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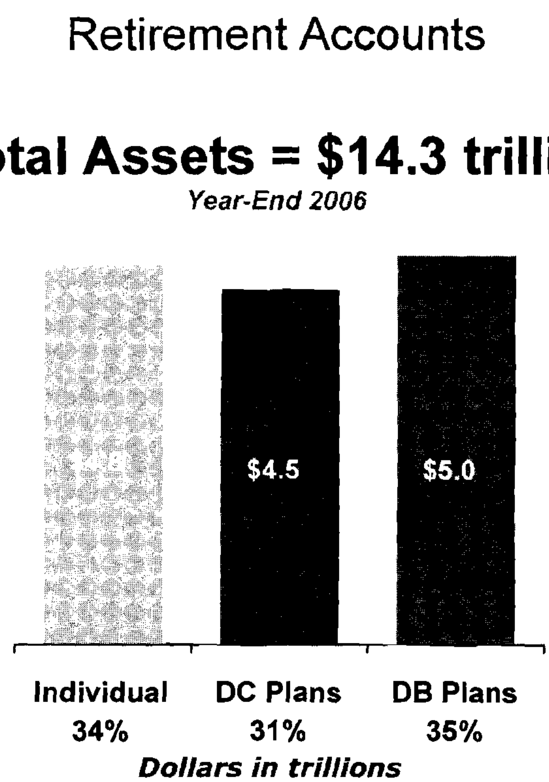
STATEMENT OF CHARLES P. NELSON, SENIOR VICE PRESIDENT, GREAT-WEST RETIREMENT SERVICES®
SEC RULE 12B-1 ROUNDTABLE, JUNE 19, 2007

The following statement reflects my own knowledge and views of the industry and does not necessarily reflect, nor should it be construed as representing, the views, policies or practices of Great-West Retirement Services® or any of its affiliates.

I think most Americans would agree they need to save for retirement, and they need assistance to do so. Industry research shows they're working toward this goal. In fact, according to analysis by the SPARK Institute, almost $4.5 trillion in total assets has been set aside in defined contribution (DC) plans in the United States.



Source: SPARK Institute staff analysis

Having spent the past 20-plus years at a leading retirement plan provider, Great-West Retirement Services, I'm very familiar with the defined contribution market and the largest segment of the DC market – the 401(k) segment. Almost 460,000 employers offer a 401(k) plan, and more than 57 million Americans take advantage of it – accruing almost $2.6 trillion in assets to date.

401(k) Plans

Market Segments

Year-End 2006

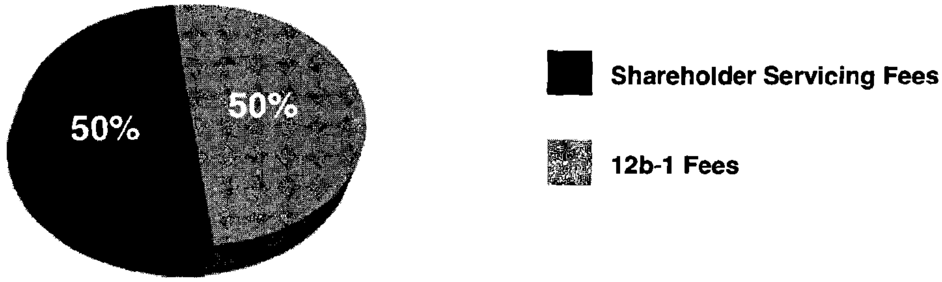
Size Segment (Plan Assets)	Plans (thousands)	Participants (millions)	Assets (billions)
Micro (< $1M)	342.5	9.2	$140
Small ($1 – 10M)	98.9	10.7	$345
Mid ($10 – 50M)	11.9	8.9	$285
Large ($50 – 250M)	2.9	9.7	$370
Mega (> $250M)	1.3	18.8	$1,410
Totals	***457.5***	***57.3***	***$2,550***

Source: SPARK Institute staff analysis

These participants and plan sponsors receive a variety of valuable services such as recordkeeping, customer service, and employee education assistance and advice from their respective retirement plan providers and advisers.

The revenue from mutual fund products to 401(k) providers and advisers, which offsets the costs of these services, generally is split evenly between shareholder service fees and 12b-1 fees.

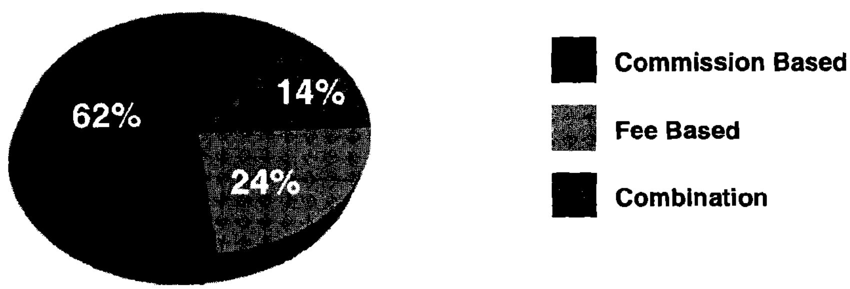
Defined Contribution Recordkeeping Revenue from Mutual Funds



Of the advisers and brokers who distribute 401(k) plans to the more than 400,000 small businesses in America, or who provide financial education and advice to those firms' workers, studies show that 62 percent rely almost exclusively on commissions or 12b-1 fees as the source of compensation for their services.

12b-1 Fees: Primary Source of Commissions

Methods of Compensation for 401(k) Advisers / Brokers



Source: 2006 Brightwork Partners, LLC

The 12b-1 fees are used as follows in defined contribution plans.

