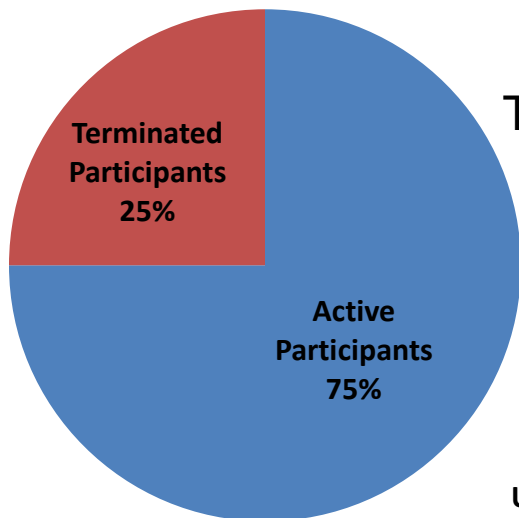
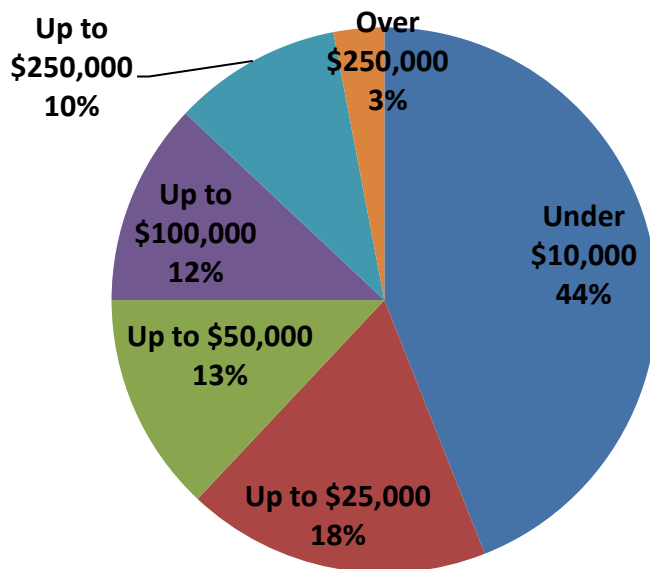
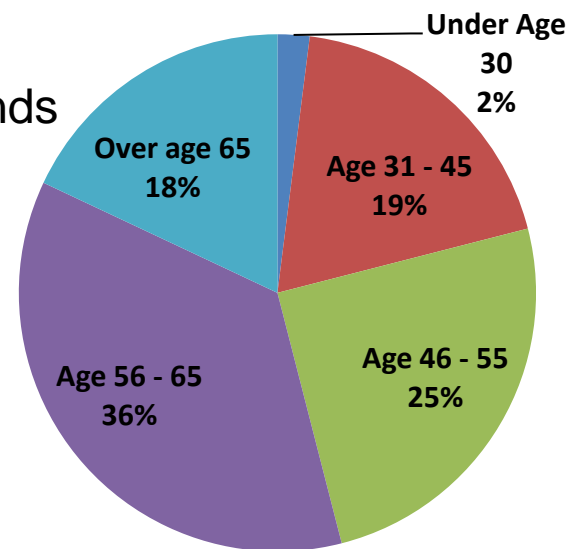




