

Question: Is there a "built in" fee of .22% on every fund in the new investment line-up that Great-West collects in addition to the mutual fund management fees? Are there any maintenance fees?

No. Some of the mutual funds that are used in the ASD plan have an internal fee known as a 12(b)1 fee. This is used for marketing and distribution of fund information. This fee is part of the overall fund management fee expressed in the prospectus. Since Great-West is performing the communication, distribution and record keeping for the mutual fund with respect to any shares in the ASD plan, the mutual fund company can use a portion of that fee to offset Great-West's administration fees. Therefore, the participant is paying no more than they would if purchasing the fund anywhere else and Great-West is recompensed for their administrative role without having to charge the participant.

Why are there so few choices to invest in?

Research shows that Plan participation decreases as the number of fund choices increases. The average employee may become overwhelmed and simply not participate. As a fiduciary, it is incumbent upon the Plan to provide an appropriate selection from an appropriate array of fund families, management styles and asset classes. Additionally, no one fund family consistently has the best performing funds in every category. ASD sought input from third party consultants to provide a list of "best of class" offerings selected for long term consistency, risk relative to return, Morningstar ratings and reasonable expense ratios. This list offers employees the ability to manage risk by diversification among fund families as well as within fund families.

Where can I get help with my account?

The local Anchorage office is staffed with 2 full time representatives. Unfortunately, one representative was promoted and left at the time of the transition. A second person has been hired and is in training. Since the majority of participants access their account information either via the web or a phone call for information, we find that having knowledgeable representatives available by phone is an effective way to assist participants. For those individuals who wish to make an appointment to meet with someone in person the office is available with extended hours that are mutually convenient. The local number is 907-276-1500.

Why were we automatically put in a managed account?

The managed account service was chosen because it provides a well diversified, appropriate asset allocation for individuals based on certain known criteria. This was preferable to selecting a single option that may or may not have been appropriate for approximately 2000 participants. Due to the nature of the prior individual contracts (as opposed to the new group contract) there was no way for the district to know what funds people were utilizing in order to map to a similar allocation. Participants were given the opportunity to opt out of the service and select their own investments. No fees are being charged for the service for the first two quarters. If an individual deems the service of value then the service fees would be charged beginning with the end of the second quarter. If an individual opts out of the managed account by June 30th, no fees will be charged for the managed account services performed since January.

Is the fixed fund guaranteed as to principal?

Yes. The interest rate is established at the beginning of each quarter and remains in effect for the entire quarter. There is not guaranteed "floor" rate but the principal is guaranteed by GWRS. Ratings and other information about Great-West Retirement Services can be found on their website at www.gwrs.com. On the left side of the page you will see an underlined topic identified as "market volatility". By clicking there you will find several articles with the most recent ratings and other topics of interest for these volatile times.

Why do we have only one provider to select from.

There are numerous reasons for selecting a single service organization as record keeper and communications provider. The focus is on communication and education rather than sales, there is less confusion for employees considering participation, and the ability to select investments from a platform of thousands of funds to provide "best of class" offerings are just a few of the compelling reasons. With the

change in federal regulations we were provided an opportunity to create and provide a new "design" in the 403(b) Plan. Great-West is not the product provider of the Plan but the servicing provider. The new Plan is uniquely *Anchorage School District's Plan* just as one might enroll in the State's 457 plan, the Municipality of Anchorage's 457 Plan or even TRS (although the difference is that TRS is mandatory). ASD has the ability to select from a platform of thousands of publicly offered investments and retain or remove investments as appropriate for the body of participants. The current selection is comprised of 4 and 5 star Morningstar-rated funds, expense ratios are below average per peer group, and the funds have long term consistent returns as evaluated by Modern Portfolio Statistics. It is important to keep in mind that GWRS is the service provider charged with providing information and record keeping services. At the end of the current contract it is possible that another record keeper could be chosen but the investment selection and the "Plan" would not be effected.

The school district is now charged with oversight of fund offerings, regulation compliance, plan documents and IRS reporting, the decision was made to consolidate to be able to maintain this very important employee benefit. Employer sponsored plans are offered as a benefit and not all employers have the resources to provide them. They must be designed to meet the needs of all employees and decisions must be made by Plan fiduciaries according to fiduciary standards, i.e. what is most appropriate for the entire group. They require a great deal of work to maintain and comply with the IRS regulations. The school district made efforts to consider the most heavily used funds from the list of prior providers to accommodate the preferences of our widely diverse group. Great-West was selected as a the best candidate from an RFP process from which all the prior vendors were invited to bid. Great-West is currently the 4th largest record keeper in the US. They have been providing record keeping services to retirement plans including the 403(b) business for over 40 years. They do not solicit or sell products. They focus on educating and supporting participants in reaching their retirement goals through the plans offered by the employer. Information about the company can be found on their website at www.gwrs.com on the left side menu.

Is this a good time to stop contributions and see how the investments perform?

That is always a personal question. However, since the deferrals provide tax advantages it is fair to say that all contributions provide immediate benefit of reducing the individual's federal taxes on the deferred amount. Additionally, for those participants who do not find their investment of choice on the new list, it might be prudent to invest in the fixed option to take advantage of the tax savings and maintain an accumulation strategy. When the market is more in line with the individual's comfort the money can be transferred back into the investments without cost.

Why did you select an insurance company as the provider?

Great-West is an insurance company. Great-West Retirement Services is a division of Great-West and is responsible for communication, enrollment and record keeping services. The investment selections for the ASD plan are not sub-advised insurance company offerings, they are the same retail funds you would purchase from any broker. There are no hidden fees, loads, commissions, maintenance fees, administration fees or "wrappers" such a mortality and expense fee. The representatives are salaried employees hired to communicate the ASD Plan. GWRS does not have any ancillary product to sell which ensures the representatives unbiased communication and ability to assist each participant with their individual goals. All the mutual fund offerings are traded at net asset value. GWRS has been very clear that they get paid from the fees that mutual funds charge, known as 12(b)-1 fees, of which a portion is allowed back to GWRS for providing the communication and enrollment services. These fees are outlined in the prospectus and would be included in the fund management fee whether or not a portion was re-allowed to Great-West. Not all the funds in the school district offerings include 12b-1 fees. It is important to understand that GWRS is not offering product, only communication and record keeping services. One

of the important discussions for moving to a single provider environment was to eliminate the 'selling' aspect incumbent with the multiple providers and be able to focus entirely on education.

There are a lot of target date or asset allocation funds. Why?

ASD has provided a line-up that makes available age based allocation models, risk based allocation models, core investment selections for the more involved investor and managed services for those that prefer personal professional assistance. This broad array of investment provides something for every type of investor and every comfort level with the market. All the funds in the ASD line-up are no load funds. There are no break-points and no additional fees applied to lower account balances. This is just one of the advantages of a participating in a group plan as opposed to an individual plan. Financial advisors agree that a pre-tax option, with the up-front advantage of reducing your current taxes, regardless of the investment option, is one of the most important vehicles available to an investor. If you are looking for certain funds and not finding them in the current offerings it might be appropriate to use the 403(b) for tax management and invest in the fixed fund and purchase the mutual fund of your choice from a retail brokerage even given the retail expenses.