



# GREAT-WEST FINANCIAL

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## 3(21) FIDUCIARY SERVICES

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# FIDUCIARY SERVICES SOLUTION FROM GREAT-WEST RETIREMENT SERVICES®

*Delivered in Collaboration with Morningstar Associates'  
Expert Investment Selection Methodology*

## Why You Need ERISA Section 3(21) Fiduciary Services

With the Fiduciary Services solution from Great-West Retirement Services® (Great-West), Morningstar Associates, LLC (Morningstar) is responsible for the monitoring of your plan's investments and serves as fiduciary in this aspect under the Employee Retirement Income Security Act of 1974 (ERISA). As a plan sponsor, you receive fiduciary assistance and advice from Morningstar on the selection and monitoring of your plan's fund lineup.

If it is determined that Morningstar has breached its duties to help the plan select and monitor its investment lineup, Morningstar would:

- ▶ Pay the legal fees of the plan's fiduciaries
- ▶ Pay for damages awarded to the plaintiff

Please review the agreement between Morningstar and the plan for additional information on this indemnification.

## The Great-West Fiduciary Services Solution

**Some of your fiduciary responsibilities<sup>1</sup> include:**

**Monitoring and evaluating investments**

**With the Great-West Fiduciary Services solution, we can help you meet your fiduciary responsibilities in the following ways:**

As your ERISA Section 3(21) fiduciary, Morningstar continually screens the investment platform and will advise on any funds that do not pass its methodology no less than quarterly. Morningstar will also provide you with an Investment Policy Statement (IPS), individual fund reports, plan performance reports, and annual summary reports for your documentation.

**Ensuring fund expenses are reasonable**

Morningstar's process aims to select funds that its team believes are high-quality at a reasonable fund expense. Investments with excessive expenses will be evaluated and may be removed.

**Acting in the sole interest of participants**

Morningstar Associates is an independent, objective third-party investment expert, so you can benefit from knowing that the funds selected are done so in the best interests of participants.

While you, together with your advisor, have the final decision-making authority when it comes to your plan's investment lineup, you can benefit from knowing that the Great-West Fiduciary Services solution provides due diligence you need to make informed selections for your plan.

<sup>1</sup>The listed fiduciary responsibilities are not inclusive of all the fiduciary responsibilities you have as a plan sponsor.

# The Fiduciary Services Solution Uses Investment Advice from Morningstar

In the Fiduciary Service solution, Morningstar assists plan sponsors with selecting and monitoring the investment lineup offered to plan participants. Morningstar provides this assistance by:

- ▶ screening the funds available through Great-West's Premier Key 401(k) Investment Platform to insure the funds are suitable plan investments;
- ▶ providing rules around the number and types of funds that a plan sponsor must pick for inclusion in the fund lineup offered to plan participants; and
- ▶ monitoring whether the funds and fund selection rules remain appropriate investments and guidance for the plan.

If a plan follows Morningstar's guidance, Morningstar believes the plan will have satisfied its ERISA fiduciary duties in selecting a fund lineup for plan participants. The methodology behind Morningstar's actions are described below.

## PHASE 1: DEFINE A BROADLY DIVERSIFIED SET OF INVESTMENT CATEGORIES

Each fund menu is built to achieve the following goals:

1. Provide enough categories to allow each plan participant to build a well-diversified portfolio, including a wide variety of stock, bond and cash investment options.
2. Strike a balance between value- and growth-oriented options as well as small- and large-cap offerings.
3. Feature funds that individually play a distinct role within the overall lineup.

## PHASE 2: CAREFULLY SELECT INVESTMENTS FOR A WELL-DIVERSIFIED PLAN LINEUP

The funds are thoroughly evaluated based on a wide range of quantitative criteria, including:

- ▶ Management consistency
- ▶ Style consistency
- ▶ Performance consistency
- ▶ Expenses

### The Power of Morningstar's Expertise

Morningstar's expertise and history speak for themselves. Morningstar is a leading provider of investment advisory services for the retirement plan industry. It is a registered investment adviser and wholly owned subsidiary of Morningstar, Inc. The company is known for its independence, trust and putting the needs of individual investors first.

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### What Is a Fiduciary?

Under ERISA, one way a person can become a fiduciary is by providing investment advice for a fee regarding a plan's assets. A person can become an ERISA fiduciary in other ways, like by having or exercising discretionary control over plan administration, or over a plan's assets.

In addition, qualitative analysis from an experienced team of investment professionals is performed to ensure the following elements are taken into consideration:

- ▶ Investment sub-style and process
- ▶ Manager skill (including history at other funds)
- ▶ Asset size and growth
- ▶ Median market capitalization and range
- ▶ Historical style-box placement and drift
- ▶ Portfolio composition and concentration
- ▶ Sector weightings
- ▶ Portfolio turnover
- ▶ Management structure and turnover
- ▶ Evidence of market timing
- ▶ Fund's "fit" with assigned role

### **PHASE 3: MONITOR THE FUND MENUS AND MAKE NECESSARY ADJUSTMENTS**

A selection thesis is established for each fund when it is placed by Morningstar on the menu, and the funds are continually reviewed against those criteria to ensure that each fund continues to meet the rationale for selection. This ongoing commitment helps ensure that plan sponsors are provided with carefully constructed fund lineups that continue to meet their objectives over time.

#### **Morningstar's Numbers\***

- » More than \$186 billion in assets under management through Morningstar's Investment Management division
- » A decade of providing fiduciary services, managing \$16 billion across more than 6,000 plans in this service to date\*\*
- » More than 100 professionals that average 10 years of experience at Morningstar
- » Conducts more than 800 manager interviews annually and covers more than 2,000 funds

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\* Morningstar's Investment Management division is a division of Morningstar designed to provide integrated, institutionally focused research, consulting and advisory services. Morningstar's Investment Management division includes Morningstar Associates, Ibbotson Associates and Morningstar Investment Services, all registered investment advisers and wholly owned subsidiaries of Morningstar, Inc. All investment advisory services described herein are provided by one or more of the U.S. registered investment adviser subsidiaries. Data as of June 30, 2012. Includes Morningstar Associates, Ibbotson Associates, Morningstar Investment Services, OBSR AS, and Ibbotson Australia.

\*\* Data as of June 30, 2012. Includes Morningstar Associates, LLC and Ibbotson Associates, Inc.

## Great-West Fiduciary Services Investment Platform

The Great-West Premier Key 401(k) Investment Platform is the set of fund menu options that Morningstar has recommended to be available to plan sponsors through the Fiduciary Services solution. With around 200 investment options to choose from, the Premier Key 401(k) delivers a semi-open architecture platform. As a plan sponsor, you have the choice of three types of profiles that fit the behavior type of your plan population. Once you choose the profile that most closely matches your plan demographics, you can select from the wide variety of funds within Premier Key. This approach gives you the flexibility to offer participants an even broader universe of quality investment options reviewed by Morningstar, one of the market's premier investment firms.

### Summary of Key Benefits

- ▶ Additional fiduciary protection from a registered investment advisor
- ▶ A consistent process and comprehensive documentation to support your fiduciary responsibilities
- ▶ Asset class selection based on your plan
- ▶ A diversified fund lineup
- ▶ Ongoing monitoring of the fund lineup

### How Do You Receive More Information?

**To learn more about Great-West's Fiduciary Services solution, contact your Internal Wholesaler. The Fiduciary Services solution can be bundled with, or added to, the host of other products and services offered by Great-West.**



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