# NDC Capital Preservation Options



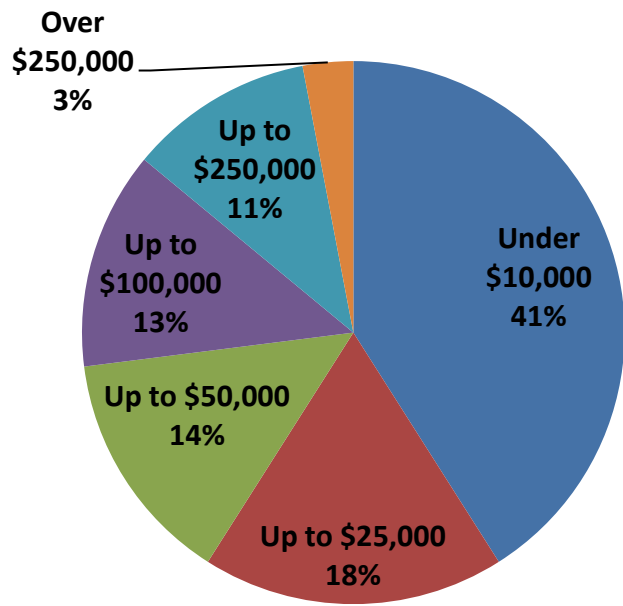
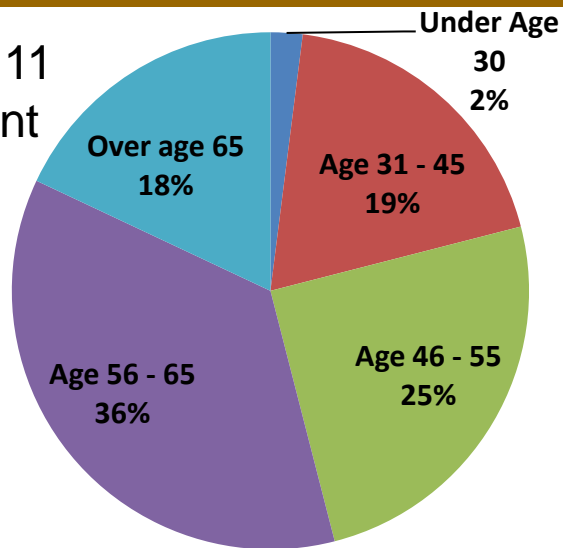
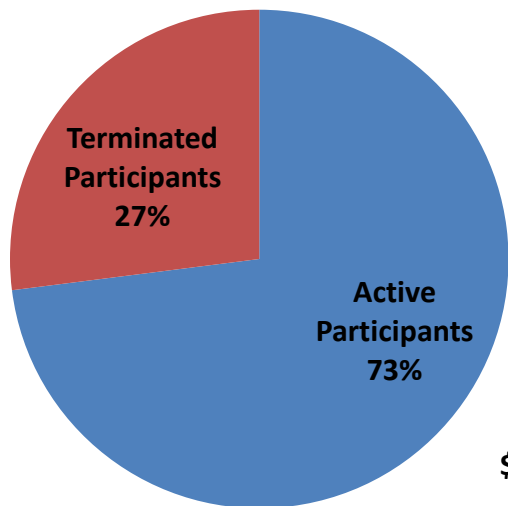
\$292 Million as of 12.31.11  
Total Capital Preservation Funds





# Hartford General Account

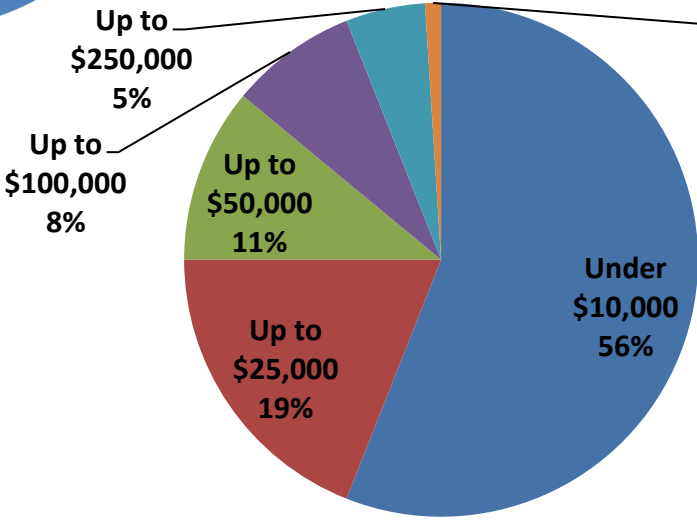
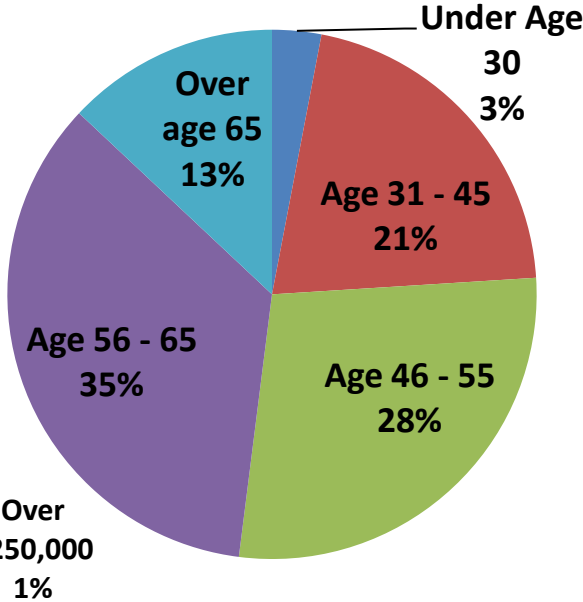
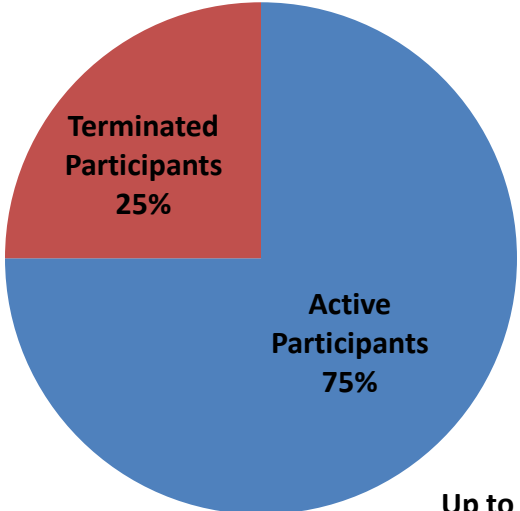
\$262 Million as of 12.31.11  
Hartford General Account





