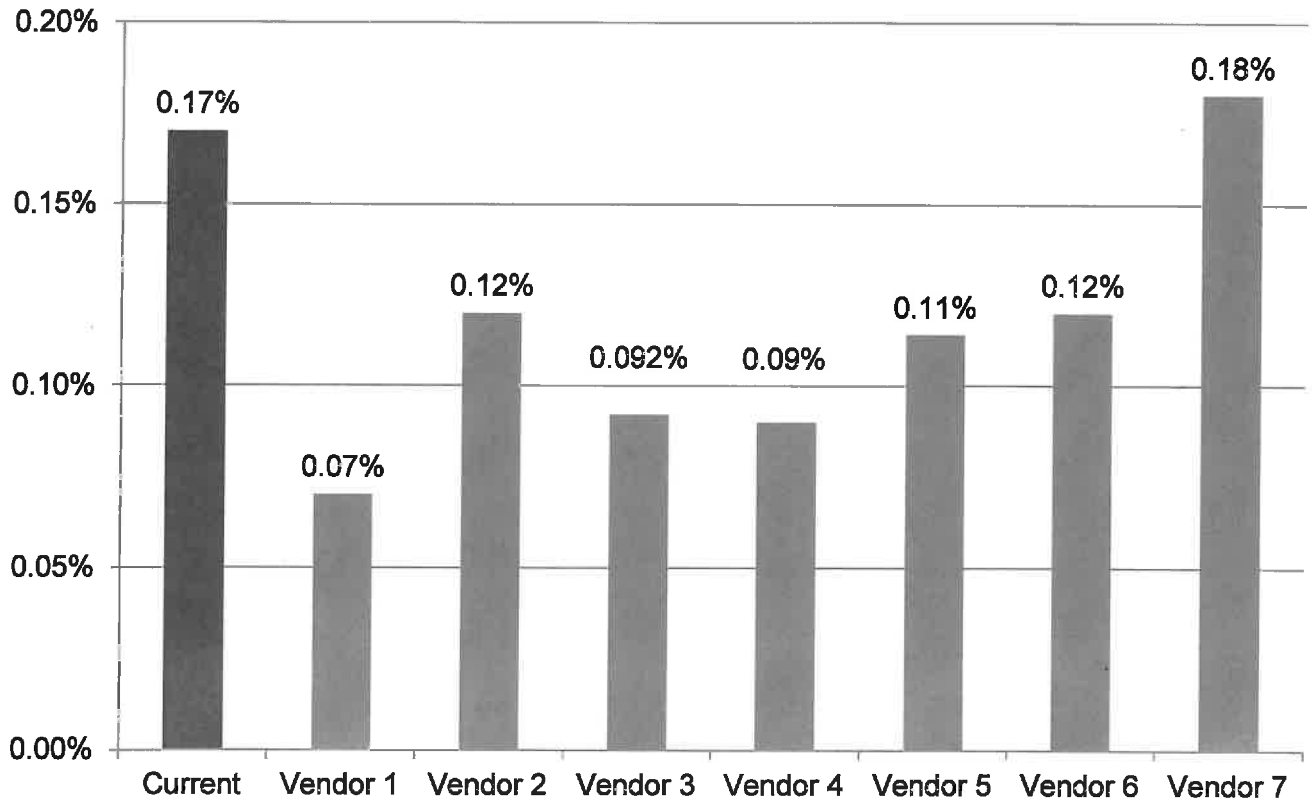
* We did not see an explicit statement in Vendor 5's proposal that it would require 11.4 basis points to administer the plan. We calculated this requirement based off of their responses to Attachment E and question 97 in their proposal, and it would be prudent to confirm if Vendor 5 was selected as a finalist.

** VENDOR 6 based this fee on retaining the current Vendor 4 stable value fund. If stable value assets were mapped to VENDOR 6 this fee might be as low as 8 basis points. However, and as we mentioned earlier, the fees on VENDOR 6's proprietary stable value solution are difficult to evaluate based on the information provided.

*** Based on Vendor 7's responses to Attachments E & D we are unsure of the fee level that Vendor 7 is proposing. Vendor 7 shows total revenue sharing of 18.4 basis points on Attachment E but does not commit to a specific level of expense reimbursement in question 97 of Attachment D. We are unsure if the 18 basis points listed by Vendor 7 would include some level of expense reimbursement to XYZ, or if any expense reimbursement would require additional fees and changes to the investment menu.