"Bundled" products – Typically retirement plan providers package investment options (from a variety of investment managers), recordkeeping, communication, education, plan design and compliance.

- 12b-1 fees are a source of revenue to the provider. Industry information suggests 12b-1 fees account for approximately 15 percent of total revenue to a provider. Advisers and brokers are paid out of the total revenue from the provider.

"Semi-bundled" products – Typically retirement plan providers package recordkeeping, administrative services and investment options (from a variety of investment managers). Communication, education, investment advice, plan design and compliance may be done by an adviser, broker and/or a third-party administrator.

- 12b-1 fees often are paid directly to a broker-dealer of an adviser or broker. The adviser or broker then is paid from their broker-dealer a significant percentage of the 12b-1 fee compensation.

"Unbundled" products – Services such as investment options (from a variety of investment managers), recordkeeping, administrative services, communication, education, investment advice, plan design and compliance are delivered by one or more providers as selected by the plan sponsor. Unbundled products are generally for large 401(k) plans.

- The recordkeeping provider generally collects all revenue (plan and participant fees, 12b-1 and shareholder service fees, etc.) and coordinates payment to the various providers of services (as directed by the plan sponsor) to the plan and participants. For example, the recordkeeper will facilitate the payment of expenses associated with the communication, education and broker and adviser services provided to the plan. Any revenue in excess of expense commonly is credited back to the plan.

- On average, for each dollar of revenue from mutual funds (the total of 12b-1 and shareholder service fees), 54 cents is used to cover plan expenses. The remaining 46 cents is credited back to the plan sponsor and participants. As you can imagine, this type of accounting is expensive and complex. Consequently, only a few of the larger plan sponsors use it. Other plan sponsors receive the same benefits, but they are achieved differently, through the products that were just described.

In each of these three product types, compensation to advisers/brokers and plan expenses are disclosed to plan sponsors in Form 5500.

As just described, 12b-1 fees are an important source of revenue for retirement plan providers, advisers/brokers and employer-sponsored plans. Without 12b-1 fees, small employers may lose the services of advisers.

Advisers and brokers provide a valuable and integral service in the success of 401(k) plans. Without their expertise and assistance, small employers may be more challenged to implement and maintain 401(k) plans. Devoid of the communication, education and investment advisory services provided by advisers and brokers, employees may not join plans. Those who do join will not have access to knowledgeable and skilled advisers to assist them with their retirement planning and investment needs.

Most retirement platforms have used Class A shares that are load waived. Fund companies generally don't assess upfront loads for group retirement plan platforms due to the scale of the platforms. B and C shares usually aren't used by group retirement plan platforms due to the back-end loads that are assessed, which cause recordkeeping problems at the participant level. Contingent Deferred Sales Charges (CDSC's) in certain share classes are problematic for many group retirement platforms.

In response to the problems posed by share classes with CDSC's or front-end loads in group retirement plans, the industry developed R shares to be used by group retirement plan platforms only.

The average R share 12b-1 amount used by plan sponsors is 50 basis points, and they don't have any front-end or back-end loads. Generally, less than 4 percent of plan assets are invested in R share funds.

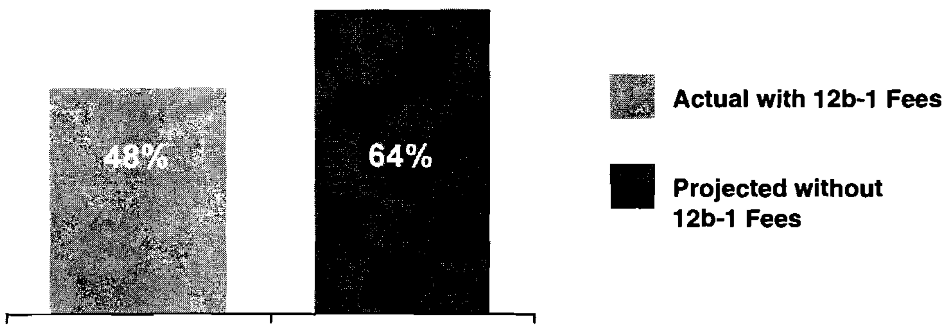
While many fund families continue to offer load-waived A shares to group retirement plan platforms, many are now offering R shares as well. Some fund families will no longer sell A shares to new retirement plans, and will only offer R shares.

Clearly, 12b-1 fees are an important source of revenue for the retirement plan market, and without them, small employers may lose the valuable services that advisers provide. Other potential effects of the elimination of 12b-1 fees include:

- Retirement plan providers and advisers/brokers may replace mutual funds with other investment vehicles such as unregulated, unregistered separately managed accounts or collective trusts. These investment vehicles can provide other compensation to retirement providers, advisers and brokers.
- Direct-billed fees could increase up to 15 percent on average for participants and plans.
- There likely would be further consolidation among retirement plan providers, resulting in a less competitive market. Research shows that 48 percent of 401(k) providers had operating earnings of breakeven or less. Eliminating 15 percent of their revenue would likely increase this number to 64 percent.

Result of Eliminating 12b-1 Fees: Fewer 401(k) Providers and Less Competitive Marketplace

Average percentage of 401(k) providers from 2003 - 2005 whose pre-tax profit margin was less than or equal to breakeven



Projection without 12b-1 fees assumes 15% less total revenue to 401(k) providers during 2003 - 2005

Source: Sterling Resources, Benchmark Survey (2003 - 2005 data)

I've spent more than 20 years helping employers offer retirement plans, and 12b-1 fees are a critical source of revenue to fund services to plan sponsors and participants. Without them, many employers will have to reconsider whether they can continue to help their employees save for retirement.