# ING Stable Value

\$29.9 Million as of 12.31.11  
ING Stable Value Fund



Over \$250,000  
1%



# Capital Preservation Options

- Low Risk
- High Quality, Secure Investments
- Principal Protection
  
- Types of Options
  - Money Market Funds
  - Low Duration Bond Funds
  - Stable Value Funds
    - Protects Principal and Interest (Book Value Guarantee)



# Evolution Of Stable Value Funds

## Traditional Insurance Contract

- Assets Owned by Insurer
- Assets in Insurer's General Account
- Single Insurer Backs Principal + Interest Guarantee

## Separate Account Contracts

- Assets Owned by Insurer
- Assets Separate from Insurer's General Account
- Single Insurer Backs Principal + Interest Guarantee

## Modern Stable Value Fund

- Assets Held In Trust
- Multiple Firms Back Principal + Interest Guarantee (wrap contracts)
- Wrap Contracts reduce credit/default risk

1970/80

1990 – 1994

2000

2012

Insurance Company Failures

Increase in deferred compensation assets

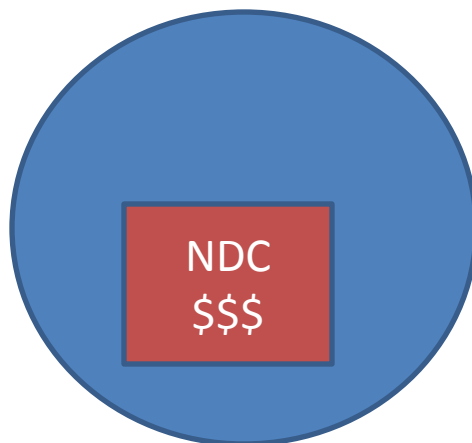


# Reduce Credit/Default Risk



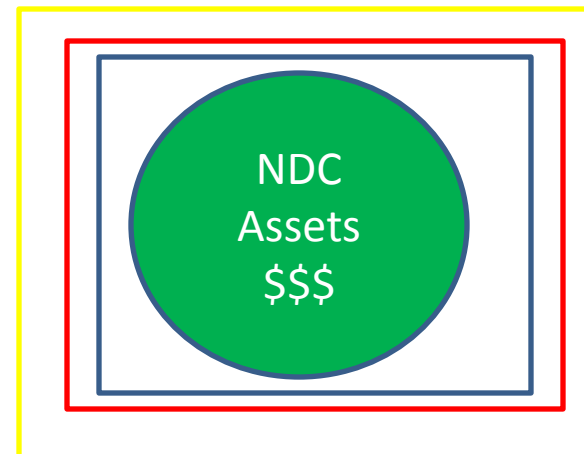
## Traditional Insurance Contract

- NDC Assets not Segregated from Insurer's Obligations
- Single Insurer Backs Principal + Interest Guarantee