Investments and Fees (cont'd)

Graph of Required Administration Fees (not including XYZ reimbursement)



- XYZ received proposals with varying levels of required administration fees
- This RFP process should result in a significant fee reduction

Investments and Fees (cont'd)

Scoring

We have scored proposals in the Investments and Fees section according to the schedule below:

Vendor	Buck's Score
Vendor 1	4.5
Vendor 2	3.0
VENDOR 3	4.2
Vendor 4	4.3
Vendor 5	3.0
VENDOR 6	3.0
Vendor 7	2.5

Total Scores and Interview Recommendations

	Vendor Qualifications (10%)	Participant Education & Support Services (10%)	Administration, Recordkeeping & Custodial (10%)	Stable Value (30%)	Investments & Fees (30%)	Local/Small Business (5% each)	**Total Weighted Score**
Vendor 1	4.4	4.6	4.3	3.5	4.5	0.0	**3.7**
Vendor 2	3.7	4.3	4.2	2.5	3.0	0.0	**2.9**
Vendor 3	4.3	4.4	4.2	3.0	4.2	0.0	**3.5**
Vendor 4	4.3	4.6	4.3	3.5	4.3	0.0	**3.7**
Vendor 5	3.9	4.6	4.3	2.5	3.0	0.0	**2.9**
Vendor 6	3.5	3.7	3.9	2.0	3.0	0.0	**2.6**
Vendor 7	4.0	4.2	4.1	3.0	2.5	0.0	**2.9**

We scored Vendor 1, Vendor 3, and Vendor 4 higher than the other proposers, and we recommend inviting these three firms to conduct an interview. The interview process will help the evaluation committee gain a better understanding of each firm, and will provide an opportunity to ask follow-up questions. The interview process will likely provide useful insight and may result in a revision of scores.

We recommend inviting the following three firms to conduct an interview:

- Vendor 1
- Vendor 3
- Vendor 4

Potential Interview Questions

Vendor 1

- Vendor 1's Errors and Omissions Liability insurance appears to be expiring between the RFP release date and ultimate implementation date. Can you provide information on updated cover?
- Would XYZ be able to select a non-proprietary suite of target date funds?
    - Would there be a fee impact?
- Would XYZ be able to select a non-proprietary stable value fund?
    - Would Vendor 1 be able to recordkeep the existing Vendor 4 stable value fund?
        - What information would Vendor 1 need to make this determination?
        - When would Vendor 1 able to make this determination?
    - Would there be a fee impact for selecting a non-proprietary stable value fund?
- Would XYZ have a "book value settlement" option available if it transferred assets in-kind to management by Vendor 1?
- Would XYZ have the option of retaining a separate money market fund in addition to a stable value fund?
- Would your enrollment representatives by 100% dedicated to XYZ?
- Please elaborate on your participant guidance, advice, and managed account products.
    - Would the service be provided by a subsidiary or by an independent third party?
    - Would the organization providing the service be a fiduciary?
- It appears that Vendor 1's call center closes at 5 p.m. Pacific Time which is earlier than some of the other proposers. We also note that Vendor 1 has significant client relationships on the west coast. Have you considered extending the call center's hours of operation?
- Vendor 1's proposal indicated that the required administration fee may be reduced from 7 basis points to 6 basis points if Vendor 1 would not be required to provide an office. Please elaborate on how that arrangement would work.
- What level of plan document amendment support do you provide?
- How do you handle qualified domestic relation orders (DROs) in light of ABC state law?
- Please elaborate on the mapping of the custom portfolios given that this mapping might involve a negative market value adjustment, or if mapping is delayed Vendor 1 has indicated it may need to revise pricing. What would pricing impact be if XYZ chose to delay mapping the custom portfolios?

Potential Interview Questions

VENDOR 3

- We understand that VENDOR 3 does not have a credit rating, would you be able to provide us with additional information on your financial condition so that XYZ can make an evaluation of your financial stability?
- Would your enrollment representatives by 100% dedicated to XYZ?
- Would XYZ be able to select a non-proprietary suite of target date funds?
    - Would there be a fee impact?
- Would XYZ be able to select a non-proprietary stable value fund?
    - Would there be a fee impact?
- Please elaborate on your participant guidance, advice, and managed account products.
    - Would the service be provided by a subsidiary or by an independent third party?
    - Would the organization providing the service be a fiduciary?
- Please elaborate on your process for communicating 402(g) contribution limits to XYZ staff. Would a notice regarding affected participants be pro-actively communicated to XYZ staff?
- What level of plan document amendment support do you provide?
- How do you handle qualified domestic relation orders (QDROs) in light of ABC state law?

Potential Interview Questions

Vendor 4

- Would your enrollment representatives by 100% dedicated to XYZ?
- Would XYZ be able to select a non-proprietary suite of target date funds?
    - Would there be a fee impact?
- Would XYZ be able to select a non-proprietary stable value fund?
    - Would there be a fee impact?
- Please elaborate on your participant guidance, advice, and managed account products.
    - Would the service be provided by a subsidiary or by an independent third party?
    - Would the organization providing the service be a fiduciary?
- What level of plan document amendment support do you provide?
- How do you handle qualified domestic relation orders (QDROs) in light of ABC state law?
- Vendor 4's proposal response refers to both the OmniPlan and OmniPlus recordkeeping platforms. We also understand that Vendor 4 is rolling out the new EASE platform.
    - Can you provide us with more information on OmniPlus and EASE?
    - How many clients have been transitioned to the EASE platform?
    - Have there been any implementation issues that could impact XYZ's plan?