

North Suburban Library System

M E M O R A N D U M

TO: NLS Board of Directors

FROM: Sarah Long

DATE: May 8, 2009

RE: Approve New Retirement Plan Administrator and Fund Manager

NLS has contracted with Principal Financial to provide retirement benefits for the staff since 2003. Principal services our 401(a) defined contribution retirement plan and the 457 deferred compensation plan. The System funds the 401(a). The 457 is an additional retirement savings option and is funded totally by the employees who participate. Participation is voluntary. To help us navigate this financial world, we work with a consultant, Michael Verhulst, from UBS. Mike helps us with the selection of the investment mix, consults with staff, intercedes with Principal when necessary, and evaluates the performance of the investment fund provider.

We've become dissatisfied with the service we receive from Principal. Principal has re-organized their call center so that we no longer can easily talk with our designated representative. We interact with whomever is on call. As a result, issues relating to the plan administration are not resolved and questions are not satisfactorily answered. The investment mix is more limited and includes more proprietary funds than other companies who use publicly traded funds. To top it off, their fees are higher than the competition. We've expressed our concerns to our sales representative and other officials in the company, but they have not been responsive.

For this reason, we explored a variety of retirement service providers. We learned that we are limited in the selection of retirement fund providers because of the size of our funds and the fact that we have a 457 plan. Only insurance companies can service the 457 plan. Our consultant contacted 12 companies on our behalf. He also contacted Principal to re-negotiate the fees. Only three came back with proposals. Principal offered to reduce fees by a very small amount.

We interviewed ING and OneAmerica. We decided not to interview Hartford because they only had two sales representatives to service all the 457 plans in the country and we are looking for more service, not less. In our interviews we focused on securing more competitive rates, better customer service, flexible investment choices, online

access for participants and educational opportunities. Attached is a chart comparing the service providers we interviewed and Principal.

We recommend moving the 401(a) and 457 retirement plans to Benefit Services Group Inc. (BSGI) as the plan administrator and ING as investment fund provider for the following reasons:

- 1 ING charges are competitive;
- 2 ING has a large selection of “brand name” funds managed by experienced advisors;
- 3 BSGI's only business is retirement plan administration;
- 4 Both ING and BSGI have a commitment to customer service;
- 5 The ING website is very user friendly;
- 6 ING has very compelling educational materials and custom workshops for staff.

BSGI will act as a third party administrator. Only the staff administering the program will have contact with them. In general the participants will interact only with ING. We have checked the references for ING and BSGI and they were very positive.

Members of Management Affairs recommend that the NSLS Board of Directors approve the change to BSGI as the third party administrator and ING as the investment fund provider.