## Separate Account Contract

- NDC Assets Segregated from Insurer's Obligations
- Single Insurer Backs Principal + Interest



## Modern Stable Value

- NDC assets in trust
- Invested in high quality, low duration fixed income
- Multiple Firms Back Principal + Interest (wrap contracts)



# Current Capital Preservation Options

- **Hartford General Account**
  - Traditional Insurance Contract
  - Hartford Financial Strength/Credit Ratings Key
  - Hartford Guarantees Principal and Interest (Single Insurer)
  - Hartford Manages Assets
- **ING Stable Value Fund**
  - Commingled Fund
  - Not Specific for NDC
  - Assets held in Trust (no balance sheet risk)
  - Multiple Insurers Guarantee Principal and Interest (wrap contracts)
  - Multiple Asset Managers



# Key Traits

- Key Traits for Capital Preservation Funds
  - Low Risk
  - High Quality, Secure Investments
  - Principal + Interest Guarantee (Book Value Guarantee)
  - High Quality, Multiple Insurers for Book Value Guarantee (wrap contracts)





# Hartford General Account Discussion

- Key Traits in Capital Preservation
- Fiduciary Oversight
- NDC Investment Policy
  - People
  - Processes
  - Performance
- ING Stabilizer Fund



# Concerns with Hartford

- Recent Downgrades in Hartford Life Insurance Credit Ratings
  - Crediting Rate and Principal Backed by ‘full faith and credit’ of Hartford
- Unsettled Corporate Environment Due to Sale of Retirement Plan Business
- Continued Concerns with Single Insurer



# Hartford Credit Ratings

<b>AM Best</b>	<b>Fitch</b>	<b>Moody's</b>	<b>S&amp;P</b>
A++	AAA	Aaa	AAA
<b>A+</b>	AA+	Aa1	AA+
<b>A*</b>	<b>AA</b>	Aa2	AA
A-	AA-	<b>Aa3</b>	<b>AA-</b>
B++	A+	A1	A+
<b>B+</b>	A	A2	A
B	<b>A-</b>	<b>A3</b>	<b>A-</b>
B-	<b>BBB+</b>	<b>Baa1</b>	<b>BBB+</b>
C++	BBB	Baa2	BBB
C	BBB-	Baa3	BBB-

**Green = Hartford Life and its subsidiaries as of June 2007**

**Blue = Hartford Life Insurance Only as of March 21, 2012**

**Red = Trigger for Emergency Meeting and Possible Action**

**\*Negative Future Outlook**



# What's Important?

- Continue to Provide Secure, Stable and Attractive Option
- Difference in Monies at Risk Today
- Option Should:
  - Provide Crediting Rate = Investment Risk
  - Reduce Book Value Guarantee Risks (wrap contracts)
  - Insulate Assets From Obligations and Business Practices of Provider
  - Allow Increased Fiduciary Oversight



# Recommendations

- Direct Arnerich to conduct a fund search for stable value options which incorporate key characteristics, included but not limited to the following:
  - Transparency of Fees, Credit Ratings, and Portfolio Holdings;
  - Book Value Guarantees (wrap contracts);
  - Diversification of Risk;
  - Ownership of Underlying Assets; and
  - Control over Investment Strategy/Guidelines.



# Record-keeper Request for Proposal

- 2007 RFP Differs From 2012 RFP
  - Open Investment Architecture
  - Fiduciary Must Manage and Choose Options
  - No Vendor Limitation Concerns/Conflicts
  - Seek Information on Investment Flexibility and Required Proprietary Funds
  - Does not Limit any Options from Consideration



# Hartford Contract Amendments Guaranty Association

- Requires Change to “Group Annuity” Contract
- Does Not Provide 100% Coverage
  - \$100,000 limit
  - Crediting Rate Cannot Exceed Benchmark
- Recommend Long Term Solution:
  - Insulate Participant Assets from Obligations of Company
    - Hold Assets in Trust
  - Multiple Insurers Provide Book Value Guarantee (wrap contracts)
    - Significantly Reduces Credit/Default Risk vs. Single Insurer