

Notice of Award

April 6, 2010

Notice of Award is hereby posted to notify all those concerned about the following bid:

**Clay County Utility Authority
Retirement Plan Administrator RFP
No. 08/09-A8**



CLAY COUNTY UTILITY AUTHORITY MEMORANDUM

TO: Board of Supervisors

FROM: Retirement Committee

DATE: April 2, 2010

RE: Retirement Plan Administrator RFP 08/09-A8

After careful consideration, we have concluded the existing investment options available to fund participants for the pension and deferred compensation accounts are too limited. We are also convinced that we must increase our efforts to broaden the staffs' general awareness and understanding of issues relating to retirement in order to fulfill our fiduciary responsibilities. Consequently, a Retirement Plan Administrator request for proposal was released on 7/16/2009 and a Retirement Committee was formed consisting of Ray Avery, Tom Morris, David Bolam and Patricia Barthlow. As fiduciaries of the plan we have important responsibilities:

- Acting solely in the interest of plan participants and their beneficiaries and with the exclusive purpose of providing benefits to them;
- Administration of the plan documents;
- Diversifying plan investments; and
- Paying only reasonable plan expenses.

We received eleven qualified proposals for review, including proposals from the two incumbent plan administrators. There were thirteen categories in the proposals of which the committee each took several categories and ranked all proposals accordingly. We then took the top five highest scores and had two days of interviews with the respective entities. We also had an independent financial advisor, Eric Stratton, sit in on the meetings to assist us in asking the right questions and to say the least he was a tremendous asset!

The following administrative fees were bid:

Retirement Plan Assets @ 12/31/2009	\$5,510,044.60		Admin Fees		Flat Fees
Transamerica			37bp	\$20,387.17	
Hartford			50bp	\$27,550.22	
Principal			25bp	\$13,775.11	
BB&T		**	38bp	\$20,938.17	\$6,200.00

*** 38bp is the most we will pay with BB&T. BB&T will apply any 12b-1 fees received to reduce our costs. (i.e. a fund pays 25bp in 12b-1 fees we would only pay 13bp)*

Fees are not the only factor to consider. Investment vehicles and performance should be considered as well. What we found is that the investment choices are very similar if not the same between the plans. We prepared an Analysis of Expense and 10 year Average returns to try and reflect all components of our recommendation. There are many fund categories and some assumptions had to be made to give us a broad overview of the proposals received. The analysis is included in your package.

The committee has unanimously voted for BB&T. The following set them apart:

- Co-Trustee, BB&T shares the same exposure and liability as the Retirement Committee as it pertains to our fiduciary responsibilities;
- Semi-annual employee education meetings;
- Independent Investment Advisor through ProNvest free of charge with 1% management option;
- Brokerage account for the Deferred Compensation Plan;
- If BB&T receives 12b-1 fees they will be applied as a reduction to our expense, rather than additional income to BB&T;
- Customer Service: Quarterly meetings to review the plan;
- Fund Performance.

Based on the Retirement Committee's detailed analysis, we hereby request authorization to terminate our relationship with Nationwide Retirement Solutions and The Hartford, the incumbent plan administrators. Furthermore, we request ratification of the attached fee agreement with BB&T, executed on March 19, 2010. The fee agreement was executed in order to meet a target transition date of June 30, 2010. All parties clearly understand the agreement is contingent upon Board approval. The proposed agreement names BB&T as the plan administrator of both the pension and deferred compensation accounts. The proposed agreement will be implemented at no cost to the Authority.

If the Board approves BB&T as the Retirement Plan Administrator the following is a rough timeline to complete the conversion:

April 7- Notify Nationwide, Hartford and staff of decision

April 9 – Conversion meeting with committee; review plan provisions, investment options & employee education

April 16- BB&T will provide final legal documents to govern plan

May 13- All legal documents must be executed and returned to BB&T

Week of May 16 – Distribute required participant blackout notices (30 days for conversion- no activity allowed) and BB&T System Conversion Analyst assigned.

Late May/Early June – Plan provisions will be populated in BB&T System

Early/Mid June- Conversion call with BB&T Conversion analyst. Review system functionalities, plan processing, contribution remittances, etc.

Mid/Late June – Test payroll data and employee data sent to BB&T

Late June – Blackout begins.

July 1 – BB&T will become trustee of the Plan. Assets will be transferred.

Early July – Final allocation, participant data and reporting sent to BB&T

Early/Mid July – First payroll file sent to BB&T

Mid/Late July – BB&T Communication Specialist conducts employee education meeting

Late July – Data reconciliation complete, Plan goes live (Blackout ends), Participants have access to accounts via phone or web.

Expense and Growth Overview:

	<u>Transamerica</u>	*	<u>Hartford</u>	<u>Principal</u>	<u>BB&T</u>
POC	Paul McBroom 727-643-4015		Richard Snyder 407-363-6138	Tim Hollinger 279-1625 Ext 316 233-5305 (cell)	Ryan Sladek 407-563-4013 919-413-4725 (cell)

	<u>Expense</u>	<u>Profit (10yr Avg. net of underlying exp)</u>	<u>Expense</u>	<u>Profit (10yr Avg. net of underlying exp)</u>	<u>Expense</u>	<u>Profit (10yr Avg. net of underlying exp)</u>	<u>Expense</u>	<u>Profit (10yr Avg. net of underlying exp)</u>
Admin Fees	0.37		0.5		0.25		0.38	
Flat Fees- Recordkeeping, Trustee and Compliance							6,200	
Avg Underlying Fees by Fund Type:								
Cash Equivalents_Stable Value	0.40	3.39	0.86	2.37	0.65	2.6	0.55	4.52
Bond:			0.95	5.63	1.60	3.70	0.52	7.58
Short-Term	1.12	3.91						
Intermediate	1.05	5.31						
Long-Term	1.11	4.05						
High Yield	1.32	4.77						
International:	1.31	9.66						
Hybrid:								
Balanced	1.16	4.29			1.67	2.52	0.53	6.605
Strategic Allocation Series	1.33	13.64			1.84	0.86		
Target Maturity Series	0.94	1.45	1.01	1.57			0.683	1.959
Large/Mid Value Equity:								
Large Cap	1.18		1.10	2.02	1.25	2.88	0.75	3.27
Mid Cap	1.42		1.23	3.73	1.61	3.23	1.06	9.23
Large/Mid Blend Equity:								
Large Cap	1.20	-0.59	1.08	0.68	0.82	-1.16	0.26	0.4
Mid Cap	1.32	4.54	1.38	3.93	0.72	N/A	1.12	8.96
Large/Mid Growth Equity:								
Large Cap	1.23	-1.19	1.15	-1.70	1.34	-0.37	0.94	2.27
Mid Cap	1.36	1.85	1.29	2.10	1.66	2.55	0.99	9.39
Small Company Equity:								
Value	1.40	5.43	1.32	5.61	1.32	4.29	1.15	8.84
Blend	1.26	4.09	1.39	4.65	0.72	N/A	1.43	6.85
Growth	1.35	0.35	1.29	1.72	1.54	4.26	0.82 *	-13.75
Global Equity:								
	1.36	3.05						
International Equity:								
	1.38	3.92	1.29	4.31	1.50	4.58	0.70	6.98
Speciality:								
	1.43	5.87	1.37	4.67			0.75	6.06

New fund only 1 year
* history

Evaluation Matrix Rankings

	BB&T	Hartford	Principal	Valic	Transamerica
Patty	1	4	2	5	3
David	2	4	1	3	5
Ray	1	4	2	5	3
Tom	1	4	2	5	3
Average	1	4	2	5	4